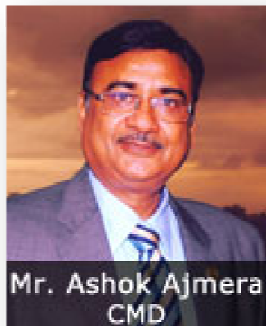
26 YEARS OF EXCELLENCE




## Mr. Ajmera's column as on 28th September, 2013

### "All eyes on Current account deficit data due; markets may remain volatile"...

During the week, domestic bourses ended 3% lower in the volatile week to September 27 on worries that the central bank may avoid rate cuts for now after it flagged concerns over high inflation and investors also turned cautious ahead of the June quarter current account deficit due on Monday which is expected to be higher than March quarter. Sensex ended down 536 points or 2.7% to end at 19,727 and the 50-share Nifty ended down 179 points or 3% to close at 5,833. Bankex and Realty indices were the top losers among the sectoral indices on the BSE down over 7% each while Auto index ended down nearly 1%. In the financials space, SBI, ICICI Bank, HDFC Bank and HDFC ended down 3.1-7.5% each. DLF slumped 13%, Unitech ended down 6%, and Godrej Properties ended down over 10% in the realty segment. IT majors ended mixed with Infosys gaining 0.4% while TCS and Wipro ended marginally down. Wipro was included in the 50-share CNX Nifty replacing Reliance Infrastructure.Engineering major BHEL was the top Sensex gainer up 6.4% to end at 144. Power equipment related shares gained on expectation of orders from power generation companies after the Cabinet Committee on Economic Affairs (CCEA) Tuesday approved the methodology for auctioning coal blocks. In the oil and gas segment, index heavyweight Reliance Industries ended down 4.8%. Reports suggest that the Comptroller and Auditor General (CAG) of India is likely to pull up the Directorate General of Hydrocarbons (DGH), as well as Reliance Industries, over an alleged hoarding of gas by the Mukesh Ambani-controlled company. According to an official close to the development, in the coming financial audit report, to be tabled in Parliament's Budget session next year, CAG will detail the slide in the government's share in petroleum sector profits due to a drop in gas production. ONGC closed 5.5% lower. Jindal Steel and Power was the top Sensex loser down 9.2% to end at Rs 260.

Sentiment also remained subdued during the week as the Fed would start trimming its monetary stimulus measures after better-than-expected US jobs data which signalled improvement in the world's largest economy. The rally in emerging markets including India lately was on account of ample liquidity following the US Federal Reserve's bond-buying programme.

Oil Minister M Veerappa Moily hinted at a reduction in price of petrol in next few days, the first cut in rates in over five months. The reduction in rates is likely to be announced by the month end as per the practice of fortnightly revision in prices, and has been made possible due to appreciation of rupee against the US dollar. "This is all dynamic pricing system and not static pricing... any advantage of price (reduction in international rates) and rupee (appreciation against US dollar) will be passed on to consumers... consumer will get full advantage," he said.

Ratings agency Fitch said non-performing loans at Indian banks are expected to peak as late as March 2016, compared with its earlier estimate of the middle of current fiscal year that started in April. The initial expectation was for non-performing assets to peak around now but this has been pushed back by recent macroeconomic developments, Saswata Guha, director in the Financial Institutions team at Fitch, said on a conference call. Earlier this week, Fitch downgraded the viability ratings on three state-run banks including Punjab National Bank and Bank of Baroda citing concerns about a protracted economic slowdown, high "stressed assets" and low capital.

Globally, US stocks declined on Friday and the S&P 500 and Dow posted their first weekly drop in four, as Democrat and Republican lawmakers struggled to agree on an emergency funding bill to avert an US government shutdown day away. The S&P 500 declined 1.1 percent for the week and is roughly 2 percent below its record high set September 18 when the Federal Reserve announced it would keep its stimulus program unchanged for the present. Time was running short for lawmakers to avert a partial shutdown of operations by the US government on October 1. Republicans in the House want to use the spending legislation to gut the new healthcare overhaul, a goal of the conservative Tea Party. The Senate passed the emergency funding bill on Friday, which will keep US agencies operating after September 30. The measure must now be approved by the Republican-controlled House where it is expected to encounter rough going. The House could vote on a bill in an unusual Saturday or Sunday session. For the week, the Dow was down 1.3 percent and the Nasdaq was up 0.2 percent.

Going ahead markets would take cue from upcoming Q2FY14 earnings. Auto and cement stocks are likely to be in action after they start releasing their September sales and dispatch numbers. Data for HSBC India Manufacturing Purchasing Manager's Index (PMI) for the month of September is scheduled for release on Tuesday.

At this junction, we believe markets offer value buying opportunites in midcaps space. We recommend stocks like RPG Lifesciences, Sintex Industries, DCW, Greaves Cotton, Redington, Jyothy Labs and VIP Industries.

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