

OVERVIEW

All is not well

Negative news flow caps enthusiastic investors

A fortnight ahead of Diwali, sentiments in the markets remained subdued. Flow of negative news dampened the growing enthusiasm. Fears of PSU banks being saddled with NPAs on account of delays and default in payment by companies as also the exposé on the nexus between businessmen and politicians chastened investors. The Sensex closed marginally lower at 18759 on 25 October, 25 points lower than its level at the beginning of the month.

pile of debt held by banks, estimated at over ₹6,500 crore. While the partial lock-out has been lifted, investors are now waiting for the company's proposal, which will be put up for the DGCA's consideration.

Many analysts believe that banks will be heavily saddled with NPAs by October end. Lanco Infratech's inability to meet its commitment and the subsequent downgrade by the rating agency is also another cause of concern for the banking sector. The full impact of mounting

and a subsidiary of Bajaj Finserv hit a 52-week high on expectations that the company was likely to receive a banking licence as and when the RBI decides. The company saw a 33 per cent rise in the EPS for the first six months of the current financial year.

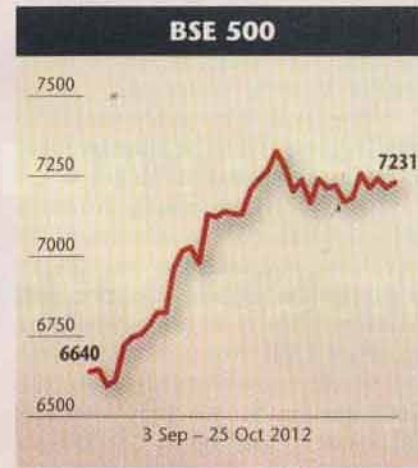
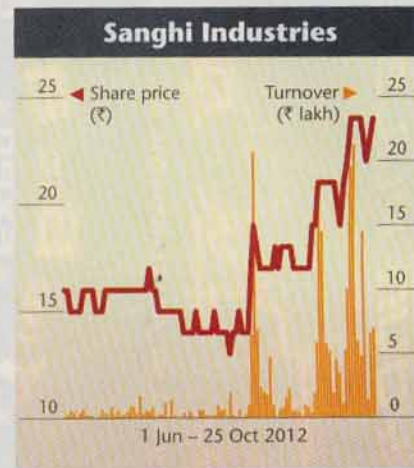
Good sales

Cement companies continued to be selectively targeted. Share prices of Sanghi Industries, a small cap company with a market cap of ₹538 crore, have risen by 33 per cent in the five-month period since June. Reports about Aditya Birla having a relook at acquiring Jaiprakash Associate's cement companies in Gujarat and South saw its shares posting a double-digit rise last fortnight. Reports about good sales during the monsoon period and hope of the industry posting a 8-10 per cent

spirits with many hoping that the start of a new exchange would be a precursor of better times. Investors are excited about the promoter's promise of introducing debt products shortly after start to activate debt trading on the secondary markets.

While the preliminary trends about the off-take of consumption goods ahead of Diwali were not very encouraging, analysts feel that it was too early to take a call about how the season would progress. One view is that consumption would remain robust. The government's persuasive tactics of asking PSUs to either give higher dividend or utilise surplus cash for speeding up project investment, could ensure public investments taking off.

And this in turn could pull in private investments.



But it is interesting to note that despite the volatility in Sensex stocks, the broader market continues to remain firm. The BSE500 reached its 52-week high in the first week of October – an indication that investors are refusing to sell at lower levels.

Some of the shares in the spotlight continued to see selling pressure. Regular reports about DLF's dealings, continued to impact its share price. The shares of India's largest real estate developer seem all set to test its 52-week intra-day low of ₹169.50 (on 4 June 2012). Currently the share prices are quoted around ₹200.

Problems at Kingfisher Airlines, and its failure to secure fresh funds have triggered fears, given its huge

NPAs have yet to be factored in, and bank shares could see more sell-off in the coming weeks, feel analysts. Like in other sectors, outliers such as Oriental Bank and ING Vysya reported strong performance in the quarter ended September 2012. The former, which reported a near 35 per cent jump in its EPS to ₹9.63 saw its shares shooting up by ₹20 to ₹314, close to its 52-week high of ₹324 (on 22 February 2012) during the budget rally. ING Vysya Bank hit a 52-week high on October 22, soon after announcing its results.

The trends clearly indicate a stock pickers' market, with investors flocking to quality stocks perceived to hold value. Bajaj Finance, an NBFC

annual growth have seen a revival of investors interest in this sector. ACC and Ambuja Cement Holcim group companies, however, saw heightened volatility in October, with shares of both companies unable to hold on to their new 52-week peak of ₹1,515 and ₹220 made in the first fortnight of October. Larsen & Toubro shares were re-rated after the company improved its performance for the quarter ended September with earning beating the consensus estimates.

Multi Commodity Exchange also saw heightened activity on reports that a new regulator would be set up soon. News that MCX-SX, its associate company had got 700 members in its stock exchange also buoyed investors'

Apart from the RBI's credit policy, a possible, near term, market impacting factor is the onset of the winter session starting 22 November. The investors will be looking out for new faces in the expected Cabinet reshuffle and the government's initiatives towards disinvestments.

FII's on their part are pretty optimistic and hedging their bets, having invested close to ₹10,000 crore in October on top of ₹20,000 crore in September. Their view is that all negatives are priced in and for the Indian economy there is only one way forward from this point. Upward.

The turn of events post-Diwali will have a key bearing.

♦ DAKSHESH PARIKH