



Mr. Ashok Ajmera, CMD

Mr. Ajmera's column as on June 13, 2015

IIP numbers come above expectations; markets end in red..

Indian market closed in negative during the week. Nifty and Sensex down this week by 1.63% and 1.28% respectively. In terms of sectors Petrochemicals, power, and engineering were the winners of the week. Construction, Real Estate and Pharmaceuticals sectors were the notable losers this week.

Key domestic developments

Indirect tax collection up 39.2% in April-May: Indirect tax collection has jumped 39.2 percent in April-May, with excise showing a smart rise reflecting pick up in manufacturing, Finance Minister Arun Jaitley said on Wednesday. The collection of indirect taxes in all three categories - customs, central excise and service tax - has shown rising trend in the current financial year, 2015-16, he said.

FY15 current a/c deficit falls to 1.3% of GDP vs 1.7% YoY: The country's current account deficit for fiscal year 2014-15 eased to 1.3 percent of gross domestic product (GDP), compared to 1.7 percent in the year earlier, helped by relief on the trade account, which in turn was helped by falling oil prices and muted gold imports. Data released by the Reserve Bank of India on Wednesday showed the country's current account deficit (CAD) stood at USD 27.5 billion versus USD 32.4 billion YoY, while the trade deficit eased from USD 147.6 billion to USD 144.2 billion.



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Industrial output for the country surged to 4.1 percent in April, starkly higher to economists' expectations of a number around 1.16 percent, while May consumer inflation came in line with expectations at 5.01 percent. The index of industrial production (IIP) data compares to a reading of 2.1 percent month-on-month, while consumer price index (CPI) last month stood at 4.87 percent. The positive surprise seen in the IIP data affirmed broad economic activity was on the mend while inflation appeared to be headed slightly higher after riding out a few months' adjustment for base effects – in line with the Reserve Bank of India's expectation. The good news on the inflation front, however, was that food prices, at 4.8 percent (versus 5.11 percent) did not rise in May, as was being feared due to the monsoon effect.

Seeking to pump in additional capital into state-owned banks, the Finance Ministry on Friday held a meeting with heads of three public sector lenders, including United Bank of India, to assess their capital requirement. The capital assessment meeting was attended by Minister of State for Finance, Jayant Sinha, and Financial Services Secretary Hasmukh Adhia from the Finance Ministry side. In order to assess capital requirement of Public Sector Banks (PSBs), all PSBs have been requested to make presentations, a Finance Ministry statement said. In the first batch, UCO Bank, United Bank of India and Allahabad Bank made presentations. The issue of additional capital infusion, over and above Budgetary allocation of Rs 7,940 crore made for the current fiscal, was discussed by the PSU banks with Finance Minister Arun Jaitley. The capital infusion requirement would be discussed with Punjab National Bank, Punjab & Sindh Bank and Oriental Bank of Commerce on June 18. It would be followed by the meeting in Mumbai on June 24, 25 where State Bank of India, Union Bank of India, IDBI Bank, Central Bank of India, Bank of India, Bank of Baroda, Dena Bank and Bank of Maharashtra would make their presentations. Presentation by Andhra Bank, Indian Overseas Bank, Corporation Bank, Canara Bank, Syndicate Bank and Vijaya Bank would be made on July 3 in Bengaluru. During the quarterly review of Public Sector Banks' performance held on March 11, it was discussed that the banks should work-out/find-out their own resources for raising capital and also work-out their own plan for raising capital from market.

Global Markets

US stocks fell on Friday as Greek debt talks hit a stalemate and as concern over how soon the Federal Reserve might raise interest rates kept investors cautious. Energy shares dropped as oil prices fell for a second straight day. The energy index, down 1.2 percent, led the day's decline, followed by a 1.1 percent drop in the healthcare index. Upbeat consumer sentiment and other data added to views the economy may be regaining momentum, which increased anxiety for investors ahead of next week's Federal Open Market Committee meeting, the US central bank's last meeting before September.



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Also of concern, a day after the International Monetary Fund quit bailout talks with Greece, EU officials said they had held their first formal discussions on the worst-case scenario for the country.

The Dow Jones industrial average fell 140.53 points, or 0.78 percent, to 17,898.84, the S&P 500 lost 14.75 points, or 0.7 percent, to 2,094.11 and the Nasdaq Composite dropped 31.41 points, or 0.62 percent, to 5,051.10. For the week, the Dow was up 0.3 percent, the S&P 500 was up 0.1 percent, while the Nasdaq Composite fell 0.3 percent, its third straight week of declines. US consumer confidence surged in early June. The University of Michigan's consumer sentiment index rose to 94.6 from 90.7 in May. The upbeat report capped a week of strong economic data and was the latest indication that growth was regaining momentum after a sluggish start to the second quarter.



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For research related queries contact:

Mr. Akash Jain – Vice President (Research) at research@ajcon.net

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Corporate and Broking Division : 408 – (4th Floor), Express Zone, “A” Wing, Cello – Sonal Realty, Near Oberoi Mall and Patel’s, Western Express Highway, Malad (East), Mumbai – 400063. Tel: 91-22-67160400, Fax: 022-28722062

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