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Mr. Ajmera's column as on November 07, 2015

Bihar elections result to decide market trend; SBI Q2FY16 results above expectations...

Ahead of the festival of lights, markets missed out on Diwali dazzle as the uncertainty surrounding two major events Bihar exit poll outcome and Fed comment indicating an interest rate hike marred the positive sentiments. Registering losses for the second straight week, Nifty settled below the crucial mark of 8,000 weighed down by lower-than expected earnings by some top companies which prompted foreign institutions to extend withdrawals.

In the week to November 6, the markets finished at its lowest level since October 1 with Sensex dropping 392 points or 1.5% to settle at 26,265.24, while Nifty losing 112 points or 1.4% to end at 7,954.30. In the broader markets, the BSE Mid-cap Index shed 1.4% and the BSE Small-cap Index lost 2.3%.

Meanwhile, markets will be open for 60 minutes on Wednesday on account of a special Muhurat trading session celebrating the start of Samvat 2072.

Key events

Exit polls at the end of five- phased polling in Bihar assembly elections on Thursday indicated a close fight between BJP-led National Democratic Alliance (NDA) and the JD(U)-RJD-Congress Grand Alliance. The final results of the Bihar election will be out on Sunday, November 8.

On the macro front, a monthly survey indicated further drop in the growth momentum across the Indian manufacturing sector in October with Nikkei Manufacturing PMI slipping to 50.7 in October from September's 51.2.



On the contrary, India's services industry expanded at its fastest pace in eight months in October as new business rose with discounting probably stoking demand with Nikkei Services PMI rising to 53.2 in October from September's 51.3.

On the global front, China's factory activity declined for the eighth straight month in October citing weakness in the world's second-largest economy.

Sectors and Stocks

GAIL fell 6.5% after it posted a 66% decline in net profit for the quarter ended September on the back of lower price realisation in transmission of LPG and other petroleum products.

BHEL dropped 3.5% on reporting a net loss of Rs 204.90 crore in Q2 September 2015 compared with net profit of Rs 124.84 crore in Q2 September 2014.

Vedanta cracked 8% after it reported widening of its net loss to \$324.5 million in the first half of the current financial year as the mining conglomerate faced challenging commodities market.

Tata Motors reported consolidated net loss of Rs 429.8 crore compared to a net profit of Rs 3,290.10 crore. However, the stock ended up 3% on better-than-expected JLR sales in the US.

Cipla posted a net profit jump of 44.38% to Rs 431.24 crore on 24.64% rise in total income to Rs 3478.33 crore in Q2 September 2015 over Q2 September 2014. However, it lost 4.6% as the earnings came below the street expectations.

Sun Pharma slumped 9.6% after its US subsidiary Taro Pharma posted weak Q2 September 2015 earnings.

SBI gained 2.5% after it posted a 25.1 percent rise in Standalone profit to Rs 3,879 crore from Rs 3,100.4 crore year-on-year, driven by other income and operating profit. Low provisions also boosted profitability but higher tax cost limited growth. Net interest income, the difference between interest earned and interest expended, increased by 7.4 percent to Rs 14,252 crore from Rs 13,274.6 crore in same period. Advances for the quarter grew by 10.5 percent year-on-year to Rs 13.37 lakh crore and deposits growth was 10.85 percent at Rs 16.3 lakh crore, the bank said in its filing. According to street participants, profit was estimated at Rs 3,581 crore and net interest income at Rs 14,099 crore for the quarter. Other income (non-interest income) surged 35.6 percent year-on-year to Rs 6,197 crore, including Rs 485.45 crore on account of exchange gain on repatriation of funds from foreign offices. Operating profit grew by 20.6 percent on yearly basis to Rs 10,266 crore in quarter gone by. However, tax expenses increased sharply 93.6 percent to Rs 2,026.2 crore compared to Rs 1,046.5 crore year-on-year. Another positive factor was its asset quality improvement during the quarter. Gross non-performing assets as a percentage of gross advances declined to 4.15 percent in September quarter compared 4.29 percent in preceding quarter and 4.89 percent in year-ago period. Net NPA also fell to 2.14 percent during the quarter from 2.24 percent quarter-on-quarter and 2.73 percent year-on-year. SBI said provisions and contingencies increased 9 percent sequentially (down 0.1 percent on yearly basis) to 4,360.6 crore, adding provisions for non-performing assets climbed 14.4



percent quarter-on-quarter (down 6.7 percent year-on-year) to Rs 3,841.8 crore in quarter ended September 2015. Slippages declined to Rs 5,875 crore during the quarter compared to Rs 7,318 crore in preceding quarter and Rs 7,700 crore in same quarter last fiscal. Even restructuring of loan assets also lowered at Rs 2,450 crore against Rs 3,900 crore Q-o-Q. Provision coverage ratio improved to 70.48 percent at the end of September quarter against 69.49 percent in June quarter. Capital adequacy ratio (as per BASEL III norms) also improved to 13.19 percent in Q2FY16 compared to 12.99 percent in preceding quarter and 12.87 percent in same quarter last fiscal.

M&M reported 2.43% drop in standalone net profit at Rs 923.56 crore for the second quarter ended September 30 compared with Rs 946.63 crore in the same quarter last fiscal. However, the stock jumped 5.5% on posting a 20% jump in total sales at 51,383 vehicles in October.

Tata Steel crashed 11% on weak sales number in second quarter earnings on the back of lower expenses and higher other income.

Dr Reddy's Lab slumped 14.5% and emerged as the top loser after the company received a warning letter issued by the USFDA dated November 5 pertaining to its API manufacturing facilities in Srikakulam in Andhra Pradesh and Miryalaguda in Tamil Nadu and also at its Oncology formulation manufacturing facility located in Duvvada in Andhra Pradesh.

IDFC Bank, subsidiary of IDFC was listed on the stock exchanges at Rs 70.50 apiece on Friday and ended at Rs 70.40 apiece.

Global Markets

Stocks ended little changed on Friday, with a rise in financials countered by a slide in utilities and other sectors, as Wall Street took the strong US jobs report as evidence the Federal Reserve will soon raise interest rates. Since the Fed last week opened the door to a rate increase in December, investors have been looking to economic reports for clues to whether the central bank will take action. Data on Friday showed US non-farm payrolls growth in October was the best since December 2014, while the unemployment rate fell to 5 percent, the lowest since April 2008. The three major indexes posted higher weekly performances for the sixth week in a row, after posting their best monthly results in four years in October.

Week ahead

Investors will closely monitor the final outcome of the assembly election in Bihar on Sunday, November 8. The final batch of September quarterly results due next week will be keenly watched by the market participants. Britannia, Sun Pharma, BPCL, HPCL, REC, Hindalco, NMDC, NALCO and Coal India are scheduled to release their Q2 numbers in the coming week. The government is scheduled to unveil the CPI data for October and the IIP data for September on Thursday, respectively. Markets will remain closed on Thursday, 12 November 2015 on account of Diwali Balipratipada.



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