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Market Wrap

Feb. 12, 2018

Midcaps and smallcaps outperform largecaps; CPI inflation cools down..

Benchmark indices ended higher on Monday, taking cues from its Asian peers.

The S&P BSE Sensex ended at 34,300, up 295 points while the broader Nifty50 index settled at 10,540, up 85 points.

The mid-and small-cap indices outperformed their larger peers on Monday. The S&P BSE Mid-cap index gained 1.3 per cent by close, while the S&P BSE Small-cap index moved up 1.6%. 3M India, Amara Raja Batteries, Vakarangee, MRF, Tata Global and IGL were some of the top gainers in the mid-cap segment.

After registering the highest growth in 17 months in November at 8.4%, the index of industrial production (IIP) remained robust in December at 7.1%. Consumer price index (CPI)-based inflation, which hit a 17-month high in December at 5.2% in December, cooled down a bit in January at 5.07%. IIP data for December, along with CPI for January, will be crucial for the second advance estimates of GDP for 2017-18, which will be released by the end of this month. "Retail inflation is likely to hover around the 5% mark in the January-March quarter. Thereafter, CPI readings could touch 6% by the summer.

Back home, on Friday, Indian exchanges terminated licensing agreements for use of their indices and data feeds with their foreign counterparts. The move is to curb or to reverse the export of India's financial markets to overseas trading platforms such as Singapore Exchange (SGX) and Dubai Gold & Commodities Exchange.

Indian equity, commodity and forex markets will remain closed on Tuesday on account of Maha Shivratri.

Global Markets

At the global level, Asian markets found a semblance of calm on Monday as S&P futures extended their bounce, though bond investors were still fretting about the risks from looming US inflation data. MSCI's broadest index of Asia-Pacific shares outside Japan edged up 0.8 per cent, having suffered a 7.3 per cent drubbing last week.

Both South Korea and China gained 0.8 per cent, while Japan's Nikkei was closed for a holiday.

Sectors and stocks

Bank of Baroda has rallied 7% to Rs 166 on BSE in intra-day trade after an improved operating performance in December quarter (Q3FY18). The state-owned bank said its operating profit was Rs 36.50 billion during quarter ended Dec'17, thereby registering year-on-year (YoY) growth of 40.66%, driven by growth both in interest and fee income. The bank's domestic credit registered YoY growth of 16.38% driven by retail loans growth of 33.37% and within retail loans, home loan growth of 44.33%. Net interest income for the December-quarter rose 40% to Rs 43.94 billion over Rs 31.34 billion in year-ago quarter.

The net interest margin, the difference between the yield on advances and cost of fund, improved sequentially to 2.72%. However, the bank's net profit fell to Rs 1.12 billion in the quarter ended December, compared with Rs 2.53 billion in the year-ago quarter. The assets quality of the bank improved sequentially with net non-performing assets (NPA) ratio declined to 4.97% in December 2017 from 5.05% in September 2017 (Q2FY18). The amount of impaired assets as well as impaired assets ratios also decline, it added. The ratio of gross NPA and restructured standard assets declined to 13.41% in Q3FY18 from 13.99% in Q2FY18. The ratio of net NPA and restructured standard assets too declined to 6.73% from 7.54% in previous quarter, the bank said.

Amara Raja Batteries has surged 8% to Rs 860 on BSE in intra-day trade after the company reported a better than expected 17% year-on-year (Y-o-Y) growth in net profit at Rs 1.98 billion for the quarter ended December 2017(Q3FY18),



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on back of higher volume growth. Net revenue from operations during the quarter under review grew 17% at Rs 15.53 billion, against Rs 13.27 billion in the corresponding quarter of previous fiscal.

EBITDA margin improved to 15.6% from 15.4%. Street participants had expected profit of Rs 1.24 billion on revenue of Rs 15.05 billion for the quarter. Amara Raja Batteries said the automotive battery business clocked healthy volume growth across the OE and after market segment. The industrial battery business recorded significant growth in UPS segment and volumes in telecom segment have seen a jump over previous quarter even as overall demand in telecom continues to be subdued, it added. "The robust growth numbers reported from auto sectors augur well for the company and we have been able to strengthen our position in both OE and replacement market segment," Amara Raja Batteries CEO S Vijayanand said.

Apcotex Industries zoomed 20% to Rs 562, also its all-time high on BSE in intra-day trade, after the company reported more than double net profit of Rs 133 million for the quarter ended December 2017 (Q3FY18). It had a profit of Rs 50 million during the same quarter in last fiscal. Revenue during the quarter under review grew 20% at Rs 1,379 million against Rs 1,148 million in the corresponding quarter of previous fiscal. EBITDA margin improved 715 bps to 12.55% from 5.4%. EBITDA margin improvement due to a combination of higher sales, lowering of cost structure especially at Valia, better margins and good raw-material buying, Apcotex Industries said in a statement. The company saw good growth in volumes across all the industries that it caters to. The volumes from one of the biggest customers in the paper industry slowly coming back to normal levels, while most of the quality related issues have been addressed which has helped to increase the market share in Nitrile Rubber, it added. Apcotex Industries is a leading producer of synthetic rubber (nitrile rubber, high styrene rubber, nitrile polyblends and nitrile powder) and synthetic latex (XSB latex, VP latex, styrene acrylics and nitrile latex) in India.



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