

The Abundance -Yearly Outlook 2013

An exclusive BANHEM Research

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Global Overview

MSCI World Index @1370:

Index	YTD Change (2012 End)
Turkey	52.55%
Thailand	35.76%
Greece	33.43%
Philippines	32.95%
Frankfurt	29.06%
Denmark	27.24%

The Year 2012 finished with the top 4 out of 5 slots in the global indices going to emerging markets. The 5th slot went to Europe's largest economy.

2013 – A bullish case for equities:

Our base case scenario calls for a 10% gain in the global equity markets, and best case 12-13%. We are basing our bullish case on the back of favorable inflationary pressure, attractive valuations, strong earnings, improving global economy, overvaluation in corporate bond market, resumption in Chinese economic growth and Euro zone debt crisis bottoming out.

One of the more glaring factors supporting our case for equities comes from shift in international funds' risk appetite. A recently released research report by HSBC shows that the international funds have increased their holdings in high-beta cyclical sectors such as consumer discretionary, capital goods etc and selling defensive sectors such as consumer staples and health care.

The MSCI World Index reached well within our upside objective of 1388 (Year-end close @1338), while January 4, 2013 close has almost reached our 2012-end price target (close @1370).

For the year 2013, we are forecasting an overall firm global equity prices - with some stable (United States, United Kingdom and Japan), some keeping off the lows (Europe), and some acting as boosters (most emerging markets in general) – that should pave the way for the index to print 1500 by year-end and eventually challenge the all-time high of 1682 (October 31, 2007) sometime in 2014.

In any eventuality, the downside risk looks limited to around 1250 (5% from 2012 closing of 1338).

Index	Close	MoM % Chg	P/E(TTM)	P/BV	Div Yield
Sensex	19784	+2.02	17.92	3.04	1.53
Nifty	6016	+1.96	19.03	3.19	1.37
Bank Nifty	12787	+4.11	15.15	2.49	1.21

Indices	Close	Chg%
Sensex	19784	+0.09
Nifty	6016	+0.11
Hangseng	23331	-0.28
Shanghai	2277	+0.34
CAC	3730	+0.23
DAX	7776	+0.25
Dow Jones	13435	+0.32
Nasdaq	3102	+0.03
S&P500	1462	-0.31

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Please Note:

We shall resume our fortnightly research report The Abundance – on Jan 28, 2013

United States:

S&P 500 Index @1466:

Dow Jones Industrial Average @13435:

Wall Street finished the week on a five-year high, and the year with an 11% gain, matching our 2012 year-end target i.e. 1370 for the S&P 500 and 13000 for the Dow Jones Industrial Average.

The January Effect...

Equity markets tend to have historically proven indicators undermine their performance. Over the decades, Wall Street has enjoyed many time-tested indicators, one of them is popularly known as the “January Effect”. The saying “year goes as goes January” is carved due to past record. And, there is another historically proven track record that shows over 80% of the time, the 1st five days of January dictate the direction in Wall Street for the rest of January. In other words, 1st five days of January might be able to tilt the odds in favor of bulls or bears for the year. We are pleased to note that the broader market index (S&P 500 Index) tacked on almost five percent in the first five trading days of New Year. Go figure.

Achievements of successful resolution of Fiscal Cliff...

Recent negotiations on the fiscal cliff were challenging and we must admit both parties came out with flying colors.

Why we say tough is because on the Democrats’ side, they managed to restore the pre-Bush era tax on higher earning individuals and couples, which we must remind our readers that helped President Barack Obama deliver one of his main election promises. In addition, the Democrats also were able to secure an extension in unemployment benefits and avoid entitlement cuts that would have hurt the lower segments of the society rather hard.

On the Republicans side, they were able to shift the Democrats away from the \$250,000 threshold for tax rate hikes to \$400,000 for individuals – though it was below \$1 million threshold Speaker John Boehner had proposed.

In the process of battling the fiscal cliff, the tough negotiations have addressed two major issues, which we reckon could make a difference to the American businesses and society at large.

Firstly, over the years, the bulk of state support system has favored the better off Americans. Now, by increasing tax rates on better off segments and by maintaining redistribution mechanisms, concrete steps are being taken to bridge the gap between the income and wealth unequal.

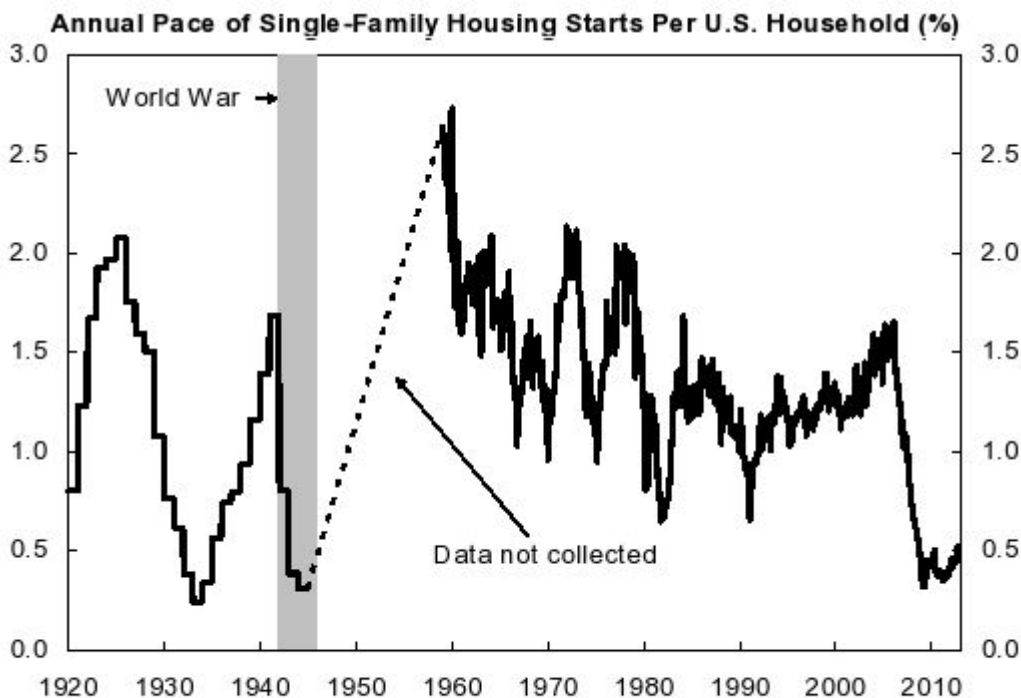
Secondly, subject to passage of several bills at various stages for the fiscal consolidation, the job market that has already seems to have got wings should benefit further. This is particularly evident with steady improvement in jobs and jobless claim numbers. Another proof in the pie lies with the pickup in the American vehicle sales figures, which have shown solid growth. A strong December capped off the best year of auto sales since 2007. Detroit’s big three – General Motors, Ford Motor and Chrysler – reported an aggregate sale of almost 14.5 million vehicles in the 2012, an increase of 13% from 2011. That is one of the major segments of job market as it encompasses the blue collar workers belonging to the middle and higher middle classes of the American populace – the main thrust behind the consumer discretionary spending power.

Debt ceiling – the next ceiling for equities....

After the Santa Claus rally heading up to the X’Mas and the ensuing surge (after brief consolidation) stretching in to the New Year, the party hangover is not expected to last too long as the bi-partisan negotiators will return to the table to discuss the debt ceiling before February-end. Since both parties had given up some ground in the initial round of negotiations to avoid the fiscal cliff, it would be no surprise that each asked for their pound of flesh in, what we see, a tough bargain. We foresee resolution to debt ceiling with Mr. Obama exercising his veto power to contain any risk of overturn of his proposals. Just like the fiscal cliff, neither party can afford to let the debt ceiling negotiations fall through as the failure to reach an agreement would cost the US higher cost of borrowing, potential risk of sovereign ratings downgrade and danger of stalling the fiscal operation of the government.

Firm evidence of turnaround in the housing starts....

One of root causes of the 2008-2009 financial crisis - the subprime debt in conjunction with the issuance of Asset-Backed-Securities (ABS) – that had pushed the US housing sector to the lows seen 1930's-40's seem to have evidently been reversed. **The exhibit below shows the annual pace of single-family housing starts per household is reversing its 40-year downtrend (especially exasperated during 2008-2009) after hugging its all time lows seen during the 80-year period.** We have noted several other indicators confirming the bottom and subsequent recovery in the housing sector, which we have outlined over the past few months in our updates. Even in November, US new home sales rose by 4.4% to a seasonally adjusted annual rate of 377,000, the highest reading in two-and-a half years. US S&P/Case-Shiller 20-City Composite Home Price Index rose by a seasonally adjusted 0.7% in October following a 0.4% gain in September.



Source: Haver Analytics and Citi Research – US Equity Strategy

Additionally, faster bank credit and money supply growth coupled with rising US Treasury yields are clear signs that the US economy is poised to pick up steam in 2013.

Therefore, backed by strong American Inc., sustainable economic recovery, attractive valuations (12x 1-year forward P/E multiples), fiscal and monetary policies in sync with the global realities, clear aims and ways to curb the twin-deficits, tamed inflation and traction in overall global economic recovery we are forecasting a 12% upside in US equities. Our 2013 year-end target for S&P 500 Index is 1600 and 14700 for Dow Jones Industrial Average.

Europe (STOXX50 Index @2709:

The region's equity benchmark index did achieve, and even surpassed, our initial upside target of 2500, but contrary to our call for a flat close at the year-end, the index retained its strong bias to close @2635. The reason for our conservative estimates was fluid situation in the peripherals and the year-end close would have been a moving target. We are, indeed, pleased to see ourselves caught on the side of caution while investors, who invested following our repeated advise to invest based on the fact that market always climbed the wall of worry, should have been handsomely rewarded.

The ECB rate decision and the inflation numbers are things to watch in coming days. We think the Mr. Draghi and team will maintain status quo on rate front.

Euro zone:

The composite index PMI improved to 47.2 in December from 46.5 in November providing a silver lining in the troubled zone's double-dip recession.

Germany:

Europe's largest economy continues to exhibit the pains inflicted by peripheral nations' debt woes as the country's manufacturing PMI in December shrank to 46 from 46.8 in November. New orders dropped for the eighteenth successive month, manufacturing output contracted more sharply while job losses continued.

United Kingdom:

We had identified the United Kingdom as one of (if not the) the strongest economies, outside the Euro zone as well as major such as Germany, as far as early as mid-2012. Most economic indicators have been generally decent considering the overall employment burden, social services costs and spillover of the peripherals' debt problems. While most economists are not looking for much of variance from around 1% GDP growth in 2013, we suspect it is only a matter of time before GDP growth forecasts for 2014 begin to get revised higher.

The UK equities are trading around average 10% discount to their long-term average mean, and compared with bond yields, the valuations are cheapest in almost a century. Consensus is calling for a 5% growth in the equity market by 2013 year-end, that translates in to 11.7x 1-year forward P/E multiple with 5% EPS growth.

UK's manufacturing sector PMI climbed to 15-month high of 51.4 in December from an upwardly revised 49.2 in November, and against expectation of 49.1.

UK Markit household finance index fell to 36.8 in December from 23-month high of 39.3 in November.

As the STOXX50 Index flirts with its 18-month highs, we detect little in terms of major downside risks here. A 5-7% consolidation to digest the recent gains will take the index lower to 2600, which is co-incidentally a dual-support, horizontally as well as eight-month long uptrend line point. Based on an 11x (1-year forward) P/E ratio and long term technical indicators, we are keeping our 2013 year-end target of 3030 (+15%).

Asia (Asia Pacific Ex – Japan Index @132):

Emerging markets (EM) in general and Asian bourses in particular, did what they are supposed to do...emerge. The region's benchmark equity index capped the year with an almost 14% gain.

Most analysts are calling for a 5-5.50% growth in the emerging economies. The positive message is stemming from unabated flow of funds in to EM due to *highly low* interest rates in the G3 countries. While most EM would welcome these capital inflow to bridge the gaping trade deficits, some EM policymakers might be on the guard to avoid any speculative inflows, which could seriously undermine fiscal and monetary efforts to keep their economy on track. The watchdogs could increase resistance to tightening of monetary policy, implement foreign exchange controls, step up currency intervention. In this double-edged sword, there are still more helpful usages than hurtful dangers.

We think Asian markets, like most EMs, will chalk another up year for the following reasons:

- (1) **Economic data has been encouraging** in the last six months, although coming from low base and low expectations, yet we see the EMs in a better shape than half-year ago.
- (2) **Earnings revisions, though still more companies being revised downward than upward, seem to be improving** as the pace of downward revisions seems to have stemmed. With IBES forecasting a 13% growth for 2013, a second consecutive year of positive growth, we can expect a decent upside, if not stellar, earnings growth.
- (3) **The liquidity remains supportive.** The assets side of Asian central banks is improving again, +6.7% Y-o-Y. In the past, such expansion in the assets has produced expansion in PE multiples. Major catalyst behind the asset growth is the retail deposit segment, where the current Asian mentality of seeking return of money rather than return on money, that has grown 14% last year.
- (4) **Equities overall, especially Asian, are underweighted in clients' portfolios.** The backdrop of recent uncertainties including fiscal cliff in the US and interest rate policy decision by the ECB, BoJ and BoE, have all contributed to institutional clients ending up being long defensives, retail long cash and overall investment community has been overweight on bonds at the cost of equities. Most rallies in the Asian markets have been pinned by short covering. This underinvestment is bound to revert in favor of equities sooner rather than later in Q1 2013.
- (5) **Most importantly, valuations are cheap.** Currently, sitting at the low end of the range of 0.5-.08 standard deviations below their historic means for PE and PB, Asian equity valuations are more attractive than fixed income asset class. Majority of Asian stocks' dividend yield is higher than their respective local bond yield.

China:

We have been pointing the resurgent indications of an end to the Dragon's lethargy in our recent updates to the attention of our readers. We strongly believe that the world's second-largest economy is well on its way to resume the high growth path that it has dominated for over a decade now. The new leadership in China seems committed to expand the "caret and the stick" policy towards the foreign affairs, trade balance and global politics. We expect the Chinese exports to gain traction soon and should be another sign of economic growth catching foothold.

In the meanwhile...China's HSBC PMI for manufacturing sector expanded at the fastest pace in 19 months in December, to a final reading of 51.5 from 50.5 in November and higher than the preliminary figure of 50.9. The non-manufacturing PMI rose to 56.1 in December from 55.6 in November.

China's official PMI rose to 50.6 in December, matching November's level, adding to signs of a revival in the world's second-largest economy.

Singapore:

CPI inflation slipped to 3.6% in November from 4% in October. The city-state is expected to experience continued inflationary pressure above its comfort level, the recent numbers are encouraging nonetheless.

The MSCI Asia Pacific Ex – Japan Index, as outlined in our 2012 Outlook, broke through resistance levels of 118 and 124 and is on the way to challenge three-time high jumper of 140. Break above 140 will bring the April-May 2008 high of 150 in focus.

Japan (Nikkei 225 Index @10688):

The Nikkei 225 has managed to stage its best annual performance in 2012 since 2005, while meeting our 2012 year-end target of 10200 bang on (year end closed @10395).

BoJ has been clear mandate by the incoming Prime Minister – Shinzo Abe - to drastically ease monetary policy by setting an inflation target of 2%, while he has been clear about his intentions of taming the strong Yen to help revive the economy. The move comes on the heels of lower CPI data released last week, CPI fell 0.1% in November.

Japan's industrial output tumbled more than forecast to the lowest level since the aftermath of record 2011 earthquake, bolstering the case for - widely known to be tough - Mr. Abe to unleash large-scale stimulus. Industrial production fell to a seasonally adjusted 1.7% M-o-M in November following a 1.6% growth in October.

Japanese unemployment rate improved to 4.1% in November from October's 4.2%.

As a boost to the local economy, retail sales grew 1.3% in November Y-o-Y.

Japan's composite output PMI slipped to 49.3 in December from 49.9 in November hurt by a sharp fall in manufacturing but supported by the service sector.

We would strongly recommend buying Japanese export-oriented companies' stock as Yen has more downside than upside here. Since breaking the 79.80 resistance in late-October, the greenback has not looked back. We believe the USD/JPY might be getting a little long in the tooth around 90 and therefore has significant role to play in potential foreign exchange gain for exporters.

We are fast approaching the first resistance for this year around 10891, where a normal and orderly pullback would be in order. Above 10891, our new target comes in around 11400. Only a decisive break of 11400 would call for an explosive surge to 14000, which we do not see coming in 2013.

India (SENSEX @19742):

The Indian equity market finished the year 2012 with a 24% rise, gaining entry in the top 10 equity markets worldwide. The year-end closing of 19580 was way beyond our target of 18000 outlined in our 2012 Outlook. The market hit our 2012-end target in the first seven weeks of the year. And since then, the level has served as support.

The key driver for the Indian equity market has been the concrete steps in policy reform, especially in the last quarter of the calendar year.

Introduction of and Action on Policy Reform Roadmap, an overdue, but positive step....

The last quarter of 2012 saw the UPA government, finally, stepping up to the plate and breaking the “policy paralysis” lock to release the much-needed road-map of fiscal reforms. The two-year long freeze on policy reforms had pushed the incumbents to the edge of losing political ground, and the economy to the verge of stagflation. The reforms announced, so far, as well as the ones in the pipeline have brought the Indian economy from the brink of sustained underperformance versus its peers. As it is obvious that the decisive comeback has been major factor behind last quarter’s rally in Indian equities it is only imperative that the reforms, proven to be key driver for the market performance, must remain alive.

Key policy initiatives since September include:

- (1) Increased FDI limit in multi-brand retail (51), aviation (49%) and broadcasting (74%).
- (2) Increase in diesel prices and capping the number of subsidized LPG cylinders per family per year to six.
- (3) Roadmap on direct cash transfers.
- (4) Cabinet approvals on Companies Bill, Insurance, Land Acquisition Bill and PFRDA Bills.
- (5) SEB debt restructuring.
- (6) Rajiv Gandhi Equity Savings Scheme (RGESS) to encourage retail investors in to Indian equities.
- (7) Reduction in withholding tax on corporate bonds.
- (8) Resolving 2G spectrum auction and pricing.

What is awaited....While parliamentary approval is required for Companies Bill, Insurance and PFRDA, the real test of government’s resolve will come from serious progress on Cabinet Committee on Investment, Land Acquisition Bill and GST (Goods & Services Tax), without which the growth trajectory would look twisted.

In addition, the UPA government, all out to salvage the sunken reputation and revive vote bank, will most probably introduce a populist budget in February.

Finally, we expect a total cut of 100-125 basis points in interest rates this year, which should bring the interest rates in alignment with the headline inflation and money supply.

In the meanwhile, good data has outweighed bad data....

The good...

- India’s tax collections in Apr-Nov period rose 15.1% Y-o-Y to Rs.5.445 lakh crore.
- India’s annual inflation rate based on the CPI for industrial workers dropped to 9.55% in November from 9.60% in October.
- The recent RBI indicates farm credit growth grew 24.4% in November from 7.3% a year ago, while loans to industries advanced 17.7% versus 20.9% last year.
- HSBC’s PMI for manufacturing sector in India rose to six-month high in December at 54.7 points, from 53.7 in November primarily led by strong output growth and rising export orders.
- HSBC’ PMI for services sector also grew at its strongest pace in three months in December to 55.6 from November’s 52.1.
- The government has shown an improved fiscal deficit of 80.4% of the GDP in the first eight months of the current financial year compared with 85.6% in the same period last year. India’s fiscal deficit during Apr-Nov period rose 16.9% Y-o-Y to Rs. 4.129 lakh crore, mainly on account of slowdown in growth of its receipts; November’s fiscal gap was Rs. 45,000 crore versus Rs.46,400 crore in the same period last year.

The bad....

- India's current account deficit for Q2 FY13 rose sharply to \$22.3 billion in comparison with the \$18.9 billion shortfall in Q2 FY12, due to higher pace of imports and moderating growth of exports.
- The government is in a fix to implement the long-awaited GST as the BJP ruled states such as Gujarat and Madhya Pradesh, still opposed to indirect tax regime, could pour cold water on plans to roll out the new tax code before the 2014 general elections.
- India's external debt rose 5.8% in Apr-Sep period to \$365.3 billion.
- India's key infrastructure industries' growth slumped to a four-month low of 1.8% in November from a 6.6% mark in October.

Despite the recent pick up, the Indian equity market is not showing any fatigue. On the contrary, with the break of three-month long trading range, we have entered a cyclical bull market, which should yield new all-time highs.

15.1x 1 year forward PE multiples, the SENSEX looks attractive, a catch up in reforms will only make it more attractive. We are reaffirming our long-held view that the positives in the Indian equities far outweigh the negatives, which puts India in a sweet spot. All we need is fresh impetus from the government towards speed up of fiscal reforms.

Our SENSEX EPS growth estimates are 8% for FY13 and 12% for FY14. Our 2013 year-end target is 22000, up 15% from 2012.

Techni Color (BSE SENSEX Index @19742):

Last week, we said, "The SENSEX did touch 19612 before succumbing to profit taking (blame it on the domestic investor). The up trending channel support has moved up to around 18973, which co-incidentally meets the horizontal support around 19140. We see our upside target of 21000 more of a question of when rather than if."

Most momentum indicators are showing divergence here and a short-term consolidation should pave the way for a higher jump towards our initial resistance and upside target of 21100. Near-term support areas can be seen around 19200, which is horizontal support and 19137, which is up trending channel support. An unlikely violation of 19137-19200 brings 18250 in focus. India's VIX is at 13.4.

Our 2013 year-end target is around 22,200, a 15% upside from 2012 year-end closing of 19580.

And...a picture on inflation

Commodity Research Bureau (CRB) @295:

The whopping 50% surge in the CRB Index from May 2010 to May 2011 reversed course and retraced an equally hefty 89% of the ascent by May 2012. Since then the underlying index and momentum indicators – MACD and RSI - are in neutral territory. The stochastic, however, are pointing to a reversal on the upside. In the event of a pickup in inflation, probably due to flow of funds in to emerging markets chasing high growth/interest rates or geo-political situation, we see the CRB index rally stalling around 320-325 resistance.

\$CRB Reuters/Jefferies CRB Index (EOD) INDX

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Thursday 10-Jan-2013

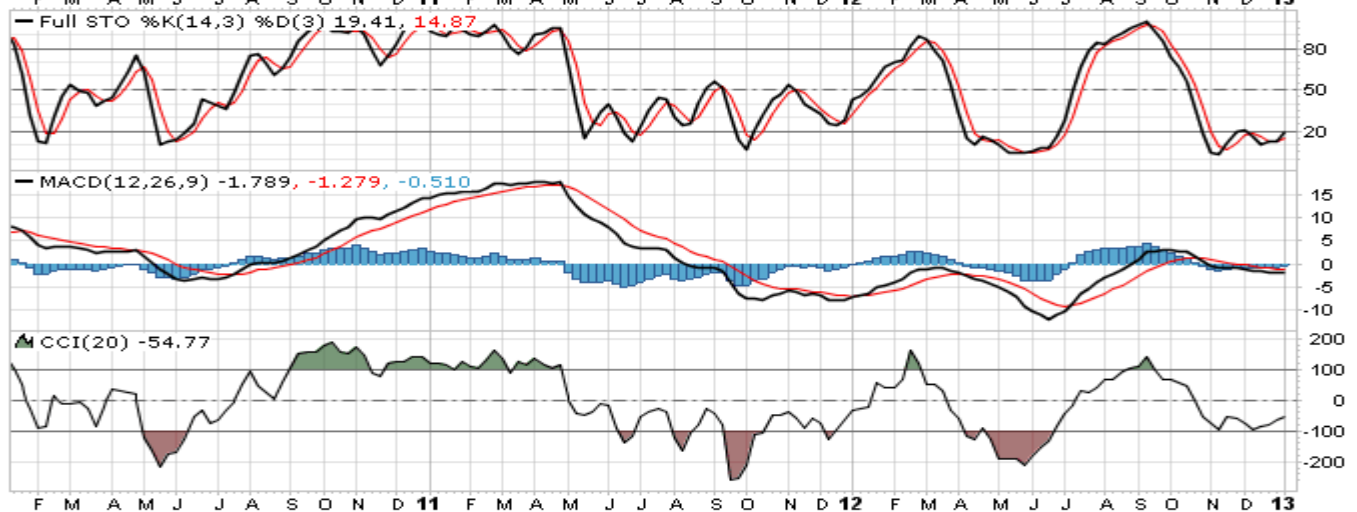
Open: **295.23** Ask: P/E: **+0.82%**
 High: **296.53** Ask Size: EPS: Chg: **+2.40**
 Low: **293.98** Bid: Last: **296.53**
 Prev Close: **294.13** Bid Size: VWAP: Volume: **0**

% CRB (Weekly) 296.53

EMA(20) 297.82

EMA(60) 302.57

EMA(260) 303.00



Metals:

Copper @\$8,055:

Copper surpassed our upside objective of \$8,300-8,400 to reach \$8,700+ in early 2012 and has since been depressed against the backdrop of falling demand from the world's largest consumer – China as the Asian giant struggles to regain highway ride to growth momentum. The oversold conditions, exasperated by huge drop in demand coupled with over supply, finally produced a rebound in the red metal that saw the prices recover from \$7,300 again to 8,300. After falling back to \$7,500, which we have defined as short-term support, the metal has been trying unsuccessfully to cross \$8,050, the new resistance outlined by us in our recent updates.

An ascending triangle being formed with the above two levels mentioned (\$7,500 and \$8,300), we suspect growing signs of China gathering steam for its economic engine could see the metal break the triangle to test \$8,700+.

Gold @\$1,656.20:

With India and China piling up on gold, instead of other financial assets, especially stocks, central banks around the world are also buying gold to realign their reserve ratios. While the move by latter is rational because the amount of overall reserves over the decades has gone higher, with gold remaining the same, it only makes sense to buy more gold to bring the gold-to-cash ratio in line, it is the former we are worried about.

India's gold import costs are well-telegraphed over the past year. And, the government is making every effort to redirect Indian investor's psyche from buying bullion or jewellery to gold ETFs, other equivalent instruments and hopefully equities. We suspect these efforts will bring some changes in the asset allocation in Indian households' portfolio, which may not be huge, but improvement nonetheless. If there is gradual and orderly pickup in global economy, we doubt the yellow metal will find many suitors. Combine it with a technical break of support around \$1,540 and we **enter the bear**.

The four-year long uptrend in gold has entered a danger zone and we are cautiously maintaining our neutral outlook with \$1,540-1,550 as crucial short-term support. The break of this key support might bring the whole "gold story" into question. Short-term resistance is around \$1,680. Only a clear breach of 2012 twin-peak resistance at \$1,785 takes us higher to test all time high of \$1,900.

Crude Oil @\$93.09:

Crude prices have enjoyed a, what we think is temporary, a rally pushing prices up to four-month highs. The recent recovery in prices has come on the heels of signals of Chinese economic recovery gaining traction, resolution to US fiscal cliff, Europe's debt crisis bottoming out and seasonal demand for heating oil in the western hemisphere. At the onset of spring, as oil demand weakens, seasonal rally would tend to wear off, leaving the global demand as the key driver for black gold prices.

We reaffirm our view of crude oil prices facing slippery path filled with over supply and somewhat predictable demand, tilting the pressure on bulls to carry the barrel. Despite the short-term inflationary pressure due to recovery in global economy, we think fundamentals do not justify sustained bull market for crude oil.

We are bearish on crude oil for 2013 year-end with target of \$80 (+/- \$2).

USD/INR @55.07:

The recent rash of approvals on reforms has failed to generate large interest in the currency, which indicates there is more than meets the eye. In the absence of momentum reflecting increasingly positive policy decisions, we suspect the USD/INR might be mired in range of 53.80 to 56. We are neutral on the Rupee for short-term, but remain bullish on the long-term with a target of sub 52.

-Ramesh Sadhwani

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All data are as of close of business Friday (January 4, 2013), unless specified otherwise.

Sources: Various, publicly available those are believed to be reliable but their accuracy cannot be guaranteed.

Year 2012 – Story of two halves

The Year 2012 has been a roller coaster ride for India as inflation, global economic crises, scandalous CAG reports, demoralizing foreign investments through license cancellations and retro tax attempts while PM being derided as an underachiever in international media.

....it ain't over till it's over

PM Manmohan Singh got his act together, reshuffled his cabinet and got his Man Friday P. Chidambaram to do what he does best: Finance as finance minister of the UPA-II government. The FM has systematically revived investment sentiment through regular dialogue with foreign investors, credit rating agencies and Indian corporate honchos conveyed the government goals and ambition effectively.

The cabinet delivers...

The UPA cabinet in quick succession cleared FDI in multi-brand retail and aviation, raised diesel price by healthy Rs.5 to cut under-recoveries, and capped the number of subsidized cylinders per year to address the subsidy burden. The actions at the cost of key ally TMC showcased the PM backed - Finance minister's intent and ability to walk the tight rope and deliver urgently required reforms.

Government displays floor management skills in Parliament...

The government despite losing key support from TMC, displayed its craft by getting the support of BSP and SP through appropriate abstention and voting to get both houses approval on FDI in multi-brand retail decision, consensus to clear the important Banking laws(amendment) act, Companies Bill 2011. Though FDI in insurance, pension and land acquisition bill has got delayed to the budget session, there is, enough indication of the government replicating its moves.

It's not all rosy though....

The government misread the market and demanded exorbitant reserve price for the 2G spectrum, resulting in telcos staying away from key Mumbai, Delhi, Rajasthan circles while disinterest from CDMA players forced the government to cancel the CDMA auction. The government managed to raise merely Rs.9.4bn which is merely one fourth of the budgeted target.

Trade deficit widened as exports continue to falter sharply despite the sluggishness on the import front. Trade deficit after hitting peak of \$20.9bn in October declined to \$19.2bn in November, but remains uncomfortably high. Exports during Apr-Nov fell 5.95% to \$189.2bn, while imports during the same period dropped 1.58% to \$318.7bn. The CAD in Q2FY13 period widened to 5.4% of GDP compared to 4.2% last year and 3.9% in Q1FY13. Hence key problem area for the government as the downfall in exports shows no signs of letting up.

The FM's pet idea to revive the investment in infrastructure by the formation of super-body National Investment board got pounded as ministries (environment, rural development) within the government vehemently opposed any board which reversed their decision. The FM managed to eke out only a Cabinet Committee on Investment (CCI) without any of the much talked about over-riding power. The new committee is largely a replica of the Cabinet Committee on Infrastructure set up by UPA-1 which ended up being a paper tiger. Hence the cabinet's decision certainly belied high industry expectations.

Overall, the UPA-II government despite losing track in the first 9 months of 2012 has managed to turnaround investor sentiment in a positive manner through clear communication of intent, following up with reforms and progressive policy making.

Expectations for 2013

Global

Intensity of global economic crises to ease

India

Government focus on reforms & populist policies

Downward trend in interest rates

Revival of private sector investments with a lag

Resilience in consumer demand

Global

Intensity of global economic crises to ease

The global economic crises in place since burst of US housing bubble in 2008 have begun to show some signs of abatement as policy makers across the world have spiritedly fought off the worst and things are beginning to turn for the better.

The US economy after series of stimulus packages and quantitative easing by the Federal Reserve has managed to get back on its feet. The US housing market which is key determinant of the US consumption driven economy has shown consistent signs of recovery over the last 12 months. The unemployment rate has reversed from highs of over 9 percent to towards 7 percent currently. The improved domestic supplies have kept energy prices steady, which has further encouraged consumer spend. Though a return to pre-crisis growth rates are a long way off, the US has certainly revived itself.

Europe's sovereign debt crises have brought to the fore the inter-locked nature of the responsibilities and fortunes for members of a common currency union.

The European Central Bank after playing weak-kneed in the first half of the crises has spearheaded the survival of the Euro under its current president Mario Draghi. The consistency of Angela Merkel at the helm for Germany, Europe's strongest economy, has been a boon for dealing with the crises as change of leadership results in change in priorities and creates uncertainty (à la France). The ECB's timely LTRO programs eased the liquidity crises banks in the region faced, while its securities market programme/OMT reassured the markets of liquidity for troubled nation bonds. The pressure on policy makers to deliver resulted in creation of size-able permanent bailout fund and hence effectively removed huge amount of uncertainty for troubled nations as well as on the future of the Euro. The active participation of the IMF in dealing with the crises has bought stability to the negotiations otherwise fraught with nationalistic priorities. All troubled nations are put on a strict fiscal diet and forced to initiate much-needed reforms in the labour markets, increased privatization, pension and social security reforms.

Given the problems are deep rooted with sluggish capital investments, high unemployment and unsustainable debt levels, the turnaround is likely to be a protracted. However the steps taken by the policy makers and ECB have certainly put brakes on an otherwise downward spiral. We believe the focus on de-leveraging, robust liquidity for banks, decline in borrowing costs and aim for higher fiscal and monetary integration in the Euro-zone are key positives emerging from the Old Continent.

Thus the effective measures taken by the policy makers have certainly bought much-needed calm to the debt crises. We reiterate that journey to recovery would be protracted and would take a considerable amount of time to return to healthier fiscal metrics.

India

Government focus on reforms & populist policies

The UPA-II government is expected to carry forward the momentum built over last quarter of CY2012 into the next year. The passage of the insurance bill and land acquisition bill is likely to provide boost to the capital guzzling insurance industry while provide clarity to private sector investment plans. Although the features of current bill are too onerous on private projects, clarity of guiding policy would help state redraw appropriate state land bills to attract investments to respective states.

The government is expected to look at its policies especially in mining, oil & gas exploration sectors, which have slowed the investment process as well been a breeding ground for controversies. This has hurt India's image as investor friendly destination, resulting in cautious optimism on India by foreign companies. The government is expected to move progressively towards the revenue sharing model from the current profit sharing model. Thereby lower the need for time consuming process of approval /audit of budget/expenditure, eliminate incentive to producers to inflate costs and consequently delivering clean and clear mechanism.

The government is expected to put additional efforts to accommodate states point of view and take the GST towards a conclusion. The GST replaces the plethora of indirect taxes levied on goods and services and is estimated to add 200bps to GDP on account deeper economic integration between states through uniform tax rate, widen tax base, reduce prices and consequently boost consumption. Hence implementation of the GST is extremely crucial.

We expect the UPA government to revive the aviation sector by bringing Aviation Turbine Fuel under declared goods status. Considering cost of ATF in India is almost 1.6-2x than international benchmarks, and accounts for 40-45% of opex (vs.20-25% internationally), there is an urgent need to improve competitiveness of domestic aviation industry. The move would also aid in faster turnaround of the loss making carrier which has been bailed out by taxpayer money. The states seem to be against the move on the premise of airlines not passing the benefit and loss of revenues. We believe the intense competition would force airlines to reduce ticket prices and rise in passenger traffic would definitely compensate for loss of revenue initially. The contribution of civil aviation is merely 0.5% of India's GDP compared to 3.8% to UK GDP and 5.6% to US GDP. Hence the scope for boosting air connectivity is immense and provide huge boost to efficiency in the economy.

The UPA government is likely to unleash populist measures as the government prepares for general elections in CY2014. The UPA chairperson Sonia Gandhi's pet project Food Security Bill is expected to be the major game changer. The government is likely to expand the cash transfer scheme and possibly increase the number of subsidized cylinder to 9 vs. 6 per year currently. Although the fiscal room for largesse remains limited, we expect election fervor to supersede fiscal constraints.

Downward trend in interest rates

The Reserve bank of India has in CY2012 reduced interest rate merely once in April 2012 by 50bps on account of stubborn inflationary pressures. Inflation has begun to moderate off-late with core inflation declining ~120bps since Sep-2012 and hence giving the RBI leeway to shift to a more dovish policy. The central bank has kept market liquidity at comfortable levels, with series of CRR cuts and OMOs. Although we have been in favor of a cut in rates in late 2012 to complement the government's effort to revive growth, the RBI has reiterated its commitment to keep inflation expectations in check.

We expect the RBI to lower repo rate over the next 12 months by 100bps as food and non-food inflation is expected to moderate. **Normal monsoons would be key determinant of the trend in inflation and hence a key risk to our assumption.** We expect the government to keep any rise in diesel prices at minimum levels, as rising prices of daily necessities would be the swing factor for the electorate. Hence fuel product inflation is expected to be moderate although suppressed inflation could be an uncomfortable factor for the RBI.

The banking system which has been saddled with elevated costs of funds is expected to receive respite in FY14. We expect the banking system to pass through the lower rates to borrowers as bankers seek to push business growth. We expect banking sector profitability to rise as cost of funds decline, credit off-take in retail and MSME segment rises, while corporate sector is expect to revive with a lag, possibly in the 2HFY14.

Overall the downward trend in interest rates is expected to propel consumption in the economy, boost profitability for corporate Inc while simultaneously revive capital expenditure plans in the 2HFY14.

Revival of Private sector investments with a lag

The private sector which had been bogged down with sluggish sales, working capital problems, slow moving government machinery and fear psychosis of being dragged into scams due to sensational audit works, has witnessed a sharp turn-around in business confidence on account of the shift in pace of decision making by the government towards the fag end of the CY2012.

The private sector although continues to witness challenging business environment has risen to the hope of things turning better in the year 2013 courtesy improved policy environment and expected downtick in interest rates.

We expect private sector to look forward to the land acquisition bill and consequent favorable modifications offered by the state government given that land remains a state subject. The revival of capex plans is expected to lag as **demand environment remains sticky**. The translation of lower interest rates into demand would be seen over a period of time. Hence investment plans are likely to be revived at moderate pace.

Interest rates not the only decisive factor

The decline in interest rates would certainly be positive for the private sector, however it's only a part of the puzzle. The other major factors such as land acquisition, environmental clearances and financial closures remain a hurdle and have disoriented private players in the near term.

We remain skeptical of sharp improvement in investment activity as several key states namely Madhya Pradesh, Rajasthan, Karnataka amongst others go into elections. Hence populist rhetoric is the most likely scenario and a deviation from the tough features of the central government's Land Acquisition bill seems difficult.

Environmental clearance remains hard to achieve, resulting in severe delays and sharp cost overruns. As per finance ministry estimates, infrastructure projects worth 1.46lk crore have been delayed on account of regulatory clearances and land-acquisition troubles. Despite the critical power deficit situation, power plants are unable to boost PLF due to shortage of coal supplies. As per estimates, nearly 70mn tones of Coal India's output is stuck due to lack of environmental clearances. Thus clear guidelines and time-bound decision making at the MoEF is the need of the hour for infrastructure sector.

Financial Closures is another major issue private sector is facing. Banks remain wary of fresh projects especially in the infrastructure space. The sharp rise in NPAs and perennial ALM concerns has resulted in banks slowing down project approvals. As per peer estimates, 80% of road projects awarded in FY12 have been unable to achieve financial closures. Hence it's absolutely necessary for the government to deepen corporate bond markets so that long term financing is available for infrastructure projects and reduce dependency on the banking sector.

Thus unless all pieces of the puzzle do not fall into place, sharp uptick in investment activity seems difficult.

Resilience in Consumer Demand

Consumer demand is expected to remain steady as the economic environment improves in the year ahead. As inflation and interest rates are expected to come off, we expect consumer demand to revive. Elections in several states are expected to act as a catalyst in the consumer durable segment.

Salary increments in 2013 are expected to average around 11.2 percent compared to 12 percent in 2012 as per estimates of Hay Group, global management consultancy firm. We remain fairly confident of rural demand continuing to outperform urban consumers as higher farm prices and further penetration of MGNREGA keep rural income healthy.

We expect the volume growth in FMCG segment to revive as the economy gains momentum during the year. The standardization norm which kicked in late 2012 has excluded small packs from the requirement of standard weights. This has come as relief to the FMCG companies given the potential of the segment and its sizeable contribution to overall sales.

However key risks to our assumption would be poor monsoons, consequent fall in rural incomes. Rural demand has been source of strength for FMCG cos, as urban demand faltered in 2012. We expect urban demand to improve marginally, and hence rural demand would be the key factor to watch for in 2013.

We expect interest rates in the economy to move lower by at-least 100bps over the year hence expect interest rate sensitive demand to revive. The pent up demand and reduced financing costs are expected to boost auto and consumer durables sales. However the rise in fuel costs could continue to be detrimental to the auto sector growth.

Overall we remain fairly confident of resilience in private consumption as pent-up demand of urban consumers' plays out, robust rural income levels, as well as the largesse expected as several states go into elections in 2013. Hence place our bets on domestic consumption performing well.

2012 Outlook - Performance Review

Expectations	Hits	Misses	Comments
Higher pace in govt. decision	↑		51%FDI in MBR, 49% FDI in aviation, Rise in diesel prices, Capping LPG cylinder to 6/yr, Key bills passed: Banking laws(amendment), Companies Bill
RBI to initiate rate cut in Q1FY13	↑		50bps repo cut in April '12 but expected further 25bps thereafter.
Pick up in credit growth		↓	Brief pick up in Q1FY13 to 18%YoY but has moderated to 16% thereafter
Alleviation in inflation pressures	↔	↔	Avg. inflation in CY2012 declined to 7.58% vs. 9.48% in CY2011, but beyond comfort
7% GDP growth in FY12 hard to achieve	↑		FY12 GDP grew 6.5% vs. 8.4% FY11

RESEARCH BY: HEDLEY ALBUQUERQUE

Fundamental View:

Sector Outlook:

Banking

The Indian banking sector has witnessed rough weather as over 2012, with sharp moderation in the economy, weak credit growth while NPAs for PSBs hit the roof. The public sector banks profitability got severely hampered as banks provided more while core operations deteriorated sharply. The weak credit growth and elevated cost of funds hurt the sector profitability.

What we said:

“We believe the stocks in the sector have been beaten down to extremely attractive valuation, providing attractive dividend yield and healthy upside potential. We continue prefer private sector banks on account of superior asset quality, strong core business powered by high low cost deposit base as well as better-quality borrower profile, strong branch network and sustained deliverance of high return ratios. The strong commitment of the government to boost capital adequacy of PSBs, is a huge positive. We believe there is strong potential emerging in the midcap PSU bank space however the risks on asset quality are equally higher.”

Status Report: HIT ↑

Outlook 2013:

We expect the private sector banking space to continue to outperform both on the profitability and asset quality. **We believe PSB banks focus on boosting retail and MSME advances on the asset side and to reduce bulk deposits on the liability side are a structural positives**, as it improves granularity in the balance sheet, increases profitability through higher spreads while reduces risk of chunky slippages from few accounts. On asset quality side, we reiterate slippages are likely to continue as headwinds for industry borrowers remain, but the pace is likely to decelerate. Large-scale restructuring of discoms is mostly behind us however fragile coal supplies could result in fresh problems newly commissioned private sector power plants. We expect the advent of lower interest rates, pick up in credit growth, improved economic environment and strong focus on recoveries from NPAs is expected to boost health of the banking sector.

Top Picks: ICICI Bank (TP: Rs.1402), Yes Bank (TP: Rs.573), Karur Vysya Bank (TP: Rs.686)

Auto

The Auto sector in the year 2012 had all factors going against the sector, with sharp deceleration in consumer sentiment, elevated interest rates, high fuel prices, resulting in sharp decline in sales volumes. Net sales in 9MCY2012 grew 11% compared to 17% growth in corresponding period last year. Despite the costs as percentage of net sales remained in-line with trend, the sharp moderation in revenues eroded core EBITDA margins by 93bps to 10.03%. Thus weakness continued to prevail across the board except for pockets such as LCVs where the slowdown was less pronounced.

Domestic sales volumes during April-November 2012 grew 4.80% versus 13.08% in corresponding period last year. The launch of several new models as well as attractive discounts during the festive period failed to prop overall numbers. The sensitivity of consumers to high fuel and interest rates came to the fore in 2012. The preference for diesel vehicle over petrol versions continues to prevail and expected to increase, as auto gas prices are almost at par with diesel.

What we said:

"We believe there continues to remain strong consumer demand however it remains extremely sensitive to interest rates hence demand is likely to remain sticky at least for the first half calendar year 2012. The combination of rising fuel costs and rising interest rates have managed to dent consumer confidence levels significantly."

Higher competition in the PV segment could result in competitive pricing pressures. Two wheeler sales have begun to show signs of weakness off late however a faster revival is expected in the segment. Commercial vehicles sales are expected to continue to be driven by the LCV while softening of freight rates could hurt M&H vehicle sales. Hence Auto sector is most likely to move in to top gear towards the end Q1FY13, till then consolidation is likely to continue."

Status Report: Missed ↓

Outlook 2013:

Our expectation of recovery in the second half of the calendar year 2012 did-not pan out as expected as sharp deterioration in business climate, elevated interest rates and fuel costs forced consumers to delay their purchases.

We expect the recovery in business sentiment and the expected decline in interest rates to revive discretionary spend in 2013. The pent up urban demand and higher rural incomes are expected to revive sales for the auto sector. The commercial vehicle space is expected to witness higher off-take as economic growth is likely pick up. We remain positive on **M&M (TP: Rs.1080)** for their robust SUV portfolio, consider it amongst best play on rural income and on account of reasonable valuations.

Top Pick: M&M (TP: Rs.1080)

Information Technology

The IT sector has witnessed intense headwind as clients continue to maintain extremely tight budgets and remain conservative on discretionary spend. Industry body Nasscom has scaled down FY13 US Dollar revenue guidance from 11-14% to at-least 11%. We expect the recovery in macro data in the US and easing of crises in Europe to boost client confidence and implement planned budgets. Pricing remains the key monitorable as clients continue to focus on extracting more from less. As expected, Indian IT cos chose the inorganic route to boost revenues. The Rupee depreciation came as a respite to IT companies facing margin pressures.

Company	Target	From	Announced
Mphasis	Digital Risk	United States	December
Infosys	Lodestone	Switzerland	September
Tech Mahindra	Hutchison Global Services BPO	Hong Kong	September
Wipro	Promax	Australia	April

What we said:

"The only silver lining has been the sharp depreciation of the dollar against the rupee which would improve profitability in INR terms.

The large cash pools available with companies could potentially result in higher acquisitions especially in the European region which possibly are available at attractive valuations.

***We remain in favor of large-caps** on account of their superior ability to absorb near term weakening demand and to scale up revenue growth through the inorganic route. The wide portfolio of services offered is expected to work in their favor as clients are expected to prefer integrated technology partners at good bargains."*

Status Report: HIT ↑

Outlook 2013:

We expect the IT sector to witness pick up in revenue growth as macro data continues to reflect the recovery in the US while some sort of stability emerging in the Europe expected to soothe client nerves. Though discretionary spend is likely to remain on the back burner, margins are likely to sustain on account of rupee depreciation. We expect further M&A activity in the IT space as IT cos seek to boost revenues and service portfolios. We remain **Neutral on the sector with a positive bias** and expect the improved macro data to translate to higher revenue growth with a lag.

FMCG & Consumer Durables

The economic slowdown did manage to weigh on consumer sentiment after sustaining strong traction in the early part of the calendar year. FMCG cos, who enjoyed higher volume growth despite passing on the rise in raw material costs to consumers, have begun to experience the slowdown in consumer sentiment towards the mid year. Consumer durables have also recorded moderation in sales despite offering attractive discounts. HUL recorded volume growth of 7% in July Sep quarter vs. 9-10% growth seen in previous 4 quarters, while Marico's volumes dipped to 6% vs. 13-14%. Consumers have begun to delay their discretionary spends and hence slowing revenue growth. The decline in raw material cost has given companies leeway to boost advertising and promotion spends while sustaining margins. The government keeping out small entry level price points out of the standardized packaging regime has come as a relief to the FMCG sector. Overall, we see the moderation in discretionary spend to be a near term concern and hence expect volume growth to revive in first half of 2013.

What we said:

"We believe the Indian consumer demand could witness mild degree of moderation as general economic activity slows down.

Though we continue to remain positive on the business prospects of the sector driven by factors such as healthy demand traction, strong product reach, sustained margins and falling raw material costs, we believe valuations seem to be too stretched. Hence maintain Neutral on the sector."

Status Report: HIT ↑

Outlook 2013:

The FMCG sector has witnessed moderation in discretionary purchases however we expect this to be near term issue and remain positive on the sector. The softening of raw material prices and small increment in prices are expected to keep margins steady. However A&P expenses are likely to rise as companies attempt to revive sentiment in-order to revitalize sales. Although the volume growth could moderate in near term from highs seen last year, the favorable demographics and rising aspirations in the rural sector are expected to keep underlying momentum intact. The year having elections due in several states, catalysts in form higher MSP and farm loan waivers cannot be ruled out. Hence drivers of business remain in place, despite near term weakness. Valuations for the sector heavyweights continues to be rich, however we see value in Tata Global Beverages (TP: Rs.227) and Godrej Consumer Products (TP: Rs.855).

Top Picks: Tata Global Beverages (TP: Rs.227) and Godrej Consumer Products (TP: Rs.855).

Infrastructure

India's Infrastructure sector remains an under-achiever as several hurdles in the form of land acquisition, environmental clearances, long term funding and slow moving government machinery. However the government has shown a lot more intent in the last quarter of CY2012 and has now created a Cabinet Committee on Investments to fast track projects over Rs.1000cr. Although the CC-Investment is similar to erstwhile CC-Infrastructure in terms of objectives and powers, the renewed spirit of the government provides some hope. The expected decline in interest rates over the year is a positive for the sector, however only a piece of the execution puzzle. We reiterate unless the favorable land acquisition policy, timely environment clearances, deeper corporate bond markets and measures to ensure flow of funds from insurance, pension to the infrastructure sector, investment activity is likely to remain slack.

What we said:

"The poor implementation of government projects, difficulties in obtaining financial closures for private projects and sluggish pace of investment friendly policies, has severely dented confidence levels of India Inc.

Thus combination of high interest rates and poor government policy has completely undermined the potential of the sector. We believe though the sector remains the best placed to play the famed India growth story; the sector seems to be presently enveloped by extremely tough environment. However the easing of rates in the second half and stronger political will to expedite implementation of projects would lift the spirit for the sector. We remain in favour of companies with strong order book to bill and strong execution track record."

Status Report: HIT ↑

Outlook 2013:

We expect the business environment for infrastructure companies to remain challenging despite expected downtick in interest rates over 2013. Stubborn inflationary pressures resulted in central bank keeping interest rates elevated and hence our expectation of dip in rates in second half did not play out. We see the creation of CC-Investment as positive however execution will be the key. The land acquisition bill is tough on industry and given elections due in several key states any deviations favoring industry by the state government seems difficult. Difficulty in environmental clearances and obtaining financial closures has hampered several projects resulting in severe cost over-runs. Hence time bound environmental decisions and measures to improve flow of funds to sector remains need of hour for the sector. We remain bullish on IRB Infra **(TP: Rs.202)** on account of the strong order book and execution strength.

Top Pick: IRB Infra (TP: Rs.202)

2012 Performance record:

Scrip	Action	CMP	Target	Achieved on	Status	Target from High post Reco	Absolute Return at Tgt / High
ICICI Bank	Buy	725	917	17 Jan 2012	Hit		27%
Yes Bank	Buy	251	300	23 Jan 2012	Hit		20%
BoB	Buy	678	932	-	Missed	-5.5%	30%
Infosys	Buy	2762	3200	-	Missed	-6.4%	8.3%
IRB Infra	Buy	140	218	-	Missed	-3.4%	50%
L&T	Buy	1029	1430	14 Sep 2012	Hit		39%

*High post call: BoB: Rs.881 / Infosys: Rs.2994 / IRB Infra: Rs.210

2013 Recommendations

Scrip	CMP (as on 4 Jan 2013)	Target	Upside	Valuation
ICICI Bank	1182	1402	19%	SOTP. Assigned multiple of 2.5x FY14e ABV to core bank
Yes Bank	489	573	17%	Expect to trade at 2.9x FY14 ABV
Karur Vysya Bank	552	686	24%	Target Multiple of 2x FY14 ABV
M&M	940	1080	15%	Target multiple of 18x FY14e EPS
Tata Global Bev.	164	227	38%	Target multiple 28x FY14e EPS
Godrej Consumer Products Ltd	725	855	18%	Target multiple of 31x FY14e EPS
IRB Infrastructure Developers	132	202	53%	Target multiple of 28x FY14e EPS

RESEARCH BY: HEDLEY ALBUQUERQUE

NIFTY VIEW

NIFTY: 6016.15

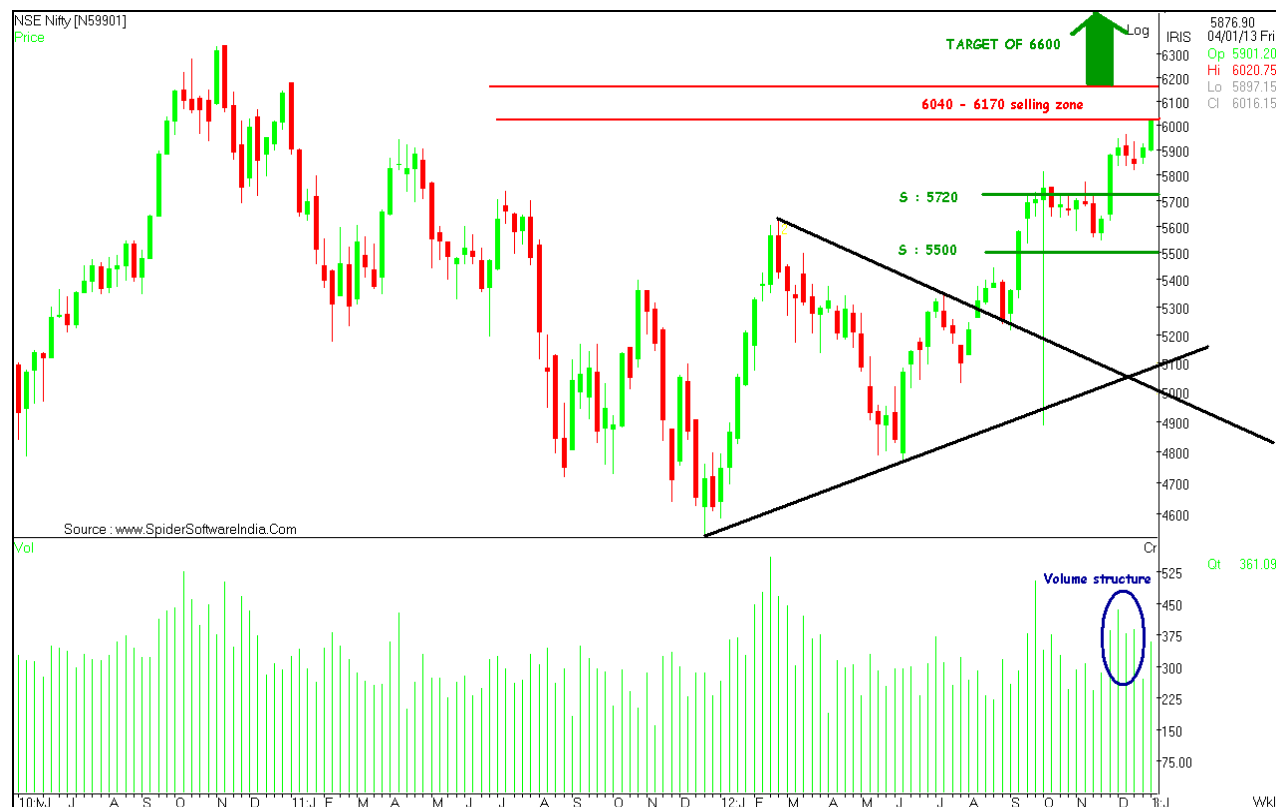
Technically, Nifty is near selling zone of 6040 – 6170. We have seen sustainable rally after Nifty crossed recent high of 5965.15. All major momentum indicators show selling pressure ahead. RSI, Stochastic & MACD have made crossovers but not supportive to each other.

EMA shows support levels at 5500, 5720 & 5800. Market has found opportunities to buy when Nifty retraced to these levels. As market moves ahead one would see volatility but EMA support levels would definitely show long term buying.

Herein, volumes structure remains very interesting. Volume was higher than average on the break out level of 5760. Surprisingly, we see similar level of selling volume in the same range. All the selling is absorbed and Nifty manages to hit 6000 level. We see some more selling ahead in our prescribed level and we see Nifty not moving beyond 6200 for few more weeks.

Overall, market is bullish as indicated by our symmetrical triangle; range of 6040 – 6170 is the next level of selling zone. We expect market to absorb this selling & move ahead to a new high on index.

CMP NIFTY	SHORT TERM VIEW	MEDIUM TERM VIEW	LONG TERM VIEW
6016.15	6040 – 6170	6600	7100



RESEARCH BY: AVDHUT BAGKAR

BLUE CHIP

WIPRO

CMP: 403.65

CALL: Buy on a dip to the levels of 390 – 395 with a stop loss of 370 for a target of 430 & 447.

Weekly chart has a formation of double bottom, a perfect breakout with optimum target. Neckline is at 391 – 393 level.

All major momentum indicators have made positive crossover in weekly before breakout. EMA have been supportive and are about to make crossover.

Scrip in daily chart has GAP-DOWN opening earlier at 422.50 which is likely to get filled with this double bottom breakout. Daily chart shows buying in the range of 360 – 375 level.

“Monthly chart also shows similar sort of double formation with breakout”



RESEARCH BY: AVDHUT BAGKAR

DLF

CMP: 237.75

CALL: Buy once DLF manages to close above 248.50 with a stop loss of 233.80 for a target of 285 & 320.

A beautiful chart to study is of DLF. In the weekly chart one could see formation of double bottom from week of July 2011 till Feb 2012. We see a break out above 240 level, however scrip could not move up & hit new bottom. Scrip is seen getting consolidated in the range of 185 – 230, this time if scrip manages to cross & close on weekly basis above 248.50 then we would see a bigger breakout towards level of 320 – 340.

“The formation would look like triple bottom”

EMA & technical indicators have been very supportive to the scrip above 230 levels. We need to observe the volume pattern. Most of the times during breakout volumes have remain pretty sluggish resulting in weak trend.

“Monthly chart also shows similar sort of double formation with breakout”



RESEARCH BY: AVDHUT BAGKAR

PNB

CMP: 908.10

CALL: Buy on a dip to the levels of 865 – 870 with a stop loss of 814 for a target of 980 & 1010.

Weekly chart of PNB is a perfect example of “Inverse Head & Shoulder”. Interestingly, in this chart we have Gap up with very strong volume. Neckline is around 843, left shoulder bottom is at 682 & right shoulder at 734.

All momentum indicators have been supportive to the upside. EMA have made crossover providing support at every upside.



RESEARCH BY: AVDHUT BAGKAR



Banhem Securities Private Limited

Wealth Management Division

Portfolio Management Service

Banhem Securities is pleased to announce the completion of one year of its Portfolio Management Service. Armed with highly disciplined investment strategy, vast experience of over 3 decades of global portfolio management and dedicated team, our humble beginning was in October 2011.

Since then, in just one year, we have proven our prudent and cautious approach to portfolio management, which has not only generated positive returns but also beaten the benchmark with superior performance.

Performance as of 15 October, 2012:

Period	Portfolio%	Nifty%
1 Month	(0.25)	(0.27)
3 Months	2.28	(0.38)
FY YTD	9.66	7.39
Since Inception	13.77	10.81

(14 October, 2011)

Portfolio statistical details vis-à-vis Benchmark for the period 14/10/11 to 15/10/12:

Benchmark Comparison	Portfolio	Nifty
Absolute return	13.77	10.81
Standard deviation	2.00	6.00
Volatility	1.53	2.36
Alpha	2.00	0.00

While we will be putting the snapshot on our corporate Website soon, our PMS is posted on the Citrus Interactive. The following link can be viewed on your browser <http://www.citrusinteractive.in/PMS/PMS.aspx>

For PMS queries, please contact:

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(Prepared on 7th January, 2013)

RATINGS

Buy	Accumulate	Neutral	Reduce	Sell
> 15%	+5>15%	+5%/-5%	-5%<-15%	>-15%

OVERVIEW BY

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Markets test Patience and reward Conviction

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Our qualified analysts advise our clients on equities – when to buy, sell and how long to hold.

We cover variety of subjects, themes, sectors, industries and companies. We issue tactical (short term) and strategic (long term) recommendations to suit all kinds of clientele.

2. Corporate Finance

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Please contact:

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