



Ajcon Global™
Your Friendly Advisor
Since 1986



STOCK BROKING, INVESTMENT BANKING, CORPORATE ADVISORY & INSURANCE



Mr. Ashok Ajmera, CMD & CEO

Mr. Ajmera's column as on November 16, 2015

Weak global cues affect market sentiments; midcaps post good Q2FY16 earnings performance...

Indian markets may witness selling pressure in the wake of one of the deadliest terror attacks in Paris, which took place on Saturday (IST).

The slide in global markets will also dampen the sentiment on Dalal Street. The investors will also be concerned about the slowdown in China and persistent fears of a rate hike by the US Federal Reserve will add to the woes.

Markets last week came under heavy selling pressure due to dismal performance of NDA in Bihar elections. FIIs were in wait and watch mode prior to the elections and are still staying on the sidelines waiting for the magic wand of the economic reforms

In the truncated week to November 13, 2015, the 30-share Sensex ended down 2.5 per cent, or 655 points, to end at 25,611 and the 50-share Nifty closed 2.4 per cent, or 192 points, lower at 7,762.

Meanwhile, on November 13, the Foreign Portfolio Investors (FPI) were the net sellers to the tune of Rs 746.70 crore as per provisional stock exchange data.

Midcaps report robust Q2FY16 earnings performance..

Lower commodity prices, higher other income and improvement in operational performance helped companies in the NSE Midcap 100 improve profitability and post healthy bottom line growth. The aggregate net profit of 77 companies (excluding banks, and financial and oil marketing companies) from the NSE Midcap 100 index reported an average 13.7 per cent year-on-year (y-o-y) jump in the July-September quarter (Q2). The net profit growth was



STOCK BROKING, INVESTMENT BANKING, CORPORATE ADVISORY & INSURANCE

the highest since the September 2014 quarter, when the reported net profit of these firms increased 19 per cent over the September 2013 quarter.

The adjusted net profit, excluding one-time gain/loss, of these companies grew 5.5 per cent in Q2. While exceptional items have contributed significantly to the net profit growth of mid-cap companies, the adjusted net profit growth is still the highest in the past four quarters.

Net sales of the sample companies declined 1.2 per cent y-o-y, but other income increased 14 per cent y-o-y. Earnings before interest, taxes, depreciation and amortisation margin expanded nearly 200 basis points to 24.7 per cent from 22.8 per cent, aided by other income.

The healthy earnings growth recorded by the midcap companies led to the index outperforming the market. Since July, the NSE Midcap index has fallen only one per cent compared with the 7.2 per cent fall in the Nifty 50 index.

Mid-cap automobiles, pharmaceuticals and power generation sectors saw their net profit double over the previous year's quarter. Steel, mining and telecom sectors, on the other hand, reported weak numbers.

Of these 77 mid-cap companies, Ashok Leyland, Wockhardt, Alembic Pharmaceuticals and Torrent Pharmaceuticals saw their net profit double over the September 2014 quarter.

Steel Authority of India (SAIL), JSW Steel, Gujarat Pipavav Port, NMDC, Emami, Jubilant FoodWorks disappointed the Street by reporting a decline in profit.

Ashok Leyland posted a 137 per cent jump in net profit at Rs 287 crore driven by strong medium & heavy commercial vehicle sales during Q2, while the benefits of cost control and operating leverage helped achieve operating performance improvement.

Britannia Industries reported a 42 per cent growth in adjusted net profit at Rs 219 crore, led by healthy double-digit volume growth, coupled with an improved product mix. Its net sales increased 12 per cent over the previous corresponding quarter.

SAIL reported its biggest quarterly loss of Rs 1,056 crore, mainly due to lower sales realisations, which dropped 24 per cent in the second quarter of FY16, over the same quarter last year. The company had net profit of Rs 649 crore in the year-ago quarter. Income from other sources helped Biocon, DLF, Gujarat Pipavav, Tata Communications, Bata India, NCC and Just Dial report net profit for the quarter.



MID-CAP COMPANIES REPORT CARD y-o-y chg in %

Quarter ended	Net sales	Reported net profit	Adjusted net profit	Ebitda margin
Sep 2014	9.5	19.3	24.8	22.8
Dec 2014	8.6	-48.6	4.2	18.9
Mar2015	-1.9	0.6	-6.2	22.4
Jun 2015	0.4	-9.7	-2.1	24.3
Sep 2015	-1.2	13.7	5.5	24.7

Adjusted net profit excludes one-time/extraordinary gain/loss; Total sample comprises 77 companies from NSE Midcap
Source: Capitaline

Week ahead

On the domestic front, market participants will keenly await the announcement of Wholesale Price Index (WPI) data, which will be unveiled today post market hours. A disappointing set of CPI and IIP numbers have already weighed across the bourses.

Traders will also be eyeing political development as the Winter Session of Parliament is set to begin on November 26.



STOCK BROKING, INVESTMENT BANKING, CORPORATE ADVISORY & INSURANCE

Disclaimer

Ajcon Global Services Ltd. is a fully integrated investment banking, merchant banking, corporate advisory, stock broking, commodity and currency broking. Ajcon Global Services Ltd. research analysts responsible for the preparation of the research report may interact with trading desk personnel, sales personnel and other parties for gathering, applying and interpreting information.

Ajcon Global Services Ltd. is registered as Research Analyst with SEBI bearing registration Number INH000001170 as per SEBI (Research Analysts) Regulations, 2014.

Individuals employed as research analyst by Ajcon Global Services Ltd. or their associates are not allowed to deal or trade in securities that the research analyst recommends within thirty days before and five days after the publication of a research report.

We and our affiliates, officers, directors, employees and their relative may: (a) from time to time, have long or short positions in act as a principal in, and buy or sell the securities or derivatives thereof, of company (ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage.

The information and opinions in this report have been prepared by Ajcon Global Services Ltd. and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of Ajcon Global Services Ltd. While we would endeavour to update the information herein on a reasonable basis, Ajcon Global Services Ltd. is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent Ajcon Global Services Ltd. from doing so. This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. Ajcon Global Services Ltd. will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. Ajcon Global Services Ltd. accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice. Ajcon Global Services Ltd. or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

Ajcon Global Services Ltd. or its associates have not received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment



Ajcon Global™
Your Friendly Advisor
Since 1986



STOCK BROKING, INVESTMENT BANKING, CORPORATE ADVISORY & INSURANCE

banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

Ajcon Global Services Ltd. encourages independence in research report preparation and strives to minimize conflict in preparation of research report. Ajcon Global Services Ltd. or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither Ajcon Global Services Ltd. nor Research Analysts have any material conflict of interest at the time of publication of this report.

It is confirmed that CA Ashok Ajmera, research analyst of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months. Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

Ajcon Global Services Ltd. or its subsidiaries collectively or Directors including their relatives, Research Analysts, do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

It is confirmed that CA Ashok Ajmera research analyst do not serve as an officer, director or employee of the companies mentioned in the report.

Ajcon Global Services Ltd. may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Neither the Research Analysts nor Ajcon Global Services Ltd. have been engaged in market making activity for the companies mentioned in the report.

We submit that no material disciplinary action has been taken on Ajcon Global Services Ltd. by any Regulatory Authority impacting Equity Research Analysis activities.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject Ajcon Global Services Ltd. and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.

For research related queries contact:

Mr. Akash Jain – Vice President (Research) at research@ajcon.net

CIN: L74140MH1986PLC041941

SEBI registration Number: INH000001170 as per SEBI (Research Analysts) Regulations, 2014.

Website: www.ajcononline.com

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, Fax: 022-28722062

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