



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

### Mr. Ajmera's column as on 2nd April, 2016

#### All eyes on RBI's Monetary policy; rate cut by RBI of 25bps expected..

Benchmark share indices broke four-week winning streak to end with marginal losses amid profit booking as investors turned cautious with FY16 coming to a close and March F&O expiry.

In the week to April 1, the S&P BSE Sensex ended 68 down points at 25,270 and the Nifty50 slipped 3 points to settle at 7,713. Among broader markets, the BSE Mid-cap index gained 1.12 per cent while the Small-cap index surged 1.3 per cent, outperforming the benchmark indices.

The previous financial year, which ended on Thursday, was a tough one for retail (small) investors, spooked by the sustained volatility in Indian equities.

Participation by these investors hasn't picked up despite the run-up in equities in 2014 and the early part of 2015. In contrast, high net worth or wealthy investors (HNIs) used the correction in the market as a buying opportunity.

According to estimates, retail cash volumes in FY16 declined on average by 10 per cent over FY15, in a year when the benchmark Sensex slid 9.4 per cent. A deficient monsoon, shaky global markets, sliding global crude oil prices and subdued corporate earnings were key events that impacted Indian equities in FY16. China witnessed a slowing, with the country devaluing its currency to put its economy on a path of recovery.

Most of the retail money in FY16 came through the mutual fund (MF) route, not direct equity. In FY16 (till February), equity MFs received total inflows of Rs 75,400 crore, a record high for the sector in a year. The bulk of the money, Rs 2,500-3,000 crore, came through Systematic Investment Plans (SIPs).



According to estimates, half the money in FY16 had come into mid-cap funds, 35 per cent in multi-caps and another 10-15 per cent in large-cap funds. While the benchmark indices stayed choppy, mid-cap stocks rallied till December last year, prompting investors to put money in mid-cap funds.

The assets under management of equity MFs rose to Rs 3.2 lakh crore in February 2016 from Rs 3 lakh crore in March 2015.

### **Key stocks**

Bharti Airtel was the top loser from the Sensex pack during the week, down almost 7 per cent.

Bank shares edged higher on expectations of rate cut by RBI. Further, the central bank on Tuesday clarified some of the provisions relating to the Marginal Cost of Funds based Lending Rate (MCLR) system, which came into effect from April 1, 2016. Bank of Baroda, Axis Bank, PNB, Kotak Mahindra Bank, HDFC Bank and ICICI Bank gained between 2 per cent- 6 per cent. We expect the rate cut of 50 basis points during the financial year 2016-17.

Lupin slipped by almost 4 per cent after the drug major's Mandideep unit in Madhya Pradesh was inspected by United States Food and Drug Administration (USFDA) in February. However, on the USFDA had issued observations for a facility in central India.

Sun Pharmaceuticals lost around 4 per cent. The company acquired 14 prescription brands from Novartis AG and Novartis Pharma AG in Japan for \$293 million.

Mahindra & Mahindra plunged over 4 per cent. The Supreme Court on Thursday extended a ban on the registration of diesel vehicles above 2,000cc in the capital city and NCR until the next hearing of the case. Meanwhile, on Friday the company reported 17 per cent rise in total sales to 52,718 units in March as against 45,124 units sold in the same month of last year.

Tata Steel slipped by almost 1 per cent. The company's plan to restructure its UK businesses is credit positive as it will reduce some of the negative pressure on its operating performance, Moody's Investors Service said in its report.

IVRCL plunged by 18 per cent during the week, dipped to its lowest level since July 2003. The collapse of an under-construction flyover in Kolkata on Thursday dampened sentiment for the stock.

### **Week ahead and Ajcon's view**

The major event next week is the first bi-monthly monetary policy of the Reserve Bank of India (RBI) for FY16-17 on Tuesday amid clamor for a 25 bps rate cut.

Markit Economics will unveil the outcome of a monthly survey on India's manufacturing sector for March 2016 on Monday.



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The initial public offer (IPO) of Chennai-based microfinance lender Equitas Holdings opens for bidding on Tuesday.

On the political front, six-phase polling for assembly election in West Bengal and two-phase polling for assembly election in Assam kicks off on 4th April, 2016.

BHEL is scheduled to announce its tentative financial performance or flash results for the year ended 31 March 2016 (FY 2016) on Thursday.

We expect the market to perform reasonably well in the coming weeks.

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