



Mr. Ashok Ajmera, CMD

Mr. Ajmera's column as on March 28, 2015

Markets remain volatile owing to Geopolitical tensions; valuations look attractive...

Benchmark shares indices ended lower for the third straight week as the emerging geopolitical crisis in the Middle East and prospects of a hike in US interest rates raised fears of foreign capital outflows.

For the week, the Sensex and Nifty saw third consecutive weekly fall, down 2.8 percent and 2.7 percent, respectively. Bank Nifty and BSE IT & Metal indices were down 3 percent each.

In the broader markets, the BSE Mid-cap index dropped 265 points or 2.5% to end at 10,360 and the Small-cap index slipped 419 points or 3.9% at 10,441.

In view of the softening global benchmark prices, the government on Friday announced the first ever reduction in domestic natural gas prices by 9% to \$5.01 per million British thermal units (mmBtu) and \$4.56 on gross calorific value effective from April 1.

After a choppy session of trade, the market closed flat on Friday. In fact, it was a sigh of relief for the market on Friday after a 654-point crash on the Sensex in previous session.

In a key development, upstream companies may not have to bear any subsidy burden for the fourth fiscal, even as the government looks to notify a lower price for gas which will come into effect from the April 1, say sources. The Prime Minister Narendra Modi urged families who can afford to pay the unsubsidised price of LPG cylinders to voluntarily give up on LPG subsidy.

Global Markets

Global markets were mixed on Friday. Oil prices headed southward once again as concerns over closure of a key oil shipping route near Yemen eased. Brent crude fell more than a



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percent to USD 58.5 a barrel and NYMEX dropped nearly two percent to USD 50.5 a barrel. We believe the strikes in Yemen would have little effect on oil supplies. Yemen is only a small crude exporter and tankers could avoid passing its waters to reach their ports of destination.

Outlook

Markets are likely to remain volatile as traders are likely to refrain from taking fresh positions in the truncated week ahead. Further, developments in the Middle-East would also weigh on investor sentiment.

Stock exchanges will remain closed on Thursday, April 2 on account of Mahavir Jayanti and on Friday, April 3 on account of Good Friday.

IT stocks may remain subdued after data showed that US GDP slowed down in the fourth quarter. The US Commerce Department said that fourth quarter GDP rose at 2.2% annual rate.

HSBC India Manufacturing Purchasing Managers' Index for March is scheduled for release on April 2, 2015.

Further, the government will release data on the Eight Core Infrastructure Industries and fiscal deficit data for February on March 31, 2015.

The Sensex currently trades at nearly 17 times its one-year forward earnings estimate.

Sectoral Outlook

BFSI - We are positive on select PSU banks as we expect concerns on the asset quality to reduce gradually. The valuations of banks have become very attractive.

Automobiles - Our outlook is positive. We expect revival in FY15 due to improved policy climate, better consumer sentiment and enhanced infra spending. We believe the CV cycle is near bottom and will revive in the next few months.

Capital Goods - We are bullish on this sector in the medium- to long-term as we are near the bottom of the economic cycle and expect revival in capex in H2 FY15.

Cement - There is expectation of a revival in demand for cement as infrastructure activity may pick up with a kickstart. We are thus turning bullish on the sector.

Infrastructure - We are bullish on this sector from a long-term perspective.

IT - We remain positive on this sector, as the US economy continues to recover gradually. INR volatility is a cause for concern.



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Real Estate - We are neutral on this sector. Slow demand environment in most markets (except South India) has impacted sales.

Pharmaceuticals - We are bullish, as pharma companies continue to do well in the export markets and the domestic market is also likely to pick up in H2FY15.



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