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Market Wrap **Jan. 31, 2018**

Street participants turn cautious ahead of Union Budget 2018-19 on Thursday..

The Sensex and Nifty edged lower for a second straight session on Wednesday, tracking Asian peers, as caution crept into the markets ahead of the Union Budget 2018-19, due on Thursday.

Asian stocks were also down as the recent rise in global bond yields weighed on equities, with MSCI's broadest index of Asia-Pacific shares outside Japan edging 0.2% lower.

Indian markets have been on a record-hitting spree in recent weeks, driven by liquidity, better-than-expected corporate earnings, and a positive economic growth forecast.

However, on Tuesday, they had their second biggest fall for the month with investors turning net sellers on caution ahead of the federal budget.

Annual infrastructure output growth fell to 4% in December from a year ago, government data showed on Wednesday. The growth in output compares with an upwardly revised 7.4% year-on-year growth in November.

It was 5.6% in December 2016. During April-December, the annual output growth was 4%, data showed. Infrastructure output, which comprises eight sectors such as coal, crude oil and electricity, accounts for nearly 40% of India's industrial output.

Sectors and stocks

HDFC Bank, Tech Mahindra, Pfizer, Ester Industries and Healthcare Global Enterprises from the S&P BSE 500 and Smallcap index hitting their respective 52-week highs on BSE in otherwise weak market. At 03:08 PM; the S&P BSE Midcap (down 1.4%) and S&P BSE Smallcap index (down 0.83%) were down nearly 1%, while S&P BSE 500 and S&P BSE Sensex were trading lower by 0.47% and 0.20%, respectively, on BSE. HDFC Bank hit a new high of Rs 2,011 on BSE in intra-day trade, gaining 7.5% in past two weeks. The private lender reported a net profit of Rs 46.4 billion in December 2017 quarter, up 20% year-on-year, backed by rise in interest and fee income.

Ester Industries locked in upper circuit for the second straight day, up 10% at Rs 74 after the company said on Tuesday that it has entered into long term agreement with Shaw Industries Group Inc, USA to supply circa 2,500 tonnes per annum of stain resistant master batch to world's leading carpet manufacturer. "The total size of this single order is estimated to be around Rs 900 million per year which is more than double the Company's FY2017 speciality polymer revenues which amounted to Rs 430 million. The agreement is open ended with the first purchase order received and shipment slated to commence in February 2018," Ester Industries said in a press release. Shaw Industries Group, Inc. supplies carpet, resilient, hardwood, laminate, tile and stone flooring products and synthetic turf to residential and commercial markets worldwide. It is a wholly owned subsidiary of Berkshire Hathaway, Inc. with approximately 20,000 associates across the globe.

Shares of Vakrangee were locked in lower circuit of 20% at Rs 336, extending their past two days decline on the BSE, on heavy volumes. In the past three trading days, the stock has tanked 33% from Rs 505 on Thursday, January 25, 2018, as compared to a marginal 0.36% decline in the S&P BSE Sensex. The trading volumes on the counter more than doubled with a combined 19.64 million equity shares representing 1.9% of total equity of Vakrangee changed hands on NSE and BSE till 01:10 PM. There were pending sell orders for 747,177 shares on both the exchanges. As of December 31, 2017, the promoters held 41.74% stake in Vakrangee. Foreign portfolio investors (FPI) have 26.23% holding, followed by individual shareholders (8.64%) and Life Insurance Corporation of India (6.58%), while the remaining 16.61% stake are with others. Vakrangee is the unique technology driven company focused on building India's largest network of last-mile retail outlets to deliver real-time banking, insurance, e-governance, e-commerce and logistics services to the unserved & underserved rural, semi-urban and urban markets. The company is the country's first-largest enrolment agency empanelled with the Unique Identification Authority of India (UIDAI), permitting pan-India enrolment of Aadhaar Card, the 12-digit individual identification number issued by the Government of India.

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Dr Reddy's Laboratories was trading lower for the fourth straight trading day, down 3.4% at Rs 2,233 on BSE after the company reported 29% year on year (YoY) decline in its consolidated net profit at Rs 3,344 million in December 2017 quarter (Q3FY18). The net profit was impacted by a Rs 930 million charge on revaluation of deferred tax assets post the changing tax laws in the US. Revenues grew 3% at Rs 38,060 million against Rs 37,065 million in the corresponding quarter of previous fiscal. EBITDA (earnings before interest, tax, depreciation and amortization) margin stood at 21.2% in Q3FY18 against 23.7% in Q3FY17. In past four trading days, post Q3FY18 results, the stock slipped 13% from Rs 2,562 on January 24, as compared to 0.67% decline in the S&P BSE Sensex.

With the inspection still a quarter or two away, base business recovery is likely to be minimal. The increasing delay in the fructification of significant opportunities like gNuvaring, gSuboxone and gCopaxone heap further pressure on the existing portfolio. "Dr Reddy's earnings over the last year have been adversely impacted by competition in some key products, delay in approvals due to Warning Letter and remediation costs. We are seeing resolution of outstanding regulatory issues and stabilization in US revenue trend with signs of earnings improvement likely to be a key catalyst for the stock. We expect a pick-up in launches over the next few quarters (not dependent on facilities under the Warning Letter) including some complex approvals in CY18. Dr Reddy's approval and filings for complex generics underline the company's focus on transition to growth driven by its niche product portfolio in the US supporting medium-term growth.

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