

## Market Update - February 2019

### Economy

- RBI has projected the GDP growth for 2018-19 in the December policy at 7.4% (7.2-7.3% in H2) and at 7.5% for H1FY20, with risks somewhat to the downside.
- The seasonally adjusted Nikkei India Services Business Activity Index fell for the second straight month in January, from 53.2 in December to 52.2, indicating a softer expansion in output.
- The annual rate of inflation, based on monthly WPI, stood at 2.76% (provisional) for the month of January 2019 (over January 2018) as compared to 3.80% (provisional) for the previous month and 3.02% during the corresponding month of the previous year. As per the press release the Buildup inflation rate in the financial year so far was 2.49% compared to a build-up rate of 2.47% in the corresponding period of the previous year. Consumer food price inflation fell 2.17%.
- India Ratings and Research (Ind-Ra) believes the recent hike of Rs 2 per kilogram (kg) in the minimum support price (MSP) of sugar could generate an additional income of Rs 30-35 billion for sugar producers in sugar season (SS) 2018-19, and will also narrow the gap between domestic prices and production cost.
- The Reserve Bank of India (RBI) will merge three categories of Non-Banking Financial Companies (NBFCs) like Asset Finance Companies (AFC), Loan Companies (LCs) and Investment Companies (ICs) into a new one to create a new category called NBFC-ICC (Investment and Credit Company). Further, a deposit-taking NBFC-ICC shall invest in unquoted shares of another company which is not a subsidiary company or a company in the same group of the NBFC, an amount not exceeding 20% of its owned fund.
- GST Panel recommended to cut down GST rate from 12% to 5% for the general category, and from 8% to 1% for the affordable housing segment factor-in the sentiments of the market and consumers and hopefully these will be implemented sooner than later.
- The RBI released its MPC meet minutes on Feb 21, 2019. The apex bank, in its final bi-monthly monetary policy review for FY19, decided to cut the repo rate by 25bps to 6.25% and changed its policy stance to "neutral" from calibrated tightening earlier. Consequently, the reverse repo rate under the LAF stands adjusted to 6.0%, and the marginal standing facility (MSF) rate and the Bank Rate to 6.5%. This was the first policy review under new governor Shaktikanta Das.
- Few highlights of the Union Budget presented by Piyush Goyal are: -
  - In the Interim Budget 2019-20, the Railways has been allocated Rs64,587cr. The Railways' overall capital expenditure programme is of Rs1,58,658cr
  - Individual taxpayers with annual income up to 5 lakh rupees to get full tax rebate.
  - Individuals with gross income up to 6.5 lakh rupees will not need to pay any tax if they make investments in provident funds and prescribed equities.
  - Tax slabs for those with income over Rs 5 lakh remain unchanged.
  - TDS threshold on rental income raised from Rs 1.8 lakh to Rs 2.4 lakh rupees

- Gratuity limit increased from 10 lakhs to 30 lakh rupees
  - Direct tax collections from 6.38 lakh crore rupees in 2013-14 to almost 12 lakh crore rupees; tax base up from Rs 3.79 crore to Rs 6.85 crore. 99.54% returns have been accepted without any scrutiny. In January 2019, GST collections has crossed 1 lakh crore rupees.
  - TDS on interest income from deposits in banks and post-offices up to Rs 40,000 against Rs 10,000 earlier.
- Prime Minister Narendra Modi formally kicked off the implementation of Rs 75,000-crore Pradhan Mantri Kisan Samman Nidhi (PM-KISAN) scheme and distributed the first instalment of Rs 2,000 to over one crore farmers during his visit to Gorakhpur and Prayagraj. The Kisan scheme, launched to address farm distress, guarantees Rs 6,000 annually to farmers with less than 2 hectares of land, in three instalments.
- On 14 February 2019, a convoy of vehicles carrying security personnel on the Jammu Srinagar National Highway was attacked by a vehicle-borne suicide bomber at Lethpora (near Awantipora) in the Pulwama district, Jammu and Kashmir, India. The attack resulted in the deaths of 40 Central Reserve Police Force (CRPF)[a] personnel and the attacker. The responsibility for the attack was claimed by the Pakistan-based Islamist militant group Jaish-e-Mohammed. The attacker was Adil Ahmad Dar, a local from Indian-administered Kashmir, and a member of Jaish-e-Mohammed. India blamed Pakistan for the attack. Pakistan condemned the attack and denied any connection to it.
- The 2019 Balakot airstrike occurred on 26 February 2019, when twelve Mirage 2000H jets of the Indian Air Force crossed the Line of Control in Kashmir to perform an airstrike on what India says was a terrorist training camp inside Pakistan. The airstrikes were a retaliation for an attack on its paramilitary forces, which took place two weeks prior
- The government will infuse Rs 42,000 crore in the state-owned banks by March-end and the next tranche would be released as early as next month. The RBI while deciding to retain the capital adequacy requirement for banks at 9 per cent, agreed to extend the transition period for implementing the last tranche of 0.625 per cent under the capital conservation buffer (CCB) by one year - up to March 31, 2020.
- The government approved recapitalisation of 12 public sector banks through an infusion of Rs 48,239 crore: -
- Corporation Bank - Rs 9,086 crore
  - Union Bank - Rs 4,112 crore
  - Andhra Bank - Rs 3,256 cr
  - Syndicate Bank - Rs 1,603 cr
  - Central Bank of India - Rs 2,560 cr
  - Punjab National Bank - Rs 5,908 crore
  - Bank of Maharashtra - Rs 205 crore
  - Bank of India - Rs 4,638 crore
  - Allahabad Bank - Rs 6,896 crore
  - United Bank - Rs 2,839 crore
  - UCO Bank - Rs 3,330 crore
  - Indian Overseas Bank-Rs 3,806 crore

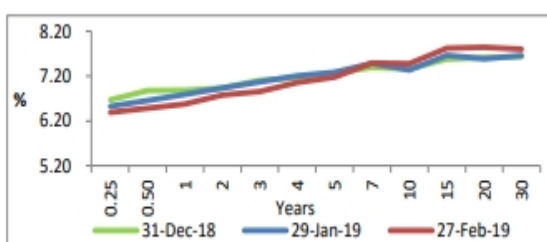
## Global

- According to the report, the Fed is expected to wait until fourth quarter of 2019 before raising rates again. This is based on current conditions like elevated uncertainty, financial tensions and weaker growth fundamentals and also because of the fact that actual and expected inflation are likely to undershoot the Fed's target in the first half of 2019.
- US markets closed mixed. DJIA and S&P closed lower as investors were seen to focus on the testimonies of US trade representative wherein, he suggested likelihood of official abandon additional tariffs on \$200 bn worth Chinese imports however said that no certainty on trade deal and Fed Chair who indicated wait and watch stance on monetary policy. Increase in US's trade deficit also weighed on investors' sentiments. NASDAQ closed marginally higher supported by data suggesting increased factory orders and energy shares with rise in crude oil prices
- The US and China concluded another round of talks to de-freeze the trade tariff war. In the past few rounds, both have been circumspect about their statements, and hence, markets are none the wiser. On 16th of February, Trump officially declared a national emergency over the wall along the Mexican border. The National Emergency enables Trump to use his veto power and bridge any shortfall in the wall budget from the defence procurement fund.
- China is proposing that it could buy an additional \$30bn a year of US agricultural products including soybeans, corn, and wheat as part of a possible trade deal being negotiated by the two countries. The offer to buy the extra farm produce would be part of the memoranda of understanding under discussion by the US and Chinese negotiators in Washington.
- UK and European officials are working on a new legal text for the most contentious part of the Brexit deal, but time is running out for Prime Minister Theresa May to persuade a fracturing Parliament to unite behind her plan.

## Debt Market

- G-Sec yields rose after data indicated that the government has exceeded the fiscal deficit target along with rising crude oil prices that rose inflationary concerns. The rise was however somewhat capped after the RBI announced measures to infuse liquidity in the system (OMO purchases worth Rs. 25,000 cr and longer-term variable rate repo auctions worth Rs. 1 lakh crore in March'19).

Exhibit 2: G-Sec yields (%)



Source: FBIL

Rucha Ranadive  
(Economist)

Table 5: Corporate bond spreads over G-sec (%)

10 Year	25.02.2019	26.02.2018	10 year	25.02.2019	26.02.2018
AAA	1.32	1.33	A	3.96	3.96
AA+	1.63	1.63	A-	4.26	4.26
AA	1.88	1.88	BBB+	5.26	5.26
AA-	2.26	2.26	BBB	5.51	5.51
A+	2.96	2.96	BBB-	6.01	6.01

Source: FIMMDA

- For the first time in five years Food Corporation of India (FCI) is set to raise about Rs 8,000 crore in this year's biggest bond sale that might draw the country's largest pension fund and insurer which will help the federal agency garner the funds which it needs to buy and store farm produce. The bonds are likely to be of 10-year maturity and expected to yield 8.25-8.50%, although final pricing will be derived through the auction.

## Equity Market

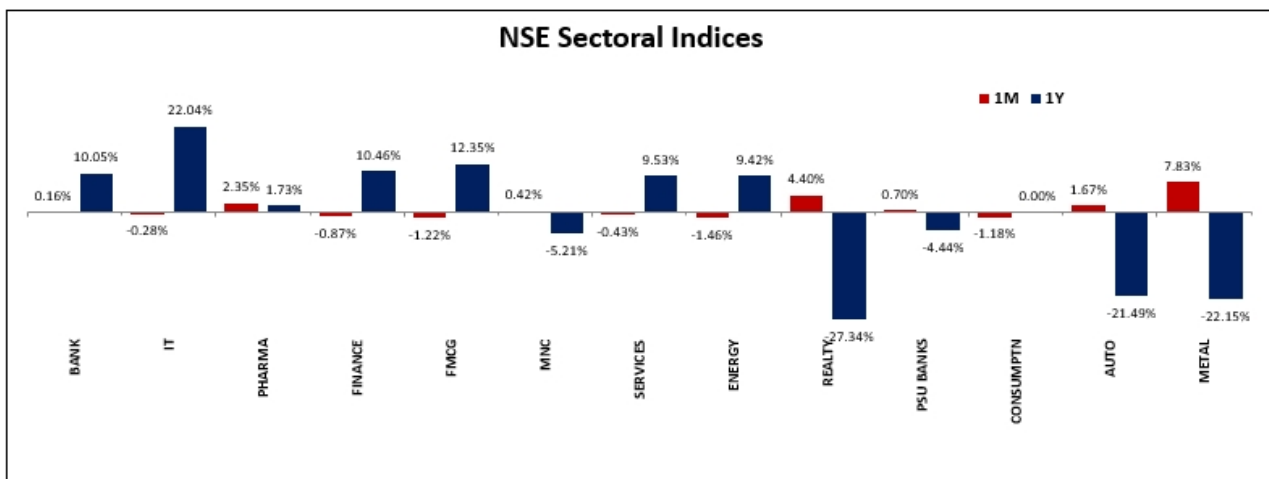
- The NSE NIFTY 50 Index was down by 0.53 percent to settle at 10,793 as on 28 February 2019 and opened at 10,851 as on 1<sup>st</sup> February 2019 and whereas BSE Sensex was down by 1.22 per cent and closed at 35,867.44 points and opened at 36,311.74 Indian equity markets closed lower in a volatile session amidst escalating geo-political tensions on the border with Pakistan along with concerns over fiscal deficit that exceeded during the first 10 months of the ongoing fiscal.
- Buybacks have been a regular phenomenon especially in the IT sector, and now it is Tech Mahindra's turn. The Company's board approved a buyback of 2.05 Crs shares at Rs 950/share, its first buyback ever. With a premium of 15% to its CMP, this move will be positive for the minority shareholders, a win-win situation, as after the buyback, the returned quantity will also appreciate in the long term because the Company will strive to capture a huge market share in the upcoming 5G telecom services.
- Moody's Investor Service, affirmed YES Bank's ratings and changed the outlook to 'stable' from 'negative' after the recent developments at the private sector lender, including the appointment of a new Managing Director and CEO and nil divergences report from the RBI.
- Packaged foods and beverages company Nestle India reported a 9.6% jump in net profit for the December quarter at ₹342 crore. For the quarter ended Dec 31, Nestle India posted a 12% jump in total income at ₹2972.5 crore up from ₹2,652 crores in the same quarter of the previous year. Total income for the full year stood at ₹11,551 crores, with annual net profit up 31% at ₹1607 crore.
- Struggling carrier Jet Airways (India) Ltd reported a standalone net loss of ₹587.77 crore for the third quarter (Q3) ended 31 December. Revenue from operations during the quarter under review stood at ₹6,147.98 crores as against ₹6,086.20 crores in the year-ago period
- In a BSE filing, Reliance Capital said it has invited its partner Nippon Life Insurance to make an offer to acquire up to 42.88 per cent stake held by Reliance Capital in Reliance Nippon Life Asset Management. Nippon Life Insurance already holds 42.88 per cent stake in Reliance Nippon Life Asset Management
- Market regulator SEBI is looking into allegations and counter-allegations related to the sale of pledged shares of Anil Ambani-led Reliance Group's three listed firms by two lenders. Reliance Group has accused L&T Finance and Edelweiss Group entities of "illegal" and "motivated" actions in invoking the pledged shares of Anil Ambani group firms and selling them in open market causing a steep fall in share values.

## FII's & DIIs Activity

Net Flows	Feb-19	Jan-19	Dec-18	Nov-18	Oct-18	Sep-18	Aug-18	Jul-18
FII (in Cr.)	13,564.57	127.67	-1,103.37	4,934.11	-29,201.20	-9,469.13	2,822.72	-3,340.96
DII (in Cr.)	-565.89	2,146.87	375.55	1,309.47	26,033.90	12,504.73	-2,228.53	4,136.74

In the month of February, 2019 there was an inflow of FII's and amounted to Rs 13,564.57 crore in equity capital market as compared to inflow of Rs 127.67 crore in January 2019 and DII's were net sellers in the equity market to the tune of Rs 565.89 crore in month of February as compared to January 19 to the amount of Rs 2,146.87 crore of net purchasers.

## Sectoral Performance



## Currency Outlook

The drop in India's rupee is a "knee-jerk reaction" to the border tensions and the extent of weakness will depend on the Indian government's rhetoric and the tensions which has added more worries over the elections. DBS forecasts that USD/INR will rise to 73-74 in the next two quarters due to the election uncertainty and broad dollar strength. The rupee's weakness is also a reflection of India's vulnerability to higher Brent prices as the nation imports about 80 percent of its oil needs.



Source- <https://www.xe.com/currencycharts/?from=USD&to=INR&view=1M>

## IPO CORNER

IPO Name	Issue open	Issue Closes	Offer Price	Issue Size in Crore
Gleam Fabmat Limited IPO	19-Feb-19	22-Feb-19	10	3.12
Kranti Industries Limited	14-Feb-19	20-Feb-19	37	8.58
Mindpool Technologies	14-Feb-19	20-Feb-19	30	3.6
Anmol India Limited	12-Feb-19	14-Feb-19	33	10.23
Jonjua Oversears Limited	12-Feb-19	15-Feb-19	10	1.3

## NCD

IPO Name	Issue open	Issue Closes	Offer Price	Issue Size in Crore
Indiabulls Consumer Finance Limited	4-Feb-19	5-Feb-19	1000	2500

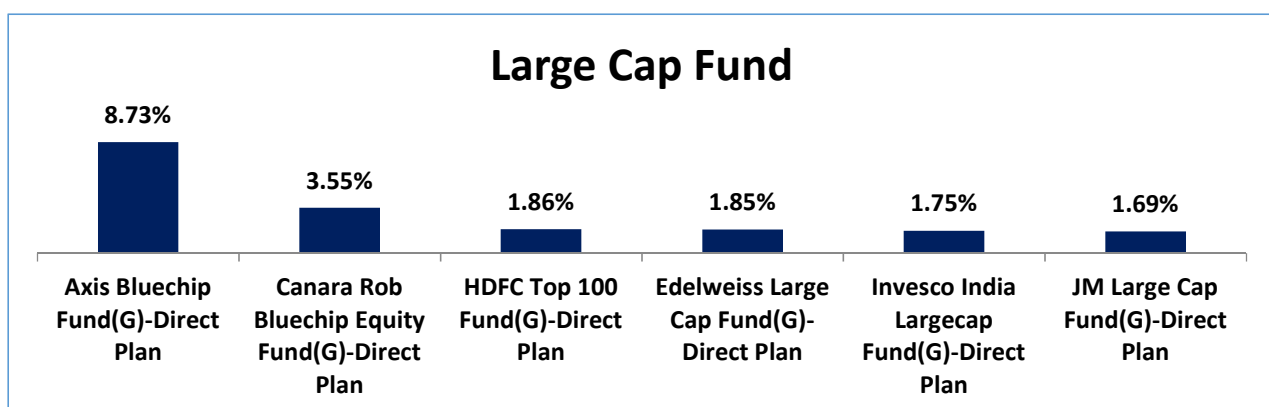
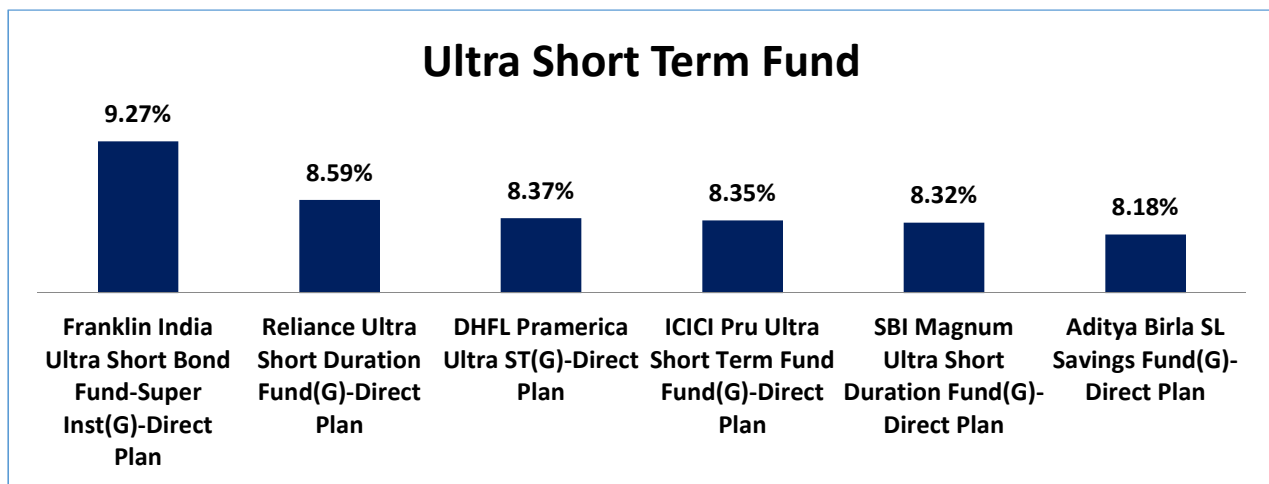
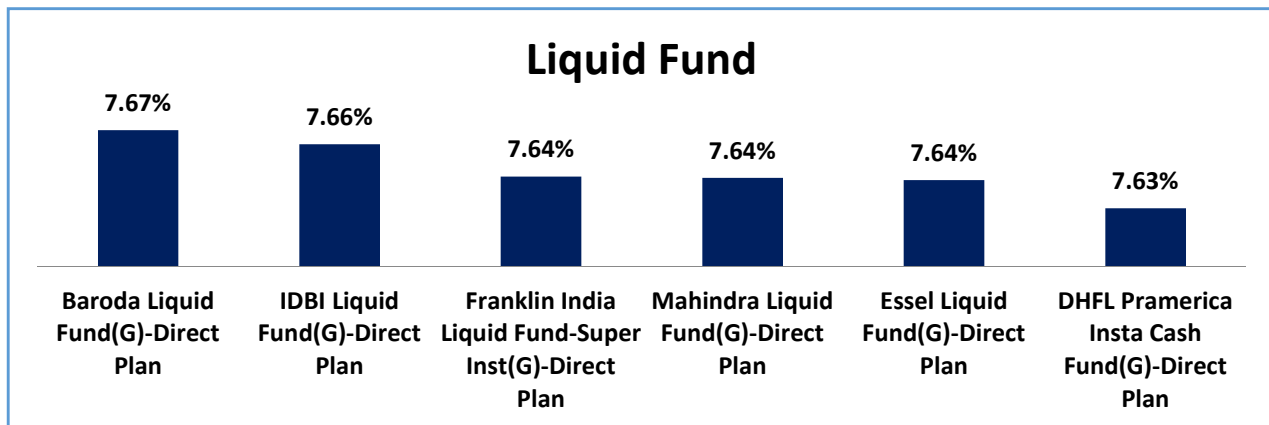
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## Mutual Funds

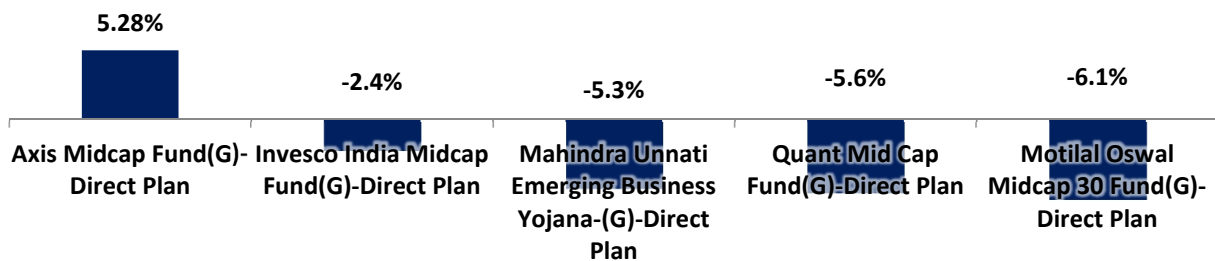
MF Activity	Feb-19			Jan-19			Dec-18		
	Purchase	Sell	Net Flow	Purchase	Sell	Net Flow	Purchase	Sell	Net Flow
Equity (Cr.)	4,504.49	9,705.86	-5,201.37	4,662.09	5,862.90	-1,200.81	47,954.26	45,224.20	2,730.06
Debt (Cr.)	14,587.80	12,195.25	2,392.55	10,827.01	11,799.40	-972.39	240,280.09	175,385.41	64,894.68

- In case of unrated debt instruments, a mutual fund cannot invest more than 10% of the portfolio in a single issuer and 25% in all such securities.
- In case of listed securities of the sponsor and their group companies, the investment cannot exceed 25% of the scheme's portfolio.
- The UTI Mutual Fund launched a ten-day equity yatra in 51 cities especially targeting Tier II and Tier III cities. The yatra aims to bring forth the concept, what fund managers do to financial intermediaries and through them reach out to investors. The yatra will cover topics such as UTI's equity investment management team, fund focus, wealth creation formula and the product range.
- It was observed that Mutual funds have approached the Securities and Exchange Board of India to allow them to alter the terms of Essel Group debenture trust deeds to give the promoters time to bring in a strategic investor instead of having to offload pledged shares as there is a drop in the security cover, said people aware of the matter. The capital market regulator will seek to determine whether the mutual funds are acting in the best interests of the investors while deciding on the matter.
- SEBI, in its board meeting held on March 1, 2019, stated two changes in the valuation of securities in the portfolio of liquid funds, or for that matter any money market or debt fund. One, valuation of securities of residual maturity more than 30 days will be subject to mark-to-market (MTM), which currently is more than 60 days. Secondly, for securities of residual maturity less than 30 days, the valuation basis remains that of amortisation i.e. not subject to MTM. The small change is the difference between the valuation price taken by the AMC and the reference price given by the valuation agencies can be plus/minus 0.025% i.e. 2.5 basis points.

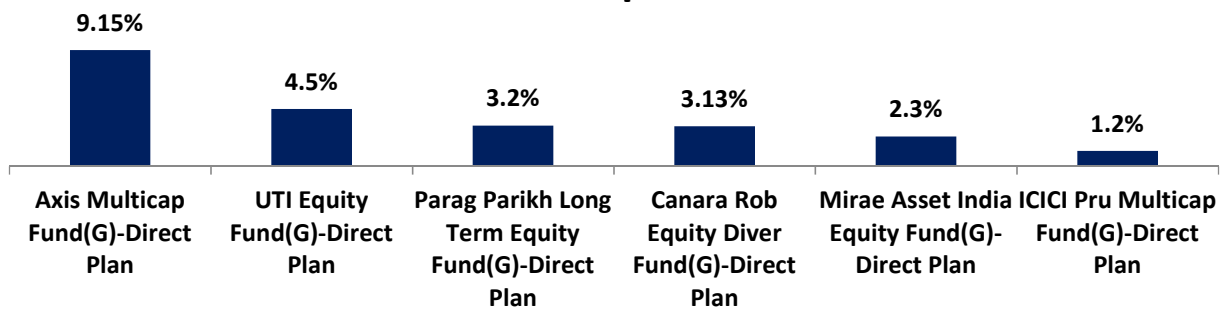
## Schemes: Mutual Fund Performance Tracker - 1yr Annualised Return



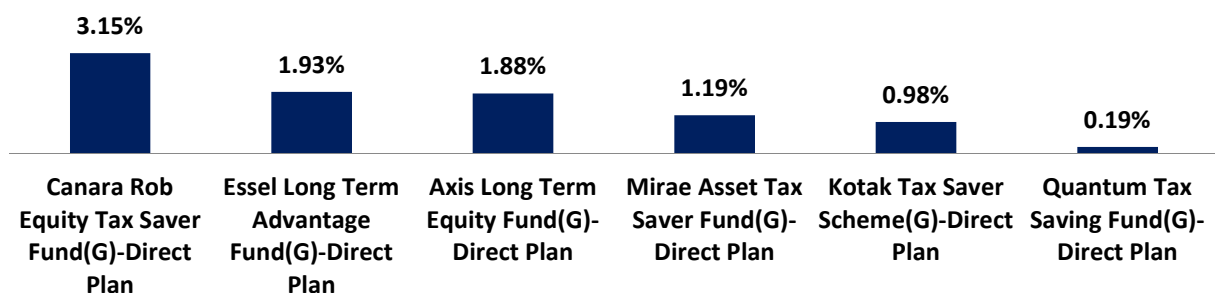
### Mid Cap Fund



### Multicap Fund



### ELSS Fund



## M&A Deals

- Thomas Cook India Group acquires Digiphoto Entertainment Imaging
- LTI acquires Germany based NIELSEN+PARTNER
- KEC International to sell unit stake to Adani Transmission



## Key Global Economic Events - March 2019

Date	Events	Previous
<b>India</b>		
01-Mar-19	Nikkei Manufacturing PMI Feb	53.90
01-Mar-19	Deposit Growth YoY Feb/15	14.50%
05-Mar-19	Nikkei Services PMI Feb	52.20
12-Mar-19	Industrial Production YoY Jan	2.4%
14-Mar-19	WPI Inflation (YoY) (Feb)	2.76%
14-Mar-19	WPI Manufacturing YoY FEB	2.61%
14-Mar-19	Balance of Trade Feb	\$-14.73B
19-Mar-19	Current Account Q4	\$-19.1B
30-Mar-19	External Debt Q4	\$510.4B
<b>US</b>		
01-Mar-19	Personal Income MoM Dec	0.2%
01-Mar-19	Personal Spending MoM Dec	0.4%
01-Mar-19	ISM Manufacturing PMI (Feb)	56.6
05-Mar-19	ISM Non-Manufacturing PMI Feb	56.7
06-Mar-19	Balance of Trade Dec	\$-49.3B
12-Mar-19	Core Inflation Rate YoY Feb	2.2%
14-Mar-19	Retail Sales MoM Jan	-1.2%
20-Mar-19	Fed Interest Rate Decision	2.5%
<b>Europe</b>		
01-Mar-19	Markit Manufacturing PMI Final Feb	50.5
01-Mar-19	Unemployment Rate Jan	7.9%
05-Mar-19	Retail Sales YoY Jan	0.80%
18-Mar-19	Balance of Trade Jan	€17B
<b>China</b>		
07-Mar-19	Balance of Trade (Feb)	\$39.16B
07-Mar-19	Exports YoY (Feb)	9.1%
07-Mar-19	Imports YoY (Feb)	-1.5%
10-Mar-19	Inflation Rate YoY Feb	1.7%
<b>World</b>		
12-Mar-19	GB Balance of Trade Jan	£-3.229B

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