



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

*Dr. Ajmera's column as on Aug. 19, 2017*

### **Corrections in structural bull run makes markets healthier; advice buying on dips..**

The market fell sharply on Friday, especially after recovery since the start of week following sharp correction. It was majorly dragged by Infosys, which is one of index heavyweights, after Vishal Sikka resigned as company's CEO and MD. Last week, the market lost 3.5 percent (due to geopolitical tensions, SEBI's announcement of 'shell companies' list and disappointing numbers towards end of Q1 earnings season) followed by sharp recovery in current week.

Street participants have lowered their earnings estimates for current financial year 2017-18 but are still hopeful for recovery in second half of FY18 and strong growth in FY19. The growth will be driven by likely government's high spending ahead of 2019 general elections, rural growth post good monsoon, reforms etc.

### **Global Markets**

US stocks lost ground late to end lower on Friday following a White House-focused week that raised more questions about the Trump administration's ability to implement its pro-growth agenda. While the day's losses were small, Friday marked the first time stocks



haven't risen the day after a more than 1 percent drop since Donald Trump was elected president on November 8.

The week's losses further dented the post-election rally, which was built on Trump's promises of tax cuts and higher infrastructure spending. Thursday's 1.5-percent drop in the S&P 500 came a week after a similar fall, and while the benchmark index still is up 13.4 percent since the election, it is down 2.1 percent in the last two weeks. That's the most since the two weeks before the election.

### **Ajcon's view**

We expect the market to remain rangebound in near term, at least till the middle of September and can fall another 1,000 points on the Sensex. Such corrections in current structural bull run is always healthy for market and expect the market to gain strength around Diwali and to start its northward journey again as fundamentals of the economy remained strong and earnings recovery will be fast in FY19.

We advise buying on every correction as fundamentals of the economy are strong and earnings recovery will start from second half of FY18 and will be strong in next financial year. Despite correction in overall market, 51 stocks hit fresh 52-week highs and of which, 20 touched record highs. Stocks that hit fresh 52-week highs are PC Jeweller, Kansai Nerolac, Bata India, Gravita India, Centrum Capital, Emkay Global, GVK Power and Blue Star.

We expect a recovery in corporate earnings to be the key headwind in the medium to long term. Although the markets have scaled new heights in the past two years, growth in earnings per share (EPS) has been flattish and expect earnings to improve in H2FY18. We recommend investors to be stock specific and consider companies with good earnings visibility at a decent valuation.

**Dr. Ashok Ajmera, FCA**



**Ajcon Global**<sup>TM</sup>  
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 Global**<sup>TM</sup>  
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 Global**<sup>TM</sup>  
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](mailto:research@ajcon.net)

CIN: L74140MH1986PLC041941

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

**Website:** [www.ajcononline.com](http://www.ajcononline.com)

**Corporate and Broking Division :** 408 - (4<sup>th</sup> 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