



AJCON GLOBAL

Market Wrap

Oct. 27, 2017

PSU banks slip; markets may take a breather...

The Nifty50 index pared gains to end in negative after hitting record highs earlier in the session, as Yes Bank slumped nearly 10% on concerns over bad loans. The Sensex ended flat but at new closing high for the day.

The NSE Nifty and BSE Sensex were gained more than 1.5% each for the week after the cabinet's decision to inject \$32.4 billion into state-run lenders over the next two years boosted sentiment.

We believe markets may take a breather as investors digest corporate results. Q2 earnings of Indian Oil Corporation, ITC, also affected the sentiment.

Sectors and stocks

State-run oil marketing major, Indian Oil, reported a fall of 18.7% in its net profit for September quarter at Rs 3,696 crore against Rs 4,548 crore during the previous quarter. The revenue came in 13.7% lower at Rs 1.1 lakh crore against Rs 1.28 lakh crore quarter on quarter.

ITC Ltd reported almost 6% rise in net profit at Rs 2,640 cr for the September quarter as against Rs 2,500 crore in year-ago period. Revenue increased 7% to Rs 10,314 crore as compared to Rs 9,661 crore in September 2016.

Shares of pharmaceutical companies were in focus, trading higher by up to 7% on the bourses in an otherwise range-bound market. Sun Pharmaceutical Industries, Unichem Laboratories, Ipca Laboratories, Wockhardt, Marksans Pharma, Cadila Healthcare and Aurobindo Pharma were up in the range of 3% to 8%

Shares of liquor companies were in focus with United Spirits rallying 16% to Rs 2,985 on the BSE in intra-day trade after the company reported a strong 84% jump net profit at Rs 153 crore, despite a drop in net sales during September 2017 quarter (Q2FY18). The company had profit of Rs 83 crore in the same quarter previous fiscal.

FMCG major ITC's September quarter profit met analysts' expectations at Rs 2,640 crore against Rs 2,500 crore posted during the same quarter last year. Street participants had pegged this figure to be Rs 2,652 crore. The company's revenue was reported at Rs 10,314 crore, which also met expectations against Rs 9,661 crore during the same quarter last year—a rise of 6.8 percent. On an operating level, the earnings before interest, taxes, depreciation and amortisation (EBITDA) was reported at Rs 3,761.5 crore, which is a rise of 3.6 percent against Rs 3,630 crore. However, the margin witnessed a dip to 36.52 percent against 37.6 percent year on year. Revenue for the quarter was set to be different on the back of GST accounting. Excise duty has been removed after GST rollout. EBITDA (earnings before interest, tax, depreciation and amortisation) is likely to increase 5.1 percent to Rs 3,815 crore but margin may contract 40 basis points to 26.3 percent compared with same quarter last fiscal.

India's largest private sector lender ICICI Bank has reported lower-than-expected profit at Rs 2,058 crore for the quarter ended September 2017, falling 33.66 percent compared with Rs 3,102.3 crore in same quarter last fiscal. Net interest income, the difference between interest earned and interest expended, grew by 8.7 percent to Rs 5,709.1 crore in Q2 year-on-year, which was in-line. Domestic advances increased 13 percent in Q2, with retail loan rising 19 percent YoY. Net interest margin was unchanged at 3.27 percent QoQ. Asset quality was far better than its rivals Axis Bank and Yes Bank. Gross non-performing assets (NPA) as a percentage of gross advances came in at 7.87 percent for the quarter, lower compared with 7.99 percent in previous quarter.

Global Markets

Globally, Asian shares gained on Friday as technology stocks were boosted by upbeat earnings from US high-tech giants while the euro hovered near a three-month low against the dollar after the European Central Bank extended its stimulus.



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