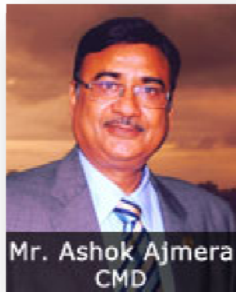

Mr. Ajmera's column:

"Infosys Q1FY14 result cheers street; IIP and car sales numbers suggest stress in economy.."

Market cheers Infosys Q1FY14 result...

Infosys ended with nearly 11 percent gains, adding Rs 15,849 crore to its market value ultimately taking Sensex up by 282 points, after the company posted a near 4 percent increase in consolidated net profit for the April-June quarter, meeting market expectations. After surging nearly 15 percent to Rs 2,905, its highest level since mid-April, in intra-day trade on the BSE, the stock finally ended the day 10.92 percent higher at Rs 2,802.75. he company's consolidated net profit rose by 3.7 percent to Rs 2,374 crore for the April-June quarter against Rs 2,289 crore in the year-ago period. Its consolidated revenues rose 17.2 percent to Rs 11,267 crore from Rs 9,616 crore in the year-ago period. While India's second largest software services exporter kept its US Dollar revenue guidance unchanged at 6-10 percent for 2013-14 fiscal, it revised its rupee revenue guidance upwards to 13-17 percent from 6-10 percent earlier on account of depreciation in the Indian currency. Despite facing an uncertain macro environment, changing regulatory regime and a volatile currency environment, we have done well in Q1 and are cautiously optimistic about rest of the year. Infosys maintained its "cautiously optimistic" approach due to cross currency movements and regulatory changes in the US, Canada and Australia. Meanwhile, following Infosys numbers sentiment also turned bullish at other IT counters, with Tech Mahindra surging 5.19 percent, Wipro (3.34 percent), TCS (2.94 percent), HCL Tech (2.46 percent) and Hexaware Tech (1.74 percent). Led by the gains in these stocks, the BSE IT index rose by 6.46 percent to 6,825.82 and was the top gainer among the 13 sectoral indices.

Disappointing IIP and car sales numbers reflecting pressure in economy...

Domestically, growth in industrial production (IIP) for the month of May fell to minus - 1.6 percent versus 1.9 percent for the previous month. The IIP for April has been revised to 1.9 percent versus 2.3 percent earlier. Industrial growth data also revealed that growth in the manufacturing sector fell at minus 2 percent versus 2.8 percent in the previous month; the power sector grew at 6.2 percent as against 0.7 percent in the previous month; the mining sector fell to minus 5.7 percent as against minus 3 percent (MoM). The growth of basic goods came in at minus 0.4 percent versus 1. percent (MoM); growth in the capital goods sector fell to minus 2.7 percent as against 1 percent in the previous month; the intermediate goods sector fell to 1.5 percent as against 2.4 percent (MoM); growth in the consumer goods sector fell to minus 4 percent as against 2.8 percent (MoM); consumer durables fell to minus 10.4 percent versus minus 8.3 percent (MoM). The government also released Consumer Price Index (CPI) inflation data which showed that the June CPI food inflation was 11.84 percent, CPI Inflation at 9.87 percent versus 9.31 percent (M-o-M), CPI inflation in urban areas at 10.13 percent as against 9.65 percent (MoM and CPI Inflation in the rural areas at 9.63 percent versus 8.98 percent (MoM).

Car sales in India fell for a record eight month in row in June with a dip of 9 percent as economic slowdown and low consumer sentiments continue to hit demand, prompting industry body SIAM to seek stimulus package for the automobile sector from the government. With actual sales in the first quarter of this fiscal turning out to be wide off the mark from what it had forecast in April, Society of Indian Automobile Manufacturers (SIAM) stayed away from revising sales projections it had made in April this year and stated that even those targets were unlikely to be met, except in two-wheeler segment. According to the latest figures, domestic car sales stood at 1,39,632 units in June as against 1,53,450 units in the same month last year. The slow economic growth, high interest rates and fuel prices, high inflation are all affecting consumer sentiments. In June, market leader Maruti Suzuki India posted 8.17 percent decline in domestic sales at 65,172 units as against 70,977 units in the corresponding month last year. Hyundai Motor India Ltd posted a marginal increase in car sales to 30,577 units from 30,363 units in June last year, while Tata Motors had a decline of 29.17 percent to 9,628 units from 13,595 units in the same month last year. Mahindra & Mahindra posted 17.17 percent decline in its utility vehicle sales at 15,916 units from 19,348 units in June last year.

Precious Metals

Gold demand in India, the world's biggest buyer of the metal, continued to remain subdued on Friday even as prices hovered near their highest level in two weeks. Gold imports into India fell about 81 percent on month to 31.5 tonnes in June after the government raised import duty and stopped consignment imports, but demand could rise in coming months, creating problems for a government battling a record high trade deficit According to trade ministry, it was too early to say whether the decline in gold imports can continue. Most of the demand is met by state-run trading agencies such as MMTC, State Trading Corp and PEC, along with Scotia Bank, while other private and public banks await guidelines from the central bank on imports on cash basis after a ban on consignment basis. Gold prices eased from their highest level in two weeks in line with global markets. The actively traded gold for August delivery on the Multi Commodity Exchange (MCX) was 0.21 percent lower at 26,620 rupees per 10 grams, easing from the previous day's high of 26,858 rupees, a level last seen on June 25. Silver for September delivery on the MCX was 0.64 percent lower at 41,430 rupees per kg.

FII and MF activity

FIIs pulled out ~US$222mn from Indian stocks between July 05 and July 11. Their net outflows for July stand at US$46.10mn after being net sellers of US$1.85bn in June. Their net investment into Indian shares for May was at ~US$4.0bn versus US$1.0bn in April and ~US$1.67bn in March. FIIs poured in US$4.57bn into Indian shares in February after pumping US$4bn in January. FIIs invested US$24.0bn into Indian shares in 2012. Mutual Funds were net sellers for June at INR 269.0 crore. They offloaded shares worth INR 3,508.0 cr from Indian equities in May. Mutual Funds were net sellers of ~INR 894.00 crore in April. They had net sold Indian shares worth INR 1,767 crore in March. They were net sellers of Indian equities worth INR 847.90 crore in February after being net sellers of INR 5,212 crore in January.

Global Scenario

Globally, stocks advanced on Friday, supported by banks' strong earnings. Both the Dow Jones industrial average and the S&P 500 index ended Friday's session at record closing highs, even though the point and percentage gains for the day were slim. The Nasdaq closed at a 52-week high. The S&P 500 scored its best weekly performance since January and a third consecutive week of gains. Financial stocks were the day's biggest gainers, with the S&P 500 financial sector index up 0.8 percent. Over the past three weeks, the benchmark S&P 500 has erased the losses of nearly 6 percent from the selloff triggered by Federal Reserve Chairman Ben Bernanke in late May, when he first raised the prospect of trimming the central bank's USD 85 billion in monthly bond purchases. Since then, the market has been getting reassurance from Bernanke and other Fed officials that the US central bank will keep monetary policy loose for some time. The Dow Jones industrial average edged up 3.38 points, or 0.02 percent, to end at 15,464.30, a record closing high. The Standard & Poor's 500 Index rose 5.17 points, or 0.31 percent, to finish at 1,680.19, also a closing high. The Nasdaq Composite Index gained 21.78 points, or 0.61 percent, to close at 3,600.08, a 52-week high. For the week, the Dow rose 2.2 percent, while the S&P 500 gained 3 percent and the Nasdaq climbed 3.5 percent.

Ajcon's view

The earnings season has started on a positive note, with IndusInd Bank and Infosys reporting good numbers for the April to June quarter. More results will pour in over the next few weeks. Exide, Oberoi Realty, TTK Prestige, Ashok Leyland, HDFC Bank, Axis Bank, Bajaj Finserv, Bajaj Finance, Kotak Mahindra Bank, Mindtree, Bajaj Auto and HDFC are among the important companies announcing their results next week. But the important events for the domestic markets will be the monetary policy meetings of the RBI and FOMC. Markets will also watch out for incremental policy measures from the Government to try and check the sharp fall in the rupee.

Going ahead, all eyes would be on the following events:

15-Jul: Monthly Wholesale Prices YoY% for June
26-31 Jul: Parliament Monsoon Session
27-Jul: Fortnightly Credit Growth Update
30-Jul: RBI Monetary Policy Review
31-Jul: Monthly Old CPI YoY% for June, Centre's Gross Fiscal Deficit and it's Financing
1-Aug: India July Manufacturing PMI
6-7 Aug: Ownership Data for QE
1-12 Aug: India Local Car Sales
12-16 Aug: Exports and Imports YoY% for July
12-Aug: Fortnightly Credit Growth Update, Industrial Production YoY for June, Monthly New CPI YoY% for July
14-Aug: Monthly Wholesale Prices YoY% for July, MSCI Indices Quarterly Index Review
20-21 Aug: Promoter Pledging Data for QE Jun-13
27-Aug: Fortnightly Credit Growth Update
30-31 Aug: Aug Centre's Gross Fiscal Deficit and its financing, Qtrly GDP for 1Q F2014, Monthly Old CPI YoY% for July

At the current levels domestic bourses trade at 14.0x FY14E and 12.0x FY15E versus historic average of 15.5x. The Indian government has moved on a number of important policy reforms in the form of FDI in multi-brand retail and aviation, besides unleashing other measures like SEB debt restructuring, diesel price deregulation, Cabinet Committee on Investment (CCI) and direct cash transfer (DCT). The Union Budget has also been balanced and credible one with more emphasis on fiscal correction. The biggest reform has been the curtailment of the fiscal deficit and the diesel price deregulation. The Finance Minister has also promised that the Government will stick to the reforms agenda, notwithstanding the political uncertainty surrounding the Lok Sabha elections. As a result, the Indian markets could gradually advance over the next 12 months, as the Government's policy measures start to bear fruit. In the Banking space, we recommend buying State Bank of India, Bank of Baroda, Union Bank of India, Syndicate Bank, Bank of Maharashtra, Karur Vyasa Bank, ING Vyasa Bank, HDFC Bank, ICICI Bank, DCB, Bajaj Finserv, Bajaj Finance and Standard Chartered. In the Infrastructure space, we recommend investors to accumulate stocks like Larsen and Toubro (Q4FY13 topline was as per our expectation, it expects sales to rise 15-17 percent for the fiscal year to March 2014 and order inflows to be up about 20 percent this fiscal year), Pratibha Industries, KEC International and IL and FS Engineering and Construction Company. In the NBFC space, we prefer Bajaj Finance, Bajaj Finserv and M&M Financial Services Ltd. In the Oil space, we recommend buying Oil India, ONGC and Cairn. In the Commodities space, we recommend investors to accumulate NMDC. In the Pharma sector, we advise to accumulate stocks like Sun Pharma, Sun Pharma Advanced Research, Lupin, Merck, Glenmark Pharma and Dr. Reddy's. In the Consumption space, we recommend accumulating ITC and Nestle. In the midcap space, we recommend investors to accumulate Petronet LNG, GAIL, DCW, Page Industries, Sangam (India), Rallis India, Ramky Infrastructure, Liberty Phosphate, Wheels India, VaTech Wabag, Voltas, CanFin Homes, United Phosphorous, KSB Pumps, Hathway Cable, Industrial Prudential and Investment Company.

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