

India's Sensex advances, rupee appreciates

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

The Sensex rose less than 0.1 per cent to 27,848.99 at the close, after changing directions at least 14 times.

The economy expanded 7.3 per cent in the year ended March from a year ago, slower than the 7.4 per cent 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 per cent.

"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, 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 per cent 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 per cent, taking this year's advance to 14 per cent. Reliance Industries added 2.9 per cent, the most since May 4. Maruti Suzuki gained 2.6 per cent. Hindustan Unilever increased 2.5 per cent.

The Sensex has risen 1.3 per cent 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.

Rupee appreciates

The rupee ended 12 paise up at 63.70 against the American currency on fresh bouts of dollar selling by banks and exporters amid huge expectations of a rate cut by the Reserve Bank of India (RBI) on Tuesday.

Strong capital inflows as well as firm local equities also bolstered the overall sentiment despite

strong dollar overseas, forex dealers said.

The rupee resumed modestly higher at 63.80 against the week-end closing level of 63.82 at the Interbank Foreign Exchange and strengthened further to hit an intra-day high of 63.58 against the dollar.