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**Market wrap**

**May 18, 2018**

### **Benchmark indices decline on uncertainty over the formation of government in Karnataka...**

Benchmark indices declined for a fourth straight session on Friday, amid caution on uncertainty over the formation of government in Karnataka, developments in US-China trade negotiations and firm crude prices.

In a major political development, the Supreme Court held a hearing in the Karnataka government formation matter, directing that the Bharatiya Janata Party (BJP) leader and the state's new chief minister, BS Yeddyurappa, must conduct the floor test on Saturday at 4 pm.

The S&P BSE Sensex ended at 34,848, down 301 points while the broader Nifty50 index settled at 10,605, down 78 points

Among sectoral indices, the Nifty Bank index fell as much as 0.6%, extending its drop into a third session. ICICI Bank declined 2.9%, while HDFC Bank slipped 0.8%. The Nifty PSU Bank Index also shed 1.6%, in what could be its fourth consecutive session of fall, on continued concerns about disappointing quarterly results due to a jump in bad-loan provisions.

### **Sectors and stocks**

Shares of public sector undertaking (PSU) banks are trading lower for the fourth straight trading days with Nifty PSU Bank index hitting fresh 52-week low on the National Stock Exchange (NSE) on Friday.

PNB, the largest loser among the pack, tanked 61% from its four-month high of Rs 197 to close at Rs 76.45 on Thursday. The bank posted a record net loss of Rs 134 billion in Q4FY18 against a net profit of Rs 2.62 billion in previous year quarter.

Bank of Baroda (BOB) was down 3% to Rs 126, touching its lowest level since February 15, 2016, on the BSE in intra-day trade today. The stock plunged 30% from its four-month high of Rs 180 recorded on January 24, 2018.

State Bank of India (SBI) will declare its March quarter results on Tuesday, May 22, 2018, while BOB will announce its Q4FY18 results on Friday, May 25, 2018.

Shares of Voltas have declined by 8% to Rs 539 per share on the BSE in early morning trade after the company reported 3% decline in its consolidated net profit at Rs 1.94 billion in March quarter (Q4FY18), due to poor performance of the engineering products and services business. The Tata Group company had profit of Rs 2 billion in the same quarter last fiscal. Gross revenue of the company during quarter under review remained flat at Rs 20.21 billion over the previous year quarter. "The slowdown impact in engineering products and services segment due to demonetization and GST implementation in the Textile Machinery Industry is well known. In Mining and Construction Equipment, Mozambique operations continue to drive the performance," Voltas said in a press release. Voltas reported below estimate results, mainly due to revenue slippage during the quarter. Revenue at Rs 20.5 billion was flat during the quarter as the important unitary cooling products (AC business) saw 2% decline in revenue, mainly due to restocking by trade channel along with pre-buying in Q3FY18 due to expected price rise from Jan-18 and increased competitive intensity. The improved operating performance was broad based across all segments with 190bps and 80bps improvement in Project business and AC business, respectively. Order intake improved 23% (to Rs 12.3 billion) with order backlog improving 17% to Rs 50.6 billion. Arcelik JV is on track to launch in H2CY18 in time to capture festive demand.



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Bharti Airtel hit a 52-week low of Rs 356, down 3%, falling for the sixth straight trading days on the BSE, after Reliance Jio Infocomm (RJio) announced a new unlimited postpaid plan on Thursday May 10, with national roaming, international calling and international roaming plans among others. The stock of telecom services has fallen 13.6% in past six trading sessions as compared to 0.65% decline in the S&P BSE Sensex. Bharti Airtel has lost Rs 218 billion market capitalisation during the period. The all new JioPostpaid will be available for subscription starting 15th May, 2018. JioPostpaid marks a paradigm-shift in the way postpaid services are offered and consumed, just like Jio did with its prepaid services, Reliance Jio Infocomm ("Jio"), a subsidiary of Reliance Industries said in a press release. This could put its telecom rivals such Airtel and Vodafone at a tough spot as the plan offered by emerging telecom player Jio is offering customers 50% discount compared to the packs offered by incumbents.

SRF dipped 11% to Rs 1,997 on the BSE in early morning trade after the company reported a consolidated net profit of Rs 1.24 billion against street estimates of Rs 1.41 billion for the quarter ended March 2018 (Q4FY18). The company had profit of Rs 1.29 billion in the same quarter year ago. "The Company reported a marginal decrease of 4% in its consolidated net profit despite significant increase in depreciation, interest and tax rate due to change in cess in the Union Budget 2018," SRF said in a press release. The consolidated gross sales of the company grew by 22% from Rs 13.06 billion to Rs 15.90 billion in Q4FY18 when compared with corresponding period last year. Commenting on the results, Managing Director, Ashish Bharat Ram said "While this has been a reasonably good quarter on the operations front, the recovery in the agrochemicals sector is taking longer than expected. We expect things to start looking up only towards the end of this calendar year."

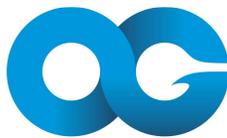
### **Global Markets**

In the global markets, Asian stocks were steady on Friday amid caution over developments in US-China trade negotiations, while the dollar perched near a five-month peak after the benchmark US Treasury yield hit its highest in seven years.

MSCI's broadest index of Asia-Pacific shares outside Japan was little changed. The index was headed for a 1% loss this week.

Hong Kong's Hang Seng rose 0.17% and Shanghai climbed 0.3% as some investors bet Beijing and Washington will reach a deal in the latest round of trade talks.

Japan's Nikkei rose 0.35%, South Korea's KOSPI was up 0.3% and Australian stocks dipped 0.2%.



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