



### Mr. Ajmera's column as on April 26, 2014

#### Maruti Suzuki Q4FY14 result disappoints; markets give up gains..

The benchmark indices settled with marginal gains in the truncated week ended April 26, with the Sensex up 0.26% at 22,689 and the Nifty edging higher by 0.04% at 6782.75. However, the broader markets were firm with the smallcap index up nearly 1% and the midcap index recorded a 0.5% gain.

During the week, the benchmark indices hit record closing highs, but retreated on Friday amid growth concerns. A Reuters poll showed that probability of strong economic rebound are dim regardless of the election outcome as industry remains weak.

The disruptive weather phenomenon El Nino could shave as much as 75 basis points off the country's economic output as a hit on agriculture could cause the central bank to delay cutting interest rates.

#### Sectors & Stocks

Maruti Suzuki, the largest car producer in India, reported net profit at Rs 800 crore in the quarter ended March 2014, up 17.5 percent (partly boosted by other income) compared to previous quarter that was lower than street forecast. "Lower volumes, higher sales promotion expenses and a stock compensation to dealers owing to reduction in excise duty (exceptional expense) impacted the bottomline during the quarter," the company reasons. Street had expected the car maker to report net profit of Rs 950 crore on revenue of Rs 12,302 crore for the quarter. Revenue grew 11 percent sequentially to Rs 12,101 crore during March quarter. Other income was up 2.5 times to Rs 406.6 crore in the quarter gone by while tax expenses increased 20.8 percent Q-o-Q to Rs 246.98 crore. Its year-on-year performance is not comparable due to Suzuki Powertrain merger during Q4FY13. Hence only quarter-on-quarter comparison is valid. Operating profit fell nearly 8 percent quarter-on-quarter to Rs 1,248 crore and margin declined 210 basis points to 10.3 percent in March quarter. Street had expected both at Rs 1,500 crore and 12 percent, respectively. For the year ended March 2014, net profit grew 15.6 percent to Rs 2,831.59 crore on total revenue of Rs 44,450.58 crore (up 0.33 percent). The company expects economic sentiment to improve post poll outcome but it does not see dramatic sales growth in FY15. It plans three new launches in FY15. In FY14, Maruti sold 11.55 lakh vehicles, down 1.4 percent compared to previous year. Sales in domestic market stood at 10.54 lakh units, a growth of 0.3 percent but exports fell 15.8 percent to 1.01 lakh units. Total sales volume in Q4FY14 increased 12.5 percent quarter-on-quarter to 3.24 lakh units. Domestic sales volumes jumped 11 percent to 2.98 lakh units while exports shot up 31 percent to 26,274

units on sequential basis. The board of directors of the company recommended a dividend of Rs 12 per share for the financial year 2013-14 as against Rs 8 per share in last year. On the sidelines, RC Bhargava, Chairman, Maruti Suzuki says, "Before any approvals can be taken there are number of steps that have to be completed. These include getting the contents of the contract manufacturing agreement approved by the board of Gujarat subsidiary. It includes getting all the legal and taxation views from experts on record and adjusting our method of work to minimize any of the risks as there is always a high element of risk in these areas in India. After that, we want to do a road show to meet the investors to communicate what we have decided and seek their support, and then we can do a vote.

Capital Goods index up 4% along with Banking, Metal, PSU and Health Care indices up 1-2% were the preferred sectors during the week. Capital goods major, L&T and BHEL gained 5-6%. L&T gained after the company won a Rs 4,510-crore order from Qatar Railways Company for design and construction of the Gold Line of the Doha Metro project.

Markets participants continued their aversion to defensive pockets like IT and FMCG, with the indices down 1.3% and 2.5% respectively.

Oil & Gas, Realty and Power indices down 1% were the other sectors least owned.

Mahindra & Mahindra was the top gainer, with a 7.3% uptick after a lading foreign research house upgraded its rating on M&M to "outperform" from "neutral".

From the financial space, Axis Bank, SBI, HDFC twins and ICICI Bank gained between 0.6% and 4.8%. Leading private banks ICICI, HDFC Bank and Axis displayed resilient growth in the March quarter. Axis Bank's profits were ahead of estimates while ICICI Bank and HDFC Bank were in line with expectations.

Coal India, Tata Steel, Hindalco and Sesa Sterlite up 0.3-3% were the shining names from the metal pocket.

Oil & Gas majors ONGC and Reliance Industries closed in the red, down 0.3% and 1.2%.

All the frontline IT names were weak, with Infosys, TCS and Wipro ending lower by 0.5-11% each. Wipro was the top IT loser, shedding more than 11%, after the company's revenue guidance for the first quarter (Q1FY2015) of the current fiscal was seen below estimates by some analysts.

Selling pressure continued to weigh down ITC and HUL, which gave off 3-4%.

Only 16 scrips among Sensex-30 closed in the green.

## Disclaimer

The content in this research report has been prepared by Ajcon Global Services Ltd. and is meant for the recipient for use as intended and not for circulation. The content in the research report should not be research reported or copied or made available to other. The information contained herein is from the public domain or sources believed to be reliable. While reasonable care has been taken to ensure that information given is at the time believed to be fair and correct and opinions based thereupon are reasonable, due to the very nature of research it cannot be warranted or represented that it is accurate or complete and it should not be relied upon as decision such.

Ajcon Global Services Ltd. would not be responsible for any loss to the investors; they should verify all the fundamentals before investing. Ajcon Global Services Ltd., its directors and employees, will not in any way be responsible for the contents of this research report. This is not an offer to sell or a solicitation to buy any securities. The securities discussed in this research report may not be suitable for all investors. Investors must make their own investment based on their own investment objectives, goals and financial position and based on their own analysis.

Ajcon Global Services Ltd. proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein. We and our affiliates, officers, directors, and employees may: (a) from time to time, have long or short positions in, and buy or sell the securities thereof, of company (ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company (ies) discussed herein or act as advisor or lender / borrower to such company (ies) or have other potential conflict of interest with respect to any recommendation and related information and opinions. The analyst for this research report certifies that all of the views expressed in this research report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this research report. Ajcon Global Services Ltd., may be considered as interested party in view of its relationship as the financial advisors and consultants to some of the companies discussed in the research report.

---

### For research related queries contact:

Mr. Akash Jain – Vice President (Research) at [research@ajcon.net](mailto:research@ajcon.net), 022-67160443 (D)

CIN: L74140MH1986PLC041941

**Website:** [www.ajcononline.com](http://www.ajcononline.com)

### Corporate and Broking Division

408 - (4<sup>th</sup> Floor), Express Zone, "A" Wing, Cello – Sonal Realty, Near Oberoi Mall and Patel's, Western Express Highway, Malad (East), Mumbai – 400063. Tel: 91-22-67160400, Fax: 022-28722062

### Registered Office:

101, Samarth, Off. Hinduja Hospital, 151 Lt. P.N. Kotnis Road, Mahim (West), Mumbai – 400016. Tel: 022-24460335/36/40