



Mr. Ajmera's column as on 25th January, 2014

Markets tumble at the end of the week; Glenmark Pharma Q3FY14 numbers beat expectations...

The BSE Sensex fell a little more than one per cent on Friday to post their biggest decline in three weeks, retreating from a record close in the prior session as rate-sensitive stocks dropped after the Reserve Bank of India governor's strong warning on inflation. The Sensex gained 0.33 per cent this week, while the Nifty rose 0.81 per cent. The Sensex closed down 240.10 points or 1.12 per cent, at 21,133.56, while the broader Nifty closed lower 78.90 points, or 1.24 per cent, at 6,266.75. Both indexes posted their biggest decline since January 2. Losses also tracked lower Asian shares, which hit their 4-1/2 month low, as disappointing Chinese manufacturing data raised concerns over the economy. Shares in State Bank of India closed lower 2.24 per cent, while ICICI Bank ended down 1.97 per cent.

Foreign exchange reserves decline...

After a marginal pick up last week, India's foreign exchange reserves fell sharply by USD 1.208 billion to USD 292.08 billion for the week to January 17 on the back of drop in core currency assets. In the previous week, the reserves stood at USD 293.287 billion, rising USD 179 million. In the week to January 10, the total reserves had dipped by USD 2.599 billion to USD 293.11 billion. Foreign currency assets (FCAs), which form a major part of the overall reserves, dipped sharply by USD 1.209 billion to USD 265.934 billion, the Reserve Bank said. FCAs, expressed in dollar terms, include the effect of appreciation or depreciation of the non-US currencies such as the euro, pound and yen, held in reserves. During the week under review, the gold reserves were unchanged USD 19.724 billion. The special drawing rights gained by USD 2.4 million to USD 4.448 billion, while India's reserve position with the IMF declined USD 1.2 million to USD 1.994 billion, the apex bank said.

Glenmark Q3FY14 result were above street expectations..

Glenmark Pharma reported 1.5 percent growth year-on-year in profits and 16 percent in revenues for the quarter ended December 2013. Numbers were better than street expectations, though the net profit for the quarter is not comparable due to out-licensing income of Rs. 49.3 crore reported in the previous corresponding quarter. Year-on-year consolidated net profit increased to Rs. 216.2 crore from Rs. 213 crore and revenue rose to Rs. 1,601.2 crore from Rs. 1,382 crore. Street participants had expected a 14 percent degrowth in bottomline at Rs. 184 crore and 13.2 percent growth in topline at Rs. 1,565 crore for the quarter. Consolidated earnings before interest, tax, depreciation and amortisation or operating profit grew 14 percent on yearly basis to Rs. 365 crore while operating profit excluding out-licensing income

jumped 34.75 percent in the quarter gone by. Operating profit margin fell 40 basis points year-on-year to 22.8 percent as against expectations of 160 basis points decline. Revenue from the generics business climbed 24.73 percent to Rs. 737.3 crore while specialty formulation business excluding out-licensing revenue grew 16.62 percent to Rs. 864 crore compared to a year ago period. Both were in-line as street had estimated generic business to grow 25 percent and specialty formulation over 15 percent. Despite challenges in the operating environment, the Company has registered good growth in both speciality and generics businesses across the globe. The management is reasonably confident of maintaining growth trajectory with emerging markets businesses being a key growth driver going ahead. Specialty business Revenues from formulation business in India rose 15.27 percent to Rs. 381.23 crore while sales from Africa, Asia and CIS region (Rest of the World) grew 14.89 percent to Rs. 300.96 crore compared to corresponding quarter of last fiscal. Glenmark's revenue from Latin American and Caribbean operations soared 12 percent to Rs. 113.93 crore year-on-year and European operations expanded 45.27 percent to Rs. 67.84 crore. In case of generics business, USA registered revenue growth of 19.43 percent Y-o-Y at USD 521.36 crore from sale of finished dosage formulations while European formulations business surged 72.08 percent to Rs 68 crore in the quarter gone by. Revenue from sale of active pharmaceutical ingredients (API) to regulated and semi-regulated markets globally jumped 28.5 percent to Rs 147.9 crore compared to a year ago period

Global markets under pressure..

Globally, for the week, the Dow fell 3.5 percent and the Nasdaq fell 1.7 percent. The Dow's weekly drop was the steepest since November 2011. However, investors were willing to pay more for protection against a drop in the S&P 500 today than three months down the road. The last time the spread between the CBOE volatility index and three-month VIX futures turned negative was mid-October, shortly after a 4.8 percent pullback in the S&P 500 opened the door to the last leg of the 2013 market rally. Worries over China's growth surfaced after a disappointing manufacturing number spurred the S&P 500's 0.9 percent drop on Thursday. The Turkish lira hit a record low and the South African rand fell to five-year low against the dollar. Argentina's government said Friday it would relax stringent foreign-exchange controls, after it abandoned its long-standing policy of intervening to support the peso currency. That resulted in the currency's steepest plunge since the 2002 financial crisis.

On top of that the Federal Reserve is expected to dial back its bond purchases when it meets next week after US jobless claims data reflected an acceptable, if underwhelming, pace of job growth - heaping more pressure on emerging country currencies. The Indonesian rupiah fell 0.2% to 12,180 per dollar, touching a two-week low on Friday morning, while Jakarta shares shed 1.2%. The dollar stabilised against the euro, Swiss franc and the yen after taking a beating in the previous session. The greenback was up 0.1% against a basket of major currencies, having fallen 0.9%, marking its worst one-day decline in three months and hitting a three-week trough. The euro was a tad softer at US\$1.3686, though it remained near a more than one-week high of US\$1.3699. The single currency climbed 1.1% on Thursday, its biggest single-day gain since mid-September, on the back of mostly encouraging business surveys from the euro zone's private sector.

Wall Street has so far gone off to a stuttering start in 2014 after rallying nearly 30% last year. On Thursday, US stocks fell, with the Standard & Poor's 500 off 0.9% and the Dow Jones industrial average down 1.1% to record its third consecutive day of losses. S&P 500 E-mini futures were up 0.1 in Asian trade on Friday. In response, investors cut their positions in risky assets, buying the safe-haven assets of gold and highly-rated government bonds. Yields on 10-year benchmark US Treasuries hit a seven-week low of 2.7589% on Thursday, while those on German Bunds fell to 1.713%, also reaching a seven-week low. Gold gave up some of Thursday's more than 2% jump. It was down 0.2% at US\$1,259.55 an ounce on Friday morning, though still not far from a six-week high of US\$1,265.40 set in the previous day. US crude futures was little changed at US\$97.35 a barrel, not far from a three-week high of US\$97.84 hit on Thursday after data showed a larger-than-expected drawdown of distillate stocks caused by sustained cold.

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