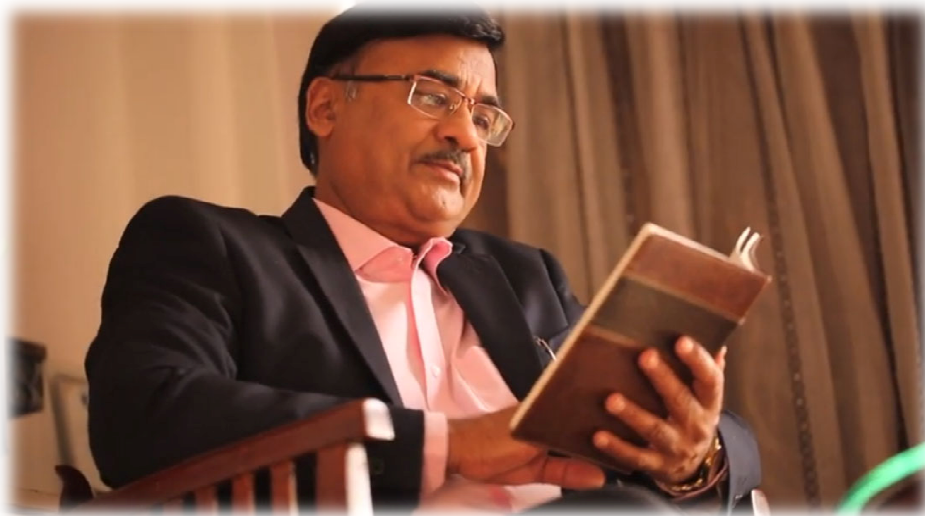




AJCON GLOBAL
YOUR FRIENDLY FINANCIAL ADVISOR



Dr. Ashok Ajmera (FCA), CMD & CEO

Dr. Ajmera's column as on Nov.03, 2018

Relief rally witnessed; bluechip companies look attractive at current valuations..

On a weekly basis, both the Sensex and Nifty halted their two-week losing streak by surging 1,662.34 points or 5 per cent, and 523 points or 5 per cent, respectively. On Friday, the Sensex rose by 579.68 points to end at a one-month high of 35,011.65 on easing crude prices, strengthening of rupee to 72.52 and fresh foreign fund inflows. Positive cues from global markets on easing concerns over the US-China trade war too buoyed the sentiment. Investor sentiment got a big push after Brent crude dropped below the \$73-mark to quote at a seven-month low of \$72.65 by falling 3.48 per cent due to higher supply from the world's major producers. Banks and financials witnessed short covering due to a fall in yields, while improved automobile sales in October attracted investors.

Prime Minister Narendra Modi on Friday announced a 12-point package for micro, small and medium enterprises (MSMEs), aimed at giving them access to credit and increasing their cash flows, along with a liberal business environment. This comes two years after the Prime Minister had announced demonetisation of old currency notes of Rs 500 and Rs 1,000 — a move that had affected small and medium businesses the most. The package, which he termed Diwali gift and includes relaxation in labour laws and environmental rules along with changes in company laws, may come as a relief to small and medium enterprises, which are facing liquidity crunch owing to issues related to non-banking finance companies (NBFCs) and weak banks. Citing official figures, MSME Minister Giriraj Singh said 65 million firms employed 120 million workers in the sector and generated the highest number of jobs after agriculture. In this age of globalisation, these reform measures will go a long way in strengthening the MSME sector. I will myself do a focused monitoring of the government's reach-out to small businesses across 100 districts in the next 100 days," PM Modi said.



The Prime Minister announced a 2 per cent interest subvention for all goods and services tax (GST)-registered MSMEs on fresh or incremental loans up to Rs 10 million. PM Modi announced a Rs 60 billion package for creating 20 hubs and 100 tool rooms for technology upgrade. The Prime Minister also announced an increase in interest rebate from 3 per cent to 5 per cent for exporters who receive loans in the pre-shipment and post-shipment period. PM also announced the countrywide launch of a web portal to sanction loans of up to Rs 10 million in just 59 minutes. The loan portal, which was launched as a pilot project in September, has already seen in-principle approval to 72,680 loan proposals worth Rs 236 billion. Companies with an annual turnover of Rs 15 million or less are considered MSMEs and this definition will be expanded to include those with an annual turnover of up to Rs 50 million. MSMEs are allowed to file quarterly returns under the goods and services tax instead of monthly returns.

Key announcements

- Approval of loans up to Rs 10 million in 59 minutes through web portal
- GST-registered MSMEs to get 2 per cent subvention benefit on incremental and new loans
- Pre- and post-shipment credit increased to 5 per cent from 3 per cent for exporters
- Mandatory 25 per cent procurement from MSMEs by CPSEs, up from 20 per cent
- Ordinance for simplifying levy of penalties for minor offences under Companies Act
- Single approval for environmental clearance
- All CPSEs and corporate above Rs 5 billion turnover to be on TReDS

Global markets

European markets also witnessed a global relief rally after US President Donald Trump fuelled hopes among investors that a deal to end a prolonged dispute over trade could be made with his Chinese counterpart Xi Jinping later this month.

President Donald Trump said the US remains open to reaching a comprehensive deal with Iran that blocks its nuclear-weapons programme, just days before sanctions on the country's energy and shipping sectors kick back in. "Our objective is to force the regime into a clear choice," Trump said in a statement released by the White House on Friday evening, referencing the resumption of sanctions on Monday. "Either abandon its destructive behaviour or continue down the path toward economic disaster." He added that the penalties were aimed at the Tehran government, "not at the long-suffering Iranian people." "For this reason," Trump said, "we reiterate today that the sale of food, medicine, medical devices, and agricultural commodities to Iran has long been, and remains, exempt from the sanctions."

In a joint statement on Friday, the European Union's high commissioner and the finance and foreign ministers from the UK, Germany and France said they "deeply regret the further re-



imposition of sanctions by the United States.” They said they will work “to protect European economic operators engaged in legitimate business with Iran,” including preserving “effective financial channels” and continuing “Iran’s export of oil and gas.”

Global benchmark Brent crude has fallen about 15 per cent from more than \$85 a barrel last month on increasing speculation that at least some nations would get waivers, as well as signs that other Opec members will pump more to offset any supply gap.

Ajcon’s view

Going ahead, we believe rupee movement against the dollar, cues from ongoing tussle between US and Iran, volatility in oil prices, movement of bond yields, festive sales, Q2FY19 earnings season, outcome from (both exit polls and actual result) of upcoming assembly elections in five states will determine the market trend. Last week owing to fall in crude oil prices, rupee appreciation against the dollar there was some confidence seen among street participants which led to relief rally. Investors can start looking for good companies which have a sustainable business model with good ethical management having clearcut strategy for the future at cheap valuation. Investors can gradually start building their long term portfolio in some of the top rung stocks of which many have come down 30-40 percent in the recent fall. We expect volatility to continue ahead of state elections. All said and done, we still believe that equity is a great asset class and always remember panic time is the best friend of a true investor. It is this time when one should put money in the market from medium to long term perspective.

Dr. Ashok Ajmera, FCA



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For research related queries contact:

Mr. Akash Jain – Vice President (Research) at research@ajcon.net

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Website: www.ajcononline.com

Corporate and Broking Division : 408 - (4th Floor), Express Zone, "A" Wing, Cello – Sonal Realty, Near Oberoi Mall and Patel's, Western Express Highway, Malad (East), Mumbai – 400063. Tel: 91-22-67160400, Fax: 022-28722062

Registered Office: 101, Samarth, Off. Hinduja Hospital, 151 Lt. P.N. Kotnis Road, Mahim (West), Mumbai – 400016. Tel: 022-24460335/36/40