



### Mr. Ajmera's column as on April 18, 2014

#### **Markets remained mixed during the week; euphoria led rally may continue but profit booking advisable..**

Key benchmark indices jumped on Thursday after government bond prices surged followed by the news that Reserve Bank of India (RBI) fully sold the Rs 20000-crore worth of debt on offer, accomplishing the country's biggest-ever auction on 17<sup>th</sup> April, 2014. Domestic bourses closed on a flat note during the truncated week as Thursday's 352-point rally offset initial losses. March quarter earnings season kicked off with top four IT companies reporting numbers, while March inflation started northward move. Sensex fell 0.12 point to close at 22628.84 and the Nifty rose 3.10 points to 6779.40 after rallying 1.2 percent last week. There were only three trading sessions during the week.

It was also a big week for Lok Sabha elections - the fifth phase (the biggest among nine phases) of voting for 121 constituencies across 12 states was held on Thursday, which included all of Karnataka, some parts of Maharashtra and Rajasthan. Political experts feel this phase may give some indication of general elections outcome that will be announced on May 16.

Rating agency Standard & Poor's says it can upgrade outlook on India to stable if new government manages economic problems while it can downgrade outlook if economic challenges are not addressed. "New government must address fiscal challenges for outlook upgrade," it says in its report. In case of economic data, March WPI inflation and CPI inflation started rising again and even industrial output (announced on Friday after market hours last week) has seen contraction in February. WPI climbed to 5.70 percent, the highest level since December 2013, as against 4.68 percent in previous month due to higher food, manufacturing and fuel costs while CPI rose to 8.31 percent from 8.03 percent month-on-month. India's index of industrial production in February came in at negative 1.9 percent versus an expansion of 0.8 percent in January, which was a nine-month low. Meanwhile, top four IT companies kicked off the March quarter earnings season with positive commentary for the year ahead (FY15), though numbers were mixed. The BSE IT index climbed gained 0.8 percent as Wipro and TCS rallied 3 percent each while HCL Technologies and Tech Mahindra climbed 1.7 percent.

Infosys' revenues were lower than analysts' forecast while margin and profits were better. The company also beat on guidance front as it expects 7-9 percent growth in FY15 dollar revenue as against street forecast of 6-8 percent. Top software services exporter TCS missed expectations in terms of Q4 dollar revenues (up 1.9 percent Q-o-Q) and margin (down 60 basis points) while profit was higher but the

management reiterated its outlook saying FY15 will be better than FY14 . In case of Wipro, EBIT margin in March quarter grew 150 bps sequentially and revenue was in line but its Q1FY15 guidance is muted. HCL Technologies and midcap IT company Mindtree reported strong numbers in the quarter ended March 2014 with their dollar revenue growing 3 percent and 4.4 percent, respectively. Private sector IndusInd Bank too announced its earnings during the week, which were higher-than-expected. Net interest income grew 18.2 percent and profit rose 29 percent as against expectations of 15.4 percent and 13.5 percent growth, respectively. Among sectoral indices, the BSE FMCG topped the buying list with 2.2 percent upmove while Auto and Oil & Gas gained over 0.6 percent. However, Realty fell 4 percent while Metal and Capital Goods were down 0.8-1 percent. Bank index slipped 0.4 percent. United Spirits was the biggest gainer among Nifty 50, rising more than 11 percent after Diageo announced open offer to buy further 26 percent stake in the company at Rs 3,030 per share.

Going ahead, the week would be a truncated on account of an election holiday. All eyes would be on Reliance Q4FY14 result to be announced during the weekend. Markets may consolidate unless there are specific triggers from global markets. We recommend investors to be stock specific and accumulate companies having economic moat. Dependence on the fate of election outcome could be risky if results turn out to be unfavourable, as a result suggest partial profit booking since rally has been sharp from 5800 levels due to discounting of expectation that BJP government would come into power and that FII inflows will continue.

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