



Mr. Ajmera's column as on Sept. 06, 2014

Auto sector show signs of turnaround; remain stock specific..

Better-than-expected macroeconomic numbers and global cues proved a good concoction for the markets this week. Q1 GDP numbers released late Friday last week boosted benchmark stock indices to historically high levels on Monday. A European style stimulus is also on the cards, declared ECB President Mario Draghi on Thursday. The move can prove beneficial to emerging markets such as India. Both Sensex and Nifty surged between 1.5 percent and 1.7 percent, rising in 3 out of 5 trading sessions this week. Broader markets witnessed major action this week; BSE small-cap and mid-cap indices spiked 3.4-3.5 percent, significantly outperforming the benchmarks' 1.5-1.7 percent bump. From the mid-cap space, Gammon India, Shalimar Paints, HFCL swelled 31-32 percent; Suven Life, MTNL, UPL and Apollo Tyres shot up between 17 percent and 27 percent. Among blue-chips, NMDC, Bharti Airtel and Cipla were gained 8.4-9.6 percent; Hero MotoCorp, L&T, UltraTech, Tech Mahindra, Grasim and Axis Bank surged between 4 percent and 6 percent.

The week hummed with a 'NaMo' chant after Prime Minister Narendra Modi on his visit to Japan managed to secure a commitment from Japan to invest USD 35 billion in private and public investments in India over the next five years. The week also saw the deferral of SC judgment on the fate of coal blocks allocation to September 9. Last week, SC had held the allocation of coal blocks since 1993 was illegal. The move caused jitters in the power & mining stocks.

Movers & Shakers

The week put the erstwhile king of good times -Vijay Mallya- was back in focus. He along with three other associates of UB group were decalared 'wilful defaulters' by United Bank of India (UBI). The move followed after Mallya and his associates didn't turn up for a meeting at the grievance redressal cell of the United bank of India. Mallya's grounded Kingfisher Airlines owes about Rs 350 crore to the bank. The law requires that all access to further bank funding be cut to willful defaulters and also the companies where they serve as directors. Also, USL stock (down 4.8percent) got hammered to the dumps later in

the week after the company reported a net loss of Rs 5380 crore for the March quarter, due to write-offs and provisions. USL holdings stock slumped 14percent this week.

Positive signs for auto sector

A growth in auto sales numbers, a proxy for consumer demand, also bolstered the prospects for automobile companies ahead of the festive season. Nine of the country's top automobile manufacturers collectively sold 200,174 units in August as compared to 169,809 units sold in the same month last year. Passenger vehicle industry seen positive growth after 17 months of decline. Festive period stocking has taken place early. Dealers suggesting major pick up ahead of Shraadh period this year. Shraadh period from 9th Sep- 23rd Sep this year, thus pre- buying seen before shraadh. Dealers indicate signs of recovery visible in MHCV space. Discounts in MHCV space has stabilized. A Strong recovery expected in CV cycle in H2FY15." Maruti sold 1,10,776 units in the passenger vehicles segment, up 26.9 percent compared to 87,323 units in the same month last year. This was largely on account of robust sales in the domestically, which increased 29.3 percent to 98,304 units while exports were up a more modest 10.5 percent to 12,472. The stock surged 3.6percent this week.

Ajcon's view:

We believe bulls would remain on a longer term basis and recommend investing stock specific basis. At current levels, we would recommend buying in stocks in sectors like Private Banking, NBFCs, Metals, Capital Goods and Infrastructure.

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