Union Budget - The Markets' hopes lie shattered

In a week marked by high volatility, the Indian markets witnessed one of the steepest falls in the past several months, with the benchmark Sensex ending down 9.4% and the Nifty ending lower by 9.5%. The Mid and Small caps fared no better, with both the BSE Mid- and Small-Cap indices falling 9% and 10.1%, respectively. The primary reason for the steep correction was expectations, which were running high ahead of the Union Budget, and with the budget not satisfying any major expectations, participants were left high and dry. The Inflation rate for the week ended June 27, 2009 fell by 1.55% (-1.3%). Notably, this was once again led by the high base effect of over 12% in the year-ago period. Meanwhile, the Index of Industrial Production (IIP) for May came in at 2.7%, much lower than the 4.4% for the same month last year. Nonetheless, the same was better than street estimates.

Key benchmark indices tumbled on Monday following disappointment over economic reforms in the Union Budget 2009-10; the volatility in the market was immense. At the outset, markets surged ahead of the Union Budget. However, a sell-off gripped the market later as investors were disappointed that the Union Budget did not contain any major reforms, such as a roadmap to increase the FDI in Insurance and a de-control of fuel prices. Another source of disappointment was the lack of a clear roadmap on divestment. A surge in the fiscal deficit target of 6.8% added to the market's woes. Nonetheless, the markets snapped Monday's substantial losses on Tuesday, with both the Sensex and the Nifty rising by 0.9% each.

However, the indices slumped again in late trade on Wednesday, after S&P said that there is a risk that its sovereign credit ratings on India may be lowered. Amidst high volatility on Thursday, the indices ended the day on a flat note. Despite a decent performance by Infosys, a sell-off in Reliance Industries triggered a sharp fall on the bourses in the last hour of trade on Friday. However, IT stocks held firm after bellwether Infosys Technologies raised the lower end of its annual forecast, in Dollar terms. Most sectoral indices ended lower this week, barring the BSE FMCG index, which gained 4.2%. Among the losers, the BSE Realty index was the maximum loser (17.2% down), followed by the BSE Bankex and CG indices, which were down 13.5% and 13.2%, respectively.

BSE Realty Index - 'Reality' Blues

For the week ended July 10, 2009 the BSE Realty Index registered significant losses of 17.2%, as against the Sensex, which lost 9.4%. DLF lost 17.3% whereas Unitech and IBREL closed the week by registering losses of 19.3% and 16.1%, respectively. We believe that this was mainly on account of the over-expectations of the street from the Union Budget for the sector. The disappointments were on account of no positive triggers, like reduced interest rates for home loans with lower ticket sizes, special stimulus packages for investments in affordable housing schemes or an increase in the amount allowed as deduction on a housing loan. Moreover, the sector was also negatively hit by the increase in STPI by one year, as this would delay a shift to SEZs. There was also QIP paper hitting the market, which increased the supply. We believe that the sector is plagued with a poor business situation and would continue to reel under pressure. Hence, **we maintain our Neutral view on the Sector.**

Note: Stock Prices are as on Report release date; Refer all Detailed Reports on Angel website

FII activity during the Week *Rs crore*

As on	Cash (Equity)	Stock Futures	Index Futures	Net Activity
Jul 03	568	263	559	1,390
Jul 06	(351)	(172)	(983)	(1,506)
Jul 07	2,799	341	207	3,347
Jul 08	776	274	(250)	799
Jul 09	(292)	347	62	118
Net	**3,500**	**1,053**	**(405)**	**4,147**

Mutual Fund activity during the Week *Rs crore*

As on	Purchase	Sales	Net Activity (Equity)
Jul 03	786	481	305
Jul 06	950	1,537	(587)
Jul 07	1,078	881	197
Jul 08	873	1,148	(275)
Jul 09	747	490	257
Net	**4,434**	**4,536**	**(102)**

Indices	Jan 01, 09	July 03, 09	July 10, 09	Weekly (% chg)	YTD (% chg)
BSE 30	9,647	14,913	13,504	(9.4)	40.0
NSE	2,959	4,424	4,004	(9.5)	35.3
Nasdaq	1,577	1,797	1,756	(2.3)	11.3
DOW	8,776	8,281	8,147	(1.6)	(7.2)
Nikkei	8,860	9,816	9,287	(5.4)	4.8
HangSeng	14,388	18,203	17,708	(2.7)	23.1
Straits Times	1,762	2,300	2,308	0.4	31.0
Shanghai Composite	1,821	3,088	3,114	0.8	71.0
KLSE Composite	877	1,073	1,068	(0.5)	21.8
Jakarta Composite	1,355	2,075	2,063	(0.6)	52.2
KOSPI Composite	1,125	1,420	1,429	0.6	27.0
Sectoral Indices					
BANKEX	5,455	8,460	7,320	(13.5)	34.2
BSE AUTO	2,445	4,613	4,567	(1.0)	86.8
BSE IT	2,228	3,327	3,196	(3.9)	43.5
BSE PSU	5,280	8,227	7,390	(10.2)	40.0

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An opportunity missed...

Budget at a glance

This is what some would call the Union Budget 2009-10. An opportunity missed by the Finance Minister (FM), Mr. Pranab Mukherjee, or let's call it the Government, to make a mark in the first Budget after getting re-elected to the Centre in the Lok Sabha elections. Expectations were running high ahead of the event, which by the end of it were left all dry. The markets reacted in an expected manner (Sensex slipped by almost 870 points or 5.8%), though it can also be called as an over-reaction.

We believe that the market has created an 'event' out of 'news' rather than the 'news' creating an 'event'. We remain confident that over the next few days, as dust settles on the Budget Act, markets would go back to tracking India fundamentals. However, having said this, we too believe that the government has missed an opportunity (this time around) to provide the necessary platform for India to move onto the path to the next growth trajectory, and has in fact shifted the onus (and people's expectations) onto its interim announcements or the next Budget.

Nonetheless, despite all the disappointment that the Budget has created on account of the things that it could have had done, we believe that there are still some positives to take away home, and writing off the Budget completely would be naïve. In fact, here, an extract from the Finance Minister's Budget speech best suits the situation, "*While we are determined to convert our words into deeds, Members would appreciate that a single Budget Speech cannot solve all our problems, nor is the Union Budget the only instrument to do so.*"

Key Budget Takeaways

Fiscal Deficit: After a brief overview of the economy, the FM defended the high Fiscal Deficit position of the country, which increased from 2.7% of GDP in FY2008 to 6.2% of GDP in FY2009. Notably, the difference between the two constituted the total fiscal stimulus at 3.5% of GDP or Rs1,86,000cr, which helped the Indian economy find stability in the backdrop of a highly weakening external environment.

On the fiscal deficit front, the Finance Minster did not lay much emphasis apart from acknowledging the fact that it is important to 'return to the FRBM target for fiscal deficit at the earliest'. The fiscal deficit is expected to be at 6.8% in FY2010. Combined with the state deficit, it is likely to be over 10%. We would like to re-iterate here that we believe fiscal deficits of 10%+ to be incurred by the Government in FY2010E is a setback, albeit temporary, in the fiscal consolidation of the past few years. But in the context of the GDP slowdown facing the economy, this is not a large amount at all. Fiscal stimulus is a standard macro-economic prescription to tackle strong slowdown pressures that result (or threaten to result) in a sharp fall in private demand.

Disinvestment: This was a clear disappointment as the government could have opted for raising funds through this route, especially considering the appetite for Indian paper in wake of the return of the global risk appetite. Market expectation was of a disinvestment target of about Rs20,000cr, which would have helped in alleviating the pressure on government finances. The government remained silent on the issue despite acknowledging in the Budget that people's participation should be encouraged in disinvestment programmes and stating that Banks and Insurance companies will remain in the public sector.

Total Expenditure: Notably, the economy still needs public spending to prop up the economy over the next 6-12 months and maintain 7-8% growth rate - to its credit, the budget fulfils this need, by stepping up the total expenditure by Rs1.2lakh cr over last year. At this juncture, increase in not just planned expenditure (up 34% yoy), but even unplanned expenditure (up 37% yoy) will have a salutary impact on domestic demand.

Consumer Spending: The Budget ensured that the 'aam aadmi' was not overlooked. Focus on agriculture, rebate for farmers paying loan on time, Rs3lakh loan for farmers at 7% per annum, 144% higher outlay towards National Rural Employment Guarantee Scheme (NREGA), food security, etc. are all measures aimed at the Rural India. For the urban consumers, the Budget reduced the 10% surcharge on Personal Income Tax, abolished the FBT, increased the tax exemption limit by Rs10,000 (women and others) and Rs15,000 (senior citizen). The above measures would increase the disposable income in the hands of the consumers, which in turn would encourage greater spending i.e. need-of-the-hour, if the economy is to revive back to the 8-9% growth trajectory.

Markets reaction: We believe that the market's response to the Budget was more in the nature of a knee-jerk reaction as it adjusted to the ground realities. However, we believe that the government will continue its efforts outside the Budget as indicated in the FM's speech. Thus, keeping this in mind and considering that the stimulus packages and low interest rates will help unleash the huge latent domestic demand in India going forward, we remain positive on the Indian stockmarkets.

Continued...

An opportunity missed…

As far as the Sensex valuations at 14,000 levels are concerned, it trades at 14x our FY2011E EPS and 2.0x FY2011E BV. Considering the historic averages of these two valuation parameters, **we arrive at a Fair Value for the Sensex of 17,500 on FY2011E basis (including 500 points for embedded value in Sensex companies) over the next 12 months. This translates into a 25% return from current levels for the Sensex.**

Key Budget Announcements for FY2009-10

Infrastructure Development

- India Infrastructure Finance Company Ltd. (IIFCL) to be given greater flexibility to provide long term financial assistance to infrastructure projects
- The IIFCL and Banks are now in a position to support projects involving a total investment of Rs1,00,000cr in Infrastructure
- Allocation to NHAI for NHDP increased by 23% yoy
- Allocation for Railways increased by 46% yoy to Rs15,800cr
- Allocation for JNNURM increased by 87% yoy to Rs12,887cr
- Allocation to APDRP up by 160% yoy to Rs2,080cr
- Developing a blueprint for setting up a National Gas Grid in wake of the recent gas finds in the KG Basin on the Eastern offshore of the country

Agriculture

- Target for Agriculture credit flow upped by 13% yoy to Rs3,25,000cr
- Continuation of the interest subvention scheme for short-term farm loans up to Rs3lakhs at 7% p.a.
- 1% additional interest subvention to farmers as incentive for early repayment of short-term crop loans
- Agricultural Debt Waiver and Debt Relief Scheme (2008) extended by 6 months to December 2009 in view of the late arrival of monsoons

Exports

- In view of the continued weakness in the external sector, benefits of the Export Credit and Guarantee Corporation (ECGC) scheme extended up to March 2010
- With a view to insulating the employment-oriented sectors from the global meltdown, Government extended the interest subvention of 2% on pre-shipment credit for seven sectors. These sectors are textiles including handlooms, handicrafts, carpets, leather, gems and jewellery, marine products and small and medium exporters
- Creation of special fund of Rs4,000cr under SIDBI to facilitate flow of credit at reasonable rates to Micro, Small and Medium Enterprises

Inclusive Development

- Allocation of Rs39,100cr, up 144% yoy, to National Rural Employment Guarantee Scheme (NREGA)
- Under the National Food Security Act, every family living below the poverty line will be entitled to 25kgs of rice or wheat at Rs3/kg
- Allocation for Bharat Nirman increased by 45% yoy to Rs19,000cr
- Plan outlay of Ministry of Minority Affairs increased by 74% yoy to Rs1,740cr
- Allocation to National Rural Health Mission increased by another Rs2,057cr over and above Rs12,070cr provided in Interim Budget

Budget Estimates

- Total expenditure of Rs10.2lakh crore consisting of Rs6.95lakh cr towards Non-Plan and Rs3.25lakh cr towards Plan expenditure. The increase in Non-Plan expenditure is 37% yoy whereas the increase in Plan expenditure is 34% yoy
- Against the backdrop of limited fiscal space because of reduction in CENVAT and Service Tax rates, Government enhanced the Gross Budgetary Support (GBS) by Rs40,000cr over the Interim Budget. Bulk of this enhanced GBS is directed towards public investment in infrastructure with special emphasis on rural infrastructure, raising growth potential and leading to income generation
- State Governments permitted to borrow additional 0.5% of their GSDP by relaxing the fiscal deficit target under FRBM from 3.5% to 4% of their GSDP
- Gross tax receipts budgeted at Rs6.4lakh cr in FY2010 compared to Rs6.9lakh cr in FY2009, down 7% yoy; non-tax revenues likely to be better at Rs1.4lakh cr against Rs95,785cr in FY2009
- Revenue Deficit at 4.8% in FY2010 v/s 4.6% in FY2009 (provisional)
- Fiscal Deficit at 6.8% in FY2010 v/s 6.2% in FY2009 (provisional)

Continued...

An opportunity missed…

Direct Taxation

- Centre's Tax-GDP ratio at 11.5% in FY2009
- Direct Tax Codes to be introduced within the next 45 days
- GST implementation on schedule by April 1, 2010
- Personal Income Tax exemption limit increased by Rs15,000 for senior citizens
- Personal Income Tax exemption limit increased by Rs10,000 for women and other individual tax payers
- 10% surcharge on Personal Income Tax abolished
- In order to tide over the slowdown in exports, tax holiday available in respect of export profits under Sec 10A and 10B of the Income Tax Act has been extended by 1 year, now to end in FY2011
- Abolition of the Fringe Benefit Tax (FBT)
- Increase in MAT rate to 15% of book profits from 10%; extension of tax credit carry forward from 7 to 10 years
- Abolition of the Commodities Transaction Tax (CTT)
- Extension of the tax holiday under section 80-IB(9) of the Income Tax Act, which was hitherto available in respect of profits arising from the commercial production or refining of mineral oil, also to natural gas. This tax benefit also made available to undertakings in respect of profits derived from the commercial production of mineral oil and natural gas from oil and gas blocks which are awarded under the New Exploration Licensing Policy-VIII round of bidding
- Direct Tax proposals are revenue neutral

Indirect Taxation

- No change in overall rate structure for Customs and Central Excise Duties and Service Tax barring where there is a compelling reason to do so
- Customs Duty of 5% imposed on Set Top Boxes
- Reduced Customs Duty on LCD panels from 10% to 5%
- Reduced Customs Duty from 7.5% to 5% on permanent magnets - a critical component for Wind Operated Electricity Generators
- Packaged Software exempted from Excise Duty and CVD
- Branded Jewellery exempted from Excise Duty
- Indirect Tax proposals estimated to yield a net gain of Rs2,000cr

Sectoral Impact

Agriculture

Positive

Announcement	Impact
❖ Increase in fund allocation to Irrigation projects by 75% to Rs1,000cr.	❖ Increase in allocation to the Irrigation Sector is a positive for companies like Jain Irrigation that provide micro-irrigation system solutions to farmers.

Automobile

Positive

Announcement	Impact
❖ Allocation to National Highways Authority of India (NHAI) for the National Highway Development Programme (NHDP) increased by 23% yoy. Allocation under Jawaharlal Nehru National Urban Renewal Mission (JNNURM) stepped up by 87% to Rs12,887cr. Allocation under (National Rural Employment Guarantee Scheme) NREGS increased by 144% to Rs39,100cr.	❖ Broadly positive for the long-term growth of the Sector. Increase in allocation under NREGS is positive for Auto companies with rural presence like M&M and Hero Honda. Hike in NHAI and JNNURM allocation would be a long-term positive for Commercial Vehicle players like Tata Motors, Ashok Leyland, Eicher Motors and Force Motors.
❖ Extended the scope of the provision of weighted deduction of 150% on expenditure incurred on in-house R&D	❖ Positive for overall Sector.
❖ Specific component of Excise Duty applicable to large cars/utility vehicles of engine capacity 2,000cc and above to be reduced from Rs20,000 per vehicle to Rs15,000 per vehicle.	❖ Positive for the companies selling large cars and UVs, specifically Mahindra and Mahindra and Tata Motors.

Continued...

Sectoral Impact

Banking

Neutral

Announcement	Impact
❖ PSU Banks and Insurance companies not to be considered for disinvestment / privatisation. Capital infusions to be provided as needed.	❖ This does not come as any surprise as the government has always been emphasising this intention. Capital infusions positive for the concerned PSU Banks.
❖ Various interest subventions, including for exporters, farmers and students; extension of time limit to repay 75% loan under Agriculture debt waiver scheme announced last year by 6 months.	❖ Largely Neutral impact on the Sector
❖ FBT abolished, MAT rate increased to 15%.	❖ FBT abolishment minor positive. Indian Bank was the only company under coverage paying MAT, but now recognises deferred tax expense for carry forward losses, hence no impact on PAT.
❖ Increase in Fiscal Deficit estimates to 6.8% (about 11% combined for State and Central governments).	❖ Bond markets would view this bearishly. Could act as an overhang on the Banking stocks in the near term. However, in our view, interest rates are likely to remain low over the next 6-12 months on account of the strong domestic savings and RBI's liquidity support.

Capital Goods

Positive

Announcement	Impact
❖ Infra investment to exceed 9% of GDP by 2014, greater flexibility and thrust to IIFCL, remove bottlenecks for speedy implementation of infrastructure projects.	❖ The government's relentless focus and increased allocation to infrastructure development in the country should be positive for the entire Capital Goods Sector in the long run.
❖ Allocation for Accelerated Power Development and Reform Programme (APDRP) was up by 160% to Rs2,080cr. Besides, allocation for Rajiv Gandhi Grameen Viduytikaran Yojana (RGGVY) was up by 27% to Rs7,000cr.	❖ The government's continuous thrust to strengthen the country's T&D infrastructure should be a positive for T&D equipment companies albeit to varying extent.
❖ Basic Customs Duty on permanent magnets - a critical component for wind operated electricity generators - reduced from 7.5% to 5%.	❖ This reduction in Customs Duty would be slightly negative for Suzlon Energy.

Continued...

Sectoral Impact

Cement — Positive

Announcement	Impact
❖ Increase in allocation on infrastructure by the government. The government is targeting infrastructure spending at 9% of GDP by 2014. Government increased Allocation for Bharat Nirman, National Highway Development Programme and Jawaharlal Nehru National Urban by 45%, 23% and 87% respectively.	❖ This would help boost cement demand in India and benefit the overall Cement Sector.
❖ No roll back of Excise Duty (currently at 8%).	❖ Positive for Cement Sector, as owing to the oversupply and sluggish season, players would not have been able to pass on the same.
❖ No reduction on Value Added Tax (VAT) on cement, which is currently at 12.5%.	❖ Neutral for overall Cement Sector.

FMCG — Positive

Announcement	Impact
❖ Thrust on rural sector continues - 144% rise in allocation to NREGS to Rs39,100cr and a six-month extension for Debt Relief to Farmers.	❖ Positive for FMCG companies as it will boost rural income levels, thereby aiding higher consumption.
❖ FBT abolished.	❖ Positive for FMCG companies.
❖ No change in Excise Duty on cigarettes.	❖ Huge Positive for ITC.
❖ MAT rate increased to 15%.	❖ Marginally negative for Dabur and Godrej Consumer.
❖ GST Implementation on-track.	❖ Positive for FMCG companies as it will help save on distribution costs, remove multiple taxes and bring down MRPs.

Continued...

Sectoral Impact

Infrastructure

Negative

Announcement	Impact
❖ Allocations to the NHDP hiked to Rs15,948cr.	❖ Would be beneficial for companies focused on the Road space (HCC, NCC, Madhucon Projects) leading to accretion in Order Book of these companies and enabling Revenue visibility.
❖ Railways spending increased to Rs15,800cr from Rs10,800cr in the Interim Budget.	❖ Expected beneficiaries from this spending are L&T, Simplex Infrastructure and IVRCL Infrastructure.
❖ Allocations under the 'Bharat Nirman' Scheme upped by 45%.	❖ Beneficial for overall Infrastructure Sector.
❖ Government proposal to develop a blueprint for long-distance gas highways leading to creation of a National Gas Grid.	❖ Beneficial for companies like L&T, Punj Lloyd, NCC and Simplex Infrastructure.
❖ Minimum Alternate Tax (MAT) to be increased to 15% from 10%.	❖ Negative for the entire Sector as most of the companies have BOT assets.
❖ Clarification on claiming of Section 80IA benefit.	❖ This would affect most companies, but major impact could be felt on IVRCL Infra, SI and Patel Engineering.

Logistics

Neutral

Announcement	Impact
❖ Interest rate subvention on certain export sectors extended till March 2010.	❖ Extension of interest rate subvention will enhance recession hit exports and thereby facilitate trade. Positive for overall Sector.
❖ Timely phase-out of CST.	❖ Timely phase-out of CST will enhance smooth functioning of VAT, which, in turn, will boost outsourcing to third party logistics.
❖ MAT rate increased to 15%.	❖ Companies like GDL and Allcargo fall under MAT preview as companies claim 80IA benefit for income generated from CFS and ICD.

Continued...

Sectoral Impact

Media	**Positive**
Announcement	**Impact**
❖ Stimulus package for Print Media extended for another six months (10% hike in DAVP rates and waiver of 15% agency commission).	❖ Positive for Print Media companies (Jagran Prakashan, HT Media and Deccan Chronicle).
❖ 5% Custom Duty on Set-top boxes.	❖ Marginally Negative for Distribution companies (Dish TV, WWIL).
❖ FBT abolished (currently at 20%).	❖ Positive for all Media companies.
❖ GST implementation on-track.	❖ Positive for all Media companies.

Metals	**Neutral**
Announcement	**Impact**
❖ Higher allocation on infrastructure by the government.	❖ Positive for overall Metal Sector, as it would help boost demand for metals in the country.
❖ No roll back of Excise Duty (currently at 8%).	❖ Neutral for Sector, as players would have passed it.
❖ No hike in Exports tax on iron ore exports.	❖ Positive for iron ore miners like Sesa Goa as it is a major exporter of iron ore from India.
❖ No safeguard duty on steel and no hike in import duty (currently at 5%).	❖ Negative for the Steel Sector as industry is facing the problem of cheap imports from countries like China, Ukraine, Europe, etc.

Continued...

Sectoral Impact

Oil and Gas — Neutral

Announcement	Impact
❖ Definition of 'Mineral Oil' amended as per Section 80-IB (9) of the Income Tax Act to include Natural Gas.	❖ There is some confusion regards which blocks will get the proposed benefit, whether the benefit is from NELP-VIII onwards or from the previous NELP blocks also. However, we believe that the benefit will be given to all blocks issued under the NELP rounds. The development was largely expected and the same was factored into our estimates for RIL. We expect all E&P companies to benefit on account of this move.
❖ Branded Petrol Excise Duty revised to Rs14.50/ litre from '6% ad valorem + Rs13/litre'. Similarly, Branded Diesel attracts revised Excise Duty of Rs4.75/litre compared to '6% ad valorem + Rs3.25/litre'.	❖ The move will help reduce the duty differential between branded and unbranded petrol and diesel and thus boost consumption of branded fuels.
❖ MAT rate increased from 10% to 15%.	❖ Negative for RIL, Cairn and Essar Oil.
❖ Provision of Oil Bonds at Rs10,306cr.	❖ Negative for OMCs and Upstream companies, as the recent statement by the Oil Secretary hinted at oil bonds of Rs30,000cr.
❖ Excise duty on Naphtha to be reduced to 14% from 16%.	❖ Positive for user Industries.

Pharmaceutical — Neutral

Announcement	Impact
❖ Reduction of Custom Duty on specified life saving drugs/vaccine and their bulk drugs from 10% to 5% with Nil CVD.	❖ Benefits are expected to be passed on.
❖ Increase in MAT from 10% to 15%.	❖ This would affect tax outflow for most of the companies under our coverage notable among them being Orchid Chemicals, Sun Pharma, Cipla, Cadila Healthcare, Piramal Healthcare and Indoco Remedies.
❖ Withdrawal of FBT.	❖ Marginally positive for all companies under our coverage.
❖ Continuation of 4% Excise Duty on drugs and pharma products falling under Chapter 30.	❖ Neutral for the Sector.

Continued...

Sectoral Impact

Power — Neutral

Announcement

- Increase in allocation towards APDRP by 160% to Rs2,080cr.
- Increase in allocation towards RGGVY by 27% to Rs7,000cr.
- MAT rate increased to 15%.
- Increase in the Total outlay of project funding by IIFCL to Rs1,00,000cr.

Impact

- This move is a positive for players in the Power T&D EPC space such as KEC International, Jyoti Structures and Kalpataru Power.
- More allocation towards RGGVY is a positive for players (as mentioned above) in the Power T&D EPC space.
- No impact on the profitability of power generating companies, since tax expense can be passed on.
- This is expected to favour all private players in the Power Sector.

Retail — Neutral

Announcement

- Structural changes in indirect taxes by accelerating the process for the smooth introduction of the Goods and Services Tax (GST) with effect from April 1, 2010.
- Fringe Benefit Tax, on the value of certain fringe benefits provided by employers to their employees, to be abolished.
- Excise Duty on branded articles of jewellery to be reduced from 2% to Nil.
- Customs duty on imported serially numbered gold bars and gold coins to be increased from Rs100 per 10 gram to Rs200 per 10 gram. On other forms of imported gold, duty to be increased from Rs250 per 10 gram to Rs500 per 10 gram. Customs duty on imported silver to be increased from Rs500 per kg to Rs1,000 per kg.

Impact

- Introduction of GST in a speedy and efficient manner will lead to elimination of double taxation accrued from both the Value Added Tax (VAT) and Central Sales Tax (CST), and add to Retailers' Profitability.
- Positive for the Retail Sector resulting in marginal increase in profitability.
- We expect retail companies like Titan, which have exposure to the Jewellery Segment, to benefit.
- Imposition of import duty on gold and silver will hamper companies like Titan, thereby neutralising, to some extent, the positive impact of the above mentioned Excise Duty cut.

Continued...

Sectoral Impact

Software

Positive

Announcement	Impact
❖ Extension of STPI Scheme by one year to March 31, 2011.	❖ Extension of the tax benefits will lead to FY2011E EPS upgrades to the tune of 4-5% for Software companies.
❖ FBT abolished.	❖ FBT abolition will lead to ESOPs becoming more attractive as an employee retention tool.
❖ 12% Excise Duty on packaged software removed.	❖ Overall cost of doing business will fall for IT companies.
❖ Unique Identification project to be rolled out in 12-18 months; Rs120cr provision made for the project.	❖ This will create opportunities for companies like Bartronics, Infosys, TCS and Wipro.
❖ MAT rate increased to 15% of book profits from 10%; credit period extended to 10 years from 7 years.	❖ No real impact on EPS; more of a cash flow issue.

Telecom

Neutral

Announcement	Impact
❖ MAT rate increased to 15% of book profits from 10%; credit period extended to 10 years from 7 years.	❖ No real impact on EPS; more of a cash flow issue.
❖ Exemption from CVD of 4% on accessories, parts and components imported for the manufacture of mobile phones, which was till June 30, 2009 has been extended by another year.	❖ Mobile phones could become slightly cheaper, thus continuing to drive volume growth in the fastest-growing telecom market in the world.

Orchid Chemical - Buy

Price - Rs83
Target Price - Rs110

Company Update

Product Basket: Payoff begins

Orchid Chemical in the past was burdened by high debt given the front- end nature of capex and delays in receiving approvals for its high-Margin products, Tazo+Pip and Penems. However, post receiving approval for Tazo+Pip in Europe towards late 4QFY2009 and likely approval of the product in the US market by 2QFY2010, we expect Orchid's cash flow to improve significantly going ahead. Nonetheless, on a conservative basis, we have factored in the Tazo+pip and Penems (Imipenem) launch in FY2011 and expect the company post higher CAGR of 21.0% in Net Sales and a CAGR of 28.8% in Operating Profit over FY2009-11E. We believe that at current levels, the stock is trading at 5.3x FY2011E Earnings and 1.3x FY2011E EV/Sales which adequately factors in the concerns on the debt front and delays in getting approval for its high-Margin products.

■ **Strong Product Pipeline:** Orchid over the years has built significant expertise in the Antibiotic space (Cephalosporin, Penicillins and Carbapenems) and capacity on the NPNC Segment. Orchid also launched Tazo+Pip in the Europe, Canada and ANZ markets and expects it to contribute US $25-30mn to its FY2010 Top-line. The company also expects to receive approval for Tazo+Pip in 2QFY2010 and Imipenem in 4QFY2010 in the US. As of FY2009, Orchid had filed for 72 US DMFs and 58 ANDAs (29 in the Cephalosporin Segment, 21 in NPNC Segment, 5 in the Betalactam Segment and 3 in the Carbapenems space).

■ **Improving Financials:** We expect FY2011 to be a turnaround year for the company owing to launch if its high-Margin products, which is expected to result in improving cash-flow for the company going ahead. Further, we expect Orchid's dependence on Cephalosporin products to reduce as it launches products from the Penicillin and Carbapenems Segments. In our FY2011 estimates, we have factored in launch of Tazo+pip in the US and Imipenem in the US/Europe. We expect Tazo+pip and Imipenem to contribute around 53.7% of the company's total Formulation sales in the Regulated market in FY2011E with Operating Margins in the range of 25-30%.

■ **Balance Sheet de-leveraging to begin from FY2011:** Orchid's debt levels have been on the higher side (Net Debt/ Equity 3.7x in FY2009) since the past few years on account of high front-end capex and delays in receiving approvals for its key products. During 4QFY2009, of the total US $194mn FCCBs, the company was able to redeem FCCBs worth of US $40mn at 40-50% discount. Going forward, we expect the company's Net Debt/Equity to decline from 3.7x in FY2009 to 2.2x in FY2011E while Net Debt/EBITDA is expected to decline from 10.2x in FY2009 to 7.9x in FY2011E on the back of increasing contribution from high-Margin products, lower capex and better working capital management

Outlook and Valuation

Orchid has been underperformer on account of delays in receiving approvals for its high-Margin products resulting in higher debt burden. However, now having received approval for Tazo+Pip in the EU and likely approval for the product in the US in 2QFY2010, we believe the product pay-off has begun for the company. However, on the Earnings front, we have trimmed our estimate for FY2011 by 13.3% post increase in the MAT rate in the recent Union Budget from 10% to 15% as the company does not claim the MAT credit. On the valuation front, the stock is trading at 5.3x FY2011E Earnings and 1.3x FY2011E EV/Sales, which we believe discounts the high debt on the company's Balance Sheet and delays in receiving approvals for its key products. **We recommend a Buy on the stock at 7x forward Earnings with a revised Target Price of Rs110 (Rs136)**.

Key Financials (Consolidated)

Y/E March (Rs cr)	FY2008	FY2009	FY2010E	FY2011E
Net Sales	**1,253**	**1,260**	**1,437**	**1,845**
% chg	*35.3*	*0.5*	*14.0*	*28.4*
Net Profit	**175.3**	**(49.0)**	**25.0**	**118.3**
% chg	*123.1*	*-*	*-*	*372.5*
EPS (Rs)	**26.6**	**(7.0)**	**3.6**	**16.8**
Adj EPS (Rs)*	**17.0**	**(1.9)**	**1.6**	**15.8**
EBITDA Margin (%)	23.3	19.2	20.2	21.7
P/E (x)	4.9	-	50.6	5.3
RoE (%)	30.5	-	3.8	15.8
RoCE (%)	9.9	5.8	6.3	10.5
P/BV (x)	0.8	0.9	0.8	0.7
EV/Sales (x)	2.0	2.4	1.9	1.3
EV/EBITDA (x)	6.2	10.0	8.3	5.4

*Source: Company, Angel Research; Price as on July 10, 2009; Note: *Excludes unrealized foreign exchange gain/losses on FCCBs, extraordinary items and factors in Interest cost on FCCBs.*

***Research Analyst* - Sarabjit Kour Nangra / Sushant Dalmia**

Infosys - Neutral

Price - Rs1,727

1QFY2010 Result Update

Performance Highlights

■ **Volume decline, Rupee appreciation adversely impact Top-line:** Infosys recorded a 2.9% qoq fall in 1QFY2010 Top-line in Rupee terms (12.7% yoy growth). As per International Financial Reporting Standards (IFRS), sequential Dollar Revenues were flat (2.9% yoy de-growth), while in constant currency terms, the company clocked a 1.9% qoq de-growth (2.6% yoy growth). Infosys out-performed its guidance in US Dollar terms on a reported as well as constant currency basis. In Rupee terms, it hit nearly the upper end of its guidance. The fall in Rupee Revenues as against a marginal increase in Dollar revenues was owing to the lower Rupee-Dollar rate (down 3% qoq, Rs48.77 per Dollar v/s Rs50.27 in 4QFY2009). However, on a yoy basis, Rupee revenues grew as against a fall in Dollar revenues on account of the higher exchange rate (higher by 16%, Rs42.03 in 1QFY2009).

Cross-currency movements proved to be a tailwind this quarter, with the appreciation of the British Pound, Euro and Australian Dollar all positively impacting reported Dollar numbers, which was primarily responsible for the out-performance in Dollar revenues. IT Services volumes continued to fall, with onsite volumes declining 2.1% qoq (fall of 0.6% yoy) while offshore volumes fell 0.6% qoq (growth of 9% yoy). Pricing increased this quarter due to the cross-currency benefits, with offshore rates rising 0.1% qoq (fall of 8.4% yoy) and onsite rates 2.6% qoq (fall of 4.7% yoy). In constant currency terms however, blended pricing fell 0.9% qoq.

■ **Margin performance impressive owing to cost control measures:** During 1QFY2010, Infosys recorded a 58bp qoq expansion in EBITDA Margins as against our expectations of a 284bp qoq decline. Lower Employee costs drove this increase. The expansion in Margins is notable, especially considering that it came in a quarter of significant business challenges, Rupee appreciation and lower utilisation rates (67% including trainees v/s 67.6% in 4QFY2009). The company also deferred some expenses on S&M, which aided Margins. On a yoy basis, Infosys registered a strong 367bp expansion in Margins aided by the 16% yoy higher realised Rupee rate.

■ **Higher Taxes reduce Bottom-line:** Infosys recorded a 5.3% qoq decline in Bottom-line in 1QFY2010 owing to a considerably higher Effective tax rate (20.3% v/s 15.8% in 4QFY2009). This was in spite of higher Other Income (up 6.7% qoq) owing to Forex gains of Rs31cr. On a yoy basis, Bottom-line grew by 17.3%.

Outlook and Valuation

There has been no improvement as yet in the global economic environment and revenue visibility remains hazy. Even as the US economy continues to undergo a structural realignment, Europe does seem to be getting impacted more by the global economic slowdown, given its relatively slower pace of response compared to the US. As a result, the near-term outlook for the Indian IT Sector remains cautious.

We expect Infosys to record a CAGR of 8% in Top-line over FY2009-11E, while Bottom-line is estimated to post a CAGR of just 1.4% over the mentioned period. We have raised our Effective tax rates for Infosys to 20% in FY2010 and 23% in FY2011, which is a key factor that will restrict the company's EPS growth. We estimate CAGR volume growth of around 8% over FY2009-11E, with a recovery expected in FY2011E. We have also estimated pricing growth of 2% in FY2011E.

At Rs1,727 the stock is trading at 16.1x FY2011E EPS. Given the meagre single-digit CAGR estimated in EPS over FY2009-11E and the fact that the stock has appreciated by over 21% over the past three months, we believe that prospects of further upside are fairly limited. Thus, **we remain Neutral on the stock.**

Key Financials (Consolidated)

Y/E March (Rs cr)	FY2008	FY2009	FY2010E	FY2011E
Net Sales	**16,692**	**21,693**	**22,337**	**25,286**
% chg	*20.1*	*30.0*	*3.0*	*13.2*
Net Profit	**4,659**	**5,988**	**5,692**	**6,157**
% chg	*20.8*	*28.5*	*(4.9)*	*8.2*
EBITDA Margin (%)	31.4	33.2	32.0	31.5
FDEPS (Rs)	**81.2**	**104.4**	**99.3**	**107.4**
P/E (x)	21.3	16.5	17.4	16.1
P/BV (x)	7.2	5.4	4.4	3.7
RoE (%)	37.2	37.4	28.1	25.2
RoCE (%)	42.7	43.1	35.1	32.7
EV/Sales (x)	5.5	4.1	3.8	3.3
EV/EBITDA (x)	17.6	12.4	12.0	10.3

Source: Company, Angel Research; Price as on July 10, 2009

***Research Analyst* - Harit Shah**

Bears on a rampage - Markets to slide further

Sensex (13504) / Nifty (4003)

In our previous weekly report, we had mentioned that indices would trade in the range of 13520 - 13670 to 15020 - 15200 / 4100 - 4150 to 4500 - 4550 levels with extreme volatility and had advised short-term traders to use any rally to exit their long positions. Further, we had cautioned that if the key support of 14016 / 4143 levels is broken then indices could witness a fall of 8 - 10 %.This week indices made a high of 15097 / 4479 levels and witnessed sharp selling / profit booking to close well below the support levels of 14016 / 4143 levels. The Sensex ended with a net loss of 9.45 % where as the Nifty lost 9.50 % vis-à-vis the previous week.

Pattern Formation

- On the **weekly charts**, we are witnessing that a 3&8 exponential moving average and the RSI (Smoothened) is on the verge of giving a negative crossover which suggests of a further downside.

- On the **Hourly chart**, we are witnessing a Pennant pattern breakdown and the projected target of the pattern is at around 12700 / 3870 levels which also coincide with the 38 % Fibonacci retracement on the weekly charts of the preceding up move which started from 8047 to 15600 / 2555 to 4693 levels

Source: Falcon

Source: Falcon

Future Outlook

The coming week is likely to trade with a negative bias. There are two possibilities, which could unfold in coming week

1) There could be bounce from current levels upto 14059 to 14258 / 4168 to 4228 levels where one can go short near these levels for a target of 13143 -12715 / 3900 - 3870 levels.

2) The markets continue to slide from current levels without any meaningful bounce upto 13143 -12715 / 3900 - 3870 levels.

The short term as well as the medium term trend is bearish which means that every up move is an opportunity to sell / go short for short-term traders with a few days / few weeks' perspective. However, the long-term trend is still bullish and at or near the levels of 12715 - 12205 / 3870 - 3700 there could be a bottoming formation, which can be used by long-term investors to accumulate stocks, preferably the frontline stocks with a 3-6 months time horizon.

Angel Capital & Debt Market Ltd: INB 231279838 / NSE FNO: INF 231279838 / NSE Member code -12798 Angel Commodities Broking (P) Ltd: MCX Member ID: 12685 / FMC Regn No: MCX / TCM / CORP / 0037 NCDEX : Member ID 00220 / FMC Regn No: NCDEX / TCM / CORP / 0302

WEEKLY PIVOT LEVELS FOR NIFTY 50 STOCKS

SCRIPS	R2	R1	PIVOT	S1	S2
SENSEX	15,686.00	14,596.00	14,007.00	12,916.00	12,327.00
NIFTY	4,657.00	4,330.00	4,154.00	3,827.00	3,651.00
BANK NIFTY	8,143.00	7,332.00	6,900.00	6,089.00	5,658.00
A.C.C.	857.00	810.00	763.00	716.00	668.00
ABB LTD.	855.00	773.00	725.00	644.00	595.00
AMBUJACEM	108.00	102.00	93.00	87.00	79.00
AXISBANK	942.00	840.00	783.00	681.00	624.00
BHARAT PETRO	499.00	476.00	456.00	433.00	414.00
BHARTIARTL	851.00	814.00	790.00	753.00	729.00
BHEL	2,313.00	2,149.00	2,056.00	1,893.00	1,800.00
CAIRN	256.00	234.00	217.00	196.00	179.00
CIPLA	276.00	269.00	259.00	253.00	243.00
DLF	388.00	333.00	302.00	248.00	217.00
GAIL	358.00	335.00	320.00	297.00	283.00
GRASIM IND.	2,618.00	2,510.00	2,380.00	2,273.00	2,142.00
HCL TECHNOLO	216.00	196.00	179.00	160.00	143.00
HDFC BANK	1,617.00	1,498.00	1,429.00	1,310.00	1,241.00
HERO HONDA	1,610.00	1,531.00	1,421.00	1,343.00	1,233.00
HINDALCO	90.00	81.00	76.00	68.00	63.00
HINDUNILVR	302.00	285.00	275.00	257.00	248.00
HOUS DEV FIN	2,794.00	2,496.00	2,321.00	2,023.00	1,847.00
ICICI BANK	833.00	731.00	675.00	573.00	517.00
IDEA	79.00	73.00	70.00	64.00	60.00
INFOSYS TECH	1,890.00	1,805.00	1,735.00	1,651.00	1,581.00
ITC	232.00	221.00	204.00	194.00	176.00
JINDL STL&PO	2,821.00	2,681.00	2,529.00	2,389.00	2,237.00
LT EQ	1,775.00	1,566.00	1,453.00	1,244.00	1,131.00
MAH & MAH	787.00	741.00	713.00	666.00	638.00
MARUTI	1,206.00	1,155.00	1,073.00	1,022.00	941.00
NATION ALUMI	321.00	297.00	280.00	256.00	239.00
NTPC EQ	239.00	216.00	202.00	179.00	166.00
ONGC CORP.	1,196.00	1,091.00	1,034.00	929.00	872.00
PNB	755.00	686.00	642.00	573.00	529.00
POWERGRID	125.00	114.00	106.00	95.00	87.00
RANBAXY LAB.	282.00	263.00	252.00	233.00	222.00
RCOM	321.00	282.00	259.00	219.00	196.00
REL.CAPITAL	1,048.00	896.00	807.00	655.00	566.00
RELIANCE	2,164.00	1,970.00	1,857.00	1,663.00	1,550.00
RELINFRA	1,469.00	1,248.00	1,127.00	906.00	785.00
RPOWER	193.00	172.00	159.00	138.00	126.00
SIEMENS	538.00	475.00	438.00	374.00	337.00
STATE BANK	1,947.00	1,745.00	1,638.00	1,436.00	1,329.00
STEEL AUTHOR	181.00	167.00	155.00	141.00	129.00
STER EQ	685.00	630.00	581.00	527.00	478.00
SUN PHARMA.	1,215.00	1,165.00	1,134.00	1,084.00	1,053.00
SUZLON	121.00	102.00	92.00	73.00	63.00
TATA POWER	1,271.00	1,167.00	1,106.00	1,002.00	941.00
TATACOMM	502.00	482.00	466.00	447.00	430.00
TATAMOTORSEQ	323.00	297.00	281.00	255.00	239.00
TATASTEEL	471.00	412.00	378.00	319.00	285.00
TCS EQ	421.00	408.00	388.00	375.00	355.00
UNITECH LTD	99.00	83.00	72.00	57.00	46.00
WIPRO	410.00	397.00	381.00	369.00	353.00

Technical Research Team

Angel Broking Ltd: BSE Sebi Regn No : INB 010996539 / CDSL Regn No: IN - DP - CDSL - 234 - 2004 / PMS Regn Code: PM/INP000001546 Angel Securities Ltd:BSE: INB010994639/INF010994639 NSE: INB230994635/INF230994635 Membership numbers: BSE 028/NSE:09946

Market precariously poised; avoid fresh shorts

Nifty spot has closed at **4004** this week, against a close of **4424** last week. The Put-Call Ratio is at **0.83** levels, against **0.99** levels last week and the annualized Cost of Carry (CoC) is negative **4.65**%.The Open Interest in Nifty Futures has increased by **4.48**%.

Put Call Ratio Analysis

The PCR-OI has reduced from **0.99** levels to **0.83** levels, due to significant build up in call options, mainly in the **4100** call, and unwinding in many put options. Below the 4000 marks, we are expecting that 3800 levels may support the market, as build up is highest at this strike. Counters which are active in the option segment are **RELIANCE, ICICIBANK, TATASTEEL, SUZLON** and **INFOSYSTCH**.

Futures Annual Volatility Analysis

The Historical volatility of the Nifty futures has increased, week-over-week, from **45.38**% to **49.68**%. The Implied volatility of at the money options has decreased significantly from **44**% to **35**%. Some Liquid Counters where the historical volatility has significantly increased are **RELINFRA, CHAMBLFERT, NAGARFERT, ICICIBANK** and **ASHOKLEY**. Stocks where the historical volatility has declined are **CIPLA, TATACOMM, HINDUNILVR, TATAMOTORS** and **RANBAXY**.

Open Interest Analysis

The total Open interest of the market, week-over-week, has increased from **Rs. 71,140** crores to **Rs. 73,973** crores. The stock futures' open interest has decreased from **Rs. 22,609** crores to **Rs. 19,642** crores. We have observed a huge cash base selling and unwinding in Index futures by the FIIs. Significant unwinding is visible in most of the Mid-cap banking counters and formation of short positions has been observed in Metal counters. Stocks which added significant OI are **SAIL, SBIN, CHAMLFERT, ACC** and **HINDALCO**. Stocks where OI has reduced are **YESBANK, NAGARFERT, GVKPIL, RELINFRA** and **IDBI.**

Cost of Carry Analysis

The Nifty July future is trading at a discount of **10.20** points, as against a marginal premium of **0.40** points in the last week; the August future is trading at a discount of **9.15** points. The CoC of most of the counters has turned from positive to negative and negative cost of carry has increased. Some liquid stocks which are trading at a positive cost of carry are **RELIANCE, BALRAMCHIN, KSOILS, GTLINFRA** and **CHAMBLFERT**. Stocks which are trading at a discount to the spot are **GMRINFRA, SAIL, UNITECH, PNB** and **AMBUJACEM**.

Derivative Strategy

Scrip : INFOSYSTCH **CMP : Rs. 1721.15/-** **Lot Size : 200** **Expiry Day (F&O) :** 30th July, 2009

View: Mildly bullish **Strategy: Long Call Ladder**

Buy/Sell	Qty	Scrip	Strike Price	Series	Option Type	Market Price(Rs.)
Buy	**200**	**INFOSYSTCH**	**1740**	July	Call	50.00
Sell	**200**	**INFOSYSTCH**	**1770**	July	Call	35.00
Sell	**200**	**INFOSYSTCH**	**1800**	July	Call	25.00

BEP: RS. 1840.00/-

Max. Risk: Unlimited
If INFOSYSTCH continues to trade above BEP.

Max. Profit: Rs. 8,000.00/-
If INFOSYSTCH closes between 1770 and 1800 levels.

NOTE: Profit can be booked before expiry if time decays and stock will be in desired range. Also, even if INFOSYSTCH plunges significantly from current levels strategy will yield profit as there is net inflow of premium.

Expected Payoff

Closing Price	Expected Profit/Loss
Rs. 1650.00	Rs. 10.00
Rs. 1700.00	Rs. 10.00
Rs. 1750.00	Rs. 20.00
Rs. 1800.00	Rs. 40.00
Rs. 1850.00	(Rs. 10.00)
Rs. 1900.00	(Rs. 60.00)

DSP BlackRock World Energy Fund- NFO Analysis

Fund Features — **NFO Period: July 10, 2009 to July 31, 2009**

Scheme Objective	The primary investment objective of the Scheme is to seek capital appreciation by investing predominantly in the units of BlackRock Global Funds - World Energy Fund and BlackRock Global Funds - New Energy Fund. The Scheme may, at the discretion of the Investment Manager, also invest in the units of other similar overseas mutual fund schemes, which may constitute a significant part of its corpus.
Type of Scheme	An Open-ended Fund of Funds Schemes
Bench Mark Index	70% MSCI World Energy (net and expressed in INR) 30% MSCI World (net and expressed in INR)
Plans & Option(s)	Growth, Payout & Reinvest Dividend
Minimum Application Amount	**Retail -** Rs. 5000. **Institutional -**Rs 5 Crs.
Entry load	Max 2.25%
Exit Load	Max 1%
Fund Manager	Mr. Vinit Sambre

Asset Allocation Pattern

Instrument	Indicative Allocation (% of Total Assets)	Risk Profile
Units of BGF World Energy Fund or Units of similar overseas MFs	50% - 100%	High
Units of BGF New Energy Fund or Units of similar overseas MFs	0%-30%	High
Money market securities and/or money market/liquid schemes of DSP BR MF	0% - 35%	Low

Why invest in the Energy sector now

- Due to economic slowdown, capital expenditure in oil and gas production facilities has gone down.
- As economic conditions improve, demand for oil will increase.
- But production will not be able to keep pace due to the decline in capital expenditure.
- This will result in an immediate gap in demand and supply, driving oil price higher.
- An inflationary outlook and weaker US Dollar also contribute to higher oil price.
- Long term growth opportunity in the New Energy sector due to strong macro-economic drivers. Governments across the globe are increasing the renewable portfolio standard targets.

Investment Strategy

Guided by Growth Potential & Economic Factors of Country

- Invests in BGF World Energy fund and BGF New Energy fund.
- The investment universe for these funds includes equity securities of companies whose predominant economic activity is in the alternative energy & energy technology sectors with emphasis given to renewable energy, automotive and on-site power generation, energy storage and enabling energy technologies.
- Both funds focus on large caps and high quality companies, thereby reducing the thematic risk to a certain extent.

Details of the Funds where the Fund Manager will Invest

BGF - World Energy Fund (2001)

- Fund Managers: Robin Batchelor & Popp Allonby
- AUM of approx USD 2.9 bn/ INR 13,882 cr
- 40 - 60 holdings
- AA rated - S&P Fund Research
- AA rated - OBSR

BGF - New Energy Fund (2001)

- Fund Managers: Robin Batchelor & Popp Allonby
- AUM of approx USD 3.4 bn/ INR 16276 cr
- 60- 90 holdings
- AA rated - S&P Fund Research
- AA rated - OBSR

Why Invest in this Fund

"Energy" and "New Energy" sectors are sustainable investment themes for years to come,

- √ Globally, valuations of oil companies are near their historical lows.
- √ Demand - Supply gap for oil to continue to increase over time.
- √ Investing in oil companies could be a potential hedge against the prospect of rising inflation
- √ Due to global warming issues - Governments all over the world have made investments in the sector mandatory.
- √ With technology advancements, costs of alternate energy is declining, which is accelerating growth in companies within this sector.

Pricing flexibility available to global oil companies

Oil companies in India governed by "Administered Pricing" - Therefore they cannot benefit from rising oil price

Global oil companies enjoy considerable pricing flexibility

Performance as at May 29, 2009 in INR Term (Returns % -CAGR)

Period	BGF World Energy Fund	MSCI World Energy Index	BGF New Energy Fund	MSCI Energy Fund
1-Year	**-32.8%**	**-28.8%**	**-39.0%**	**-27.3%**
3-Year	**-4.3%**	**-1.0%**	**-4.4%**	**-7.4%**
5-Year	**14.5%**	**11.5%**	**8.7%**	**1.3%**
Since Inception*	**9.1%**	**8.9%**	**-1.9%**	**1.0%**

Source: DSP AMC

Ideal for Investors with

√ ***Investment Horizon*** *- Long Term*
√ ***Risk Appetite*** *- High*

Sahara Super 20 Fund- NFO Analysis

Fund Features **NFO Period-: June 25, 2009 to July 23, 2009**

Scheme Objective	The investment objective of the scheme would be to provide long term capital appreciation by investing in predominantly equity and equity related securities of around 20 companies selected out of the top 100 largest market capitalization companies, at the point of investment		
Type of Scheme	An Open-ended Growth Fund		
Bench Mark Index	S&P CNX NIFTY		
Plans & Option(s)	Growth, Dividend & Reinvest Dividend. **SIP Facility available**		
Minimum Application Amount	Rs. 5000.		
Entry load	Max 2.25%		
Exit Load	Max 1%		
Fund Manager	A.N. Sridhar		
Asset Allocation Pattern	**Instrument**	**Indicative Allocation (% of Total Assets)**	**Risk Profile**
	Equity & Equity Related Instruments#	100% - 65 %	High
	Debt and Money Market Instruments including securitized debt *	35 %- 0 %	Low

 # Belonging to top 100 stocks by market capitalization at the time of investment. While the endeavor of the scheme would be to construct a portfolio of 20 stocks, at times the portfolio may comprise of more/less than 20 stocks owing to certain market conditions.

** (Investment on securitized debt will not normally exceed 50 % of the debt component of the scheme). The Fund will predominantly invest only in those securitization issuances which are of investment grade, at the time of making an investment.*

Advantages of Investing in Large Cap stocks

- Large cap stocks have a proven track record -
  - Offers consistency and visibility in earnings.
  - Possess above-average return potential.
  - Low investment risk.
  - Large cap stocks are the leaders in respective industries, thereby are the first to capture the positive sentiments.
- Large caps reflect the true state of economy and the industry.
- Large cap companies participate and optimally benefit from the growth in the economy.

Investment Strategy

- A focused portfolio that would endeavor to invest in around 20 potentially attractive companies out of the universe of top 100 stocks by largest market capitalization.
- The Select Top 100: Companies in the universe are well researched and are tracked by a majority of Research Houses.

Fund Manager Profile

- **Educational Qualifications:** BE Electronics, CAIIB (UTI), MFM.
- **Experience -** Two Decades of experience in banking and mutual fund industry.
- **Currently manages** 7 schemes of Sahara Mutual Fund.
- **His top Performing funds** are Sahara Taxgain fund, Sahara Infrastructure Fund and Sahara Growth Fund.
- **Investment style:** In general invests in Growth, value and blend Oriented stocks and focuses on large and mid cap stocks.
- **He has sector inclination towards Banking, Oil & Gas and Power Sectors.**

Why this Fund

- Super 20: An appropriate way to participate in the revival of Indian economy and participate in the prospective high GDP growth in the years to come.
- Focused Approach: Best performing stocks will be selected out of Top 100 stocks with a focus to generate long term returns.
- Risk-Reward: A focused portfolio in around 20 stocks has potential to offer above-average returns as compared to otherwise large cap but widely diversified portfolios.
- Dynamic Asset Allocation: As the investment environment changes, with around 20 stocks, fund manager, with ease, can churn the portfolio maintaining the risk-reward profile.

Performance of Funds Managed by A N Sridhar

Scheme Name	3 Months	6 Months	1 Year	3 Years	Since Inception
1Sahara Banking and Financial Services Fund	51.83	67.24	--	--	74.92
Sahara Growth Fund	23.05	35.10	14.82	16.51	30.35
Sahara Infrastructure Fund - Fixed Pricing	42.42	53.39	21.21	17.91	10.61
Sahara Midcap Fund	54.92	55.87	6.61	10.92	16.47
Sahara Power & Natural Resources Fund	40.85	55.41	10.01	--	1.10
Sahara Taxgain	35.50	43.31	17.39	14.02	27.50
Sahara Wealth Plus Fund	28.70	31.80	5.41	6.80	9.20

Returns = > 1 year CAGR & < 1 Year Absolute Basis.

Ideal for Investors with

√ ***Investment Horizon** - Medium to Long Term*
√ ***Risk Appetite** - Moderate to High*

Source: Sahara AMC

Soybean

Market Commentary:

Soybean (NCDEX August contract) prices fell sharply around 10% during the last week as compared to previous week on account of sharp fall in overseas market, primarily soybean futures at CBOT and lower export demand of soy meal from global livestock industry. Aug Soybean futures traded in a range of Rs.2211-Rs.2495 per quintal during the past week. After weeks of delayed monsoon, the country's kharif sowing has finally picked up pace as the south west monsoon has shown some signs of revival. As per Ministry of Agriculture, till July 10, soybean was planted in 31.62 lakh hectares versus 14.16 lakh hectares in previous week. According to Indian Metrological Department (IMD), southwest monsoon during July 1-8 was around 36% below normal. IMD's long range forecast update for the 2009 monsoon season (June to September) is that the rainfall is likely to be below normal. Quantitatively, monsoon season rainfall for the country as a whole is likely to be 9 3% of the long period average with a model error of ±4%. The Long period average rainfall over the country as a whole for the period 1941-1990 is 89 cm.

International Market:

USDA's monthly supply/demand report released on Friday, pegged old crop ending stocks for soybean at 10 million bushels, which was slightly higher than expected. New crop ending stocks were substantially above expectations at 250 million bushels. Traders' expectations were about 220 million bushels. World ending stocks were raised slightly for 2009/10 to 51.83 million tonnes versus 51.02 million tonnes last month. The USDA raised both crush and exports for the coming 2009/10 year. USDA's Weekly Export Sales figures released on Thursday, net export sales for soybean 1228,600 tonnes. As of July 2, cumulative soybean sales stand at 100.9% of the USDA's forecast for 2008-09 versus 5 years average of 99%. Net export sales of meal were 30,900 tonnes. Sales need to average 103,000 tonnes each week to reach the USDA's forecast.

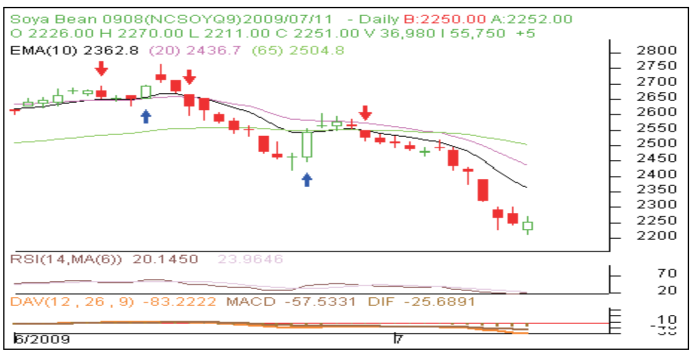
Outlook:

In the coming week, NCDEX Aug Soybean prices are expected to move down owing to poor export demand of soy meal. However, the rains continue to play a very important role in the sowing period and any delay in rains over the next 3-4 weeks shall be supportive for prices. The major support for NCDEX Aug Soybean is seen at 2130/2050 and resistance is seen at 2410/2480 levels.

Technical Indicators:

Prices closed below its 10 Day & 20 Day EMA, indicating down trend. Daily MACD-Histogram is in negative territory and 14-Day RSI is at 20.14 in the oversold zone.

NCDEX - Aug 2009 Contract



Source: Telequote India

Particulars	Aug 2009 Contract (Rs/ 100Kg)
Resistance-2	2480.00
Resistance-1	2410.00
Close	**2251.00**
Support-1	2130.00
Support-2	2050.00

Prices at Major Mandis

Centers	Prices (Rs/ 100 Kg)
Indore (including VAT)	2160
Kota (including VAT)	2165

***Research Analyst (Commodity)* - Badruddin**

Currency

Rupee tumbled on widening fiscal deficit

The Indian rupee weakened to a two month low against the dollar in the last week, as much awaited budget showed that India's fiscal deficit could rise to 6.8% of GDP in year ending March 2010, the highest since 1994. This factor had adverse impact on market sentiments. Spot Rupee declined 2.55% over previous week to close at Rs.49.01 against the dollar, marking the weakest weekly closing since 10th May. Indian equity markets posted its biggest weekly loss in past nine months amid persistent worries about the economy, exerting further pressure on rupee. Indian equity benchmark SENSEX was down by whopping 9.44% to close at 13504. Despite this fall, there was evidence of net capital inflows, which provided some degree of support to the local currency. As per SEBI data, foreign institutional investors have bought almost $800 million Indian equities in the month of July. Weekly inflation data continues to remain in negative territory. The rate of inflation slipped further to minus 1.55% for the week ended 27th June from minus 1.30% in the previous week.

Industrial output rose in May

India's industrial output expanded 2.7% in May this year, the most since September 2008, on the back of strong consumer demand in the domestic market, but higher than expected industrial output failed to boost the market. This rise in output is significantly more than the downwardly revised 1.2% growth in April. Output had fallen in the first three months of this year, as economy was hit hard by global downturn and liquidity crunch.

Japanese Yen appreciated most against Dollar

In other currencies, the Yen was the best performer against the greenback, as risky assets turned lower, prompting liquidation of yen carry trades funded in the perennially low-yielding currency. Dollar continues to trade in tight range against major currencies. There were no strong reference to currencies at the G-8 meetings during the week with members generally cautious over recovery prospects. Risk sentiment in the market remained fragile amid concerns over pace of global economic recovery. During the week, yen rose by 3.66% whereas euro lost by 0.32% against the dollar. Dollar index, which measures greenback against six major currencies, was down by 0.17% to 80.31.

Future Outlook

Looking ahead, we believe trends in risk appetite and the global economy will continue to have a strong influence on currency-market. Performance of dollar in overseas market and trend in domestic equity markets would be keenly watched for further direction in the rupee. If equity markets continue to remain under pressure then we may see capital outflows, which can exert pressure on Rupee. Widening fiscal deficit is big cause of concern, and therefore rupee is likely to remain under pressure.

Key Indicators	Value
IIP (%) in May 2009	2.7
Inflation Rate (%) as on 27th June, 2009	(1.55)
Fx Reserves ($ Billions) as on 3rd July, 2009	264.47

Source: RBI, CSO

NSE USDINR - Calendar Spread

Date	1M*	2M*	3M*	2M-1M	3M-1M
6-Jul	48.5675	48.6775	48.7375	0.1100	0.1700
7-Jul	48.5275	48.6250	48.6900	0.0975	0.1625
8-Jul	48.9575	49.0600	49.1275	0.1025	0.1700
9-Jul	48.8025	48.8825	48.9475	0.0800	0.1450
10-Jul	49.0250	49.1325	49.2025	0.1075	0.1775

Source: Tickerplant

MCX USDINR - Calendar Spread

Date	1M*	2M*	3M*	2M-1M	3M-1M
6-Jul	48.5725	48.7025	48.7975	0.1300	0.2250
7-Jul	48.5300	48.6325	48.6750	0.1025	0.1450
8-Jul	48.9600	49.0575	49.1475	0.0975	0.1875
9-Jul	48.8000	48.9075	49.0000	0.1075	0.2000
10-Jul	49.0275	49.1300	49.2125	0.1025	0.1850

***1M: July, 2M: August, 3M: September**

RBI Reference Rate

Date	USD	EURO	YEN	GBP
10-July	48.69	68.00	52.44	79.40

Technical Outlook

Spot USD/INR Weekly Chart

Source: Telequote India

The Rupee fell to eight week low against the dollar in the last week. It touched a weekly low of 49.06 before ending the week at 49.01, declining by Rs. 1.22. Throughout the week, rupee traded above 10-Day EMA. Rupee closed above its 100 Day EMA (48.65) on Wednesday for the first time in past two months. During the week, rupee traded above 10-Week EMA (48.29), which can act as a near term support. Daily MACD is trading in positive territory whereas Weekly MACD Histogram continues to trade in negative territory. 14-Day RSI is at 67 levels. **For the week, support is seen at 48.56/48.06 whereas resistance is seen at 49.51/50.01.**

Amar Singh / Mandar Pote

BULLION

MCX AUGUST GOLD

Last week, Gold prices opened the week at 14440 initially moved lower but found very strong support at 14408 levels. Prices traded range bound throughout the week made a high of 14624 and finally ended the week with a profit of Rs.60 to close at 14500.

TREND : SIDEWAYS DOWN

TRADING LEVELS:

This week market is expected to find very good support at 14380-14400 levels. And strong support is seen at 14250-14300 levels.

Trading below 14250 would lead to lower prices initially towards 14110 and then finally towards the major support at 13820.

Resistance is observed in the range of 14600-14620. And strong resistance is seen at 14750.

Trading above 14750 would lead to higher prices finally towards 14850.

Recommendation: Neutral

MCX SEPTEMBER SILVER

Last week, Silver prices opened the week at 21505 initially moved higher but found strong resistance at 21974 levels. Later prices fell sharply lower breaking all the support throughout the week, and made a low of 21126 and finally ended the week with a loss of Rs.237 to close at 21265.

TREND : SIDEWAYS DOWN

TRADING LEVELS:

This week market is expected to find good support at 20950-21000 levels. And strong support is seen at 20600-20650 levels.

Trading below 20600 would lead to lower prices initially towards 20410 then finally towards 20250 levels.

Resistance is observed in the range of 21600-21650 strong resistance is seen at 21780-21820.

Trading above 22000 would lead to higher prices finally towards 22300.

Recommendation: Neutral

MCX AUGUST COPPER

Last week, Copper prices opened the week at 242 initially moved higher but found strong resistance at 246.50 levels. Later prices fell sharply lower breaking all the support made a low of 234.70 and finally ended the week with a loss of Rs.1.80 to close at 240.20.

TREND: SIDEWAYS DOWN

TRADING LEVELS:

This week market is expected to find good support in the range of 234-236 levels. And strong support is seen at 232 levels.

Trading below 232 would lead to lower prices initially towards 228 and then finally towards 225 levels.

Resistance is observed in the range of 244-246 levels and strong resistance is seen at 251.

Trading above 251 would lead to higher prices initially towards 255 and then finally towards 259 levels.

Recommendation: Neutral

MCX AUGUST CRUDE

Last week, Crude prices opened the week at 3206 levels. Initially moved higher but found strong resistance at 3219 levels. Later prices fell sharply lower breaking all the support throughout the week, and made a low of 2955 and finally ended the week with a huge loss of Rs.215 to close at 2991.

TREND : SIDEWAYS DOWN

TRADING LEVELS:

This week market is expected to find good support in the range of 2880-2900 levels. And strong support is seen at 2780-2800 levels.

Trading below 2780 would lead to lower prices finally towards 2650.

Resistance is observed in the range of 3050-3070 levels and strong resistance is seen at 3170-3200.

Trading above 3200 would lead to higher prices initially towards 3250 and then finally towards 3350.

Recommendation: Neutral

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	Reduce (Downside upto 15%)	**Sell (Downside > 15%)**	

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