



Mr. Ajmera's column as on March 15, 2014

Markets in a consolidation mode; remain stock specific..

Bulls paused for a breather after a strong run for over the last four weeks, which pushed up indices 7.5 percent in anticipation of improving macro-environment and a stable government after the elections. Sensex shed 109.99 points or 0.5 percent during the week to close at 21809.80 after hitting record high of 22023.98. Nifty touched life high of 6562.85 before closing the week 6504.20, 22.45 points or 0.3 percent compared previous week's closing. Consistent fall in inflation during first two months of 2014 and an expansion in industrial output in January for the first time in four months supported the market. But concerns over fresh tensions in Crimea and a slowing Chinese economy limited upsides. It was a consolidation week for the market after record highs and that may continue for some more time.

WPI inflation softened to a nine-month low at 4.68 percent in February as against 5.05 percent in previous month supported by fall in vegetable prices. January industrial output grew 0.1 percent compared to contraction of 0.2 percent in earlier month but consumer goods, capital goods and manufacturing remained in the negative domain. BSE Healthcare, Metal and IT indices were hit hard, falling 1.7 percent, 4.82 percent and 6 percent, respectively. However, the Capital Goods index gained the most, rising 3.5 percent followed by Bank, Realty, Oil & Gas and FMCG with 1-2 percent. Infosys was the biggest loser, shedding 9 percent after chairman Narayana Murthy sounded caution on the company's growth. The management in an investor conference said that revenue growth for FY14 was likely to be at the lower end of its guidance (11.5-12 percent). This had a ripple effect on other IT majors like TCS and HCL Technologies, which fell 4-5 percent. Metal shares weakened on poor Chinese trade data. Copper prices hit the lowest since July 2010 while iron ore prices touched more than 1.5-year lows during the week, which caused Sesa Sterlite, Hindalco Industries and Tata Steel to lose around 8 percent. Ranbaxy Labs fell over 7 percent as Supreme Court on Friday issued notice to company on following a PIL that the company was selling adulterated cholesterol lowering drugs in the country. The company, which is already facing manufacturing quality concerns, has recalled more than 64,000 bottles of cholesterol lowering drug in the US. Sun Pharma was the latest company in import alert list. It received import alert on its Karkhadi unit in Gujarat. The stock fell 5 percent though the company said the contribution of this unit to company's revenue is negligible. In another blow, the drug maker recalled one batch of subsidiary's Glumetza generic, according to sources. Commercial vehicle maker Tata Motors slipped 4 percent on consistent worries over its domestic automotive business but Jaguar Land Rover continued to help its global business, with sales growing 14 percent in February. Axis Bank declined over 3.5 percent.

Divestment secretary on Friday said the government would raise Rs 3,000-4,000 crore via SUUTI stake sale in Axis Bank by March-end. However, engineering and construction major Larsen & Toubro climbed nearly 5 percent as the company received an order worth Rs 3,655 crore for mega-road project in Qatar. Oil marketing company BPCL rallied over 6 percent on source-based reports that the government will reimburse under-recoveries next week. Tata Power gained 5 percent after the Appellate Tribunal of Electricity (ATE) asked the Delhi Electricity Regulatory Commission (DERC) and private power distribution companies in the city to lay out a roadmap for liquidation of "regulatory assets" worth up to Rs 8,000 crore. Among others, IDFC, Kotak Mahindra Bank, Hero Motocorp, IndusInd Bank and Mahindra & Mahindra were up 4-8 percent.

In the corporate developments, sources said the government raised Rs 5,340 crore through stake sale in IOC today. ONGC and Oil India bought 5 percent stake each in IOC. L&T Finance Holdings' offer for sale issue fully subscribed, but was priced at a steep discount to market price. The company was also included in NSE F&O segment from Thursday. Among midcaps, HCL Infosystems, Coromandel Engineering, Adhunik Metaliks, Dalmia Bharat, Gati, Ceat, Engineers India, BEML and JK Tyre surged 12-36 percent. For the week ahead, investors will closely watch Sunday's referendum in Crimea and FOMC meeting on March 18-19.

Globally, Wall Street ended lower on Friday with all three major stock indexes down for the week, as concerns over tensions between Ukraine and Russia escalated ahead of a referendum in Crimea this weekend. The S&P 500 ended below a key technical support level of 1,850 for the second day. The index also ended down 2 percent for the week, its biggest weekly loss since late January. Moscow shipped more troops and armor into Crimea on Friday and repeated its threat to invade other parts of Ukraine in response to violence in Donetsk on Thursday night despite Western demands to pull back. Global equity markets were pressured, while gold and the yen strengthened as traders flocked into the safe-haven assets. The CBOE Volatility index, Wall Street's so-called fear gauge, rose 9.9 percent to 17.82.

The Dow Jones industrial average fell 43.22 points or 0.27 percent, to 16,065.67, the S&P 500 lost 5.21 points or 0.28 percent, to 1,841.13 and the Nasdaq Composite dropped 15.023 points or 0.35 percent, to 4,245.396. For the week, the Dow fell 2.35 percent, the S&P dropped 1.97 percent and the Nasdaq lost 2.1 percent.

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For research related queries contact:

Mr. Akash Jain – Vice President (Research) at research@ajcon.net, 022-67160443 (D)

Corporate and Broking Division

408 - (4th Floor), Express Zone, "A" Wing, Cello – Sonal Realty, Near Oberoi Mall and Patel's, Western Express Highway, Malad (East), Mumbai – 400063. Tel: 91-22-67160400

Registered Office: 101, Samarth, Off. Hinduja Hospital, 151 Lt. P.N. Kotnis Road, Mahim (West), Mumbai – 400016. Tel: 022-24460335/36/40