



**Mr. Ashok Ajmera, CMD & CEO**

**Mr. Ajmera's column as on April 29, 2017**

**Banking stocks rally, all eyes on ongoing Q4FY17 earnings season..**

Domestic indices ended lower on Friday, retreating from record highs hit this week as investors booked profits ahead of a long weekend, but indexes still posted their biggest weekly gain in six. The benchmark BSE index ended 111.34 points or 0.37 per cent lower at 29,918.40, but gained 1.88 per cent for the week. On Friday, The broader NSE index closed down 38.1 points or 0.41 per cent at 9,304.05. Both indexes posted their fourth straight month of gains.

On a weekly basis, the Sensex and Nifty gained 553.10 points (1.88%) and 184.65 points (2.02%) respectively, their best performance since 17 March on better-than-expected earnings by corporates. Stock exchanges will remain closed on Monday on account of 'Maharashtra Day'. Sensex hit an all time high of 30,184 during the week. Global uncertainty eased after Emmanuel Macron, a pro-European Union candidate won the first round of French presidential elections.

Caution prevailed as investors were not keen to raise bets at the prevailing record levels despite the start of May futures and options series in the derivatives segment. For the first



time, after a long spree of buying, FIIs were seen selling and sold more than Rs. 1,000 crores equity in cash market on Friday.

## **IPO**

The initial public offering (IPO) of textbook publisher S.Chand and Co. saw solid investor demand as it was subscribed 59.44 times on the last day of offer on Friday.

The IPO to raise Rs728.5 crore, received bids for 45,68,35,434 shares against the total issue size of 76,85,284 shares, data available with the NSE till 1945 hours showed.

The portion set aside for qualified institutional buyers (QIBs) was oversubscribed 44.27 times and non institutional investors, a staggering 204.65 times, people with the knowledge said. Retail investors category was also oversubscribed 5.91 times.

Last month, the IPO of Avenue Supermarts, the operator of retail chain D-Mart was subscribed by a staggering 104.48 times.

S.Chand had raised nearly Rs219 crore from anchor investors on Tuesday.

Priced between Rs660 and Rs670 apiece, the S Chand IPO comprises new shares worth Rs325 crore and an offer for sale of 6.02 million shares by existing shareholders. At the upper end of the price band, the IPO is expected to raise Rs728.55 crore.

Proceeds from the issue will be utilised for repayment and prepayment of loans as well as for general corporate purposes. The loan amount includes those taken by its subsidiary for funding the acquisition of Chhaya Prakashani. JM Financial Institutional Securities, Axis Capital and Credit Suisse Securities (India) Pvt are the merchant bankers to the offer.

Last year, the company had acquired 74% of the outstanding share capital of Chhaya Prakashani Pvt. The company offers 53 consumer brands across knowledge products and services, including S. Chand, Vikas, Madhubun, Saraswati, Destination Success and Ignitor.

The investors are rewarding good IPOs and the flow may continue for some time.

## **Sectors and stocks**

For the week, action was witnessed in index heavyweights especially in financials. Maruti Suzuki up by 5 percent, Axis Bank gained by 4.9 percent, ICICI Bank gained by 3.4 percent, HDFC Bank gained 3 percent, HDFC rose 2 percent while ITC gained 1.3%. PSU banks rallied significantly on Friday. However, the investors are advised to wait for the quarter and yearly results before taking a plunge in these stocks.

Among weekly losers, Lupin declined by 5.1%, marking its worst weekly loss since Aug. 12 on media reports the company received observations from the U.S. drug regulator related to its Goa plant. In fact, the stocks of most of the Pharma companies are available at cheap valuation.



## Gold

Jewellers called Akshaya Tritiya on Friday to be the best they have had since 2013, with demand rising 30 per cent as compared to last year in volume terms.

The number of customers was 50-60 per cent higher, due to a greater preference for lower-price jewellery, in the range of Rs 30,000-50,000.

Last year on Akshaya Tritiya day, gold sale was estimated at 17 tonnes by GFMS Thomson Reuters. This was valued at around Rs 5,000 crore.

The price of gold in India is three per cent less than a year before. In this calendar year so far, the price in international markets has rallied by 10 per cent but the Indian price is up only 3.7 per cent, due to a stronger rupee.

According to World Gold Council, festive sentiment among both trade and consumers appears to be stronger this Akshaya Tritiya as the industry emerges steadily from a period of sluggishness during and immediately following demonetisation. Gold's attractiveness as a preferred asset class is enhanced this season by an appreciating rupee and its impact on price, as well as a sharp rise in stock markets. Various trade offers and promotions point towards increasing momentum, though challenges remain regarding the transition to GST (the coming national goods and services tax) in the next quarter.

## Global Markets

Asian stocks slipped on Friday as investors took profits after a strong week, while the Korean won weakened after US President Donald Trump said he would renegotiate or terminate a trade deal with South Korea.

The US economy expanded at the slowest pace in three years as weak auto sales and lower home-heating bills dragged down consumer spending, offsetting a pickup in investment led by housing and oil drilling.

Gross domestic product, the value of all goods and services produced, rose at a 0.7% annualized rate after advancing 2.1% in the prior quarter, commerce department data showed Friday in Washington. The median forecast of economists surveyed by *Bloomberg* called for a 1% gain. Consumer spending, the biggest part of the economy, rose 0.3%, the worst performance since 2009.

The GDP slowdown owes partly to transitory forces such as warm weather and volatility in inventories, which supports forecasts for a rebound as high confidence among companies and consumers and a solid job market underpin growth. Even so, the weakness at car dealers could weigh on expansion, and further gains in business investment could depend on the extent of policy support such as tax cuts.

On a weekly basis, China's Shanghai Composite index ended 0.6% lower while Hong Kong's Hang Seng index closed up 2.4%. Japan's Nikkei 225 index rose 3.1% while South Korea's Kospi index ended 1.9% higher.



## **Ajcon's view**

FY17 started with a lot of worries at the backdrop. There were worries on slowdown in Chinese growth, there was worry on emerging market currency fluctuations. Despite many local and global negative events throughout the year such as Brexit referendum, US elections results, Donald Trump win, US Fed policy, and our own demonetization, market continuously scaled ignoring some of these worries and has witnessed fantastic returns at the index as well in the broader markets.

Going forward, we believe markets would eye Q4FY17 and FY17 earnings season to understand the actual impact of demonetization on corporate profits. At the moment we are bearish on the IT sector owing to rupee appreciation but do not rule investors taking a contrarian view at current attractive valuations. We also advise investors to book some profits at these levels and wait to enter again after a short correction.

Indian rupee has actually appreciated significantly in the first quarter of Calendar year which means that there is going to be pressure on topline as well as profitability for exporters on the whole. However, we believe that the rupee has bottomed out.

We believe Geopolitical tensions described above may affect market sentiments and may give investors a buying opportunity. We believe there is more value in largecaps in terms of valuations as compared to smallcaps and midcaps. However, selective midcaps in sunrise industry should be considered.

## **CA Ashok Ajmera**



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