Weekly review as on 15th June, 2013

Key statistics

Global Indices

Index	Date	Value	Previous Close	Change	% Change
CAC 40	14/06/2013	3,805.16	3,797.98	7.18	0.19
DAX	14/06/2013	8,127.96	8,095.39	32.57	0.40
STRAITS TIMES	14/06/2013	3,161.43	3,130.69	30.74	0.98
DOW JONES	14/06/2013	15,070.18	15,176.08	-105.90	-0.70
SHANGHAI	14/06/2013	2,162.04	2,148.02	14.02	0.65
HANG SENG	14/06/2013	20,969.14	20,887.04	82.10	0.39
NASDAQ	14/06/2013	3,423.56	3,445.37	-21.81	-0.63
NIKKEI	14/06/2013	12,686.52	12,445.38	241.14	1.94
FTSE	14/06/2013	6,308.26	6,304.63	3.63	0.06

FII Activity

Reporting Date	Instrument Type	Gross Purchase (Rs.)	Gross Sales (Rs.)	Net Investments (Rs. Cr.)	Net Investments (USD Millions)
14-Jun-2013	Debt	500.30	2,486.20	-1,985.90	-339.96
14-Jun-2013	Equity	2,461.00	3,013.30	-552.30	-94.56
13-Jun-2013	Debt	423.70	1,123.80	-700.10	-120.13
13-Jun-2013	Equity	2,522.80	3,567.10	-1,044.30	-179.20
12-Jun-2013	Debt	97.60	2,417.60	-2,320.00	-393.73
12-Jun-2013	Equity	2,657.90	3,481.80	-823.90	-139.83
11-Jun-2013	Equity	2,543.10	2,332.60	210.50	36.43
11-Jun-2013	Debt	193.50	3,329.80	-3,136.30	-542.78
10-Jun-2013	Debt	389.70	1,693.00	-1,303.30	-229.67
10-Jun-2013	Equity	2,856.30	2,221.60	634.70	111.84
07-Jun-2013	Debt	317.40	2,205.40	-1,888.00	-332.00
07-Jun-2013	Equity	2,112.90	2,338.50	-225.60	-39.65
06-Jun-2013	Equity	2,341.20	2,181.20	160.00	28.36
06-Jun-2013	Debt	736.50	2,212.50	-1,476.00	-261.57

Top Gainers and Losers in Nifty

Gainers	Last Traded Price (Rs.)	Prev. Close (Rs.)	Gain %
Hindalco	103.65	96.80	7.08
Tata Motors	296.80	282.95	4.89
REL	357.25	343.55	3.99
Maruti Suzuki	1,514.15	1,456.60	3.95
TATAPOWERCOM	81.00	78.15	3.65
Losers	**Last Traded Price (Rs.)**	**Prev. Close (Rs.)**	**Decline in %**
Hero Motocorp	1,605.80	1,614.00	-0.51
Hindustan Unilever	593.60	594.70	-0.18
Cipla	377.90	378.50	-0.16


Mr. Ashok Ajmera
CMD

Mr. Ajmera's column: Monsoons upbeat; rupee under tremendous pressure...

Domestically, equity benchmarks witnessed a fall of more than 1% lower weighed down by weak global cues and fresh weakness in the rupee. The falling rupee deepened worries about the widening current account deficit and the outlook for the economy. Consequently, Sensex closed at 19177 down by 251 points while Nifty lost by 72 points to touch level of 5808 on weekly basis. Reliance, L&T, State Bank of India and HCL Technology were the major gainers in the index where as Axis Bank, BHEL, Coal India, Jindal Steel & Power, Tata Steel, TCS, Sun Pharma and Infosys were the key draggers amongst Nifty constituents. The domestic markets joined the global sell off taking cues from Asia after Japanese stocks which plunged over 6 percent to bear market territory and other Asian shares slid to nine-month lows, as investors rushed for the exits as the prospect of reduced stimulus from central banks

Industrial production in April 2013 showed a muted 2.3% growth. Nifty traded with negative bias for the first four days of the week but recovered some of its lost ground on Friday's trade after WPI inflation for May 2013 came in at 4.70% lower than market expectation of 4.88% and also lowers than previous month reading of 4.89%, driven mainly by declining prices of manufactured items, even as prices of food articles inched up.

In a key development, the RBI has released the revised prudential guidelines on restructuring of advances by banks, which are largely in line with the draft guidelines. One of the major differences is that the promoter sacrifice requirement has increased from 15% earlier to 20% of the amount of bank's sacrifice on restructured asset (RA). Also, the promoter's personal guarantee is made mandatory in all cases of restructuring and corporate guarantee cannot be accepted as substitute for personal guarantee.

In another important development, the Reserve Bank of India (RBI), mentioned that gold imports would have to be done by paying 100% cash margin. The initial understanding about the regulation was that players using the gold on lease/loan model would not be impacted by this move. However, Titan Industries clarified that all imports of gold for domestic consumption, either through banks, nominated agencies or directly can be made only with 100% cash margin. It further added that credit of any kind from suppliers or bullion banks for import of gold for domestic use is prohibited.

Monsoon update

IMD says

a) Monsoon rains 35 percent above average in the week to June 12
b) Monsoon rains above average over drought hit states in Southern India & Western Maharashtra
c) Monsoon rains below average in corn growing Eastern state of Bihar
d) June 1-13 Rainfall 65.0 mm; 28 percent above Normal

Ample annual monsoon rains witnessed....

Ample annual monsoon rains have covered half of India two days ahead of the usual date and more hefty downpours are expected next week, weather experts said on Thursday, easing concern over

southwestern regions parched by drought. The June to September monsoon is crucial for farm output and economic growth in India, where just over half of
arable land is rain-fed. The farm sector makes up about 15 percent of the nearly $2-trillion economy that is Asia's third biggest. In fact, monsoon rains have advanced slightly more than half of the landmass. Rainfall in the second week of the season ending June 12 was 35 percent above average, helping early planting of a host of summer crops, including rice, oilseeds and cotton, in many parts of the country. The monsoon arrived on schedule on the southern Kerala coast on June 1, and then spread inland faster than usual. Between the start of the season and June 13, the rains were 28 percent above average. Adequate monsoon rain should help the economy and hold down inflation, a critical concern for India's coalition government as it readies for a round of state polls this year and a national election by May 2014. The government hopes to pass a $24 billion welfare scheme to give cheap food to more of its poor in a special session of parliament and hefty monsoon rains will boost confidence harvests will be ample to cover the extra grains it needs.

Inflation

Inflation may change its course if the rupee ends 2013-14 at 57 to a dollar, against leading rating agency expectations of 54 to a dollar. In this scenario wholesale price index (WPI) inflation could move up close to 6 percent, from it current forecast of 5.3 percent. The recent slide in the rupee to near 60 per dollar mark has raised eyebrows on all fronts. A sharp depreciation can adversely impact inflation. We believe that the current slide will be temporary and that the rupee will strengthen from current lows.

Headline WPI inflation remained below the Reserve Bank of India’s (RBI) comfort zone of 5 percent for the second consecutive month in May. Manufactured inflation fell, driven by deflation in ferrous metals and very low levels of inflation in non-ferrous metals. A sharp and fast-paced decline in demand has severely impaired the pricing power of corporate. Moreover, growth in rural wages - a significant driver of demand in recent years- has also begun to decelerate. The current slide in rupee however, has created upside risks to inflation.

Global Scenario

Globally, stock investors would be keen to get cues from the Federal Reserve about its plans for continuing economic stimulus. It may get some soothing words from the US central bank next week. The Fed is unlikely to tip its hand about when it may begin to scale back its bond-buying program, but policymakers still may be inclined to try to tamp down recent volatility in financial markets with some mention of the issue. The rally in stocks stumbled and Treasury bond yields rose to 14-month highs following Chairman Ben Bernanke's comments that the Fed may decide to begin scaling back its quantitative easing in the next few policy meetings if the economy improves.

As part of its quantitative easing policy, adopted more than four years ago, the Fed has been buying Treasury and other bonds each month to keep interest rates low and promote growth. Although earnings have taken a back seat to Fed talk, forecasts for second-quarter profits have come down in recent weeks. According to industry participants, growth is forecast at 3.2 percent, down from an April 1 forecast of 6.1 percent, and negative preannouncements have outnumbered positive ones by a ratio of 6.9 to 1. That would be the most negative ratio since at least 1996.

Investors worry speculation about the Fed's course alone may have been enough to spark the long-feared pullback in stocks, which have rallied for most of this year. Even with recent losses, the S&P 500 is up 15 percent for the year to date. The benchmark index is down 2.5 percent since May 21, but there have been short-lived rallies in that period. In addition, the gains in bond yields since Bernanke's comments caused investors to rotate out of high-yielding dividend stocks. Dividend stocks had been among the market's leaders as investors favored those shares over fixed-income securities in a low interest-rate environment. The Dow shot up 200 points and scored its best day since January 2 after the US employment report for

May showed 175,000 jobs were created, a positive sign but not strong enough for the Fed to abandon stimulus efforts to aid the economy. Among next week's economic reports, the Consumer Price Report for May is due on Tuesday along with data on housing starts.

Going ahead, domestic markets would take cues from RBI action, imports/exports data. Globally, markets would take direction from PMI manufacturing data in the Eurozone, MBA mortgage applications in the US, FOMC rate decision, Industrial Production, Jobless claims and CPI data.

We expect markets to remain volatile next week on fears that a weakening rupee may lead foreign investors to pare positions.

At the current levels, the Sensex trades at a PE of 15x FY1E EPS of Rs.1,260 and 13x FY14E EPS of Rs. 1,430. Historically, Indian markets have traded at valuations of 16x one year forward. In the Banking space, we believe there is huge gap in valuations of Private sector and PSU banks. We believe with improving macro economic fundamentals; this gap would narrow down to some extent. We recommend to Buy State Bank of India, Syndicate Bank, Bank of Baroda, Union Bank of India, United Bank of India. In the private sector, we recommend buying Karur Vyasa Bank, ING Vyasa Bank, HDFC Bank, ICICI Bank, DCB and Standard Chartered. In the Realty space, we prefer Godrej Properties, Oberoi Realty, DLF, Prestige, Sobha Developers and Mahindra Lifespace. 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, IL and FS Engineering and Construction Company, Sadbhav Engineering and GMR.

In the Oil space, we recommend buying Oil India, ONGC and Cairn.

In the Commodities space, we recommend investors to accumulate NMDC, Coal India, Manganese Ore and Hindalco Industries.

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 DCW, Cera Sanitaryware, Page Industries, Ramky Infrastructure, Liberty Phosphate, Munjal Auto Industries, Wheels India, Repco Home Finance, VaTech Wabag, Voltas, CanFin Homes, United Phosphorous, KSB Pumps, Hathway Cable, Industrial Prudential and Investment Company.

Your friendly advisor since 1986,

Ashoka Ajmera

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