

Quick Glance - Funds Performance

(Funds with AUM of more than ₹125 crores as on 28th June 2013)

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



Saravana Kumar
Chief Investment Officer

Message from CIO's Desk

The month of June 2013 saw the benchmark indices; BSE Sensex and CNX Nifty shed around 1.84 % and 2.40% respectively, even as the Mid-cap index, CNX Mid-cap fell 6.13% 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.

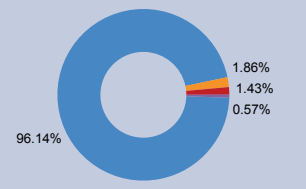
Fund Manager : Mr. Saravana Kumar
NAV as on 28 June, 13 : ₹33.9572
Benchmark : BSE Sensex - 100%
Corpus as on 28 June, 13 : ₹2,307.85 Crs.

Fund Performance

PERIOD	DATE	NAV	BSE Sensex	NAV Change	INDEX Change
Last 6 Months	31-Dec-12	33.8525	19426.71	0.31%	-0.16%
Last 1 Year	29-Jun-12	30.2869	17429.98	12.12%	11.28%
Last 2 Years	30-Jun-11	33.3737	18845.87	0.87%	1.45%
Last 3 Years	30-Jun-10	31.3934	17700.90	2.65%	3.09%
Last 4 Years	30-Jun-09	25.4040	14493.84	7.52%	7.56%
Last 5 Years	30-Jun-08	24.6610	13461.60	6.61%	7.58%
Since Inception	02-Mar-04	10.0000	5823.17	14.00%	13.77%

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.

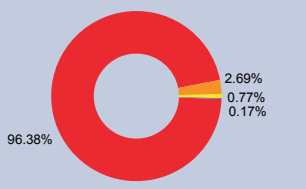
Fund Manager : Mr. Saravana Kumar
NAV as on 28 June, 13 : ₹15.3060
Benchmark : NSE CNX MIDCAP-100%
Corpus as on 28 June, 13 : ₹1,664.88 Crs.

Fund Performance

PERIOD	DATE	NAV	NSE CNX MIDCAP	NAV Change	INDEX Change
Last 6 Months	31-Dec-12	15.7086	8505.10	-2.56%	-13.67%
Last 1 Year	29-Jun-12	13.3416	7351.80	14.72%	-0.13%
Last 2 Years	30-Jun-11	13.7871	7971.50	5.36%	-4.03%
Last 3 Years	30-Jun-10	13.4496	8130.85	4.40%	-3.34%
Last 4 Years	30-Jun-09	9.5140	5427.25	12.62%	7.85%
Last 5 Years	30-Jun-08	9.6280	5238.85	9.71%	6.98%
Since Inception	08-Jan-07	10.0000	5156.45	6.80%	5.61%

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.

Fund Manager : Mr. Saravana Kumar
NAV as on 28 June, 13 : ₹11.9332
Benchmark : CNX Nifty-100%
Corpus as on 28 June, 13 : ₹935.13 Crs.

Fund Performance

PERIOD	DATE	NAV	CNX Nifty	NAV Change	INDEX Change
Last 6 Months	31-Dec-12	11.9717	5905.10	-0.32%	-1.07%
Last 1 Year	29-Jun-12	10.5546	5278.90	13.06%	10.67%
Last 2 Years	30-Jun-11	11.1994	5647.40	3.22%	1.71%
Last 3 Years	30-Jun-10	10.4100	5312.50	4.66%	3.22%
Last 4 Years	30-Jun-09	8.2970	4291.10	9.51%	8.02%
Last 5 Years	30-Jun-08	7.8210	4040.55	8.82%	7.65%
Since Inception	07-Jan-08	10.0000	6279.10	3.28%	-1.31%

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.

Fund Manager : Mr. Saravana Kumar
NAV as on 28 June, 13 : ₹13.0871
Benchmark : CNX Nifty-100%
Corpus as on 28 June, 13 : ₹219.85 Crs.

Fund Performance

PERIOD	DATE	NAV	CNX Nifty	NAV Change	INDEX Change
Last 6 Months	31-Dec-12	13.2720	5905.10	-1.39%	-1.07%
Last 1 Year	29-Jun-12	11.8125	5278.90	10.79%	10.67%
Last 2 Years	30-Jun-11	12.8284	5647.40	1.00%	1.71%
Last 3 Years	30-Jun-10	11.8757	5312.50	3.29%	3.22%
Last 4 Years	30-Jun-09	9.4400	4291.10	8.51%	8.02%
Last 5 Years	30-Jun-08	8.7310	4040.55	8.43%	7.65%
Since Inception	04-Feb-08	10.0000	5463.50	5.11%	1.25%

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



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.

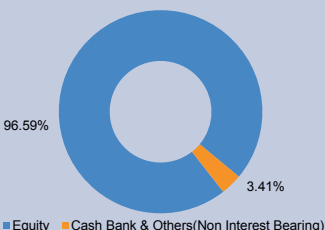
Fund Manager : Mr. Saravana Kumar
NAV as on 28 June, 13 : ₹19.1515
Benchmark : CNX India 500 Shariah Index - 100%
Corpus as on 28 June, 13 : ₹211.03 Crs.

Fund Performance

PERIOD	DATE	NAV	CNX India 500 Shariah Index	NAV Change	INDEX Change
Last 6 Months	31-Dec-12	18.9771	1334.09	0.92%	1.29%
Last 1 Year	29-Jun-12	17.1115	1231.12	11.92%	9.76%
Last 2 Years	30-Jun-11	18.1724	1307.25	2.66%	1.67%
Last 3 Years	30-Jun-10	17.0736	1308.04	3.90%	1.09%
Last 4 Years	30-Jun-09	13.4750	1024.85	9.19%	7.16%
Since Inception	06-Oct-08	10.0000	844.46	14.73%	10.45%

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 28th June 2013)

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

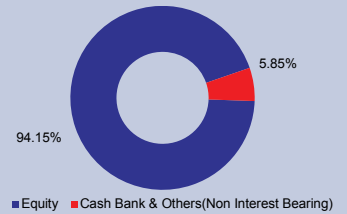
Fund Manager : Mr. Saravana Kumar
NAV as on 28 June, 13 : ₹12.4501
Benchmark : CNX India 500 Shariah Index - 100%
Corpus as on 28 June, 13 : ₹545.94 Crs.

Fund Performance

PERIOD	DATE	NAV	CNX India 500 Shariah Index	NAV Change	INDEX Change
Last 6 Months	31-Dec-12	12.3187	1334.09	1.07%	1.29%
Last 1 Year	29-Jun-12	11.1711	1231.12	11.45%	9.76%
Last 2 Years	30-Jun-11	11.8498	1307.25	2.50%	1.67%
Last 3 Years	30-Jun-10	11.0644	1308.04	4.01%	1.09%
Since Inception	16-Oct-09	10.0000	1217.76	6.10%	2.85%

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.

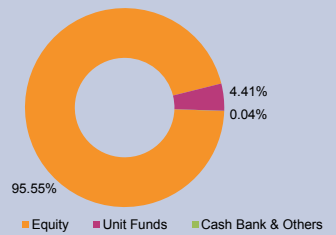
Fund Manager : Mr. Saravana Kumar
NAV as on 28 June, 13 : ₹19.5382
Benchmark : BSE 200 - 100%
Corpus as on 28 June, 13 : ₹161.25 Crs.

Fund Performance

PERIOD	DATE	NAV	BSE 200	NAV Change	INDEX Change
Last 6 Months	31-Dec-12	20.3352	2424.38	-3.92%	-4.15%
Last 1 Year	29-Jun-12	17.8514	2138.10	9.45%	8.69%
Last 2 Years	30-Jun-11	19.2021	2314.65	0.87%	0.20%
Last 3 Years	30-Jun-10	18.1956	2248.06	2.40%	1.11%
Last 4 Years	30-Jun-09	14.2940	1767.09	8.13%	7.09%
Since Inception	12-Jan-09	10.0000	1091.37	16.20%	18.47%

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.

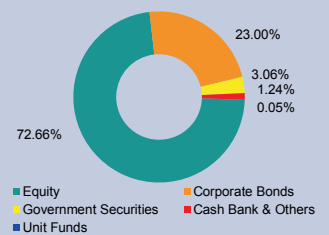
Fund Manager : Mr. Saravana Kumar
NAV as on 28 June, 13 : ₹16.8774
Benchmark : BSE Sensex - 65%, CRISIL Composite Bond Index - 35%
Corpus as on 28 June, 13 : ₹259.87 Crs.

Fund Performance

PERIOD	DATE	NAV	NAV Change	INDEX Change
Last 6 Months	31-Dec-12	16.9636	-0.51%	1.87%
Last 1 Year	29-Jun-12	15.5679	8.41%	11.08%
Last 2 Years	30-Jun-11	16.1077	2.36%	4.34%
Last 3 Years	30-Jun-10	15.4330	3.03%	4.80%
Last 4 Years	30-Jun-09	12.9950	6.75%	7.41%
Last 5 Years	30-Jun-08	11.5720	7.84%	7.70%
Since Inception	01-Jul-06	10.0000	7.77%	8.32%

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.

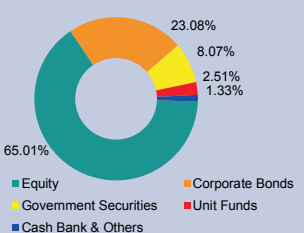
Fund Manager : Mr. Saravana Kumar
NAV as on 28 June, 13 : ₹16.4335
Benchmark : Nifty - 65%, CRISIL Composite Bond Index - 35%
Corpus as on 28 June, 13 : ₹374.61 Crs.

Fund Performance

PERIOD	DATE	NAV	NAV Change	INDEX Change
Last 6 Months	31-Dec-12	16.2719	0.99%	1.28%
Last 1 Year	29-Jun-12	14.7250	11.60%	10.69%
Last 2 Years	30-Jun-11	14.9425	4.87%	4.51%
Last 3 Years	30-Jun-10	14.0652	5.32%	4.88%
Last 4 Years	30-Jun-09	11.7550	8.74%	7.71%
Last 5 Years	30-Jun-08	10.3300	9.73%	7.75%
Since Inception	08-Jan-07	10.0000	7.97%	6.60%

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



Growth Fund (ULIF 004 04/02/04 TGL 110)

Fund Details

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

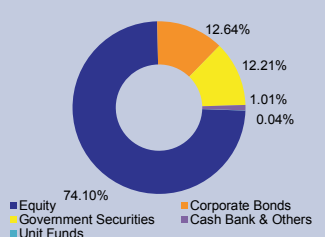
Fund Manager : Mr. Saravana Kumar
NAV as on 28 June, 13 : ₹26.8226
Benchmark : BSE Sensex - 65%, CRISIL Composite Bond Index - 35%
Corpus as on 28 June, 13 : ₹128.67 Crs.

Fund Performance

PERIOD	DATE	NAV	NAV Change	INDEX Change
Last 6 Months	31-Dec-12	26.7267	0.36%	1.87%
Last 1 Year	29-Jun-12	24.4018	9.92%	11.08%
Last 2 Years	30-Jun-11	25.4311	2.70%	4.34%
Last 3 Years	30-Jun-10	24.4146	3.19%	4.80%
Last 4 Years	30-Jun-09	21.0040	6.30%	7.41%
Last 5 Years	30-Jun-08	19.6480	6.42%	7.70%
Since Inception	02-Mar-04	10.0000	11.16%	11.00%

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 28th June 2013)

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.

Fund Manager : Mr. Saravana Kumar

NAV as on 28 June, 13 : ₹16.1289

Benchmark : CRISIL Composite Bond Index -100%

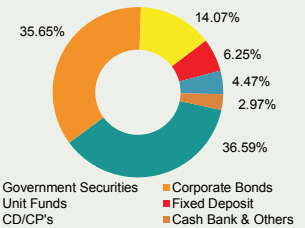
Corpus as on 28 June, 13 : ₹228.72 Crs.

Fund Performance

PERIOD	DATE	NAV	Crissil Composite Bond Fund Index	NAV Change	INDEX Change
Last 6 Months	31-Dec-12	15.1679	1922.61	6.34%	5.64%
Last 1 Year	29-Jun-12	14.3351	1834.39	12.51%	10.72%
Last 2 Years	30-Jun-11	13.0452	1687.72	11.19%	9.70%
Last 3 Years	30-Jun-10	12.3954	1613.87	9.17%	7.97%
Last 4 Years	30-Jun-09	11.6260	1541.55	8.53%	7.14%
Last 5 Years	30-Jun-08	10.2730	1386.28	9.44%	7.94%
Since Inception	08-Jan-07	10.0000	1298.79	7.66%	7.15%

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



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

Investment Objective : 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%.

Fund Manager : Mr. Saravana Kumar

The highest NAV recorded on reset date : ₹13.2568

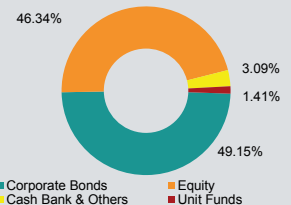
Corpus as on 28 June, 13 : ₹333.28 Crs.

Fund Performance

PERIOD	DATE	NAV	NAV Change
Last 6 Months	31-Dec-12	12.7292	2.70%
Last 1 Year	29-Jun-12	11.6634	12.09%
Last 2 Year	30-Jun-11	11.7977	5.27%
Last 3 Year	30-Jun-10	11.3104	4.95%
Last 4 Year	30-Jun-09	9.6930	7.77%
Since Inception	10-Jun-09	10.0000	6.84%

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



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

Fund Details

Investment Objective : 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%.

Fund Manager : Mr. Saravana Kumar

The highest NAV recorded on reset date : ₹12.4226

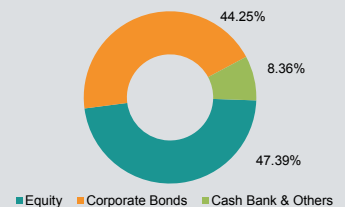
Corpus as on 28 June, 13 : ₹239.24 Crs.

Fund Performance

PERIOD	DATE	NAV	NAV Change
Last 6 Months	31-Dec-12	11.9075	2.69%
Last 1 Year	29-Jun-12	10.8890	12.30%
Last 2 Year	30-Jun-11	11.0704	5.10%
Last 3 Year	30-Jun-10	10.4857	5.26%
Since Inception	10-Nov-09	10.0000	5.69%

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 Outlook

The month of June 2013 saw the benchmark indices; BSE Sensex and CNX Nifty shed around 1.84 % and 2.40% respectively, even as the Mid-cap index, CNX Mid-cap fell 6.13% during the same period.

FII's were net sellers with outflows of around USD 1.8 billion in June 2013 even as the DIIs were net buyers to the tune of around USD 1.44 billion, with Insurance companies' net buyers of around USD 1.46 billion and domestic mutual funds, net sellers to the extent of a muted 0.02 billion over the month. In the first half of the calendar year 2013, the FIIs have been net buyers to the tune of USD 13.5 billion with the DIIs net sellers to the tune of USD 7.6 billion, Insurance companies and mutual funds selling Indian equities to the tune of USD 5.4 billion and USD 2.2 billion respectively.

Consensus earnings estimates for the broad market (MSCI India) were revised down by 0.7% FY 2014 (E) and FY 2015 (E) over the month to a growth of 12% and 15% respectively.

HSBC's India manufacturing PMI for the month of June improved marginally to 50.3 as against 50.1 in May. Manufacturing sector activity remained tepid even as the domestic orders declined and output was constrained by power shortages. There was continued momentum on the export orders, which could partly reflect the INR depreciation.

The slowdown in the new investments can be seen from the projects data from CMIE in the first quarter, fiscal 2013-14 as project announcements declined for the 11th consecutive quarter. There has been a rise in projects stalled to record highs, led by large sectors such as power, road and steel. The revival of the capex sector would need the resolution of fuel and environmental issues even as the softening in interest rates and benign commodity prices could act as growth enablers.

Over the last year, the government has shown its intent in implementing structural reforms in oil and gas sector such as deregulation of bulk diesel and regular monthly increase in diesel prices from January 2013, regular fortnightly changes in prices of petrol from February 2013 and commencement of direct benefit transfer of LPG subsidy from June 2013 in a concerted effort to rein in the fuel subsidy and help in fiscal consolidation.

OMC's announced the diesel price hike at ₹ 0.5/ltr effective July 2nd midnight, sixth diesel price hike in last 6 months. OMC's have hiked diesel prices by ₹ 3.7/ltr since January 2013. Post this hike, the Marked to market (MTM) under recoveries stood at around ₹ 1.3 trillion, down 21% as against the FY 2013 under recovery of over ₹ 1.6 trillion.

In a move to take the reforms forward, the Cabinet committee on economic affairs (CCEA) adopted the recommendations of Rangarajan Committee and announced a hike in gas prices to USD 8.4/mmbtu to address the fast growing gas requirements of the Indian economy as well as concerns of power sector, where 20,000 MW of generating capacity remains idle due to non-availability of natural gas. The key to incremental investment in the natural gas sector will be to align domestic gas prices with international rates and in this context; the gas price hike is an

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enabling policy to spur the capex revival.

During the month, another key decision was on allowing the power utility companies to pass-on the increased cost of imported coal to the end consumer. The Prime Minister has set a target of awarding projects worth ₹ 1.15 trillion through the Public-Private Partnership (PPP) model by the end of fiscal 2013-14. A steering group will be formed to monitor the award and implementation of mega projects, including the ₹ 300 billion Mumbai Elevated Rail Corridor and Power projects worth over ₹ 400 billion.

The consumption growth in the Indian economy has been robust over the last two years and is likely to remain so, led by higher government spending leading up to general elections in 2014. The early monsoon and timely sowing could raise crop output and shore up farm incomes triggering a rebound in rural spending resulting in robust consumption.

The government has been delivering on reforms over the last year and most macro indicators like inflation and fiscal deficit have been better than expectations. In recent weeks, there has been an increase in global volatility post the comments of the US Fed in its policy meet, resulting in a knee-jerk fall in the Emerging market equities, followed by a strong rebound.

The Indian equity market offers the comfort of reasonable valuations at around 14 times one year forward price earnings, close to long term averages. We believe that the Indian equities offer an attractive entry point for a long term investor with a 3-5 year view.

Debt Outlook

June 2013 saw the erstwhile benchmark 10 year Government securities (G-sec) harden by 16 bps to close the month at 7.61% levels. The yields of the 30 year G-sec over the 10 year G-sec was 20 bps in June 2013 as against just 5bps, seen in the prior month.

The corporate bonds hardened during the month of June 2013 in line with the G-sec market to close the month at around the 8.50% levels in the 5-10 year bonds, 35bps higher than the May levels of 8.15%. As a consequence, the corporate bond spread over the erstwhile benchmark 10 year G-sec stood at around 75 Bps in June 2013, expanding from 53 bps in the prior month.

On the liquidity front, the Liquidity Adjustment Facility -LAF continued to be the primary mode of liquidity injection, maintaining a shortfall of around ₹ 0.7 trillion levels for most of the month due to muted deposit growth in the banking system.

In a move to attract investments into the fixed income space, the Government hiked the FII limits for G-Secs by USD 5 billion, increasing the total stock of G-Secs that FIIs are eligible to hold from USD 25 billion to USD 30 billion. The incremental limits will be available to foreign central banks, sovereign wealth funds, pension, insurance & endowment funds and multilateral agencies.

The RBI in its Mid-Quarter Monetary Policy Review kept the policy rate and the Cash reserve ratio (CRR) unchanged at 7.25% and 4% respectively on the basis of the evolving growth-inflation dynamic, the balance of risks as well as recent developments in the external sector.

The RBI noted that the Indian economy had moderated with the GDP growth in the fourth quarter of FY 2012-13 registering a modest 4.8%. The growth in industrial production has been anemic, with a persistent contraction in mining activity. The RBI opined that the sharp weakening in the growth of capital goods production pointed to a muted investment demand whereas a pick-up in consumer non-durables could be indicative of a fragile return of consumer confidence. On an optimistic note, the RBI stated that the services sector purchasing managers' index had risen in May on order flows and the onset of the south-west monsoon had been strong.

There was reason to cheer on the inflation front as the WPI inflation eased for three months in succession with the May 2013 reading at 4.7%, down from an average of 7.4 % in FY 2012-13. Non-food manufactured products inflation too trended lower, driven by metal prices which fell for the eighth successive month in response to softening of global prices. The worry on the inflation front was due to inflationary pressures on food inflation, particularly with respect to cereals & vegetables as well as the elevated retail inflation at 9.3 % in May 2013.

The sustained progress of the South west monsoon resulted in robust increases in the sowing of major Kharif crops. Sowing data until June 28th indicate total acreage for crops was up sharply at 85% year on year with the Rice acreage up 32% at 3.9 million hectares. The Minimum Support Price (MSP) for paddy for the Kharif season was raised by a modest 4.8%, cotton by 2.8%, groundnut by 8.1% and soyabean by 13.6%. The extent of hike was minimal at an average of 5% , in contrast to the sharp increase of over 12% average hike effected during the previous five year period between FY 2009 to FY 2013. Higher sowing of Kharif crops as well as muted MSP increases augurs well for reining in the food inflation in the medium term.

On the balance, the growth and inflation trajectories had been lower than projections and a rate cut based on these two factors would have been a likely outcome under normal circumstances. However, the sharp rupee depreciation must have weighed on the RBI and prompted a hold in policy rates in their Mid-quarter monetary policy review.

The impact of the INR depreciation will be on the fiscal deficit with the direct impact of crude under recovery ballooning the subsidy bill. The effect on inflation could be less drastic as the global commodities are likely to soften with USD strength and the muted core inflation could limit the transmission of the imported inflation.

Going forward, the market watchers are expecting the RBI to place more emphasis on mitigating external vulnerabilities and addressing current account risks. This could result in dampening future rate cut expectations even as the market feels the pressure of relentless G-sec supply through weekly G-sec auctions.

The erstwhile 10 year benchmark G-sec would try to consolidate at 7.50-7.75% levels and the new 10 year G-sec could trade lower at 7.30-7.55% levels.

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