

Market Update - December 2018

Economy

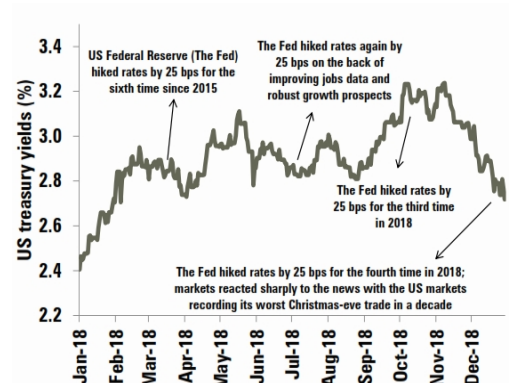
- As per the data released by the commerce and industry the growth of India's infrastructure industries slowed to a 16-month low of 3.5% in November and it was brought down by cement, electricity and coal production. The previous lowest expansion in output growth of the infrastructure industries was 2.9% in July 2017. The eight infrastructure sectors of coal, crude oil, natural gas, refinery products, fertilisers, steel, cement and electricity, constitute 40.27% of the total industrial production.
- As per the Confederation of Indian Industry (CII) better demand conditions, settled GST implementation, capacity expansion resulting from growing investments in infrastructure and continuing positive effects of the reform policies undertaken and improved credit offtake especially in services sector at 24% will sustain the robust GDP growth in the range of 7.5% in 2019. The Reserve Bank of India (RBI) expects India's economy to grow 7.4% in 2018-19
- In a major fillip to medical devices industry, the Indian government has decided to set up a National Medical Devices Promotion Council under the Department of Industrial Policy and Promotion (DIPP) to boost domestic manufacturing and exports. The council will be tasked to promote and facilitate exports of medical devices, act as a platform for networking and garner views on industrial and trade policies and practices, provide technical assistance to various departments to simplify the approval process and drive a dynamic Preferential Market Access (PMA) policy while discouraging unfair trade practices in imports.
- As per RBI report on 31 December the asset quality of banks showed improvement with gross non-performing assets' (GNPAs) ratio which declined to 10.8 percent in September 2018 from 11.5 percent in March 2018. The net NPA ratio also witnessed a fall at 5.3 percent in September 2018 as against 6.2 percent in March 2018 and GNPAs of state-run lenders improved to 14.8 per cent in September 2018 from 15.2 per cent in March 2018.
- The commerce ministry extended the import restrictions on peas for another three months till March 31 this year and such measures help in curbing cheaper imports and boost local prices. The ministry has restricted imports of peas for the period from January 1, 2019, to March 31, 2019.
- Government has decided to infuse Rs 10,086 crore in the bank as part of Rs 28,615 crore capital infusion which is to be done in about half a dozen public sector lenders and the fund infusion would be by way of preferential allotment of shares. The government had earlier announced an infusion of Rs 65,000 crore in PSBs in 2018-19, of which Rs 23,000 crore has already been disbursed, while Rs 42,000 crore is remaining.
- The Government announced several restrictive changes to the FDI policy on online retailers. These changes are aimed at checking deep discounting and predatory pricing. According to the new changes, the government has barred online retailers from entering exclusive deals for selling products on their platforms and the government has also enforced a 25 percent cap on the inventory that an e-commerce platform can purchase from a single vendor. These changes will come into effect on February 1, 2019.

- The income tax department seized assets worth Rs 992.52 crore during 2017-18, while 582 search and seizure operations were conducted, and the value of assets seized during the past two financial year was Rs 1,469.62 crore in 2016-17 and Rs 992.52 crore in 2017-18.
- As per the data India reported a fiscal deficit of Rs 7.16 lakh crore during April-November, which translates to 114.8 percent of its full-year target. During the same time period last financial year 2017-18, the fiscal deficit was 112 percent of the budgeted estimates. In April-November 2018, CGST (Central GST) collections stood at a relatively moderate 49 percent of the 2018-19 BE (budgeted estimate) of Rs 6 trillion, which suggests an impending shortfall relative to the level budgeted by the government for this fiscal.
- The Central Bank constituted a six- member committee headed by ex-Governor Bimal Jalan. Former secretary Rakesh Mohan was elected as vice chairman and the panel will include Economic Affairs Secretary Subhash Chandra Garg and RBI Deputy Governor NS Vishwanathan and the panel will review the practices of central banks in making assessment & provisions for risks, the status and need of provisions, reserves & buffers provided for by the RBI, and treatment of surplus reserves created out of realised gains, among other things
- Government came out with Niti Ayog Strategy for New India @75 and the document lists an impressive number of objectives, ranging from a GDP growth rate of 9-10 percent by 2022-23 to organizing women into professional groups/guilds in order to improve their bargaining power to breeding indigenous cattle with exotic breeds
- India for the fourth time deferred the deadline to impose retaliatory customs duties on 29 US products, including almond, walnut and pulses, by another 45 days. India is pressing for exemption from high duty imposed by the US on certain steel and aluminium products, resumption of export benefits to certain domestic products under their generalised system of preferences (GSP), greater market access for its products from agriculture, automobile, automobile components and engineering sectors.
- The Assembly election results were out and came in favor of the Congress in Chhattisgarh, Madhya Pradesh and Rajasthan
- Government recently announced that the entire 60 percent of the corpus withdrawn from the National Pension Scheme at the time of retirement will now be tax free. Earlier, while exiting the fund (at the time of retirement), 60 percent (of the corpus) was allowed to be withdrawn and the rest went to annuity. Of this 60 percent, 40 percent was tax free and 20 percent was taxable.
- RBI kept the repo rate unchanged at 6.5 per cent. The central bank said the decision of the MPC is consistent with the stance of calibrated tightening of monetary policy in consonance with the objective of achieving the medium-term target for consumer price index (CPI) inflation of 4 per cent within a band of +/- 2 per cent.
- Wholesale prices in India rose by 4.64 percent year-on-year in November 2018, slowing from a 5.28 percent gain in the prior month and slightly below than market estimates of 4.7 percent. Consumer Price Index CPI in India increased to 140.80 Index Points in November from 140.70 Index Points in October of 2018. Annual consumer inflation in India declined to 2.33 percent in November of 2018 from an upwardly revised 3.38 percent in October and below market expectations of 2.8 percent. It is the lowest inflation rate since June of 2017 as food prices fell the most since the series began in 2012.

- As per the RBI's Fifth Bi-Monthly Monetary Policy and statement on Development and Regulatory Policies there will be a SLR cut of 25 basis points every quarter starting from January-March taking it to 18% from the current 19.5%. To enable banks to forecast their liquidity requirements with greater degree of precision, it has been decided that the Reserve Bank will provide information on daily CRR balance of the banking system to market participants on the very next day. Moreover Retail & MSME Loans will be pledged to external benchmarks like repo rate with effect from 1 April 2019.
- Four public sector banks — Bank of Maharashtra, Corporation Bank, Allahabad Bank and Bank of India that are under the prompt corrective action framework of RBI, may come out of the restrictions following improved performance. The board of financial supervision of the RBI has reviewed the banks' half yearly performance. The government is likely to infuse any shortfall in regulatory capital in order to help the lenders to come out of the PCA framework.
- Bringing the spotlight back on privacy laws, the Union home ministry has issued a blanket order allowing 10 government agencies to monitor and decrypt any information stored in any computer on grounds of internal security. With Section 69 of the Information Technology Act, 2000, paving the way for the act of "monitoring", these agencies will now be able to snoop on exchange of information and material between individuals and banned or militant groups.
- GST collection dropped to Rs 94,726 crore in December 2018, lower than Rs 97,637 crores which was collected in the previous month. Of the Rs 94,726 crore collected, Central GST (CGST) collection accounted for Rs 16,442 crore, State GST accounted for Rs 22,459 crore, Integrated GST accounted for Rs 47,936 crore and Cess was Rs 7,888 crore.

Global

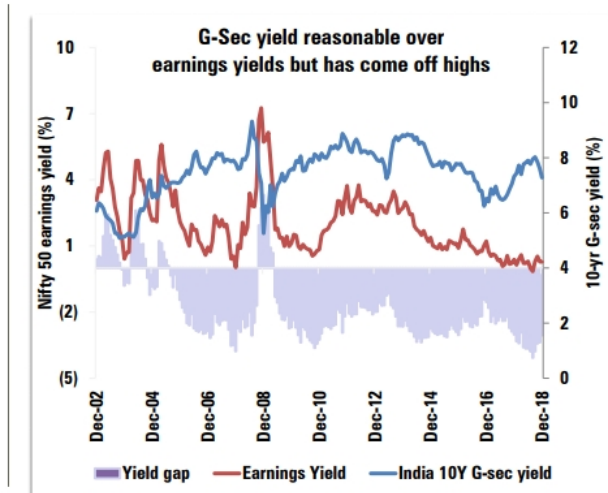
- China's PMI fell to 49.4 in December and is at its lowest since 2016. Slowing industrial activity is likely to continue into 2019. A gauge of new export orders was also down.
- China's finance ministry decided that it will adjust import and export tariffs for some products starting from January 1. For imports, China will levy temporary tariffs on more than 700 items and will maintain relatively low import tariffs for aircraft engines. China will also further cut most favored nation tariffs on 298 information technology products from July 2019.
- The US government was headed towards a partial shutdown at midnight on December 21 after President Donald Trump's fellow Republicans in the Senate failed to muster the votes which were needed to approve \$5 billion.
- The US economy slowed in the third quarter a bit more than previously estimated, but the pace was likely strong enough to keep growth on track to hit the Trump administration's 3 percent target this year. As per the Commerce Department Gross domestic product increased at a 3.4 percent annualized rate in its third reading of third-quarter GDP growth which was slightly down from the 3.5 percent pace estimated in October and well above the economy's growth potential, which economists estimate to be about 2 percent.



- Representing the six-month outlook of 84 firms, the Thomson Reuters/INSEAD Asian Business Sentiment Index edged up to 63 in the October-December quarter, slightly above a near three-year low of 58 seen in the previous period.
- Japan's government revised down its forecasts for economic growth and consumer prices for the current and next fiscal years as natural disasters and weakening export demand weighed on the economy. Japan's economy will grow 0.9 percent in fiscal 2018, which ends in March and is down from its previous projection of 1.5 percent growth.

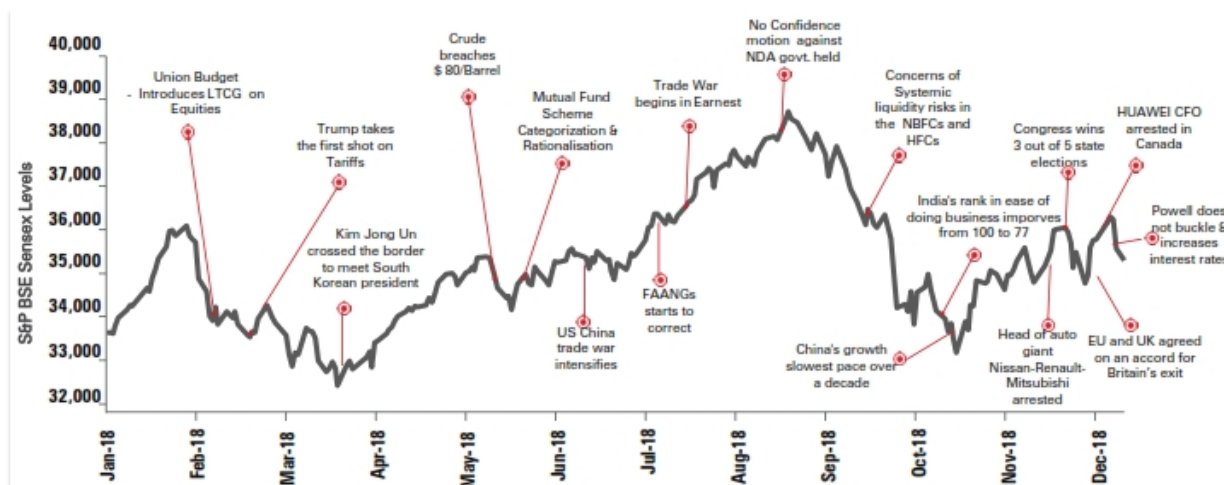
Debt Market

- A marathon RBI Board meet with no negative announcement helped Bond yields to show gain (10 yr benchmark ended at 7.34%). Taking a cue from 10 yr benchmark, the 10 yr AAA Corporate also gained by 5 bps as on 26 December 2018. PSBs have cut positions in the 10 yr benchmark and hence the shorter tenor papers have performed better than long term papers.
- Buying activity from foreign investors, strong rupee, hope of more RBI OMO's and firm demand at the weekly bond auction contributed to significant buying activity and out of the proposed, 68.06% of G-sec Gross borrowings is completed till date.
- As the 10 yr G – Sec benchmark is under selling pressure irrespective of it gaining ground post RBI Board meet, short term trading in 3-5 year seems a better bet. Corporate Bond market is slowly recovering but acceptable credits and risk adjusted pricing is evident in corporate bonds and more so in financial sector borrowers.



Equity Market

- Indian companies have raised Rs 63,744 crore through various equity market routes in 2018, a slump of 60 per cent from the all-time high of Rs 1.6 lakh crore garnered in the preceding year and apart from equity, firms have also mopped up Rs 29,944 crore through public issuance of bonds during the year. Out of the cumulative Rs 63,744 crore garnered through public equity markets in 2018, a large chunk or Rs 33,244 crore has been mopped up from initial public offers (IPOs).
- The NSE NIFTY 50 Index was down by 0.19 percent to settle at 10862.55 as on 31 December 2018 as NIFTY 50 on 3 December closed at 10883.75. Capital goods, Banking, Auto and FMCG sectors performed well while metals, healthcare, power and IT underperformed. Performance of global equity markets was mixed with US and major Asian indices delivering positive returns on MoM basis while European indices underperforming modestly. The ongoing state election and release of Q2GDP data by month end, is expected to keep equity markets volatile.



- During the month, Brent crude price corrected sharply by ~15% as compared to previous month and closed at USD 50.47 per barrel. Crude has lost ground along with major equity markets as investors fret about the strength of the global economy heading into next year. The big oil producers in OPEC, dominated by Middle East Gulf states which mostly rely on energy exports, have agreed to reduce production to try to push up prices
- Foreign investors have infused more than Rs 5,400 crore in the Indian capital markets this month so far on persistent drop in global crude oil prices and strengthening rupee. According to data available with the depositories, FPIs put in a net amount of Rs 1,900 crore in equities and Rs 3,577 crore in the debt markets, taking the total to Rs 5,477 crore during December 3-28.
- The Board of state-owned Oil and Natural Gas Corp approved buyback of 25.29 crore shares for Rs 4,022 crore as part of the government plan to get cash-rich PSUs to part with their surplus.
- India's largest oil marketing company that is India Oil Corporation announced its biggest ever buyback plan that would cost the company nearly Rs 4,440 crore. IOC will buy back 29.77 crore shares aggregating up to 3.06 per cent of the paid-up equity capital through tender route at a price of Rs. 149.

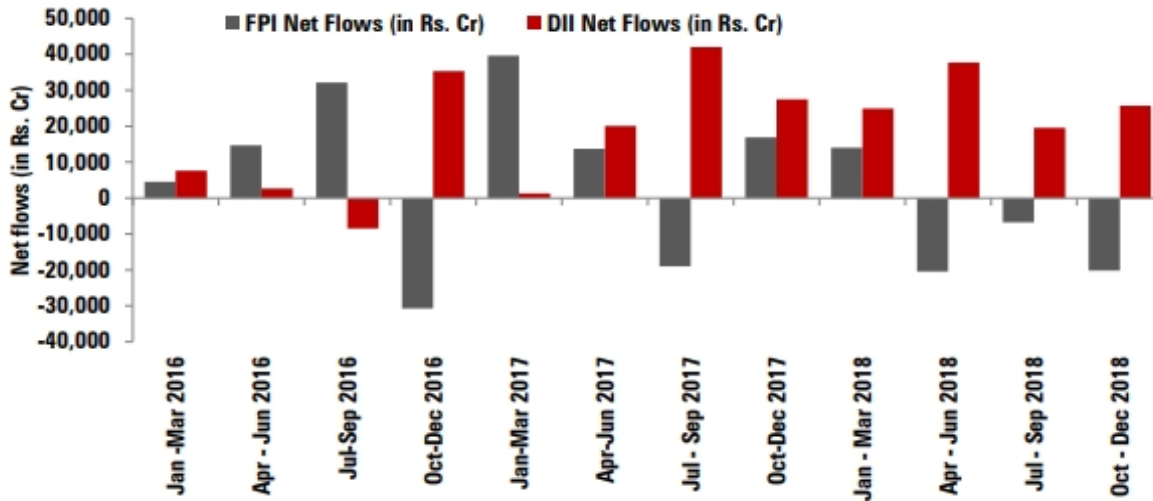
FII & DII Activity

| Net Flows | Dec-18 | Nov-18 | Oct-18 | Sep-18 | Aug-18 | Jul-18 |
|--------------|-----------|----------|------------|-----------|-----------|-----------|
| FII (in Cr.) | -1,103.37 | 4,934.11 | -29,201.20 | -9,469.13 | 2,822.72 | -3,340.96 |
| DII (in Cr.) | 375.55 | 1,309.47 | 26,033.90 | 12,504.73 | -2,228.53 | 4,136.74 |

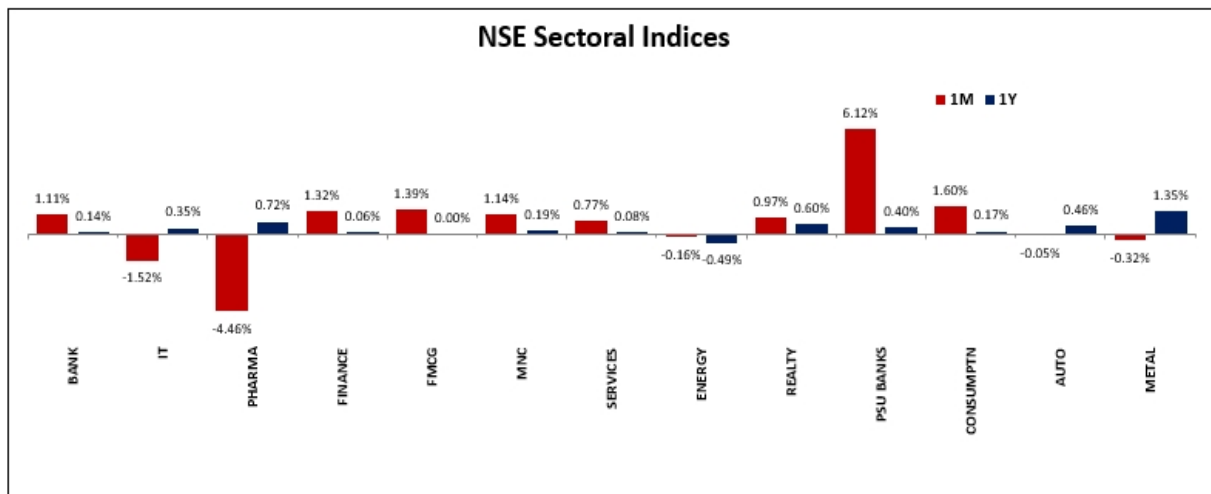
In the month of December, 2018 there was an outflow of FII's and amounted to Rs 1,103 crore in equity capital market as compared to inflow of Rs 4,934.11 crore in November, 2018 and DII's were still net buyers in the equity market to the tune of Rs 375.55 crore in month of November as compared to November, 18 to the amount of Rs 1,309.47 crore.

DII's will continue to invest in markets and IPOs/ QIPs as they are getting record inflows in form of SIPs, etc. Today DII's are the most dominant pool of capital. There are around 7-8 companies on roadshows meeting both FIIs and DII's. There is enough investor appetite for differentiated and sizable players in the market

DII compensated for FPI selling in CY2018



Sectoral Performance



Currency Outlook

- The country's foreign exchange reserves increased by \$167.2 million to \$393.287 billion in the week to December 21, mainly due to a rise in foreign currency assets. In the reporting week, foreign currency assets, a major component of the overall reserves, rose by \$105.2 million to \$367.970 billion.
- The Indian rupee Monday signed off the last trading session of 2018 with 18 paise gains at 69.77 per dollar but clocked a 9.23 per cent fall during the year after witnessing it's one of the tumultuous years in the recent past. On year-over-year basis, the rupee depreciated by a whopping 509 paise, or 9.23 per cent, as compared to 2017-end level of 63.87

2. Foreign Exchange Reserves

| Item | As on December 21 2018 | | Variation over | | | | | |
|---------------------------------|------------------------|-----------|----------------|----------|----------------|-----------|---------|-----------|
| | ₹ Bn. | US\$ Mn. | Week | | End-March 2018 | | Year | |
| | | | ₹ Bn. | US\$ Mn. | ₹ Bn. | US\$ Mn. | ₹ Bn. | US\$ Mn. |
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
| I Total Reserves | 27,536.6 | 393,287.9 | -620.3 | 167.2 | -71.9 | -31,256.9 | 1,600.4 | -11,633.9 |
| 1.1 Foreign Currency Assets | 25,771.5 | 367,970.9 | -617.7 | 105.2 | -204.2 | -31,471.1 | 1,395.9 | -12,709.2 |
| 1.2 Gold | 1,478.5 | 21,224.4 | 2.6 | 37.2 | 81.1 | -259.8 | 143.7 | 508.4 |
| 1.3 SDRs | 102.2 | 1,459.1 | -1.8 | 8.9 | 2.0 | -80.9 | 6.0 | -43.5 |
| 1.4 Reserve Position in the IMF | 184.4 | 2,633.5 | -3.4 | 15.9 | 49.2 | 554.9 | 54.8 | 610.4 |

IPO CORNER

| IPO Name | Issue open | Issue Closes | Offer Price | Issue Size in Crore |
|-------------------------------------|------------|--------------|-------------|---------------------|
| Shankar Lal Rampal Dye-Chem Limited | 12-Dec-18 | 14-Dec-18 | 45 | 7.29 |
| Deccan Health Care Limited | 18-Dec-18 | 20-Dec-18 | 95-100 | 42.12 |
| Axita Cotton Limited | 27-Dec-18 | 2-Jan-19 | 60 | 10.51 |

NCD

| IPO Name | Issue open | Issue Closes | Offer Price | Issue Size in Crore |
|----------------------------|------------|--------------|-------------|---------------------|
| Kosamattam Finance | 27-Dec-18 | 25-Jan-19 | 1000 | 300 |
| SREI Equipment Finance Ltd | 19-Dec-18 | 18-Jan-19 | 1000 | 300 |

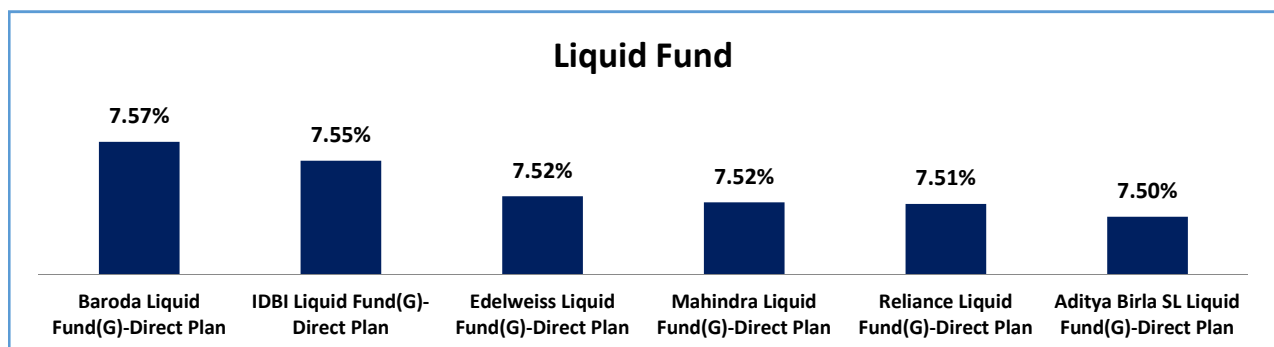
Source-https://www.nseindia.com/products/content/equities/ipos/homepage_ipo.htm

Mutual Funds

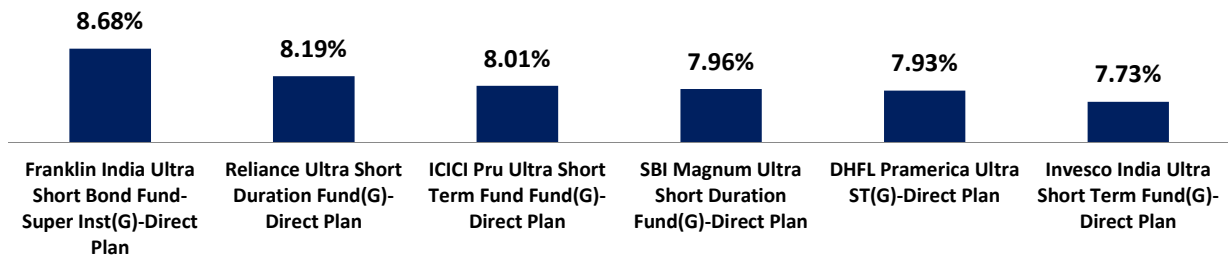
| MF Activity | December | | | November | | | October | | |
|--------------|------------|------------|-----------|------------|------------|-----------|------------|------------|-----------|
| | Purchase | Sell | Net Flow | Purchase | Sell | Net Flow | Purchase | Sell | Net Flow |
| Equity (Cr.) | 47,954.26 | 45,224.20 | 2,730.06 | 42,503.18 | 40,002.46 | 2,500.72 | 73,141.47 | 51,255.80 | 21,885.67 |
| Debt (Cr.) | 240,280.09 | 175,385.41 | 64,894.68 | 159,654.82 | 110,971.78 | 48,683.04 | 139,497.61 | 111,165.22 | 28,332.39 |

The Securities and Exchange Board of India (Sebi) allowed mutual funds to segregate stressed debt paper via the so-called 'side pocket' only if it falls below investment grade. Debt fund managers would be able to segregate risky assets from other cash and investment holdings only if the rating of the paper falls below 'BBB'. AMCs will also not be allowed to charge investment and advisory fee on the segregated portfolio

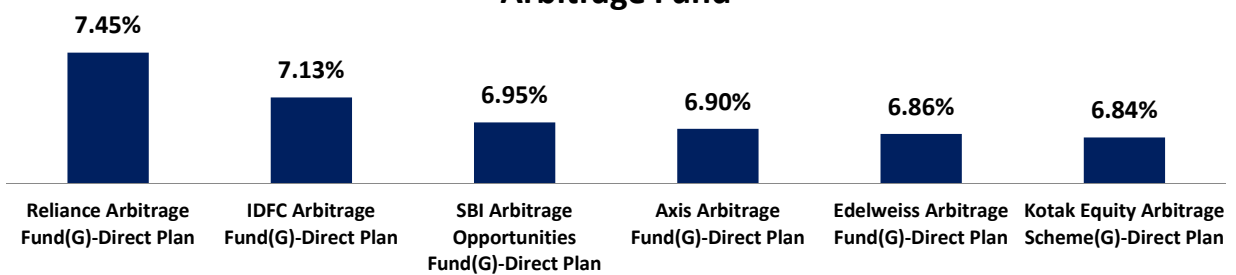
Schemes: Mutual Fund Performance Tracker - 1yr Annualised Return



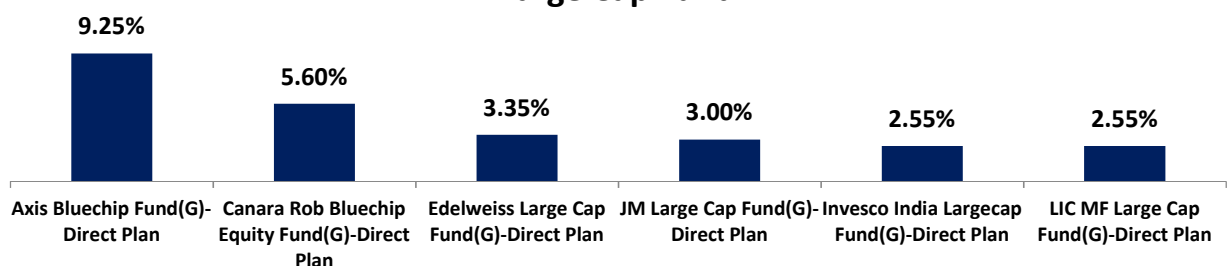
Ultra Short Term Fund



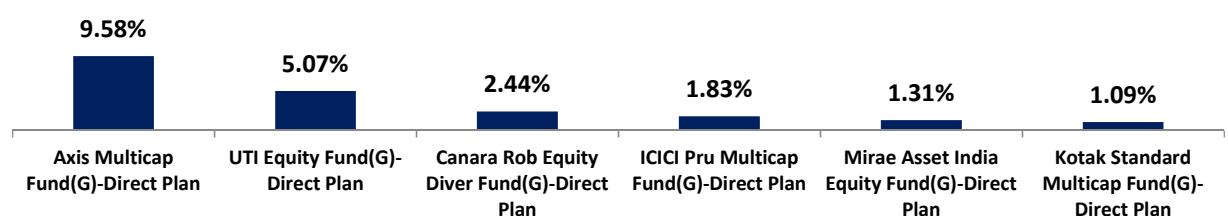
Arbitrage Fund



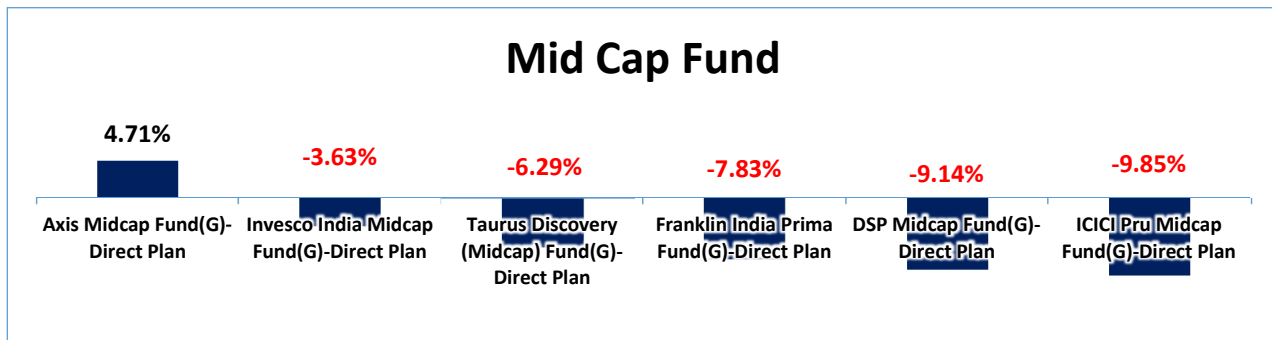
Large Cap Fund



Multi Cap Fund



Mid Cap Fund



M&A Deals

- Fortis Healthcare Ltd has extended for a second time the deadline to complete the acquisition of Indian clinics and hospitals held by Singapore-listed RHT Health Trust.
- Mukesh Ambani-led Reliance Industries Ltd has agreed to pick up an 88% stake in renewable energy services firm Kanoda Energy Systems Pvt. Ltd for Rs 75 crore (about \$10.7 million) in cash
- Infibeam Avenues Ltd. has terminated a deal to acquire Unicommerce eSolutions Pvt. Ltd from SoftBank-backed online retailer Snapdeal
- KKR is set to own a majority stake in Max Healthcare after merging its portfolio firm Radiant Life Care Pvt. Ltd with the hospital chain.
- Online classifieds platform Quikr India Pvt. Ltd said on Monday it has acquired the Chennai-based operator of IndiaProperty.com to grow its real estate vertical.
- Insurance management company Ideal Insurance Brokers Pvt. Ltd announced that it has acquired the insurance broking division of Mumbai-listed Emkay Global Financial Services Ltd for Rs 1.71 crore (about \$239,000) in a cash deal.

Key Global Economic Events - January 2019

| Date | Events | Previous |
|---------------|-------------------------------------|-----------|
| India | | |
| 02-Jan-19 | Nikkei Manufacturing PMI Dec | 54.00 |
| 11-Jan-19 | Industrial Production YoY (NOV) | 8.10% |
| 11-Jan-19 | Manufacturing Production YoY NOV | 7.90% |
| 14-Jan-18 | WPI Inflation (YoY) (Dec) | 4.64% |
| 14-Jan-18 | Inflation Rate YoY DEC | 2.33% |
| 14-Jan-18 | WPI Food YoY DEC | -3.31% |
| 15-Jan-18 | Balance of Trade DEC | \$-16.67B |
| US | | |
| 02-Jan-19 | Markit Manufacturing PMI Final DEC | 55.3 |
| 02-Jan-19 | ISM Manufacturing PMI (DEC) | 59.3 |
| 03-Jan-19 | ADP Employment Change DEC | 179K |
| 03-Jan-19 | Non-Farm Payrolls DEC | 155K |
| 04-Jan-19 | ISM Non-Manufacturing PMI DEC | 60.7 |
| 08-Jan-19 | Balance of Trade NOV | \$-55.5B |
| 11-Jan-19 | Core Inflation Rate YoY DEC | 2.2% |
| 16-Jan-19 | Retail Sales MoM DEC | 0.2% |
| 30-Jan-19 | GDP Growth Rate QoQ 3rd Adv Q4 | 3.4% |
| Europe | | |
| 02-Jan-18 | Markit Manufacturing PMI Final DEC | 51.8 |
| 07-Jan-18 | Retail Sales YoY NOV | 0.30% |
| 15-Jan-19 | Balance of Trade NOV | €14B |
| 31-Jan-19 | GDP Growth Rate QoQ Flash Q4 | 0.2% |
| China | | |
| 01-Jan-19 | Caixin Manufacturing PMI (DEC) | 50.20 |
| 07-Jan-19 | Balance of Trade (DEC) | \$44.74B |
| 07-Jan-19 | Exports YoY (DEC) | 5.4% |
| 07-Jan-19 | Imports YoY (DEC) | 3.0% |
| 08-Jan-19 | Inflation Rate YoY DEC | 2.2% |
| 09-Jan-19 | Retail Sales YoY DEC | 8.1% |
| 17-Jan-19 | House Price Index YoY (DEC) | 9.3% |
| World | | |
| 17-Jan-19 | Consumer Inflation Expectations JAN | 4.00% |

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CINNo. – U65990MH1993PLC07100