A Topsy Turvy World

Will 2015 be more predictable?
Think win-win.
Invest in mutual fund schemes to beat inflation and save tax.

ELSS Equity Linked Savings Scheme

Enjoy the benefits of capital appreciation and tax benefits u/s 80C of IT Act by investing in Mutual Fund Schemes

Make wealth creation a habit.

An Investor Education Initiative

to know more, please visit www.licnomuramf.com/Investor-Education

MUTUAL FUND INVESTMENTS ARE SUBJECT TO MARKET RISKS, READ ALL SCHEME RELATED DOCUMENTS CAREFULLY.
Keep smiling in different market conditions

Presenting ICICI Prudential Dynamic Plan
An Open Ended Diversified Equity Fund

The advantages of ICICI Prudential Dynamic Plan are:
• It aims to gain when markets rise & limits downside when markets fall
• Flexibility to choose across sectors, market capitalization and themes
• A fund that aims to benefit in different market conditions

To know more, visit www.iciciprumf.com

This product is suitable for investors who are seeking*:
• Long term wealth creation solution
• A diversified equity fund that aims for growth by investing in equity and debt (for defensive considerations.)

* Investors should consult their financial advisers if in doubt about whether the product is suitable for them.

Note: Risk may be represented as:

BLUE) investors understand that their principal will be at low risk
YELLOW) investors understand that their principal will be at medium risk
BROWN) investors understand that their principal will be at high risk

Mutual Fund investments are subject to market risks, read all scheme related documents carefully.
Goodbye 2014: A Year of Tumult

The events of the year 2014 confounded analysts of all varieties across the world. There is a government in India with a surprisingly clear majority; oil prices have crashed to the vicinity of $50 from the highs of $120 not so long ago; American economic recovery which seemed rather distant now appears real going by the figures out in December. It would not be an exaggeration to say that 2014 has been a topsy-turvy year. Making economic predictions for 2015 is fraught with danger considering the flux in the global macro environment.

Clearing of stalled projects and a few reform measures from the new Government no doubt helps revival, but domestic growth should not be taken for granted. Just animal spirit and demographics are not enough to revive growth. Huge headwind from uncertain global growth and excess capacity would keep domestic pricing power in check and lack of government spending would keep domestic demand in check. Hence investors would be well advised to tone down expectations and be aware that there are too many things that can and may go wrong. In our cover story this month, KP Jeewan examines how various events as they have turned out scarcely follow any pattern economists and analysts recognise. Are we witnessing a series a ‘Black Swan’ events?

However, the turnaround in the economic sentiment domestically is unmistakable, while many may quibble about the quantum of positivity. In 2010, the signs of slowdown began to appear. Policy paralysis accelerated the downtrend and short-circuited business sentiment. A mini currency crisis last year, untamed inflation and the twin deficits — fiscal and current account — looked set to sink whatever was left of the India story. The corporate sector now appears a little more upbeat.

As equity markets take wing, corporate India appears to be seizing the opportunity to expand the investor base. That’s why as many as 94 companies went for splitting their stock in 2014. This includes big-wigs like India’s largest lender State Bank of India, ICICI Bank, Axis Bank, Punjab National Bank, and JK Tyre, among others. Sunil Singh’s feature in this issue looks at why there’s been a spate of stock splits and how it affects investor participation in the markets.

In India’s consumer market, Page Industries—the licensed manufacturer of Jockey undergarments—has emerged a trail blazer. Shares of Page Industries have given phenomenal returns over a period of time: 45% in three months, 228% in two years, 371% in three years, and a whopping 1188% over five years. Our special focus on the scrip finds out what makes it so hot, and how there’s plenty of room for the stock to move upwards despite trading currently at Rs 12,000 levels making it one of the most expensive in the bourses.

The construction sector in India has massive investment potential. In the last few months the sector seems to have benefitted from the new policies and the accelerated project clearance regime put in place by the Modi government. The construction sector’s growth had declined to 1.4% (FY13-14) from 7.8% (FY07-12), mainly due to policy hurdles. However, with the new and stable government coming at the centre, things have begun moving in the right direction. We take a look at five construction sector stocks that stand to gain the most as project clearances and tendering activities pick up.

Hope 2015 brings you greater prosperity. Wish you a very happy New Year.
Invest for Long Term Growth while Saving Taxes

Baroda Pioneer ELSS'96
(An Open Ended Tax Benefit-Cum-Growth Scheme)

This product is suitable for investors who are seeking:
• Capital growth over long term
• Investment predominantly in equity and equity-related securities
• High Risk BROWN

*Investors should consult their financial advisers if in doubt about whether the product is suitable for them. Note: Risk is represented as:
  BLUE investors understand that their principal will be at low risk.
  YELLOW investors understand that their principal will be at medium risk.
  BROWN investors understand that their principal will be at high risk.

Baroda Pioneer Asset Management Company Limited
CIN: U65991MH1992PLC069414
501 Titanium, 5th Floor, Western Express Highway, Goregaon (East), Mumbai - 400 063.
Tel.: +91 22 3074 1000 Fax: +91 22 3074 1001 Toll Free: 18004190911
Visit us at: www.barodapioneer.in Email: info@barodapioneer.in

BARODA PIONEER MUTUAL FUND

Mutual Fund Investments are subject to market risks, read all scheme related documents carefully.
CONTENTS

Cover Story

20 Take off The Rose-Tinted Glasses
Good times won’t roll in so easy

28 Realty
A Housewarming Party

36 Gift A Future
Unique gifting ideas from the financial space

32 Alam Srinivas
Don’t dump welfare just yet

34 Jeffrey Frankel
Why are commodity prices falling?

A.N. Shanbhag and Sandeep Shanbhag
Just a name change
WE ARE DIGITAL

With the proliferation of smartphones and tablet devices, reading habits are slowly but surely changing. We understand the importance of giving readers a cross-platform choice to access the magazine. The Finapolis is now available in a digital avatar as well via a global publishing platform such as Magzter and Indiamags. Besides allowing you to read on the go, the digital version offers an enhanced reading experience. It also eliminates delivery delays. You can download the digital magazine on the first day of every month. Go to www.magzter.com, Indiamags.com or Rockstand mobile app, search for ‘The Finapolis’, sample some pages of the digital magazine, and buy a subscription through your netbanking or credit card account. A one-year subscription for The Finapolis digital costs only Rs 540. You need to have a device that runs on Apple’s iOS, Android or Windows 8 operating system. Do let us know what you think of the digital experience by writing in to feedback@thefinapolis.com

Follow us on

- twitter.com/KarvyFinapolis
- facebook.com/TheFinapolis
- plus.google.com/ +karvyfinapolis

Face To Face
Dr. VK Vijayakumar, Investment strategist, Geojit BNP Paribas

Flashback
When tobacco was hard currency

ETCETERA

Yashish Dahiya
Family floater plans: An overview

Rajiv Raj
What you should not do until your home loan is sanctioned
Is Gold really green?
Gold indeed is ever-green and always bounces back from its lows, but the headwinds are becoming too strong to handle. The economy is in a tornado created by the dollar that is making gold lose its sheen. 2014 has witnessed a 3Y low, and the year-end only sees dollar strengthening more. Maybe for a new investor, gold is an attractive option now with a long-term view. But as an investor who already holds gold and as part of middle-class with financial requirements, any further slump is a cause for concern.

- Anil Kuriakose, Kochi

Are we there yet?
If the investment cycle resumes in India, then the Sensex may soon scale 40,000, said Christopher Wood, managing director and equity strategist, CLSA. But that is a big IF with the stance of RBI Governor, Raghuram Rajan. He has been procrastinating cutting interest rates for a long time now. Even as the economy showed signs of awakening, instead of providing a helping hand, he chose to stand back and watch saying it is important to break the back of inflation to ensure a sustainable growth trajectory for India. As per November data, wholesale inflation measured by the Wholesale Prices Index (WPI) has dipped to zero in India. What are you waiting for, Mr. Rajan, Christmas? Even that is come and gone!

- Mahesh Ram, Gurgaon

Like your wine
They say, once bitten, twice shy. I burned my fingers with Ulips back in 2008 when the markets crashed. Not only did I lose my investment, but also had to shell out nearly 10% of the premium towards fees and charges. I have lain off the markets since, investing only in risk-free government-backed products. But your article titled New Wine In An Old Bottle on Ulips 2.0 is piquing my curiosity to check out the product again. The market is also on the rise with bulls racing up and hard whipped by positivity from market experts such as Rakesh Jhunjhunwala and Varun Goyal. Additionally, it is a relief that cumulative charges have been capped by the IRDA and the service providers cannot loot us now. In that sense, Ulip 2.0 sounds like a good deal now.

- Sruthi Bhaskar, Hyderabad

Implementation is the key
I recently came across a report by KPMG that claims that India apparently ranks very high on the standards of corporate governance in the sense that the rules and regulation in place in our country are of top quality compared with the rest of the world. We were ranked fourth in a study of the laws of 25 nations. This almost negates your view that even if no structural reform happens, simply improving governance standards can uplift the economy. No, it can’t. What Kiran Nanda possibly meant is actual implementation and adherence to the laws and practicing good governance in day-to-day affairs of corporates and the government. We indeed have a very long way to go in that respect.

- Priya Paswan, Patna

Play a little
It will be very sad to see the Etcetera section go. That was the only light read in the otherwise finance-focused magazine. I sincerely do hope there will be more fun articles, interesting facts and entertaining bits introduced in the magazine. Coming to think of it, yours is one of the only magazines that do not run a cartoon! Not that it takes away the good work you do, but all work and no play does indeed make Jack a dull boy. I have read about some astrologers who read expectations from the markets like they read lives of people. Though I believe it’s crazy, you can’t deny they are entertaining!

- Aditya Kothari, Mumbai

Disclaimer: The technical studies / analysis discussed here can be at odds with our fundamental views / analysis. The information and views presented in this report are prepared by Karvy Consultants Limited. The information contained herein is based on our analysis and upon sources that we consider reliable. We, however, do not vouch for the accuracy or the completeness thereof. This material is for personal information and we are not responsible for any loss incurred based upon it. The investments discussed or recommended in this report may not be suitable for all investors. Investors must make their own investment decisions based on their specific investment objectives and financial position and using such independent advice, as they believe necessary. While acting upon any information or analysis mentioned in this report, investors may please note that neither Karvy nor Karvy Consultants nor any person connected with any associate companies of Karvy accepts any liability arising from the use of this information and views mentioned in this document. The author, directors and other employees of Karvy and its affiliates may hold long or short positions in the above mentioned companies from time to time. Every employee of Karvy and its associate companies is required to disclose his/her individual stock holdings and details of trades, if any, that they undertake. The team rendering corporate analysis and investment recommendations are restricted in purchasing/selling of shares or other securities till such a time this recommendation has either been displayed or has been forwarded to clients of Karvy. All employees are further restricted to place orders only through Karvy Consultants Ltd. This report is intended for a restricted audience and we are not soliciting any action based on it. Neither the information nor any opinion expressed herein constitutes an offer or an invitation to make an offer, to buy or sell any securities, or any options, futures or other derivatives related to such securities.
Why settle for just one? get both

Invest in Reliance Tax Saver (ELSS) Fund and enjoy the dual benefits of tax-savings and growth potential. Surely, this is reason enough to smile.

Reliance
Tax Saver (ELSS) Fund
(An open ended Equity Linked Savings Scheme)

Call 1800 300 11111 | www.reliancemutual.com | SMS ‘ELSS’ to 561617

The tax benefits are as per the current Income Tax laws & rules and any other law for the time being in force. Investors are advised to consult their tax advisors before investing in the scheme. Investment in Reliance Tax Saver (ELSS) Fund is subject to lock in period of 3 years from the date of allotment of units. Tax Savings u/s 80C of Income Tax Act. SMS charges apply.

This product is suitable for investors who are seeking:
  - Long term capital growth
  - Investment in equity and equity related securities
  - High risk [BROWN]

*Investors should consult their financial advisors if in doubt about whether the product is suitable for them.

Note: Risk is represented as:

- (BLUE) investors understand that their principal will be at low risk
- (YELLOW) investors understand that their principal will be at medium risk
- (BROWN) investors understand that their principal will be at high risk

Mutual Fund investments are subject to market risks, read all scheme related documents carefully.
The Reserve Bank of India (RBI) Governor Raghuram Rajan kept the policy repo rate and cash reserve ratio (CRR) unchanged at 8% and 4%, respectively in December too. Here are the five reasons why Rajan refused to take a dovish position in the monetary policy.

(1) Deficient monsoon: Domestic activity weakened in Q2 of 2014-15, and activity is likely to be muted in Q3 too because of a moderate kharif harvest. The deficiency in the north-east monsoon rainfall has constrained the pace of rabi sowing, except in the southern States. Agricultural growth in 2014-15 is likely to be muted.

(2) Slump in industrial production: Despite the uptick in September, the growth of industrial production slumped to 1.1% in Q2. The persisting contraction in the production of both capital goods and consumer goods in Q2 reflected weak aggregate domestic demand. Exports have buffered the slowdown in industrial activity in Q2 but, going forward, require support from partner country growth.

(3) Muted services sector: October’s purchasing managers’ survey indicates deceleration in new business. But tourist arrivals and domestic and international cargo movements show improvement. Thus, various constituents of the services sector are emitting mixed signals.

(4) Base effect in inflation: Although retail inflation as per CPI has decelerated sharply since September, this reflects transitory factors such as favourable base effects and the usual softening of fruits and vegetable prices, the monetary policy statement said. Protein-rich items such as milk and pulses continue to experience upside pressures, reflecting structural mismatches in supply and demand. The absence of adequate administered price revisions in inputs like electricity has contributed to the easing of inflation in the fuel group.

(5) Price pressure persists: Upside pressures persist in respect of prices of clothing and bedding, housing and other miscellaneous services, resulting in non-food non-fuel inflation for October remaining flat at its level in the previous month, and above headline inflation, the policy statement said.
From Internet of Things To Genomics: 12 Technologies That Can Transform India

The McKinsey Global Institute (MGI), the business and economics research arm of McKinsey & Company, has identified a dozen technologies, ranging from the mobile Internet to cloud computing to advanced genomics, which could have a combined economic impact of $550 billion to $1 trillion a year in 2025 in the Indian economy.

India has made progress towards its goal of bringing millions of people out of extreme poverty. However, despite these efforts, some 680 million Indians, or 56% of the population, still lack the basics of a minimum acceptable standard of living. What India is needed now is a productivity- and efficiency-led transformation, the report ‘India’s tech opportunity: Transforming work, empowering people’ said.

If India can raise the productivity of its labour force and deliver basic services 50 to 100% more efficiently than in the past decade, half a billion people in India can be lifted to the MGI “Empowerment Line”, where they have the capacity to meet basic needs and maintain a decent standard of living, with access to health care, education, and other vital services.

The technologies that can empower India in the next decade are:
1. Mobile Internet
2. Cloud technology
3. Automation of knowledge work
4. Digital payments
5. Verifiable digital identity
6. Internet of Things
7. Intelligent transportation and distribution
8. Advanced geographic information systems (GIS)
9. Next-generation genomics
10. Advanced oil and gas exploration and recovery
11. Renewable energy
12. Advanced energy storage

Combating Corruption: Focus Gone Awry?

It was not long ago that the news of India marginally improving its rank to 85 among 178 countries on the global Corruption Perception Index brought some glimmer of hope for a nation embroiled in corruption, bribery and money laundering. While the new leadership took the credit for making this happen through its anti-corruption drives, Corporate India too trumpeted establishing rule of law and compliance norms.

But, looking at the bigger picture may not always be the right way as the smaller nuances may get overlooked. Putting this into perspective is Deloitte’s latest report on anti-bribery and corruption compliance efforts. While the management is supposedly aiding in every way possible with establishing policies and frameworks to encourage zero tolerance culture to bribery and corruption, the very people who form the backbone of India Inc., the employees, are blissfully unaware and not cognisant of the efforts.

“In our experience, while corporate India is actively relooking at strengthening its code of conduct and anti-bribery and corruption policies, it appears that the emphasis is on structuring the policy and preparing it for compliance with regulations and implementing it on business partners. In that process, organizations seem to have missed consistent implementation and communication of these policies with employees,” says Sumit Makhija, Senior Director, Deloitte Forensic (India), in a press release.

The survey report titled Public perceptions of anti-bribery and corruption compliance effort says that while 88% of the respondents said they would not want to be associated with a company perceived to be indulging in corruption, bribery and money laundering, an alarming 55% had no clue if their organisation even had a policy on anti-bribery and corruption!

The findings of this survey prove that the government as well as corporate India has a long way to go for getting the game right and tackling the deep-rooted evil called corruption while aiming to institutionalise anti-bribery and corruption.
A Crude Shock in the Making

Crude oil at $40 a barrel? A six months ago if an analyst had told you this, you’d probably have asked him consult a psychiatrist. But such a crash is not simply possible but also inevitable according to this Bloomberg report that appeared on December 1, 2014. The reported quoted Murray Edwards, the chairman of Canadian Natural Resources Ltd as saying “crude may sink as low as $30 a barrel before rebounding to stabilise at $70 to $75 a barrel.”

Oil prices are plummeting because of three key reasons: The US cutting down its imports from OPEC thanks to its own burgeoning production from shale reserves, the OPEC nations find themselves in a price war and are refusing to cut down production. It’s a game of one-upmanship that has thus far proved costly for them, and slowing global economic growth meaning oil demand is pretty weak.

According to the report, OPEC countries need oil to be at $100 a barrel to balance their budgets. Their pain will only intensify as US shale gas explorers are now in a position to break even with oil prices as low as $42.

The other interesting fact is that a majority of OPEC countries which are doggedly not cutting down production are monarchies (Saudi Arabia) or quasi authoritarian states (Russia, Iran). Such countries hardly face any checks and balances in the form of political opposition, and they aren’t accountable to their citizens in the manner governments are in a strong democracy.

The financial daily Mint’s columnist and venture capitalist V Anantha Nageswaran wrote on December 2 that “clearly what is going on in the oil industry is not a battle between OPEC and US shale oil producers. Perhaps, it is a proxy battle that some producers of OPEC are fighting on behalf of the US with Russia, under certain conditions on matters of interest to them.”

While India can rejoice at the prospect of lower oil price taming inflation and slashing the government’s import substantially, what’s brewing is a pretty dangerous cocktail.
If it’s speed you need, the choice is obvious.

BSE’s BOLT+ trading platform boasts a trading speed of 200 microseconds, more than 10 times faster than our nearest competitor. Trade on BSE today and experience the new.

- Capacity of 5,00,000 orders per second
- Unprecedented reliability and security
- German technology
Jhunjhunwala’s Spicy Pick

Jhunjhunwala may have the last laugh. The low-cost carrier, SpiceJet, is flying very turbulent times financially. Except for FY10 and FY11, the no-frills airline has been continuously posting losses since FY07 and the combined losses since then totals nearly Rs 2194 crore till date. What’s more, the company also has debt on books of Rs 1738 crore as of March 2014.

Employees report not having been paid their salaries and news reports say that some even have moved over to other airline operators. The situation only worsened with cancellation of 70-80 flights in a day. This comes at a time when the aviation regulator DGCA was considering issuing a show-cause notice to the airline for defying its directives regarding advance bookings. Remember that SpiceJet had been offering very steep discounts over extended periods, which analysts interpreted as an attempt to gather as much funds as possible in a short time. Given the mass cancellations leaving passengers stranded, and also the heavy dues that the airline owed towards airport operators and fuelling charges, DGCA also withdrew 186 of its slots and asked the airline to at least clear its salary dues of all its employees. An alarming 1,800-plus flights have been cancelled in December alone. With banks still reeling from lending to Kingfisher and facing a ‘once bitten, twice shy’ situation, refuse to cooperate with lending to SpiceJet, leading November to market observers started equating SpiceJet to Kingfisher that was finally grounded last year after strikingly similar experiences. The stock price of SpiceJet tumbled to a low of Rs 11 in August and has been trading muted since.

It was such a time that big bull Rakesh Jhunjhunwala picked up 75 lakh shares of SpiceJet for Rs 13.4 crore through open market route on November 28. Renowned for his investing prowess that has historically seen whichever stock he invests in spike up, SpiceJet after a marginal uptick to Rs 21 on December 1, depreciated by over 12% within 12 days amid mounting troubles for the budget carrier. The markets started questioning if the ace investor had erred with his investment decision this time.

But of course, Jhunjhunwala probably had his own reasons (and some information) for betting on the cash-strapped airline that the market was almost giving up on. Word now is that the airline has found a way out of its financial woes: Ajay Singh, co-founder of the airline who sold his stake in 2010 has expressed interest in reviving the budget carrier by purchasing the company from Kalanith Maran. The stock price moved up on the good news and traded at Rs 19 on December 23, against the Rs 17.88 a piece at which Jhunjhunwala had purchased his shares amounting to about 1.4% stake. The New Year may indeed give a fresh lease of life to the airline, and Jhunjhunwala may after all be laughing his way profiting from his timely entry into SpiceJet.
AVIATION

The Jet Fuel Disparity

The price of jet fuel sold by state-owned OMCs such as IOC have dropped a measly 4% while internationally, the prices have tumbled nearly 11% in November alone. As it is, there is a huge gap in the global and Indian jet fuel prices—Singapore Airlines pays $93/bbl whereas Indian airlines have to fork out $154 for the same quantity.

Aviation secretary V Somasundaran has written a strong letter to his counterpart in the oil ministry seeking immediate price cuts in ATF in India. While international fuel prices are dramatically down, our OMCs have not reduced price proportionately, he writes.

Somasundaran points out that only 1 of 5 airlines in India is making profits (IndiGo), and he attributed this dire situation to cost of fuel. In India, ATF constitutes nearly 40-45% of a carrier’s operating costs. State-imposed taxes on fuel further puts pressure on Indian airline operators. In comparison, global airlines manage to restrict this to one-third of their operational overheads.

For the year ended March, India’s top five domestic carriers reported a combined loss of Rs 9,737 crore, an 85% increase over the previous year’s loss. A reduction in ATF prices can help ease, however marginally, the financial burden of cash-strapped carriers.

Global crude oil has been nose-diving since June-July, falling nearly 36% since. While it had ended the previous year comfortably nestled around the $95-100 per barrel levels, as on December 24, 2014, cost of India’s crude purchase was $56.78/bl.

A quick reference to the past here: The OMCs had raised the price of aviation fuel 12 times between 2010 and 2011, resulting in a 45% increase in ATF price per kilolitre when oil was on the upswing from $90 to over $140 during the period.

weet up

Rupee slipping sensex retreating bank loans crawling china slowing greece crashing stimulus: badly needing
- Ajit Ranade @ajit_ranade

To be known as an expert, if stocks fall, say it’s because oil prices have fallen & if stocks rise, say it’s because oil prices have fallen.
- Kaushik Basu @kaushikcbasu

Saw a wonderful quote: “A developed country is not where the poor have cars, it’s where the rich use public transport.” Model for India?
- Uday Kotak @udaykotak

Considering how well Walmart fudged its accounts in China, we should consider granting it an honorary listing in India.
- Samir Arora @Iamsamirarora
We take a look at some companies’ performance and figure out what impact it will have on their share prices

**Neuland Laboratories**

Patent cliff to provide high growth opportunities: The DMF filings (for API’s) done over the past decade are set to pay off in the next three years as the patents expire. Neuland can tap into huge brand markets, with expiries dated around FY16-17 like gZyvox, gTracleer, gAdvir, gZetia, gAlimta. On a conservative estimate, analysts expect the filings to generate additional revenue of Rs.300/ Rs.1000 million in FY16/17E respectively. The Company expects to cross Rs10 billion in sales by FY18.

Improved product mix to drive margins: Neuland has been focusing on improved efficiencies in the last two years with an EBITDA margin expansion of 470 bps in FY12-14. As analysts expect higher contribution from new launches and CMS segment with higher margins, the EBITDA margins are likely to improve further from 15.6% in FY14 to 17.3% in FY17E. The company expects to derive a third of revenues (33:33:33) from each of the three segments (High volumes: High Margin: CMS) by 2018 from the current revenue share of (70:15:15) in FY14. Scaling up high margin-CMS segment: Neuland is opening a new front for growth in Contract Manufacturing Services (CMS) accounting for 15% of FY14 revenues. Neuland has been working with innovative companies in NCE and phase-III trials to add new contracts. The agreement with API-C Japan is the first time JV for CMS. The agreement with API-C Japan for CMS segment would cater to Ophthalmic and Pain management and Vitamins/Minerals. On the domestic side, the company has no problem currently for the 3 products filed, couple of products has 4-5 months left before they complete 3 years from the filing date.

**Ajanta Pharma**

Analysts met up with the senior management of the company and were quite enthused on the growth aspect of the business.

Promoters: Two of the second generation promoters are managing the show. Mr Yogesh Agarwal – MD handles ROW and Regulated markets. Rajesh Agarwal JMD handles India branded formulations, Philippines and Latam.

The company’s key focus segments include Cardiac, Derma, Ophthalmic, Pain management and Vitamins/Minerals. On the domestic side, the company has no problem currently for the 23 products filed, couple of products has 4-5 months left before they complete 3 years from the filing date. Capex would be Rs 2 bn till Sep’14, another Rs 2 bn will be spend in next 2 years. The Savli facility would cater to Ophthalm and Derma products (domestic), currently entire thing is outsourced. Despite its strong earnings growth and better return ratios, analysts believe the stock is expensive at 29.8x FY16E and 25.1x FY17E consensus EPS.

**Key Risks**

1. Delay in expiration of patents or lower off-take from generic clients.
2. Ramp-up in highly competitive CMS segment could be volatile.
3. Any dilution of equity for equity financed capex or acquisition.

---

**Current Market Price**

| Rs 437 |

**Target Price**

| Rs 606 |

**Potential Upside**

| 39% |

**Current Market Price**

| Rs 2703 |

**Not Rated**
**Maxwell Industries**

Maxwell’s Sales, EBITDA & PAT grew 3%, 41% & 87% in FY14 due to better premium product portfolio and realizations. Going forward, analysts expect the sales and EBITDA to grow by 15% & 31% CAGR during FY14-17E yielding to better economic conditions, lower raw material prices and new product launches, going forward.

Capex planned is around Rs.40mn-Rs.60mn which would be used for technology upgradation, setting up dormitory for the labor and also plans to revamp its warehouse in Mumbai.

Affluent Brand Mix to Augment Market Share: Maxwell has well-known brands like VIP, Leader, Frenchie, FrenchieX, Eminence (licensed), BRAT and Feelings. While Feelings is a women brand, rest of the brands are men focused.

Divestment in Non-Core Assets: Maxwell plans to sell off its non-core assets to focus on its garmenting business. It has recently sold its processing unit in Navi-Mumbai for Rs 90mn, which would be used to reduce the working capital loan.

Direct Retail presence for Enhanced Brand Visibility & Traction: Maxwell has a vast portfolio of innerwear brands. The company is expected to open 50 retail stores by FY16E in Tier-II & Tier-III cities. It has launched its exclusive innerwear store-“Inners” & also separate EBOs for the premium brand ‘Eminence’, which analysts believe is likely to enable the company to focus more on premium brands through its wide distribution network of over 110,000 outlets and 550 dealers.

**Valuation and Outlook**

Maxwell Industries revenues and PAT grew 4% and 48% CAGR, respectively over FY11-14 and expected to be moderate with revenue CAGR of 15% over FY14-FY17E.

**Key Risks**

1) Volatility in the raw material prices. 2) New Entrant in Retail

---

**Atul Auto**

New launches & capacity expansion to drive growth: Atul Auto has seen its production capacity growing at a CAGR of 26% during FY11-FY14 and average capacity utilization of over 91% during the same period. Higher revenue growth with increased regional penetration: Atul has 3.5% market share in 3-wheelers segment and around 13% in exclusively diesel mode 3-wheelers as of FY14. Entry into 3-wheeler petrol segment to drive growth: New product launches such as 0.35 tonne 3-wheeler in petrol variant by Q4FY15, to open new markets in domestic (1/3rd of domestic industry is petrol driven) and exports. Strong balance sheet with zero debt and higher Free Cash Flows: Company has a strong balance sheet with near zero debt and it’s capability in keeping a proper mix between its production and supply requirements has consistently seen its Free Cash Flows growing over last 5 years along with strengthened working capital without resorting to debt.

It is the fastest growing 3-wheeler company with increasing market share gains in the domestic 3-wheeler industry with excellent reach. Foray into the petrol segment opens up domestic and huge export potential. Since Sep’13 the stock has been re-rated given its well laid out story. Analysts value the company at 22x FY16E EPS, for a target price of Rs.576.

### Key Risks

Slower capacity additions than planned and 2) delay/failure of the ramp up in the petrol version 3-wheeler segment.

---

**Rolta India**

Rolta India (Rolta) held an annual meet on December 18, 2014 with a view to showcasing some project demonstrations. The mid-sized IT firm focuses on three segments – enterprise IT, geospatial & engineering solutions and defence & security segments. The enterprise IT segment is worth more than US$500bn including cloud, big data and consulting.

Given focus on IP revenue, Rolta’s EBITDA margin is much higher than traditional IT services firms and stood at 35.2% in 1HFY15. However, given focus on creating IP, the company took on debt for the same and net debt-equity stood at 1.8x at the end of September 30, 2014, and net debt-EBITDA stood at 3.6x. Going forward, Rolta expects net debt-equity and net debt-EBITDA to decline to 1x and 2x, respectively.
Internet usage and e-commerce in India are on the cusp of a big change. The e-tailing market alone could grow from more than $2 billion in 2013 (0.1% of GDP) to $60 billion (1.5%) by 2020. Although things are changing fast, India, with 213 million Internet users, is at least six years behind China in terms of access to the Internet, broadband deployment and online shopping penetration.

India has the world’s third-largest internet user base and lots of young users.

*Users between 15 and 44 years old
However, a significant chunk of Indian Internet users are still skeptical about shopping online. (% of Internet users comfortable shopping online)

- China: 50%
- India: 18%
- U.S.: 64%

India's e-tail sector is small, accounting for just 0.7% of the total retail sales. Nevertheless, the country’s e-tail demand will grow fastest in second-tier cities where selection is more limited than in Calcutta or Mumbai.

Estimated 2020 Market Size: $60 bn

E-tail Market Size: $3.9 bn (30% of all e-commerce)

% Of Total E-Tail Sales:
- Electronics: 34%
- Fashion: 30%
- Books: 15%
- Personal Grooming: 10%
- Home: 6%
- Healthcare: 3%
- Baby products: 2%

Source: Credit Suisse Equity Research
Even as market analysts try to outdo one another putting out unimaginably bullish statements, history shows the good times won’t roll in so easy. **By KP Jeewan**

The Indian markets have been celebrating the crash of crude oil prices from the levels of $120 a barrel to nearly $60. The phenomena has been analysed threadbare and experts have opined that it is likely to stay at these low levels for a prolonged period of time.

I have no beef with the prognosis. What surprises me is the fact that till the collapse actually happened, there was no warning or forecast from any of the experts. Given that the ever-increasing shale production was in the offing for the past couple of years, production exceeding demand was inevitable due to lack of demand expansion.

Actually, crude oil is perhaps the only commodity for which there was supply deficit after the global financial markets collapsed in 2008. Nonetheless, the story of all the other commodities has been quite depressing. Sample these news clippings:

Global carmakers have built worrying amounts of production capacity in underperforming emerging markets, Ford’s chief operating officer has warned (*FT*, March 4, 2014).

“Due to overcapacity, the nation’s coal stock has topped 300 million tonnes for more than 30 months in a row and it will be very difficult to cut the stock in the foreseeable future,” said Lu Yaohua, Vice-Chairman, China National Coal Association (November 5, 2014).

Global container shipping overcapacity is expected to last until 2019, stated
You can pick any of the significant commodity or industry — be it steel, copper, coal, aluminium, automotive, shipping or aviation — all have been facing oversupply and excess capacity. The prices and margins for most of these have not really recovered after 2008, barring sporadic bouts.

Boston Consulting Group (BCG) at the World Shipping (China) Summit 2014.

The global aluminium market has been in a surplus since 2008. (Recycling Today, January 28, 2014)

Production overcapacity, an important issue for the global synthetic rubber industry, will continue to accelerate in the coming years, said the head of the statistical programme at the International Institute of Synthetic Rubber Producers, at the 2014 Annual General Meeting in Kyoto held from May 19-22.

Metal prices are expected to decline 5.5%, on top of a similar decline last year. Fertiliser prices are projected to decline almost 12% in 2014 on capacity expansion in the United States (World Bank report).

About 500-600 million tonnes of global steel overcapacity (FT)

You can pick any of the significant commodity or industry - be it steel, copper, coal, aluminium, automotive, shipping or aviation - all have been facing oversupply and excess capacity. The prices and margins for most of these have not really recovered after 2008, barring sporadic bouts.

One which tells the whole story is the 13-year chart of the Baltic Dry Index (the index provides an assessment of the price of moving major raw materials by sea. Most directly, the index measures the demand for shipping capacity versus the supply of dry bulk carriers. The demand for shipping varies with the amount of cargo that is being traded or moved in various markets).

The reason for the depressing scenario is well known. Various industries (and mines) extrapolated global growth of 2003-07 and built up capacities to cater to demand on the same scale. China, of course, has been the biggest contributor to this distortion. Both in terms of scale and intensity of capacity addition, and also raw material consumption. Demand not only failed to materialise, it actually collapsed.

The logical progression of this should
have been the closing of excess capacity; alternately governments could have spent aggressively on infrastructure, which would have absorbed excess capacity. This would have resulted in excess capacity eventually coming down to a level which would have given pricing power back to producers, triggering renewed investment and growth. But the scale of misallocation was so huge that governments (read: politicians) everywhere stepped in and kept alive the excess capacity, leaving it entirely to the central banks to run the printing press, in the hope that it would somehow miraculously result in demand expansion. Only, things don’t seem to be working out as expected. Latest example being that of Japan, the poster boy of hyper QE suddenly slipped back into deeper recession!

Mainstream economists and experts continue to predict global recovery led by the US. But the same experts DID NOT predict the sub-prime crisis. Perhaps, it is easier for them to go with the majority opinion. Remember, it took a little boy to tell the emperor he was stark naked.

In our local market too, the same malaise is apparent. In the past three months, I have not heard a single bearish view. Everyone seems to be competing to give bigger and bigger targets for our indices. If one analyst offers 100,000 as the target for the Sensex, another is quick to put out a 125,000 points target for the Nifty! Investors should also be informed of the assumptions behind such predictions and the possible pitfalls too. Remember, we had predictions of 40,000 on the Sensex in 2007 when it was around 21,000 only to endure great pain for almost half a decade.

Every analyst is predicting upwards of 5.5% GDP growth for the current year and 6-7% for the next year and still higher beyond. Stock markets seem to be pricing even more!

The above has to be viewed in the global backdrop. The main driver for domestic growth post 2008 was the huge amount of government spending. Post December 2012, the government has been cutting back sharply and it has showed up in terms of slowing GDP. Going forward, given the fiscal deficit targets for next year and ahead, spending is unlikely to revive. The government’s inability to spend is accentuated by fall in revenue collection in a slowing economy. Fall in crude price actually hurts government revenues (even state governments’) as it is estimated that oil sector contributes nearly 44% to the Centre’s indirect tax collection and 30% to the states’ sales tax collection. Another negative impact from falling oil price is the severe impact on the substantial remittances from the Gulf.

Over the past few quarters, GDP numbers were helped along by the export sector, which also is liable to slow on account of currency strength and lower global demand.

Banking sector which should be at the forefront of efforts for revival is in no shape to scale up lending and urgently needs huge capital infusion.

A 25-50 basis point rate cut by RBI would at best add to the feel good factor and cannot really revive growth.

Clearing of stalled projects and reforms by the new government no doubt helps revival, but domestic growth should not be taken for granted.

Animal spirit and demographics are not enough to revive growth. Huge headwind from slowing global growth and excess capacity would keep domestic pricing power in check and lack of government spending would keep domestic demand in check. Hence, investors should be well advised to tone down expectations and be aware that there are too many things that can and may go wrong.
GET THE DOUBLE ADVANTAGE:
SAVE TAX AND BENEFIT FROM
THE GROWTH POTENTIAL OF EQUITIES.

Franklin India Taxshield (FIT)

An open end equity linked savings scheme that provides tax benefits on investment up to Rs. 1.5 Lac under section 80C*. To know more, contact your Financial Advisor or log on to www.franklintempletonindia.com.

PRODUCT LABEL:

**Risk may be represented as:

- BROWN: Investors understand that their principal will be at high risk
- YELLOW: Investors understand that their principal will be at medium risk
- BLUE: Investors understand that their principal will be at low risk

* Investors should consult their financial advisors if in doubt about whether the product is suitable for them.

Mutual fund investments are subject to market risks, read all scheme related documents carefully.

Footnote:

* Income Tax Act, 1961. Scheme specific risk factors: All investments in FIT are subject to lock-in-period of 3 years from the date of respective allotment and the unit holders cannot redeem, transfer, assign or pledge the units during this period. The Trustees, AMC, their directors or their employees shall not be liable for any of the tax consequences that may arise, in the event that the Scheme is wound up before the completion of the lock-in period. Investors are requested to review the prospectus carefully and obtain expert professional advice with regard to specific legal, tax and financial implications of the investment/participation in the scheme.
Of late, the Indian industry has started expressing some apprehensions about the Modi government’s performance. For example, the industry finds the ground level bottlenecks continue to exist. There is still absence of comfort in doing business and interest rates persist to remain high. Corporate India is awaiting a trickle, leave alone the anticipated gush of infrastructure orders. Some of the Indian manufacturing giants have put their expansion plans on hold or are stuck midway due to raw material shortage, land hurdles etc. Such cases would hardly inspire confidence among foreign investors.

According to Kiran Mazumdar Shaw, Chairperson, Biocon, “There is a lot of interest in Indian stocks but where is the investments in new projects? Everyone is playing wait and watch.”

Above is a reflection of Industry getting impatient with results not being seen and investments not happening at all. But the expectations from the Modi government were built too ambitious. But is this not asking much too soon? Hardly seven months have passed since the new government took over. Government will have to be given more time.

Enormous Task

The task before the government in efficiently taking the economy ahead is huge. It is not only growth that has to be facilitated but the Government has also to cleanse the entire system, which over the years has got embedded with poor governance practices, undue delays and unclear and opaque policies. The quantum of NPAs and stressed assets, mainly of PSBs, are humungous, tackling of which is taking time. Industry desires interest rate reduction immediately. This will only come in the course of logical develop-
ments as there are many structural issues that need to be tackled. In a way, selectively interest rate reduction has started happening like deposit and interest rates of some banks getting reduced.

A glimpse of how structural factors are involved in monetary policy making will be in order. The RBI seems to be committed to inflation targeting which implies that it will not look at any other parameter until the CPI inflation target, which was indicated to be 6 per cent, gets sustainably achieved. Majority of Central banks abroad have been similarly concerned and have used interest rate to bring inflation down or to lift it up. The US, Europe and Japan have lowered interest rate to zero or even under zero to pop up inflation in the last two years though without much gain so far.

Contrarily, the RBI has raised the repo rate to 8% to be in line with inflation. Until late 2013, the target index for inflation for the RBI was the WPI (Wholesale Price Index). A total shift was later made to CPI (Consumer Price Index) which is the reference index used by most Central Banks. But the shift from WPI to CPI, which involves basic differences in emphasis on their components, is influencing the timing, the extent of change and the consequences of the change of monetary policy, particularly interest rate.

**WPI vs CPI**

The difference between WPI and the CPI is not merely an issue between wholesale and retail prices. The more basic factor is the weight assigned to different commodities which constitute the basket for each index. The WPI is based on commodity composition in which manufactured goods have a very high weightage. On the contrary, the CPI is based on commodity composition in which food articles are more important. An increase in interest rate, therefore, will hit the industry more since bank credit for investment or consumption is more relevant to manufactured goods.

Recently achieved zero per cent inflation in terms of WPI means that the real rate of interest has now become equal to the nominal rate of interest. The latter to a corporate borrower would imply a high rate which would make investment in capacity building unattractive and divert corporate funds to financial assets. For investment in industry to be attractive, the return has to be in excess of the interest rate by a margin equal to the risk premium. But in most sectors of industry, the return on investment has been less than the interest rate by a wide margin. There has been consequently low investment and low growth. For more than two years now there has been no growth in the manufacturing sector.

It is not enough to go exclusively by CPI. Like many of the South East Asian countries both CPI and WPI have to be considered together. Going by the CPI alone gives only a partial picture. Some central banks, therefore, use both the retail and producer prices to decide monetary policy. With the WPI inflation down to zero, the economy is at a danger point for deflation and therefore depression though the CPI inflation is at 4.5 per cent. Before the damage is done, logic demands that the RBI should cut the repo by at least 100 bps to prevent the industry from sliding into recession.
The Real Economy

Further, seems that the financial sector developments have been outpacing the real sector reforms. This is why we are seeing mismatch between the stock market exuberance and the reality being faced by industry. Amongst prominent reasons for the real sector reforms not picking up pace are political obstructionism regarding insurance, taxation, land, labour; planning commission, coal and mining. For instance, the coal Bill is an important reform for the industry but is held back because of political opposition. Most reforms need parliamentary approval and Modi lacks a majority in the Upper House. A shared vision is needed among major political parties.

Nervous that reforms agenda will remain stuck, senior ministers in the government are believed to be telling the Prime Minister to overcome the Rajya Sabha hurdle by unleashing economic reforms through Ordinances like the Insurance Bill to enhance FDI limit in the capital-starved insurance sector and the Coal Mines Bill to go for quick action. Modi is, however, skeptical as such ordinances would come to haunt him again in the Budget session as the law requires passage of the related Bills within six weeks of start of the session.

Then, the bureaucracy is also taking time to work at Modi government’s pace. This happened in Gujarat too but over time, the gap got corrected and then envisaged results materialized.

The mid-term economy review of the Finance Ministry’s key takeaways also point out that some more time will have to be given to the government for showing concrete results in terms of sustainable growth and investments. This review does point out few positives, such as —

- Medium term growth prospects are promising and trend rate of 7-8% is within reach
- Inflation has come down dramatically
- Adverse impact of monsoons on growth has not been much

The review also mentions a number of challenges being faced —

- Indirect tax collection up by merely 5.6% in first six months of current fiscal year, and the muted pick-up in credit point to ongoing weakness.
- Budget is unduly burdened by a legacy of carried-over expenditures.
- Backlog of stalled projects needs to be cleared more expeditiously.

The top concerns on India Inc’s mind are the pace, extent and substance of reforms agenda, stalled investments worth Rs 18 lakh crore, financing problems, Banks’ recapitalization, land acquisition issues, rebooting infrastructure and PPPs, PSEs reforms, labour law reforms, tax uncertainties amongst many others. Then shortage of fuel (coal and gas) and other infrastructure and local body and environment clearance issues have led to over-stretched balance sheets. Consider the progress on the power sector. Despite the strong long-term growth potential, the power sector is currently bogged down by structural issues affecting the operations of existing power plants as well as attracting investments.

Industry should take constructive approach and present specific pragmatic views to the Modi government for action that can expedite results. A number of options including TV channels, electronic & press media are available to give specific viewpoints to the authorities and Mr Modi himself. Wherever difficulties are faced, these should be brought to the notice of concerned authorities immediately with copy marked to the PM.

To say that the government has not gone for big ticket bold reforms seems to be an unfair criticism. A number of policies announced like the 100 Smart Cities, the Make in India campaign, the Jan Dhan Yojana scheme, Swachh Bharat movement, GST, Digital India, Infrastructure Building including water, amongst many others, and the list goes on. But these real sector changes need to move faster.

Only more time, about two years, needs to be given to the Modi government to show meaningful results. Industry needs to remember that any gain from the journey of economic reforms cannot be achieved without some interim pain. In making success of economic reforms, industry will also have to play its role.

Sunil Bharti Mittal, Chairman Bharti Group has aptly stated that “Industry should be patient as reforms would take few years……This government is a welcome change in terms of its approach to Industry.” It needs to be noted that PM Narendra Modi has topped the global leaders’ list when it comes to citizens approving the development strategy of their respective countries, says a study by Harvard’s Kennedy School of Government.
Don’t Dump Welfare Just Yet

It is an open secret that most of the welfare schemes—education (Mid-Day Meals), housing (Indira Awaas Yojana), rural employment (MNREGA) and healthcare—are beset with three glaring loopholes. These are: lack of political will that leads to disinterest and complacency, massive corruption, and inadequate implementation that makes them inefficient. What’s debatable is how to correct these malaises, and what mechanisms to apply. Narendra Modi’s mantra: use the stick to make the Executive (read: bureaucracy) deliver the required results.

► The moot question: is this enough? More importantly, is this a long-lasting and sustainable solution? The answer is obviously a big no. What is critical is to put systems in place that will work whoever is in power, or whichever bureaucrat is in the decision-making seat. As e-governance tools and solutions have evolved over the past 15 years, it may be an opportune time to judge their efficacy in this area.

► Political will: Theoretically, certain schemes like the Mid-Day Meal, which provides free lunches to school children, should be easy to implement. The centre or the state has to merely transfer funds (to pay the cooks) and food grains.

Like the Just-in-Time concept used in factories across the world, the grains and funds will seamlessly reach the required school without any ‘babu’ having to take a decision or sign a file. Once the smart cards incorporate data about enrolment in each school and overall grain required for each meal, any attempt to exaggerate figures, or siphon off the grain, can be easily caught. More importantly, the system can be predictive; it can extrapolate future trends in enrolment, dropouts, and grain consumption that can aid future planning and budgeting process.

► Corruption: Experts have maintained that the real problems with MNREGA are falsification of records, benami recipients, and commissions extorted by powerful middlemen. The new e-governance solutions can eliminate most of them. For example, each data travels from the source (details about the rural labourer in this case) to all the relevant modules within the entire system through seamless integration. Thus, the chances of manipulation are minimised. Thanks to secure data entry points, only a few authorised officials can make changes.

► Implementation: While there are inefficiencies within the bureaucracy, one of the major bottlenecks in shoddy implementation of welfare schemes is the lack of feedback mechanism from the ground, and inability of the executive to respond to them. Take the case of building toilets for women in the villages. Research by local NGOs found that women refused to use these isolated and individualised toilets. The reason: the early morning group walks to the fields was their only way to communicate sensitive and secret information to each other. So, now some states have opted for group toilets, which have holes in the walls so that the women can talk to each other. E-governance tools make such processes effective as they have an inbuilt grievance and self-audit systems.

However, the new solutions are not foolproof, and they may not work in the Indian scenario for several reasons. First, the use of complex software and smart cards will entail training of a large number of officials—like teachers, headmasters, block officers, etc in the case of Mid-Day Meals—to handle and use the software systems. Similarly, lower officials in public distribution and Food Corporation of India, which stores the food grains, will need to be involved in the process. As we saw in the case of bank computerisation, there may be fears related to loss of jobs.

Second, the problem with corruption and transparency is human intervention. Even if it is minimal and ‘secured’, it cannot eliminate corruption. This was witnessed when the previous UPA-II government tried pilot projects to directly transfer cash into the bank accounts of the poor people who were entitled to food and fuel subsidies. In several districts, the local bank managers and officials emerged as the new middlemen, who asked for a cut. In some cases, money was not transferred into the respective accounts for six months. Even if it was transferred earlier, the local bank told the recipients that the money hadn’t come.

Third, the use of smart cards and real-time updates can easily be manipulated as one has seen elsewhere where such systems were used. More importantly, if the requisite hardware is not maintained properly, especially given the harsh Indian climate, such cards stop functioning within a short period. This creates more problems for all the stakeholders, especially for the officials involved with the welfare schemes. Therefore, one cannot blindly adopt new technology.

The author is the Executive Editor, India Legal, India’s first politico-legal fortnightly
The year 2014 has been quite fruitful for the real estate sector in terms of business sentiment, although the real effect of many of the policies and amendments announced in 2014 will be felt only in 2015. Starting with the Union Budget FY14-15, from affordable housing being considered on par with infrastructure to relaxation of rigidities in the Land Acquisition and Real Estate Regulatory Bill, India’s new Prime Minister has been offering the real estate sector in India consistent doses of energy. The winds of change are now blowing more perceptibly. Inflation, including the house price component, has reduced to the lowest level in recallable history. Property buyers are back in force in most cities as enquiries have rebounded and developers are finally reading the writing on the wall more accurately and coming in with the kind of supply that is relevant to demand.

Meanwhile, multinationals that were hesitant to foray into the Indian market...
because of the uninspiring political environment are now pulling back the files on their plans for India and getting their entry vehicles in gear. Going by the recent reports of recruitment agencies, many more jobs will be created in 2015—especially in the IT/ITeS, manufacturing and services sectors—and demand for homes will increase visibly. Additionally, REITs are hitting the market at long last, and only a few details need to be sorted out before they get the funding wheels spinning.

2015 will definitely be a good year for the real estate sector on three counts:

- The threat of inflation has completely submerged, and borrowing rates are sure to go down from the current levels. This will encourage potential buyers planning to avail home loans to finally take the plunge. Also, with property prices staying stable and good deals being offered by developers in order to clear their inventory, fence-sitters will be further encouraged to press the ‘buy’ button.

- Economic activity is gradually picking up, and the Central Bank anticipates GDP growth to reach 6.5% year-on-year in the next financial year (FY15-16). Corporate India has already made it clear that there will be more hiring of talent to help tackle rising business activity. Put together, this means a rise in jobs and incomes, which in turn is favourable for both residential and commercial real estate.

- The market has witnessed a re-orientation and developers are now largely focusing on affordable homes. This will go a long way, though definitely not all the way, in bridging the existing wide gap between demand and supply of affordable homes.

Residential Real Estate

In 2014, new launches of residential units fell consistently every quarter as a consequence of subdued demand and high prices. While this was largely the case with high-end projects, the affordable housing segment began to gain favour. This segment was firmly lodged under the priority schemes of the government and central bank, and buyers found comfort in investing in such projects given the smaller ticket sizes and improving connectivity in the suburbs of major cities.

In the second half of 2014, many large developers, who in the recent past concentrated on the mid- to high-end segment due to better margins, were seen eager to play the volumes game and entering into affordable-segment projects in the deeper suburbs. This heartening trend lay the founding stone for bridging the wedge between demand and supply in the major metropolitan cities. Since developers are sitting on close to 30 months of unsold inventory in the mid- to high-end segment, we also saw an increase in cash flows because of this new focus.

In 2015, developers will become more earnest about right-sizing and right-pricing their offerings. Smaller, yet better-designed and more efficient homes will define the residential real estate market in 2015, and selective corrections in some of the over-priced cities will help bring about faster sales for stagnated supply of larger configurations. Townships will become more prevalent and the supply of luxury homes will moderate to align with the slow demand dynamics for these offerings.

Pricing Trends

A large portion of the total unsold residential inventory is still under-construction while completed projects have only moderate vacancy. Home buyers looking for ready-possession property will therefore find limited room for negotiations compared with buyers who can wait for some time to get possession. The attractive schemes that were doled out by developers in under-construction projects during the festive season of 2014 are likely to continue into 2015.

### Completions, Net Absorption & Unsold Inventory – Residential

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2014F</th>
<th>2015F</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Absorption</td>
<td>250</td>
<td>220</td>
<td>220</td>
</tr>
<tr>
<td>New Additions</td>
<td>200</td>
<td>190</td>
<td>200</td>
</tr>
<tr>
<td>Unsold Inventory</td>
<td>50</td>
<td>40</td>
<td>40</td>
</tr>
</tbody>
</table>

The threat of inflation has completely submerged, and borrowing rates are sure to go down from the current levels. This will encourage potential buyers planning to avail of home loans to finally take the plunge.
The new year will see home buyers benefiting from reduced borrowing rates, increased developer-focus on affordable homes, largely stable prices, and better job and income prospects.

**Affordable Housing**

Affordable housing will clearly be the flavour of the season in 2015. While the ruling government at the Centre and the central bank have clearly spelt out their intention to push for affordable housing, it is the state governments that will need to implement. The recently concluded elections indicate that better governance, planning and good implementation are factors on which performance will be evaluated, and affordable housing is an important yardstick for sure.

While affordability is a subjective term that assumes different meanings in different markets of India, every city has its own affordability threshold and benchmark. Developers active in each of the primary cities are now fully aware that they must address the demand for affordable housing in their cities and stop focusing excessively on high-end and luxury offerings.

Affordable housing is in itself not a difficult format to deliver; the challenging part for many developers will be to align this format with their existing brand image without impacting it. Quite a few prominent developers already have a budget housing strategy, but they have evolved this strategy over time and ensured that the creation of such projects becomes a natural extension of their brands. For the newer entrants who have focused exclusively on higher-end housing, the process will begin now—and for all but the die-hard firms that will not budge from their ‘creamy layer’ orientation, the process is unavoidable.

Coming anywhere close to negating the affordable housing gap altogether would take about two decades of focussed supply – and going by previous market learning, it is unlikely that developers will retain their current focus on affordable housing once the economy picks up sufficiently to make higher-end housing desirable once again. However, as long as the current momentum and orientation prevails, we will at least see some good headway being made on this front in 2015.

**Real Estate Capital Markets**

Year 2014 saw gradual growth in demand for Indian real estate, particularly after the general elections in May. Concurrently, fund raising activities picked up, and this momentum will continue in 2015 as well. We will see less of one-way investments and more partnerships between investors, developers and other land owners. Joint venture and club funding will become the preferred mode as 2015 progresses. With improvement in the economic situation, Pune, Chennai, Hyderabad and Kolkata will start attracting sizeable investments alongside the top-three metros of Mumbai, NCR and Bangalore.

This will be a notable change from dynamics seen in the past, wherein only these three cities ruled the roost. In fact, we will see Grade A commercial properties in tier-2 and tier-3 cities appear on the radar of investors, though a full focus on these opportunities will probably not take place in 2015.

Attractively-placed office assets and high-demand residential categories, especially well-located mid-income projects, will continue seeing considerable investments in 2015. While investors may continue to show limited interest in retail real estate, we will see increased interest in the hospitality sector compared with the previous year.

REITs got a green signal from the government in 2014, and this will help ease the pressure on the balance sheets of cash-starved developers. However, the listing of new REITs will be slow and steady. While REITs will succeed over the longer term, they need to pass through the challenging phase over the next two years.

---

*The author is Chairman & Country Head, JLL India*
HOW CAN I SAVE TAXES WHILE GROWING MY HARD EARNED MONEY?

Whether we want to save tax or to grow our wealth, we all want to invest our hard earned income intelligently. Which leads to one big question.

So what do I do with my money?

Consider Equity Linked Savings Schemes (ELSS), as they give you the dual benefit of tax savings along with the potential to earn capital appreciation. Investments of up to Rs 1,50,000 in ELSS are eligible for tax exemption under Section 80C of the Income Tax Act 1981.

DSP BLACKROCK TAX SAVER FUND
Open Ended Equity Linked Savings Scheme

Invest in DSP BlackRock Tax Saver Fund, an ELSS with a lock in period of only three years. The lock-in period enables participation in the long term growth potential of equity markets.

Speak to your investment advisor or visit dspblackrock.com for more.

This Scheme is suitable for
Investors who are seeking

- Long-term capital growth with a three-year lock-in
- Investment in equity and equity-related securities to form a diversified portfolio
- High Risk (Brown)

Note: There is no guarantee of returns/ income generation in the scheme. ‘Investors should consult their financial advisors if in doubt about whether the product is suitable for them. Note: Risk may be represented as: (Blue): Investors understand that their principal will be at low risk (Yellow): Investors understand that their principal will be at medium risk (Brown): Investors understand that their principal will be at high risk

Mutual Fund investments are subject to market risks, read all scheme related documents carefully.
We often receive queries regarding taxation of employee stock options (ESOPs). There is bound to be confusion as the tax treatment of this item of employee benefit has been subject to many changes over time. It almost seems as if the authorities cannot quite make up their minds as to how they wish to tax shares given to employees by their employers on a concessional basis. Having gone through various changes in their valuation norms, the following is the latest position.

Readers may remember that earlier, employee benefits used to be subject to Fringe Benefit Tax (FBT). FBT was then done away with. Now, a new perquisite-based taxation has been brought in. So in a sense, this is not a new move but a reversal to the old system of taxation.

The perk tax will be the difference between the Fair Market Value (FMV) of the shares on the date of exercise of the options and the exercise price. Upon sale, capital gains tax will also be payable. Capital gains will be calculated on the difference of the sale price of the shares as reduced by the aforementioned FMV.

Let’s understand with an example.

Say, Vishal has been granted the option of buying ten shares of his company at a price of Rs 500 per share on the April 1, 2010. At this time, the market price of the share is Rs 700. However, the shares vest only on September 1 when the price is Rs 800. But Vishal actually exercises his option to buy the shares only in April 2014 when the market price of the share is Rs 1,000. Three months later, in July 2014, he sells the shares for a price of Rs 1,300 per share.

First and foremost, till Vishal actually exercises the option, there is no tax payable—this was the case during the earlier FBT regime and it remains so now too. Therefore, in terms of our example, the mere act of granting the options (in April 2010) or vesting of the options (in September 2010) is completely tax neutral. In other words, Vishal does not have to pay...
any tax on account of granting or vesting of the option. Tax liability will only arise in April 2014, when he actually exercises the option.

Under the FBT regime (if FBT had been applicable), the difference between the market value of the shares on September 1, i.e., Rs 8,000 (10 shares x Rs 800) and Vishal’s purchase cost of Rs 5,000 (10 shares x Rs 500) would have been the Fringe Benefit Value and consequently FBT would be payable by Vishal’s employer on this Rs3,000 @30%. This amount works out at Rs 900.

Now, the concept of adopting the vesting date to calculate the FMV has been done away with. Instead, the market price as on the date of exercise has to be taken to calculate the perquisite value. Therefore, in terms of our example, the difference between the market value of the shares on April 1, i.e., Rs 10,000 (10 shares x Rs 1,000) and Vishal’s purchase cost of Rs 5,000 will be the perquisite value. This amount will be added to Vishal’s taxable income to arrive at the tax payable by him. Assuming Vishal is in the highest tax bracket of 30% (education cess is ignored for simplicity), the tax payable by him on the ESOP perk would be Rs 1,500.

Moving on, when Vishal sells the shares, he will be liable to capital gains tax too. The holding period of the shares for Vishal has to be reckoned from the date the shares were allotted to him. Earlier (during the FBT regime) his cost would have to be taken as the FMV on the date of vesting and not what he has actually paid. In terms of our example, Vishal’s short-term capital gains (STCG) would worked out to Rs 5,000 (Rs 13,000 – Rs 8,000). However, with the latest amendments to the regulations, the cost of shares now would be taken as the FMV on the date of exercise, and hence, the STCG would work out to be Rs 3,000 (Rs 13,000 – Rs 10,000).

An interesting point to note here is that under both systems, the aggregate amount brought to tax (FBT / Perk + Capital Gains) remains the same at Rs 8,000. However, the break up differs. In the FBT regime, the FMV as on the date of vesting was to be taken to arrive at the fringe benefit value whereas now the FMV on the date of exercise is considered to arrive at the perquisite value.

Another point that needs to be emphasised is that it is not as if the employee is being additionally burdened by the new rules. Earlier, it used to be the FBT that was being recovered from the employee and now the employee will be paying perk tax. As far as the employee is concerned, only the name of the tax has changed, tax incidence one way or another stays put.

Practical Difficulty
Incidentally, we wonder if the authorities realise that this perk-based tax system sometimes gives rise to a practical difficulty. The first stage, i.e., the difference between the market value and the exercise price—is only a notional profit—the employee has not yet sold the shares to realise it. However, paying tax needed cold cash. The numbers in the example are small for ease of understanding, however, imagine if Vishal had been granted 5,000 shares instead of 10. The perk value (notional profit) in such a case would work out to Rs 25 lakh and Vishal would need to cough up a tax of Rs 7.50 lakh—on income not yet earned! This more often than not results in the employee needing to sell the shares immediately, just to pay tax, and the entire raison d’etre of getting allotted stock options to participate in the growth of the company stands defeated.

Earlier, it used to be the FBT that was being recovered from the employee and now the employee will be paying perk tax. As far as the employee is concerned, only the name of the tax has changed, tax incidence one way or another stays put.

<table>
<thead>
<tr>
<th>Date</th>
<th>Particulars</th>
<th>Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.4.10</td>
<td>Option Granted</td>
<td>500</td>
</tr>
<tr>
<td>1.9.10</td>
<td>Vesting Date</td>
<td>800</td>
</tr>
<tr>
<td>1.4.14</td>
<td>Opinion Exercised</td>
<td>1,000</td>
</tr>
<tr>
<td>1.7.14</td>
<td>Shares sold</td>
<td>1,300</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Particulars</th>
<th>FBT regime</th>
<th>Perquisite Regime</th>
</tr>
</thead>
<tbody>
<tr>
<td>(800-500) x 10</td>
<td>3,000</td>
<td>5,000</td>
</tr>
<tr>
<td>(1000-500) x 10</td>
<td>5,000</td>
<td></td>
</tr>
<tr>
<td>Capital Gain (500-800) x 10</td>
<td>3,000</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>8,000</td>
<td>8,000</td>
</tr>
</tbody>
</table>

The authors are leading financial advisors. Write to them at wonderlandconsultants@yahoo.com
Oil prices have plummeted 40% since June – good news for oil-importing countries, but bad news for Russia, Venezuela, Nigeria, and other oil exporters. Some attribute the price drop to the US shale-energy boom. Others cite OPEC’s failure to agree on supply restrictions.

But that is not the whole story. The price of iron ore is down, too. So are gold, silver, and platinum prices. And the same is true of sugar, cotton, and soybean prices. In fact, most dollar commodity prices have fallen since the first half of the year. Though a host of sector-specific factors affect the price of each commodity, the fact that the downswing is so broad – as is often the case with big price swings – suggests that macroeconomic factors are at work.

So, what macroeconomic factors could be driving down commodity prices? Perhaps it is deflation. But, though inflation is very low, and even negative in a few countries, something more must be going on, because commodity prices are falling relative to the overall price level. In other words, real commodity prices are falling.

The most common explanation is the global economic slowdown, which has diminished demand for energy, minerals, and agricultural products. Indeed, growth has slowed and GDP forecasts have been revised downward since mid-year in most countries.

But the United States is a major exception. The American expansion seems increasingly well established, with estimated annual growth exceeding 4% over the last two quarters. And yet it is particularly in the US that commodity prices have been falling. The Economist’s euro-denominated Commodity Price Index, for example, has actually risen over the last year; it is only the Index in terms of dollars – which is what gets all of the attention – that is down.

The most common explanation is the global economic slowdown, which has diminished demand for energy, minerals, and agricultural products. That brings us to monetary policy, the importance of which as a determinant of commodity prices is often forgotten. Monetary tightening is widely anticipated in the US, with the Federal Reserve having ended quantitative easing in October and likely to raise short-term interest rates sometime in the coming year.

This recalls a familiar historical pattern. Falling real (inflation-adjusted) interest rates in the 1970s, 2002-2004, and 2007-2008 were accompanied by rising real commodity prices; sharp increases in US real interest rates in the 1980s sent dollar commodity prices tumbling.

There is something intuitive about the idea that when the Fed “prints money,” the money flows into commodities, among other places, and so bids their prices up – and thus that prices fall when interest rates rise. But, what, exactly, is the causal mechanism?

In fact, there are four channels through which the real interest rate affects real commodity prices (aside from whatever effect it has via the level of economic activity). First, high interest rates reduce the price of storable commodities by increasing the incentive for extraction today rather than tomorrow, thereby boosting the price at which oil is pumped, gold is mined, or forests are logged. Second, high rates also decrease firms’ desire to carry inventories (think of oil held in tanks).

Third, portfolio managers respond to a rise in interest rates by shifting out of commodity contracts (which are now an “asset class”) and into treasury bills. Finally, high interest rates strengthen the domestic currency, thereby reducing the price of internationally traded commodities in domestic terms (even if the price has not fallen in foreign-currency terms).

US interest rates did not really rise in 2014, so most of these mechanisms are not yet directly at work. But speculators are thinking ahead and shifting out of commodities today in anticipation of future higher interest rates in 2015; the result has been to bring next year’s price increase forward to today.

The fourth of the channels, the exchange rate, has already been functioning. The prospect of US monetary tightening coincides with moves by the European Central Bank and the Bank of Japan toward enhanced monetary stimulus. The result has been an appreciation of the dollar against the euro and the yen. The euro is down 8% against the dollar since the first half of the year and the yen is down 14%. That explains how so many commodity prices can be down in terms of dollars and up in terms of other currencies.
KOTAK SELECT FOCUS

Get a sharp focus on the most promising sectors

Kotak Select Focus carefully identifies the better-performing sectors and invests your money in the promising ones amongst them. The best part is, we closely monitor their performance and switch between sectors accordingly. Just so that the better performing ones power your portfolio and help you achieve your investment goal. Invest in Kotak Select Focus today and look forward to reaping the benefits of staying committed.

Kotak Select Focus - This product is suitable for investors who are seeking*
- Long term capital growth
- Investment in portfolio of predominantly equity & equity related securities generally focused on a few selected sectors
- High risk (Brown)

* Investors should consult their financial advisors if in doubt about whether the product is suitable for them.

Note: Risk may be represented as: Investors understand that their principal will be at
Low risk (Blue)  Medium risk (Yellow)  High risk (Brown)

Invest Now
SMS: SELECT to 5676788 | Call: 1800222626 | assetmanagement.kotak.com

Mutual fund investments are subject to market risks, read all scheme related documents carefully.
Let’s usher in the New Year with lovely gifts for all loved ones... but wait, what can you give that will leave a lasting impression? Not show-pieces, they just pile up in the show case; not clothes, what if the receiver doesn’t like them or worse, isn’t the perfect fit; not gift vouchers, they are too impersonal....

Then what?

Have you ever considered financial gifts that will not only brighten their day, but will keep returning and even appreciate over time? Now, that’s something the latest videogame or a fancy pair of shoes cannot offer! Be it for family members and friends, or employees or housekeeping staff, there are some novella gifting ideas from the financial space that will not pinch your pocket yet deliver your care and affection in all earnest.

Traditionally, India has been dealing only with cash as a gift option. Being the most alluring symbol of instant gratification, most Indians can’t see or don’t wish to look beyond it when it comes to financial gifting. But in reality, the options are aplenty and range across the space from mutual funds to ETFs and from simple bank accounts to pension products.

Then why is it that the field has not found many takers in India? Given the modest lifestyle and also lack of awareness, we have always preferred to operate in cash. Even in households with the wherewithal to make financial gifts,
Cash is king simply because both parties — benefactor and beneficiary — instantly recognise the worth of cash. Momentary pleasure has always trumped long-term planning which is also the main reason why savings are minimal in our nation despite increasing per capita income and retirement plans and pension funds are finding it necessary to push hard to get subscribers.

The biggest impediment to financial gifting is lack of education and awareness about the financial arena. While the government plows ahead with its plans for financial inclusion, people are oblivious of the terms and conditions of non-cash financial products. You can gift a share of a blue-chip company or units of a renowned mutual fund to your loved one in all earnest, but without understanding the market mechanics, the receiver will probably not be able to appreciate the gift.

“Acting as a deterrent to financial gifting even among people with the knowledge and the means to make financial rewards is taxation,” says Subash Srinivasan, a tax and finance professional. Asset transfers, loans and sponsorships may involve serious tax implications. Transfer of shares or mutual funds too is treated as sale of asset and comes under the income tax scanner. Also falling within the IT ambit is Wealth Tax. “Many are unaware that a gift from a close and direct relative is non-taxable to any limit, including wedding gifts, as is a gift of value less than Rs 50,000 in a year from non-relatives,” he says. There is also the high transaction cost for low-value products that act as a big deterrent.

Poor management of personal finances is yet another factor. “Many families are hardly aware of their own financial and retirement needs; expecting them to study the implications of gifting is often a far-fetched,” says Sudhir Raikar, Head of financial literacy initiatives for Financial Literacy Agenda for Mass Empowerment (FLAME). “It circles back to the acute need for financial literacy and effective financial inclusion. Without commensurate awareness, people will always choose the seemingly easier option of cash gifts,” he says.

Financial education holds the key to opening up this field in a big way. Non-cash options are aplenty for those who want to take a run at it by gifting unique and useful items that the beneficiary will treasure and can reap the fruits from over longer time durations. There is something for everyone...

1. It is child’s play

The time your child starts asking “May I have that” at the store is the time you should start inculcating a savings habit. Instead of a toy that may lose value within a week or a month, how about you gift a piggy bank or even a savings bank account or both? Encourage the young to save pocket money in the piggy and transfer it to the bank account whenever it touches a pre-determined milestone. This ensures saving mentality is instilled and they grow up money-smart, while reaping years of returns on investment. Take the child along when you visit the bank. The child can see how transactions are done; see the corpus growing, which will not only help him/her understand banking and money-mechanics, but goes a long way in helping to lead a financially disciplined life. The rule of thumb here is: the earlier, the better.

For the slightly elder, there are postal savings schemes such as the National Savings Schemes (NSC) with a five-year investment period and the Public Provident Fund (PPF) which requires an investment of just Rs 500 a year to keep it going.

In your earning heyday, you may live a pleasurable life. But as you grow old together, both of you may find it difficult to support the lifestyle you had become accustomed to. This is why a retirement plan is imperative, and it makes for a great gift that shows that you care till the end of the life’s journey.

2. A little more love

Oh yes, your spouse might love to receive snazzy designer clothes or a fancy chronograph (a high-precision watch). And of course, gold jewellery is ever-green as the perfect gift that instantly provides gratification as well as serves as an investment for the future. But, this new year, how about bucking the trend? Have you considered gifting Gold ETFs instead? It serves the same purpose and can be traded at any time, much like physical gold, while it frees you from safety or storage concerns. Other great gifting options are mutual fund investments, retirement plans or insurance with health benefits.

3. For your pillars of support

All that aging parents and grandparents seek are care and company as they continue to watch over and cherish your accomplishments in life. Having devoted themselves to educating you and supporting you to the best of their abilities, why not return a small part...
of the favour by proving them financial and health security?

Investing in a fixed deposit in their name is an excellent gift. Not only will they be able to avail higher interest rates, it will also provide them a sense of financial security and a means to fall back on. A mutual fund gift scheme is yet another option that will earn them a monthly income.

Insurances may however be a little tricky. Service providers have limited schemes for senior citizens, especially with regard to health insurance. However, exercising the co-payment option can open up an array of schemes available for them under the scope of insurances. Under such products, when the insured party claims an amount, a pre-determined percentage is paid by the company and the remainder of the claimed amount is to be paid by you on behalf of the claimant.

It works the other way too. “Grandparents in particular would do well to study all available options of gifting tax-free financial products to their grandchildren—whether life insurance, mutual funds or stocks,” says Sudhir from FLAME.

4. Buddy packages

A beer pint or bottle of wine is guzzled off and it vanishes within the minute. The book you gift may lay unread gathering dust. Here is a great gift from the financial space that your friends and relatives will cherish: Shares of a blue-chip company. It is a unique and unusual gift, but very valuable all the same. Not only will it be of sentimental value to the receiver, but the lifelong returns through dividend payments and price increases will go a long way in ensuring you are forever remembered.

Fixing up appointments with a financial advisor for a newly married friend or relative is another innovative yet thoughtful gift. On the same lines is subscription to a financial magazine that will help them understand money and give tips to save better.

5. Helping the helpers

Maid servants, drivers, gardeners, security guards, lift-operators, all seek chanda at every possible occasion. It is alright to indulge them for the services they offer all year round, but there is always this feeling that the cash you give is only going towards alcohol or gutka. Did you know the financial space has specialised products for the low-income group and the small investors? The primary issue is, we know, but they don’t. It is up to the employers to explain the products and the benefits with their hired help. So this New Year, how about you sit them down and chart out a suitable scheme for them?

Start off with helping them open a simple bank account. You could discuss the option of putting a small part of the salary you pay them into a recurring deposit (RD) for them. Explain the process and the benefits, and let them operate the account themselves so that they know their money is safe. Postal savings schemes are other easy alternatives that can be gifted to the needy. Workers are most vulnerable to health issues and accidents. Rising cost of living egged on by inflation only pushes treatment for even curable diseases out of their reach, forget emergencies. For this reason, a mediclaim health cover or an accidental cover of a small amount would be a gift that adds security to the whole family. Another option for a gift is helping the worker avail subsidies through Aadhaar by helping them with the paper work. Some state governments also provide free insurance cover to the workers if registered with the labour department.

Yet another interesting product that can be gifted as a charitable activity is a pension scheme. For domestic helps and workers, pension is an alien concept, but can be extremely valuable if you really do want to make a difference to their lives. Initiatives such as Micro Pension Foundation’s Gift-a-Pension are aimed exactly at that—giving the poor too a chance at retirement planning and financial security.

There are more such financial products that one may explore as a gift that will be rewarding for the long term. Stocks and mutual fund units, insurance policies, bonds, debentures, money market instruments, retirement planning products, REIT schemes, plastic money and bank and postal products are only a few gems from the treasure trove.

“Financial gifting obviously necessitates accurate knowledge of our financial positions, our net worth and cash flows which will help define our gifting goals. You need to have cent percent clarity on the specifics of each case. This may require you to study gift tax definitions, exemptions, limits, rules governing transfer of assets, gifts to children, gifts on special occasions, gift of movable and immovable property in greater depth and if it is something as intricate as bequeathing, you also need to take into account incidentials like attorney and accountant fees,” Sudhir points out.

Hence, it is not as easy as pulling out a wad of cash from your back-pocket and handing it over as gift, but there is no gain without a little pain! A small thoughtful and researched gesture from you can go a long way in securing someone’s future. So what are you gifting this season?
The investment declaration deadline is approaching. Are you ready?

With the investment declaration deadline starting you in the face, consider investing in Tata Tax Saving Fund. It not only allows you to avail a deduction of income tax under Section 80C of Income Tax Act upto “Rs. 1.5 lakh”, but also lets you participate in the long term India growth story.

This product is suitable for investors who are seeking*:

- Long Term Capital Appreciation.
- An equity linked savings scheme (ELSS) Investing predominantly in Equity & Equity related instruments.
- The scheme is classified as High Risk (BROWN). Investors understand that their principal will be at high risk.

* Investors should consult their financial advisors if in doubt about whether the product is suitable for them.

Note: Risk may be represented as:

(BROWN) investors understand that their principal will be at high risk.
(YELLOW) investors understand that their principal will be at medium risk.
(BLUE) investors understand that their principal will be at low risk.

Contact Your Financial Advisor

Mutual Fund investments are subject to market risks, read all scheme related documents carefully.
As equity markets take wing, corporate India appears to be seizing the opportunity to expand the investor base. That’s why as many as 94 companies went for splitting their stock in 2014 (as on December 18). This includes big-wigs like India’s largest lender, State Bank of India, ICICI Bank, La Opala, Havells India and JK Tyre, among others.

How does splitting its own stock benefit a company and its shareholders?

Stock split is self-explanatory, i.e., it reduces the face value of a stock and increases the number of outstanding shares of a company, while keeping the total share capital unchanged. For instance, if a company goes for a 1:5 stock split, it means it is going to divide every one equity share of Rs 10 face value into five equity shares of Rs 2 face value.

This means, when a company’s stock is split, price of the stock comes down at largely the same proportion of the split. That is, in case of a 1:5 stock split, the stock’s price comes down to 1/5th of the price before the split, from say, Rs 100 to Rs 20 for each stock.

Why the splitsville?

There are various reasons why a company goes for stock split. One is that a split results in improved liquidity and reduction in trading costs. By reducing the stock price, the company tries to drive volumes and liquidity by attracting a larger shareholder base. Another reason companies go for stock splits is to signal

A stock split shouldn’t influence your investment decision as a retail investor as long as you believe in the long-term fundamentals of the company  

By Sunil Kumar Singh
a stronger future and better earnings growth prospects.

By splitting stocks, “the company is signaling its confidence to the market and its willingness to cater to an expanded retail and institutional investor base having different risk appetite,” says Vinod Nair, Head - Fundamental Research, Geojit BNP Paribas.

Markets have run up too far too soon this year. Consider this: The S&P BSE mid-cap index has gone up by 54% while the S&P BSE small-cap index has soared by a whopping 73% (year-to-date as on Dec 8). Meanwhile, the BSE Sensex has risen by a humble 33% in the same period.

Companies are therefore finding it the right time to cash-in the bull-run as a prop to increase the liquidity of their stock.

**Split and you**

Theoretically, stock split is merely a corporate event, and buying a stock before split or split announcement shouldn’t have any significant effect on the returns on the ex-date of split as it all means the same. However, historically, this has not been the case (See Stock Movement: Before and After Split). The price of a stock behaves differently through different phases, right from the date the split is announced to the record date, ex-split date and beyond.

There are instances of stocks which have given significant returns if you compare their price movement before with after the split, as illustrated in the given chart.

**But why is this so?**

Splitting a stock creates positive psychological impact on small retail investors sitting on the fence. A retail investor would be more inclined to buy a stock with market price of Rs 100 than if it had been Rs 1000. A stock worth Rs 100 is more affordable to them than that worth Rs 1000 per share.

That’s the reason why, on the ex-split date, when the stock price adjusts itself to the split ratio, the stock looks much more affordable to retail investors, many of whom are tempted to buy the stock, causing the price to go up for some time.

---

**Experts however caution, as a retail investor you shouldn’t go for buying a company’s stock before or after split**

A crucial factor investors fail to understand is that there is no real impact of split on the company’s long-term fundamentals and so, their investment rationale of bagging big returns by buying ‘cheap’ stock that has just been split is flawed.

“A stock split is a play on the psyche of the investors. So, a momentum can be seen after the announcement but that is generally short-lived. If one looks to play this momentum, then, one may buy before stock split,” says Yogesh Nagaonkar, VP - Institutional Equities, Bonanza Portfolio.

Some experts however caution that as a retail investor, you shouldn’t go for buying a company’s stock before or after split. Instead, looking at the fundamentals of the company is more important.

“It would be wise to understand the corporate governance history of the company and promoter reputation before investing post a split. As observed lately, off the +70 companies that came out with a stock split, about 40-50% faced stock exchange actions and have corrected significantly after the split,” says Nair of Geojit BNP Paribas.

---

<table>
<thead>
<tr>
<th>Stock</th>
<th>Split Ratio</th>
<th>Record Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kaveri Seed</td>
<td>5 for 1</td>
<td>28-01-14</td>
</tr>
<tr>
<td>Gulf Oil Corp.</td>
<td>1 for 2</td>
<td>5-06-14</td>
</tr>
<tr>
<td>Axis Bank</td>
<td>5 for 1</td>
<td>30-07-14</td>
</tr>
<tr>
<td>Havells India</td>
<td>5 for 1</td>
<td>27-08-14</td>
</tr>
<tr>
<td>JSK Bank</td>
<td>10 for 1</td>
<td>5-09-14</td>
</tr>
<tr>
<td>Atul Auto</td>
<td>2 for 1</td>
<td>15-09-14</td>
</tr>
<tr>
<td>SBI</td>
<td>10 for 1</td>
<td>21-11-14</td>
</tr>
<tr>
<td>ICICI Bank</td>
<td>5 for 1</td>
<td>5-12-14</td>
</tr>
<tr>
<td>JK Tyre</td>
<td>5 for 1</td>
<td>19-12-14</td>
</tr>
<tr>
<td>PNB</td>
<td>5 for 1</td>
<td>19-12-14</td>
</tr>
</tbody>
</table>
“Sensex To Go Beyond 60,000 in 4 Years”

Dr VK Vijayakumar, Investment Strategist, Geojit BNP Paribas, talks about the current equity market conditions, the way forward and headwinds in 2015, value picks for retail investors, and much more.

An academician-turned-investment strategist, Dr Vijayakumar joined Geojit BNP Paribas in 2010. Previously, he was the head of economics department at Sree Krishna College, Guruvayur. Earlier, he served as an expert member of the Working Group on NBFCs, Planning Board, Government of Kerala, and has delivered lectures at the Central European University, Budapest, Hungary as visiting faculty in 2006. He is an MA in economics and also holds a doctorate from Calicut University.

In an interview with The Finapolis, he says, “Investors should avoid mid-cap and small-caps stocks without fundamentals.” He believes that the crash in global crude prices have actually come as a harbinger of hope and contributed to India’s efforts to bringing its books in order with regard to trade and current accounts, and that we indeed are witnessing a multi-year bull market that will push the Sensex beyond 60,000 in four years.
Seeing the massive sell-off in equity markets in December, do you believe the bubble has finally burst?
We don't see the bull run that we are witnessing in the Indian equity markets as a bubble. We rather see this as a multi-year bull market which will take the Sensex beyond the 60,000 mark in four years. India has the potential to achieve good economic growth and earnings growth to support and sustain this rally. Any bull market will be characterised by corrections; some of them can be sharp and swift. The decline in share prices in December, particularly the crash of December 17, is a correction, not a massive sell-off. In fact, this 7% correction will make the market healthy.

The S&P BSE mid-cap Index has gone up by 54% while the S&P BSE small-cap Index has soared by a whopping 73% (year-to-date as on Dec 8) outperforming the BSE Sensex that rose by a humble 33% in the same period. What are the reasons for this broad-based rally this year?
In the early phase of any bull run, the small and mid-caps outperform the large caps. This is because, in a bear market, the small and mid-caps would have been beaten, and consequently, their valuations would have reached very low levels. The outperformance of small and mid-caps is basically a catching-up in valuations when the cycle turns. This segment which has been undervalued is now fairly valued. Of course, there are pockets of overvaluation, even bubbles, in some small and mid-caps due to hyper speculative activity in those counters. Investors should avoid mid and small-caps without fundamentals to sustain their valuations.

Do you believe the rally will continue next year? What are the headwinds you foresee?
We do see the rally continuing in 2015. The major headwinds are likely to be geo-political. The Ukraine issue has the potential to degenerate into a crisis with serious consequences. ISIS-related geo-political issues can be another headwind. We expect headwinds in the form of bad economic news from emerging markets like Russia and Brazil. Petroleum exporting countries are reeling under the massive crash in crude prices. Even a debt default by Russia, Venezuela and Nigeria cannot be ruled out. If this happens, there will be major corrections in the market. A sell-off in emerging market debt is a major possibility. This can impact the currencies of emerging markets with high current account deficit. India will be the least vulnerable emerging market since India’s macro-fundamentals are strong. However, no emerging market will be completely immune to a contagion, if that happens. Rate hike by the Fed, expected in the second half of 2015, can be another headwind. Nonetheless, market-rattling headwinds, as always, will be ‘black swan’ events.

“India will be the least vulnerable Emerging Market since India’s macro fundamentals are strong. However, no Emerging Market will be completely immune to a contagion, if that happens”

India’s trade deficit has shot up to an 18-month high in November on the back of increase in gold imports. Do you see this as a concern? This is not a healthy trend. However, there is no reason for alarm. The crude crash has made India’s trade and current account healthy. We have adequate foreign exchange reserves.

Given the bearish trends in markets because of fears of global economic slowdown as crude oil dipped to a 5.5 year low, should retail investors bet on cyclical stocks or defensive stocks? It should be a combination of the two. In the context of further possible depreciation in the INR and the strong economic rebound in the US, IT and pharma should continue to be essential ingredients of investors’ portfolio. Private sector banks, NBFCs, and autos will continue to do well in 2015 too. We are bullish on sectors like paints, tyres, packaging, etc., which are major beneficiaries of the crude crash. We are also bullish on auto ancillaries and select cyclical such as cement. Companies in the logistics segment supporting the highly promising e-commerce space, though richly valued, can be bought on declines.

Markets are surrounded by lot of optimism over rate cuts. Do you believe it is more important how effectively the policy decisions are taken which will keep the momentum and investor sentiment upbeat than merely a rate cut?
A rate cut by the RBI, which we feel is inevitable now, is one of the expectations. Of course, rate cut alone cannot address the crucial issue of very low manufacturing growth. Other policy initiatives are necessary. We are convinced that these initiatives will come from this government. It may not be at the pace at which the market expects them to come, but they will certainly come.

Much of the rally in 2014 was fuelled by reform hope. But do you believe markets are expecting too much from the new government too soon? Much of the 2014 rally has been fuelled by hopes of a cyclical and structural upturn for the Indian economy, which will get reflected in corporate earnings soon. It is true that the market expected lot of reform initiatives from the new government. But the government has clearly conveyed the message that its strategy would be politically-acceptable, steady and calibrated reforms rather than big-bang ones. We feel that this government is on the right path as far as reforms are concerned.
A slew of project clearances by the new government is benefitting construction companies in a big way  

By Team Finapolis

The construction sector in India has massive investment potential. In the last few months the sector seems to have benefitted from the new policies and the accelerated project clearance regime put in place by the Modi government.

The construction sector’s growth had declined to 1.4% (FY13-14) from 7.8% (FY07-12), mainly due to policy hurdles. However, with the new and stable government coming at the centre, things have begun moving in the right direction. As per the 2QFY15 GDP growth numbers, the construction sector grew by 4.8% Y/Y. According to the 12th Plan, investment in the infrastructure sector will more than double to Rs55,747 billion, with the private sector’s share rising to 48% from 37%. Moreover, five sectors (power, roads, railways, irrigation and urban infrastructure) will attract 74% of the total targeted investment for the 12th Plan.

The new government has begun removing the hurdles for the sector by implementing effective policies and granting faster clearances. Some recent measures taken by the government, such as relaxation in construction FDI, 100% FDI in railways, e-clearance for infrastructure and industrial projects, and long-term bonds by banks, etc., will benefit the construction sector.

The measures have resulted in some positive outcomes. Environment clearances have been received for 232 projects, awarding of 3,419 kms of roads (higher than the total roads awarded in FY13 and FY14), construction of 1,984 kms of roads (higher than 637 kms of roads constructed in FY14), and increased tendering activity (76 tenders worth Rs 479 billion in the request for proposal (RFP) stage in the road sector.

The construction sector, which creates physical assets, has two primary segments 1. Buildings (residential, commercial, institutional and industrial) and 2. Infrastructure (rail, road, dams, irrigation, airports, power systems, telecommunication systems and urban infrastructure, which includes water supply, sewerage, drainage and rural infrastructure). Construction activity contributed nearly 7.8% to India’s GDP (at constant prices) over the period FY07-14. The growth of the construction sector is directly linked to the growth of both its segments, namely ‘building’ and ‘infrastructure.’ Both these segments are expected to contribute al-
Minimum floor area reduced to 20,000 sq. mt. from 50,000 sq. mt. for construction-development projects.

Minimum FDI cap lowered to $5 million from $10 million and will need to be brought within 6 months from start of the project. Subsequent FDI can be brought within 10 years from start of the project or before completion.

The earlier condition of at least 50% of project to be developed within five years has been removed.

Minimum lock-in period of three years after project completion has been changed to immediate exit of FDI either post completion of the project, or after the development of trunk infrastructure (roads, water supply, street lighting, drainage and sewerage).

There will be no conditions (except exit rules) for projects with at least 30% affordable housing (dwelling units measuring less than 60 sq. mt).

There will be no conditions for hotels and tourist resorts, hospitals, SEZs, educational institutions, old age homes and investment by NRIs.

**Railways**

- Upto 100% FDI allowed in key areas, such as freight corridor, high-speed train, port and mining connectivity projects through different modes.
- Upto 100% FDI permitted in most cases in rail projects, such as gauge conversion, construction of new lines, doubling of new lines and maintenance of PPP projects.

**Roads**

- Ministry of Environment and Forests (MoEF) has begun providing e-clearance for infrastructure and industrial projects in order to quickly clear stalled projects.
- The government plans to relax exit rules for road developers by allowing 100% exit after two years from the project’s commissioning against a minimum 26% holding.
- The NHAI is considering re-drafting the Model Concession Agreement (MCA) to give itself more power for stuck bids, re-bidding and cancelled projects that fail to meet expected conditions.
- The cabinet has approved the formation of an independent entity, ‘National Highways Connectivity Company Ltd.’ to supervise the execution of road projects by the NHAI, BRO and state PWDs.
- In order to speed up the execution of road projects awarded on an EPC basis, the payment terms have been changed to a lump-sum basis from item rate contracts. Contractors will now be paid only after the completion of a specific stage/length of road.
- The Ministry of Road Transport and Highways (MoRTH) has signed MoU with the Ministry of Railways to remove all infrastructural hurdles related to the construction of ROBs/RUBs on national highways.
- The RBI has allowed banks to issue long-term infrastructure bonds which are exempt from CRR, SLR and priority sector lending requirements. Moreover, the government proposes to amend the Land Acquisition Act, which will lead to faster execution of infrastructure projects.
most equally to the sector’s growth during FY13-17E. As per the 12th Plan, the sector will achieve a market size of Rs 13,590 billion by FY17 and grow at a CAGR of 15.4% during FY13-17.

The Government of India has more than doubled its investment in the infrastructure sector to Rs 55,747 or roughly $1 trillion for the 12th Plan period (FY13-17E). Moreover, the private sector’s contribution will also increase from 37% to 48% during the 12th Plan. Out of the total targeted investment for the 12th Plan, 74% will be allocated to five sectors (power, roads, railways, irrigation and urban infrastructure), up 119% to Rs 41,079 billion. This massive investment for the 12th Plan will create sufficient opportunities for all the listed players in the construction and infrastructure sectors, thus driving their revenue and profitability over the coming years.

The new government at the centre has begun removing hurdles faced by the construction sector by implementing new/better policies and granting faster clearances. The latest change in the government’s policy was the relaxation in the construction Foreign Direct Investment (FDI) norms notified by the Department of Industrial Policy and Promotion (DIPP).

The latest change in the government’s policy was the relaxation in the construction Foreign Direct Investment (FDI) norms notified by the Department of Industrial Policy and Promotion (DIPP).

HCC, which commenced operations in 1926, is a leading civil engineering and construction company. It is engaged in EPC works in Hydro Power, Water Solutions, Transportation and Nuclear-Thermal Power and Process Plants. HCC is also developing Lavasa, a planned hill city spread over 10,000 acres near Mumbai and Pune. The company also has a presence in real estate development and has acquired Steiner AG (Switzerland-based), a real estate service provider. HCC has also ventured into BoT road assets and currently has six projects, out of which four are already operational. The company’s EPC operations are spread across India, with 95% of its clients being government entities, such as NHPC, NHAI and NPCIL, as well as various state governments.

The Ajit Gulabchand-promoted Hindu- stan Construction Company Ltd. (HCC), with its successful track record of executing complex projects, is likely to witness robust order inflow from all major infrastructure segments. HCC’s ongoing claims recovery from its clients, growing revenue, healthy EBITDA margin, surge in profitability in FY16-17, de-leveraging of balance sheet, strong positive operating cash flow and value unlocking due to the Lavasa IPO make the stock attractive.

HCC’s current order book (Rs 137 billion) and fresh inflow of Rs 37 billion/Rs48 billion/Rs55 billion expected in
FY15/FY16/FY17, respectively will improve its revenue visibility and drive faster revenue growth in FY16-17. Pick-up in execution and healthy EBITDA margin will boost profitability.

HCC has begun making efforts to de-leverage its balance sheet by speeding up claims recovery from clients, monetizing non-core assets and raising equity through a QIP or the Lavasa IPO. HCC’s bottom line could grow by a strong 94.9%/40.7% Y/Y in FY16/FY17 respectively.

HCC has received the go ahead from SEBI for the IPO of its subsidiary, Lavasa Corporation in which HCC has a 68.7% stake and plans to raise Rs 7.5 billion through the IPO. The Lavasa IPO will lead to value unlocking for HCC, by way of faster development and lower debt burden.

HCC’s net working capital deteriorated to 107% (as a percentage of revenue) in FY12/FY13 from 86% in FY11, resulting in a decline in revenue and losses for the company. In FY14, HCC turned profitable despite its stretched working capital, driven by a sharp improvement in its EBITDA margin. The company has now begun making efforts to de-leverage its balance sheet by speeding up claims recovery from its clients, monetizing its non-core assets and raising equity either through a QIP or the Lavasa IPO, etc. That could help HCC’s bottom line to increase sharply by 94.9% in FY16.

HCC’s improving claims recovery from its clients, focus on de-leveraging its balance sheet through sale of non-core assets (such as its 26% stake in 247 Park and a few mature road BoTs) and raising of equity amounting to Rs7.5 billion either through a QIP at the parent level or an IPO of its subsidiary Lavasa, will reduce its debt and improve profitability. Accordingly, we expect HCC’s standalone debt to decline by Rs 5 billion during FY16. HCC’s net profit could surge to Rs 1.5 billion in FY17, after declining to Rs 535 million in FY15.

**KNR Construction**

Back On The Road To Profitability

<table>
<thead>
<tr>
<th>Current Market Price</th>
<th>Rs 308</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Target Price</strong></td>
<td>Rs 391</td>
</tr>
<tr>
<td><strong>Upside</strong></td>
<td>27(%)</td>
</tr>
</tbody>
</table>

KNR has a 20-year experience in project execution. Besides EPC and highways construction, the company also manages urban water infrastructure. It has executed some 5,400 lane kms of road projects in various states. KNR has the expertise to bid for, execute and implement medium and large size projects across various infrastructure segments. At the end of 2QFY15, the company had an order book of Rs 11.8 billion, comprising primarily of road EPC orders from across seven states. The company has also ventured into the asset development business, such as BoT roads. Currently, KNR has three BoT road projects (two operational annuity and one under construction toll project). The company’s revenue, EBITDA and net profit grew at a CAGR of 5.1%, 5.1% and 6.9%, respectively between FY09-FY14.

KNR’s revenues could increase significantly in FY16-17 due to a ramp up in project execution and strong order inflow. The recent pick-up in tendering activity will also benefit KNR. A faster growth in KNR’s revenue and healthy EBITDA margin will drive its profitability. Moreover, robust financials—a low debt equity ratio, and strong earnings—efficient working capital management and early completion of Kerala road BoT toll project make the stock attractive.

KNR’s revenue is estimated to grow at a faster pace in FY16 and FY17, due to a pick-up in execution of contracts won recently. According to our estimates, the company’s income could grow by 25% and 20% respectively in FY 16 and FY17.

KNR has a good track record of early project completion. The company completed the Bijapur-Hungund project in a record 18 months (11 months ahead of schedule). KNR is also expected to finish the Kerala BoT project seven months ahead of schedule.

KNR has been generating positive operating cash flow for the last eight years, and this could continue in FY15-17, aided by its efficient working capital management.

We estimate KNR to record an order inflow of Rs12.8 billion in 2HFY15. A ramp-up in execution will also drive a faster revenue growth (average of 22%) in FY16-17. The surge in KNR’s revenue and its superior EBITDA margin will drive a CAGR of 19.7% in the bottom line (FY16-17), as against a CAGR of merely 1.4% (FY12-14).

KNR has an excellent track record of completing projects early. The company’s top management actively participates in all the stages of project execution, such as selection of raw materials and construction camps. The company’s management adopts a cautious approach regarding selection of projects and picks reputed clients, such as NHAI, MoRTH and Sadbhav Engineering, etc.

Investors could look at KNR with a target price of Rs 391.
SIL enjoys a very strong presence in the construction business thanks in part to their decades of experience. The company has executed over 2,700 projects that include airports, metros, sewerage and urban infrastructure projects. SIL has a presence in virtually every vertical of the construction industry, such as ground engineering, industrial, building and housing, power (thermal, nuclear and hydel), power transmission, marine ports, roads, railways, bridges, elevated roads and rail corridors. The company’s operations are spread across India and overseas, with some 200 ongoing projects. SIL has a track record of receiving repeat orders from its esteemed and large clients. At the end of 2QFY15, SIL had an order book of Rs 164 billion. The company has 8,563 employees and owns construction equipment worth Rs 20.2 billion, as of 1HFY15. The company’s revenue grew at very healthy CAGR of 24% during the last 10 years. SIL has a track record of earning uninterrupted profit during the last 10 years. SIL has executed over 2,700 projects that include airports, metros, sewerage and urban infrastructure projects. SIL has a presence across all the major business segments in construction, such as building and housing, Road, oil and gas, water and environment. It has a presence in the Middle East through subsidiaries in Oman and the UAE. Currently, the company is executing some 205 projects across India and the Middle East. NCC has also ventured into the asset development business, such as BOT roads and power plants. It has has five operational BOT road projects and it is also constructing three power projects, as well as developing 10 real estate projects.

NCC witnessed a sharp pick-up in execution in 2QFY15, with revenue going up 68% y/y. The improvement in execution, even after excluding its captive power projects, to drive a CAGR of 12.4% in revenue during FY15-17, which is almost a double of 6.4% CAGR achieved during FY12-14. NCC’s order inflow rose from Rs 6 billion in 1QFY15 to Rs 30 billion in 2QFY15, leading to a consolidated order book of Rs 204 billion. NCC’s robust and diversified order book provides visibility for 3.3x FY14 revenue. Moreover, the buildings, roads and water segments contribute 70% of order book which face less uncertainty and enjoy a higher execution rate.

With tendering activity picking up, NCC can expect an increase in orders and margins. Given that, NCC’s debt could decline by Rs 5.5 billion by FY15, post its rights issue, thus adding Rs 700 million to the bottom line through interest savings. The expected improvement in working capital management will also aid its revenue growth and lower interest costs.

After the right issue of Rs 6 billion, NCC’s debt would reduce by Rs 5.5 billion to Rs 22.3 billion by FY15. This would add Rs 700 million per annum in bottom line by way of interest savings from November 2014. Therefore, analysts expect NCC’s bottom line to witness a strong 90% CAGR during FY15-17 vis-à-vis declining 37.2% CAGR during FY12-14.

NCC is one of the largest Indian construction companies in terms of revenue. The company’s size and scale helps it to pre-qualify for large size projects. NCC has a presence across all the major business segments in construction, such as building and housing, Road, oil and gas, water and environment. It has a presence in the Middle East through subsidiaries in Oman and the UAE. Currently, the company is executing some 205 projects across India and the Middle East. NCC has also ventured into the asset development business, such as BOT roads and power plants. It has five operational BOT road projects and it is also constructing three power projects, as well as developing 10 real estate projects.
A family floater is a health insurance plan that extends the coverage to the entire family rather than just an individual. Simply put, a floater brings all the members of the family under an umbrella cover. Being covered under a floater, every family member gets benefits under a larger common pool.

From the perspective of a regular married guy with two kids, it seems only wiser to get a family floater with a sum insured of Rs 4,00,000 rather than taking 4 individual health plans for 4 family members separately.

How Family Floater Works?
Mr. Sharma opts for a family floater with a sum insured of Rs 3 lakh. The plan covers him, his spouse and two children. He pays an annual premium of Rs 6,000 on the plan. Let’s consider two possible scenarios:

Scenario 1 – Mr. Sharma’s wife contracts an illness and had to be hospitalized. The total expenses incurred on her treatment turned out to be Rs 2,50,000. The amount gets reimbursed by the insurer.

Scenario 2 – The whole Sharma family contracted severe stomach infection caused by contaminated drinking water. All the four family members were hospitalized. The total expenses incurred on the treatment turned out to be Rs 4,50,000. The insurance company reimbursed the sum insured in full i.e Rs 3 lakh. Mr. Sharma ends up paying the rest of the amount i.e Rs 1.5 lakh out of his own pocket.

Though chances of getting the entire sum insured exhausted within the policy term are thin. Because, the probability of the whole family getting hospitalized within a single term.

Those planning to get their often get confused whether to buy individual policies for each family member or a family floater.

Benefits – Family Floater
The biggest perk of a floater is that the policyholder gets to take care of himself and his entire family under one single policy which is quite obviously easier to manage than managing 4-5 individual plans.

When it comes to getting your parents insured, family floater stands out as a much cheaper option than getting a senior citizen health plan.

> Floater is a more lucrative option when it comes to features maternity cover
> Income tax benefits under section 80D
> It is easier to get your immediate family members, spouse or new-borns, added in a floater

In case of younger families, chances of more than one claim are thin. So the member making the claim can avail of a greater sum insured at a lesser cost.

What’s Not So Good
The obvious turn-off in a floater is that in case of more than one claim within a year, the member making the subsequent claim has to do away with a thinned out cover (left out of the amount realized for the first claim)

Most of the floaters available in the market cover only you, your spouse and your children and exclude even your parents and siblings.

A family floater plan can only be renewed till the oldest member reaches the maximum renewability age.

Look Out
Maximum renewability age – A while ago, insurers had set the upper cap on entry age from 65 to 75. But now with the intervention of IRDA, most of the insurers offer lifelong renewability. 

Check the sub-limits – Do not get deluded by the heavy sum insured offered in a health plan. Always check the sub-limits for sub-categories before opting for a plan. For instance, for a specific health cover, sum insured may be Rs 4 lakhs, but there could be a sub limit of Rs 40,000, say on medicines and Rs 50,000, say on pre and post hospitalization.

Policy term – Health plans used to be offered as annual policies. But now many insurers offer health plans with two year policy term.

Reinstatement benefit – This is one of the lesser known benefits of health insurance. Generally, the sum insured on a plan is fixed during a policy term. The insured finds himself in lose-lose proposition if the sum insured is exhausted before the policy term (the chances of which are thicker in family floaters). The reinstatement feature gets the sum insured refilled if it is exhausted before the end of the policy term.

Value added features – Look out for add-ons such as free healthy check-ups, concierge services, 24 X 7 free medical advice on telephone, discounts on medical stores, health clubs and fitness centers and lots more.
Strong brand positioning, huge growth potential and foray into newer segments are key factors behind Page Industries managing to endure the market uncertainties and deliver consistent performance

By Team Finapolis

Traditional wisdom says if you want to ensure stability in your stock portfolio, invest in blue chips. But, if you want to add a tinge of diversification, then include mid-cap and small-cap stocks. Check out the returns delivered by the mid-cap stock Page Industries: 45% in three months, 228% in two years, 371% in three years, and a whopping 1188% in five years.

As on December 23, 2014, the stock of Page Industries was trading at a market price of Rs 12,486 on the BSE. Although it looks over-valued, analysts believe the company’s premium multiples are justified given its unique brand propositions. The stock is trading at 35x P/E FY17 (estimated), but despite that, the stock is still not a ‘Sell’ yet for many broking companies. Are you amazed by these numbers?

While expecting every stock you invest in to be a multi-bagger is a pie-in-the-sky sort of idea, there are a few mid-cap stocks, such as Page Industries, that have given phenomenal returns in the short, medium as well as long term.

To the uninitiated, Page Industries is engaged in manufacturing and distribution of innerwear and leisurewear under an exclusive license from US-based Jockey International for India, Nepal, Bangladesh, Sri Lanka and the UAE.

**Super Brand Tag**

One of the key strengths of Page Indus-
tries is that it enjoys the super-brand image of ‘Jockey’ as a globally successful lifestyle name with strong brand recall value, innovation and R&D backup. Besides, the extensive distribution network gives the company added advantage over its peers.

It has a nation-wide distribution network across 1,200 cities, around 400 distributors with 139 exclusive brand outlets (EBOs) and 23,000 retail outlets. Its retail stores format is a mix of exclusive brand outlets (EBOs), large store formats, multi-brand outlets, hosiery stores and multipurpose stores ensuring reach to every nook and corner of the country.

Not many market analysts or investors expected the company to grow the way it has. But it has, so much so that as on December 23, 2014 the market capitalization of the stock was a high Rs 13,942.34 crore on the BSE.

What has kept Page Industries’ stock on fire consistently and what’s the outlook? Will the company’s robust performance continue?

“Page Industries is a steady state revenue and earnings growth compounder. Earnings growth has come on the back of healthy revenue growth across segments, i.e., men’s and women’s sportswear. Margins have also been stable, led by better product mix and benign input costs,” says Prashant Kutty, Research Analyst, Emkay Global Financial Services. The company has a phenomenal history of strong revenue and PAT growth. Consider this: Revenue during the period from FY08 to FY14 has been increasing consistently at 35% CAGR.

“The company’s financial performance is quite strong compared with its peers. The RoE and RoCE at Page is pegged at a robust 57% and 53%, respectively, in FY14,” says Astha Jain, Senior Research Analyst, Hem Securities. Page Industries is seen improving consistently driven by high asset turnover and expanding margins. Going forward, given lower cotton prices and high volumes growth for the company, analysts expect EBITDA to see a 34% CAGR during FY14-16E and EBITDA margins to stabilise around 21% during the same period.

Another key strength of Page Industries is that it operates in the premium and mid-premium segment of the innerwear market while most of its peers such as Lovable Lingerie, Rupa and Co. and Maxwell Industries (VIP) operate in the low and economy segments.

**Huge Market Potential**

Analysts say Page Industries is in a business — the Indian innerwear industry — that is growing at a fast and still has a lot of ground to cover.

Accounting for about 8% of the domestic apparel industry, the Indian innerwear industry is valued at Rs 178 billion. Of that, men’s innerwear accounts for 40% at Rs 71 billion and women’s accounts for 60% at Rs 107 billion. The innerwear market is growing at a faster rate than the overall apparel market, and is estimated to see a 13% CAGR.

The premium and super-premium segments are branded markets witnessing faster growth. As per a Technopak Report, the men’s premium innerwear market accounts for 12%, while the super-premium innerwear market accounts for 2%. Women’s premium and super-premium innerwear markets accounts for 14.5% and 4.5%, respectively. The middle segments for men and women contribute nearly Rs 20 billion and Rs 38 billion, respectively, to the overall organised segment. Page’s market share is estimated at 21% in men’s and 12% in women’s segments, where sales on a MRP basis has crossed the Rs 8 billion mark.

**Expansion Strategy**

The Company has entered into an exclusive licensing agreement with Speedo International to manufacture and distribute ‘Speedo’ brand of swimwear, water shorts, apparel, equipment and footwear. The agreement initially is for a period of five years (till 2016) with royalty payment of 8% on sales. For starters, the products would be imported and distributed directly in India. Later, swimwear will be manufactured by Page domestically, while other accessories would be imported and distributed. The company has also launched a kids’ innerwear line which could become a new growth segment altogether.

For the Speedo brand, the company has 830 stores including large format stores across 62 cities and six Speedo outlets. While this market is still at a nascent stage in India, partnership with such a strong brand at an early stage ensures first-mover advantage to Page Industries, to reap benefits at the inflection point.

“Given the strong fundamentals of the company, the stock looks fully priced at the current level. However, if the company continues to show its growth momentum, then the stock is eligible for further rerating,” says Jain of Hem Securities.

Analysts also raise a yellow flag that since cotton accounts for almost 80% of the raw materials for Page, any fluctuation or volatility in its price is likely to impact the margins of the company.  

---

**Soaring Heights**

<table>
<thead>
<tr>
<th>Year</th>
<th>Page Industries</th>
<th>Sensex</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>591.49</td>
<td>1391.49</td>
</tr>
<tr>
<td>2011</td>
<td>942.04</td>
<td>1391.49</td>
</tr>
<tr>
<td>2012</td>
<td>456.59</td>
<td>1391.49</td>
</tr>
<tr>
<td>2013</td>
<td>-10.86</td>
<td>1391.49</td>
</tr>
<tr>
<td>2014</td>
<td>924.04</td>
<td>1391.49</td>
</tr>
</tbody>
</table>

---

**Page Industries**

- **Expansion Strategy**
  - Entered into an exclusive licensing agreement with Speedo International to manufacture and distribute ‘Speedo’ brand of swimwear, water shorts, apparel, equipment and footwear.
  - Partnership with such a strong brand at an early stage ensures first-mover advantage to Page Industries.
  - Launched a kids’ innerwear line which could become a new growth segment.

---

**Huge Market Potential**

- The Indian innerwear industry is valued at Rs 178 billion. Of that, men’s innerwear accounts for 40% at Rs 71 billion and women’s accounts for 60% at Rs 107 billion.
- The innerwear market is growing at a faster rate than the overall apparel market, and is estimated to see a 13% CAGR.
- Premium and super-premium segments are branded markets witnessing faster growth.
Intro
If you are planning to buy a home and think that your home loan application can easily get accepted by the bank, think again. While a good income is certainly a criterion for lending, a bank takes into consideration a whole lot of other things too before deciding to lend. However, some silliness on your part before making the first move can derail the most important goal of your life.

Story
Buying a home is everybody’s dream. And a variety of finance options make us believe that realizing this dream into reality is not that difficult. But it’s not easy either. The first step towards the same is getting the loan sanctioned. And this includes certain behaviors of yours before you apply for the loan. Take a look at the things you should not do till the mortgage you want gets closed down.

Do not change job
While the offer of a new job is enticing, you should refrain from job hopping when you have to apply for mortgage few months down the line. Frequent change of jobs is viewed suspiciously by lenders as it implies job instability. Your mortgage request can be rejected on account of this if your CPV check is negative, that is if you are not available at the residence mentioned by you, the loan application can be rejected.

Avoid taking another line of credit
If you have to apply for a home loan in a few months time, drop the idea of adding another line of credit. In calculation of your home loan eligibility, your existing lines of credits are also taken into account. Suppose you want a loan of Rs 25 lakh, which home loan EMI works out to be Rs 25,000. But if you had taken a personal loan sometime back towards which you are paying Rs 10,000 as EMI, then as per fixed obligation to income ratio the reworked EMI for the home loan would be only Rs 15,000. Accordingly, your home loan eligibility would be reset.

Do not close an old loan account
While it is a known fact that a bad credit behavior hurts your Cibil score, you must also know that some good credit behaviors can also have a negative impact on it. And closing one of your old credit card accounts, especially if it has a clean repayment track record, is one of them. This is because the length of the credit history is an important factor in determining your Cibil score. The longer it is, the better it is. So you should avoid closing any credit account before applying for a home mortgage.

Buying a home is everybody’s dream. And a variety of finance options make us believe that realizing this dream into reality is not that difficult

The author is Director & Co-Founder, www.creditvidya.com
Invest in Equity Linked Savings Schemes of Mutual Funds and

SAVE TAX UP TO Rs.46,350*

PARTICIPATE IN THE EQUITY MARKET WITH A LOW INVESTIBLE AMOUNT

<table>
<thead>
<tr>
<th>Features of Equity Linked Savings Schemes (ELSS)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minimum investment Rs.500 and in multiples of Rs.500 thereafter</td>
</tr>
</tbody>
</table>

*On an investment of Rs.1.50 lakhs p.a. for the highest tax bracket of 33% u/s 80C of the Income Tax Act, 1961. The I.T. benefit is calculated on the basis of marginal tax rate of 30.9% (for income up to Rs.1 crore) applicable for highest tax bracket.

An Investor Education & Awareness initiative

IDBI Asset Management Limited. CIN No. U65100MH2010PLC195319. Regd. Off.: IDBI Tower, WTC Complex, Cuffe Parade, Colaba, Mumbai - 400 005. Corp. Off.: 5th Floor, Mahalaxmi Centre, Nariman Point, Mumbai - 400 021. All India Toll Free No.: 1800-22-4324. Tel. No.: (+ 91 22) 6644 2800. Fax No.: (+ 91 22) 6644 2801. Email ID: contacts@idbimutual.co.in SMS: IDBINF to 09220922920. Website: www.idbimutual.co.in

Statutory Details: IDBI Mutual Fund has been set up as a trust sponsored by IDBI Bank Ltd. with IDBI MF Trustee Company Ltd. as the Trustee under the Indian Trusts Act, 1882 and with IDBI Asset Management Ltd. as the Investment Manager. AMC/Trustee/MF/Sponsor is not liable or responsible for any loss or shortfall resulting from the operations of the scheme.

Mutual Fund investments are subject to market risks, read all scheme related documents carefully.
## Indian Indices: Performance

<table>
<thead>
<tr>
<th></th>
<th>Close Dec 22, 2014</th>
<th>Close Nov 28, 2014</th>
<th>Return (%)</th>
<th>Return 6 M (%)</th>
<th>Return 12 M (%)</th>
<th>PE Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sensex</td>
<td>27701.79</td>
<td>28693.99</td>
<td>-3.46</td>
<td>9.89</td>
<td>30.36</td>
<td>19.27</td>
</tr>
<tr>
<td>Nifty</td>
<td>8324.00</td>
<td>8588.25</td>
<td>-3.08</td>
<td>10.32</td>
<td>31.55</td>
<td>18.98</td>
</tr>
<tr>
<td>BSE 500</td>
<td>10674.44</td>
<td>10956.16</td>
<td>-2.57</td>
<td>10.76</td>
<td>36.47</td>
<td>19.95</td>
</tr>
<tr>
<td>BSE Auto</td>
<td>18618.79</td>
<td>19220.05</td>
<td>-3.13</td>
<td>24.01</td>
<td>50.06</td>
<td>17.35</td>
</tr>
<tr>
<td>BSE Bankex</td>
<td>21455.62</td>
<td>21212.07</td>
<td>1.15</td>
<td>23.36</td>
<td>63.98</td>
<td>18.35</td>
</tr>
<tr>
<td>BSE Capital Goods</td>
<td>15412.66</td>
<td>16371.64</td>
<td>-5.86</td>
<td>-3.19</td>
<td>49.23</td>
<td>32.38</td>
</tr>
<tr>
<td>BSE Consumer Durables</td>
<td>9616.72</td>
<td>9646.51</td>
<td>-0.31</td>
<td>12.72</td>
<td>65.48</td>
<td>33.97</td>
</tr>
<tr>
<td>BSE FMCG</td>
<td>7822.89</td>
<td>7733.68</td>
<td>1.15</td>
<td>19.27</td>
<td>20.27</td>
<td>47.17</td>
</tr>
<tr>
<td>BSE Healthcare</td>
<td>14528.60</td>
<td>14956.57</td>
<td>-2.86</td>
<td>33.58</td>
<td>46.02</td>
<td>26.99</td>
</tr>
<tr>
<td>BSE IT</td>
<td>10574.03</td>
<td>11207.45</td>
<td>-5.65</td>
<td>16.36</td>
<td>16.90</td>
<td>19.62</td>
</tr>
<tr>
<td>BSE Oil &amp; Gas</td>
<td>10105.56</td>
<td>10913.30</td>
<td>-7.41</td>
<td>-11.21</td>
<td>13.36</td>
<td>11.11</td>
</tr>
<tr>
<td>BSE Metal</td>
<td>10753.33</td>
<td>11306.25</td>
<td>-4.89</td>
<td>-19.64</td>
<td>6.26</td>
<td>12.88</td>
</tr>
<tr>
<td>BSE Realty</td>
<td>1514.37</td>
<td>1683.06</td>
<td>-10.02</td>
<td>-25.42</td>
<td>3.58</td>
<td>16.13</td>
</tr>
<tr>
<td>BSE PSU</td>
<td>8222.93</td>
<td>8411.15</td>
<td>-2.42</td>
<td>-3.47</td>
<td>40.14</td>
<td>11.54</td>
</tr>
<tr>
<td>BSE Power</td>
<td>2054.92</td>
<td>2166.14</td>
<td>-5.13</td>
<td>-6.78</td>
<td>22.32</td>
<td>23.42</td>
</tr>
<tr>
<td>BSE Teck</td>
<td>5822.56</td>
<td>6158.65</td>
<td>-5.46</td>
<td>13.34</td>
<td>15.89</td>
<td>17.64</td>
</tr>
</tbody>
</table>

## Global Indices: Performance

<table>
<thead>
<tr>
<th></th>
<th>Close Dec 22, 2014</th>
<th>Close Nov 28, 2014</th>
<th>Return (%)</th>
<th>Return 6 M (%)</th>
<th>Return 12 M (%)</th>
<th>PE Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>MSCI World Index</td>
<td>1723.26</td>
<td>1739.50</td>
<td>-0.93</td>
<td>-1.32</td>
<td>5.25</td>
<td>17.76</td>
</tr>
<tr>
<td>MSCI Asia Pacific Ex Japan</td>
<td>465.59</td>
<td>478.30</td>
<td>-2.66</td>
<td>-4.57</td>
<td>0.75</td>
<td>12.57</td>
</tr>
</tbody>
</table>

**ASIA**

<table>
<thead>
<tr>
<th></th>
<th>Close Dec 22, 2014</th>
<th>Close Nov 28, 2014</th>
<th>Return (%)</th>
<th>Return 6 M (%)</th>
<th>Return 12 M (%)</th>
<th>PE Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hang Seng</td>
<td>23408.57</td>
<td>23987.45</td>
<td>-2.41</td>
<td>2.32</td>
<td>1.80</td>
<td>9.87</td>
</tr>
<tr>
<td>Singapore Straits Times (STI)</td>
<td>3330.96</td>
<td>3350.50</td>
<td>-0.58</td>
<td>2.31</td>
<td>6.94</td>
<td>13.52</td>
</tr>
<tr>
<td>S. Korea</td>
<td>1943.12</td>
<td>1980.78</td>
<td>-1.90</td>
<td>-1.82</td>
<td>-2.90</td>
<td>32.97</td>
</tr>
<tr>
<td>Nikkei 225</td>
<td>17635.14</td>
<td>17459.85</td>
<td>1.00</td>
<td>14.74</td>
<td>11.12</td>
<td>21.62</td>
</tr>
</tbody>
</table>

**AMERICA**

<table>
<thead>
<tr>
<th></th>
<th>Close Dec 22, 2014</th>
<th>Close Nov 28, 2014</th>
<th>Return (%)</th>
<th>Return 6 M (%)</th>
<th>Return 12 M (%)</th>
<th>PE Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dow Jones</td>
<td>17959.44</td>
<td>17828.24</td>
<td>0.74</td>
<td>6.04</td>
<td>10.22</td>
<td>16.05</td>
</tr>
<tr>
<td>S&amp;P 500</td>
<td>2078.54</td>
<td>2067.56</td>
<td>0.53</td>
<td>5.91</td>
<td>13.71</td>
<td>18.39</td>
</tr>
<tr>
<td>NASDAQ</td>
<td>4781.42</td>
<td>4791.63</td>
<td>-0.21</td>
<td>9.45</td>
<td>15.25</td>
<td>45.36</td>
</tr>
<tr>
<td>Brazil Bovespa</td>
<td>50120.86</td>
<td>54724.00</td>
<td>-8.41</td>
<td>-7.13</td>
<td>-1.97</td>
<td>12.39</td>
</tr>
</tbody>
</table>

**EUROPE**

<table>
<thead>
<tr>
<th></th>
<th>Close Dec 22, 2014</th>
<th>Close Nov 28, 2014</th>
<th>Return (%)</th>
<th>Return 6 M (%)</th>
<th>Return 12 M (%)</th>
<th>PE Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>FTSE-100</td>
<td>6576.74</td>
<td>6722.62</td>
<td>-2.17</td>
<td>-2.99</td>
<td>-1.21</td>
<td>18.85</td>
</tr>
<tr>
<td>DAX 30</td>
<td>9865.76</td>
<td>9980.85</td>
<td>-1.15</td>
<td>-0.18</td>
<td>4.36</td>
<td>17.39</td>
</tr>
<tr>
<td>CAC 40</td>
<td>4254.43</td>
<td>4390.18</td>
<td>-3.09</td>
<td>-4.72</td>
<td>2.07</td>
<td>25.73</td>
</tr>
</tbody>
</table>
## December International Commodity Futures Price Trends

<table>
<thead>
<tr>
<th>Commodity</th>
<th>December 22, 2014</th>
<th>November 28, 2014</th>
<th>% Change</th>
<th>52 Week High</th>
<th>% Change from 52 Week High</th>
<th>52 Week Low</th>
<th>% Change from 52 Week Low</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nymex Crude Oil (S/bbl)</td>
<td>55.26</td>
<td>66.15</td>
<td>-16.46%</td>
<td>107.73</td>
<td>-48.71%</td>
<td>53.60</td>
<td>3.10%</td>
</tr>
<tr>
<td>CBOT Soy Oil (cents/lb)</td>
<td>32.04</td>
<td>32.18</td>
<td>-0.44%</td>
<td>44.70</td>
<td>-28.32%</td>
<td>31.12</td>
<td>2.96%</td>
</tr>
<tr>
<td>ICE Cotton (cents/lb)</td>
<td>62.04</td>
<td>60.96</td>
<td>1.77%</td>
<td>97.35</td>
<td>-36.27%</td>
<td>57.84</td>
<td>7.26%</td>
</tr>
<tr>
<td>LME Copper 3 Month ($/t)</td>
<td>6355.00</td>
<td>6351.00</td>
<td>0.06%</td>
<td>7460.00</td>
<td>-14.81%</td>
<td>6230.75</td>
<td>1.99%</td>
</tr>
<tr>
<td>LME Zinc 3 Month ($/t)</td>
<td>2165.00</td>
<td>2215.00</td>
<td>-2.26%</td>
<td>2416.00</td>
<td>-10.39%</td>
<td>1937.00</td>
<td>11.77%</td>
</tr>
<tr>
<td>Comex Silver (S/oz)</td>
<td>15.65</td>
<td>15.49</td>
<td>1.03%</td>
<td>22.18</td>
<td>-29.45%</td>
<td>14.10</td>
<td>10.99%</td>
</tr>
<tr>
<td>LIFFE Sugar (S/t)</td>
<td>389.10</td>
<td>406.90</td>
<td>-4.37%</td>
<td>495.90</td>
<td>-21.54%</td>
<td>383.00</td>
<td>1.59%</td>
</tr>
<tr>
<td>CBOT Soybean (cents/bushel)</td>
<td>1038.25</td>
<td>1016.00</td>
<td>2.19%</td>
<td>1536.75</td>
<td>-32.44%</td>
<td>904.00</td>
<td>14.85%</td>
</tr>
<tr>
<td>ICE Sugar (cents/lb)</td>
<td>14.86</td>
<td>15.59</td>
<td>-4.68%</td>
<td>18.47</td>
<td>-19.55%</td>
<td>13.32</td>
<td>11.56%</td>
</tr>
<tr>
<td>LME Aluminium 3 Month ($/t)</td>
<td>1880.00</td>
<td>2004.00</td>
<td>-6.19%</td>
<td>2199.50</td>
<td>-11.30%</td>
<td>1671.25</td>
<td>12.49%</td>
</tr>
<tr>
<td>ICE Coffee (cents/lb)</td>
<td>172.15</td>
<td>186.65</td>
<td>-7.77%</td>
<td>225.50</td>
<td>-23.66%</td>
<td>110.20</td>
<td>56.22%</td>
</tr>
<tr>
<td>CBOT Corn (cents/bushel)</td>
<td>411.75</td>
<td>375.75</td>
<td>9.58%</td>
<td>519.50</td>
<td>-20.74%</td>
<td>318.25</td>
<td>29.38%</td>
</tr>
<tr>
<td>Comex Gold (S/oz)</td>
<td>1179.70</td>
<td>1175.20</td>
<td>0.38%</td>
<td>1392.60</td>
<td>-15.29%</td>
<td>1130.40</td>
<td>4.36%</td>
</tr>
<tr>
<td>CBOT Soy Meal ($/t)</td>
<td>368.40</td>
<td>391.10</td>
<td>-5.80%</td>
<td>507.00</td>
<td>-27.68%</td>
<td>302.00</td>
<td>21.99%</td>
</tr>
<tr>
<td>LME Lead 3 Month ($/t)</td>
<td>1875.00</td>
<td>2028.00</td>
<td>-7.54%</td>
<td>2307.00</td>
<td>-18.73%</td>
<td>1836.00</td>
<td>2.12%</td>
</tr>
<tr>
<td>LME Nickel 3 Month ($/t)</td>
<td>15650.00</td>
<td>16275.00</td>
<td>-3.84%</td>
<td>21625.00</td>
<td>-27.63%</td>
<td>13334.00</td>
<td>17.37%</td>
</tr>
<tr>
<td>Nymex Natural Gas ($/mmbtu)</td>
<td>3.14</td>
<td>4.09</td>
<td>-23.09%</td>
<td>6.49</td>
<td>-51.58%</td>
<td>3.12</td>
<td>0.77%</td>
</tr>
<tr>
<td>CBOT Wheat (cents/bushel)</td>
<td>625.75</td>
<td>577.25</td>
<td>8.40%</td>
<td>735.00</td>
<td>-14.86%</td>
<td>466.25</td>
<td>34.21%</td>
</tr>
</tbody>
</table>

## Commodities: December Gainers and Losers (%)

### MCX
- Crude Oil: -11.6%
- Lead: -5.5%
- Zinc: 0.1%
- Gold: 4.6%
- Silver: 7.4%
- Cardamom: 18.9%
- Natural Gas: -18.7%

### NCDEX
- Barley: -4.0%
- Soybean: 0.6%
- Wheat: 2.3%
- Soy Oil: 4.4%
- Rm Seed: 8.1%
- Jeera: 16.8%
- Turmeric: 27.4%

*All figures as on December 22, 2014*
### NIFTY TOP

<table>
<thead>
<tr>
<th>Company</th>
<th>December 22, 2014</th>
<th>November 28, 2014</th>
<th>(%) Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coal India</td>
<td>390.35</td>
<td>355.00</td>
<td>9.96</td>
</tr>
<tr>
<td>ABB India</td>
<td>1164.70</td>
<td>1113.30</td>
<td>4.62</td>
</tr>
<tr>
<td>Kotak Mahindra Bank</td>
<td>1257.95</td>
<td>1202.50</td>
<td>4.61</td>
</tr>
<tr>
<td>Punjab National Bank</td>
<td>223.35</td>
<td>214.46</td>
<td>4.15</td>
</tr>
<tr>
<td>Axis Bank</td>
<td>498.30</td>
<td>481.20</td>
<td>3.55</td>
</tr>
</tbody>
</table>

### NIFTY BOTTOM

<table>
<thead>
<tr>
<th>Company</th>
<th>December 22, 2014</th>
<th>November 28, 2014</th>
<th>(%) Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reliance Communications</td>
<td>82.15</td>
<td>102.95</td>
<td>-20.20</td>
</tr>
<tr>
<td>Unitech</td>
<td>15.60</td>
<td>19.50</td>
<td>-20.00</td>
</tr>
<tr>
<td>Reliance Infrastructure</td>
<td>506.75</td>
<td>609.60</td>
<td>-16.87</td>
</tr>
<tr>
<td>Jaiprakash Associates</td>
<td>24.10</td>
<td>28.85</td>
<td>-16.46</td>
</tr>
<tr>
<td>Tata Steel</td>
<td>404.05</td>
<td>473.35</td>
<td>-14.64</td>
</tr>
</tbody>
</table>

### NIFTY MOVEMENT

- **BSE BANKEX**

- **BSE CAPITAL GOODS**

- **DOW JONES**

- **HANG SENG**

### CNX-MIDCAP MOVEMENT

The fall in MCX Natural Gas. Abundant supply and milder than the previous year temperatures in US push the prices downward.
**CURRENCY**

**ENERGY**

- Rupee Movement
- Brent Crude (US$/bbl)

**METALS**

- Gold (US$/OZ)
- Silver (US$/OZ)

**ECONOMY**

- Inflation (%)
- IIP (%)
- Real GDP Growth
- 10-year bond yield (%)

**RBI Monetary Data**

- Repo
- Reverse Repo
- Cash Reserve Ratio

---

**Gain in NYMEX turmeric.**
Higher demand due to expectations on the production and acreage pushing the counter higher

**Gain in NCDEX jeera futures contract.**
Forecast of huge demand for the commodity due to delay in sowing across the major growing regions fired up the prices northward

---

*All figures as on December 22, 2014*
## Performance of Mutual Funds

### Equity Diversified

<table>
<thead>
<tr>
<th>Mutual Fund Scheme</th>
<th>NAV</th>
<th>1 yr</th>
<th>2 yr</th>
<th>3 yr</th>
</tr>
</thead>
<tbody>
<tr>
<td>Franklin (I) Smaller Cos (G)</td>
<td>35.67</td>
<td>87.0</td>
<td>45.5</td>
<td>46.4</td>
</tr>
<tr>
<td>Reliance Small Cap Fund (G)</td>
<td>23.38</td>
<td>96.6</td>
<td>47.3</td>
<td>44.6</td>
</tr>
<tr>
<td>Can Robeco Emerg-Equities (G)</td>
<td>54.36</td>
<td>96.3</td>
<td>41.7</td>
<td>43.1</td>
</tr>
<tr>
<td>UTI Mid Cap (G)</td>
<td>73.19</td>
<td>89.6</td>
<td>42.9</td>
<td>42.9</td>
</tr>
<tr>
<td>Principal Emerging Bluechip(G)</td>
<td>63.51</td>
<td>78.9</td>
<td>38.1</td>
<td>42.5</td>
</tr>
<tr>
<td>Mirae Emerging Bluechip Fund (G)</td>
<td>27.30</td>
<td>82.7</td>
<td>41.3</td>
<td>41.9</td>
</tr>
<tr>
<td>DSP-BR Micro Cap Fund - RP (G)</td>
<td>35.67</td>
<td>102.3</td>
<td>43.7</td>
<td>41.8</td>
</tr>
<tr>
<td>ICICI Pru Exp&amp;Other Services-RP (G)</td>
<td>40.52</td>
<td>49.2</td>
<td>47.2</td>
<td>41.7</td>
</tr>
<tr>
<td>Franklin Build India Fund (G)</td>
<td>27.38</td>
<td>90.9</td>
<td>43.7</td>
<td>41.0</td>
</tr>
<tr>
<td>SBI Magnum Midcap Fund (G)</td>
<td>51.87</td>
<td>69.3</td>
<td>38.4</td>
<td>41.0</td>
</tr>
<tr>
<td>ICICI Pru MidCap Fund (G)</td>
<td>66.69</td>
<td>85.7</td>
<td>40.9</td>
<td>40.5</td>
</tr>
<tr>
<td>JPMorgan (I) Smaller Co. (G)</td>
<td>17.34</td>
<td>81.9</td>
<td>38.9</td>
<td>40.2</td>
</tr>
<tr>
<td>Sundaram SMILE Fund (G)</td>
<td>65.19</td>
<td>107.0</td>
<td>39.2</td>
<td>40.0</td>
</tr>
<tr>
<td>Franklin High Growth Cos (G)</td>
<td>28.06</td>
<td>77.1</td>
<td>40.1</td>
<td>39.9</td>
</tr>
<tr>
<td>Birla SL Pure Value Fund (G)</td>
<td>37.38</td>
<td>99.3</td>
<td>44.6</td>
<td>39.6</td>
</tr>
<tr>
<td>Axis Mid Cap Fund (G)</td>
<td>24.07</td>
<td>74.5</td>
<td>34.5</td>
<td>39.4</td>
</tr>
<tr>
<td>Religare Invesco Mid N SmallCap (G)</td>
<td>32.99</td>
<td>70.8</td>
<td>37.7</td>
<td>39.3</td>
</tr>
<tr>
<td>Franklin India Prima Fund (G)</td>
<td>616.27</td>
<td>75.0</td>
<td>37.6</td>
<td>39.0</td>
</tr>
<tr>
<td>BNP Paribas Mid Cap Fund (G)</td>
<td>21.89</td>
<td>64.1</td>
<td>34.3</td>
<td>38.8</td>
</tr>
<tr>
<td>ICICI Pru Value Discovery Fund (G)</td>
<td>106.10</td>
<td>72.8</td>
<td>37.0</td>
<td>38.7</td>
</tr>
<tr>
<td>HDFC MidCap Opportunities (G)</td>
<td>35.17</td>
<td>73.5</td>
<td>38.3</td>
<td>38.0</td>
</tr>
<tr>
<td>Religare Invesco Mid Cap (G)</td>
<td>32.11</td>
<td>75.5</td>
<td>36.6</td>
<td>37.8</td>
</tr>
<tr>
<td>L&amp;T Midcap Fund (G)</td>
<td>79.69</td>
<td>81.4</td>
<td>38.2</td>
<td>36.9</td>
</tr>
<tr>
<td>Tata Mid Cap Growth Fund (G)</td>
<td>91.50</td>
<td>78.3</td>
<td>37.5</td>
<td>36.9</td>
</tr>
<tr>
<td>Reliance Long Term Equity (G)</td>
<td>31.42</td>
<td>83.0</td>
<td>35.8</td>
<td>36.7</td>
</tr>
<tr>
<td>Kotak Emerging Equity (G)</td>
<td>23.99</td>
<td>85.5</td>
<td>32.9</td>
<td>36.6</td>
</tr>
<tr>
<td>HSBC Midcap Equity Fund (G)</td>
<td>35.40</td>
<td>84.4</td>
<td>32.0</td>
<td>36.3</td>
</tr>
<tr>
<td>L&amp;T India Value Fund (G)</td>
<td>22.19</td>
<td>72.7</td>
<td>35.4</td>
<td>35.8</td>
</tr>
<tr>
<td>SBI Magnum Global Fund (G)</td>
<td>121.94</td>
<td>66.0</td>
<td>35.3</td>
<td>35.6</td>
</tr>
<tr>
<td>Birla SL (I) Opportunities (G)</td>
<td>101.22</td>
<td>55.9</td>
<td>39.0</td>
<td>35.0</td>
</tr>
</tbody>
</table>

### ELSS

<table>
<thead>
<tr>
<th>Mutual Fund Scheme</th>
<th>NAV</th>
<th>1 yr</th>
<th>2 yr</th>
<th>3 yr</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reliance Tax Saver (ELSS) (G)</td>
<td>45.29</td>
<td>81.3</td>
<td>36.8</td>
<td>38.7</td>
</tr>
<tr>
<td>ICICI Pru RIGHT Fund (G)</td>
<td>28.77</td>
<td>62.5</td>
<td>37.2</td>
<td>37.0</td>
</tr>
<tr>
<td>Axis Long Term Equity Fund (G)</td>
<td>28.30</td>
<td>64.9</td>
<td>38.7</td>
<td>36.4</td>
</tr>
<tr>
<td>Principal Tax Savings</td>
<td>135.84</td>
<td>48.8</td>
<td>27.1</td>
<td>32.3</td>
</tr>
<tr>
<td>SBI Tax Advantage Sr-1 (G)</td>
<td>21.00</td>
<td>62.4</td>
<td>29.5</td>
<td>31.9</td>
</tr>
<tr>
<td>Reliance ELSF - Series 1 (G)</td>
<td>26.19</td>
<td>56.0</td>
<td>25.8</td>
<td>31.7</td>
</tr>
<tr>
<td>ICICI Pru Tax Plan (G)</td>
<td>261.55</td>
<td>51.6</td>
<td>29.3</td>
<td>30.9</td>
</tr>
<tr>
<td>DSP-BRTax Saver Fund (G)</td>
<td>30.41</td>
<td>51.7</td>
<td>27.7</td>
<td>30.7</td>
</tr>
<tr>
<td>Birla SL Tax Relief 96 (G)</td>
<td>19.58</td>
<td>53.7</td>
<td>29.2</td>
<td>30.5</td>
</tr>
<tr>
<td>Birla Sun Life Tax Plan (G)</td>
<td>24.93</td>
<td>52.1</td>
<td>28.2</td>
<td>29.8</td>
</tr>
<tr>
<td>Religare Invesco Tax Plan (G)</td>
<td>33.06</td>
<td>54.8</td>
<td>30.6</td>
<td>29.7</td>
</tr>
<tr>
<td>BNP Paribas Long Term Equity (G)</td>
<td>27.46</td>
<td>52.7</td>
<td>28.4</td>
<td>29.6</td>
</tr>
<tr>
<td>HSBC Tax Saver Equity Fund (G)</td>
<td>26.15</td>
<td>51.1</td>
<td>25.8</td>
<td>29.2</td>
</tr>
<tr>
<td>IDFC Tax Advantage (ELSS)-RP (G)</td>
<td>35.44</td>
<td>40.4</td>
<td>26.6</td>
<td>29.2</td>
</tr>
<tr>
<td>Franklin India Tax Shield (G)</td>
<td>395.73</td>
<td>55.3</td>
<td>29.1</td>
<td>28.4</td>
</tr>
<tr>
<td>SBI Magnum Tax Gain (G)</td>
<td>106.17</td>
<td>49.5</td>
<td>26.6</td>
<td>28.2</td>
</tr>
<tr>
<td>JM Tax Gain Fund (G)</td>
<td>11.18</td>
<td>54.2</td>
<td>26.6</td>
<td>27.7</td>
</tr>
<tr>
<td>HDFC Tax Saver (G)</td>
<td>397.78</td>
<td>55.7</td>
<td>28.7</td>
<td>27.1</td>
</tr>
<tr>
<td>HDFC Long Term Advantage (G)</td>
<td>234.91</td>
<td>45.3</td>
<td>27.4</td>
<td>26.9</td>
</tr>
<tr>
<td>L&amp;T Long Term Adv. Fund - I (G)</td>
<td>33.08</td>
<td>44.6</td>
<td>25.0</td>
<td>25.9</td>
</tr>
</tbody>
</table>

### Equity (Banking)

<table>
<thead>
<tr>
<th>Mutual Fund Scheme</th>
<th>NAV</th>
<th>1 yr</th>
<th>2 yr</th>
<th>3 yr</th>
</tr>
</thead>
<tbody>
<tr>
<td>ICICI Pru Bkg &amp; Fin Serv-RP(G)</td>
<td>37.12</td>
<td>69.4</td>
<td>28.4</td>
<td>39.2</td>
</tr>
<tr>
<td>Reliance Banking Fund (G)</td>
<td>176.05</td>
<td>64.4</td>
<td>22.3</td>
<td>31.7</td>
</tr>
<tr>
<td>UTI Banking Sector (G)</td>
<td>67.50</td>
<td>62.1</td>
<td>17.9</td>
<td>30.6</td>
</tr>
<tr>
<td>Religare Invesco Banking - RP (G)</td>
<td>33.37</td>
<td>55.4</td>
<td>19.2</td>
<td>28.9</td>
</tr>
<tr>
<td>Sahara Bkg &amp; Fin. Services (G)</td>
<td>47.43</td>
<td>60.8</td>
<td>18.4</td>
<td>28.2</td>
</tr>
<tr>
<td>Sundaram Fin-Serv. Opp.-RP (G)</td>
<td>28.88</td>
<td>58.1</td>
<td>18.6</td>
<td>25.2</td>
</tr>
</tbody>
</table>

Source: moneycontrol.com; Note: All returns are annualized and expressed in percentage; all NAVs as on December 22, 2014
# Performance of Mutual Funds

## Equity (FMCG)

<table>
<thead>
<tr>
<th>Mutual Fund Scheme</th>
<th>NAV</th>
<th>1 yr</th>
<th>2 yr</th>
<th>3 yr</th>
</tr>
</thead>
<tbody>
<tr>
<td>ICICI Pru FMCG Fund (G)</td>
<td>153.31</td>
<td>33.5</td>
<td>20.4</td>
<td>26.5</td>
</tr>
</tbody>
</table>

## Miscellaneous

<table>
<thead>
<tr>
<th>Mutual Fund Scheme</th>
<th>NAV</th>
<th>1 yr</th>
<th>2 yr</th>
<th>3 yr</th>
</tr>
</thead>
<tbody>
<tr>
<td>UTI Transport &amp; Logistics (G)</td>
<td>81.84</td>
<td>106.0</td>
<td>59.2</td>
<td>52.8</td>
</tr>
<tr>
<td>Birla Sun Life Buy India (G)</td>
<td>83.22</td>
<td>59.6</td>
<td>30.6</td>
<td>33.8</td>
</tr>
<tr>
<td>Reliance Media &amp; Entertain (G)</td>
<td>52.99</td>
<td>40.0</td>
<td>16.7</td>
<td>28.4</td>
</tr>
<tr>
<td>JM Basic Fund (G)</td>
<td>19.97</td>
<td>51.5</td>
<td>18.8</td>
<td>25.4</td>
</tr>
<tr>
<td>Reliance Diver. Power - RP (G)</td>
<td>74.15</td>
<td>49.4</td>
<td>13.0</td>
<td>16.7</td>
</tr>
<tr>
<td>Religare Invesco PSU Equity (G)</td>
<td>13.31</td>
<td>54.1</td>
<td>15.4</td>
<td>14.8</td>
</tr>
<tr>
<td>UTI Energy Fund (G)</td>
<td>11.92</td>
<td>35.9</td>
<td>12.4</td>
<td>13.1</td>
</tr>
</tbody>
</table>

## Equity (Tech)

<table>
<thead>
<tr>
<th>Mutual Fund Scheme</th>
<th>NAV</th>
<th>1 yr</th>
<th>2 yr</th>
<th>3 yr</th>
</tr>
</thead>
<tbody>
<tr>
<td>ICICI Pru Tech. Fund (G)</td>
<td>39.79</td>
<td>26.6</td>
<td>43.5</td>
<td>34.5</td>
</tr>
<tr>
<td>Birla SL New Millennium (G)</td>
<td>32.81</td>
<td>22.5</td>
<td>35.0</td>
<td>24.1</td>
</tr>
<tr>
<td>DSP-BR Technology.Com -RP (G)</td>
<td>50.87</td>
<td>25.6</td>
<td>32.6</td>
<td>23.2</td>
</tr>
<tr>
<td>Franklin Infotech Fund (G)</td>
<td>106.51</td>
<td>17.3</td>
<td>33.3</td>
<td>21.0</td>
</tr>
</tbody>
</table>

## Equity ( Pharma)

<table>
<thead>
<tr>
<th>Mutual Fund Scheme</th>
<th>NAV</th>
<th>1 yr</th>
<th>2 yr</th>
<th>3 yr</th>
</tr>
</thead>
<tbody>
<tr>
<td>SBI Pharma Fund (G)</td>
<td>116.19</td>
<td>53.5</td>
<td>39.3</td>
<td>38.7</td>
</tr>
<tr>
<td>Reliance Pharma Fund (G)</td>
<td>122.03</td>
<td>46.7</td>
<td>32.8</td>
<td>33.4</td>
</tr>
<tr>
<td>UTI Pharma &amp; Health (G)</td>
<td>82.46</td>
<td>40.8</td>
<td>31.3</td>
<td>29.7</td>
</tr>
</tbody>
</table>

## Balanced

<table>
<thead>
<tr>
<th>Mutual Fund Scheme</th>
<th>NAV</th>
<th>1 yr</th>
<th>2 yr</th>
<th>3 yr</th>
</tr>
</thead>
<tbody>
<tr>
<td>ICICI Pru CCP - Gift Plan</td>
<td>101.33</td>
<td>54.3</td>
<td>26.0</td>
<td>30.6</td>
</tr>
<tr>
<td>SBI Magnum Balanced Fund (G)</td>
<td>88.86</td>
<td>42.7</td>
<td>26.4</td>
<td>27.9</td>
</tr>
<tr>
<td>L&amp;T Equity and Gold Fund (G)</td>
<td>19.03</td>
<td>49.7</td>
<td>26.6</td>
<td>27.2</td>
</tr>
<tr>
<td>Tata Balanced Fund (G)</td>
<td>155.95</td>
<td>48.3</td>
<td>26.1</td>
<td>27.2</td>
</tr>
<tr>
<td>iCICI Pru Balanced Fund (G)</td>
<td>89.31</td>
<td>45.0</td>
<td>27.2</td>
<td>27.2</td>
</tr>
<tr>
<td>HDFC Balanced Fund (G)</td>
<td>103.74</td>
<td>50.2</td>
<td>28.1</td>
<td>26.8</td>
</tr>
<tr>
<td>L&amp;T Prudence Fund (G)</td>
<td>17.88</td>
<td>44.2</td>
<td>25.5</td>
<td>26.5</td>
</tr>
<tr>
<td>HDFC Childrens Gift (Inv)</td>
<td>80.63</td>
<td>42.0</td>
<td>26.9</td>
<td>26.5</td>
</tr>
<tr>
<td>Escorts Balanced Fund (G)</td>
<td>98.50</td>
<td>56.5</td>
<td>26.1</td>
<td>25.8</td>
</tr>
<tr>
<td>HDFC Prudence Fund (G)</td>
<td>370.79</td>
<td>51.9</td>
<td>25.0</td>
<td>25.7</td>
</tr>
<tr>
<td>Reliance RSF - Balanced (G)</td>
<td>37.52</td>
<td>43.5</td>
<td>21.7</td>
<td>25.2</td>
</tr>
<tr>
<td>UTI CCP Advantage Fund (G)</td>
<td>26.11</td>
<td>44.6</td>
<td>21.2</td>
<td>24.8</td>
</tr>
<tr>
<td>Birla Sun Life 95 Fund (G)</td>
<td>538.96</td>
<td>47.4</td>
<td>25.4</td>
<td>24.4</td>
</tr>
<tr>
<td>Franklin India Balanced Fund (G)</td>
<td>84.87</td>
<td>45.4</td>
<td>25.2</td>
<td>24.1</td>
</tr>
<tr>
<td>Principal Balanced (G)</td>
<td>48.97</td>
<td>34.4</td>
<td>20.1</td>
<td>23.9</td>
</tr>
</tbody>
</table>

## MIP

<table>
<thead>
<tr>
<th>Mutual Fund Scheme</th>
<th>NAV</th>
<th>1 yr</th>
<th>2 yr</th>
<th>3 yr</th>
</tr>
</thead>
<tbody>
<tr>
<td>Birla SL MIP II-Wealth 25-DP (G)</td>
<td>28.34</td>
<td>27.8</td>
<td>16.0</td>
<td>--</td>
</tr>
<tr>
<td>Birla SL MIP II-Wealth 25 (G)</td>
<td>28.04</td>
<td>27.0</td>
<td>16.4</td>
<td>16.2</td>
</tr>
<tr>
<td>HDFC MIP - LTP - Direct (G)</td>
<td>34.15</td>
<td>25.1</td>
<td>13.6</td>
<td>--</td>
</tr>
<tr>
<td>HDFC MIP - LTP (G)</td>
<td>33.86</td>
<td>24.6</td>
<td>13.7</td>
<td>14.0</td>
</tr>
<tr>
<td>Reliance MIP - Direct (G)</td>
<td>32.61</td>
<td>24.1</td>
<td>13.3</td>
<td>--</td>
</tr>
<tr>
<td>Reliance MIP (G)</td>
<td>32.09</td>
<td>23.0</td>
<td>13.0</td>
<td>13.8</td>
</tr>
<tr>
<td>Sundaram MIP-Aggressive -Dir (G)</td>
<td>14.45</td>
<td>22.9</td>
<td>9.8</td>
<td>--</td>
</tr>
<tr>
<td>ICICI Pru MIP 25 - Direct (G)</td>
<td>29.72</td>
<td>22.6</td>
<td>13.6</td>
<td>--</td>
</tr>
<tr>
<td>Axis Income Saver Fund -Direct (G)</td>
<td>15.23</td>
<td>22.5</td>
<td>13.7</td>
<td>--</td>
</tr>
<tr>
<td>Franklin India MIP -Direct (G)</td>
<td>42.09</td>
<td>22.3</td>
<td>13.9</td>
<td>--</td>
</tr>
<tr>
<td>Sundaram MIP-Aggressive (G)</td>
<td>14.34</td>
<td>22.1</td>
<td>10.4</td>
<td>12.1</td>
</tr>
<tr>
<td>ICICI Prudential MIP 25 (G)</td>
<td>29.31</td>
<td>21.8</td>
<td>13.8</td>
<td>14.4</td>
</tr>
<tr>
<td>HSBC MIP Savings Plan - Direct (G)</td>
<td>28.61</td>
<td>21.6</td>
<td>12.2</td>
<td>--</td>
</tr>
<tr>
<td>Franklin India MIP (G)</td>
<td>41.59</td>
<td>21.5</td>
<td>13.7</td>
<td>13.6</td>
</tr>
<tr>
<td>UTI MIS-Advantage Plan-Dir (G)</td>
<td>29.91</td>
<td>21.4</td>
<td>13.6</td>
<td>--</td>
</tr>
</tbody>
</table>

Source: moneycontrol.com; Note: All returns are annualized and expressed in percentage; all NAVs as on December 22, 2014
Franklin India Prima Fund (G)

Fund Objective/Mission
Aims to provide long term capital appreciation as primary objective and income as secondary objective. The fund aims to achieve a high degree of capital appreciation through investments in smaller and faster growing companies.

Fund House Details
AMC Name: Franklin Templeton
Website: www.franklintempletonindia.com

Financial Details
AUM As On (November 30, 2014): 2802.42
NAV As On (December 22, 2014): 616.27
Min Investment (in Rs.): Lumpsum 5000
NAV (52WeekHigh)(December 04, 2014): 624.30
NAV (52WeekLow)(January 30, 2014): 338.06

Top 10 Companies

<table>
<thead>
<tr>
<th>Name</th>
<th>(%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Call Money</td>
<td>7.7</td>
</tr>
<tr>
<td>Yes Bank</td>
<td>5.2</td>
</tr>
<tr>
<td>Finolex Cables</td>
<td>3.8</td>
</tr>
<tr>
<td>Amara Raja Batteries</td>
<td>3.3</td>
</tr>
<tr>
<td>Torrent Pharmaceuticals</td>
<td>3.0</td>
</tr>
<tr>
<td>Cylent</td>
<td>2.9</td>
</tr>
<tr>
<td>Mindtree</td>
<td>2.7</td>
</tr>
<tr>
<td>FAG Bearings India</td>
<td>2.7</td>
</tr>
<tr>
<td>IndusInd Bank</td>
<td>2.7</td>
</tr>
<tr>
<td>Pidilite Industries</td>
<td>2.6</td>
</tr>
</tbody>
</table>

Investment Information

<table>
<thead>
<tr>
<th>Scheme</th>
<th>Open ended scheme</th>
</tr>
</thead>
<tbody>
<tr>
<td>Launch Date</td>
<td>December 01, 1993</td>
</tr>
<tr>
<td>Fund Manager</td>
<td>R. Janakiraman</td>
</tr>
<tr>
<td>Bench Mark</td>
<td>CNX Midcap</td>
</tr>
<tr>
<td>Max.Entry Load(%)</td>
<td></td>
</tr>
<tr>
<td>Max.Exit Load(%)</td>
<td></td>
</tr>
</tbody>
</table>

Top 10 Sector Wise Holding

<table>
<thead>
<tr>
<th>Industry Name</th>
<th>(%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank - Private</td>
<td>16.3</td>
</tr>
<tr>
<td>Other</td>
<td>7.7</td>
</tr>
<tr>
<td>IT - Software</td>
<td>7.0</td>
</tr>
<tr>
<td>Auto Ancillary</td>
<td>5.5</td>
</tr>
<tr>
<td>Pharmaceuticals &amp; Drugs</td>
<td>4.8</td>
</tr>
<tr>
<td>Bearings</td>
<td>4.3</td>
</tr>
<tr>
<td>Finance - Housing</td>
<td>3.9</td>
</tr>
<tr>
<td>Cable</td>
<td>3.8</td>
</tr>
<tr>
<td>Cement &amp; Construction Materials</td>
<td>3.6</td>
</tr>
<tr>
<td>Chemicals</td>
<td>2.6</td>
</tr>
</tbody>
</table>

5 Years History

<table>
<thead>
<tr>
<th>Financial Year</th>
<th>2013-14</th>
<th>2012-13</th>
<th>2011-12</th>
<th>2010-11</th>
<th>2009-10</th>
</tr>
</thead>
<tbody>
<tr>
<td>NAV in ₹ (as on 31st March)</td>
<td>383.17</td>
<td>305.23</td>
<td>269.69</td>
<td>267.55</td>
<td>256.45</td>
</tr>
<tr>
<td>Net Assets (₹ Crores.) (as on 31st March)</td>
<td>1128</td>
<td>747</td>
<td>758</td>
<td>829</td>
<td>949</td>
</tr>
<tr>
<td>Returns(%)</td>
<td>27.46</td>
<td>12.58</td>
<td>0.21</td>
<td>3.32</td>
<td>129.07</td>
</tr>
<tr>
<td>CNX NIFTY Returns(%)</td>
<td>17.53</td>
<td>6.86</td>
<td>-9.11</td>
<td>10.27</td>
<td>71.52</td>
</tr>
<tr>
<td>Category Rank</td>
<td>29(217)</td>
<td>14(204)</td>
<td>32(207)</td>
<td>149(209)</td>
<td>19(199)</td>
</tr>
</tbody>
</table>

Latest As on 31 March, 14

Scheme Performance as on Dec 22, 2014

<table>
<thead>
<tr>
<th>Period</th>
<th>Returns (%)</th>
<th>B’mark (%)</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>3 Months</td>
<td>9.68</td>
<td>5.11</td>
<td>22/(226)</td>
</tr>
<tr>
<td>6 Months</td>
<td>28.11</td>
<td>16.33</td>
<td>28/(211)</td>
</tr>
<tr>
<td>1 Year</td>
<td>76.73</td>
<td>56.92</td>
<td>25/(187)</td>
</tr>
<tr>
<td>3 Years</td>
<td>38.76</td>
<td>25.57</td>
<td>18/(167)</td>
</tr>
<tr>
<td>5 Years</td>
<td>20.84</td>
<td>11.22</td>
<td>18/(147)</td>
</tr>
<tr>
<td>Since Inception</td>
<td>21.60</td>
<td>18.49</td>
<td>NA</td>
</tr>
</tbody>
</table>

SIP Details: Invested Rs 5000 Every Month

<table>
<thead>
<tr>
<th>Period</th>
<th>Total Invest (₹)</th>
<th>Scheme (₹)</th>
<th>Bench mark</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Year</td>
<td>60,000</td>
<td>81,189</td>
<td>76,386</td>
</tr>
<tr>
<td>3 Years</td>
<td>1,80,000</td>
<td>3,32,011</td>
<td>2,76,001</td>
</tr>
<tr>
<td>5 Years</td>
<td>3,00,000</td>
<td>6,05,675</td>
<td>4,63,497</td>
</tr>
<tr>
<td>10 Years</td>
<td>6,00,000</td>
<td>16,97,569</td>
<td>12,88,019</td>
</tr>
</tbody>
</table>

Fund Structure

<table>
<thead>
<tr>
<th>Total Stocks</th>
<th>62</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Sectors</td>
<td>42</td>
</tr>
<tr>
<td>P/E Ratio</td>
<td>27.61</td>
</tr>
<tr>
<td>P/B Ratio</td>
<td>4.89</td>
</tr>
<tr>
<td>Avg. Market Cap R (Nov-2014)</td>
<td>21468.99</td>
</tr>
</tbody>
</table>

Volatility Measures

| Fama | 0.16 |
| Beta | 0.79 |
| Std Dev | 0.83 |
| Sharpe | 0.26 |
Reliance Top 200 Fund (G)

Fund Objective/Mission
To generate long term capital appreciation by investing in equity and equity related instruments of companies whose market capitalization is within the range of highest and lowest market capitalization of BSE 200 Index. The secondary objective is to generate consistent returns by investing in debt and money market securities.

Fund House Details
AMC Name: Reliance Capital
Website: www.reliancemutual.com

Financial Details
AUM As On (November 30, 2014) 1064.26
NAV As On (December 22, 2014) 23.06
Min Investment (in Rs.) Lumpsum 5000
NAV (S2WeekHigh)(December 04, 2014) 24.02
NAV (S2WeekLow) (February 03, 2014) 14.35

Investment Information
Scheme Open ended scheme
Launch Date August 08, 2007
Fund Manager Ashwani Kumar
Bench Mark S&P BSE 200
Max.Entry Load(%)
Max.Exit Load(%)

Top 10 Companies
<table>
<thead>
<tr>
<th>Name</th>
<th>(%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>HDFC Bank</td>
<td>7.2</td>
</tr>
<tr>
<td>ICICI Bank</td>
<td>5.8</td>
</tr>
<tr>
<td>Maruti Suzuki India</td>
<td>5.0</td>
</tr>
<tr>
<td>Tata Motors</td>
<td>5.0</td>
</tr>
<tr>
<td>Larsen &amp; Toubro</td>
<td>4.6</td>
</tr>
<tr>
<td>Divis Laboratories</td>
<td>4.6</td>
</tr>
<tr>
<td>State Bank Of India</td>
<td>4.3</td>
</tr>
<tr>
<td>Infosys</td>
<td>4.1</td>
</tr>
<tr>
<td>Cummins India</td>
<td>3.9</td>
</tr>
<tr>
<td>Alstom T&amp;D India</td>
<td>3.8</td>
</tr>
</tbody>
</table>

Top 10 Sector Wise Holding

<table>
<thead>
<tr>
<th>Industry Name</th>
<th>(%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank - Private</td>
<td>14.4</td>
</tr>
<tr>
<td>IT - Software</td>
<td>12.3</td>
</tr>
<tr>
<td>Pharmaceuticals &amp; Drugs</td>
<td>7.6</td>
</tr>
<tr>
<td>Bank - Public</td>
<td>6.7</td>
</tr>
<tr>
<td>Electric Equipment</td>
<td>6.7</td>
</tr>
<tr>
<td>Automobiles-Trucks/Lcv</td>
<td>6.7</td>
</tr>
<tr>
<td>Refineries</td>
<td>5.8</td>
</tr>
<tr>
<td>Automobiles - Passenger Cars</td>
<td>5.0</td>
</tr>
<tr>
<td>Engineering - Construction</td>
<td>4.6</td>
</tr>
<tr>
<td>Diesel Engines</td>
<td>3.9</td>
</tr>
</tbody>
</table>

SIP Details: Invested Rs 5000 Every Month
<table>
<thead>
<tr>
<th>Period</th>
<th>Total Invest (₹)</th>
<th>Scheme (₹)</th>
<th>Bench mark</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Year</td>
<td>60,000</td>
<td>77,463</td>
<td>71,820</td>
</tr>
<tr>
<td>3 Years</td>
<td>1,80,000</td>
<td>2,93,722</td>
<td>2,59,210</td>
</tr>
<tr>
<td>5 Years</td>
<td>3,00,000</td>
<td>5,23,191</td>
<td>4,46,815</td>
</tr>
</tbody>
</table>

5 Years History

<table>
<thead>
<tr>
<th>Financial Year</th>
<th>2013-14</th>
<th>2012-13</th>
<th>2011-12</th>
<th>2010-11</th>
<th>2009-10</th>
</tr>
</thead>
<tbody>
<tr>
<td>NAV in ₹ (as on 31st March)</td>
<td>16.3</td>
<td>13.56</td>
<td>12.44</td>
<td>13.24</td>
<td>11.60</td>
</tr>
<tr>
<td>Net Assets (₹ Crores.) (as on 31st March)</td>
<td>785</td>
<td>746</td>
<td>830</td>
<td>1052</td>
<td>1505</td>
</tr>
<tr>
<td>Returns(%)</td>
<td>19.77</td>
<td>8.69</td>
<td>-5.82</td>
<td>13.17</td>
<td>66.81</td>
</tr>
<tr>
<td>CNX NIFTY Returns(%)</td>
<td>17.53</td>
<td>6.86</td>
<td>-9.11</td>
<td>10.27</td>
<td>71.52</td>
</tr>
<tr>
<td>Category Rank</td>
<td>90(218)</td>
<td>45/(204)</td>
<td>109/(207)</td>
<td>31/(209)</td>
<td>161/(199)</td>
</tr>
</tbody>
</table>

Latest As on 31 March, 14

Source: ACEMF
Better understanding of contract laws is vital for young entrepreneurs and business professionals alike. Here’s a primer  

By MM Ali

It is an unlikely source but the following extract from James Thurber’s autobiographical sketch ‘University Days’, forms an amusing and interesting introduction to the subject of ‘Agreements and Contracts’.

James Thurber (1894-1961), arguably America’s foremost cartoonist and humourist, writes about his experiences at Ohio University. In an anecdote (which is condensed and adapted here for illustrative purposes only), he writes about a student—an American Football player, Bolenciewcz, who is intellectually challenged but a lovable oversized athlete. He was a tackle on the football team, that time, Ohio State University had one of the best teams in the country and he was one of its outstanding stars. The problem was that in order to continue being eligible to play for the University, it was necessary for him to keep up in his studies, a very difficult task, for while he was “not dumber than an ox, he was not any smarter”. Most of his professors helped him along with his grades so that he could retain his eligibility to play for the University.

During the Economics class, it came Bolenciewcz’s turn to answer a question:
“Name one means of transportation.”
Faced with a lack of response from Bolencieczw, the professor helpfully suggested, “You may choose among steam, horse-drawn or electrically propelled vehicles.” The professor coaxed him further with a gentle “Choo-choo-choo” sound, while a sympathetic student gave a fine imitation of the locomotive. Bolencieczw continued to stare at the professor in agonised silence.

In a further attempt to be helpful the professor asked, “How did you come to college this year, Mr. Bolencieczwz?”

With some embarrassment, Bolencieczwz volunteered the information that his father gives him an allowance to go to college.

“No, no,” said the professor, “name a means of transportation. What did you ride here on?”

“Train,” said Bolencieczwz.

“Quite right,” said the relieved professor.

It definitely was not the intention of James Thurber to discuss legal issues in this anecdote but it throws up two interesting examples of “agreements”. The first agreement is when Bolencieczwz’s father offers him an allowance to attend University. The second agreement occurs when Bolencieczwz buys a rail ticket and the Railway Company in return for the specified fare, undertakes to carry him to a destination. Are these two agreements similar? Can both of these agreements result in legal contracts?

Law of Contract
The answer to such questions is to be found in the contract law. The essence of contract law is that the state supports and enforces contracts made by individuals, introducing certainty in business transactions. To quote Sir William Anson, “the law of contract is intended to ensure that what a man has been led to expect shall come to pass and that what has been promised to him shall be performed.”

The law of contract differs from other branches of law in as much that rather than specifying the rights and duties which the law will enforce, it outlines a number of limiting principles, subject to which, the parties to a contract are free to create rights and duties for themselves which will then be enforceable at law.

The essence of contract law is that state supports and enforces contracts made by individuals and thus introduces certainty in business transactions. The law relating to contracts is contained under the Indian Contract Act 1872. This Act is based mainly on English Common Law which is to a large extent made of judicial precedents. It covers the whole of India except the State of Jammu & Kashmir.

The Act deals with (a) the general principles of law of contracts (Sections 1-75) and (b) some special contracts (Sections 124-238).

Definition of Contract and Agreement
Section 2(h) of the Indian Contract Act 1872 defines a contract as “an agreement enforceable by law.”

Anson defines a contract as “a legally binding agreement between two or more persons by which rights are acquired by one or more to acts or forbearances (abstaining from doing something) on part of others.”

Salmond defines contract as “an agreement creating and defining obligations between the parties”.

From the above definitions it is obvious that a contract essentially consists of two elements: (a) an agreement (b) legal obligation, i.e., a duty enforceable by law.

Agreement is defined in Section 2(e) of the Indian Contract Act as “every promise and every set of promises forming the consideration for each other.” A ‘promise’ referred to above, is defined in Section 2(b) as: “When a person to whom the proposal is made signifies his assent thereto, the proposal is said to be accepted. A proposal when accepted becomes a promise.” An Agreement is thus the sum total of an offer and its acceptance.

In essence, Contract = Agreement + Enforceability by law = Offer + Acceptance + Enforceability by law.

All Agreements Are Not Contracts
It will be obvious from the discussions so far that for an agreement to become contract, it must give rise to a legal obligation, i.e., a duty enforceable by law. Agreements of social, moral or religious nature are rarely likely to create a duty enforceable by law.
A contract to be enforceable must essentially create a legal relationship between the parties. Enforceability can, however, be taken away by either expressed agreement, or by prevailing circumstances as determined by the law of contract.

Major judgments which support this contention are discussed below:

1. Balfour v Balfour (1919)
In this case, the husband, who was a civil servant in Ceylon, while on holiday in England, promised his wife an allowance of 30 pounds per month. Soon after his return to Ceylon, differences arose between them and they separated. Subsequently he stopped sending the allowance to his wife who sued him.

The Court held Agreements between the husband and wife over matters that affect their daily lives are not subject to contractual interpretation, even when consideration is present. Spouses normally intend that the terms of their agreements can be varied as situations develop. The court held that it was presumed that the parties made the agreement as husband and wife and did not intend that it could be sued upon.

This again is a case on the matter of creating legal relations. Mr. Merritt signed an agreement with Mrs. Merritt when they were separated, to transfer their house to her, which he subsequently failed to do.

While under the principles laid out in Balfour v Balfour, domestic agreements between spouses are not legally enforceable, this principle was rebutted where two spouses who formed an agreement over their matrimonial home, were not on good term and were separated.

3. Jones v Vernon Pools (1938)
The Claimant claimed to have won the football pools. The coupon stated that the transaction was “binding in honour only”. It was held that the claimant was not entitled to recover because the agreement was based on the honour of the parties and hence not legally binding.

4. Rose & Frank Co. v J R Crompton Ltd. (1925)
In an agreement between these two companies, the former was appointed as agent of the latter. One clause of the agreement was: “This agreement is not entered into...as a formal or legal agreement, and shall not be subject to legal jurisdiction in the law courts.” When a subsequent dispute between the parties was referred to English Court, it was held that there was no binding contract as there was no intention to create a legal relationship.

Based on the above considerations, when Bolencieczw’s father offered him an allowance, it represented a domestic agreement and there was no intention to create a legal relationship.

Conclusion
An agreement is a very wide term and only those agreements which are enforceable in a Court of Law are contracts. Thus all contracts are agreements but all agreements are not necessarily contracts.
A Fixed Deposit solution for everyone

Call Toll Free: 1800 22 3435
sms DHFL to 56677
e-mail: fdresponse@dhfl.com
www.dhfl.com

CREDIT RATINGS: CARE AAA (FD) & BWR FAAA
Instruments with these rating are considered to have the highest degree of safety regarding timely servicing of financial obligations.

Upto 10.50% p.a. Interest Rate

*Conditions apply

Dewan Housing Finance Corporation Ltd. Corporate Identification Number (CIN) - L65910MH1984PLC032639 Regd. Office: Warden House, 2nd Floor, Sir P M. Road, Fort, Mumbai - 400 001. Toll Free: 1800 22 3435 Fax: 022 7158 3344 Email: response@dhfl.com Website: www.dhfl.com

*As regards deposit taking activity of the company, the viserers may refer to the advertisement in the newspaper/information furnished in the application form for soliciting public deposits. The company is having a valid Certificate of Registration dated 31/07/2001 issued by the National Housing Bank under Section 29A of the National Housing Bank Act, 1997. However, the National Housing Bank does not accept any responsibility or guarantee about the present position as to the financial soundness of the company or for the correctness of any of the statements or representations made or opinions expressed by the company and for repayment of deposits/discharge of the liabilities by the company.*
A monthly series in The Finapolis where we talk to a diverse set of families to understand their attitude towards financial planning. Our in-house financial advisor offers his suggestions for a more robust portfolio. If you’d like to talk to us and be featured, write in to: feedback@thefinapolis.com

Nikhilesh Kumar Tiwari, 28, is an entrepreneur who runs a +20-employee strong IT firm—Helical IT Solutions, at Hyderabad.

Nikhilesh, and his wife Padma Venkatraman who works in the print media, have been married for just about six months, but they have already booked their first home worth Rs 40 Lakh in a south Indian metropolis.

They both earn enough; their monthly family income totals about Rs 1 Lakh. Nikhilesh has invested Rs 50,000 in NSC and has a bank Fixed Deposit worth a Lakh. He also has an endowment LIC policy of Rs 25 lakh maturity value for 20 years that also provides accidental coverage. On her part, Padma invests about Rs 10,000 p.a. in mutual funds (Equity – Growth) and has a term insurance plan of 15 years with a yearly premium of Rs 40,000. Over time, through savings and investments in term products, the couple have managed to save about Rs 8-10 Lakh as liquid asset that brings in a sense of financial security while also serves to fall back on to battle any contingency.
Nikhilesh became risk-averse after starting his own business. He is now a conservative investor who believes in long-term investments and investments with fixed returns. He is quite happy with an 8-10% annual return on his investments. “Being an entrepreneur and investing much in my business, I prefer safe investments,” he says. He swears by real estate as the perfect investment option given its safe-haven image and quicker appreciation of value than other assets, but it is the bank recurring deposit that helped him save money towards creating his corpus.

His immediate financial goals include owning an office property of 5000 sq ft in Hyderabad within three years and buying a second flat within the next 5-10 years. Nikhilesh does not have a professional financial advisor.

Going through Nikhilesh’s investment portfolio, though he is a conservative investor, he is neglecting the dreadful effect of inflation which will erode his wealth over the time. Nikhilesh is yet to properly diversify his portfolio and his investments in its current state seem at risk. Although the couple has invested in MF, a large part of their investment is in fixed income instruments (FD and NSC) which fails to give inflation-adjusted returns and are highly illiquid. Always remember, asset allocation is the key to successful investment. Further, he has put a huge chunk of his money in unproductive insurance policy which gives him a measly return of 4%. If we consider a conservative inflation rate of 7%, many of his investment are giving him negative or nominal returns which will not suffice his needs.

Going by his asset allocation strategy and risk appetite, he should invest more in debt funds of medium- to long-term tenure. An ideal asset allocation strategy would be invest 70% of his money in fixed income instruments like FD, RD, NSC and debt mutual funds which carry low risk. The remaining money he has to invest in market-linked products such as equity and equity mutual funds which have capacity to give inflation-beating returns. A word of advice: he being an entrepreneur faces risk of fluctuating income. He can invest his monthly surplus in liquid funds which carry lowest interest risk and are capable of giving higher returns and liquidity than saving account. FD and NSC are safe investments, but they are time bound and give less returns.

Nikhilesh is very under-insured since he has just about Rs 10 lakh sum assured. The rule of thumb is that a person should have at least ten times his annual income as sum assured, which in Nikhilesh’s case comes to Rs 60 lakh; the same goes for his wife who also earns around the same amount. Do not mix insurance with investment. Take a term insurance policy which gives high coverage with lowest premium. For sound and efficient tax planning, Nikhilesh can consider investing in ELSS which is exempted under SEC 80 C up to Rs 1.5 lakh. If he wants, after inflation and tax return of 8-10%, he can consider investing in direct equity/equity-mutual fund which has historically outperformed every other asset class, be it gold, real estate, PPF, FD or Chit funds.

We strongly suggest Nikhilesh thinks about preparing a corpus towards retirement. It is critical to financial planning but we see that the couple has none yet. If he wants to buy commercial space in the next one-two years, he can invest his money through a monthly SIP in short-term debt funds or can consider investing in an RD, though RD may give lesser after-tax return. For his long-term goals of buying a second home, he may consider a Gilt fund or capital protection plan which ensures safety of principle, and also put a small amount in a large-cap equity fund.

If you think your investments are risk-free, even though the returns are low, you are virtually certain to lose capital through them. Inflation will play the devil in your current strategy. The real rate of the existing returns from Nikhilesh’s portfolio fails to give more than 2-3%. Against an average inflation of 8.40% for the past ten years, only equity as an asset class has beat inflation. He should reconsider and compare his investment with inflation, and try to look beyond at the rear view mirror which is clearer than the windshield in his investment world. We recommend he also tries to add important goals such as child birth expenses for the future year.
The world “America” is derived from the name of an Italian businessman Amerigo Vespucci. He was originally from Florence but had moved to Seville where he ran a ship-supply business. Toward the start of the 16th century, letters collected under the title *Nuovo Mundo* (New World) started circulating in Florence. These letters claimed that it was Vespucci who had discovered the New World.

This would not have gone any further had it not been for Martin Waldseemuller, an instructor in a small college in eastern France, who came across these letters while doing some research to make a new map of the world. He was very impressed after reading the Florentine’s letters and named what was till then called the New World, Latin Amerigo. This was first transformed into Americus and then finally into America. It took time for this name to catch up, and originally, people used this name only to refer to what is now South America.

So who discovered what is now known as North America. By most accounts, the credit for this goes to Italian Giovanni Caboto, better known by his English name, John Cabot.

Cabot is said to have landed in what is now the Canadian island of Newfoundland in 1797. The first British settlement in the United States of America came up in Jamestown, Virginia, in 1607.

The earliest settlers had to face scarcity of money. Like every new country, America imported more than it exported. A major part of these goods came from England where the merchants had to be paid in gold and silver. Given this, there was perpetual shortage of precious metals to be used as money in the country. And because of this shortage, various other commodities were used as money over the centuries.

From horses and sheep to grains of rice that served as legal tender for the first settlers of America, what finally caught their fancy was tobacco that survived as money longer than gold did. 

*By Vivek Kaul*
The state of Massachusetts received horses, cattle and sheep for payment of dues to the government. Corn could be used to pay off debt. People were fined bushels of malt for absence from court. In the state of South Carolina, rice could be used as a legal tender to pay off debts.

The problem with grains being used as money was that they could deteriorate in value very quickly. The taxpayer could pay for taxes by depositing grains with the government treasurer. But by the time the government got around to selling the grain in exchange for precious metals to earn some real money, chances were that the value of the grain would have fallen. It could have deteriorated in quality.

When it came to dealing with the native Indians, the European settlers used wampum and beaver fur as money, things used by the Indians for the exchange of goods. Wampum or shells used by Indians came in two forms, black and white, and the black shells had double the value of the white ones.

It did not take much effort to convert the white shell into a black one, using black dye. This led to a lot of fake money entering the market and soon wampum ceased to be money, except when used as small change.

The commodity which thrived as money in the United States was tobacco. Tobacco started to be used as money in Virginia a dozen years after the first settlement in Jamestown came up. In 1642, it was made a legal tender which could be used in payment of debts as well as taxes. What worked for tobacco was the fact that it was the principal crop of Virginia, and given that, everyone was familiar with it. At the same time, its supply could not be created out of thin air and it had to be farmed and grown.

Also, contracts were entered in terms of the weight of tobacco and not its price in terms of gold or silver. This basically benefitted the tobacco farmers, ensuring that the value of their debt did not vary. If a farmer had to pay someone 100 pounds of tobacco, that 100 pounds remained 100 pounds and did not fluctuate according to the value of tobacco in terms of gold or silver. At the same time, there were various kinds of tobacco being grown. And since the payment was to be made in terms of tobacco weight, even the lowest quality would do.

Hence, Gresham’s law came to work in the case of tobacco money too. Tobacco of the worst quality was used to settle contracts at times, while people hoarded the good tobacco. Bad tobacco drove out the good tobacco. To tackle this problem, warehouses were set up. In these warehouses, tobacco was weighted as well as assessed for quality and accordingly, receipts were issued. These receipts went around as money for a very long time. The receipts went around as money for a very long time. The receipts could go around more easily than actual tobacco leaves and became legal tender in Virginia in 1727. In fact, tobacco survived as money in the United States longer than gold did. Line Virginia made tobacco a legal tender, Connecticut made wheat legal tender, and Massachusetts had corn as the legal tender.

Excerpted from Part I of Vivek Kaul’s trilogy: Easy Money

Receipts issued after tobacco was weighted and assessed for quality, went around as money for a very long time
Every month our resident expert on all things personal finance will answer all your queries related to the world of investments, taxation and financial management. The Personal Finance Advisor will be able to diagnose the health of your portfolio and offer better advice if your questions are precise, and the description of the ailments detailed. Write in to feedback@thefinapolis.com

Dear Personal Finance Advisor,
I wanted to invest in an ELSS or the Equity Linked Savings Schemes. My friends say they are back in the limelight after the union Budget 2014-15 raised the limit of deduction under section 80C from the existing Rs 1 lakh to Rs 1.50 lakh. Please advise me is it prudent to invest in ELSS?
- Priyani Awinash

Dear Priyani,
It is indeed prudent to invest in ELSS. However, you should know that the returns are purely market linked. If market does well, you will have good returns and if market goes for a toss, you will have losses.

Moreover, it has lock in period of 3 years. It means you cannot redeem it before 3 years.

Hence you may feel temptation to redeem your investment if market runs up a little but you cannot do it unless the investment has completed 3 years. It is good in a sense that it takes away compulsive behavior in investing.

Despite all this, ELSS is a good product. Go for it.

Sir,
For a limited risk-taking investor like me, the dizzying heights the equity markets have soared to in recent months have made me quite worried. My fear, which may not be true, is that a crash is in the offing. I have around Rs 1 lakh in equities and I’m planning to book profit and invest in a safer instrument. Recently, I came to know that for my kind of investors there is one investment options i.e., MIP (Monthly Income Plan) that have a mix of equity and debt. Please advise me are they really effective?
- Meenakshi Aggarwal, Kota

Dear Meenakshi,
Markets are not at dizzying height. Since we compare it with the 2008 peak of 21000, we seem to have taken this number as “high” of index. Remember that was 2008. 7 years have passed and so has companies earning. Today, the market is at a position where good policies can take it higher.

If you have 3-5 years horizon, leave the investment as it is (with the condition that policies of Government will be right to induce businesses invest).

MIP is not a good product for young investors. It is suitable for investors who do not earn anything (like retired people) and need monthly income. If you really want to get out of equity because of risk, then go for balanced mutual funds (mix of equity and debt just like MIP but the capital appreciate).
Sir,
Recently my employer has given me my Universal Account Number (UAN) which it says remains unique to each employee and there is no need to break or transfer PF. Is it true? What are the benefits of UAN and what needs to be done when one changes one’s job?

- Kailash Parikh, Valsad

Dear Kailash,
Your employer is right. This is universal account number which you just need to give to your new employer and your PF from new company will start crediting in your account.

This is a very good step by the Government aimed at reducing the hassle of transfer of account when employee change the companies.

Dear PFin Doctor,
Recently I was looking to buy a Capri for myself at a couple of online retailers and was amazed at the variety available. I was confused as each item displayed on screen looked pretty good to me. Sir, please advise me are goods sold online genuine or fake? Why are they so cheap?

- Seema Trehan, Rohtak

Dear Seema,
They are genuine usually. The top online stores like flipkart, snapdeal, amazon keep genuine merchandise. They are cheap because their goal is to capture the audience and they get funding from venture capitalists.

Moreover, they do not have to bear the expenses of large store in expensive location. They usually don’t even maintain inventory and godown. Hence their cost of low unlike Pantaloon which has to set up large stores in main market location and maintain an inventory of merchandise.

Go for it. This is the best time to shop online. India is going to be the next battle field of online companies where this competition will make things even cheaper.

By the way it takes years for these online companies to make money.

Dear sir
One of my friends has suggested investing in unit-linked insurance products (ULIPs), which he says are high-yielding apart from offering insurance covers. But sir I’m a little cautious on this. This is the same friend who lost a considerable sum during 2006-07 when ULIPs were selling hot. Please advise me what should I do? Should I invest in ULIPs or not?

Dear Investor,
ULIP are market linked products where your returns depend on market. This is not a good product as it tries to combine insurance and investment, two very diverse items which have a very different purpose. While insurance gives support to the dependent in case of the earning member’s absence, investment offers support in your old age when you cannot earn. Hence I will not advise you to go for ULIP.

Take insurance (especially term insurance) and invest the rest in good mutual funds. Mutual funds will help you build your wealth over time while insurance will protect your family in case of any eventuality. Always aim for longer horizon to build wealth.
We all come across issues and ideas related to the world of finance that sound Greek and Latin. Worry not. We’re here to guide you through the maze.

### Share Buyback

Of the many routes companies take to protect and return wealth to their shareholders, dividends and share buyback are the most common. Share buyback is the process by which a listed company buys back its shares from its investors, usually at a price higher than the market price of the share at that given point of time. Buyback of Shares is an important mode of capital restructuring of companies. It is a show of confidence in the growth of the company by the promoters, which leads to positive investment sentiment among investors too. In some cases, buy-back of shares protects the existing management by consolidating the holdings and the promoter’s stake in the company to counter a hostile takeover attempt.

Buyback allows management to invest in their own company to increase the value of the organization. Many companies have surplus funds available. If the management does not find any suitable investment avenue, they utilise the fund to exercise buyback. A buyback reduces the number of outstanding shares of the company in the market, thereby increasing investors’ claim on dividend and earnings of the company. When companies have huge cash on their balance sheet, the general practice is to either distribute it to the shareholders by way of dividends or use the cash to buyback the share. Share buyback made with excess cash on the books have the potential to increase earnings per share. Share buyback is restricted to regulation by SEBI.

#### Method of buyback

In India, companies are allowed to buy back shares either through a tender offer or using the open market route. Under the tender route, buyback is done on a proportionate basis. The company has to write to every shareholder saying it is willing to buy back shares in proportion to the issue. This will ensure all shareholders are treated equally irrespective of their shareholding.

#### The pros and cons of buyback

Buyback provides an easy route for the shareholders to exit from company by selling their shares back to company at premium. As an investor, one should always be cautious about fundamentals of the company and the intension of the company for taking a corporate action such as a buyback. Share buyback helps increase shareholder value through increases in earnings per share (EPS) and the change in EPS is reflected through higher stock price. It is one of the better alternative to dividends as it is more tax efficient. However, not all buyback decisions are actually implemented. Sometimes, companies adopt a buyback strategy to delist its share from the market. To safeguard the interest of public shareholders, the market regulator SEBI has mandated that companies repurchase atleast 50% of their offer in an open-market buyback. However, to encourage buybacks using the tender method where larger amount of surplus funds are involved, companies are required to buyback at least 15% of the targeted amount. Companies who fail to meet the buyback target are not allowed to come up with another offer for one year.

To conclude, investor should keep in mind that a buyback does not change the fundamentals of a company and therefore, caution and research is advisable.
Subscribe to

The Finapolis
Your Personal Finance Advisor

India’s highly respected personal finance magazine!
» Offers you useful insights on investments
» Highly experienced editorial team
» A ringside view of Finance & Economy

SUBSCRIPTION CHARGES

<table>
<thead>
<tr>
<th>Years</th>
<th>Cover Price</th>
<th>Offer Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Rs 540</td>
<td>Rs 510</td>
</tr>
<tr>
<td>2</td>
<td>Rs 1080</td>
<td>Rs 960</td>
</tr>
<tr>
<td>3</td>
<td>Rs 1620</td>
<td>Rs 1370</td>
</tr>
</tbody>
</table>

I would like to subscribe to The Finapolis for the period indicated below by post:

1 Year: `510
2 Years: `960
3 Years: `1370

I would like to subscribe to The Finapolis for the period indicated below by courier:

1 Year: `750
2 Years: `1440
3 Years: `2090

Name

Address for communication

Mode of payment: Please pay by Cheque/DD in favor of "Karvy Consultants Ltd." payable at Hyderabad. For outstation cheques (other than Hyderabad), please add Rs 25/- as collection charges to the above amount. This subscription request form, along with your Cheque/DD, should be mailed to:

TR Vivek, Editor, The Finapolis, Karvy House, 46, Avenue 4, Street No.1, Banjara Hills, Hyderabad - 500 034.

You can also deposit your subscription form along with cheque/DD at your nearest Karvy Branch.

Note: The contact details provided by you, are private and confidential. These details will be used for subscription related queries only.
NOW! GET 50% MORE DOOSRA ADVANTAGE*

Sundaram Tax Saver
An open-end ELSS Fund with a 3-year investment lock-in period

The Finance Act, 2014, has increased the amount that can be deducted for investment under Section 80-C of the Income Tax Act, 1961* from ₹1 lakh to ₹1,50,000 giving you the opportunity to increase your tax savings by 50% more!

Go ahead. Use your Doosra Advantage to the fullest!

*Subject to prevailing tax laws.

Talk to your investment advisor or Call: 1800-103-7237
SMS: SFUND to 56767 | Visit: www.sundarammutual.com
www.facebook.com/SundaramAMC | @SundaramMF

This product is suitable for investors who are seeking** long term capital growth with 3 year lock-in period. • Investment in equity and equity-related securities • High Risk (BROWN)

**Investors should consult their financial advisors if in doubt about whether the product is suitable for them.

Note: Risk may be represented as:
- BLUE investors understand that their principal will be at low risk
- YELLOW investors understand that their principal will be at medium risk
- BROWN investors understand that their principal will be at high risk

Mutual Fund investments are subject to market risks, read all scheme related documents carefully.
Build wealth over the long term + Save taxes.
Invest in HDFC TAXSAVER.

This product is suitable for investors who are seeking:
- growth of capital over long term
- investment predominantly in equity and equity related instruments
- high risk *(BROWN)*

Note: Risk is represented as:
Investors understand that their principal will be at:
- **(BLUE)** low risk
- **(YELLOW)** medium risk
- **(BROWN)** high risk

*Investors should consult their financial advisers if in doubt about whether the product is suitable for them.

#An Individual/HUF is entitled to deduction from gross total income for investments in Equity-Linked Savings Scheme (ELSS) up to ₹ 1.5 Lakh (along with other prescribed investments) under Section 80C of the Income-tax Act, 1961. In view of the individual nature of the tax consequences, each investor is advised to consult his/her own professional tax advisor.

**MUTUAL FUND INVESTMENTS ARE SUBJECT TO MARKET RISKS, READ ALL SCHEME RELATED DOCUMENTS CAREFULLY.**
Rating - “CRISIL FAAA”

10.58% yield* on 36 months Fixed Deposit.

Can you say no?

Advantages

- Rating - “CRISIL FAAA” indicating highest level of safety.
- Loan facility up to 75% of deposit available from all PNBHFL and PNB branches
- No tax to be deducted at source on interest income up to ₹5000 per financial year
- Nomination facility available

Do contact us today for our fixed deposit scheme.

Call: 1800 120 8800 • SMS: ‘FDPNBHFL’ TO 56070
Email: deposit@pnbhfl.com • Website: www.pnbhfl.com

*yield to maturity on a half yearly compounded 36 month deposit.

We are a subsidiary of Punjab National Bank

A Public Sector Company

Ghar Ki Baat