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STOCK BROKING, INVESTMENT BANKING, CORPORATE ADVISORY & INSURANCE



Mr. Ashok Ajmera, CMD & CEO

Mr. Ajmera's column as on August 08, 2015

Markets may witness profit booking ahead of inflation and industrial production data..

The broader markets outperformed even as the benchmark indices gained marginally for the second straight week amid stock specific action while select rate sensitive sectors gained shrugging off the central bank's stance to keep key policy rates unchanged.

In the week ended August 7, the 30-share Sensex ended up 122 points or 0.4% at 28,236 and the 50-share Nifty closed 32 points or 0.4% higher at 8,565.

In the broader market, the BSE Mid-cap index ended up 285 points or 2.5% at 11,558 and the BSE Small-cap index closed 274 points or 2.3% at 12,104.

FPIs have bought shares worth a net Rs 1552.34 crore in August 2015 so far (till 6 August 2015). They have bought shares worth a net Rs 1561.74 crore from the secondary equity markets in August 2015 so far (till 6 August 2015). FPIs had bought shares worth a net Rs 5318.99 crore in July 2015. They had bought shares worth a net Rs 1865.19 crore from the secondary equity markets in July 2015.

The Reserve Bank of India at its third bi-monthly Monetary Policy early this week kept the repo rate unchanged at 7.25% and also kept the cash reserve ratio (CRR) unchanged at 4%.

The decision by the Employees' Provident Fund Organisation to invest in equities through exchange-traded funds (ETFs) boosted sentiment during the week. An ETF is a security that tracks an index, a commodity or a basket of assets like an index fund, but trades like a



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stock on an exchange. Its indeed a very bold initiative and will bring long term funds in the markets.

Further, the weather department forecasted that the country's southwest monsoon during the remaining two months (August-September) would be below normal at 84% of the long-period average because El Nino weather conditions have strengthened.

Steel stocks had a firm grip during the week marked with volatility on reports that the government may hike the import duty on long and flat steel products to curb imports especially from China. Sluggish export demand has also added to the woes of domestic steel companies. Tata Steel, JSW Steel and SAIL ended 6-10% higher.

Pharma shares provided the much needed booster dose in the latter half of the week after Dr Reddy's Labs announced a strategic tie-up with Amgen – one of the world's leading independent biotechnology companies - to market and distribute three Amgen medicines in India in the areas of oncology and cardiology. Dr Reddy's Labs ended nearly 5% higher.

Most auto shares ended in high gear despite weak first quarter earnings. Tata Motors reported 49% drop in net profit at Rs. 2,769 crore for the quarter ended June 30, 2015 because of lower Jaguar Land Rover sales in China. However, robust growth in domestic business driven by passenger and commercial vehicles boosted revenues by 21% during the quarter.

Mahindra & Mahindra reported a marginal drop in net profit at Rs 852 crore for April-June 2015 quarter because of slowdown in tractor sales. However, it beat street estimates after a street expected net profit to be at Rs. 741 crore.

Two-wheeler major Hero MotoCorp reported 33% net profit growth year-on-year at Rs 750 crore for the April-June 2015 quarter because of lower depreciation expenses and input costs. Net sales dipped 2% to Rs. 6,856 crore.

Industrials ended mixed with L&T gaining marginally on the back of robust order inflows during the quarter ended June 30, 2015. The total order book position during the first quarter increased 22% to Rs 2.38 lakh crore compared to same quarter last year. State-owned BHEL closed nearly 5% lower after profits slumped 83% to Rs 34 crore for April-June 2014 because of lower net sales which fell 15% year-on-year to Rs 4,281 crore.

Global markets

US stocks ended lower on Friday after solid job growth data for July period. The door open a little wider for a potential interest rate hike by the Federal Reserve in September. Wall Street took the latest signs of an improving economy as a fresh reason to sell shares in a market that has remained range-bound for much of 2015 in anticipation of the Fed's first rate hike in nearly 10 years. US nonfarm payrolls increased 215,000 last month, less than



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the 223,000 forecast by economists, but the unemployment rate held at a seven-year low of 5.3 percent. For the week, the Dow lost 1.8 percent, the Nasdaq dipped 1.7 percent and the S&P edged down 1.2 percent. After hitting a record high in May, the S&P 500 is now up less than 1 percent for the year.

Ajcon's view

The markets are likely to witness profit booking on worries on foreign fund outflows as robust US jobs data in July raised the prospects of hike in interest rates by the Federal Reserve.

Some of the major companies that will announce their April-June earnings include, Tata Steel, Sun Pharmaceutical, SBI, Godrej Industries, NMDC, Bosch, Coal India, Ashok Leyland, Aurobindo Pharma, Jindal Steel & Power, Nalco, IOC, Tata Power, BPCL, Hindalco and SAIL among others. SBI is slated to surprise the markets with better than expected numbers.

The government will release inflation based on the consumer price index (CPI) data and industrial production data for June 2015 on August 12 and inflation based on the wholesale price index for July 2015 on August 14.

We recommend accumulation in fundamentally strong midcap stocks available at attractive valuations in PSU Banking & Financial Services, Infrastructure, Real Estate, Engineering, Automobiles, Capital Goods, Packaging, Logistics and Pharma. The investors should be cautious in picking those midcap stocks which have already run up to more than 50 to 100 percent in the last six months.



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