

# Current Market Scenario

\* BSE - SENSEX (25,597.21, 25,611.32, 25,409.69, 25,576.21)

**Sensex Crosses 25000**  
Sensex from 2003

May 2014 - Crosses 25000 →

Jan 2008 - High of 21200 →

Nov 2010 - High of 21100 →

December 2011 - Low of 15100 ↑

November 2008 - Low of 7700 ↑

April 2003 - Start of long term bull market  
Sensex 3000



## Sensex Earnings Last 10 Years

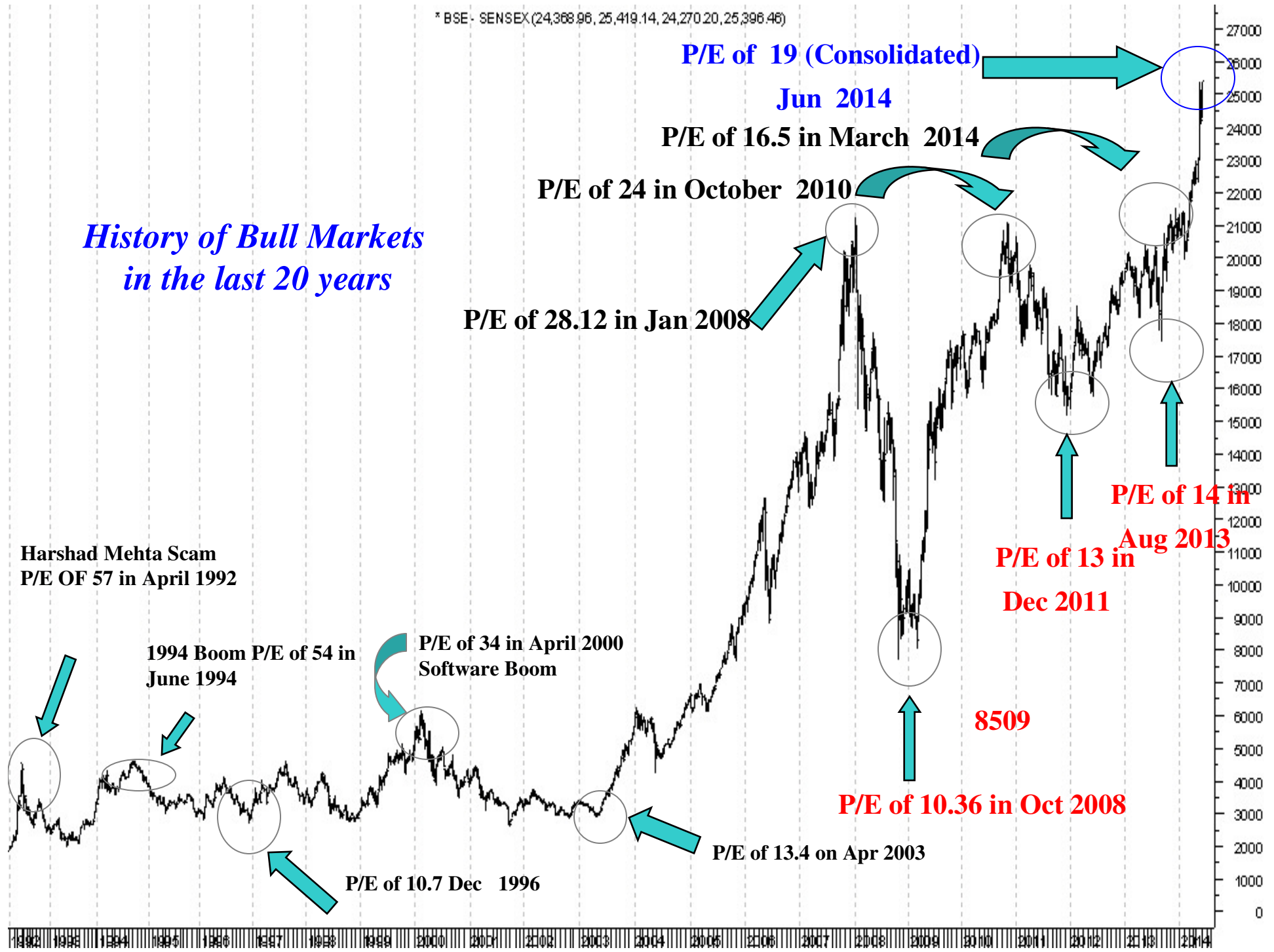
Financial Year	Sensex EPS	% Growth
2003	280	27
2004	350	25
2005	455	30
2006	570	25
2007	660	16
2008	775	17
2009	765	-1
2010	850	10
2011	1060	24
2012	1155	9
2013	1200	4
2014	1340	12

# Sensex P/E Ratio

- Combined P/E ratio of 30 stocks comprised in the Sensex in the same weightage
- It is used to analyse valuation of market as a whole
- The P/E ratio of market generally considered as
  - Undervalued below 13
  - Fair to normal value at 14 to 21
  - Over valued at 22 to 28
  - And in speculative bubble above 28

\* BSE- SENSEX (24,368.96, 25,419.14, 24,270.20, 25,396.46)

# History of Bull Markets in the last 20 years



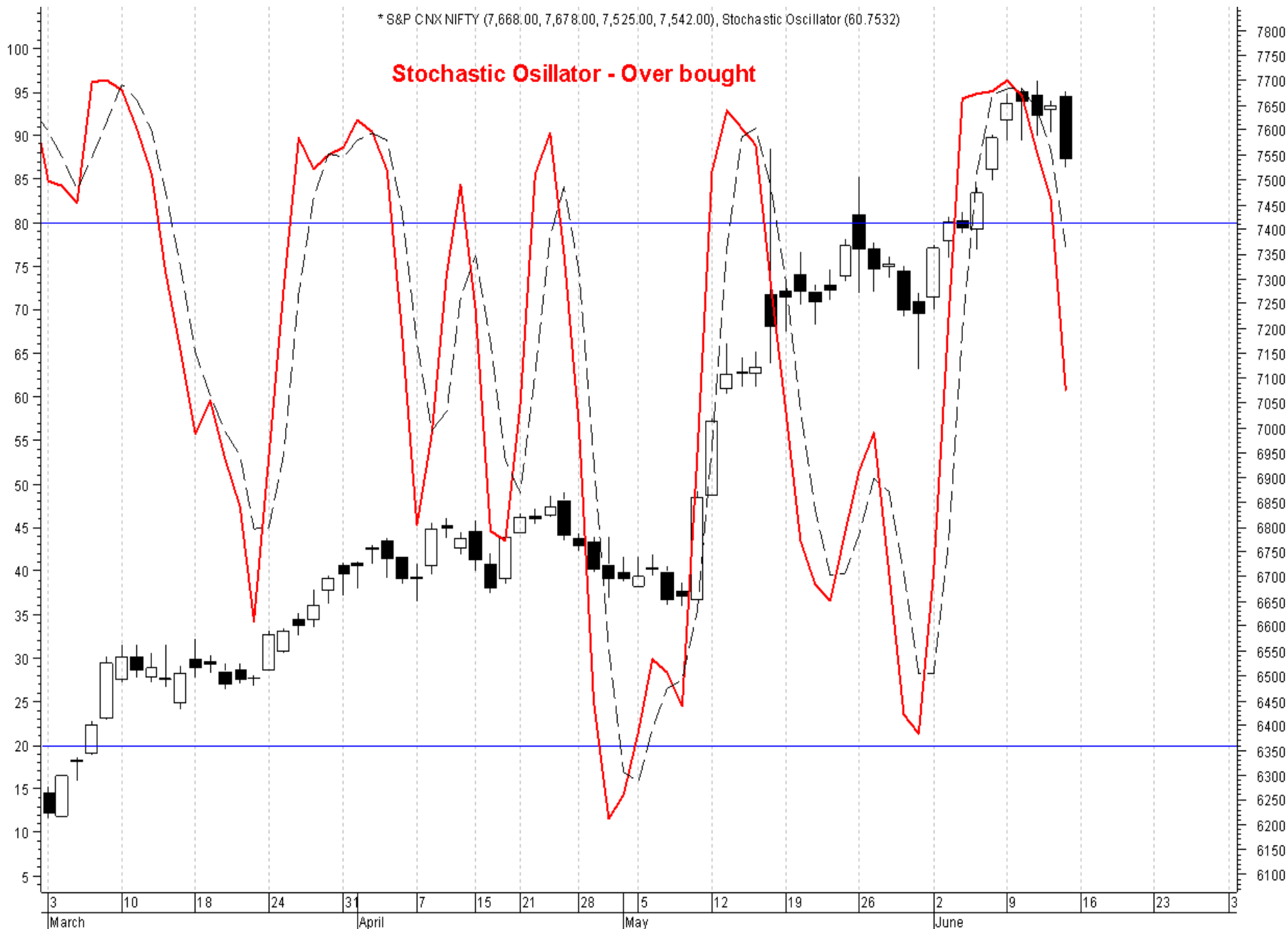
# Projection of Sensex for the next year

Assuming an average growth rate of 15%  
from EPS of 1340

INDEX PE	EPS*	INDEX
21	1541	32361
24	1541	36984
28	1541	43148

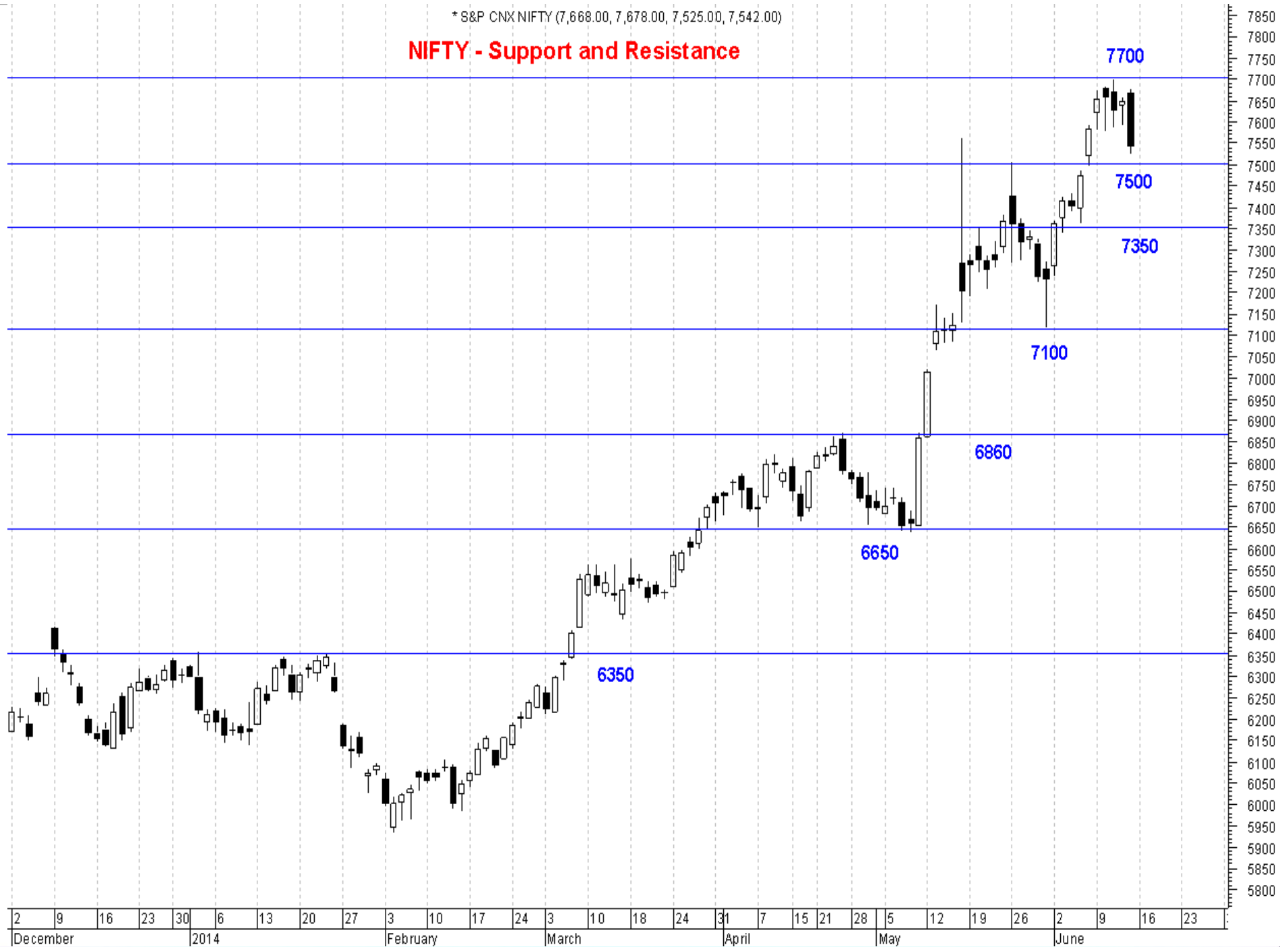
\* S&P CNX NIFTY (7,668.00, 7,678.00, 7,525.00, 7,542.00), Stochastic Oscillator (60.7532)

### Stochastic Oscillator - Over bought



\* S&P CNX NIFTY (7,668.00, 7,678.00, 7,525.00, 7,542.00)

## NIFTY - Support and Resistance





## Markets Rallies To Record Level

- Bulls seize the market on historic poll verdict
- Reforms related stocks outperforms
- IT and Pharma were laggards on rupee concern and Profit Booking
- Supportive Global Markets

### INDEX WATCH

<b>INDEX</b>	<b>June 14</b>	<b>May 10</b>	<b>% Change</b>
Nifty	<b>7542</b>	<b>6858</b>	<b>10</b>
Sensex	<b>25228</b>	<b>22994</b>	<b>9.7</b>
CNX Midcap	<b>10648</b>	<b>8964</b>	<b>18.8</b>
BSE Small Cap	<b>9674</b>	<b>7593</b>	<b>27.4</b>

# 2014 – General Poll Outcome

Party	Seats Own
BJP	282
Congress	44
ADMK	37
Trinomool Congress	34
Biju Janata Dal	20
Shiva Sena	18
Telegu Desam	16
TRS	11
Shiromani Akali Dal	4
Others	77
Total	543

# Modi Government

- Single party stable government after 30 Years
- No Policy Paralysis due to coalition compulsion
- Voted for “growth and Development” by people of India
- Stable Govt: make things faster as decisions are taken quickly

# Action Plan

- “Minimum Government Maximum Governance” Theme for new Government
- To take decisions fast ,GOM (group of ministers) and EGOM ( Empowered group of ministers) abolished
- To maintain good relationship with states. This will bring consensus for crucial GST( Goods and Service Tax ) Act
- To Empower Secretaries

# Expected Reforms

- To Concentrate on key sectors like Oil, Coal, Railways, Infrastructures
- To build super fast railway track like golden quadrilateral
- To Hike FDI in Crucial Sectors like Defence and News media
- To remove bottle neck in power sector by improving availability of coal & Gas and distribution network

# Expected Reforms

- Petrol already decontrolled, Diesel under recovery to become zero in next 4 months due to monthly hike of 50 paise
- Next LPG monthly hike in plan. These things will reduce oil subsidy substantially and in turn fiscal deficit
- Clarity on Exploration policy

# Advantage India

- Rupee to be stable on good sentiments
- India to be favorite among foreign investors  
Countries like China (due to slow down)  
Russia( due to Ukraine problem) Thailand  
(due to unstable Govt:) has problems and FII  
ready to take more risk in India by  
overpaying

# Advantage Equity markets

- Globally equities are back in favour. US making historic highs. Germany DAX looking bullish. Gold out of favour .Less interest in commodities due to China slowdown
- Current valuation is 19 P/E at sensex of 25300. Expected sensex EPS for FY15 is 1540 with estimated growth of 15% .At 30000 sensex level it will at 19 P/E which is not a over value



# Advantage Equity markets

- Retailinvestors to Come back to market with confidence after many years. Reforms are expected in equity markets
- Economy has bottomed out .To show good growth from 2<sup>nd</sup> quarters of FY15.
- Markets to trade at premium valuation in near term on expectation of reforms and economic recovery

# Poll Outcome Scenarios – Actual

Scenario	Market Impact	Outperformers	Underperformers
Stable Govt. with Pro reformist as PM	Very Positive	capital goods, infra, Oil & Gas, financials	IT
NDA Govt. with support from other parties	Neutral	IT, Pharma	Profit Booking will come in high beta stocks
Third Front Govt. with support from BJP or Congress	Negative	IT, Pharma	Capital Goods, Infra, Oil & Gas, financials
Hung Parliament	Negative	IT, Pharma,	Capital Goods, Infra, Oil & Gas,

## FII Activity

2014	Equity \$ Bn	Debt \$ Bn
Jan	0.1	2.0
Feb	0.2	1.8
March	3.3	1.8
April	1.6	- 1.5
May	2.3	3.3
Till June 10	1.6	2.2
Total	9.1	9.6

# RBI Maintains Interest Rates

- RBI in “Wait and Watch” mode
- Reduces SLR by 50 basis points from 23% to 22.5%
- Reduction in SLR to release 40,000 Cr. liquidity into the system
- Next RBI Policy meeting is on Aug 5, 2014

# May Auto Sales

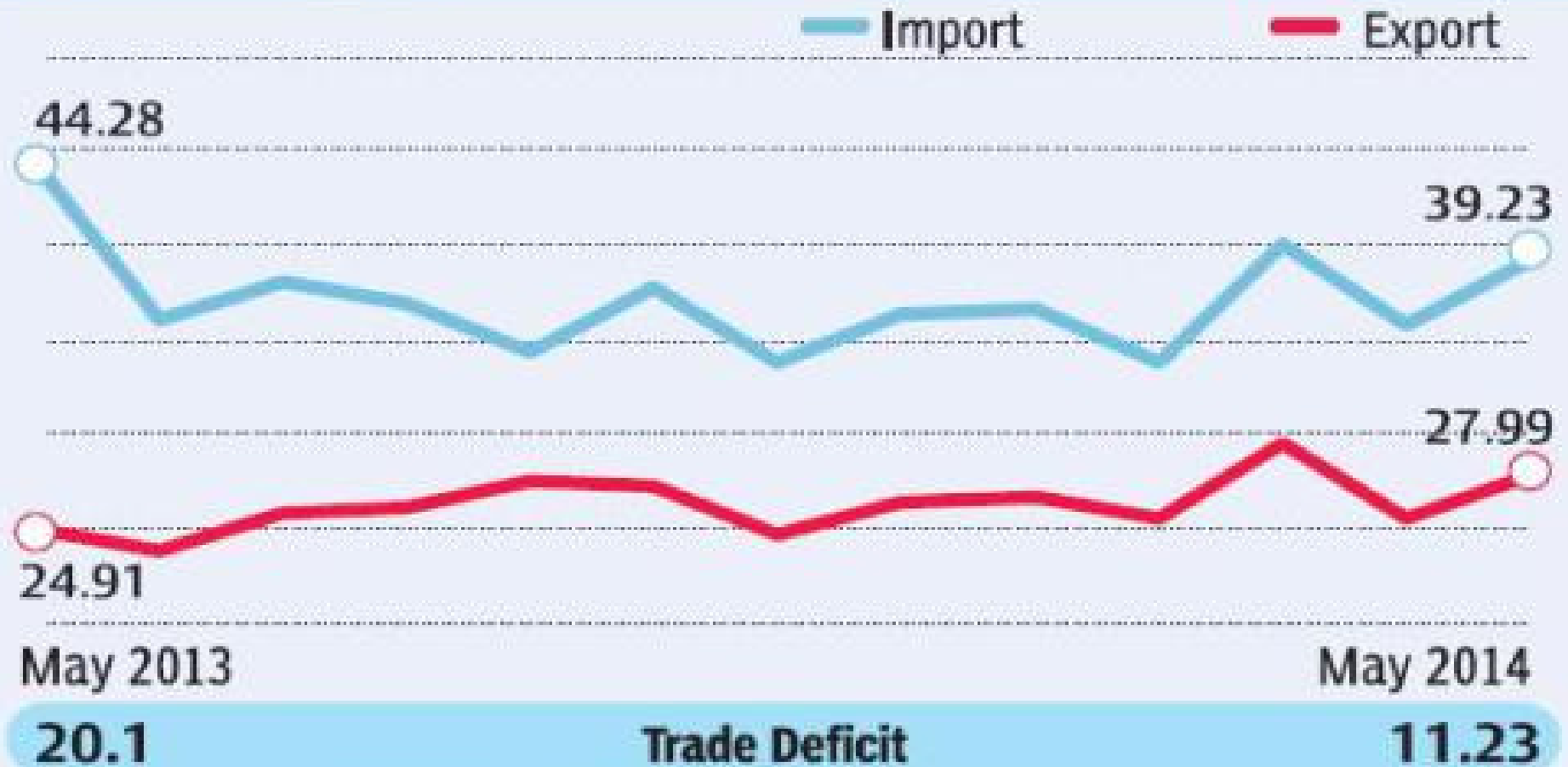
## No. of Units Sold

Segment	May '14	May '13	% Change
Two Wheelers	14,02,830	12,06,173	<b>16.3</b>
Three Wheelers	40,369	35,904	<b>12.4</b>
Passenger Cars	2,07,953	2,02,358	<b>2.7</b>
Commercial Veh.	46,986	55,458	<b>-15.2</b>

# May Exports Post Double Digit Growth

## Revival hopes

(in \$ bn)



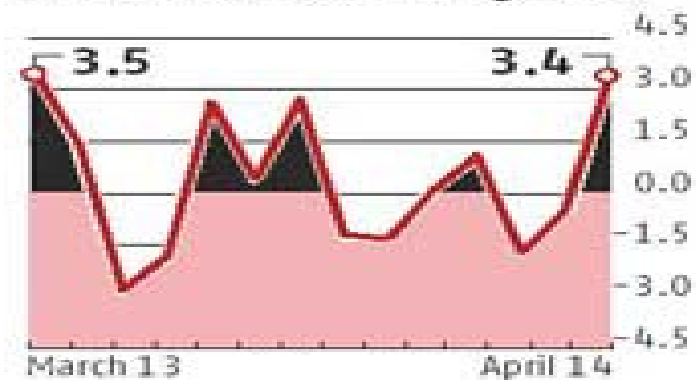
Source: Ministry of Commerce

# IIP Data

IIP grew at a 13 month high rate of 3.4 in April 2014

## SIGNS OF RECOVERY?

Index of Industrial Production (% change YoY)



Component-wise YoY rise in April 2014 in %

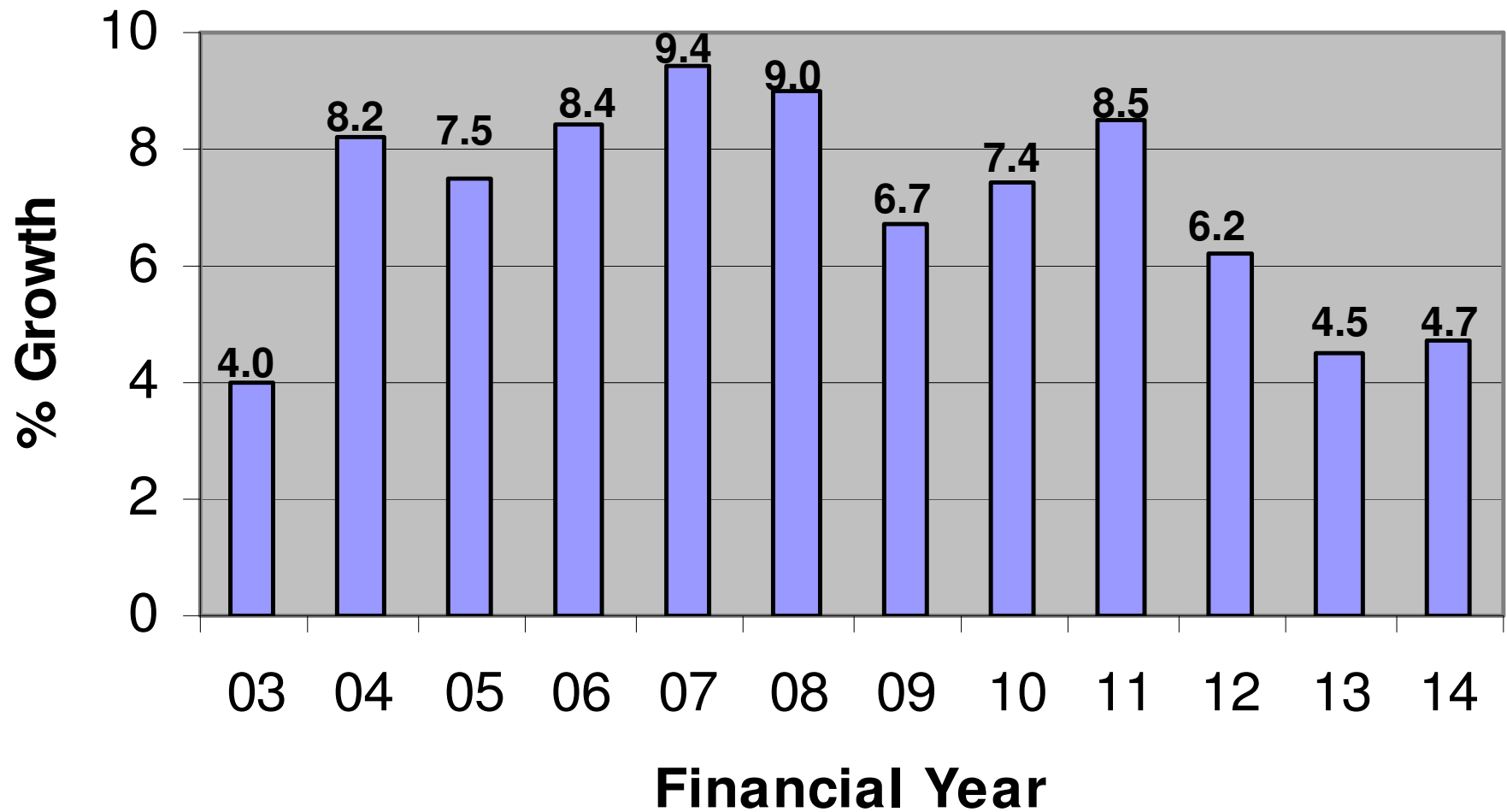
 **MINING**  
**1.2 (14.2)**

**MANUFACTURING**   
**2.6 (75.5)**

 **ELECTRICITY**  
**11.9 (10.3)**

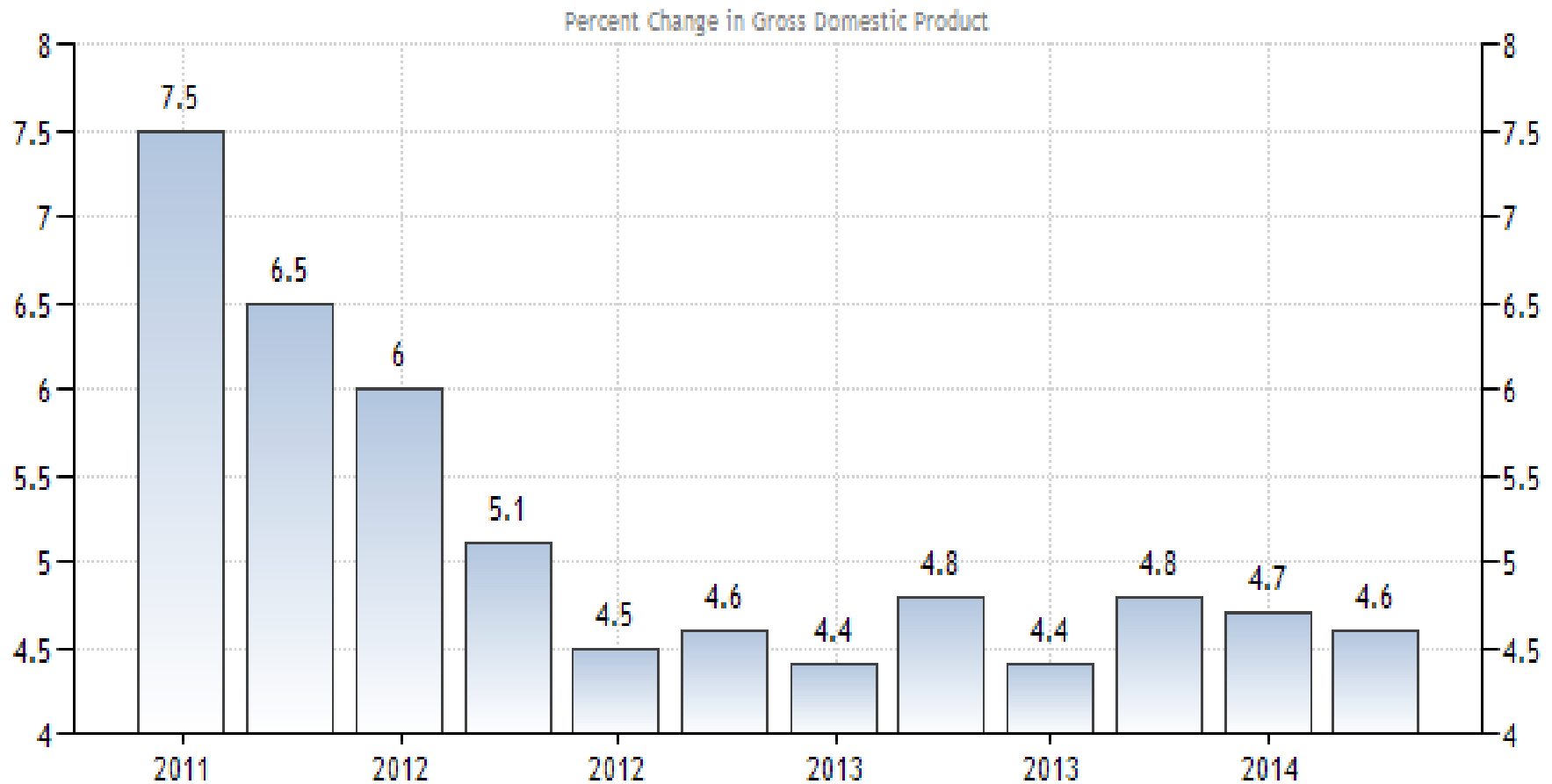
In brackets: Weight on IIP  
Source: Mospi

## India GDP Growth Crawls





# Q4 GDP Growth – No Recovery



SOURCE: [WWW.TRADINGECONOMICS.COM](http://WWW.TRADINGECONOMICS.COM) | MINISTRY OF STATISTICS AND PROGRAMME IMPLEMENTATION (MOSPI)

## FY14 Result – Sensex Companies

	% Change (YoY)	
	Mar 2014	Mar 2013
Sales	11.82	11.7
Net Profit	11.86	2.0

## Union Budget 2014-15

- Union Budget to reveal economic road map of the Govt.
- Fiscal policy of the Govt. will be known
- Markets are expecting a blockbuster budget
- Any disappointment in budget may lead to correction in market

## Events and Data to Watch

- Union Budget
- Reforms
- Monsoon

## Equities Stand Ahead

- Reliance Growth Fund launched on Oct, 1995 and opened for subscription at Rs.10
- Growth Option NAV is 648 as on 6<sup>th</sup> June 2014
- Annual Return Since Launch 25.03%

**Thank You**