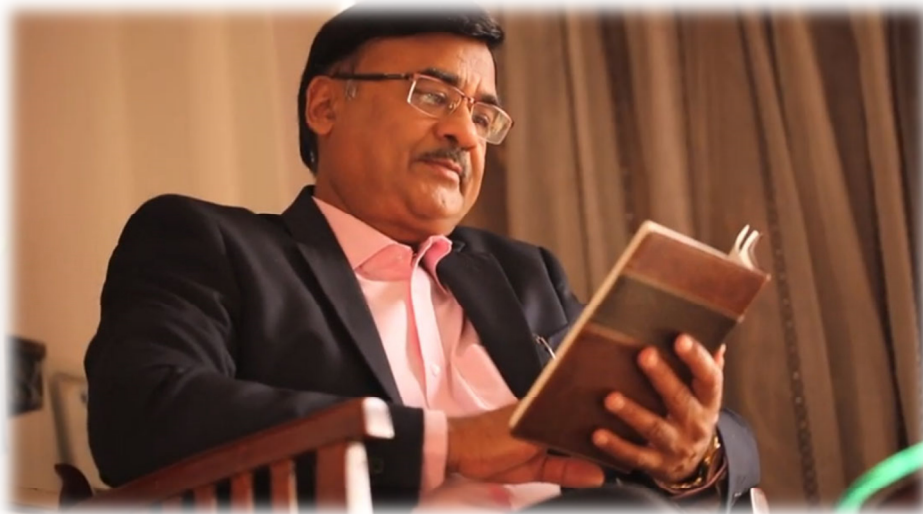




**AJCON GLOBAL**  
YOUR FRIENDLY FINANCIAL ADVISOR



**Dr. Ashok Ajmera (FCA), CMD & CEO**

**Dr. Ashok Ajmera's column as on April 20, 2019**

**Domestic bourses to remain rangebound amidst volatility; investors would remain on fence ahead of General Elections result on May 23, 2019..**

The last week was Holiday truncated week for equity markets on account of Mahavir Jayanti and Good Friday. On Thursday, which was the last trading day of the week, selling in banks, realty and metal counters dragged the domestic equity market lower. S&P BSE Sensex lost 135 points or 0.34 per cent to settle at 39,140, with YES Bank being the biggest loser and Reliance Industries (RIL) the top gainer. Out of 30 components, 22 scrips ended in the red and rest eight in the green. Market breadth remained in favour of declines as out of 2,727 securities traded on BSE, 1,671 declined and 888 advanced while 168 scrips remained unchanged. The broader Nifty50 index of the National Stock Exchange (NSE) lost 34 points or 0.29 per cent to end at 11,753.

On a weekly basis, both the indices gained around 1 per cent. The S&P BSE Sensex gained 0.96 percent to end the week at 39,140.28 and the NSE Nifty 50 Index rose 0.94 percent to close at 11,752.80. Early this week, when the Nifty50 made a fresh lifetime high, the index price-earnings multiple beat the previous high reached during the pre- global recession rally in 2008. The Nifty50 index is currently trading at 29.3 times its underlying earnings per share (EPS) for the trailing 12 months, beating the previous record earnings multiple of 28.3x made on January 8, 2008. The index had touched a valuation of 27.8x in the January-March 2018 quarter.

The NSE Nifty 500 Index gained 0.66 percent during the week, led by gains in PC Jeweller Ltd. and Adani Green Energy Ltd. Nifty Auto was the outperforming sector for the week, up 2.2 percent while on the other hand Nifty PSU Bank was the top loser, down 2.7 percent.



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On the institutional activity front, FIIs remained net buyers to the tune of Rs. 2,789 crores while DIIs too were net buyers to the tune of Rs 281 crores.

### Sectors & Stocks

RIL gained 4.06 percent for the week as it witnessed impressive 9.8 percent growth in Q4FY19 consolidated net profit of Rs. 10,362 crore led by a 19.4 percent increase in quarterly revenue to Rs 1.54 lakh crore. The company attributed the robust revenue performance to strong growth in its retail and digital services businesses which grew by 51.6 percent and 61.6 percent, respectively. Higher petrochemical volumes also contributed to growth in revenue, the company said.

Polycab India shares made a strong stock market debut during the week, ended at Rs. 655 on first trading day of its listing, a 22 per cent higher against its issue price of Rs. 538 per share on the BSE. Polycab is India's largest manufacturer of wires and cables (88 per cent of sales) with an organized market share of 18 per cent (12 per cent overall). It is one of the most versatile players with presence across high value-added segments like electrical, marine, oil & gas, telecom, nuclear energy, infrastructure etc.

Tata Consultancy Services (TCS) hit a six-month high during the week owing to strong Q4FY19 result and management commentary. The company reported better than expected 2.4 per cent growth in constant currency (CC) revenue in the March 2018 quarter of financial year 2018 - 19 (Q4FY19). The stock settled at Rs 2,132 apiece on BSE, up over 1 per cent.

Infosys on the other hand remained weak during the week after reporting mixed bag in Q4FY19 with higher attrition. The stock was down by 5 percent during the week. The Company reported 2.4 percent QoQ growth in revenue but margin at 21.4 percent was below expectations of 22.2 percent. Also, the IT major lowered its revenue guidance to 7.5-9.5 percent in constant currency terms. The company had set the revenue guidance at 8.5-9 percent in FY19 as opposed to 6-8 percent in FY18.

From the banking space, Oriental Bank of Commerce ended 5.18 percent lower for the week. It was followed by J&K Bank, Bank of India, Allahabad Bank, Syndicate Bank, Punjab National Bank, Andhra Bank and Bank of Baroda.

Shares of Jet Airways (India) tanked 34 per cent to Rs. 159, also its 10-year low on the National Stock Exchange (NSE) on Thursday after the company suspended operations as lenders turned down the airline's demand for emergency funding. The stock was trading at its lowest level since April 1, 2009. It recorded its sharpest intra-day fall since its listing on March 14, 2005. It ended 32.23 per cent lower at Rs 169 apiece.

### Global markets

Asian shares dipped on Thursday amid subdued trade after losses on Wall Street and some profit-taking ahead of a long Easter weekend.



MSCI's broadest index of Asia-Pacific shares outside Japan lost 0.4 per cent, reversing course after brushing its highest since late July 2018 early in the trading session. Australian shares were a shade lower while Japan's Nikkei dropped 0.8 per cent and Chinese blue chips slipped 0.2 per cent.

### **Ajcon's view**

We believe domestic bourses would be rangebound and most of the investors would remain on fence in the current election environment till the actual results are out on May 23, 2019. The rally in the past few weeks is owing to expectation of stable government formation at the centre, likely improved Q4FY19 earnings season, smooth progress of US – China trade talks and US Fed commentary. 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 domestic bourses would remain volatile till general elections 2019 results are out.

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, strong earnings and cashflow visibility, low debt and backed by quality management especially on the corporate governance front. Considering the above factors, investors can have a stock specific approach in midcaps and smallcaps space. We would suggest investors to have a look at Consumption stocks, top quality Pharma companies, NBFCs having strong parentage, Auto and auto ancillary stocks, Gas companies, PSU banks (looking better after the cleanup of NPA mess, progress made under IBC), IT sector and Private Insurance Companies at the current moment.

**Dr. Ashok Ajmera, FCA**



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