



Mr. Ajmera's column as on April 05, 2014

Domestic bourses remain flat; book profits at current levels..

Equity benchmarks closed flat for the week as investors decided to take some cash off the table after a prolonged winning streak. Sensex gained 19.53 points to 22359.50 while Nifty fell 1.55 points to 6694.35. Both benchmarks saw record highs during the week - 22620.65 on Sensex and 6776.75 on Nifty. Expectations of a reformist government post elections and an impending economic recovery have been the key drivers of the current rally. The big event of the week was the monetary policy announced by the Reserve Bank of India. As widely expected, the RBI kept policy rates unchanged and hinted that further hikes were unlikely in the near future. Monthly auto sales numbers did not give much cause for cheer. Commercial vehicle sales of the companies like Tata Motors and Ashok Leyland continued to be subdued but there was slight improvement in car sales due to excise cut and better growth in two-wheeler sales.

After a long wait, the RBI gave in-principle nod for banking license to IDFC and Bandhan Financial Services after getting go ahead from Election Commission. This in-principle bank license approval is valid for 18 months. The companies, which did not get bank license in this round, can reapply, the RBI said. LIC Housing Finance, IFCI, L&T Finance Holdings, Reliance Capital, Shriram Capital etc were among the 25 applicants. L&T Finance and IFCI fell 6 percent. India March HSBC Services PMI fell to three-month low at 47.5 as against 48.8 in previous month, pointing to a weakening in activity and businesses flows in the month gone by. In the corporate developments, GMR Infrastructure said its subsidiary GMR Energy has filed draft red herring prospectus with Sebi on March 28 for IPO.

In March alone, foreign funds net bought Rs 22,351.70 crore of equities . For the calendar so far, they have been net buyers of Rs 27,000 crore.

Globally, US stocks dipped on Friday and the Nasdaq fell sharply as weakness in momentum stocks weighed on indexes and erased earlier gains in the wake of the March payrolls report.



For the week ahead, Lok Sabha elections will begin next week. Polls will be held in six constituencies in two states - Assam and Tripura.

Caution is starting to set in after a record-setting rally as India is set to kick off a five-week election process on Monday, while US jobs monthly data later in the day could impact global markets.

At this juncture, we advise partial profit booking as we expect the markets to correct a bit before gaining strength at a period near to election results. For long term investors PSU banks and other profitable undertakings offer good investment opportunity.

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For research related queries contact:

Mr. Akash Jain – Vice President (Research) at research@ajcon.net, 022-67160443 (D)

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

Registered Office: 101, Samarth, Off. Hinduja Hospital, 151 Lt. P.N. Kotnis Road, Mahim (West), Mumbai – 400016. Tel: 022-24460335/36/40