



Dr. Ashok Ajmera (FCA), CMD & CEO

Dr. Ajmera's column as on Sep. 02, 2017

Robust auto sales numbers drives domestic bourses up; consider investment in IPOs but the dwindling GDP growth is a matter of concern..

Stock markets on Friday ended the week with a positive spin after strong auto sales and encouraging August manufacturing data helped investors put behind the disappointing GDP numbers. Strengthening for the third day, the benchmark Sensex went up 162 points to end at 31,892.23, a three-week high, while the Nifty closed short of 10,000.

It was eighth weekly gain in nine for both the Sensex and the Nifty, surging 296.17 points, or 0.93 per cent, and 117.35 points, or 1.19 per cent, respectively. Automobile manufacturers led by Maruti Suzuki posted good passenger vehicles (PV) sales growth in August riding on strong consumer sentiment ahead of the festive season.

In a related development, the Nikkei Markit India manufacturing PMI rebounded to 51.2 in August from a low of 47.9 in the previous month, signalling a turnaround from July's GST-related contraction.

Right from the word go, the 30-share BSE index remained above the base line till the very close as it settled up 161.74 points, or 0.51 per cent, at 31,892.23, a level last seen on



August 8. The NSE Nifty too ended on a high, up 56.50 points, or 0.57 per cent, at 9,974.40 after shuttling between 9,983.45 and 9,909.85 during the day.

Meanwhile, the Indian economy grew 5.7 percent in April-June, which was sharply lower than last year's 7.9 percent expansion in same quarter last year and also lower than 6.1 percent growth in previous quarter. It indicated that the country was still reeling under the shock of demonetisation and disruption caused ahead of GST's rollout.

Stellar Auto sales reported..

Maruti Suzuki

Maruti Suzuki India recorded healthy growth of 23.8 percent in August by selling 1.63 lakh shares compared with 1.32 lakh units sold in same month last year.

The growth was largely driven by passenger vehicles sales that grew by a whopping 28.4 percent to 1.16 lakh units in month gone by.

Total sales numbers were ahead of street estimates of 1.58 lakh units for the month.

Passenger vehicles also boosted domestic sales growth that was 26.2 percent at 1.52 lakh units against 1.19 lakh units sold in corresponding month of previous year.

However, exports during the month declined 4.7 percent to 11,701 units on year-on-year basis.

Compact car segment (Swift, Ritz, Celerio, Ignis, Baleno and Dzire), which contributed 45 percent to total sales, registered a whopping 62.4 percent growth YoY.

Utility vehicle segment showed a 27.6 percent growth during the month, led by Vitara Brezza and Ertiga while vans segment (Omni and Eeco) sales grew by 8.6 percent YoY but mini segment (Alto, WagonR) sales degrew 0.2 percent.

Bajaj Auto

The total sales for Bajaj Auto in the month of August were up 3 percent at 3.35 lakh versus 3.25 lakh units for the same month last fiscal. The domestic sales for the month of August were flat at around 2 lakh units Year on Year, but exports rose 7 percent at 1.34 lakh units versus 1.25 lakh units Year on Year.

The three-wheeler sales for the company were up 13 percent at 51,170 units versus 45,436 units YoY. Motorcycle sales were up 1 percent at 2.84 lakh units versus 2.80 lakh units YoY. S Ravikumar, President - Business Development, Bajaj Auto is upbeat on the exports getting back on track for the company. He expects exports of 1.7 million units in FY18 versus 1.41 million units in FY17. Geographies like Philippines, Latin America, Egypt, East Africa, Nepal have stabilised. Currency and retail sectors have stabilized in Nigeria.



Commercial vehicle sales in the domestic saw a stellar performance at 29,000 units, it was the highest ever monthly billing done. Along with that domestic 3-wheeler sales also saw a bounce back, says Ravikumar, adding that the sports segment in 2-wheelers is firing well.

Tata Motors

Tata Motors' August sales were far ahead of our expectations on Friday, registering a 14 percent growth on year-on-year basis following 7 percent growth in July. The passenger and commercial vehicle maker sold 48,988 units in August compared with 43,105 units sold in same month last year, which was much ahead of street poll of 44,000 units. The growth was driven by domestic sales that grew by 26 percent year-on-year to 45,906 units due to growing demand across segments and increased positive customer sentiments, but exports continued to be subdued, falling 53 percent to 3,082 units compared with July 2016.

In August 2017, passenger vehicles, in the domestic market, increased 10 percent to 14,340 units, bolstered by the strong demand for the Tata Tiago and the Tata Tigor. "The car segment remained flat at 11,462 units and the utility segment grew by 84 percent to 2,878 units, driven by the Tata HEXA," Tata Motors said.

Commercial vehicle sales during the month increased 34 percent year-on-year to 31,566 units, aided growing demand across segments supported by the continued ramp-up in production of BSIV vehicles since April this year.

The company said it also passed on the benefits of GST to consumers by reducing the prices of its vehicles across all commercial vehicle segments.

Medium & heavy commercial vehicle sales grew by 52 percent to 10,926 units in the month gone by. "This segment witnessed strong pick-up in demand on the back of continuously increasing acceptance of the SCR technology, and driven by stricter implementation of regulatory norms on overloading, as well as sector specific (Trucks and Construction Tippers) demand," the company said. Light commercial vehicle sales rose 44 percent to 3,881 units compared with same month last year, due to increased buying with the onset of festive season.

Sectors and stocks

Dr Reddy's Labs was the biggest gainer among Sensex 30 and Nifty 50 stocks, rising nearly 10 percent after a settlement agreement with US-based Vivus to resolve a long-pending patent litigation related to anti-obesity pill (or weight management capsules) Qsymia.

The rally was also spilled over to other pharma stocks - Aurobindo Pharma surged 4.5 percent followed by Sun Pharma and Lupin with over a percent gain. Nifty Healthcare index gained 2.4 percent.

Auto sector hogged the limelight today as the Nifty Auto index gained 2 percent after better-than-expected sales data from all major companies for August.

Tata Motors (stock up 3.74 percent) showed 14 percent sales growth in August YoY and Ashok Leyland (5.4 percent) registered a 25 percent growth. Bajaj Auto (stock up 4 percent) reported 3 percent sales growth while Maruti Suzuki (1.43 percent) registered



healthy 24 percent growth and Eicher Motors' (1 percent) sales increased 22 percent compared with year-ago month.

The Nifty Metal index also gained 2 percent due to rally in global steel prices. Hindalco Industries, Nalco, Jindal Steel, Hindustan Zinc, SAIL, Tata Steel and Vedanta rallied 2-4 percent.

Reliance Industries closed above Rs 1,600 for the first time in 3 weeks, up 1 percent at Rs 1,609.35. Asian Paints rallied 4 percent whereas HDFC, TCS, Cipla, HDFC Bank, TCS, Wipro and Bharti Airtel lost 0.5-1.3 percent.

Among midcaps, Sun TV Network was the biggest gainer with 10 percent rally as investors turned bullish on the stock on hopes of digitisation push in Tamil Nadu.

Adani Enterprises gained 2.6 percent as the company announced partnership with SAAB for single-engine jet fighters. The stock gained nearly 25 percent during the week on all approvals for Carmichael coal mine in Australia.

Aditya Birla Capital was locked at 5 percent lower circuit at Rs 237.50 on first day of trading. Religare Enterprises shares plunged 10 percent, in addition to 7 percent loss in previous session.

Strong IPO pipeline

The month of August didn't exactly went the way Bulls would have wanted, but the S&P BSE Sensex is still up nearly 20 percent so far in the year 2017. The structural Bull Run is still intact which fosters a conducive environment for the primary markets.

Three companies are in the pipeline to go public in the month of September collectively raising as much as Rs1,700 crores from D-Street.

The companies that will be launching their public issues include names like online matchmaking company Matrimony.com Ltd, road developer Bharat Road Network Ltd (BRNL), and electronics maker Dixon Technologies (India).

Matrimony.com IPO plans to raise up to Rs500 crore

The initial public offer of Matrimony.com, which runs online match making business under BharatMatrimony brand, is likely to open on

September 11. The issue of Matrimony.com is expected to raise Rs 500 crore, sources said.

The company's initial share sale offer is likely to open from September 11-13, PTI reported quoting sources.

Proceeds from the issue will be utilised for advertising and business promotion activities, purchase of land for construction of office premises in Chennai, repayment of overdraft facilities and general corporate purposes.



Dixon Technologies sets IPO price band at Rs 1,760-1,766

Dixon Technologies, a consumer electronics manufacturer, today fixed a price band of Rs 1,760-1,766 per share for its initial public offering, through which it aims to raise about Rs 600 crore. The IPO will be open for public subscription during September 6-8.

Proceeds from the issue will be utilised for setting up a unit for manufacturing of LED TVs at the Tirupati facility, enhancement of backward integration capabilities in the lighting products vertical at Dehradun facility and upgradation of the information technology infrastructure.

Bharat Road Network IPO to raise up to Rs600 crores

The road and highways BOT company, Bharat Road Network, will open its initial public offering of up to 2.93 crore equity shares for subscription on September 6, 2017, to raise around Rs 600 crore at the higher end of the price band.

The issue will constitute 34.90 percent of the post issue paid-up equity share capital of the company. The company has fixed price band at Rs 195-205 per share for the issue that will close on September 8.

The company will also use IPO money for acquisition of the subordinated debt given by SREI to three special purpose vehicles i.e. Solapur Tollways Private Limited, Kurukshetra Expressway Private Limited & Mahakaleshwar Tollways Private Limited; and general corporate purposes.

The real estate services provider **Capacit'e Infraprojects** Ltd is also scheduled to raise money up to Rs400 crores this month but hasn't confirmed the timeline.

So far in 2017, as many as 15 companies have raised Rs 12,589.94 crore through the IPO route, said a report quoting data from primary market tracker Prime Database. In 2015 and 2016, 47 companies raised a total of Rs40,107 crore through IPOs, the data shows.

Ajcon's view

It was a good start to the September series on Friday as the Nifty moved closer to the psychological 10,000-mark despite sluggish economic growth in Q1FY18, driven by autos (after strong August sales data) and pharma stocks. Positive global cues also led support to the market.

We expect the market to remain rangebound in near term but the GDP growth of 5.70 percent is a matter of great concern. One should not forget that even these numbers are based on revised base year 2011-12 from January 2015 as against 2004-05.

We recommend investors to be stock specific and consider companies with good earnings visibility at a decent valuation.

Dr. Ashok Ajmera, FCA



Ajcon GlobalTM
Your Friendly Advisor
Since 1986



Equity ♦ Currency ♦ D.P. ♦ Advisory Services ♦ Investment Banking ♦ Insurance

Disclaimer

Ajcon Global Services Ltd. is a fully integrated investment banking, merchant banking, corporate advisory, stock broking, commodity and currency broking. Ajcon Global Services Ltd. research analysts responsible for the preparation of the research report may interact with trading desk personnel, sales personnel and other parties for gathering, applying and interpreting information.

Ajcon Global Services Ltd. is a SEBI registered Research Analyst entity bearing registration Number INH000001170 under SEBI (Research Analysts) Regulations, 2014.

Individuals employed as research analyst by Ajcon Global Services Ltd. or their associates are not allowed to deal or trade in securities that the research analyst recommends within thirty days before and five days after the publication of a research report as prescribed under SEBI Research Analyst Regulations.

Subject to the restrictions mentioned in above paragraph, we and our affiliates, officers, directors, employees and their relative may: (a) from time to time, have long or short positions acting as a principal in, and buy or sell the securities or derivatives thereof, of Company mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage.

Ajcon Global Services Ltd. or its associates may have commercial transactions with the Company mentioned in the research report with respect to advisory services.

The information and opinions in this report have been prepared by Ajcon Global Services Ltd. and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of Ajcon Global Services Ltd. While we would endeavour to update the information herein on a reasonable basis, Ajcon Global Services Ltd. is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent Ajcon Global Services Ltd. from doing so. This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. Ajcon Global Services Ltd. will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. Ajcon Global Services Ltd. accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice. Ajcon Global Services Ltd. or its associates



Ajcon GlobalTM
Your Friendly Advisor
Since 1986



Equity ♦ Currency ♦ D.P. ♦ Advisory Services ♦ Investment Banking ♦ Insurance

might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

Ajcon Global Services Ltd. encourages independence in research report preparation and strives to minimize conflict in preparation of research report. Ajcon Global Services Ltd. or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither Ajcon Global Services Ltd. nor Research Analysts have any material conflict of interest at the time of publication of this report.

It is confirmed that CA Ashok Ajmera or any other Research Analysts of this report has not received any compensation from the company mentioned in the report in the preceding twelve months. Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

Ajcon Global Services Ltd. or its subsidiaries collectively or Directors including their relatives, Research Analysts, do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

It is confirmed that CA Ashok Ajmera research analyst or any other Research Analysts of Ajcon Global do not serve as an officer, director or employee of the companies mentioned in the report.

Ajcon Global Services Ltd. may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Neither the Research Analysts nor Ajcon Global Services Ltd. have been engaged in market making activity for the companies mentioned in the report.

We submit that no material disciplinary action has been taken on Ajcon Global Services Ltd. by any Regulatory Authority impacting Equity Research Analysis activities.

Analyst Certification

I, CA Ashok Ajmera, research analyst, author and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject securities. I also certify that no part of compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view (s) in this report.



Ajcon GlobalTM
Your Friendly Advisor
Since 1986



Equity ♦ Currency ♦ D.P. ♦ Advisory Services ♦ Investment Banking ♦ Insurance



For research related queries contact:

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

CIN: L74140MH1986PLC041941

SEBI registration Number: INH000001170 as per SEBI (Research Analysts) Regulations, 2014.

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