



Sensex rises for second day as GDP data spurs rate-cut bets

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Larsen and Toubro, the largest engineering company, was the best performer on the S&P BSE Sensex. Photo: Hemant Mishra/Mint

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 and Toubro Ltd (L&T), the largest engineering company, was the best performer on the S&P BSE Sensex. Reliance Industries Ltd (RIL), 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% in May. Hindustan Unilever Ltd (HUL), 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% to 27,848.99 points at the close, after changing directions at least 14 times. The economy expanded 7.3% in the year ended March from a year ago, slower than the 7.4% median estimate in a *Bloomberg* survey. Thirty-one of 39 analysts in another survey predict the Reserve Bank of India (RBI) governor Raghuram Rajan will cut the repurchase rate by 25 basis points to 7.25%.

"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. Ltd, 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% 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

L&T rallied 3.1%, taking this year's advance to 14%. RIL added 2.9%, the most since 4 May. Maruti Suzuki gained 2.6%. Hindustan Unilever increased 2.5%.

Sun Pharma plunged 9.2%, 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 28 May, 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% to 16.9. The Sensex has risen 1.3% 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.