

Key developments during the week

- India Jul Nikkei manufacturing PMI at six-month high of 52.7 from 51.3 in Jun
- RBI keeps rates unchanged; maintains "accommodative stance"
- RBI retains FY16 output growth estimate at 7.6%
- India Jul Nikkei services PMI rises to 50.8 from 47.7 in Jun
- Rajan says can reduce rates if CPI stays below 6% even after cut
- Jaitley says govt intends to introduce GST regime from Apr 1
- Govt says monetary policy framework aims at price stability with growth
- Lok Sabha passes negotiable instruments amendment bill
- Finance minister source says Apr-Jun major subsidies at 603 bln rupees
- Govt source says to push divestment in oil companies to meet FY16 target
- Moody's says India govt's PSU bank fund infusion plan credit positive
- EPFO to start with investing 50 bln rupees in equity, 75% in NSE ETF
- Jaitley says targeting 8% growth in FY16
- Jaitley says GST rollout to push up economic growth by 1-2%
- Govt may look at tightening disclosure norms for P-notes
- Mines ministry sources says 80 mineral blocks' auction to start in 2-3 months
- Govt may ease soft loan scheme norms for sugar companies

| INDEX | 07-Aug-15 | 31-Jul-15 | Change (in %) |
|--------------|-----------|-----------|---------------|
| NIFTY | 8564.60 | 8532.85 | 0.37 |
| SENSEX | 28236.39 | 28114.56 | 0.43 |
| NSE 500 | 7183.85 | 7106.20 | 1.09 |
| NSE MIDCAP | 3539.90 | 3443.65 | 2.79 |
| NIFTY JUNIOR | 21520.30 | 20813.35 | 3.40 |
| BSE SMALLCAP | 12104.47 | 11830.80 | 2.31 |
| BSE 200 | 3625.22 | 3588.95 | 1.01 |

| INDEX | 07-Aug-15 | 31-Jul-15 | Change (in %) |
|-------------------|-----------|-----------|---------------|
| BSE AUTO | 19765.17 | 19107.78 | 3.44 |
| BSE BANK | 21702.40 | 21499.24 | 0.94 |
| BSE CAPITAL GOODS | 18392.34 | 18081.31 | 1.72 |
| BSE CD | 11413.47 | 11086.48 | 2.95 |
| BSE FMCG | 8141.03 | 8133.50 | 0.09 |
| BSE HEALTHCARE | 17521.15 | 17047.69 | 2.78 |
| BSE IT | 11168.66 | 11072.67 | 0.87 |
| BSE METALS | 8672.80 | 8668.37 | 0.05 |
| BSE OIL AND GAS | 9966.73 | 9902.17 | 0.65 |
| BSE PSU | 7797.31 | 7718.93 | 1.02 |
| BSE REALTY | 1437.20 | 1387.35 | 3.59 |
| BSE TECK | 6246.40 | 6219.13 | 0.44 |

| INDEX | 07-Aug-15 | 31-Jul-15 | Change (in %) |
|-----------|-----------|-----------|---------------|
| DOW JONES | 17373.38 | 17689.86 | -1.79 |
| HANG SENG | 24552.47 | 24363.28 | 0.78 |
| NIKKEI | 20724.56 | 20585.24 | 0.68 |
| FTSE | 6718.49 | 6696.28 | 0.33 |

Domestic events week ahead

- Aug 10-11:** Automobile sales data for June, by SIAM.
- Aug 10-12:** FDI inflow in June, by RBI.
- Aug 12:** Index of Industrial Production for June, by CSO.
- Aug 12:** CPI for Combined, Rural, and Urban for July, by CSO.
- Aug 12-17:** Trade data for July, by commerce and industry ministry.
- Aug 12-17:** Rail freight traffic for July, by rail ministry.
- Aug 14:** WPI inflation for July, by commerce and industry ministry.

Source: NW18

Global events week ahead

- Aug 10:** Japan Current Account, BOJ Monthly Report, Japan Consumer Confidence, US FOMC Member Lockhart Speaks
- Aug 11:** German ZEW Economic Sentiment, Europe ZEW Economic Sentiment, US Prelim Nonfarm Productivity q/q
- Aug 12:** Japan Monetary Policy Meeting Minutes, Japan PPI y/y, Japan Industrial Production m/m, China Industrial Production y/y, China Retail Sales y/y, Italian Trade Balance, UK Unemployment Rate, Europe Industrial Production m/m, US JOLTS Job Openings, US Crude Oil Inventories, US Federal Budget Balance
- Aug 13:** German Final CPI m/m, French CPI m/m, ECB Monetary Policy Meeting Accounts, US Retail Sales and Core Retail Sales m/m, US Unemployment Claims
- Aug 14:** German Prelim GDP q/q, German WPI m/m, French Prelim Non-Farm Payrolls q/q, Italian Prelim GDP q/q, Europe Final CPI and Core CPI y/y, Europe GDP q/q, US PPI and Core PPI m/m, US Industrial Production m/m, US Prelim UoM Consumer Sentiment, US Prelim UoM Inflation Expectations

**Weekly Sector Outlook and Stock Picks****Auto sector – Seen lacklustre as Apr-Jun results disappoint**

This week will see most automobile stocks under pressure after the Apr-Jun results of three Nifty constituent companies' belied expectations. Tata Motors is expected to trade weak after reporting disappointing earnings. Tata Motors on Friday reported a 48.7% fall in Apr-Jun net profit at 27.69 bln rupees, way below market estimates of a 40% fall. While Hero MotoCorp beat estimates in terms of net profit, its fundamentals were weak as motorcycle demand is not picking up and as the company lacks required engine technology for new products. Hero MotoCorp trading sideways during this week. M&M, which reported a lower-than-estimated fall in net profit for Apr-Jun, could fare better than Tata Motors and Hero MotoCorp. Ashok Leyland, which will announce Apr-Jun results on Aug 11, is seen posting a net profit of 1.23 bln rupees against a net loss of 479.5 mln rupees a year ago.

Bank Sector – Positive bias this week; SBI results in focus

Bank stocks are expected to trade with a positive bias this week, despite the possibility of some profit taking at higher levels. The key determinant this week will be SBI results. SBI tends to be the benchmark for asset quality for Indian banks, especially state-owned banks, and if it shows a strong asset quality performance then it will be a string indicator that the worst is over. SBI will declare its Apr-Jun results on Aug 11. The bank is likely to report a mere 3% y-o-y rise in its Apr-Jun net profit to 34.62 bln rupees, mainly pressured by lack of corporate credit demand. Jammu & Kashmir Bank which will declare first quarter earnings on Aug 10 will also be closely watched on asset quality as bank have seen deterioration in recent quarters. Bank of Maharashtra, City Union Bank, Dhanlaxmi Bank and IDBI Bank are the other banks that will declare results this week. As broader equity markets are likely to stay mostly range bound, bank stocks are likely to take stock-specific cues, as these lenders have shown some divergence in their asset quality showing over the last few weeks.

Capital Goods Sector – Seen in range; macro economic data eyed

Shares of most capital goods companies are seen trading in range this week, taking cues from developments in Parliament and macroeconomic data. Only one major capital goods company Voltas Ltd, will detail its earnings this week. The earnings season so far has been disappointing, with the exception of Siemens and Cummins India, who surprised the market with better-than-expected operating margins as well as bottomline performance. But on Friday, state-owned major Bharat Heavy Electricals reported an 82.5% y-o-y fall in Apr-Jun net profit. Given this trend, investors are seen preferring short-cycle product companies over long-cycle project companies. For the reversal of fortunes of project companies such as Larsen & Toubro, BHEL and Thermax, a wider improvement in economic environment is necessary. There are not many new private sector power projects coming up and most boiler-turbine-generator makers are seen relying on state-owned power producers for contracts. The limited order pipeline, backlog and delays in payment coupled with high working capital costs are denting the performance of these players. The macroeconomic situation will get some direction when the consumer price inflation and industrial production data are released on Aug 12.

Cement Sector – Seen down this week on low demand, weak earnings

Cement stocks are not expected to rally this week due to low demand for the building material, and likely poor results by JK Lakshmi Cement Ltd and Jaiprakash Associates Ltd. Investors will buy more shares of large-cap companies like Ambuja Cements, UltraTech Cement Ltd and ACC. JK Lakshmi Cement Ltd is not likely to come with good results. Jaiprakash Associates is already laden with debt. If JK Lakshmi Cement and Jaiprakash Associates miss estimates, cement stocks will see correction. The constitution amendment bill on GST has been passed by the Lok Sabha and is awaiting Rajya Sabha's nod. If it is not passed by the upper house, more correction will be seen in stocks.

FMCG Sector – Seen rangebound; weak monsoon concerns to weigh

Shares of fast moving consumer goods companies are expected to trade rangebound this week amid lack of fresh triggers as a majority of the companies in the sector have already detailed their Apr-Jun earnings. However, concern over weak monsoon may continue to weigh on the overall sentiment, as this will negatively impact rural demand for consumer goods. This earnings season saw most FMCG companies posting better volume growth in sales which is a positive, but increasing competition in various categories has capped price realization. The rise in competitive intensity is likely to push up advertising and promotion budget of companies but given the benign raw material prices, the impact of higher advertising spend may be cushioned. The sector may continue to take cues from broader markets and key economic data



that will be released this week. Index of industrial production and inflation based on consumer price index and wholesale price index will be released this week.

IT Sector – Seen positive on weak rupee, improved sentiments

Information technology shares are seen positive this week, gaining momentum on weakening rupee and improved sentiments with Cognizant raising its revenue guidance for 2015. The rupee is seen trading between 64 rupees and 65 rupees in the near term, which is expected to aid export-oriented Indian technology companies' revenue growth. The rupee, which ended at 63.81 a dollar on Friday, is expected to weaken as the greenback will gain strength on positive July jobs data that has raised prospects of interest rate hike by the US Federal Reserve. US-based Cognizant Technology Solutions had raised its revenue guidance for 2015 (Jan-Dec) to \$12.33 bln from \$12.24 bln forecast a quarter ago. The company expects to report a 20.1% y-o-y rise in its revenue in 2015. The above-average performance of IT companies in Apr-Jun has also put the sector in a positive light.

Oil Sector – Gains capped for PSU refiners, upstream seen up

Shares of the state-owned oil companies, both upstream and downstream, will be in focus this week as all these firms are slated to report their Apr-Jun earnings. The operating performance of the three refining and marketing companies IOC, BPCL and HPCL is expected to significantly improve due to a sharp increase in refining margins during the quarter. Also, all three are likely to see huge improvement in profitability since diesel has been deregulated. IOC is likely to report average gross refining margin of slightly over \$10 per barrel for Apr-Jun, a sharp jump from \$2.25 a year ago and \$8.77 per barrel in Jan-Mar. The company's net profit is seen growing more than 60% y-o-y to 40.6 bln rupees. BPCL and HPCL too are likely to report GRMs close to IOC's figures. BPCL's Apr-Jun net profit is seen 65% higher at 20.02 bln rupees while that of HPCL is seen growing multi-fold to 12.11 bln rupees. Good Apr-Jun performances are likely to keep sentiments in favour of these companies, but upside is seen capped as shares of IOC, BPCL and HPCL are now in "overbought" zone. GRMs are likely to have peaked and any further fall in crude prices may not result in any significant benefits for these companies. On the other hand, shares of ONGC and Oil India may gain as low crude prices have been more than priced in.

Pharma sector – Sun Pharma to be closely watched this week

Shares of Sun Pharmaceutical Industries Ltd are expected to be tracked closely this week, as the company will report its Apr-June earnings on Aug 11. The company, which is India's largest drug maker, will also be in focus with its arm Taro reporting a 65.3% y-o-y increase in total revenues. Sun Pharmaceutical Industries likely to report a consolidated net profit of 10.99 bln rupees during Apr-Jun, 21% lower from the corresponding period last year. Recently, Sun Pharma's stock had taken a beating after the company announced that its revenues for the ongoing financial year could be lower than last year's due to expenses incurred on account of Halol unit remediation and integration with Ranbaxy. Shares of Dr Reddy's Laboratories Ltd likely to continue outperforming its peers after reporting a good set of Apr-Jun numbers last week. Dr Reddy's beat the market estimates and reported a profit after tax for the June quarter at 6.26 bln rupees. Another Hyderabad-based company Divi's Laboratories Ltd will also be watched based on its Apr-Jun earnings.

Metal Sector – Seen bounce-back; Tata Steel, SAIL results eyed

A bounce-back can be seen among shares of major metal and mining stocks, even as companies are expected to deliver subdued quarterly earnings. The street would eye shares of Hindalco Ltd, Tata Steel Ltd and SAIL Ltd as the companies are scheduled to announce Apr-Jun earnings this week. While Hindalco's bottomline is expected to decline 61%, SAIL and Tata Steel are expected to report losses in the June quarter according to estimates. Sector's outlook will improve post monsoon, when demand picks up. Companies across metals and mining sectors are bearing the brunt of plummeting prices of metals such as iron ore, copper and aluminium. Margins of aluminium and steelmakers were squeezed in the last six months due to cheap imports from China.

Telecom Sector – Seen gaining marginally this week

Shares of major telecom companies are seen marginally gaining this week. The bias is positive for Bharti Airtel following the launch of high-speed 4G data services on a pan India basis and strong Apr-Jun results. Bharti Airtel on Tuesday announced a 40% y-o-y jump in its bottomline to 15.54 bln rupees for the quarter ended June. According to media reports, private equity firms such as Blackstone, Providence Equity Partners and The Carlyle Group, and Bharti Infratel Ltd and American Tower Corp are among contenders for buying the towers. Bharti Infratel's weight may increase in the emerging market index.



Market range for the week 8420- 8720

| Nifty | Values |
|--------------|--------|
| Support 1 | 8480 |
| Support 2 | 8450 |
| Support 3 | 8380 |
| Resistance 1 | 8580 |
| Resistance 2 | 8660 |
| Resistance 3 | 8720 |

Resistance – Nifty may face resistance at 8580 level above this level it may go up to 8660-8720 level.

Support - Nifty has support at 8480 level below this next support at 8450-8380 levels.

Technical – During the week, CNX Nifty opened at 8510.65 and touched the highest level of 8606.30 and lowest level of 8448.25. The CNX Nifty ended at 8564.60; gain 31.75 points or 0.37%. The S&P BSE Sensex opened at 28089.09 and touched the highest level of 28359.96 and lowest level of 27866.12. The S&P BSE Sensex closed at 28236.39; gain 121.83 points or 0.43%.

For the coming week, we expect the market range of 8420-8720.

Weekly Chart View –

We had mentioned in last week's report that on the daily chart, Nifty was above 200DMA and on weekly chart it was above 50WMA because of that we had mentioned 8560-8580 will be major resistance and all we have seen Nifty fail to maintain above 8580. Now on daily as well as on weekly chart we can see narrow range body formation. So overall from here remain 8580-8620 will be major resistance only close above that we can see move up to 8650-8720-8750 unless we did not get close above that we can see consolidation and from here downside 8440-8420 will be good support.

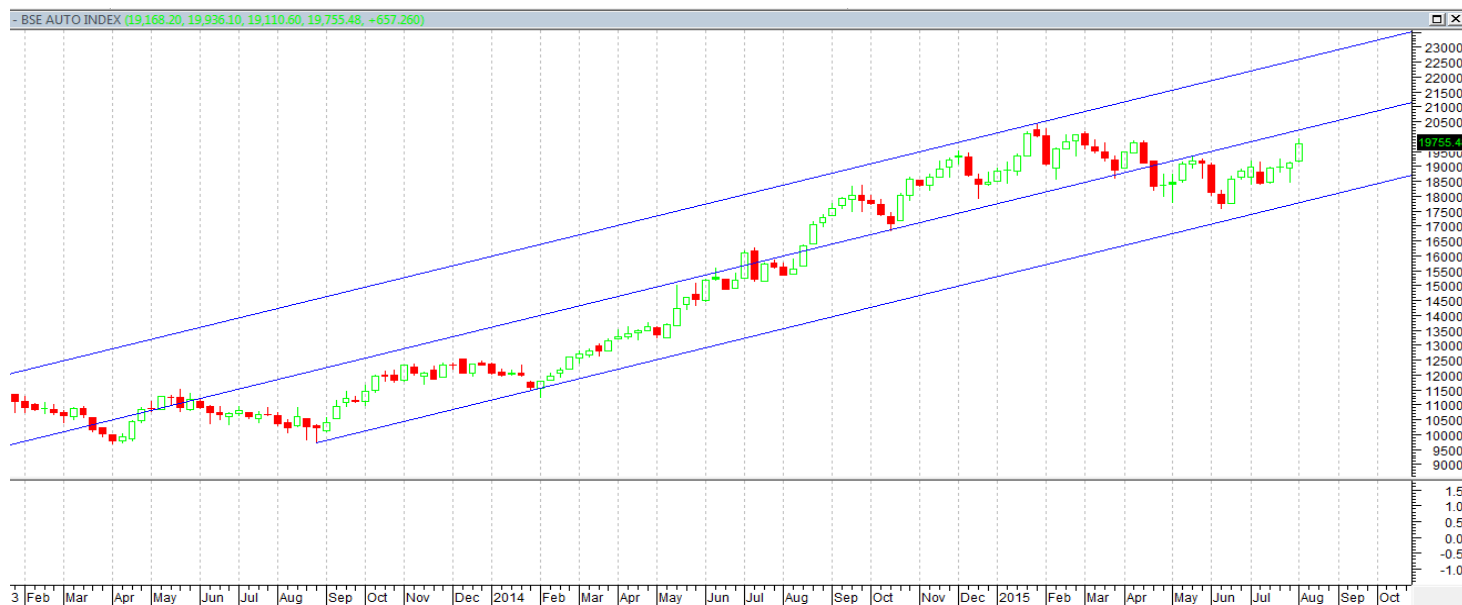
Weekly Chart



Weekly Sectoral Technical Outlook

BSE Auto Index

CMP: 19765

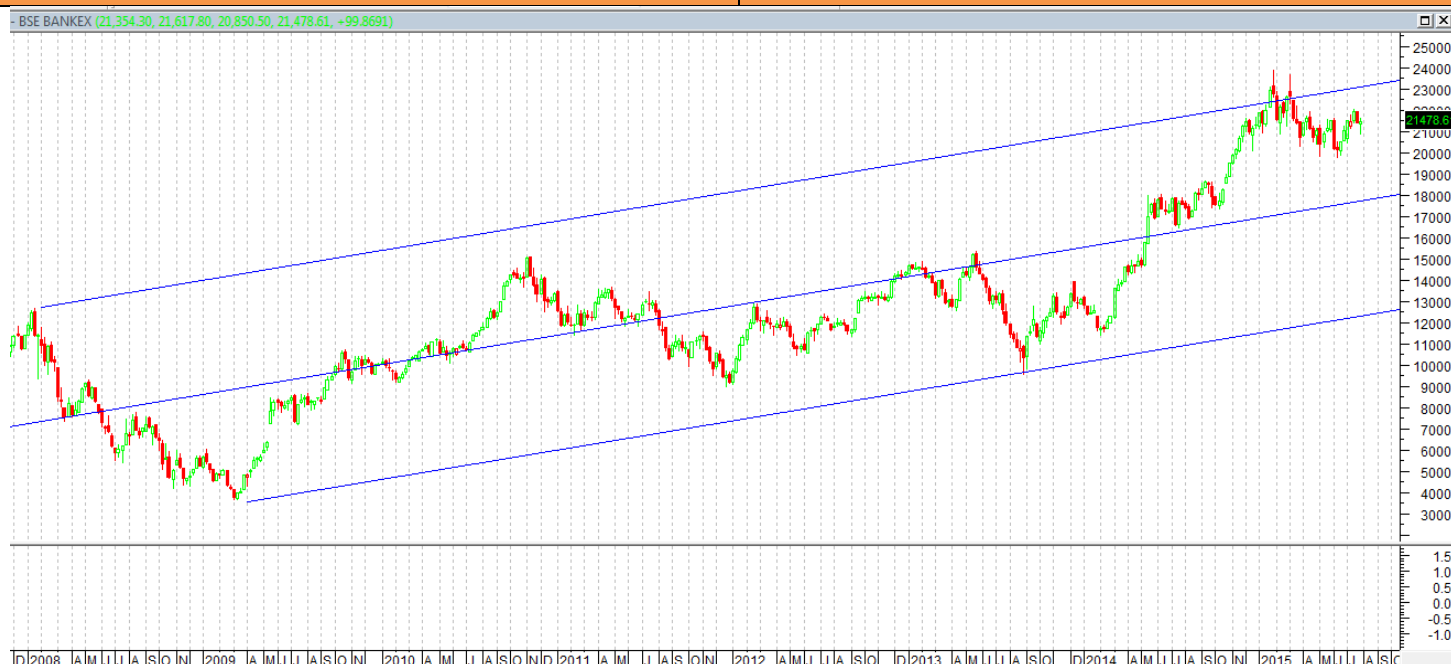


BSE Auto

At present, prices have tested the median line of the channel. Hence a consolidation could be possible. However, aggressive traders gone long above 19152 can trial the stop loss to 19100. On the upside it can test 20150 – 20600 levels.

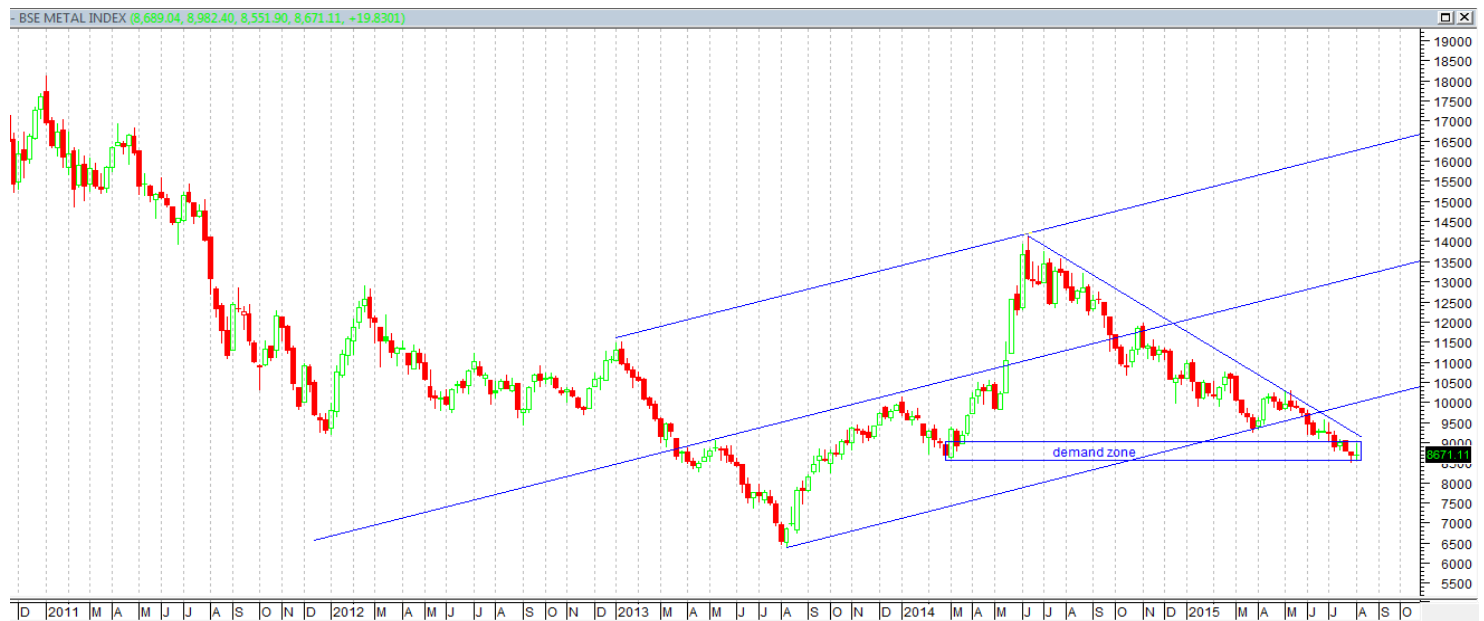
BSE Bankex

CMP: 21702



BSE Bankex

The current price action suggests that 22068 is immediate resistance going ahead. Any move above 22068 would propel this sector to 22500 – 22800 levels. Aggressive traders, gone long above 21620 should trial their stop loss to 21600 levels.

**BSE Metal Index****CMP: 8672****BSE Metal Index**

We reiterate our view that prices are trading in the demand zone. Hence a bounce from current level cannot be ruled out. However, one has to wait for positive pattern to emerge to go long in this sector.

BSE IT**CMP: 11168****BSE IT**

We maintain our positive stance on this sector as divergence in "Stochastic momentum oscillator" is still positively poised. This suggests continuation of the up move. Those gone long in this sector should trial their stop loss at 10800 for a target 11400 - 11800 levels.



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RCH-WMR-00