

SENSEX: 35,511.58 | **NIFTY: 10,894.70** | **DOW JONES: 26071.72** | **NASDAQ: 7336.38** | **USD/INR: 63.83** | **GOLD: \$1327.2** | **OIL: \$63.89**
(Feb 2018 future contract) (March 2018 future contract)

Stock Picks

Please find Performance summary of stocks under coverage and the stock wise return on page 3.

Also read VAT Treatment on Selected Industries page 4-5



INR Fund Picks

Company Name		Returns (CAGR)	
		3Yr	5Yr
Sundaram Rural India Fund	Thematic	20.22	20.46
Sundaram Select	Midcap	19.48	25.99
DSPBR Opportunities	Flexicap	17.22	20.21
SBI BlueChip Fund-Reg	Largecap	13.48	18.22
ICICI Pru Balanced Fund	Balance	12.78	18.11



UAE Round Up

- UAE tax authority makes exceptional amendments to VAT period. This decision is a response to the calls of many authorities and institutions subject to VAT
- UAE postpones changes to key interest rate formula. The last time the central bank proposed changing the way Eibor is calculated was in 2009
- CEO of Dubai Chamber, said the emirate's gross domestic product (GDP) grew 3.2 per cent in 2017 and growth will pick up this year to 3.5 per cent.

MARKET UPDATE

Global:

- # It was another good week on Wall Street; the Dow Jones Industrial Average jumped 1.0%, the Nasdaq Composite climbed 1.0%, and the S&P 500 added 0.9%. However, the bulls looked somewhat fatigued, at least in comparison to the first two weeks of the year; the S&P 500 rose 2.6% in the first week of 2018 and 1.6% in the second. This week, the S&P 500 posted losses in two of four sessions (markets were closed on Monday for Martin Luther King Jr. Day). What is certain is that 2018 has been a great year for the stock market thus far.
 - # Financials dominated the earnings front this week with Citigroup (C), Bank of America (BAC), Goldman Sachs (GS), U.S. Bancorp (USB), Charles Schwab (SCHW), Morgan Stanley (MS), and American Express (AXP) reporting their fourth quarter results. All seven companies beat earnings estimates, but revenues came in mixed; Goldman Sachs, Morgan Stanley, and American Express reported above-consensus revenues, while Bank of America missed estimates. The S&P 500's financial sector (+1.0%) finished roughly in line with the broader market.
 - # Meanwhile, the health care sector (+1.9%) was among the top-performing groups this week. Within the space, UnitedHealth (UNH) rose 6.4% after reporting better-than-expected earnings for the fourth quarter, and Merck (MRK) jumped 4.5% after announcing that its drug Keytruda was successful, in combination with two chemotherapy drugs, as a first line treatment for lung cancer.
 - # The consumer staples (+2.4%) and technology (+1.5%) sectors finished alongside health care at the top of the sector standings. The tech group's largest component by market cap--Apple (AAPL)--announced that it will make a one-time tax payment of \$38 billion to repatriate cash holdings overseas and will invest over \$30 billion in the U.S. over the next five years, creating 20,000 new jobs. Apple said its decision was the result of recent changes to the U.S. tax law. Meanwhile, IBM (IBM) slipped 0.5% despite reporting year-over-year revenue growth for the first time in 23 quarters.
 - # The industrial sector (-0.9%) slid this week with General Electric (GE) pacing the retreat. GE shares tumbled 13.3%, hitting a six-year low, after the industrial giant said its legacy reinsurance business will take a larger-than-expected charge of \$6.2 billion for the fourth quarter. In addition, the company was reported to be considering a major breakup.
 - # The energy sector (-1.3%) also underperformed as crude oil retreated from a three-year high; West Texas Intermediate crude futures dropped 1.6% to \$63.30 per barrel.
- In Washington, the House of Representatives passed a one-month spending measure on Thursday evening, but that bill doesn't appear to have enough support to pass in the Senate, where it needs Democratic votes to reach the 60-vote threshold.

Index	Started Week	Ended Week	Change	Change%	YTD %
DJIA	25803.19	26071.72	268.53	1.0	5.5
Nasdaq	7261.06	7336.38	75.32	1.0	6.3
S&P 500	2786.24	2810.30	24.06	0.9	5.1

India:

- # It was a milestone week. BSE Sensex surged past the 35,500 mark, while the Nifty hit the 10,900 levels. Benchmark indices kept hitting fresh life time highs throughout the week after the announcement of a reduction in additional borrowing powered the domestic stock market to new highs.
- # The GST Council meeting had some news to cheer after it decided to cut rates on 54 services and 29 goods. The new rates will come into effect from January 25.

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Total Return Index

WHAT IS TOTAL RETURN INDEX

From February 1, mutual fund schemes are mandated by SEBI to use Total Return Index (TRI) to benchmark their performance.

The shift from current bench mark of Price Return Variant of the index (PRI) to TRI is supposed to give a clearer picture of the scheme performance versus its benchmark.

TRI captures both components (capital gain and cash distributions) of the return by assuming that all cash distributions of the constituent securities of the index are reinvested into the index. As against that, PRI only captures the capital gains of the index constituents and ignores cash distributions.

Thus, PRI provides an incomplete picture of the index return. If constituent stocks in an equity index pay dividends, TRI would be higher than PRI by a percentage equal to the dividend yield.

It's QUIZ Time

If you want to invest in a particular industry, what fund will you choose?

- Diversified Equity Fund
- Index Fund
- Sector Fund

Answer to the last quiz, Q A close-ended mutual fund has a fixed? is a) NAV

Thank you for the quick responses. The right answer of the quiz was given by:

Mr. Ravindran Ramabadran
Mr. A.K.Prakashan

Share the answer at reply@barjeel.ae

Congratulations!

The answer to the question along with the **Winners Name** will be published in the next issue of Market Digest. All the best!

Cost Inflation Index

The recent FA17 has changed the base date from 1.4.1981 to 1.4.2001. Accordingly, starting with FY 2001-02 as the base year, the RBI will notify 'Cost Inflation Index' (CII) every year.

LT gains are computed by deducting from the full value of the consideration i) any expenditure (brokerage, stamp duty, etc.) incurred in connection with the transfer, ii) indexed cost of acquisition and iii) indexed cost of improvement. Indexed cost is computed by multiplying the cost of acquisition or improvement of the asset by the ratio of the CII for the years of sale and acquisition.

For assets acquired prior to 1.4.2001, the option of substituting the fair market value (FMV) in place of original cost is possible. In other words, if the cost of acquisition is lower than FMV as on 1.4.2000, the assessee may adopt the FMV as his cost. If it is higher, he may adopt it as his cost of acquisition. The CII based on 2000-01 only will be taken into account, whatever be the choice for the cost.

An assessee has the right to take the FMV as on 1.4.2000 even for bonus shares allotted to him prior to that date. Same is true for other assets, normally required to be taken at nil value. We are awaiting the notification.

Exchange Rate Risk

Protection provided by First Proviso to Sec. 48 has become meaningless for NRIs because of total freedom from tax on long-term capital gains. However, it still is applicable to short-term gains on shares or debentures of an Indian company (private or public) acquired by utilising foreign currency.

In such cases, capital gains shall be computed by deducting the cost of acquisition from the net value of the consideration received or accruing into the same foreign currency as was initially utilised for the purchase of shares or debentures. The capital gains so computed in such foreign currency shall be reconverted into Indian currency. Thus the NRI is protected against the exchange risk.

NRI taxation?

REAL ESTATE ROUND UP



VAT treatment on Real Estate

Sale and rent of commercial buildings (not residential buildings)

VAT rate
5%

First sale/rent of residential building after completion of construction or conversion

0%

First sale of charitable building

0%

Sale/rent of residential buildings subsequent to first supply

Exempt

Hotels, motels and serviced accommodation

5%

Bare land

Exempt

Land (not bare land)

5%

UAE citizen building own home

5% (recoverable)

Kindly post your queries if any here at reply@barjeel.ae

Did you know...
Bombay Stock Exchange (BSE) in India has the highest number of listed companies in the world with an estimated 5689 companies. National Stock Exchange (NSE) of India has around 1750 companies.

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PERFORMANCE SUMMARY OF STOCKS UNDER COVERAGE AND THE STOCK WISE RETURN

Company Name	Current Rating	Date of IC	Rec. Price	CMP	Annualized Return
Finolex Cables Ltd	Accumulate	05.11.13	61	707	255%
V-Guard Industries Ltd	Hold	11.06.13	34	243	104%
Havells India Ltd	Accumulate	01.10.13	127	562	61%
Amara Raja Batteries Ltd	Accumulate	29.11.13	319	841	56%
PVR Ltd	Hold	31.03.14	480	1,414	59%
Capital First Ltd	Buy	28.08.14	280	693	66%
KNR Constructions Ltd	Buy	31.03.16	102	324	125%
KEC International Ltd	Buy	29.09.14	124	384	64%
Minda Industries Ltd	Hold	31.03.17	437	1,282	259%
Supreme Industries Ltd	Buy	13.02.14	425	1,291	42%
NBCC (India) Ltd	Buy	03.09.14	58	245	41%
Bata India Ltd	Hold	08.03.16	490	747	65%
Escorts Ltd	Buy	03.11.16	371	787	97%
Banco Products (India) Ltd	Buy	01.09.14	133	260	29%
Exide Industries Ltd	Accumulate	01.08.13	124	223	18%
Asian Paints Ltd	Hold	17.11.15	801	1,158	37%
Federal Bank Ltd	Accumulate	25.07.16	64	109	49%
PNC Infratech Ltd	Accumulate	29.09.16	120	203	55%
NCC Ltd	Accumulate	25.01.17	80	134	73%
Bharat Electronics Ltd	Buy	28.03.16	109	182	38%
Aarti Industries Ltd	Buy	25.01.17	694	1,136	69%
L.G Balakrishna Bros Ltd	Buy	30.09.14	670	1,062	18%
TVS Motor Company Ltd	Reduce	19.10.15	247	771	21%
City Union Ltd	Hold	10.03.17	125	180	55%
Ashok Leyland Ltd	Buy	22.07.16	97	119	16%
Transport Corporation of India Ltd	Buy	02.05.17	242	290	30%
Jyothy Laboratories Ltd	Accumulate	02.07.13	180	385	3%
Granules India Ltd	Buy	17.11.17	122	137	107%
Bharat Forge Ltd	Buy	06.04.15	658	732	4%
Mahindra CIE Ltd	Buy	21.07.17	245	258	12%
InterGlobe Aviation Ltd	Buy	22.11.17	1,168	1,201	28%
Triveni Turbine	Accumulate	11.09.17	131	134	8%

VAT TREATMENT ON SELECTED INDUSTRIES

EDUCATION



	VAT rate
Private and public school education (excluding higher education) and related goods and services provided by education institution	0%
Higher education provided by institution owned by government or 50% funded by government, and related goods and services	0%
Education provided by private higher educational institutions, and related goods and services	5%
Nursery education and pre-school education	0%
School uniforms	5%
Stationery	5%
Electronic equipment (tablets, laptops, etc.)	5%
Renting of school grounds for events	5%
After school activities for extra fee	5%
After school activities supplied by teachers and not for extra charge	0%
School trips where purpose is educational and within curriculum	0%
School trips for recreation or not within curriculum	5%

FINANCIAL SERVICES



	VAT rate
Margin based products (products not having an explicit fee, commission, rebate, discount or similar)	Exempt
Products with an explicit fee, commission, rebate, discount or similar	5%
Interest on forms of lending (including loans, credit cards, finance leasing)	Exempt
Issue, allotment or transfer of an equity or debt security	Exempt

FOOD & BEVERAGES



	VAT rate
Food and beverages	5%

GOVERNMENT ACTIVITIES



Sovereign activities which are not in competition with the private sector undertaken by designated government bodies

Considered outside VAT system

Activities that are not sovereign or are in competition with the private sector

VAT rate dependent on good/service ignoring provider

REAL ESTATE



	VAT rate
Sale and rent of commercial buildings (not residential buildings)	5%
First sale/rent of residential building after completion of construction or conversion	0%
First sale of charitable building	0%
Sale/rent of residential buildings subsequent to first supply	Exempt
Hotels, motels and serviced accommodation	5%
Bare land	Exempt
Land (not bare land)	5%
UAE citizen building own home	

HEALTHCARE



	VAT rate
Preventive healthcare services including vaccinations	0%
Healthcare services aimed at treatment of humans including medical services and dental services	0%
Other healthcare services that are not for treatment and are not preventive (e.g. elective, cosmetic, etc)	5%
Medicines and medical equipment as listed in Cabinet Decision	0%
Medicines and medical equipment not listed in Cabinet Decision	5%
Other medical supplies	5%

TRANSPORTATION



	VAT rate
Domestic passenger transportation (including flights within UAE)	Exempt
International transportation of passengers and goods (including intra-GCC)	0%
Supply of a means of transport (air, sea and land) for the commercial transportation of goods and passengers (over 10 people)	0%
Supply of goods and services relating to these means of transport and to the transportation of goods and passengers	0%

INSURANCE AND REINSURANCE



	VAT rate
Insurance and reinsurance (including health, motor, property, etc)	5%
Life insurance and life reinsurance	Exempt

OIL AND GAS



	VAT rate
Crude oil and natural gas	0%
Other oil and gas products including petrol at the pump	5%

TELECOMM & ELECTRONIC SERVICES



	VAT rate
Wired and wireless telecommunications and electronic services	5%

INVESTMENT GOLD, SILVER AND PLATINUM, JEWELLERY

	VAT rate
≥99% pure and tradable in global markets	0%
<99% pure	5%
Jewellery	5%

NOT FOR PROFIT ORGANIZATIONS



	VAT rate
Activities of foreign governments, international organisations, diplomatic bodies and missions acting as such (if not in business in the UAE)	Considered outside VAT system
Charitable activities undertaken by societies and associations of public welfare which are listed by Cabinet Decision	Considered outside VAT system
Activities of other not for profit organizations (not listed in Cabinet Decision) which are not business activities	Considered outside VAT system
Business activities undertaken by the above organizations	VAT rate dependent on good/service ignoring provider

FREE ZONES



	VAT rate
Supplies of goods between businesses in designated zones	Considered outside VAT system
Supplies of services between businesses in designated zones	VAT rate dependent on service ignoring location
Supplies of goods and services in non-designated zones	VAT rate dependent on good/service ignoring location
Supplies of goods and services from mainland to designated zones or designated zones to mainland	VAT rate dependent on good/service ignoring location

OTHER



	VAT rate
Export of goods and services to outside the GCC implementing states	0%
Activities undertaken by employees in the course of their employment, including salaries	Considered outside VAT system
Supplies between members of a single tax group	Considered outside VAT system
Any supplies of services or goods not mentioned above (includes any items sold in the UAE or service provided)	5%
Second hand goods (e.g. used cars sold by retailers), antiques and collectors' items	5% of the profit margin