



Mr. Ashok Ajmera, CMD

Mr. Ajmera's column as on May 23, 2015

Markets rally owing to positive domestic cues; excellent results by SBI..

The markets ended at 5-week closing highs, and third consecutive week of gains, on the back of positive global cues, the government's moves to assuage fears on the Minimum Alternate Tax (MAT) front, steady progress of monsoons and hopes of interest rate cut by the RBI at its policy meeting early next month.

In the week ended Friday, 22 May 2015, the BSE Sensex gained 633 points or 2.31% to settle at 27,957 and the Nifty added 196 points or 2.37% to settle at 8,458 to mark their highest closing since April 17 this year. The Sensex had, in fact, reclaimed the 28,000 mark in Friday's session, but was unable to hold on to the psychologically crucial mark.

The broader markets, however, underperformed; the BSE mid-cap index advanced by 55.89 points or 0.52% to end at 10,619 and the BSE small-cap index gained 166 points or 1.5% to settle at 11,207.

Key developments

On the policy front, the government constituted a 3-member AP Shah Committee on Wednesday to resolve the controversial minimum alternate tax (MAT) issue.

In another major initiative, the Union Cabinet on Thursday approved a relaxation of policy on investment proposals from Persons of Indian Origin (PIOs) and Overseas Citizens of India (OCIs), treating them at par with Non-Resident Indians (NRIs) in this regard.

On the monsoon front, the Southwest Monsoon further advanced and arrived over Sri



Lanka. The weather conditions are looking favourable for a timely onset of the Southwest Monsoon over Kerala, according to private weather forecast company, Skymet.

On the macro front, data released by the government on Friday showed that India's merchandise exports declined 13.96% to \$22.05 billion in April 2015 compared to April 2014, while imports reduced by 7.48% to \$33.04 billion in April 2015 vis-à-vis April 2014.

On the monetary policy front, the Finance Minister Arun Jaitley said that it is time for the Reserve Bank of India (RBI) to cut rates in view of moderation in inflation and subdued industrial growth.

Sectors and Stocks

The week clearly belonged to the IT and pharma pack, with the two sectoral indices zooming by 4.7% and 3.3% respectively. The capital goods and banking indices gained around 1% each. The metal pack was the sole weak spot, edging marginally lower by 0.2%.

In the IT space, Wipro, TCS and Tech Mahindra strengthened by more than 8% each, and Infosys gained 1%, on the back of a strengthening dollar.

In the pharma space, Wockhardt, Sun Pharma, Torrent Pharma and Strides Arcolab gained 5-10% each.

The capital goods space saw L&T, Siemens and Thermax adding between 1% and 7% each.

In the banking space, SBI which came out with excellent numbers ended higher by 3.1% at Rs 287. The bank's net profit jumped 23.06% to Rs 3742.02 crore on 14.54% increase in total income to Rs 48616.41 crore in Q4 March 2015 over Q4 March 2014. Among other banking heavyweights, HDFC Bank, ICICI Bank, Kotak Mahindra Bank and Yes Bank gained between 1% and 3% each. The overall take away from the Bankers was that things have started looking good and the credit off take in the current year will be higher at about 15-15%.

Cigarette major ITC edged higher by 0.3% to Rs 328. The company's net profit rose 3.65% to Rs 2361.18 crore on a 1.66% increase in total income to Rs 9663.15 crore in Q4 March 2015 over Q4 March 2014.

On the other hand, the metal counters had a rough week. Tata Steel lost 6.02% to Rs 341 to emerge as the biggest loser from the Sensex pack. On a consolidated basis, Tata Steel posted net loss of Rs 5674.29 crore in Q4 March 2015 compared to net profit of Rs 1035.87 crore in Q4 March 2014. Vedanta, NMDC and Sail also lost 1-2% each.



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In the midcap space, Zee Entertainment soared by 9%, while Yes Bank, Wockhardt, Videocon and Torrent Power gained 4-6% each. On the other hand, ABB India, Aditya Birla Novo and Allahabad Bank shed 5-11% each.

In the smallcap space, Zydus Wellness, Zensar Technology, Whirlpool, Welspun and Sangam India were the significant gainers, while Aban Offshore, Abbott India, ABG Shipyard and AIA Engineering were among the major losers.

Outlook

The trend in global markets and the impending F&O expiry on Thursday will be important factors in the week ahead. Wall Street has been trading at record highs, giving a fillip to its Asian counterparts, including the Indian markets. Dalal Street could receive a further boost if the global market cues continue to be positive. On a cautious note, the markets could turn volatile ahead of the derivatives expiry on Thursday as the traders would be rolling over their existing May F&O positions into the June series. The monetary policy meet scheduled in the subsequent week i.e. June 2 and the associated expectations are also likely to set the course for the markets in the immediate term.

There is bound to be substantial stock-specific action as prominent names including Bhel, Tata Motors, Tech Mahindra, GAIL, Coal India, Hindalco Industries, ONGC, BPCL and HPCL, NTPC, Sun Pharma, M&M, Cipla, IOC and Bank of India will announce their Q4 results during the week.



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