



## Mr. Ajmera's column as on Aug 30, 2014

### Bulls in charge amidst SC ruling on coal blocks and high FII inflows..

The week began with a bang as key indices hit fresh intraday all-time high levels on Monday. However, the Supreme Court's ruling which termed the allocation of coal blocks post 1993 as "illegal" proved a sucker punch for market and a knockdown for metal and power stocks such as Jindal Steel and Power that day, setting the precedent for the remaining week.

For the truncated week ended 28 August, both Nifty and Sensex managed to eke out 0.5-0.8 percent gains amid the volatility due to August series Futures and Options (F&O) contracts expiry on Thursday. Strong rollovers in Nifty index, from the August series into September indicate that market participants continue to remain bullish.

The benchmark Nifty swelled almost 3 percent in the August F&O series, marking its consecutive seventh win in month-to-month F&O contracts trading. Benchmarks swelled over 2 percent, in the month of August, owing to continued FII investments and buying by domestic mutual funds. Foreign Institutional Investors' (FIIs) unwavering faith in Indian market continued. Foreigners bought stocks worth Rs. 1,478.58 crore (ex-Thursday) in the week, according to SEBI data. But for the month of August their investment stood at Rs. 6,408.15 crore, at its lowest levels in the last five months which could be on account of fewer working days due to public holidays.

### GDP Data at nine quarter high

For the quarter ended June this year, India's economy grew at a nine-quarter high of 5.7 per cent, compared with 4.6 per cent in the previous quarter, driven largely by industry, even as the biggest segment of the services sector — trade, hotels, transport and communications — remained subdued, official data showed on Friday. The economy grew at its highest pace since the fourth quarter of FY12. The numbers will boost hopes the economy's growth this financial year will exceed five per cent, after sub-five per cent growth in the previous two financial years. However, the recovery in the coming quarters might be somewhat dampened by the agriculture segment, which is likely to be hit by an

uneven monsoon, as well as the expected slowing of government-aided community, social and personal services to check fiscal deficit

### **Banking stocks remained under pressure..**

Investors factored in a potential hit to banks on account of their exposure to SC coal ruling-related power and mining companies and a scam that hit PSU banks. It is estimated that PSU banks' exposure to metals/mining stands 5-10 percent as compared to private banks' at 1-6 percent. Amongst public lenders, SBI, PNB and Union Bank are expected to have highest exposure to power and steel. PNB and Bank of Baroda tanked 3.7-5.3 percent, during the week. SBI said that its exposure to Power Sector stood at Rs 92,000 crore. The public lender said that it "expect(s) SC To come Out with a workable Strategy. Bank of Baroda said that it's exposure to power sector stands below 7percent and iron & steel sectors at around 5.25 percent of loan book. They do no anticipate the SC ruling to surprise negatively. Analysts also estimated that around USD 10-12 billion of loans extended within captive power could be at risk, should the verdict on September 1 were to scrap coal block allocations. PSU banks came under selling pressure on Thursday after reports revealed that the Economic Offence Wing (EOW), Mumbai, is probing the role of public sector banks relating to the fixed deposit (FD) scam. For the week, CNX PSU Bank slipped 5 percent.

### **Ajcon's view:**

It was a truncated week as stock market remained closed on account of Ganesh Chaturthi on Friday. After a long weekend, market stakeholders should brace themselves for a spate of data hit. Market will factor in the impact of SC ruling on coal blocks allocation, robust Q1 GDP numbers released on Saturday, auto sales numbers for the month of August. At current levels, we would recommend buying in stocks in sectors like Private Banking, NBFCs, Metals, Capital Goods and Infrastructure.

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