

BSE Midcap index sees worst monthly fall in 18 months

ON THE DECLINE

Share price on BSE in ₹

Company	Apr 30, '18	May 31, '18	% chg
Vakrangee	99.90	32.60	-67.4
Ajanta Pharma	1,351.45	962.25	-28.8
Adani Power	25.70	20.20	-21.4
GE T&D India	379.50	309.85	-18.4
Wockhardt	833.00	681.90	-18.1
Bharat Forge	772.60	650.55	-15.8
IDFC Bank	48.40	40.85	-15.6
Muthoot Finance	451.85	386.15	-14.5
PNB Housing Fin.	1,397.00	1,203.80	-13.8
MRPL	107.80	92.90	-13.8

Data compiled by BS Research

DEEPAK KORGAONKAR & PUNEET WADHWA

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The adage 'Sell in May and go away' has proven correct for stocks in the mid-cap segment. The S&P BSE Midcap index posted its worst monthly fall in 18 months, on the back of a sharp decline in automobiles, pharmaceutical, power and financial stocks.

The index declined 5.9 per cent in May. In comparison, the S&P BSE Smallcap index lost 6.3 per cent, while the benchmark S&P BSE Sensex gained 0.5 per cent.

In November 2016, the mid-cap index had lost 7.2 per cent, while the small-cap index plunged 9.2 per cent, after the Narendra Modi-led government at the Centre unexpectedly pulled out high-denomination banknotes from circulation. The Sensex had slipped 4.6 per cent that month.

"There has been a slight disappointment on earnings. Mutual funds, too, have been churning their holding. These two factors led to a sharp correction in mid-cap stocks. We expect price erosion in some stocks if earnings do not catch up," says Gaurang Shah, head investment strategist at Geojit Financial Services.

Of the 100 stocks from the index, 80 per cent had a negative return during May. Of these 80 stocks, 48 have underperformed, falling up to 67 per cent during the month. As many as eight stocks from financials — IDFC Bank, Muthoot Finance, PNB Housing Finance, Federal Bank, LIC Housing Finance, Cholamandalam Investment and Finance Company, Reliance Nippon Life Asset Manag-

ement and Shriram Transport Finance — were down 10-16 per cent.

Analysts say the fall in most public sector banks (PSBs) was triggered by their March quarterly results that saw a huge rise in provisions for non-performing assets (NPAs). "A number of PSBs have reported a net loss, mainly on account of past inheritance and changes in the provision norms. Non-banking financial companies (NBFCs) saw profit booking, as their stocks had run up sharply in earlier months. We suggest a bottom-up approach while investing in financial sector counters," says G Chokkalingam, founder and managing director at Equinomics Research.

Ajanta Pharma, Divis Laboratories and Wockhardt from pharmaceuticals and Bharat Forge, Ashok Leyland and TVS Motor from the automobile and auto ancillary sector have slipped between 10 and 18 per cent.

Among automobiles, analysts at Motilal Oswal prefer four-wheelers over two-wheelers and commercial vehicles, due to stronger volume growth and a stable competitive environment.

"While we expect two-wheeler volumes to benefit from a rural recovery in the near term, competitive intensity remains high due to changing customer preferences. Our top picks in the mid-cap segment are Ashok Leyland, Exide and Endurance Technologies," they said in a recent report.

Shah of Geojit remains positive on the auto sector but suggests investors be selective in the pharma space, as bad news pertaining to one company could see the entire sector underperform.