

# Quick Glance - Funds Performance

(Funds with AUM of more than ₹125 crores as on 31<sup>st</sup> March 2014)

IN THIS POLICY, THE INVESTMENT RISK IN INVESTMENT PORTFOLIO IS BORNE BY THE POLICYHOLDER.

## Investment Report

The month of March 2014 saw the benchmark indices; BSE Sensex and CNX Nifty gain around 5.99% and 6.81% respectively, even as the Mid-cap index, CNX Mid-cap surged 10.34% during the same period.

## Equity Funds

### Equity Fund (ULIF 001 04/02/04 TEL 110)

#### Fund Details

**Investment Objective** : The primary investment objective of the Fund is to generate long term capital appreciation from a portfolio that is invested predominantly in equity and equity linked securities.

**NAV as on 31 Mar, 14** : ₹39.1216

**Benchmark** : S&P BSE Sensex - 100%

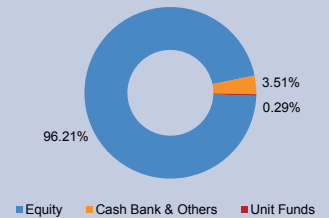
**Corpus as on 31 Mar, 14** : ₹2,080.77 Crs.

#### Fund Performance

PERIOD	DATE	NAV	S&P BSE Sensex	NAV Change	INDEX Change
Last 6 Months	30-Sep-13	33.9010	19379.77	15.40%	15.51%
Last 1 Year	31-Mar-13	32.7921	18835.77	19.30%	18.85%
Last 2 Years	31-Mar-12	30.3049	17404.20	13.62%	13.41%
Last 3 Years	31-Mar-11	33.8848	19445.22	4.91%	4.81%
Last 4 Years	31-Mar-10	30.5465	17527.77	6.38%	6.31%
Last 5 Years	31-Mar-09	17.1250	9708.50	17.97%	18.19%
Since Inception	02-Mar-04	10.0000	5823.17	14.48%	14.29%

Note : The investment income and prices may go down as well as up. "Since Inception" and returns above "1 Year" are calculated as per CAGR.

#### Asset Allocation



### Whole Life Mid-Cap Equity Fund (ULIF 009 04/01/07 WLE 110)

#### Fund Details

**Investment Objective** : The primary investment objective of the Fund is to generate long term capital appreciation from a portfolio that is invested predominantly in Mid Cap Equity and Mid Cap Equity linked securities.

**NAV as on 31 Mar, 14** : ₹18.2416

**Benchmark** : NSE CNX MIDCAP-100%

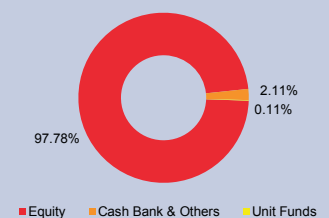
**Corpus as on 31 Mar, 14** : ₹1601.19 Crs.

#### Fund Performance

PERIOD	DATE	NAV	NSE CNX MIDCAP	NAV Change	INDEX Change
Last 6 Months	30-Sep-13	14.9106	6997.95	22.34%	23.07%
Last 1 Year	31-Mar-13	14.6988	7401.60	24.10%	16.36%
Last 2 Years	31-Mar-12	13.5457	7711.40	16.05%	5.68%
Last 3 Years	31-Mar-11	13.6258	8040.15	10.21%	2.32%
Last 4 Years	31-Mar-10	12.7603	7704.90	9.35%	2.82%
Last 5 Years	31-Mar-09	6.2150	3407.45	24.03%	20.38%
Since Inception	08-Jan-07	10.0000	5156.45	8.67%	7.35%

Note : The investment income and prices may go down as well as up. "Since Inception" and returns above "1 Year" are calculated as per CAGR.

#### Asset Allocation



### Large Cap Equity Fund (ULIF 017 07/01/08 TLC 110)

#### Fund Details

**Investment Objective** : The primary investment objective of the Fund is to generate long term capital appreciation from a portfolio that is invested predominantly in equity and equity linked securities.

**NAV as on 31 Mar, 14** : ₹13.9347

**Benchmark** : CNX Nifty-100%

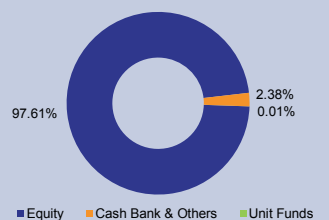
**Corpus as on 31 Mar, 14** : ₹943.46 Crs.

#### Fund Performance

PERIOD	DATE	NAV	CNX Nifty	NAV Change	INDEX Change
Last 6 Months	30-Sep-13	11.9466	5735.30	16.64%	16.89%
Last 1 Year	31-Mar-13	11.5466	5682.55	20.68%	17.98%
Last 2 Years	31-Mar-12	10.5029	5295.55	15.18%	12.52%
Last 3 Years	31-Mar-11	11.4116	5833.75	6.89%	4.74%
Last 4 Years	31-Mar-10	10.0892	5249.10	8.41%	6.31%
Last 5 Years	31-Mar-09	5.7290	3020.95	19.45%	17.28%
Since Inception	07-Jan-08	10.0000	6279.10	5.47%	1.06%

Note : The investment income and prices may go down as well as up. "Since Inception" and returns above "1 Year" are calculated as per CAGR.

#### Asset Allocation



### Future Equity Pension Fund (ULIF 020 04/02/08 FEP 110)

#### Fund Details

**Investment Objective** : The primary investment objective of the Fund is to generate long term capital appreciation from a portfolio that is invested predominantly in equity and equity linked securities.

**NAV as on 31 Mar, 14** : ₹15.1197

**Benchmark** : CNX Nifty-100%

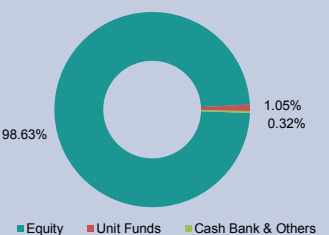
**Corpus as on 31 Mar, 14** : ₹199.93 Crs.

#### Fund Performance

PERIOD	DATE	NAV	CNX Nifty	NAV Change	INDEX Change
Last 6 Months	30-Sep-13	13.0352	5735.30	15.99%	16.89%
Last 1 Year	31-Mar-13	12.6758	5682.55	19.28%	17.98%
Last 2 Years	31-Mar-12	11.8938	5295.55	12.75%	12.52%
Last 3 Years	31-Mar-11	13.0319	5833.75	5.08%	4.74%
Last 4 Years	31-Mar-10	11.5129	5249.10	7.05%	6.31%
Last 5 Years	31-Mar-09	6.4140	3020.95	18.71%	17.28%
Since Inception	04-Feb-08	10.0000	5463.50	6.95%	3.38%

Note : The investment income and prices may go down as well as up. "Since Inception" and returns above "1 Year" are calculated as per CAGR.

#### Asset Allocation



### Select Equity Fund (ULIF 024 06/10/08 TSE 110)

#### Fund Details

**Investment Objective** : The primary investment objective of the fund is to provide income distribution over a period of medium to long term while at all times emphasizing the importance of capital appreciation. The fund will invest significant amount in equity and equity linked instruments specifically excluding companies predominantly dealing in Gambling, Lotteries/Contests, Animal Produce, Liquor, Tobacco, Entertainment (Films, TV etc) Hotels, Banks and Financial Institutions.

**NAV as on 31 Mar, 14** : ₹22.7545

**Benchmark** : CNX India 500 Shariah Index - 100%

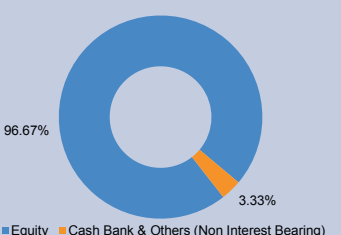
**Corpus as on 31 Mar, 14** : ₹216.19 Crs.

#### Fund Performance

PERIOD	DATE	NAV	CNX India 500 Shariah Index	NAV Change	INDEX Change
Last 6 Months	30-Sep-13	19.7955	1405.23	14.95%	15.55%
Last 1 Year	31-Mar-13	18.5467	1322.85	22.69%	22.74%
Last 2 Years	31-Mar-12	17.1778	1252.73	15.09%	13.85%
Last 3 Years	31-Mar-11	17.9614	1340.15	8.20%	6.61%
Last 4 Years	31-Mar-10	16.2079	1274.90	8.85%	6.23%
Last 5 Years	31-Mar-09	10.3200	692.85	17.13%	18.57%
Since Inception	06-Oct-08	10.0000	844.46	16.17%	12.66%

Note : The investment income and prices may go down as well as up. "Since Inception" and returns above "1 Year" are calculated as per CAGR.

#### Asset Allocation



# Quick Glance - Funds Performance

(Funds with AUM of more than ₹125 crores as on 31<sup>st</sup> March 2014)

## Super Select Equity Fund (ULIF 035 16/10/09 TSS 110)

### Fund Details

**Investment Objective** : The primary investment objective of the fund is to provide income distribution over a period of medium to long term while at all times emphasizing the importance of capital appreciation

**NAV as on 31 Mar, 14** : ₹14.9103

**Benchmark** : CNX India 500 Shariah Index - 100%

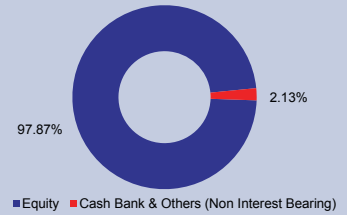
**Corpus as on 31 Mar, 14** : ₹683.78 Crs.

### Fund Performance

PERIOD	DATE	NAV	CNX India 500 Shariah Index	NAV Change	INDEX Change
Last 6 Months	30-Sep-13	12.9004	1405.23	15.58%	15.55%
Last 1 Year	31-Mar-13	12.0459	1322.85	23.78%	22.74%
Last 2 Years	31-Mar-12	11.2889	1252.73	14.93%	13.85%
Last 3 Years	31-Mar-11	11.7349	1340.15	8.31%	6.61%
Last 4 Years	31-Mar-10	10.4760	1274.90	9.23%	6.23%
Since Inception	16-Oct-09	10.0000	1217.76	9.38%	6.67%

Note : The investment income and prices may go down as well as up. "Since Inception" and returns above "1 Year" are calculated as per CAGR.

### Asset Allocation



## Top 200 Fund (ULIF 027 12/01/09 ITT 110)

### Fund Details

**Investment Objective** : The Top 200 fund will invest primarily in select stocks and equity linked instruments which are a part of BSE 200 Index with a focus on generating long term capital appreciation. The fund will not replicate the index but aim to attain performance better than the performance of the Index. As a defensive strategy arising out of market conditions, the scheme may also invest in debt and money market instruments.

**NAV as on 31 Mar, 14** : ₹22.9709

**Benchmark** : S&P BSE 200 - 100%

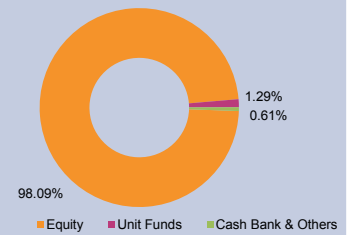
**Corpus as on 31 Mar, 14** : ₹185.94 Crs.

### Fund Performance

PERIOD	DATE	NAV	S&P BSE 200	NAV Change	INDEX Change
Last 6 Months	30-Sep-13	19.1909	2281.93	19.70%	17.50%
Last 1 Year	31-Mar-13	19.0692	2287.96	20.46%	17.19%
Last 2 Years	31-Mar-12	18.0142	2157.89	12.92%	11.47%
Last 3 Years	31-Mar-11	19.3704	2378.69	5.85%	4.07%
Last 4 Years	31-Mar-10	17.4689	2199.50	7.08%	5.08%
Last 5 Years	31-Mar-09	10.5830	1140.43	16.77%	18.65%
Since Inception	12-Jan-09	10.0000	1091.37	17.28%	18.81%

Note : The investment income and prices may go down as well as up. "Since Inception" and returns above "1 Year" are calculated as per CAGR.

### Asset Allocation



## Balanced Funds

### Aggressive Growth Fund (ULIF 006 01/07/06 TAL 110)

### Fund Details

**Investment Objective** : The primary investment objective of the fund is to maximize the returns with medium to high risk.

**NAV as on 31 Mar, 14** : ₹18.7635

**Benchmark** : S&P BSE Sensex - 65%, CRISIL Composite Bond Index - 35%

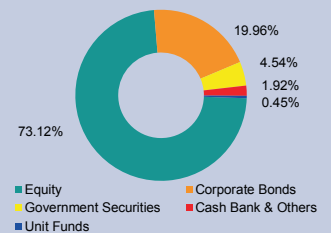
**Corpus as on 31 Mar, 14** : ₹224.50 Crs.

### Fund Performance

PERIOD	DATE	NAV	NAV Change	INDEX Change
Last 6 Months	30-Sep-13	16.5407	13.44%	11.86%
Last 1 Year	31-Mar-13	16.5899	13.10%	13.77%
Last 2 Years	31-Mar-12	15.5098	9.99%	11.09%
Last 3 Years	31-Mar-11	16.2165	4.98%	5.60%
Last 4 Years	31-Mar-10	15.0072	5.74%	6.40%
Last 5 Years	31-Mar-09	9.8900	13.66%	14.04%
Since Inception	01-Jul-06	10.0000	8.46%	8.82%

Note : The investment income and prices may go down as well as up. "Since Inception" and returns above "1 Year" are calculated as per CAGR.

### Asset Allocation



## Whole Life Aggressive Growth Fund (ULIF 010 04/01/07 WLA 110)

### Fund Details

**Investment Objective** : The primary investment objective of the fund is to maximize the returns with medium to high risk.

**NAV as on 31 Mar, 14** : ₹18.2256

**Benchmark** : Nifty - 65%, CRISIL Composite Bond Index - 35%

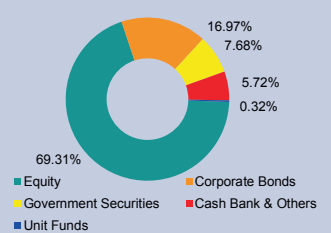
**Corpus as on 31 Mar, 14** : ₹373.25 Crs.

### Fund Performance

PERIOD	DATE	NAV	NAV Change	INDEX Change
Last 6 Months	30-Sep-13	16.0124	13.82%	12.76%
Last 1 Year	31-Mar-13	15.9299	14.41%	13.21%
Last 2 Years	31-Mar-12	14.6248	11.63%	10.51%
Last 3 Years	31-Mar-11	15.0577	6.57%	5.56%
Last 4 Years	31-Mar-10	13.6178	7.56%	6.40%
Last 5 Years	31-Mar-09	9.1200	14.85%	13.45%
Since Inception	08-Jan-07	10.0000	8.66%	7.25%

Note : The investment income and prices may go down as well as up. "Since Inception" and returns above "1 Year" are calculated as per CAGR.

### Asset Allocation



## Fixed Income Funds

### Whole Life Income Fund (ULIF 012 04/01/07 WLI 110)

### Fund Details

**Investment Objective** : The primary investment objective of the Fund is to generate income through investing in a range of debt and money market instruments of various maturities with a view to maximizing the optimal balance between yield, safety and liquidity. The Fund will have no investments in equity or equity linked instruments at any point in time.

**NAV as on 31 Mar, 14** : ₹16.2544

**Benchmark** : CRISIL Composite Bond Index -100%

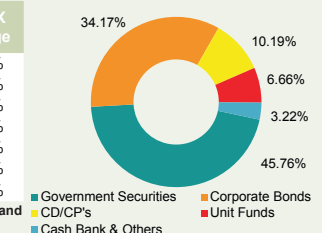
**Corpus as on 31 Mar, 14** : ₹243.51 Crs.

### Fund Performance

PERIOD	DATE	NAV	Crilil Composite Bond Fund Index	NAV Change	INDEX Change
Last 6 Months	30-Sep-13	15.4546	1948.06	5.18%	5.09%
Last 1 Year	31-Mar-13	15.5121	1961.97	4.79%	4.34%
Last 2 Years	31-Mar-12	13.9560	1795.50	7.92%	6.78%
Last 3 Years	31-Mar-11	12.8288	1667.12	8.21%	7.08%
Last 4 Years	31-Mar-10	12.1467	1586.80	7.55%	6.58%
Last 5 Years	31-Mar-09	11.3130	1505.33	7.52%	6.34%
Since Inception	08-Jan-07	10.0000	1298.79	6.95%	6.50%

Note : The investment income and prices may go down as well as up. "Since Inception" and returns above "1 Year" are calculated as per CAGR.

### Asset Allocation



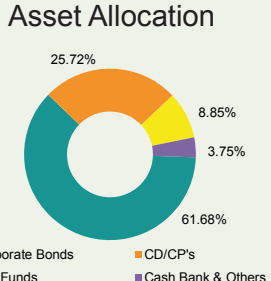
# Quick Glance - Funds Performance

(Funds with AUM of more than ₹125 crores as on 31<sup>st</sup> March 2014)

## Whole Life Short Term Fixed Income Fund (ULIF 013 04/01/07 WLF 110)

Fund Details		Fund Performance				Asset Allocation	
<b>Investment Objective</b>	The primary investment objective of the Fund is to generate stable returns by investing in fixed income securities having shorter maturity periods. Under normal circumstances, the average maturity of the Fund may be in the range of 1-3 years.	<b>PERIOD</b>	<b>DATE</b>	<b>NAV</b>	<b>Crisil Short Term Bond Index</b>	<b>NAV Change</b>	<b>INDEX Change</b>
<b>NAV as on 31 Mar, 14</b>	₹16.6109	Last 6 Months	30-Sep-13	15.8918	2099.30	4.52%	5.07%
<b>Benchmark</b>	CRISIL Short Term Bond Index -100%	Last 1 Year	31-Mar-13	15.3186	2027.60	8.44%	8.79%
<b>Corpus as on 31 Mar, 14</b>	₹146.13 Crs.	Last 2 Years	31-Mar-12	13.9537	1858.56	9.11%	8.94%
		Last 3 Years	31-Mar-11	12.8276	1716.04	9.00%	8.73%
		Last 4 Years	31-Mar-10	12.2455	1632.46	7.92%	7.82%
		Last 5 Years	31-Mar-09	11.4150	1541.81	7.79%	7.43%
		Since Inception	08-Jan-07	10.0000	1281.09	7.27%	7.81%

**Note:** The investment income and prices may go down as well as up. "Since Inception" and returns above "1 Year" are calculated as per CAGR.



Asset Allocation: Corporate Bonds (61.68%), CD/CP's (8.85%), Unit Funds (25.72%), Cash Bank & Others (3.75%)

## Guaranteed NAV Funds

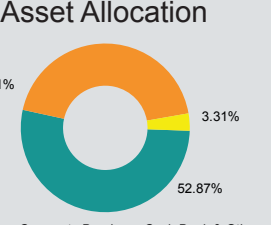
The fund would be predominantly invested in equity at inception, wherein the dynamic asset allocation mechanism allocates the portfolio between equity and debt. This dynamic asset allocation is based on the performance of equity markets and movements in interest rates. The equity allocation may be reallocated to debt if the equity markets or interest rates fall, to safeguard the guarantee.

Over time, the asset mix will predominantly shift to debt to protect the guarantee. This dynamic asset allocation process will drive the returns generated by the Apex Return Lock-in Fund. The dynamic asset allocation shifts the allocation of the fund from an equity bias to a debt bias, over time. This would mean that the Guaranteed NAV would not mimic the highest level of the equity market, over the period the guarantee is applicable. Any unexpected and sharp falls in equity market and/or interest rates, during the period the guarantee is applicable, may trigger the allocation to completely move towards debt, to protect the highest NAV achieved prior to the fall. Overall, it is an ideal fund for an investor who wants to take advantage of high returns in a positive market scenario while safe-guarding the investment during any downturn.

## APEX Return Lock-In Fund (ULIF 032 18/02/09 ARL 110)

Fund Details		Fund Performance				Asset Allocation	
<b>Investment Objective</b>	The investment objective for Apex Return Lock-in Fund is to use the participation in an actively managed well diversified equity portfolio of large cap companies to generate capital appreciation and use high credit quality debt instruments to lock-in that capital appreciation. The initial asset allocation in equities is targeted at 80% to 100%.	<b>PERIOD</b>	<b>DATE</b>	<b>NAV</b>	<b>NAV Change</b>		
<b>The highest NAV recorded on reset date</b>	₹13.9701	Last 6 Months	30-Sep-13	12.8738	10.29%		
<b>Corpus as on 31 Mar, 14</b>	₹324.05 Crs.	Last 1 Year	31-Mar-13	12.6197	12.51%		
		Last 2 Year	31-Mar-12	11.5165	11.03%		
		Last 3 Year	31-Mar-11	12.0459	5.63%		
		Last 4 Year	31-Mar-10	11.1051	6.33%		
		Since Inception	10-Jun-09	10.0000	7.56%		

**Note:** The investment income and prices may go down as well as up. "Since Inception" and returns above "1 Year" are calculated as per CAGR.

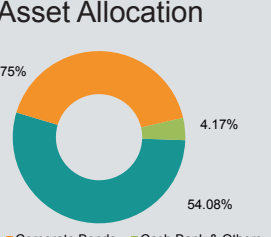


Asset Allocation: Equity (52.87%), Corporate Bonds (43.81%), Cash Bank & Others (3.31%)

## APEX Return Lock-In Fund II (ULIF 033 03/08/09 AR2 110)

Fund Details		Fund Performance				Asset Allocation	
<b>Investment Objective</b>	The investment objective for Apex Return Lock-in Fund II is to use the participation in an actively managed well diversified equity portfolio of large cap companies to generate capital appreciation and use high credit quality debt instruments to lock-in that capital appreciation. The initial asset allocation in equities is targeted at 80% to 100%.	<b>PERIOD</b>	<b>DATE</b>	<b>NAV</b>	<b>NAV Change</b>		
<b>The highest NAV recorded on reset date</b>	₹13.1762	Last 6 Months	30-Sep-13	12.0734	10.67%		
<b>Corpus as on 31 Mar, 14</b>	₹234.10 Crs.	Last 1 Year	31-Mar-13	11.8352	12.89%		
		Last 2 Year	31-Mar-12	10.7598	11.43%		
		Last 3 Year	31-Mar-11	11.2464	5.91%		
		Last 4 Year	31-Mar-10	10.3286	6.65%		
		Since Inception	10-Nov-09	10.0000	6.82%		

**Note:** The investment income and prices may go down as well as up. "Since Inception" and returns above "1 Year" are calculated as per CAGR.

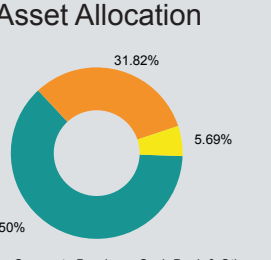


Asset Allocation: Equity (54.08%), Corporate Bonds (41.75%), Cash Bank & Others (4.17%)

## Apex Plus Return Lock-in-Fund (ULIF 047 01/02/10 RA1 110)

Fund Details		Fund Performance				Asset Allocation	
<b>Investment Objective</b>	The investment objective for Apex Plus Return Lock-in Fund is to use the participation in an actively managed well diversified equity portfolio of large cap companies to generate capital appreciation and use high credit quality debt instruments to lock-in that capital appreciation. The initial asset allocation in equities is targeted at 80% to 100%.	<b>PERIOD</b>	<b>DATE</b>	<b>NAV</b>	<b>NAV Change</b>		
<b>The highest NAV recorded on reset date</b>	₹12.7154	Last 6 Months	30-Sep-13	11.5897	11.37%		
<b>Corpus as on 31 Mar, 14</b>	₹130.36 Crs.	Last 1 Year	31-Mar-13	11.3945	13.28%		
		Last 2 Year	31-Mar-12	10.4472	11.15%		
		Last 3 Year	31-Mar-11	11.0380	5.35%		
		Since Inception	10-May-10	10.0000	6.78%		

**Note:** The investment income and prices may go down as well as up. "Since Inception" and returns above "1 Year" are calculated as per CAGR.



Asset Allocation: Equity (62.50%), Corporate Bonds (31.82%), Cash Bank & Others (5.69%)

## Equity Outlook

The month of March 2014 saw the benchmark indices; BSE Sensex and CNX Nifty gain around 5.99% and 6.81% respectively, even as the Mid-cap index, CNX Mid-cap surged 10.34% during the same period.

FII's were net buyers with inflows of around USD 3.7 billion in the month of March 2014 and the DIIs were net sellers to the tune of around USD 2.2 billion, with Insurance companies' net sellers of around USD 1.6 billion and domestic mutual funds, net sellers to the extent of around USD 0.6 billion over the same period. In the first three months of the calendar year 2014, the FIIs had been net buyers to the tune of USD 4 billion with the DIIs net sellers to the tune of USD 2.5 billion, Insurance companies selling 1.2 billion and mutual funds selling Indian equities to the tune of USD 1.2 billion.

In the recent past, Indian macro economic indicators have shown a marked improvement as the CAD seems to have stabilized at comfortable levels and CPI inflation has trended lower. This, along with a significant accretion to forex reserves has helped INR appreciate by around 12% from its September 2013 lows. India has been amongst the biggest recipients of YTD FII flows in comparison with its EM peers. In March 2014, Indian equity market was among the top performing markets

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## (Funds with AUM of more than ₹125 crores as on 31<sup>st</sup> March 2014)

globally, with BSE Sensex rising by 9.4% in USD terms on account of the improved macro situation as well as a declining likelihood of a fractured mandate post the general elections.

The RBI expected the real GDP growth to pick up to a range of 5% to 6% in 2014-15, albeit with downside risks to the central estimate of 5.5%. They observed that the lead indicators did not point to any sustained revival in industry and services as yet, and that the outlook for the agricultural sector was contingent upon the timely arrival and spread of the monsoon. On the positive side, the RBI expected a possible easing of domestic supply bottlenecks and progress on the implementation of stalled projects to improve the growth outlook. They also expected an up tick in export growth as the world economy picked up.

The RBI announced an in-principle approval to IDFC Ltd and Bandhan Financial Services Private Ltd to set up a new banking entity. These entities will get 18 months to comply with the requirements as per RBI guidelines and convert their in-principle approval to a regular banking license. Additionally, RBI will consider the application made by Department of Posts of India separately in consultation with the Government. Going forward, the RBI wants to issue Banking licenses on an ongoing basis, practically on- tap, especially for specialized banking operations.

Rating agency Standard & Poor's (S&P) has noted that creditworthiness of Indian companies had improved as they are repaying debt through funds generated from sale of assets and raising equity capital. S&P expects companies to reduce debt through positive free operating cash flows as many Indian companies have significantly reduced capital expenditures and expansion plans in the current economic environment. This trend is increasingly seen in sectors that typically use high capital expenditures, such as power, metals and mining, and infrastructure.

According to the latest forecast by Gartner Inc, the gradual recovery in the global economy would help increase worldwide IT spending to an estimated USD 3.8 trillion in 2014, a 3.2% increase from 2013 spending. The up tick in global IT spending augurs well for the Indian IT sector even as it could face headwinds due to INR appreciation.

India macro situation has improved substantially and this has enabled Indian equity markets to attract FII flows over the calendar year 2014, thus far. In the medium term, the FII flows could receive a further boost if the Indian general elections throws up a decisive mandate. We continue to believe that the Indian equities offer an attractive entry point for a long term investor with a 3-5 year view.

### Debt Outlook

March 2014 saw the benchmark 10 year Government securities (G-sec) ease by around 5 bps during the month to 8.81% levels. The spread of 10 year G-sec over the 30 year G-sec was at 27 bps in March 2014.

The corporate bonds eased during March 2014 to close the month at around 9.60% levels in the 10 year bonds, 10 bps lower than the February 2014 levels of 9.70%. As a consequence, the corporate bond spread over the 10 year G-sec was at around 64 bps in March 2014, similar to the prior month.

The RBI in its first bi-monthly monetary policy kept the repo rate unchanged at 8%, largely on expected lines. The RBI noted that since December 2013, sharper than expected disinflation in vegetable prices had enabled a sizable fall in headline inflation. The RBI opined that the vegetable prices had entered their seasonal trough and further softening was unlikely. The RBI highlighted a number of risks to their central forecast of 8% CPI inflation by January 2015. They believed that less-than-normal monsoon due to possible el nino effects; uncertainty on the setting of minimum support prices for agricultural commodities and the adjustments to administered prices, especially of fuel, fertilizer and electricity; the outlook for fiscal policy; geo-political developments and their impact on international commodity prices were the key risks.

The RBI observed a downward statistical pull on CPI inflation exerted by base effects of high inflation during June-November 2013. The RBI opined that it would look through any transient effects, including these base effects, which could temporarily soften headline inflation during 2014.

The RBI stated that its policy stance would be firmly focused on keeping the economy on a disinflationary glide path that is intended to hit 8% CPI inflation by January 2015 and 6% by January 2016. Consequently, the RBI felt that it was appropriate to hold the policy rate, while allowing the rate increases undertaken from September 2013 to January 2014 to work their way through the economy. The RBI believed that if inflation continued along the intended glide path, further policy tightening in the near term was not anticipated at this juncture.

Most market experts expect the interest rates to remain at these elevated levels for an extended period of time as the RBI factors in the transmission of the previous hikes in monetary policy and monitors the evolving retail CPI inflation trajectory.

The RBI announced the government's first half gross borrowing calendar for FY 2014-15 which pegged the borrowing at ₹ 3.68 trillion as against ₹ 3.44 trillion in the same period prior year. The net borrowing is slated at ₹ 2.93 trillion in the first half as against ₹ 2.69 trillion in the same period last year. The borrowing is frontload on expected lines, with the first half gross borrowing at 62% of the full year borrowing.

It is expected that the relentless schedule of weekly borrowing of around ₹150 billion would keep the bond yields at elevated levels in the near term. RBIs continued anti-inflationary stance, would add to pressures on the bond yields as interest rates would remain elevated for a prolonged period. Moreover, the preference of the RBI to inject liquidity through the term repo route rather than through the OMO route has impacted bond market sentiments in the near term.

However, in the medium term, the bond market would take cues from the budget presented in June 2014 and clarity on the fiscal policies of the new government post the general elections.

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