January 2018

MONEY GUIDE

CREATE - OPTIMISE- SECURE

JRL

Creating Wealth Preserving Values

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January : 2018 • Issue 139

Did you know?

FII - ACTIVITY NET (Crs)

Month	Equity	Debt
Jan-18	14002.42	8168.04
Dec-17	-4747.2	2463.28
Nov-17	19782.74	-1233
Till Date	29,037.96	9,398.32

MF - ACTIVITY NET (Crs)

Month	Equity	Debt
Jan-18	7386.4	19538.73
Dec-17	6113.71	22412.22
Nov-17	10668.68	37473.85
Till Date	24,168.79	79,424.80

Financial Wisdom

"The stock market is the story of cycles and of the human behavior that is responsible for overreactions in both directions."

-Seth Klarman

Market Outlook

2018-19 budget faced unique pressures and constraints. India has participated in the global equity market rally but not fully in the global growth momentum - laying the narratives for counter-cyclical growth supportive measures in the budget. A pre-election year budget laid the possibility of higher expenditures and palliatives to certain stressed sectors of the economy. But, the rating upgrade by Moody's had put the credibility pressure on the stated fiscal consolidation path. Further, with the advent of GST, government may not be able to change vast majority of indirect taxes, leave aside the prevailing uncertainty on the final revenue buoyancy. And finally, oil at US$ 70 per barrel and rising bond yields have begun to induce macroeconomic pressures and constrain the fiscal space.

Amidst all the push and pulls, the government had eventually sided with glidepath on fiscal consolidation. Fiscal slippage in 2017-18 was limited to 30bps and revised deficit estimate is pegged at 3.5% of GDP. The shortfall in indirect tax collection, profits transfer from RBI and telecom related receipts were only partly offset by higher direct taxes and disinvestment receipts, and explain the fiscal slippage.

FY19 pencils the deficit at 3.3% of GDP. Overall fiscal arithmetic looks credible and has frayed away from any populist spending. The consolidation is achieved largely through expenditure restraint.

Interestingly, tax-to-GDP is at the highest level while government expenditure to GDP is at a historic low. Total expenditure (ex of GST cess transfer to states) is budgeted to grow at just 9.1%. However, oil subsidy is unchanged for next year and could be at risk of slippage if crude oil stays high. While the capex spending share through budgetary resources is gradually declining, it is made good by increased capex through PSEs' resources. A large part of the expenditure side (salaries, pensions, defense, interest payment) is sticky. Hence, it is imperative that tax-to-GDP ratio increase substantially to enable higher spending on social and physical infrastructure. To that end, GST, digitalization, data mining, crackdown on black money followed by likely reforms on the direct tax side should lead to higher tax revenues going forward.

Barring the uncertainty on GST (in the light of pending refunds and devolution to states), the assumed tax buoyancy on budgeted taxes appears realistic. Dividend from RBI and PSUs same as last year and telecom revenue at Rs. 487 billion – all appear to be credible. FY18 has seen the highest disinvestment proceeds in the history. Also, it is the first time in last 15 years that the disinvestment targets have been over-achieved. In FY19, the divestment proceeds have been pegged at Rs. 800 billion, which looks achievable. We hope to see beginning of strategic sales, as charted by NITI Aayog, materializing next year.

The budget continued its focus on rural economy and the farm sector- with measures focusing particularly on enhancing productivity. Government intends to ensure that the difference between MSP and market price is compensated to the farmers. The intent to liberalize the export of agriculture and commence an operation green (targeting higher production of key vegetables) bode well for the farm income. Phase III of the Pradhan Mantri Gram Sadak Yojna (PMGSY) will focus on improving the hinterland connectivity. The monetary allocation and targets for the rural housing schemes, though, stands broadly unchanged.

One of the big moves in budget was the expansion of social security ambit. This is pertinent to realize our true demographic potential and achieve an inclusive growth. While the monetary outlay on the new grand health insurance scheme in this budget is low, it can be ramped up as the proper eco-system is put in place. MGNREGA, Financial Inclusion, Atal pension scheme, Ujjwala Yojna and now the health insurance – India is constructing a variable of Universal Basic Income for at least its bottom of the pyramid. That said, effective execution will be the key.

The corporate tax rates for small businesses were cut to 25%. Tax relief to senior citizens, salaried employees and small enterprises can likely help in increasing the disposable income. Support to MSME sector can have positive impact on job creation. US has embarked on a sharp tax rate reduction which may be followed by most other economies. India may eventually have to follow suit and lower tax rate for big corporates as well. The thought of having a unique ID for businesses (on the lines of Aadhar which is for individuals) can go a long way in improving the 'ease of doing business'.

Despite the headline commitment to fiscal consolidation and lower than expected gross market borrowings, bond market sold off. 10 year G-sec yield rose by 18 bps to 7.60%, suggesting the likely concern on MSP-hikes pushing inflation expectations higher and possible change in RBI's stance. Rising global bond yields and crude oil prices are also weighing on the sentiments.

While the budget opens the door for large MSP revision, the eventual inflationary and fiscal impact will depend on the methodology for measuring the cost of production. A cursory study of the current price setting mechanism suggests that most agri-products are already witnessing an MSP of nearly 1.5x of their production cost.

The imposition of LTCG tax on equities and increased income tax exemption for senior citizens may attract more funds in the fixed income space. However, one also needs to take cognizance of the increased borrowings through public sector enterprises. Further the expected credit recovery can reduce the banks' appetite for government bonds. Banks' holding of G-Sec is already well above the SLR level and foreign investor limit on government securities is nearly used up. However, with increased penetration of insurance and pension sector, one needs to keenly watch their demand for bonds. We believe, investor should build exposure gradually as bond yields are entering in an attractive zone.

Coming to the equity market, the budget finally quelled the long-standing market speculation on long term capital gains tax (LTCG). Budget measures leading to higher disposable income along with farm and rural thrust, consumption growth momentum should continue. The continued focus on the infrastructure (9% increases in monetary allocation) is positive for the related sectors.

Rising bond yields may have an impact on domestic equity flows while global liquidity tightening could challenge the FII investment. To that extent, earnings trajectory will be closely watched in 2018. So far, the latest Q3 FY18 results are comforting. The revival in earnings is critical for such rich valuations to sustain. Last few years have favored growth over value stocks. However, recently we have seen interest emerging in contrarian themes such as corporate lenders, IT, telecom and construction. After the stellar performance in 2018, particularly in the mid and small caps segment, it is very important to keep an eye on valuations. With little scope of valuation re-rating, bulk of the returns are likely to be guided by earnings growth. We continue to focus on bottom up stock picking which we believe is the best way to generate alpha.

The event is behind us, so back to global cues and earning trajectory!

Navneet Munot
CIO – SBI Funds Management Private Limited

Union Budget 2018

Union Budget 2018-19 – Focus shifts to implementation

The Union Budget 2018 was largely along predictable lines.

The last three years have already witnessed a large number of reforms – GST, DBT, bankruptcy code, Make in India, affordable housing, FDI relaxation, to name a few. Focus thus had to shift to implementation. Budget 2018 has rightly focused on consolidation and implementation and does not propose any new major reforms.

The budget reaffirms the strategic focus areas of the current government –

- Agri / Social sector –Ujjwala / Saubhagya / Ayushman / farm income
- Fiscal discipline – commitment to FRBM
- Infrastructure development – Roads, Udan, drinking water, housing, etc.
- Widening tax base – tax on long term capital gains
- Make In India.

Reversing a trend of many years, government raised customs duty on import of many items to encourage domestic manufacturing. On direct tax front, removal of exemption on long term capital gains on listed shares / MF units is a major change. Excise / Service tax rates saw no changes as they have now become part of GST.A detailed commentary of the key issues in the budget follows.

Fiscal Snapshot

The government has revised its fiscal deficit target from 3.2% of GDP to 3.5% of GDP for FY18 due to spill over impact of new GST regime, shortfall in Non-tax revenues, and higher spending.

The fiscal deficit target for FY19 is 3.3% of GDP. Some of the key assumptions for this are given below:

Growth assumptions	Remarks
Nominal GDP : 11.5%	Realistic
Corporation Tax : 10.2%	Conservative as profit growth is expected to be higher
Personal Taxes : 19.5%	Moderately aggressive
GST : 17%	Reasonable, due to improving growth, better compliance and 12 month collections in FY19 v/s 11 month collections in FY18
Subsidies : 11%	Can swing either ways depending on commodity price movements

The quality of expenditure has taken a hit in FY18 with revenue expenditure increasing by ~ 15% over FY17 while capital expenditure fell by ~4%. Even in FY19, growth of revenue expenditure is slightly more than capital expenditure.

The government has budgeted for a net market borrowings (Gsec + Tbills) of ~Rs 4.07 trillion compared to ~Rs 4.80 trillion in FY18. The actual increase in fiscal deficit is ~ Rs 29,000 but the government has budgeted a lower net borrowing of ~Rs 73000 crores. This is largely explained by cash withdrawal of ~ Rs 43,000 crore and additional resources from Reserve Fund, Deposit & advances of ~Rs50,000 cr.

It has also proposed to amend the FRBM Act wherein the government will simultaneously target debt and fiscal deficit, while retaining fiscal deficit as an operational target. Under this, endeavour will be made to reduce the central government's debt to GDP ratio from 50.1% for FY18 to 40% for FY25.

Agriculture

With an aim to double farmers' income by 2022, the government has already taken up several critical initiatives including crop insurance, soil testing, irrigation, better farming practices, linkage of agricultural markets etc. In addition to long term measures in that direction, the Budget also announced some measures to alleviate stress in sections of the rural economy.

- Raising Kharif MSPs to 1.5x of costs – Likely to improve farm income in specific crops, which could contribute mildly to inflation.
- A decision to develop full-proof mechanism to ensure farm realization at MSPs even if market prices are below MSPs
- Creation of Agri-Market Infrastructure Fund with a corpus of Rs 2000 cr for developing and upgrading agricultural marketing infrastructure in the 22,000 Grameen Agricultural Markets (GrAMs) and 585 APMCs.
- Plan to reorient existing schemes to promote cluster-based development of agri produce and regions
- Doubling of allocation to Food Processing Ministry from Rs 715 cr (RE 17-18) to Rs 1400 cr.
- Allocation of Rs 500 cr for Operation Green to ensure proper management of key round-the-year perishables, namely Potatoes, Onions and Tomatoes.
- Allocation Rs 1290 cr for a restructured National Bamboo Mission.
- Setting up of two funds for development fisheries and animal husbandry sectors with corpus of Rs 10,000 cr.
- Liberalize exports of agri commodities.

Social Welfare

The budget announced a number of measures with the aim of promoting inclusive growth and social welfare. Some of the key announcements in Budget include -

- Increase in the target of beneficiaries under Ujjwala from 5 cr to 8 cr.
- Plan to launch a flagship National Health Protection Scheme to cover 10 cr poor families (approx 50 cr persons) providing health insurance upto Rs 5 lac per annum per family for secondary and tertiary care hospitalization.
- Allocation of Rs 1200 cr for The National Health Policy 2017 which envisages creation of 1.5 lac Health and Wellness Centres over time, which would provide comprehensive healthcare, free essential drugs and diagnostic services.
- Rs 16000 cr spend on Saubhagya scheme to ensure free electricity connection to all households in the country.
- Construction of 2 cr toilets under Swachh Bharat Mission.
- Rs.51 lac houses to be constructed in rural areas under Pradhan Mantri Awas Yojna (PMAY) in FY18-19. Sanctioned construction of 37 lac houses in urban areas.
- Focus on improving quality of education including district-wise strategy development based on surveys, training of teachers and use of technology.
- Creation of a new major initiative - "Revitalising Infrastructure and Systems in Education (RISE) by 2022" with a total investment of Rs 1 lac cr in next four years.

Various ministries concerned are expected to spend about Rs 14.34 lac cr in FY18-19 on agriculture allied activities, creation of livelihood and construction of rural infrastructure. This spend is expected to create employment of 321 cr person days, 3.17 lac kilometres of rural roads, 51 lac new rural houses, 1.88 cr toilets, and provide 1.75 cr new household electric connections.

Infrastructure

Infrastructure development continues to be a high priority area. In government's assessment, there is a need for Rs 50 lac cr to connect and integrate nation with a network of roads, airports, railways, ports and inland waterways and to provide good quality services to people. Urbanization is another priority for government.

Key allocations and initiatives for development of Infrastructure are:

- Rs 5.97 lac cr allocated for infrastructure development in FY19 (up 21% YoY).
- Allocation for Railways is higher by 20% YoY to Rs 1.46 lac cr. Key focus areas a)capacity expansion b) safety c) electrification d) redevelopment of 600 railway stations
- Allocation for Roads is up 10% YoY to 1.21 lac cr.
- 120% increase in allocation to affordable housing. (Rs 64,500 cr in FY19 vs. Rs 29,500 cr in FY18). More than 1 cr houses to be built in rural areas over two years (51 lac houses in FY18 and 51 lac houses in FY19) and 37 lac houses sanctioned in urban areas.
- 99 cities selected under Smart City scheme to build cities with state-of-the-art amenities. While total outlay is Rs 2 lac cr for projects like intelligent transport systems, solar rooftops etc., so far projects worth Rs 2350 cr have been completed and projects worth Rs 20,852 cr are under progress.
- Under AMRUT programme, government wants to provide water supply all households in 500 cities. Projects worth Rs 77,640 cr have been approved and nearly Rs 40,000 cr worth of projects have been awarded.
- As a part of reforming urban bodies and to provide multiple funding opportunities, 482 cities have started credit rating process.
- Namami Gange has now gathered momentum. 187 projects worth Rs 16,713 cr have been sanctioned.
- In FY19, govt plans to create 3.17 lac km of rural roads, 51 lac houses and issue 1.75 cr new electricity connections in rural areas. This will also create employment opportunities in rural India.
- UDAN will connect 56 unserved cities. AAI targets to expand airport capacity over time by more than five times to handle 100 cr passenger trips a year from current 20 cr passenger trips.
- Government plans to raise funds through Innovative structures like Toll, operate and Transfer (TOT) and Infrastructure Investment Funds (InviTs) to fund these initiatives.

Personal Taxation and Savings

The budget has proposed some benefits for middle class and senior citizens. These are:

- The limit of deduction under section 80D in respect of payments towards annual premium on health insurance policy, or preventive health check-up, of a senior citizen, or medical expenditure in respect of very senior citizen is being increased from Rs 30,000/- to Rs 50,000/-. In case of single premium health insurance policies having cover of more than one year, it is proposed that the deduction shall be allowed on proportionate basis for the number of years for which health insurance cover is provided, subject to the specified monetary limit.
- The deduction available to an individual and HUF for payment towards medical treatment of specified disease is being increased to Rs 100,000 for very senior citizen (earlier Rs 80000) and senior citizen (earlier Rs 60000).
- At present, a deduction upto Rs 10,000/- is allowed under section 80TTA to all assessees in respect of interest income from savings account. A new section 80TTB is being proposed so as to allow a deduction upto Rs 50,000/- in respect of interest income from deposits held by senior citizens. However, no deduction under section 80TTA shall be allowed to these senior citizens. It is also proposed to amend section 194A so as to raise the threshold for deduction of tax at source on interest income for senior citizens from Rs 10,000/- to Rs 50,000/-.
- The budget has introduced the following new taxation on equity shares of a company, unit of equity oriented fund and unit of a business trust
  - o The mutual funds shall be liable to deduct 10% on any income being distributed from equity oriented funds.
  - o Long term capital gains @ 10% will be applicable on capital gains exceeding Rs100,000 upon sale of equity share or units of equity oriented funds or unit of business trust etc. However, the gains till 31-Jan-2018 are being grand fathered i.e. only gains over 31-Jan-2018 prices will be taxed.

Corporate Taxation and Indirect Taxation

Government has taken further steps to bring down direct taxes, particularly for smaller companies. Also, reversing a trend of reducing custom duties on imported goods over last many years, the government raised custom duty on many items to encourage domestic manufacturing.

The key proposals in corporate taxation / indirect taxation are -

- Reduction in corporate tax rate to 25% on companies with reported turnover upto Rs 250 cr in FY17. This should benefit 99% of the companies filing their returns.
- Levy of Social Welfare Surcharge @ 10% of aggregate custom duty on imported goods to finance education, housing and social security (3% education cess on duty removed).
- Increase in basic custom duty raised by 10% on skin / beauty / oral / shaving products, footwear, furniture, lamps and light fittings, bedding / furnishing / mattresses, toys, wrist and smart watches, sunglasses, etc.
- Increase in basic custom duty by between 5% and 20% on various fruit juices and miscellaneous food preparations, etc.
- Increase in basic custom duty by 5% on mobile phones, bus / truck radial tyres / specific components, CKD / CBU vehicles, etc.

Impact on various sectors

Banks

Impact of Budgetary proposals on banks is as follows:

- The budget proposes to provide relief from MAT (Minimum Alternate tax) for companies under Insolvency & Bankruptcy code (IBC) The buyer of stressed corporates can now adjust the carry forward losses and unabsorbed depreciation from book profits. This should improve recovery from NPA's. This is positive for banks.
- The budget proposes to permit funds (Insurance and Pension funds) to invest in A rated bonds. Current regulations permit investments only upto AA rated bonds. This measure should help in deepening of bond markets. However, in the long run this could impact banks.
- The budget proposes to allow Regional Rural Banks to raise capital from equity markets. This is positive for public sector banks as it would result in value unlocking and reduce their capital needs
- The Finance Minister announced that Crypto currency would not be treated as a legal currency.

Insurance

- The budget proposes to increase the allocation for Crop Insurance from INR 10,700 cr to INR 13,000 cr and announced launch of National Health Protection Scheme providing benefit upto INR 5 lacs p.a. for secondary and tertiary care hospitalisation for 10 cr families. These are positive for the General Insurance sector.

Hospitals

- Launch of a health protection scheme to provide health care coverage for secondary and tertiary care hospitalization of upto Rs 5lac per year to ~10cr households or 50cr individuals. This should result in improved occupancy levels for hospitals over time.

Airlines

- Plan to expand airports capacity five times to 100cr trips from current capacity of 20cr in the medium term.

Cement

- It is targeted to complete 1 cr rural and 37 lac urban houses in FY18 and FY19. This is significantly higher than the FY17 numbers. This should increase cement demand between 2-4%.

Auto

- Emphasis on building infrastructure and roads in rural areas augurs well for the growth of the sector. Emphasis on increasing farm incomes is also positive for the auto sector.
- There are no changes in taxes/duties on vehicles in the budget
- With a view to support local manufacturing, following changes are proposed in the budget.
    - Import duty on CKD (completely knocked down) vehicles increased from 10% to 15%
    - Import duty on CBU (completely built up) vehicles increased from 20% to 25%
    - Import duty on crankshafts increased from 7.5% to 15%
    - Import duty on TBR (truck and bus radial) tyres increased from 10% to 15%.

Metals

- Emphasis on infrastructure and housing is good for the growth of the sector.
- To address sharp rise in prices of electrode and to improve supplies to local customers, exports tariff of 20% on electrodes has been proposed.

Pharmaceuticals

- While there is no direct impact on pharma sector, focus on providing access to healthcare facilities should lead to increased demand for medicines over time
- Measures taken to improve access to healthcare facilities
- Set up 24 new Government Medical Colleges and Hospitals by upgrading existing district hospital to ensure 1 medical college for every 3 parliamentary constituencies
- At a cost of 1200cr, Government will open 1.5 lac centres health care centres which will provide free essential drugs and diagnosis
- Launch of the above mentioned health protection scheme for secondary and tertiary care hospitalization

Consumer / Retail

- Rural demand to benefit marginally from the rise in MSPs for kharif crops.
- Increase in import duties on various FMCG products would necessitate price hikes.
- Increase in import duties on items such as lamps and light fittings, furniture, wrist watches, etc would benefit domestic manufacturers.
- Overall no material development for consumer sector.

Real Estate

- Continued focus on PMAY – Dedicated affordable housing fund to be created in National Housing Bank, funded from priority sector lending shortfall. Credit Linked Subsidy Scheme (interest rate subvention) has been allocated Rs1900cr (vs. Rs1000cr last year).
- Development of commercial land around railway stations, as and when implemented, could turn out to be negative for retail/commercial space owners.
- Time period of investment in bonds to get tax exemption, out of capital gains from sale of land or building, has been increased to 5 years, from 3 years earlier.
- To reduce cash transactions, last year's Budget had a provision of capital gains from house property getting calculated on higher of fair value (ready reckoner rates) or transaction value. In the present budget, leeway for a difference of 5% has been given (to adjust for property specific factors).
- Smaller developers (with less than Rs250cr turnover) will benefit from 25% corporate tax rate vs. 30% for larger developers (benefit of 0.50-0.75% on the net margins assuming PBT at 10-15% of realizations).

Power

- Will formulate measures to encourage State Governments to promote solar water pumps installations by farmers & buying of surplus power from these solar pumps by State Electricity

Boards or SEBs (large scale solar pump installations is key step for sustainable improvement in SEB financial health)

- Solar Energy Push – a) reduction in customs duty from 5% to 0% for Solar tempered glass for manufacture of solar cells/panels/modules (could benefit domestic solar manufacturers), b) ~Rs3500cr allocated (under different schemes) for promotion of solar power
- Focus on 24/7 power for all – a) Saubhagya scheme allocation doubled to Rs3700cr (to electrify 1.75cr households free of charge). As per Saubhagya scheme, a total of 4cr households are targeted to be electrified by December 2018 and b) allocation to Deen Dayal Upadhyaya Gram Jyoti Yojana (DDUGJY - village electrification scheme) at Rs3800cr could also effectively get utilized for household electrification, given that only ~1000-1200 villages remains to be electrified (99.7% villages now electrified in India).
- Focus on Railway electrification – Out of 65000 route km of total railway network in India, ~35000 route km is yet to be electrified. Of this, Indian railways plan to electrify ~25000 route km network during 4 years from FY17-21. In FY18, the target is to electrify 4000 route km. This is a significant uptick compared to an average of 1000km /year during past 5-6 years. When fully electrified, Indian railways can lead to an incremental electricity demand of 3-4% of the total electricity demand in India.

Source: HDFC Mutual Fund

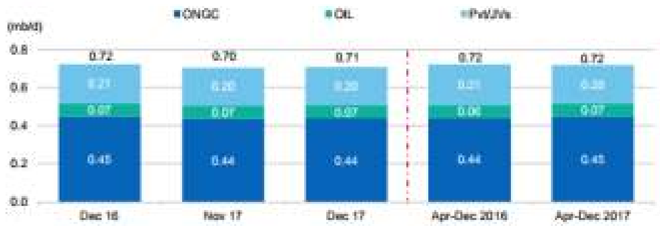
Improvement in Refining Margins Supported by Rise in Crude Oil Prices

Oil & Gas Pro: Improvement in Refining Margins Supported by Rise in Crude Oil Prices

Ind-Ra-New Delhi-6 February 2018: India Ratings and Research (Ind-Ra) has published the January edition of its credit news digest on India's oil and gas sector. The report highlights the trends in the oil & gas sector with a focus on domestic production, import, consumption, refining and gross under-recovery, regulatory changes and the recent rating actions.

The Brent spot price has moved to a three year high of $71.1 per barrel in January 2018 from $44.7 per barrel in June 2017 – an increase of around 59%. This increase is primarily a result of Organization of Petroleum Exporting Countries' decision to continue with the ongoing production cut through 2018; however, now there are indications of a likely downward price correction in February 2018. The rise in crude oil price during 3QFY18 is likely to further bolster the refining margins. Inventory losses led by an adverse crude oil price movement resulted in a decline in gross refining margins for most of the domestic refiners during April-June 2017. However, rising crude prices during 2QFY18 supported the recovery of refinery margins.

India's crude oil production decreased 2.1% y-o-y during December 2017. Production volume of Oil India Limited increased by 2.8%, while it declined by 2.2% and 3.4% for Oil & Natural gas Corporation (ONGC) and fields under production sharing contracts respectively, during December 2017, on y-o-y basis. India's import dependency of crude oil had been around 82.7% during April – December 2017. Petroleum Planning and Analysis Cell estimates crude import of 219 metric ton (mt) in FY18 (FY17:214mt).



Source: PPAC, Ind-Ra

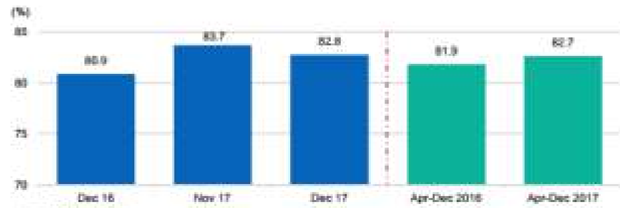
ONGC: Oil and Natural Gas Corporation Limited; OIL: Oil India Limited

Domestic production of crude oil was lower by 2.1% y-o-y during December 2017. Production volume of OIL increased by 2.8%, while it declined by 2.2% and 3.4% for ONGC and 'fields under production sharing contracts,' respectively, during December 2017 on a y-o-y basis. Collectively, during April-December 2017, the production volume was marginally lower by 0.4% on a y-oy basis.

Refining throughput in December 2017 was 22.1mt, which was 3% y-o-y higher. Indian Oil Corporation Limited's ('IND AAA'/Stable) public sector refineries processed higher volume, aiding the overall increase in volume. India's petroleum products output was higher by 6.4% y-o-y to 22.5mt during December 2017. On a cumulative basis, the production was 3.8% higher in April-December 2017 y-o-y.

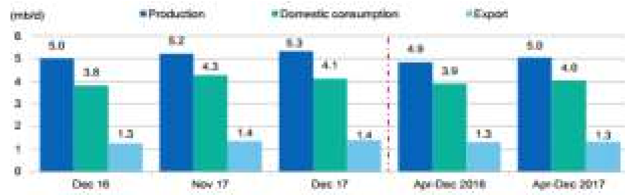
Natural Gas (NG) production during December 2017 was 0.5% y-o-y higher. The production volume grew for ONGC (higher 3.8% y-o-y), whereas for Oil India Limited and for 'from private/joint venture fields' it declined y-o-y (negative 3.9% and negative 8.9% y-o-y respectively). NG consumption increased by 16.1% y-o-y during December 2017. The increase in consumption was largely on account of 6.7% y-o-y increase in imports, supported by higher production.

NG price has been raised by around 17% to USD2.89/mmbtu for October 2017-March 2018. Prior to this, the gas prices had been revised downward five times consecutively since the implementation of the domestic gas pricing formula in October 2014.



Source: PPAC, Ind-Ra

India's import dependency of crude oil was around 82.7% during AprilDecember 2017. PPAC estimates crude import of 219mt in FY18 (FY17: 214mt). However, India ordered its first crude cargo from the USA to derive lower price benefit as well as diversification of source basket. This could help India gain higher bargaining power in crude sourcing from its existing suppliers.



Source: PPAC, Ind-Ra

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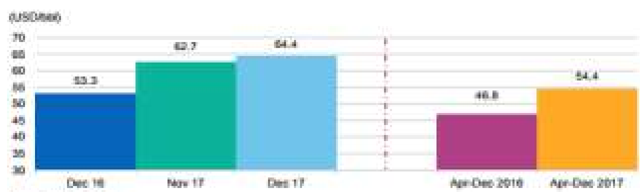
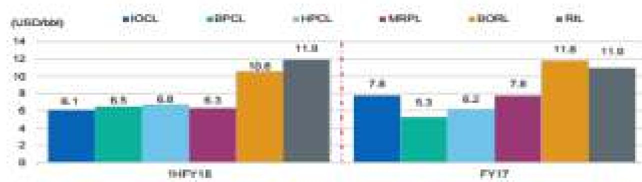


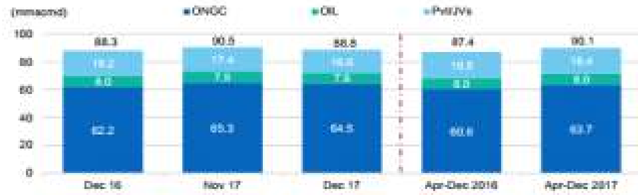
Source: EIA, Ind-Ra

Brent crude oil price averaged USD64.4/barrel during December 2017. Average crude oil prices increased 3% m-o-m and 21% y-o-y during December 2017. Crude prices have shown further rising trend in January 2017 inching closer to USD69/barrel levels. US Energy Information Administration forecasts Brent spot prices to average USD60/barrel in 2018 and USD61/barrel in 2019.

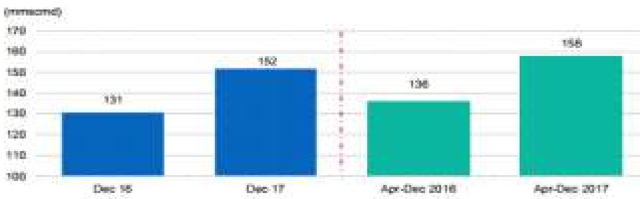


Source: PPAC, Ind-Ra

Inventory losses led by adverse crude price movement resulted in decline in gross refining margins for most of the domestic refiners during April-June 2017. However, rising crude prices during 2QFY18 supported the recovery of refinery margins. The rise in crude prices during 3QFY18 is likely to further bolster the refining margins



Source: MoPNG, Ind-Ra



Source: PPAC, Ind-Ra

NG production during December 2017 was 0.5% y-o-y higher. The production volume grew for ONGC (higher 3.8% y-o-y), whereas for OIL and for 'from private/joint venture fields' it declined y-o-y (negative 3.9% and negative 8.9% y-o-y respectively). NG consumption increased by 16.1% y-o-y during December 2017. Even on a cumulative basis, NG consumption was higher by 15.9% y-o-y during April-December 2017. The increase in consumption was largely on account of 6.7% yo-y increase in imports, supported by higher production.Gas Price Ceiling for October 2017-March 2018 The price for gas produced from discoveries in deep-water, ultra-deep water and high pressure-high temperature areas for the period 1 October 2017 to 31 March 2018 is USD6.3/mmbtu on gross calorific value basis.NG Price During October 2017-March 2018 The price of NG for the period 1 October 2017 to 31 March 2018 is USD2.89/mmbtu on gross calorific value basis.

Source: India Ratings Research

Wealth Talks

FPI inflow at $3.5 billion in January on better earnings expectation

Foreign investors have pumped in a whopping $3.5 billion (over Rs22,000 crore) into the country's capital markets in January in anticipation of better corporate earnings and attractive yields. However, the pace of FPI flows may slow down in the short term due to the new tax introduced on equity investments, but from the long-term perspective, the scenario continues to look positive, Morningstar India Senior Analyst Manager (Research) Himanshu Srivastava said.

According to the depositories data, Foreign Portfolio Investors (FPIs) infused a net amount of Rs13,781 crore in equities and Rs8,473 crore in debt in January - translating into net inflows of Rs22,254 crore ($3.5 billion). This comes following an outflow of over Rs3,500 crore by FPIs from the capital markets (equity and debt) in December, depositories data showed.

“High inflows in January is a usual thing because of the purchase happening for building the new fiscal books. The other reason was the anticipation of better earnings and a growth-biased 2018-19 budget,” said Harsh Jain, co-founder and COO of online investment platform Groww. Dinesh Rohira, CEO of 5nance, an online platform providing financial planning services, said fund infusion can be attributed to anticipation of earnings' recovery and attractive yields.

A slew of factors such as positive global markets; promising economic numbers back home; better than expected third quarter earnings and IMF's projection to retain the fastest growing economy tag on India in 2018-19 created a favourable investment environment for FPIs, Srivastava said. “While FPIs made a confident start this year, post budget, the pace of FPI flows may slow down a bit given the newly added tax implication on equity investments. Having said that, I believe it would be a short-term impact,” he said.

“Despite the challenges faced in the short run, India continues to be perceived as a long-term investment destination. As long as it is able retain this appeal, and continue to fair better on risk reward profile than other comparable countries, FPIs will continue to invest in India,” he added. Finance Minister Arun Jaitley, in his Budget for 2018-19 introduced 10% tax on long-term capital gains, exceeding Rs1 lakh, made in the share market.

Also, 10% tax has been levied on distributed income by equity-oriented mutual funds. In the entire 2017, FPIs put in a total Rs2 lakh crore in equity and debt markets. Quantum MF Fund Manager-Fixed Income Pankaj Pathak, however, believes FPIs may not be able to repeat this show in 2018 as withdrawal of liquidity and rate hikes in developed economies pick up.

Source: Live Mint

Stronger orders drive January services growth to three-month high: PMI

Activity in India's services sector grew at the fastest pace in three months in January, underpinned by a recovery in new orders that prompted companies to sharply increase hiring, a private survey showed on Monday.The Nikkei/IHS Markit Services Purchasing Managers' Index rose to 51.7 in January from December's 50.9, holding above the 50 mark that separates growth from contraction for a second month.

A new business sub-index that tracks overall demand jumped to 51.7 from 50.0 in December, the first sign of growth in three months.“The recovery across India's service sector continued during January, with growth in output picking up to the joint-strongest since June 2017 as underlying demand conditions improved,” said Aashna Dodhia, an economist at IHS Markit.

“That said, the overall performance of the service sector remained weaker than the long-run growth trend.”

Businesses were hurt by weak demand for most of 2017 after a November 2016 ban of high-value currency notes and confusion over pricing following the introduction of a goods and services tax last year disrupted consumer spending.India's economy is predicted to grow at a four-year low of 6.6% this fiscal year ending in March, according to a Reuters poll last month.

Despite the improvement in services activity, a composite PMI, which tracks both manufacturing and services businesses, fell to 52.5 from 53.0 in December. A sister survey on Thursday showed manufacturing growth slowed to a three-month low.

But the latest PMI showed the recovery in demand led services firms to increase hiring last month at the second fastest rate in six-and-a-half years, surpassed only in September.

Businesses transferred some escalating cost pressures to consumers with both input and output prices rising at a faster pace in January from the previous month.

That, coupled with the government's plan to increase spending for rural areas and support farmers in its federal budget, could push up inflation and prompt the central bank to raise interest rates sooner-than-expected.

Finance minister Arun Jaitley said on Thursday, in his last annual budget speech before a general election next year, that the pace of fiscal consolidation would be slowed to boost growth.

Source: Live Mint

Rising bond yields bring FMPs back in the game

Fixed maturity plans (FMPs) from at least five fund houses — Aditya Birla Sunlife, ICICI Prudential, Kotak, Reliance and Sundaram Mutual Fund — with a tenure of 1,150-1,240 days are open for subscription or scheduled to open in the coming week, indicating that FMPs are back in the reckoning.

Wealth managers believe that rise in bond yields over the last one month leading to better post tax returns, and profit booking in equities are driving investors to FMPs. Many more of these FMPs are likely to hit the markets in the coming days, as investor appetite increases.

“After the sharp run-up in equities over the past one year, many HNIs are booking profits in equities and allocating some part of that money to fixed income instruments like FMPs," said Gajendra Kothari, CEO, Etica Wealth Management.

Rising oil prices and high inflation have led to a surge in bond yields as well. Over the past month, bond yields have surged by 45-50 basis and the 10-year benchmark now trades at a yield of 7.61 per cent. With these rates, fund managers said they can build AAA-rated portfolio with a maturity of 3-3.5 years that can yield of 7.7-7.9 per cent. After accounting for expenses, investors could earn a pre-tax return of 7.5 per cent. Additionally when you invest in February and March, and the FMP matures in April 2021, you also get the benefit of one additional financial year for indexation.

"HNIs, ultra HNIs and corporates are locking in money into FMPs due to favourable rates and indexation benefits," said Dwijendra Srivastava, head (Fixed Income), Sundaram Mutual Fund. Indexation takes into account inflation from the time the investor bought an asset to the time she sold it. By indexing, investors bring their cost of investment to the current value after factoring in inflation. Post indexation, investors can earn a posttax return of 7-7.25 per cent on these products which score over traditional debt products such as bank deposits, where post-tax return is 5 per cent.

Typically, the past couple of months of the financial year see lower liquidity due to advance tax outgo and corporates moving out of money market segment for balance sheet management. This also leads to higher returns from FMPs. Investors are attracted to FMPs as they lock in their money immediately and there is no interest rate risk for investors and are less volatile compared to income or gilt schemes of mutual funds. FMPs are close-ended mutual fund schemes which invest in debt instruments with maturity of the fund. "Lower expense ratio and banks accepting them as a collateral for loan are also driving many investors to FMPs," said Kothari.

The big drawback for FMPs is poor liquidity and hence wealth managers caution investors to keep that in mind before opting for these products. "FMPs may be listed but exiting them before maturity may be tough. Hence invest only if you can hold on to them till maturity," said Vikram Dalal, managing director, Synergee Capital.

Source: Economic Times

How much money did PE/VC firms in India return to LPs over the years?

Private equity and venture capital funds have pulled out only one rupee out of three invested in India over the past decade and a half, but improved their performance last year after withdrawing a record amount of money from portfolio companies.

Calendar 2017 was also by far the best year so far for PE and VC funds in terms of investments in India, according to VCCEdge, the data research platform of News Corp VCCircle.PE and VC funds struck 276 exits in 2017 with total value of $11.5 billion, a sharp increase from previous years on account of some large deals, VCCEdge data show.

In the biggest exit of the year, private equity major KKR sold its 79% stake in Aricent Inc. to French technology consulting firm Altran for $1.58 billion. This was closely followed by the Qatar Foundation Endowment selling its entire 5% stake in Bhart Airtel for $1.48 billion to a bunch of investors.The year also saw one of the biggest exits through the initial public offering route, when Canadian billionaire Prem Watsa-led investment firm Fairfax Financial Holdings Ltd sold a 12% stake in ICICI Lombard General Insurance for about $558 million.

The previous years

Private equity and venture capital investment and exit activity in

India has come a long way since the early years of the 21st century.While PE and VC funds have pumped in about $182.8 billion in India since 2003, the total exits account for about $65.5 billion.

The worst year for exits in India was 2008, when a global economic slowdown affected deal-making. The year recorded 114 exit deals with total value of $989 million and 700 investment transactions worth $14.86 billion.

PE and VC firms witnessed a bumpy ride in terms of exits between 2011 and 2013, but the value of exits has been continuously growing since then.

The investment-to-exit ratio for these firms has also improved consistently over the past few years.Until 2007, the investment-to-exit ratio of alternative investment funds stood around 5:1, meaning PE and VC firms withdrew one rupee for every five invested during the year.However, 2005 was an exception with the ratio at 0.9:1, which means more money was pulled out than was invested. In 2017, the ratio was 2.3:1, a tad worse than the previous year but better than the two years before.

Source:VCCircle

Mutual funds asset base from small towns up 46% to Rs 4.1 trillion

Contribution of the country's small towns to mutual funds asset base surged 46 per cent to Rs 4.1 lakh crore by November-end due to a spirited promotion campaign by industry body Amfi.

Mutual funds' assets under management (AUM) from B15 locations - small towns beyond top 15 (T15) cities - grew from Rs 2.81 lakh crore in November-end 2016 to Rs 4.1 lakh crore at the end of November 2017, according to latest data available with Association of Mutual Funds in India (Amfi). "The consistent delivery of returns by the mutual fund (MF) industry, prudent risk management and increasing initiatives on enhancing investor awareness have all aided in such impressive growth in the industry," Kotak Mutual Fund CIO Equity Harsha Upadhyaya said.

Several factors including demonetisation, drop in interest rate on traditional assured return products such as fixed deposit; shift from physical to financial savings and Amfi campaign on 'Mutual Funds Sahi Hai' (Mutual funds are right), have helped in increasing the assets base, Anshul Saigal, portfolio manager at Kotak Mutual Fund said.

The spike in bank deposits and consequent decline in interest rates following demonetisation on November 8, 2016 have also helped mutual funds. Currently, B15 account for 18 per cent of the total assets of the industry. About 58 per cent of the assets from B15 locations is in equity schemes, while the same is 34 per cent for T15 cities.

B15 cities are those which are beyond the top 15 cities namely New Delhi (including NCR), Mumbai (including Thane and Navi Mumbai), Kolkata, Chennai, Bangalore, Ahmedabad, Baroda, Chandigarh, Hyderabad, Jaipur, Kanpur, Lucknow, Panjim, Pune and Surat.

"About 9 per cent of the retail investors chose to invest directly, while 17.7 per cent of HNI assets were invested directly."Besides, 41.7 per cent of the assets of the mutual fund industry came directly. A large proportion of direct investments was in non-equity oriented schemes where institutional investors dominate," Amfi noted.

Overall, the assets base of the mutual fund industry, comprising 42 active players, stood at over Rs 22 lakh crore.Going ahead, Upadhyaya said similar healthy growth in AUM is expected to continue as the penetration levels are still very low.

Source: Economic Times

Digital transactions rise to 1.11 billion in January

Digital transactions reached a new peak in January in terms of volume after crossing the 1 billion mark last month.They rose 4.73% to 1.11 billion in January from 1.06 billion in December, according to provisional data released late on Tuesday by the Reserve Bank of India (RBI).

The overall value of these transactions was also the second highest in a month in the past year. Transactions worth about Rs131.95 trillion were carried out in January through credit and debit cards, the unified payments interface (UPI), unstructured supplementary service data (USSD), prepaid payment instruments (PPIs) and internet banking. The highest so far was in March, at Rs149.59 trillion.

The impact of the government's decision to bear merchant discount rate (MDR) for a period of two years, applicable on transactions made through debit cards, BHIM UPI and Aadhaar-enabled payments system (AEPS), which was implemented from 1 January is clear, with a significant increase in the volume of transactions made through these modes during the month.

Transactions across UPI reached a new peak in January. The transaction volume was 151.7 million, up around 4% from 145.5 million in the previous month. The value of transactions rose around 18% to Rs155.4 billion in January from Rs131.4 billion in the previous month. Out of this, Bharat Interface for Money (BHIM) accounts for 9.57 million transactions, amounting to Rs 3.65 billion.

Transactions through UPI received a major boost from the government after Prime Minister Narendra Modi launched the BHIM app on 30 December 2016. Until now, there have been more than 22.7 million downloads of the app on the Android platform and around 1.10 million downloads on the iOS platform.

UPI is a payment system launched by the National Payments Corporation of India (NPCI) which facilitates instant fund transfer between two bank accounts on the mobile platform without having any details of the beneficiary's bank.

UPI was launched in August 2016 with 21 banks, and is currently being offered by about 71 banks.Usage of PPIs such as mobile wallets reached a new peak in terms of both volume and value during January. The volume of PPI transactions in January was 113.6 million as compared with 99.1 million in December.

Transactions worth Rs38.3 billion were recorded in January compared with Rs35.1 billion in December. The provisional data considers transactions of PPIs issued by eight non-bank issuers forgoods and services transactions only.

Debit and credit card usage at point-of-sale (PoS) machines was at its second highest in a month since the government's demonetisation exercise in November 2016. The volume of transactions increased by around 1.43% in January to 267.7 million transactions from 263.9 million transactions in the previous month. The highest was in December at 311 million transactions. However, the value of transactions fell by 3% to Rs512.2 billion in January from Rs528.7 billion in the previous month. Card transactions of four banks have been considered by RBI.

Payments using National Electronic Funds Transfer (NEFT) and Real Time Gross Settlement (RTGS) increased by around 1% and 2.4%, respectively, in January from the preceding month.

“UPI is largely driven by P2P transactions and cashbacks provided by the companies and banks. This is effectively replicating what was happening with wallets earlier. We would see transactions hitting higher on the cashbacks and incentives. We need to see the actual effect once the incentives are stopped,” said Dewang Neralla, chief executive officer, Atom Technologies Ltd, a payment service provider.

“However there is need for an education drive both for the customers as well as the merchants so that proliferation of digital payments can increase,” he added.The government has been pushing to popularize digital payments. Its aim is to grow India's digital economy to $1 trillion by 2022.

Source: Live Mint

MFs log Rs 1 lakh crore inflow in Jan, pushing AUM to Rs 22.41 lakh crore

Investors have pumped over Rs 1 lakh crore into mutual funds in January, driving the industry assets base to an all-time high of Rs 22.41 lakh crore, latest update with Amfi showed. Industry experts attributed the surge in assets under management (AUM) to 'aggressive' investor awareness campaign both at the individual player level as well as at industry level.

In addition, investors are moving towards financial asset class for investment instead of buying traditional asset classes such as real estate and gold, which also helped in increasing the penetration of mutual funds. According to Association of Mutual Funds in India (Amfi) data, investors have poured in a net Rs 1.06 lakh crore in mutual fund schemes last month as compared to a pullout of Rs 1.75 lakh crore in December.

The latest inflow has been mainly driven by contributions from liquid or money market funds, and equity, equity-linked saving schemes. Individually, liquid funds - investments in cash assets such as Treasury Bills, certificates of deposit and commercial paper for shorter horizon - witnessed an inflow of Rs 96,552 crore. Besides, equity and equity-linked schemes attracted over Rs 15,000 crore.

In contrast, income funds saw an outflow of over Rs 9,800 crore and gold ETFs continued to see a pullout of Rs 110 crore. The latest inflow has also helped in pushing the AUM of the country's 42-player mutual fund industry to a historic high of Rs 22.41 lakh crore at the end of January from Rs 21.26 lakh crore at December-end 2017. Bajaj Capital CEO Rahul Parikh said going ahead, digital investment platforms are going to be a big driver for the industry.

"These platforms are the best bet to attract the young salaried generation of millennials - who otherwise are humongous spenders on gadgets, cars and bikes - and inculcate in them the virtues of saving and investing," he added.

Source: Money Control

MONEY GUIDE

CREATE - OPTIMISE - SECURE

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Creating Wealth Preserving Values

JRL 40 Best Funds

Performance as on 08 Feb 2018

With at least 1000 mutual fund schemes in the market and fund houses pitching different awards and rating, how to choose the 6-8 funds you need to invest in? We have handpicked 40 Schemes across various categories based on different parameters like Risk adjusted returns, Consistent performance and good Portfolio quality. We have also used the ratings from different rating agencies and tested the funds on qualitative and quantitative risks to filter out the odd ones. We carefully looked at how a fund performs in Bull and Bear market cycles since we need funds that do well at all times. The results of these filters is JRL 40. Treat JRL 40 as the final universe of funds from which you will pick the ones that suit your investment needs and risk appetite to give you superlative returns in all markets.

Debt Schemes — Annualized — Additional Information

Liquid Funds	**NAV**	**1 D**	**1 W**	**1 M**	**3 M**	**6 M**	**"ExpRatio"**	**"AUM(in Crs.)"**	**YTM**	**MD**	**Exit Load**
Aditya Birla SL Cash Plus(G)	275.32	6.71	6.58	6.46	6.48	6.48	0.20	30717.48	6.63	Nil	
LIC MF Liquid Fund - (G)	3103.85	6.65	6.48	6.45	6.39	6.42	0.20	10667.90	6.60	Nil	
JM High Liquidity Fund - (G)	46.90	6.54	6.51	6.58	6.45	6.47	0.30	2407.40	6.46	Nil	
Baroda Pioneer Liquid Fund - Reg (G)	1968.45	6.54	6.59	6.55	6.49	6.47	0.20	9146.77	6.42	Nil	
Mahindra Liquid Fund - Regular (G)	1111.14	6.52	6.52	6.50	6.40	6.44	0.25	1686.17	6.63	Nil	
Invesco India Liquid Fund (G)	2281.98	6.40	6.38	6.58	6.59	6.68	0.12	9024.15	6.57	NIL	
Benchmark											
Crisil Liquid Fund Index		7.40	6.70	6.48	6.35	6.42					
Ultra Short Term Funds	**NAV**	**1 D**	**1 W**	**1 M**	**3 M**	**6 M**	**"ExpRatio"**	**"AUM(in Crs.)"**	**YTM**	**MD**	**Exit Load**
ICICI Pru Savings Fund(G)	257.04	14.90	9.90	3.93	3.65	4.50	1.11	10796.63	8.14	365.00	Nil
Reliance Medium Term(G)	35.98	19.08	11.34	4.49	4.03	5.09	0.53	10486.16	7.89	430.70	Nil
HDFC Cash Mgmt-TA Plan(G)	36.18	16.45	10.27	4.31	3.86	4.91	0.97	11823.88	7.72	365.00	Nil
Franklin India Ultra Short Bond Fund-Super Inst(G)	23.75	12.14	9.37	6.50	6.10	6.78	0.41	11786.61	8.61	262.80	Nil
Benchmark											
Crisil Short Term Bond Fund Index		40.61	17.94	1.21	2.01	3.32					
Crisil Liquid Fund Index		7.40	6.70	6.48	6.35	6.42					
Floating Rate - Short Term Funds	**NAV**	**1 W**	**1 M**	**3 M**	**6 M**	**1 Y**	**"ExpRatio"**	**"AUM(in Crs.)"**	**YTM**	**MD**	**Exit Load**
Aditya Birla SL FRF-Short Term Plan(G)	228.64	6.48	6.45	6.45	6.51	6.73	0.42	8270.43	6.99	47.45	Nil
L&T FRF-Reg(G)	16.99	7.22	6.35	5.93	6.35	7.39	0.68	701.9	8.09	120.45	Nil
Multi Cap Funds	**NAV**	**1 W**	**1 M**	**3 M**	**6 M**	**1 Y**	**"ExpRatio"**	**"AUM(in Crs.)"**	**YTM**	**SD**	**Exit Load**
Motilal Oswal Most Focused Multicap 35 Fund (G)	25.53	21.41	29.49	17.56	28.27			7095.95	2.09	0.88	NIL
L&T India Value Fund (G)	35.67	17.80	27.99	17.49	23.92	27.62		4453.76	2.02	0.97	1.00% on or before 1Y,NIL after 1Y
Tata Equity P/E Fund - (G)	130.02	19.48	30.69	19.23	21.75	24.07	15.39	1334.05	2.32	0.76	1.00% on or before 365D,NIL after 365D
DSP BR Opportunities Fund (G)	**209.05**	**15.08**	**22.77**	**16.21**	**20.13**	**22.22**	**12.93**	**2770.97**	**2.51**	**0.86**	**Exit Load**
SBI Magnum Multicap Fund-Reg(G)	47.57	408.44	-149.94	-45.41	8.39	14.26	2.03	4086.44	0.00		1% on or before 6M,0.50% after 6M but on or before 12M,Nil-after 12M
Kotak Select Focus Fund(G)	32.90	326.86	-193.36	-38.80	3.60	7.01	1.97	17842.85			1% on or before 1Y, Nil after 1Y
Benchmark											
NIFTY 500		6.83	22.43	22.49	9.84	14.76	8.00				
S&P BSE 500		6.90	22.61	22.59	9.83	14.54	7.66				
S&P BSE 200		6.14	21.25	21.50	8.95	13.95	7.72				
S&P BSE SENSEX		7.49	21.64	19.01	6.20	12.04	7.01				
Balanced Funds	**NAV**	**6 M**	**1 Y**	**2 Y**	**3 Y**	**5 Y**	**"ExpRatio"**	**"AUM(in Crs.)"**	**YTM**	**MD**	**Exit Load**
ICICI Pru Balanced Fund(G)	129.79	6.69	17.01	22.33	12.25	18.27	12.27	25956.87	2.21	0.47	Nil on 10% of units within 1Y and 1% for more than 10% of units within 1Y, Nil after 1Y
HDFC Balanced Fund(G)	149.98	4.63	18.78	21.58	12.05	18.99	14.85	19169.01	1.98	0.45	NIL upto 15% of investment and 1% in excess of 15% of investment on or before 1Y, NIL after 1Y
DSPBR Balanced Fund-Reg(G)	146.85	4.44	13.63	19.70	11.75	15.86	11.44	7031.82	2.46	0.54	NIL upto 10% of investment within 12M, 1% exceding 10% of investment within 12M, NIL after 12M
L&T India Prudence Fund-Reg(G)	26.24	4.25	16.87	18.04	11.57	18.38	--	9578.00	1.99	0.48	Nil for 10% of units and 1% for remaining units on or before 1Y, Nil after 1Y
Reliance Reg Savings Fund-Balanced Option(G)	55.10	4.63	19.76	19.94	11.49	16.88	13.84	11333.94	1.98	0.49	Nil for 10% of investments and 1% for remaining on or before 12M, Nil after 12M
Aditya Birla SL Balanced '95 Fund(G)	**752.04**	**2.693**	**14.36**	**18.6**	**10.4**	**16.8**	**12.6**	**13595.43**	**2.27**	**0.48**	**Nil upto 15% of units,1% in excess of limit on or before 365D and Nil after 365D**
Benchmark											
S&P BSE 200		6.14	21.25	21.50	8.95	13.95	7.72				
CRISIL Balanced Fund - Aggressive Index		6.57	18.81	16.49	8.11	11.50	8.43				
Crisil Short Term Bond Fund Index		1.68	5.95	7.77	7.90	8.53	8.02				
Arbitrage Funds											**Exit Load**
Edelweiss Arbitrage Fund-Reg(G)	12.84	3.05	6.34	6.37	6.72	--	--	5740.05	1.05	0.05	0.25% on or before 30D, NIL after 30D
Reliance Arbitrage Advantage Fund(G)	17.65	3.10	6.33	6.27	6.68	7.46	--	6462.81	0.99	0.05	0.25% on or before 1M, Nil after 1M
Kotak Equity Arbitrage Scheme(G)	24.65	3.04	6.33	6.31	6.59	7.54	7.37	14591.56	0.92	0.05	0.25% on or before 30D, Nil after 30D
ICICI Pru Equity-Arbitrage Fund(G)	22.83	2.96	6.04	6.24	6.53	7.54	7.35	10915.65	0.91	0.05	0.25% on or before 1M, Nil after 1M
Aditya Birla SL Enhanced Arbitrage Fund(G)	17.73	2.98	6.09	6.21	6.45	7.42	--	4543.07	0.90	0.05	0.50% on or before 30D, Nil after 30D
IDFC Arbitrage Fund-Reg(G)	21.76	2.98	6.08	6.08	6.38	7.34	6.97	2906.01	0.97	0.05	0.25% on or before 1M
HDFC Arbitrage Fund(G)	20.22	2.69	5.63	5.93	6.30	6.95	6.98	5050.08	0.75	0.05	0.25% on or before 1M, Nil after 1M
IDFC G Sec-Invest-Reg(G)	20.04	166.36	47.06	-9.80	-8.29	-6.24	0.99	510.50	7.50		Nil
Monthly Income Plan	**NAV**	**6 M**	**1 Y**	**2 Y**	**3 Y**	**5 Y**	**"ExpRatio"**	**"AUM(in Crs.)"**	**YTM**	**MD**	**Exit Load**
Aditya Birla SL MIP II-Wealth 25(G)	38.23	-2.32	8.24	14.40	9.84	12.98	2.10	2526.56	7.40	1405.25	Nil upto 15% of units,1% in excess of limit on or before 365D and Nil after 365D
ICICI Pru MIP 25(G)	39.30	3.18	9.83	12.68	9.20	11.46	2.04	1459.8	8.83	1642.50	Nil on 10% of units within 1Y and 1% for more than 10% of units within 1Y, Nil after 1Y.
SBI Magnum MIP(G)	37.93	-0.56	5.48	10.12	8.56	9.68	1.88	1638.29	7.61	1412.55	Nil for 10% of investment and 1% for remaining Investment on or before 1Y, Nil after 1Y
UTI MIS Adv Plan(G)	38.86	3.85	9.43	10.79	8.38	10.90	1.60	1181.1	--	--	Nil
HDFC MIP-LTP(G)	43.75	0.76	6.98	12.95	8.14	10.59	2.03	3753.38	8.03	1872.45	Nil for 15% of investment and 1% for remaining Investment on or before 1Y, Nil after 1Y
Reliance MIP(G)	40.94	1.37	7.51	10.36	7.15	10.04	1.83	2290.08	8.87	1146.10	NIL for 10% of units on or before 12M, 1% if exceeding 10% of units on or before 12M, Nil after 12M
Benchmark											
Crisil MIP Blended Fund Index		2.59	6.62	10.20	8.08	9.25					
Funds of Funds	**NAV**	**6 M**	**1 Y**	**2 Y**	**3 Y**	**5 Y**	**"ExpRatio"**	**"AUM(in Crs.)"**	**YTM**	**MD**	**Exit Load**
Franklin India Dynamic PE Ratio FOFs(G)	77.77	6.58	11.08	13.09	8.45	11.15	1.89	869.07	--	--	1% on or before 1Y
DSPBR Dynamic Asset Allocation Fund-Reg(G)	14.17	-1.09	5.72	11.12	7.22	--	2.33	836.92	--	--	Nil for 10% of investment and 1% for remaining Investment on or before 12M, Nil after 12M
Benchmark											
CRISIL Balanced Fund - Aggressive Index		13.03	18.81	16.49	8.11	11.50					
S&P BSE Sensex		31.77	16.33	7.62	8.52	13.54					

MONEY GUIDE

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JRL 40 Best Funds

Performance as on 08 Feb 2018

When you want to invest in debt funds then you are confronted with scores of funds to choose from an exercise which no doubt leaves you baffled. So, we have handpicked 40 schemes across various categories based on different parameters like superior return score, mean return and volatility, portfolio concentration analysis, liquidity analysis, asset quality, average maturity, assets size, downside risk probability and historic consistent performance. We have also used the ratings from various rating agencies. We will review these schemes once every quarter depending upon the liquidity and interest rate conditions and RBI's stance and our aim is to enable you to pick those schemes that meet your investment horizon and risk appetite to give you returns better than over traditional fixed income instruments.

Equity Schemes

Large Cap Funds	NAV	6 M	1 Y	2 Y	3 Y	5 Y	10 Y	"AUM(in Crs.)"	"ExpRatio"	SD	Sharpe	Exit Load
		Absolute		Annualized								Additional Information
IDFC Classic Equity Fund (G)	45.08	4.49	21.72	24.35	13.38	15.12	7.59	2241.46	2.09	0.68	0.10	1% on or before 365D
Birla Sun Life Advantage Fund (G)	414.43	-2.95	15.91	22.36	13.01	21.42	10.24	5737.97	2.30	0.76	0.06	1% on or before 365D, Nil after 365D
SBI Magnum Multiplier Fund (G)	216.87	7.89	22.98	21.04	12.94	20.27	11.63	2233.00	2.09	0.70	0.10	1% on or before 12M, Nil after 12M
AXIS Focused 25 Fund (G)	24.97	2.29	24.85	22.73	12.22	16.09		2622.99	2.07	0.66	0.12	Nil for 10% of investments and 1% for remaining investments on or before 12M, Nil after 12M
SBI BlueChip Fund (G)	37.58	1.38	17.13	17.45	10.88	17.66	10.54	17869.49	1.97	0.61	0.09	1% on or before 1Y, Nil after 1Y
Franklin India Prima Plus - (G)	581.90	2.87	17.68	18.38	10.36	18.26	12.36	12265.79	2.25	0.57	0.09	1% on or before 1Y
Benchmark												
NIFTY 500		4.54	21.09	21.07	9.39	14.32	7.77					
S&P BSE 200		3.93	19.95	20.08	8.52	13.53	7.48					
S&P BSE 100		3.59	19.51	19.49	7.42	12.57	7.13					
NIFTY 50		4.17	19.48	18.19	6.54	12.02	7.39					

Mid Cap Funds	NAV	6 M	1 Y	2 Y	3 Y	5 Y	10 Y	"AUM(in Crs.)"	"ExpRatio"	SD	Sharpe	Exit Load
Mirae Asset Emerging Bluechip Fund (G)	49.14	2.55	23.82	29.62	20.09	29.45		5364.08	2.42	0.78	0.10	1% on or before 1Y(365D), Nil after 1Y(365D)
L&T Emerging Businesses Fund (G)	27.50	12.08	38.57	38.35	24.81			4030.87	2.12	0.76	0.15	1% on or before 1Y, Nil after 1Y
L&T Midcap Fund (G)	142.64	5.96	28.60	31.06	19.48	28.34	15.05	2221.91	2.19	0.72	0.12	1% on or before 1Y,Nil-after 1Y
Birla Sun Life Small & Midcap Fund (G)	41.38	8.32	27.75	32.33	20.74	26.73	13.97	1865.78	2.43	0.83	0.11	1% on or before 365D, Nil after 365D
Canara Robeco Emerging Equities (G)	92.82	5.72	27.31	28.35	17.90	28.62	16.36	3207.94	2.26	0.74	0.12	1% on or before 1Y, Nil after 1Y
Principal Emerging Bluechip Fund (G)	107.05	5.68	25.45	30.33	17.42	26.17		1625.41	2.31	0.77	0.10	1% on or before 1Y
Benchmark												
Nifty Free Float Midcap 100		4.90	20.98	25.31	15.16	18.96	10.33					
"S&P BSE Mid-Cap"		4.81	21.96	25.66	15.91	19.15	7.70					

Multi Cap Funds	NAV	6 M	1 Y	2 Y	3 Y	5 Y	10 Y	"AUM(in Crs.)"	"ExpRatio"	SD	Sharpe	Exit Load
Motilal Oswal Most Focused Multicap 35 Fund (G)	26.42	1.92	23.51	27.15	18.06			11411.16	2.20	0.72	0.11	1% on or before 1Y, Nil after 1Y
L&T India Value Fund (G)	37.38	4.26	20.49	26.08	17.22	25.09		7404.43	2.00	0.77	0.08	1% on or before 1Y, Nil after 1Y
Tata Equity P/E Fund - (G)	136.59	4.67	23.69	31.11	15.63	22.50	13.67	2712.82	2.21	0.73	0.10	1% on or before 365D, Nil after 365D
Kotak Select Focus Fund (G)	32.61	1.64	18.68	23.57	12.17	20.20		17842.85	1.97	0.60	0.09	1% on or before 1Y, Nil after 1Y
SBI Magnum Multicap Fund (G)	47.04	5.27	20.31	22.52	14.36	20.51	9.30	4086.44	2.03	0.64	0.10	1% on or before 6M,0.50% after 6M but on or before 12M,Nil-after 12M
DSP BR Opportunities Fund (G)	219.16	4.17	19.21	26.30	15.13	19.56	11.48	4804.69	2.49	0.71	0.08	1% before 12M, Nil on or after 12M
Benchmark												
NIFTY 500		4.54	21.09	21.07	9.39	14.32	7.77					
S&P BSE 500		4.54	21.20	21.16	9.36	14.09	7.40					
S&P BSE 200		3.93	19.95	20.08	8.52	13.53	7.48					
S&P BSE SENSEX		5.61	20.28	17.59	5.86	11.72	6.87					

Balanced Funds	NAV	6 M	1 Y	2 Y	3 Y	5 Y	10 Y	"AUM(in Crs.)"	"ExpRatio"	SD	Sharpe	Exit Load
ICICI Pru Balanced Fund - (G)	149.07	3.45	17.61	20.86	11.84	18.80	14.70	19169.01	1.98	0.45	0.12	NIL upto 15% of investment and 1% in excess of 15% of investment on or before 1Y, NIL after 1Y
HDFC Balanced Fund (G)	149.07	3.45	17.61	20.86	11.84	18.80	14.70	19169.01	1.98	0.45	0.12	NIL upto 15% of investment and 1% in excess of 15% of investment on or before 1Y, NIL after 1Y
DSP BR Balanced Fund - (G)	145.32	2.59	12.13	18.63	11.38	15.48	11.21	6914.75	2.46	0.54	0.06	NIL upto 10% of investment within 12M, 1% exceding 10% of investment within 12M, NIL after 12M
L&T India Prudence Fund (G)	25.97	2.69	15.51	17.17	11.20	18.02		9578.00	1.99	0.48	0.09	Nil for 10% of units and 1% for remaining units on or before 1Y, Nil after 1Y
Reliance Regular Savings Fund-Balanced (G)	54.56	3.11	18.48	18.89	11.14	16.57	13.73	11333.94	1.98	0.48	0.11	Nil for 10% of investments and 1% for remaining on or before 12M, Nil after 12M
Aditya Birla SL Balanced '95 Fund(G)	746.66	1.37	13.35	17.79	10.13	16.55	12.42	13595.43	2.27	0.48	0.08	Nil upto 15% of units,1% in excess of limit on or before 365D and Nil after 365D
Benchmark												
S&P BSE 200		3.93	19.95	20.08	8.52	13.53	7.48					
CRISIL Balanced Fund - Aggressive Index		6.57	18.81	16.49	8.11	11.50	8.43					
Crisil Short Term Bond Fund Index		1.58	5.24	7.72	7.87	8.51	8.01					

Arbitrage Funds	NAV	6 M	1 Y	2 Y	3 Y	5 Y	10 Y	"AUM(in Crs.)"	"ExpRatio"	SD	Sharpe	Exit Load
Reliance Arbitrage Advantage Fund (G)	17.66	3.29	6.28	6.37	6.71	7.48		6462.81	0.99	0.05	0.19	0.25% on or before 1M, Nil after 1M
Edelweiss Arbitrage Fund - Regular (G)	12.84	3.25	6.32	6.47	6.74			5740.05	1.05	0.05	0.20	0.25% on or before 30D, NIL after 30D
Kotak Equity Arbitrage Fund (G)	24.66	3.22	6.29	6.40	6.61	7.55	7.37	14591.56	0.92	0.05	0.20	0.25% on or before 30D, Nil after 30D
IDFC Arbitrage - Regular (G)	21.77	3.15	6.06	6.17	6.40	7.35	6.97	2906.01	0.97	0.05	0.18	0.25% on or before 1M
Birla Sun Life Enhanced Arbitrage Fund (G)	17.74	3.13	6.04	6.30	6.47	7.42		4543.07	0.90	0.05	0.19	0.50% on or before 30D, Nil after 30D
ICICI Pru Equity - Arbitrage Fund (G)	22.84	3.08	5.98	6.33	6.54	7.56	7.35	10915.65	0.91	0.05	0.19	0.25% on or before 1M, Nil after 1M
Benchmark												
Crisil Liquid Fund Index		3.23	6.67	7.07	7.39	8.09	7.56					

Sector Funds	NAV	6 M	1 Y	2 Y	3 Y	5 Y	10 Y	"AUM(in Crs.)"	"ExpRatio"	SD	Sharpe	Exit Load
L&T Infrastructure Fund (G)	17.89	10.77	33.51	34.74	19.14	23.00	4.99	1838.15	2.31	0.82	0.12	1% on or before 1Y, Nil after 1Y
Birla Sun Life Banking & Financial Services (G)	27.07	-2.27	21.12	31.66	16.92			1569.76	2.44	0.86	0.08	1% on or before 365D, Nil after 365D
ICICI Pru Banking & Financial Services (G)	59.39	-2.67	21.85	36.57	16.14	21.68		2830.78	2.36	0.82	0.09	1% on or before 1Y, NIL after 1Y
Franklin Build India Fund (G)	42.11	7.31	21.14	28.39	13.66	25.56		1245.47	2.71	0.73	0.08	1% on or before 1Y
Reliance Banking Fund - (G)	261.60	-1.44	24.94	31.52	12.47	17.39	15.26	3101.02	2.04	0.77	0.10	1% on or before 1Y, Nil after 1Y
UTI-Banking Sector Fund (G)	95.80	-0.53	22.08	31.58	12.04	14.98	11.48	704.64	2.65	0.76	0.09	1% on or before 1Y, Nil after 1Y
Benchmark												
Nifty 500		4.54	21.09	21.07	9.39	14.32	7.77					

ELSS Funds	NAV	6 M	1 Y	2 Y	3 Y	5 Y	10 Y	"AUM(in Crs.)"	"ExpRatio"	SD	Sharpe	Exit Load
L&T Tax Advantage Fund (G)	55.78	6.48	25.29	26.66	14.19	19.06	12.94	3032.61	2.06	0.67	0.12	Nil
DSP BR Tax Saver Fund (G)	46.35	3.13	17.51	24.32	13.62	19.94	11.81	3833.80	2.50	0.69	0.08	Nil
Birla Sun Life Tax Relief '96 (G)	30.71	7.75	27.01	22.59	13.27	21.38		4758.91	2.32	0.60	0.15	Nil
Sundaram Diversified Equity (G)	103.29	2.26	18.46	24.13	11.94	16.76	10.29	2563.24	2.64	0.66	0.08	Nil
Benchmark												
NIFTY 500		4.54	21.09	21.07	9.39	14.32	7.77					
S&P BSE 200		3.93	19.95	20.08	8.52	13.53	7.48					
S&P BSE 100		3.59	19.51	19.49	7.42	12.57	7.13					

MONEY GUIDE

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Data Cruncher

Indian Statistics	29-Dec-17	30-Nov-17	% Change
Stock Indices			
CNX Nifty	10,530.70	10,226.54	2.97
BSE Sensex	34,056.83	33,149.35	2.74
BSE 200	4,678.85	4,527.43	3.34
BSE Midcap	17,825.88	16,917.43	5.37
BSE SmallCap	19,349.74	18,228.87	6.15
BSE Realty	2,608.25	2,445.67	6.65
BSE Healthcare	14,799.42	13,990.28	5.78
BSE Bankex	28,856.77	28,631.42	0.79
BSE I.T.	11,277.81	10,730.87	5.10
BSE PSU	9,173.29	9,182.85	(0.10)
Money Market			
3 months CD	6.25%	6.23%	0.32
1 Year CD	7.00%	6.58%	6.38
3 months CP	6.85%	6.80%	0.74
1 Year CP	7.48%	7.19%	4.03
Call Rate	5.80%	5.80%	0.00
Gilts			
91 Day T-Bill	6.20%	6.12%	-1.31
364 Day T-Bill	6.38%	6.27%	(1.75)
10 Yr Benchmark		6.66%	100.00
Corporate Bonds			
5 Yr AAA Benchmark	6.89%	6.63%	(3.92)
10 Yr AAA Benchmark	6.59%	6.66%	1.05
Other Statistics			
Cpi(Inflation-monthly)	4.88%	3.58%	36.31
Forex Reserves (Billion USD)	400.90	401.94	(0.26)
INR vs.USD	63.52	64.51	(1.53)
Gold (Rs./10gm)	31,418	28,960	8.49
Silver (Rs./ Kg)	41,500	42,600	(2.58)

Global Statistics	29-Dec-17	30-Nov-17	% Change
America			
Dow Jones (USA)	24,719.22	22,381.20	10.45
Nasdaq (USA)	6,903.38	6,495.96	6.27
Bovespa (Brazil)	76,402.08	74,293.51	2.84
IPC (Mexico)	49,376.82	50,346.96	(1.93)
Europe			
FTSE (UK)	7,687.77	7,372.76	4.27
CAC 40 (France)	5,312.56	5,329.81	(0.32)
DAX (Germany)	12,917.64	12,828.86	0.69
Asia Pack			
Shanghai Composite (China)	3,307.17	3,348.94	(1.25)
Nikkei 225 (Japan)	22,764.94	20,356.28	11.83
Hang Seng (Hong Kong)	29,919.15	27,554.30	8.58
Straits Times (Singapore)	3,402.92	3,219.91	5.68
Taiwan Weighted (Taiwan)	10,642.86	10,329.94	3.03
Kospi (South Korea)	2,467.48	2,394.47	3.05
Jakarta Composite (Indonesia)	6,355.65	5,888.21	7.94
KLCI Composite (Malaysia)	1,796.81	1,755.58	2.35
Other Statistics			
Crude Oil (Brent)	66.87	63.11	5.96
Dollar Index	92.12	93.04	(0.98)
US Fed Rate	1.50%	1.07%	0.40
10 Year Government Yield (US)	2.40%	2.33%	(3.00)
3 month USD LIBOR	1.69%	1.38%	22.46
6 month USD LIBOR	1.50%	1.50%	0.00
European Central Bank (interest rate)	0.00%	0.00%	0.00
Bank of England (interest rate)	0.50%	0.25%	100.00
10 Year Government Yield (UK)	1.19%	1.36%	12.50
Bank of Japan (Interest Rate)	-0.10%	-0.10%	0.00
10 Year Government Yield (Japan)	0.048%	0.068%	29.41

G-Sec and Corp Bonds prices move inversely to interest rates and hence opposite effect will be portrayed in percentage columns.
*** CPI data is as of December and November 2017**

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