



Dr. Ashok Ajmera (FCA), CMD & CEO

Dr. Ashok Ajmera's column as on May 04, 2019

All eyes on General election result on May 23; domestic bourses remain volatile amidst ongoing Q4FY19 earnings season..

The last week was holiday truncated. The market remained shut on April 29 for the fourth phase Lok Sabha polling in Mumbai, and on May 1 on account of Maharashtra Day. On April 29, in the fourth phase of the Lok Sabha elections, the voting happened in 72 constituencies across nine states including Bihar, Jammu and Kashmir, Jharkhand, Madhya Pradesh, Maharashtra, Odisha, Rajasthan, Uttar Pradesh and West Bengal.

On a weekly basis, the S&P BSE Sensex closed 0.27 per cent lower while and the NSE Nifty50 slipped 0.36 per cent. This was the indices' biggest weekly loss since February 11.

On a weekly basis, the rupee gained 80 paise at 69.22 on May 3 against the April 26 closing of 70.02. The S&P BSE Midcap index shed 1.86 percent, Smallcap Index fell 1.79 percent and S&P BSE Largecap Index was down 0.41 percent in the week gone by.

Sectors & Stocks

Hindustan Unilever (HUL), the country's largest consumer goods company, reported its lowest volume growth in six quarters for the January-March period (Q4), on the back of moderation in rural demand. For the quarter under review, HUL saw 7 per cent volume growth against 11 per cent in the year-ago period. From the December 2017 quarter to December 2018 quarter (Q3FY18 to Q3FY19), HUL reported volume growth in the region of 10-12 per cent, after gaining from price cuts under the goods and services tax regime, coupled with consumer uptick in urban and rural areas. On Friday, Chairman and Managing Director Sanjiv Mehta said that rural growth, which was earlier 1.3 times urban growth, was now in line with urban growth, indicating slowdown in rural areas.



Shares of Balrampur Chini Mills continued their northward journey, with the stock hitting 18-month high of Rs. 157, up 2 per cent on the BSE on Friday, on the expectation of strong earnings growth. The stock was trading at its highest level since December 6, 2017. Last month, the company's board of directors had approved the buyback of 8.44 million equity shares, representing 3.69 per cent of total equity of the company, at the price of Rs. 175 per share on a proportionate basis through 'tender offer'. The stock already turned ex-date for share buyback on April 16, 2019.

McLeod Russel India shares continued to reel under pressure, hitting an over decade low of Rs. 45.45 on Friday, down 10 per cent on the BSE on back of heavy volumes. The stock of flagship tea company of the BM Khaitan group was trading at its lowest level since March 12, 2009 on the BSE. During this week, the stock has tanked 41 per cent from level of Rs. 76.40, as compared to flat performance in the benchmark S&P BSE Sensex. It was quoting close to its all-time low of Rs. 35.25 hit on December 2, 2008 in intra-day trade.

Global markets

US stocks rose in a broad-based rally on Friday as stronger-than-expected job growth in April coupled with muted wage gains left investors upbeat about the outlook for the economy and interest rates. The Nasdaq registered a record high close, while the S&P 500 ended just shy of a record high finish.

The Labor Department said employers added 263,000 jobs in April, which were above expectations, and the unemployment rate dropped to 3.6 percent, the lowest level since December 1969. Average hourly earnings came in just shy of expectations, indicating muted inflationary pressure.

For the week, the S&P 500 and Nasdaq were up 0.2% while the Dow slipped 0.2%. With nearly 400 S&P 500 companies having reported quarterly results so far, three-quarters have topped profit estimates, according to Refinitiv data.

Ajcon's view

We believe domestic bourses would be rangebound and most of the investors especially DIIs and retail investors would remain on fence in the current election environment till the actual results are out on May 23, 2019. The midcaps and smallcaps are still at discount of 40-50% of their 52 week peak even after the recent upsurge in largecaps. All eyes would be now on ongoing Q4FY19 earnings season, global cues (oil prices, currency movement, relations between economic giants) and domestic cues like exits polls and actual result of General Elections 2019.

We believe the Indian equity markets are in a structural bull run as the benefits of implementation of GST, Insolvency and Bankruptcy code, digitization, thrust on Make in India and improving relations with key foreign countries would augur well for the economy in the long run. The strategy at present should be to invest in phased manner only in companies which are not connected to any political party, have a robust business model,



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strong earnings and cashflow visibility, low debt and backed by quality management especially on the corporate governance front.

Dr. Ashok Ajmera, FCA



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