

India Stocks Rise for Second Day as GDP Data Spurs Rate-Cut Bets

Indian equities advanced for a second day amid speculation the central bank will cut interest rates at its meeting on Tuesday after government data showed economic growth remains sluggish.

Larsen & Toubro Ltd., the largest engineering company, was the best performer on the S&P BSE Sensex. Reliance Industries Ltd., owner of the world's biggest refining complex, rose the most in four weeks. Maruti Suzuki India Ltd. rose for a second day after sales climbed 14 percent in May. Hindustan Unilever Ltd., the biggest home-products maker, climbed to a three-week high. Sun Pharmaceutical Industries Ltd. slumped the most in six years after its fourth-quarter profit missed estimates.

The Sensex rose less than 0.1 percent to 27,848.99 at the close, after changing directions at least 14 times. The economy expanded 7.3 percent in the year ended March from a year ago, slower than the 7.4 percent median estimate in a Bloomberg survey. Thirty-one of 39 analysts in another survey predict the Reserve Bank of India Governor Raghuram Rajan will cut the repurchase rate by 25 basis points to 7.25 percent.

“The falling inflation rate has the street believing that a 25-basis point cut is a given,” Vikas Gupta, an executive vice president at Arthveda Fund Management Pvt., said by phone from Mumbai. “The governor will also take cognizance of the falling rupee” and the progress of the monsoon, he said.

While consumer-price gains eased to a four-month low of 4.87 percent in April, this quarter's rebound in oil prices and a potentially weak monsoon threaten to stoke inflation. India's June-September rainfall is seen below

normal for a second year, potentially hurting crop output and pushing up food costs.

India's rupee capped its third monthly decline in May, the longest run since 2013, after foreigners withdrew \$1.8 billion from local stocks and bonds, data compiled by Bloomberg show.

L&T, Reliance

Larsen rallied 3.1 percent, taking this year's advance to 14 percent. Reliance Industries added 2.9 percent, the most since May 4. Maruti Suzuki gained 2.6 percent. Hindustan Unilever increased 2.5 percent.

Sun Pharma plunged 9.2 percent, the most since June 2009. Net income missed analyst estimates as the costs of integrating Ranbaxy Laboratories Ltd. eroded margins. The stock was among the worst performers on the MSCI Emerging Markets Index.

Global investors bought a net \$27 million of Indian stocks on May 28, taking the year's inflows to \$6.8 billion. They purchased \$16 billion of equities last year. The CNX Nifty Index was unchanged at 8,433.40, while the India VIX Index added 1.5 percent to 16.9.

The Sensex has risen 1.3 percent this year and is valued at 15.3 times estimated 12-month earnings, versus a five-year average of 14.4. The MSCI Emerging Markets Index is valued at a multiple of 12, data compiled by Bloomberg show.