

OVERVIEW

The May mirage

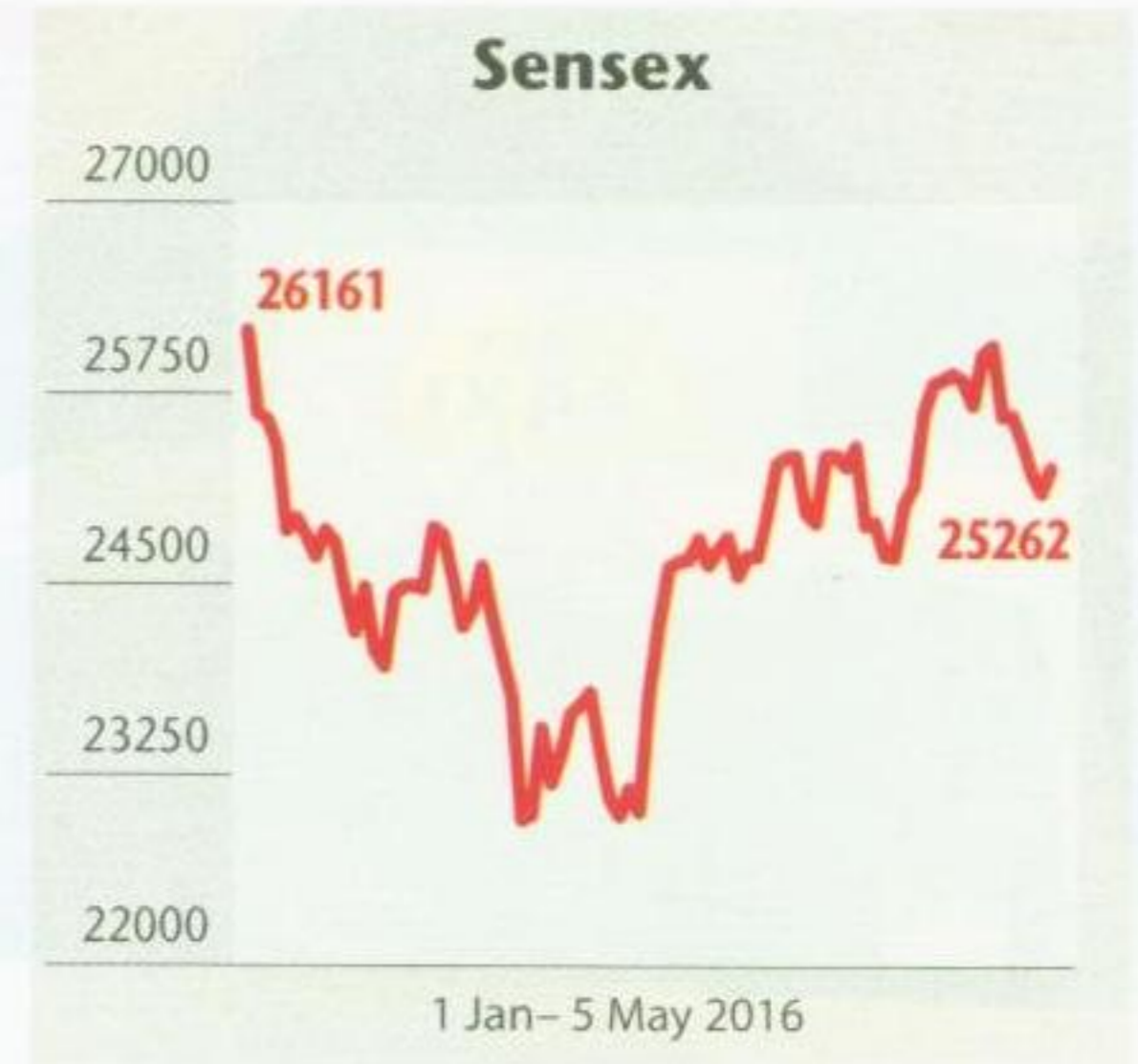
Uncertainty clouds market as investors wait for positive cues

The last fortnight has been something like a 'who-dunnit' thriller. All the action was bunched towards the closing of the fortnight. Of course, the annual results and, more importantly, the prognosis for 2016-17, held the interest of the regular investors. As expected, some were in line with the expectations of the general market, while a few others sprang surprises – some good, some nasty. For the most part of the fortnight, however, the market moved in a narrow range, with the Sensex ranging from 25500-25800. It breached the 26K level just once, before sliding downwards. Since the beginning of the year, it has gone down by over 3 per cent.

The biggest surprise of the fortnight was the release of the draft

guidelines, by the RBI for universal banks. Governor Raghuram Rajan, true to his word, has virtually made banking licences available on tap. The only caveat was that the big industrial houses will not be able to set up banks – probably a reaction to the goings on in the past, where some of the industrial houses used the banks as their captive arm to expand their own fiefdom. Nevertheless, once the draft agreement becomes official with or without documents, there will be some serious ramifications – one, as to how many companies will actually be able to put up ₹500 crore upfront; and, second, concerns about the talent pool.

Earlier, it was easy enough for newcomers to tap the existing panel of bankers from the PSU banks.



But, will the current lot of bankers be sufficient and more important? Will these new sector banks want to become clones of PSU banks with some degree of change? Or, will the companies look at developing a new set of bankers?

While the details and fingerprint are being studied, the immediate reaction of the markets is the concern with the PSU banks. Will the proliferation of new banks change the way in which banking has been traditionally done and, if so, will

COMPANIES IN THE NEWS

V-Guard Industries (m-cap: ₹3,478 crore) saw a surge in buying interest following the company's excellent performance. The Kerala-based company, which has a broad assortment of products ranging from voltage stabilisers, solar heaters, inverters, fans to mixer-grinders, reported more than a 50 per cent rise in its stand-alone PAT to ₹112 crore on a modest increase of just 7 per cent in its turnover of ₹1,862 crore. The

company crossed the ₹100 crore PAT mark for the first time. The shares made a 52-week record high of ₹1,186 on 5 May, rising by nearly ₹180 in a single session, soon after the announcement of the results a day earlier.

Cholamandalam Investment (m-cap: ₹13,800 crore) saw a sharp surge in its share price last fortnight. The ₹10 paid up shares of the Murgappa

group company, which had been rising steadily since the beginning of the year (₹650 on 1 January), touched a 52-week high at ₹892 on 4 May, as the company's performance was better than expected. While its total income rose by 13 per cent, its PAT went up by over 30 per cent to ₹575 crore. The group, which is largely into vehicle finance and home loans with AUM of over ₹25,500 crore, has a small exposure to other sectors also.

Parry's Sugar (m-cap: ₹101 crore) another Murgappa group company, and

