

OUTLOOK Profit

Can quarterly results surprise on the upside?

The backdrop: After a dismal third quarter, markets are wary about what the fourth quarter figures will look like

Don't expect major change

There may be stock specific surprises, but we do not expect any major improvement overall. The results have to be seen in the context of the challenging economic environment. Recessionary conditions in developed economies will impact export performance, although the depreciated rupee may give some respite to companies not adequately hedged. On the domestic side, economic activity has remained sluggish, barring some green shoots in better auto sales and demand for commodities like cement. Bank credit growth has remained muted. Fiscal and monetary measures taken by the government and the RBI have had some positive impact on specific sectors. We can expect positive surprises from some companies with foreign debt, if the recommendations of the National Advisory Committee on Accounting Standards to mark to market forex assets and liabilities are implemented.

There will be surprises

The fourth quarter of FY09 is expected to surprise us on the upside across almost all sectors. Expectations are muted on the back of a torrid third quarter. But the economy has surprised us with some recovery in autos, cement, steel, infra and banking. Also, a sharp depreciation in the rupee is expected to help IT companies. Is this the result of fiscal stimulus, monetary loosening or the mother of all stimuli – the general elections? We feel it is a combination of all three. With the elections on the horizon, a lot of infra projects have been fast-tracked. This has revived the fortunes of infra, cement and steel companies, and the relaxation in NPA norms has brought relief to banking. The award of Sixth Pay Commission arrears has brought succor to the consumer durables sector. But the million dollar question is, whether these gains are the green shoots of a recovery, or just one of those transient phases?



DIPEN SHAH
Vice President, PCG – Research,
Kotak Securities



P PHANI SEKHAR
Fund Manager – PMS,
Angel Broking