



### Mr. Ajmera's column as on 11th January, 2014

#### " IIP data disappoints street; Infosys meet expectations" ...

The industrial output contracted to -2.1 percent signalling a steep decline in consumption activity. A poll had predicted November IIP at 0.6 percent. However, barring consumption growth, other baskets have actually shown traces of improvement. Manufacturing, electricity, capital goods have all shown growth at varying degrees in the month of November. We believe Reserve Bank of India (RBI) will have enough reasons to go slow on interest rate hikes. The January monetary policy thus may signal a pause. Meanwhile, the government revised October IIP to -1.6 percent from -1.8 percent.

IT Bellwether Infosys Q3FY14 met street expectations. Backed by growth across verticals and in non-US geographies, Infosys posted a 21.4 per cent year-on-year growth in net profit at Rs. 2,875 crore led by higher margins in the October to December quarter, while revenue increased 25 per cent to Rs. 13,026 crore. Sequentially, net profit increased 19.4 per cent, while revenues increased 0.5 per cent, marginally below consensus estimates. The company's shares on Friday ended three per cent up on the BSE at Rs. 3,548.90, pulling up the IT index 2.16 per cent. The company added 54 clients during the quarter, and regained the only client in the US\$300-million category after a gap of three quarters. However, the business volume (billed man-hours in a quarter) grew at a tepid 0.7 per cent.

Private sector lender IndusInd Bank's third quarter (October-December) net profit rose 29.8 percent, higher-than-expected, year-on-year to Rs. 346.9 crore, but asset quality deteriorated. Net interest income, increased 26.3 percent to Rs. 730 crore in the quarter ended December 2013 from Rs. 578 crore in a year ago period, which too came in above estimates. Street had expected profit after tax of Rs. 328 crore and net interest income of Rs. 712 crore. "The bank has incurred a mark-to-market loss of Rs. 64 crore during the quarter," Romesh Solti, MD and CEO said. Gross non-performing assets (NPA) climbed to 1.18 percent during the quarter from 1.11 percent in earlier quarter and 0.99 percent in a year ago period while net NPAs rose 9 basis points sequentially (up 1 bp year-on-year) to 0.31 percent. In absolute term, gross NPA increased 14.5 percent Q-o-Q (up 48.2 percent Y-o-Y) to Rs. 625 crore and net NPAs surged 51.4 percent on sequential basis (31.7 percent on yearly basis) to Rs. 165 crore in the quarter gone by. Provisions and contingencies too climbed to Rs 126 crore during October-December period from Rs 88.8 crore in September quarter and Rs 78.68 crore in a year ago period. Meanwhile, net interest margin (NIM) of the bank has been stable despite cost of deposits being up 17 basis points. NIM rose to 3.65 percent from 3.46 percent year-on-year. Current account and savings account ratio (CASA) stood at 32.16 percent

while total advances grew 24 percent Y-o-Y to Rs. 52,469 crore and total deposits rose 10 percent to Rs. 56,247 crore in the quarter gone by. Other income climbed 15 percent sequentially (35 percent on yearly basis) to Rs. 480.27 crore for the quarter. Capital adequacy ratio (as per Basel III norms) stood at 14.4 percent in the third quarter as against 14.6 percent in previous quarter.

Globally, after the S&P 500's impressive 30% return in 2013, Wall Street will get a better picture of reality next week as the pace of companies reporting earnings picks up. A number of big banks are due to report their quarterly and full-year results next week, including JPMorgan Chase & Co and Wells Fargo & Co on Tuesday, Bank of America Corp on Wednesday, Goldman Sachs Group Inc and Citigroup Inc on Thursday, and Morgan Stanley on Friday. Their results will help determine whether earnings forecasts for 2014 need to come down and whether stock values have become overblown.

For the first full trading week in January, the Standard & Poor's 500 Index rose 0.6% and the Nasdaq Composite Index climbed 1%, while the Dow Jones industrial average slipped 0.2%. Investors may get a better sense of how quickly the central bank will reduce its market-friendly bond purchases from a number of Federal Reserve officials due to speak next week. A much weaker-than-expected December payrolls report on Friday raised new questions about both the strength of the economy and the aggressiveness of Fed stimulus. Federal Reserve Bank of Atlanta President Dennis Lockhart is scheduled to speak at events on Monday and Wednesday, while Fed Chairman Ben Bernanke is set to speak on Thursday. The Fed's Beige Book is due on Wednesday.

A batch of December data will be released next week, with retail sales on Tuesday, the US Producer Price Index on Wednesday, the US Consumer Price Index on Thursday and housing starts on Friday. Another number to note on Friday will be the preliminary January reading on US consumer sentiment from the Thomson Reuters/University of Michigan Surveys of Consumers.

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