ARIHANT's VALUE Plus
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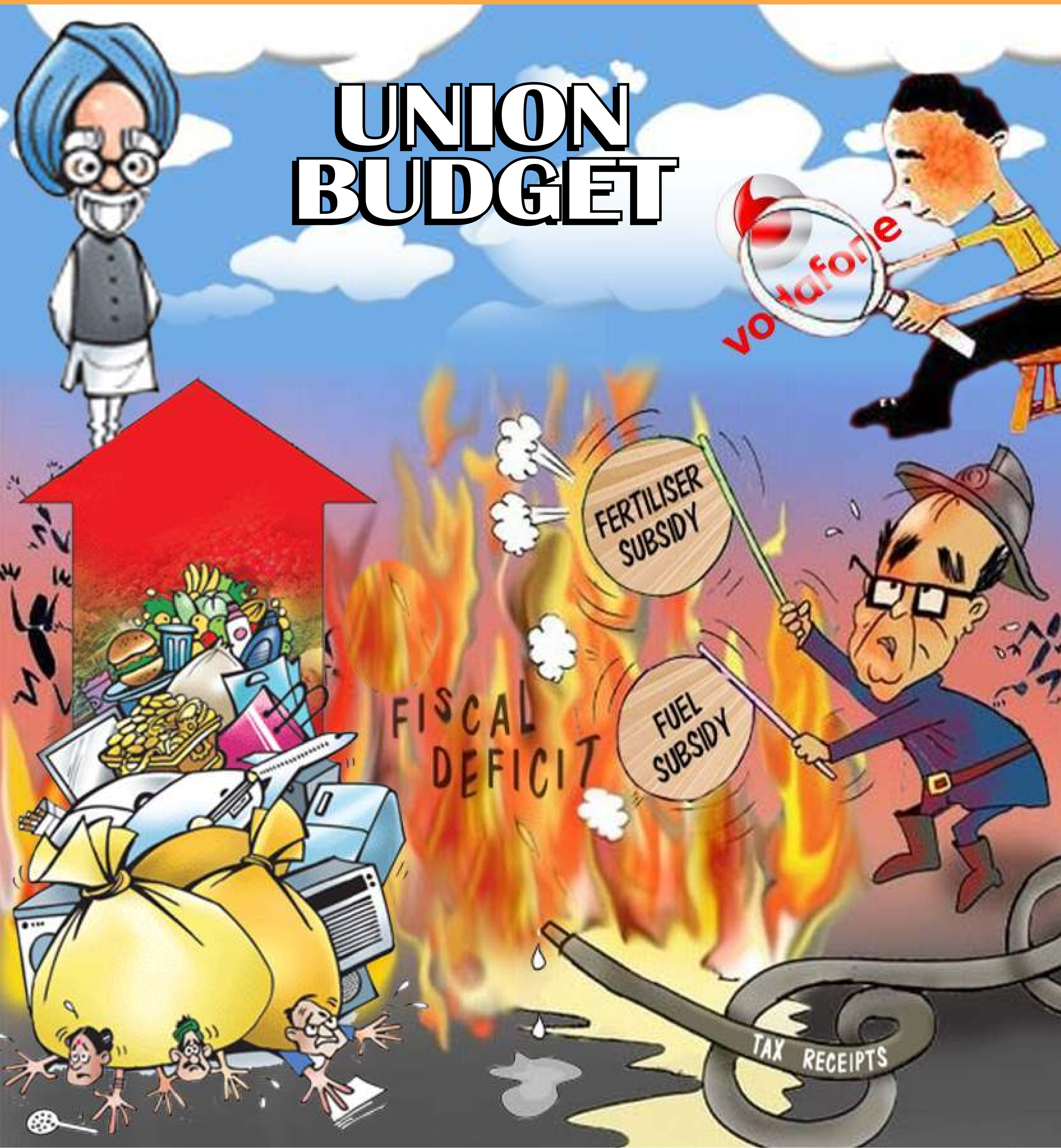
UNION BUDGET



ARI - Movers & Shakers

INDIAN INDICES

Indices	Mar-12	Monthly Change %	Yearly Change %
SENSEX	17404.00	-1.96	-10.50
S&P CNX NIFTY	5295.55	-1.66	-9.23
BANK NIFTY	10212.75	-1.93	-12.75
CNX MIDCAP	7711.40	0.08	-4.09
S&P CNX 500	4221.80	-1.26	-8.75
CNX IT	6516.00	-1.38	-8.84
CNX REALTY	239.05	-9.38	-23.70
CNX INFRA	2509.15	-4.52	-18.45

(Source: BSE & NSE)

BSE-SECTORAL INDICES

Indices	Mar-12	Monthly Change %	Yearly Change %
AUTO	10134.88	1.40	9.09
BANKEX	11751.18	-1.86	-11.64
CD	6402.49	-2.42	2.61
CG	10027.92	-3.82	-24.23
FMCG	4493.10	7.83	24.94
HC	6625.74	4.57	10.00
IT	6081.87	-1.29	-7.12
METAL	11346.31	-5.86	-29.79
OIL&GAS	8087.50	-7.17	-21.03
PSU	7311.47	-5.83	-18.40
REALTY	1776.96	-9.13	-23.96
TECk	3562.41	-1.65	-7.62

(Source: BSE)

GLOBAL INDICES

Indices	Mar-12	Monthly Change %	Yearly Change %
DOW JONES	13212.00	2.01	5.13
NASDAQ	2755.00	5.03	12.19
HANG SENG	20555.00	-5.19	-7.85
FTSE	5768.00	-1.75	-1.05
NIKKEI	10083.00	3.70	-0.33

(Source: Telequote software)

FII ACTIVITY (₹ in cr)

Date	Gross Purchases	Gross Sales	Net Pur/Sales
Total for Mar 2012	63,795.10	55,413.80	8,381.10
Total for FY 2012 *	6,34,315.00	590,830.00	43,485.00

(Source: SEBI)

MF ACTIVITY (₹ in cr)

Date	Gross Purchases	Gross Sales	Net Pur/Sales
Total for Mar 2012	10,585.00	12,134.10	-1549.10
Total for FY 2012 *	1,31,028.70	1,32,339.20	-1,310.50

* Till Mar 2012

(Source: SEBI)

Market Commentary

March was the month of much anticipated Union Budget FY2013 announcement, which was a big ray of hope for the market participants who were looking for positive developments and structural reforms that would help India restore its position as the shining star of the emerging markets. It was no surprise that March was the month of high volatility for the equity markets as market participants await for the budget announcement to get a clear direction, however lack of strong global cues further added to the volatility. The first half of the month saw Indian equity markets remaining broadly flat in anticipation of the Union Budget for FY2013. However, post budget the markets suffered sharp sell-off owing to policy inaction and indecisiveness on the part of the government badly hurting market sentiments and leaving foreign investors scurrying to the bushes.

The Indian equities finally ended the month in red with BSE Sensex closing the month at 17404, down 1.96% while Nifty plummeting 1.66% to end at 5295. The performance of the key benchmark indices for FY2012 was no cherry topping either as the key benchmark indices plunged about 10% value for the financial year ending 31st March 2012 as Sensex lost 10.5% while Nifty plummeted 9.23% during the financial year. On the sectoral space, the defensive sectors FMCG and healthcare jumped up 7.83% and 4.57% respectively, while realty was the top loser of the month shaving off 9.13% followed by oil & gas (-7.17%) and metal (-5.86%).

Foreign institutional investors (FIIs) have made total purchase of equity to the tune of Rs 8381.10 crore, while the domestic mutual fund house sold Rs 1549 crore equity over the same period.

The budget, presented on 16th March 2012, disappointed the markets as it was devoid of any impactful policy measures or reforms. The budget failed to give any roadmap about the reform process and plans to revive the economy. This coupled with worries over the nation's fiscal deficit target as well as depreciating rupee and spiking international crude oil prices dragged the markets further down.

On the positive side, the Reserve Bank of India (RBI) surprised the market by announcing a cut of 75 bps in the Cash Reserve Ratio (CRR) on 9 March 2012, well before the slated policy day to ease the liquidity situation in the banking system. The wholesale price index (WPI) rose a faster-than-expected 6.95% in February 2012 from a year earlier, mainly driven by a surge in food prices. Industrial production gathered pace and grew 6.8% in January on a y-o-y basis, over the previous month mainly aided by a rebound in manufacturing performance.

The results of the Assembly elections in the five states were declared on 6th March, 2012. The Congress and the Bharatiya Janata Party's (BJP) hopes for a revival in India's most populous state were dashed as Uttar Pradesh's 12.73 crore voters rallied behind the Samajwadi Party (SP) to hand it a stunning victory over Mayawati's Bahujan Samaj Party. Punjab went back to the Shiromani Akali Dal-Bharatiya Janata Party combine, the first time in more than 40 years. In Manipur, it was the Congress, which overcame anti-incumbency to sweep the polls. The BJP took control away from Congress in the western tourist hub of Goa while in the northern state of Uttarakhand, Congress eked out a one-seat victory over the BJP.

With marginal fare hikes, new passenger trains and focus on safety, the Railway Budget 2012-13 presented by Mr Dinesh Trivedi was a hope to put Indian Railways on the track of development and growth. However, Trinamool Congress Chief Mamata Banerjee was reportedly upset with the Railway Minister over the train fare hikes announced in the Rail Budget and found it anti-people, which forced Trivedi to step down from his post, who was replaced by TMC leader Mukul Roy as rail minister. The central government later announced a rollback of all hikes in passenger fares, stating that "The proposal to increase hike will impact the aam admi". This completely took the investors off-guard which was reflected in the performance of Indian equity markets.

During the month, General Anti-Avoidance Rules (GAAR) acted as the main sentiment spoiler of the markets. Foreign funds feared with the new set of tax norms, General Anti-Avoidance Rules (GAAR) coming into effect from April 1, 2012, the government could tax participatory notes (P-Notes). But on the last trading day of the month Finance Minister Pranab Mukherjee said that the holders of participatory notes, or P-notes, will have no tax liability on the investments they make in the local equity market, which gave some breather to the markets.

Globally, concerns about the slowdown in China have increased lately that has been keeping the global markets on tenterhooks. Chinese manufacturing data set the negative tone as the preliminary HSBC China Manufacturing Purchasing Manager's Index fell to a four month low in March 2012 confirming a slowdown in the world's second largest economy. This has led to nervousness in the global markets.

Key News and Events in March 2012

Domestic News

- Monetary policy mid-quarter review:

  The Reserve Bank of India (RBI) surprised the market with a higher and earlier-than-expected cash reserve ratio cut by 75 basis points from 5.5% to 4.75% before its mid-quarter policy, a move that is expected to inject Rs 48,000 crore liquidity into the system and give a boost to markets.

  The policy rates were left unchanged by the central bank in its mid-quarter review held on March 15th, 2012. The repo rate was maintained at 8.50%, while the reverse repo rate stood at 7.50%. The risks to inflation have increased due to higher crude prices, fiscal slippages in government finances and a weakening local currency.

- Surging food prices accelerates inflation to 6.95% in February:

  The pace of inflation based on the wholesale price index (WPI) reversed its downward trend, accelerating to 6.95% as compared with 6.55% in the previous month. In February, 2011, it had stood at 9.54%. The numbers were mainly driven by an increase in food prices like vegetables, pulses and protein-based items.

- IIP output up by 6.8% in January, indicating strong recovery:

  Industrial output (IIP) grew at its fastest pace in 7 months at 6.8% in the month of January in a stark contrast to revised 2.5% rise in December 2011, powered by a surge in manufacturing including consumer non-durables, thus showing strength in a sluggish economy. Output of the manufacturing sector rose 8.5% in January while mining output contracted 2.7% in January.

- Exports grow by 4.3%, trade gap at $15.2 billion in February:

  India's merchandise exports grew at a mere 4.3% to $24.6 billion in the month of February, its slowest pace in three months. During the month, imports far outpaced exports and rose 20.6% to $39.8 billion. The trade deficit has thus widened to $15.2 billion owing to rupee depreciation, higher cost of crude oil imports and falling demand in major markets like the US and Europe.

  Cumulative exports for the period April-February 2011-12 registered a growth of 21.4% and stood at $267.4 billion, while imports were up by 29.4% to $434.2 billion widening the trade gap to $166.8 billion, as per the data released by the Commerce Ministry.

- India's BoP for the third quarter slips into red:

  India's balance of payments (BoP) for the period October-December slipped into the negative territory for the first time in three years on account of shrinking dollar inflows and widening fiscal deficit. The BoP deficit stood at $12.8 billion for the three months ended December compared with a surplus of $4 billion, a year earlier. For July-September quarter, the BoP surplus was unchanged at $276 million.

On the other hand, India's current account deficit stood at $19.6 billion in the December quarter, compared with a deficit of $9.7 billion a year earlier.

- Cabinet approves PSU buyback plan :

  In an innovative mechanism devised to make up for the shortfall in Rs 40,00 crore disinvestment target set for the current fiscal, the government decided to buy-back Centre's equity by cash-rich public sector undertakings (PSU's). The decision, taken by the union cabinet, will allow profitable PSU's to buy back a part of the government's stake, or purchase government stake in other PSU's.

- Amalgamation of Mahindra Satyam with Tech Mahindra :

  Mahindra Group announced the amalgamation of its two technology companies, Mahindra Satyam and its parent, Tech Mahindra, creating a $2.4-billion entity that will be the fifth largest software exporter by revenues in India. The merger ratio is pegged at 17:2. The merger will be effective retrospectively from April 1, 2012, while the full integration process will take another nine months.

- Coal Block Allocations Scam :

  In a major setback, the government has been accused of a massive coal scam based on a draft report on coal mining released by the government's auditor, Comptroller and Auditor General (CAG). The leaked draft finds faults with the allocation of 155 coalfields to about 100 private and some public sector units or state-run firms between 2004 and 2009 instead of auctioning them off to the highest bidder to give undue benefits to power, steel and cement companies in both government and private sectors. The losses that are expected to be upto Rs. 10.7 lakh crore, are much higher than the 2G scam.

Auto Sales registered growth in March 2012

Major automobile companies posted a record sales for the month of March, 2012 on the account of advance in the purchases by customers due to fears of hike in prices post-budget. The leading automobile companies had said that vehicles would become expensive by up to Rs 3 lakh, post-budget as they will pass on the increase in excise duty to customers. Country's largest carmaker Maruti Suzuki India reported highest ever monthly sales in March at 1,25,952 units, 3.3% growth from 1,21,952 units in the same month last year. India's largest commercial vehicle maker, Tata Motors reported a 20% jump in total vehicle sales during March 2012 at 1,00,414 units. M&M posted a 25% increase in sales at 47,001 units in March, the highest ever monthly sales number in the history of the company. The world's largest motorcycle maker Hero MotoCorp Ltd, had dispatched 5,28,290 units in March, a year-on-year growth of 2.4% while Bajaj Auto registered a growth of 9% in total vehicle sales with 3,35,515 units.

India Inc posts mute Q4 advance tax numbers

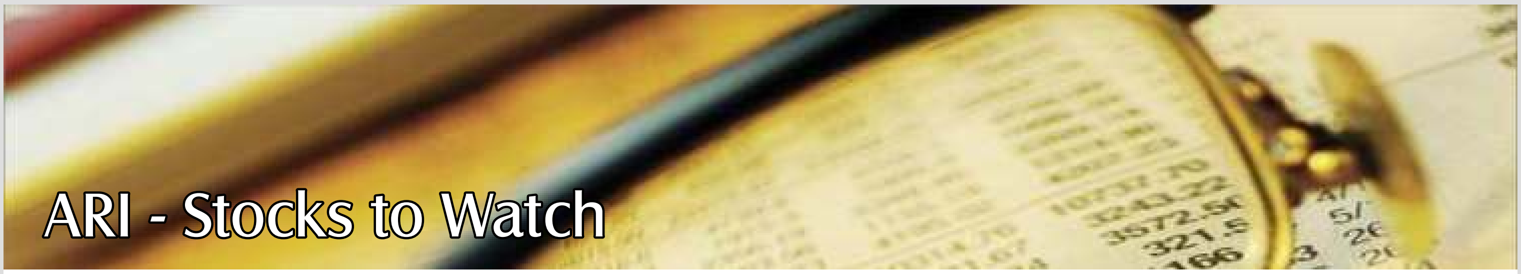
India Inc's last installment of advance tax payment for the year 2011-12 witnessed subdued growth with some firms posting moderate growth, while most firms reporting lower or flat growth signaling that the liquidity crunch facing corporates and the slowdown may continue for a while coupled with fears of shortfall in the government's direct tax revenue kitty for the financial year 2011-12.

The major companies who have reported their advance tax numbers are showing a grim picture of the state of affairs in Q4 FY12. In the banking space, State Bank of India reported 10% increase in advance tax of Rs 1,650 crores, as compared to Rs 1,500 crores last year, while ICICI remitted Rs 425 crores compared to Rs 450 crores last year. HDFC Bank's payment was up at Rs 600 crores versus Rs 550 crores and Bank of India's at Rs 400 crores compared to Rs 320 crores.

Reliance Industries, which has seen drop in production at its KG Basin oil block paid Rs 1,130 crores compared to Rs 1,054 crores up by 7.62% yoy. LIC's payment was Rs 971 crores vs Rs 931 crores last year.

Following table provides details of advance tax payments by Nifty companies in Jan-Mar 2012.

Co Name	Jan-Mar 12 (In cr)	Jan-Mar 11 (In cr)	Oct-Dec 11 (In cr)	Change in% (Y-o-Y)	Change in% (Q-o-Q)
ACC	150	170	95	-11.76	57.89
Ambuja Cem	250	170	115	47.06	117.39
Axis Bank	515	550	662	-6.36	-22.21
Bajaj Auto	290	250	450	16.00	-35.56
BPCL	nil	--	--	nil	--
Cipla	80	55	90	45.45	-11.11
Grasim	100	130	100	-23.08	0.00
HDFC	400	340	480	17.65	-16.67
HDFC Bank	600	550	900	9.09	-33.33
Hindalco	150	160	200	-6.25	-25.00
Hind Unilever	170	140	300	21.43	-43.33
ICICI Bank	425	450	450	-5.56	-5.56
Kotak Bank	120	75	150	60.00	-20.00
L & T	300	300	350	0.00	-14.29
M & M	200	300	220	-33.33	-9.09
Reliance Ind	1130	1050	1000	7.62	13.00
Siemens	110	110	70	0.00	57.14
SBIN	1650	1500	1730	10.00	-4.62
TCS	550	200	550	175.00	0.00
Tata Motors	50	50	80	0.00	-37.50
Tata Power	90	40	80	125.00	12.50
Tata Steel	900	950	1100	-5.26	-18.18



ARI - Stocks to Watch

KTKBANK: BUY — Target Price: ₹ 102-106

CMP: ₹ 95.65

Stop-Loss: ₹ **89.00**

Moving Averages		Trends	
13-DMA	95.00	Short	Up
50-DMA	96.00	Medium	UP
200-DMA	94.00	Long	Sideways

Support / Resistance	
R2	106.00
R1	101.00
CMP	95.65
S1	91.00
S2	89.00

Karnataka Bank Ltd (KTKBANK) is a south based banking player with a national presence. It has been trading in down trend from its peak of Rs 112.45 on 17th Feb, 2011. The stock made a 52-week low of Rs 64 on 29th Dec, 2011 and a 52-week high of Rs 133.70 on 30th Jun, 2011. KTKBANK is taking support of trendline. As of now, the stock is trading above its 200-DMA. The 14-days RSI of KTKBANK is showing positive diversion and high volume at lower levels which indicates some buying interest being generated on correction. The said pattern suggests that stock can move further up in the coming days.

Hence, we recommend a BUY on KTKBANK at Rs 95-93 with a stop loss of Rs 89 and a price target of Rs 102-106 for short to medium term.

NEYVELILIG: BUY — Target Price: ₹ 96-104

CMP: ₹ 86.25

Stop-Loss: ₹ **78.00**

Moving Averages		Trends	
13-DMA	85.00	Short	Up
50-DMA	89.00	Medium	UP
200-DMA	85.00	Long	Sideways

Support / Resistance	
R2	102.00
R1	94.00
CMP	86.25
S1	82.00
S2	78.00

Neyveli Lignite Corporation Ltd (NEYVELILIG) is engaged in lignite excavation and power generation using the lignite excavated. It has been trading in down trend from its peak of Rs 105.10 on 16th Feb, 2011. The Stock made a 52-week low of Rs 67.65 on 23rd Nov, 2011 and a 52-week high of Rs 118 on 28th Apr, 2011. NEYVELILIG made a "Morning Star" on daily chart. As of now, the stock has closed above its 200-DMA. The 14-days RSI of NEYVELILIG is showing a positive diversion and the said pattern is a bullish formation, which suggests that the stock can see some upside in the coming days.

Hence, we recommend a BUY on NEYVELILIG at Rs 85-83 with a stop loss of Rs 78 and a price target of Rs 96-104 for short to medium term.

ARI - Equity Outlook and Commodity & Currency Pick

Technical Equity Market Outlook

Nifty

Political uncertainty and guarded approach by RBI on the monetary policy, resulted in a narrow range bound trading activity during the month of March 2012. On the sectoral front, FMCG, health care, and auto ended with decent gains whereas realty, oil & gas and metals ended the month with losses. The Sensex closed with a net loss of 1.96% whereas Nifty lost 1.66% vis-à-vis the previous month.

Technical Observation

On the Monthly chart

- After a "Flag" pattern breakout, we are witnessing a narrow range body formation which indicates indecisiveness prevailing at current levels.
- Prices have managed to close above 5&20 month EMA which indicates that the undertone is still positive.

On the Weekly chart

- Prices tested the upper trend line of the channel and smartly bounced back to form a candlestick pattern that resembles a Bullish Hammer. The said pattern would be activated above 5308 and will be confirmed if the weekly close is above the mentioned level.
- The slope of the upper trendline of the downward sloping channel is decreasing. Hence, for the first week of the month, the upper trend line value of the downward sloping channel is approximately in the range of 5080 – 5050 level.

On the Daily chart

- The prices have sharply bounced back after testing the 200-day SMA (5148) and have closed above the short term 5&20 SMA. This suggests that the undertone has turned positive.

Conclusion

Combining the above pattern formations, it is evident that the upper trendline and the 200 day SMA (5148) remains a crucial range for the indices going forward. As long as prices holds the upper trend line of weekly channel, we are of the opinion that a retest of prior swing high of 5630 and the channel target of 5800 - 5900 levels in a couple of months is achievable. On the downside, fib support levels below 5150 are at 5086 - 4950 - 4766.

Commodity Pick: Dhaniya BUY

Last quarter turned out to be volatile quarter for Coriander (Dhaniya) that made a low of Rs 3,651 and a high of Rs 4,832. Among all the volatility, coriander finally ended the month at 4199 and is currently trading at the same level (Rs 4,199). A doji candle stick is witnessed in the quarterly charts of dhaniya that is showing consolidation phase in its prices which will only be confirmed if prices sustain above Rs 4,420 (upper trend line of the consolidation pattern). Volumes have risen during the last quarter that is signaling bullish trend reversal in the markets. From the above analysis, we expect that the coming quarter is said to be bullish for dhaniya prices and we recommend buying above Rs 4,420 with a target price of Rs 5,230/Rs 5,650 and a stop loss of Rs 3,650 with a short term horizon.

Currency Pick: JPY-INR BUY

Indicating rebound after a downward rally:

JPY-INR made a low of Rs 59.78 in the last month and rebounded thereafter to settle down at Rs 62.36. Volumes rose during the last month signaling bullish mode. A high wave candle witnessed with volumes is signaling trend reversal. Prices are sustaining far below the short term moving averages pointing strength in the trend. Crucial resistance is seen at Rs 62.50, and on sustained trade above the said level, it is likely to test the next resistance level of Rs 64.00 and then Rs 65.65, while support is seen at Rs 61.20 levels.

For the coming month, we recommend buying in JPY-INR above Rs 62.50 for the target of Rs 64.00 and then Rs 65.20 with a stop loss of Rs 61.20.

ARI - Mutual Fund Update

Mutual Fund – Monthly Roundup

The Indian equity Indices slid to the lowest level in eight weeks during the month of March 2012 and settled on a negative note. The Sensex dropped 1.96% to settle at 17404 during the month of March 2012 while the S&P CNX Nifty was down by 1.66% to end at 5295 over the same period. However, CNX Midcap Index advanced 0.08% during the month.

As the markets turned volatile, the Indian mutual fund houses maintained a cautious stance and turned net sellers of equity, making a total sales of Rs 1549 crore in March 2012. The fund houses made the highest selling in the fifth week of the month with net sales of Rs 471.8 crore. As has been the trend for quite some time, since MFs were the net sellers, the foreign institutional investors (FII) maintained their bullish stance on Indian equities and bought Rs 8,381.10 crore worth of equities over the same period.

Mutual Fund Activity in Mar, 2012

(₹ in Crores)	Gross Purchases	Gross Sales	Net Investment
1st Week	862.3	1,205.6	-343.3
2nd Week	2,082.9	2,260.9	-178.1
3rd Week	2,819.9	3,205.2	-385.5
4th Week	2,522.5	2,693.0	-170.6
5th Week	2,297.4	2,769.4	-471.8
Total for Mar 2012	10,585.0	12,134.1	-1,549.3

(Source : SEBI)

Capital Movement

The average assets under management (AUM) of the mutual fund industry registered a decline of 2.48% to Rs 6.6 lac crore in March 2012 quarter vis-à-vis Rs 6.8 lac crore in December 2011 quarter, as per the data released by the Association of Mutual Funds of India (AMFI). A decline in AUM in March 2012 is not worrisome as it is a yearly trend for MFs to witness redemptions in March. The corporate and banks redeem funds from debt funds to meet their year-end commitments, which is the primary reason for drop in AUM of MF industry in the quarter, and this money finds way back in these funds once the financial year ends.

The breadth of the industry was negative as 29 out of 44 fund houses in the industry registered a drop in their AUM while only 15 saw an increase. Moreover, nine of twenty nine fund houses registered a decline of over 10% in their AUM during the month.

Among the top ten fund houses of the country, in terms of AUM, six fund houses registered a decline in their AUM in line with the industry trend however four of them saw an increase. HDFC Mutual Fund, the largest fund house of the country, saw an increase of 1.41% or Rs 1,250 cr in its AUM, to Rs 89,878 cr the highest percentage and absolute increase among the top ten fund houses while Kotak Mutual Fund saw a sharp erosion of 13.5% in its AUM, which is equivalent to Rs 4,000 crore. Reliance Mutual Fund, the second largest fund house (in terms of AUM), witnessed the highest fall, in absolute terms, in its AUM as its assets shrunk by Rs 4,194 crore of 5% of its overall AUM.

Top 10 Mutual Fund Houses

MF Name	Average AUM		Q-o-Q Change	
	30th Mar 2012	30th Dec 2011	Absolute	In%
Reliance MF	78,111.80	82,305.80	-4,194.00	-5.10
HDFC MF	89,878.70	88,628.00	1,250.70	1.41
ICICI Prudential MF	68,718.50	69,367.80	-649.30	-0.94
UTI MF	58,922.10	57,817.30	1,104.80	1.91
Birla Sun Life MF	61,142.50	60,377.30	765.20	1.27
SBI MF	42,041.50	41,551.50	490.00	1.18
Franklin Templeton MF	34,492.70	35,641.60	-1,149.00	-3.22
Kotak Mahindra MF	25,738.10	29,738.10	-4000.00	-13.45
LIC Nomura MF	5,799.00	6,222.60	-423.50	-6.81
DSP BlackRock MF	29,298.30	30,564.90	-1266.60	-4.14

The new kid on the block, Indiabulls Mutual Fund, registered a 48% rise in its AUM from Rs 1,307 crore in Dec 2011 to Rs 1,937 crore as on 31st March 2012 while Union KBC Mutual Fund, that launched its first scheme in May 2011, also saw a huge jump in its AUM by a whopping 155% from Rs 540 cr in Dec-2011 quarter to Rs 1,376 crore as on 31st March 2012.

Gainers and Losers

It comes as no surprise that the performance of equity mutual funds was weak, considering that the equity markets themselves stayed volatile throughout the month and ended the month with losses. While at one end of the spectrum ICICI Prudential FMCG Fund gained an impressive 7.98% in March 2012, which translates to 95% per annum return, at the other end of the spectrum Birla Sun Life Commodity Equities Fund generated a negative return of 11.6% for the month (equivalent to -140% p.a. return). Overall all the equity funds generated an average return of -0.72% for March 2012.

Best Performer: All Equity Diversified Funds

Monthly			Yearly		
Scheme Name	NAV (Rs)	1-Month Return (%)	Scheme Name	NAV (Rs)	1-Year Return (%)
Principal Emerging Bluechip Fund - G	27.26	3.38	SBI Magnum Sect Umbrella - Emerg Buss Fund - G	44.54	14.02
Canara Robeco Emerging Equities - G	23.22	3.06	BNP Paribas Mid Cap Fund - G	9.99	9.82
BNP Paribas Mid Cap Fund - G	9.99	3.02	HDFC Mid-Cap Opportunities Fund - G	16.38	8.99
Birla Sun Life India GenNext Fund - G	25.07	2.96	Mirae Asset Emerging Bluechip Fund - G	11.57	8.01
SBI Magnum Global Fund 94 - G	58.32	2.86	UTI Wealth Builder Fund - Series II - G	20.78	6.55

In the sectoral fund category, ICICI Prudential FMCG Fund topped the chart with a handsome return of 7.98% followed by UTI MNC Fund that generated a return of 4.51% during the month. Interestingly, these two funds topped the best performing funds chart even for the FY2012 generating a return of 33.54% and 17.22%, respectively, for the year ending 31st March 2012.

Best Performer : All Sectoral Funds

Monthly			Yearly		
Scheme Name	NAV (Rs)	1-Month Return (%)	Scheme Name	NAV (Rs)	1-Year Return (%)
ICICI Prudential FMCG - G	85.24	7.98	ICICI Prudential FMCG -G	85.24	33.54
UTI MNC Fund - G	67.48	4.51	UTI MNC Fund - G	67.48	17.22
SBI Magnum Sector Funds Umbrella - Pharma -G	47.76	3.98	Birla Sun Life MNC Fund - G	230.29	14.04
Birla Sun Life MNC Fund - G	230.29	3.22	Reliance Media & Entertainment Fund - G	28.66	12.68
UTI Pharma and Healthcare Fund - G	40.68	3.20	SBI Magnum Sector Funds Umbrella - Pharma - G	47.76	9.69

On the debt side, the top performing debt fund during the month were Axis Hybrid Fund and DWS Twin Advantage Fund, generating an absolute return of 2.37% and 1.33% respectively. On the yearly basis Canara Robeco InDiGo Fund and Sahara Short Term Bond Fund topped the chart with a return of 15.69% and 14.35% respectively.

Best Performer: All Debt Funds

Monthly			Yearly		
Scheme Name	NAV (Rs)	1-Month Return (%)	Scheme Name	NAV (Rs)	1-Year Return (%)
Axis Hybrid Fund - Series 2 - G	11.51	2.37	Canara Robeco InDiGo Fund - G	12.18	15.69
DWS Twin Advantage Fund - G	17.97	1.33	Sahara Short Term Bond Fund - G	12.94	14.34
HDFC Floating Rate Income Fund - Long Term Fund - G	18.59	1.13	Escorts Income Plan - G	35.24	14.31
SBI Magnum Monthly Income Plan - Floater - G	14.23	1.13	Tata Fixed Income Portfolio Fund - Series C3 - Ret - G	14.07	13.98
IDBI Short Term Bond Fund - G	10.96	1.10	SBI Dynamic Bond Fund - G	13.19	12.62

Budget 2012 Special: Impact of Budget on your Personal Finance

The much awaited budget has been announced, while it did not meet the expectations of some as major reforms and policy changes were expected, the budget did bring some reasons to cheer for individuals. Here we provide you with some of the key announcements that would affect us as individuals.

Tab Slab Changes:

In union budget 2012-13 Finance Minister made a small raise in the exemption limit for income tax by just Rs 20,000 from Rs 1,80,000 for males and Rs 1,90,000 for females to Rs 2,00,000 for both. However no change has been done in the tax slab of senior citizens and very senior citizens, it stays the same at Rs 2.5 lakh and Rs 5 lakh respectively. A snapshot of the revised tax rates is given below:

Tax Slab :-

Individual (Male and Female) below 60 Yrs	Senior Citizen (age 60 yrs to 79 Yrs)	Very Senior Citizen (age 80 yrs and above)	Tax Rate
Upto Rs 2,00,000	Upto Rs 2,50,000	Upto Rs 5,00,000	Nil
Rs 2,00,001 to 5,00,000	Rs 2,50,001 to Rs 5,00,000	---	10%
Rs 5,00,001 to 10,00,000	Rs 5,00,001 to Rs 10,00,000	Rs 5,00,001 to Rs 10,00,000	20%
above Rs 10,00,000	above Rs 10,00,000	above Rs 10,00,000	30%

Another important point to note is that the Finance Minister has not extended the deduction on investment in infrastructure bonds u/s 80 CCF of Rs 20,000, the provision of which was announced in 2010 for two years. Due to withdrawal of this deduction, the tax payer having income upto Rs 8 lakh will not be effectively benefited from increased tax exemption limit.

Income (in Rs)	Male Taxpayer			Female Taxpayer			Senior Citizen Tax payer			Very Senior Citizen Tax payer		
	Tax (Year)		Saving (Year)	Tax (Year)		Saving (Year)	Tax (Year)		Saving (Year)	Tax (Year)		Saving (Year)
	11-12	12-13	12-13	11-12	12-13	12-13	11-12	12-13	12-13	11-12	12-13	12-13
2,00,000	NA	NA	0	NA	NA	0	NA	NA	0	NA	NA	0
3,00,000	10,300	9,270	1,030	9,270	9,270	0	3,090	4,120	-1,030	NA	NA	0
5,00,000	30,900	29,870	1,030	29,870	29,870	0	23,690	24,720	-1,030	NA	NA	0
10,00,000	1,50,380	1,31,840	18,540	1,49,350	1,31,840	17,510	1,43,170	1,26,690	16,480	1,17,420	1,00,940	16,480
15,00,000	3,04,880	2,85,310	19,570	3,03,850	2,85,310	18,540	2,97,670	2,80,160	17,510	2,71,920	2,54,410	17,510

•While calculating tax for FY 11-12 deduction of Rs 20,000 has been taken for infra bonds under section 80CCF
•While calculating tax for FY 12-13 deduction of Rs 10,000 has been taken from saving bank interest under section 80TTA

- Deduction in respect of interest on deposits in savings accounts: Finance Minister has announced a deduction of Rs 10,000 on interest from saving bank account for individuals and Hindu undivided family (HUF) under section 80TTA of the Income –tax Act
- Deduction for expenditure on preventive health check-up: Payment for preventive health check-up of self, spouse, dependent children or parents(s) during the previous year will be eligible for deduction within the overall limits of section 80D. However, the proposed deduction should not exceed the sum of Rs 5,000.
- Rajiv Gandhi Equity Savings Scheme – The government has been working on increasing the depth of Indian financial markets and in an attempt to do that the Finance Minister has proposed a new scheme (details to be notified), where income tax deduction of 50% to new retail investors, who invest up to Rs 50,000 directly in equities and have an annual income below Rs 10 lacs, will be introduced. The scheme will have a lock-in period of 3 years.
- No deduction from Infra bonds: Two years ago additional deduction under section 80CCF was introduced to encourage investors to put money into infrastructure bonds. This consisted of bonds with a 5 year lock-in and the maximum benefit in the financial year was restricted to Rs 20,000 of investments. This deduction has not been extended in union budget 2012-13.

- Exemption for Senior Citizens from payment of advance tax: In order to reduce the compliance burden on senior citizens, it is proposed that a resident senior citizen, not having any income chargeable under the head "Profits and gains of business or profession", shall not be liable to pay advance tax and such senior citizen shall be allowed to discharge his tax liability (other than TDS) by payment of self assessment tax.
- Reduction in the rate of Securities Transaction Tax (STT): STT in Cash Delivery segment is reduced from the existing 0.125% to 0.1%. The proposed amendments in the rates of STT will be effective from the first day of July, 2012 and will accordingly apply to any transaction made on or after that date.
- Tax Deduction at Source (TDS) on transfer of certain immovable properties (other than agricultural land): Every transferee, at the time of making payment or crediting any sum by way of consideration for transfer of immovable property (other than agricultural land), shall deduct tax, at the rate of 1% of such sum, if the consideration paid or payable for the transfer of such property exceeds –

  (a) fifty lakh rupees in case such property is situated in a specified urban agglomeration; or

  (b) twenty lakh rupees in case such property is situated in any other area.

  This amendment will take effect from 1st October, 2012.
- Tax Collection at Source (TCS) on cash sale of bullion and jewellery: In order to reduce the quantum of cash transaction in bullion and jewellery sector and for curbing the flow of unaccounted money in the trading system of bullion and jewellery, it is proposed to provide that the seller of bullion and jewellery shall collect tax at the rate of 1% of sale consideration from every buyer of bullion and jewellery, if the sale consideration exceeds Rs 2 lacs and the sale is in cash. This would be irrespective of the fact whether buyer is a manufacturer, trader or purchase is for personal use. This amendment will take effect from 1st July, 2012.
- Capital gains tax from sale of agricultural land by a HUF: Capital gains on transfer of land which, in the two years preceding the year in which it has been sold, has been used for agricultural purposes by assessee or his parent, is exempt if the whole of capital gains has been reinvested in the purchase of agricultural land in the next two years. It is now proposed that this benefit be also granted to a HUF.
- Exemption of any sum or property received by an HUF from its members: that any sum or property received without consideration or inadequate consideration by an HUF from its members would also be excluded from taxation. This amendment will take effect retrospectively from the 1st day of October, 2009
- Eligibility conditions for exempt life insurance policies: The Finance Minister has proposed to amend section 10(10D) so as to provide that the exemption for insurance policies issued on or after 1st April, 2012 would only be available for policies where the premium payable for any of the years during the term of the policy does not exceed 10% of the actual capital sum assured.
- Eligibility condition for deduction in respect of life insurance policies: The existing provisions contained in section 80C(3) provide that the deduction for life insurance premium shall be allowed for only so much of any premium or other payment made on an insurance policy as is not in excess of 20% of the actual capital sum assured. It is proposed to amend the provisions to provide that the deduction for life insurance premium as regards insurance policies issued on or after 1st April, 2012 shall be allowed for only so much of the premium payable as does not exceed 10% of the actual capital sum assured.

  If you have any tax queries, pls send us an email at research@arihantcapital.com

Understanding Currency Derivatives

Lesson - 1

More than often the term 'derivatives' immediately result in puzzled faces from those who do not have a financial background. And with the addition of the word 'currency' to 'derivatives', even for someone with some basic knowledge of finance, might result in a reaction of total bewilderment. To keep things simple, let us first understand what a derivative is. Derivative is a security whose value is 'derived' from the value of some underlying asset and they do not have an independent value.

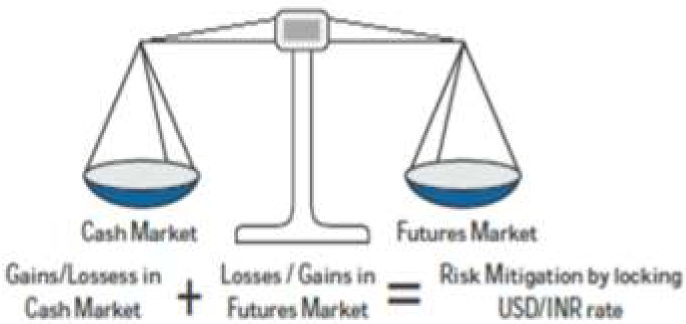
Currency futures are contracts to buy or sell one currency (only dollar-rupee as of now) against another at a specified price and date in the future. In contrast *currency options* are contracts that grant the holder the right, but not the obligation, to buy or sell currency at a specified exchange rate during a specified period of time. The primary difference between options and futures is that options give the holder the right to buy or sell the underlying asset at expiration, while the holder of a futures contract is obligated to fulfill the terms of his/her contract.

First started in August 2008 in India, currency derivatives are currently traded on three exchanges – National Stock Exchange (NSE), MCX-SX and Bombay Stock Exchange (BSE)

Use of currency derivatives

Currency derivatives can be used for hedging foreign currency exchange positions, speculation against movement of currencies or arbitraging.

- HEDGING: The most important use of currency derivatives is to mitigate risk by offsetting currency fluctuations using hedging. Hedging can be used by individuals who have bought foreign currency for travelling abroad or who receive income from their family or friends earning abroad, producers shipping goods to different countries where they will be paid in that country's currency, by exporters and importers shipping internationally and by banks involved in worldwide trade to minimise the risks owing to their exposure to foreign currencies. For example, I am an individual travelling with my family to the US and I



decide to take with me $10,000 which is equivalent to Rs 5,00,000 at the current rate of Rs 50 for 1 USD. Now considering the financial turbulence in the US region I am worried that when I return back and want to sell the unused dollars, I might lose money if the dollar falls. I believe that I would spend about $2,000 during my trip, so I decide to hedge the risk and sell 8 currency futures contracts of USD/INR on exchange, which is equivalent to $8,000 (1 contract denotes €1,000).

As I expected, by the time I returned after a month, the dollar was trading at Rs 47 due to sharp correction in USD and since I hedged my position I could save myself from a potential loss of Rs 24,000.

- SPECULATION: Speculation is seeking to predict changes of market trends and then betting on currency value movements to make profits. For example, if you believe that an increase in exports from the Indian services and manufacturing sector combined with strong investment inflows from foreign investors will translate into a stronger rupee, you can sell the dollar-rupee pair.
- ARBITRAGING: Market participants often get opportunities to exploit the price differential of currency pair between different markets and make profit from it. Price differential can potentially exist between over the counter (OTC), currency futures and non-deliverables forwards and can be leveraged for arbitrage. Arbitrage will ideally be used by more matured market participants who understand the technicalities involved and have access to higher capital.
- DIVERSIFICATION: Currency derivatives can be used an additional asset class to diversify your portfolio. Since the currency derivative contracts in India are valid for up to twelve months, they are apt for investment purpose. However a good understanding of the currency market is needed to take investment exposure in any currency. A novice or a beginner should restrict the use of currency derivatives for hedging and only once they have a good understanding of the variables that affect the currency rates should they use it as an additional asset class for investment.

How currency contracts work and factors that affect a currency will be discussed in the next issue. Stay tuned.

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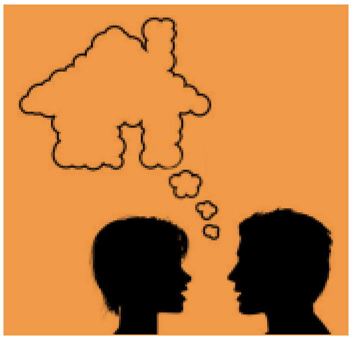

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