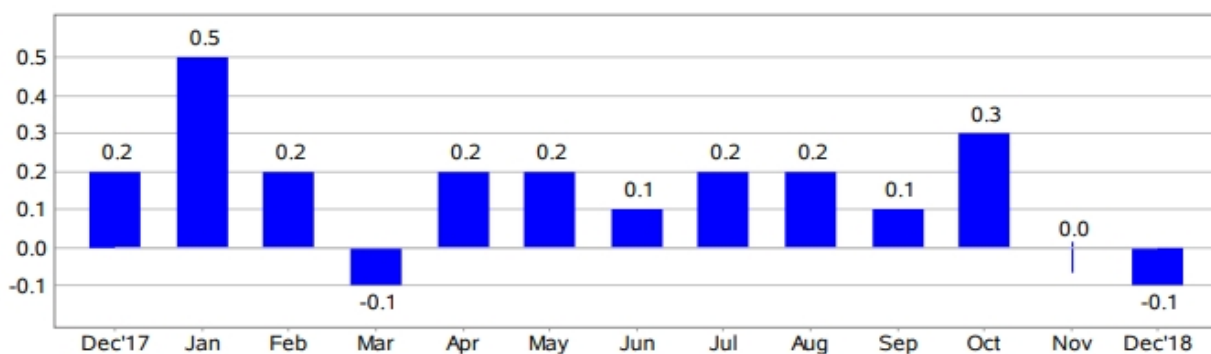


Market Update - January 2019

Economy

- It was decided that Bank of India and Bank of Maharashtra which meet the regulatory norms including Capital Conservation Buffer (CCB) and have Net NPAs of less than 6% as per third quarter results, were taken out of the PCA framework subject to certain conditions and continuous monitoring. In the case of Oriental Bank of Commerce, though the net NPA was 7.15%, as per the published results of third quarter, the Government has since infused sufficient capital and bank has brought the Net NPA to less than 6%. Hence, it has been decided to remove the restrictions placed on Oriental Bank of Commerce under PCA framework subject to certain conditions and close monitoring. Bank of India has also been out of PCA framework.
- According to the data released by The Commerce and Industry the growth of India's infrastructure industries slowed to an 18-month low in December which was brought down by coal, crude and fertilisers. The index of eight core industries rose 2.6% in December, the lowest since a 1% expansion recorded in June 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.
- It has been decided to conduct purchase of Government securities under Open Market Operations (OMOs) for an aggregate amount of ₹375 billion in the month of February 2019 through three auctions of ₹125 billion each during the 2nd, 3rd and 4th week. There will be no auction during the first week due to the scheduled MPC meeting.
- The Scheme of Ombudsman Scheme for Digital Transactions (OSDT) vide Notification dated January 31, 2019 for redressal of complaints against System Participants came into impact from 31 January 2019 and this scheme launched under Section 18 of the Payment and Settlement Systems Act, 2007, will provide a cost-free and expeditious complaint redressal mechanism relating to deficiency in customer services in digital transactions conducted through non-bank entities regulated by RBI. Complaints relating to digital transactions conducted through banks will continue to be handled under the Banking Ombudsman Scheme. The offices of Ombudsman for Digital Transactions will function from the existing 21 offices of the Banking Ombudsman and will handle complaints of customers from their respective territorial jurisdiction.
- After being through the various structural changes and demand pressures over the past two years, the real estate sector is expecting the upcoming Interim Union Budget for 2019-20 to rationalise the Goods & Services Tax rates for under construction properties, further incentives for affordable housing and convergence of stamp duties within the GST rates.
- Interim Finance Minister Piyush Goyal conducted a meeting with the state-run banks to step up their support to meet the lending needs of India's growing economy and post the performance review of public sector banks, he said that the government will protect genuine commercial decisions made by bankers and that it had assured all support to them to expand lending activity. They also discussed various measures to promote finance for housing and give thrust to home owners to get adequate financing.

- The upcoming Budget may have provision for Rs 4,000-crore capital infusion for public sector general insurance companies (National Insurance Company, Oriental Insurance Company and United India Insurance Company) to shore up their capital. The Budget 2019-20 is likely to be presented on February 1.
- Reserve Bank governor Shaktikanta Das will meet top global funds in Singapore and Hong Kong next month to sell India's growth story and shore up foreign fund inflows. The closed-door meeting, perhaps the first of its kind, is likely to take place in the second or third week of February with an expected 40-50 participants, including executives from GIC, Temasek, Aberdeen Asset Management, Prudential Plc (UK), Eastspring Investments, Nomura, Goldman Sachs and Morgan Stanley.
- A meeting with GST Council discussed and doubled the limit for exemption from payment of goods and services tax (GST) to Rs 40 lakh and announced that the higher turnover cap of Rs 1.5 crore for availing composition scheme of paying 1 per cent tax will be effective from April 1. The Council also allowed Kerala to levy a 1 per cent calamity cess on intra-state sale of goods and services for a period of up to two years to mobilise revenues to meet the cost of rehabilitating parts of states that were ravaged by floods last year.
- The Consumer Price Index for All Urban Consumers (CPI-U) declined 0.1 percent in December on a seasonally adjusted basis after being unchanged in November, the U.S. Bureau of Labor Statistics reported today. Over the last 12 months, the all items index increased 1.9 percent before seasonal adjustment. The seasonally adjusted decline in the all items index was caused by a sharp decrease in the gasoline index, which fell 7.5 percent in December. The food index rose 0.4 percent in December, the largest increase since May 2014.



One-month percent change in CPI for All Urban Consumers (CPI-U), seasonally adjusted, Dec'2017 – Dec'12018 Percent change

- The government has set a March deadline for lenders and resolution professionals (RPs) to resolve nine of the dozen high-value insolvency cases, with Essar Steel and Jaypee Infratech identified for special focus. The dozen high-profile cases owed around Rs 2.5 lakh crore to lenders. These cases are yet to be sorted out even after 18 months, way above the 270-day deadline in the law.
- The total gross GST revenue collected in the month January 2019 is Rs 1,02,503 crore of which CGST is Rs 17,763 crore, SGST is Rs 24,826 crore, IGST is Rs 51,225 crore (including Rs 24,065 crore collected on imports) and Cess is Rs 8,690 crore (including Rs 902 crore collected on imports).

Global

- Fourth-quarter GDP of China grew at the slowest pace since the global financial crisis, easing to 6.4 percent year-on-year, as expected, from 6.5 percent in the third quarter. That pulled full-year growth down to 6.6 percent, the slowest annual pace since 1990.
- Chinese and United States negotiators have made "important progress" in their latest round of trade talks, according to China's state media, as US President Donald Trump said he would soon meet his Chinese counterpart to try to secure a comprehensive deal between the world's two largest economies. US negotiators also reported substantial progress following the conclusion of the talks, even as the White House emphasised in a statement that a scheduled tariff increase on \$200bn of Chinese goods to 25 percent from 10 percent was a "hard deadline" if no deal was reached by March 1.
- In suspending its previous plans to continue raising rates this year, the Federal Reserve signaled that its march toward higher interest rates may be ending sooner than expected. The Fed's chairman, Jerome H. Powell, said economic growth remained "solid" and the central bank expected growth to continue. But in a sharp reversal of the Fed's stance just six weeks ago, Mr. Powell said the Fed had "the luxury of patience" in deciding whether to raise rates again. The Federal Reserve left interest rates unchanged Wednesday and vowed to take a patient approach to rate hikes in the wake of slowing global growth and subdued inflation and kept the overnight funds rate in a range of 2.25% to 2.5%.
- The World Economic Forum that concluded at Davos, Switzerland, met against the backdrop of a global economic slowdown, especially in China, and fears of a recession, while other concerns loomed over trade wars and the economic crisis in Venezuela. Without Trump, Xi Jinping of China or Vladimir Putin, Davos lacked a headline act.
- Donald Trump has signed legislation to end temporarily the longest-ever partial shutdown of the US government, which has left hundreds of thousands of federal employees without pay for more than a month. The US economy lost \$6bn during the month-plus hiatus because of lost productivity and business, according to a finance industry estimate – more than the \$5.7bn of taxpayer funding the president demanded for his long-promised wall along the US-Mexico border but failed to get Congress to agree to.

Debt Market

- India's household debt surged 1.8 times from Rs 3.7 lakh crore to Rs 6.74 lakh crore between 2016-17 and 2017-18. It grew at an annualised rate of over 13% in the past 5 years.
- Government revised the guidelines for External Commercial Borrowing which included that ECB up to USD 750 million or equivalent per financial year, which otherwise follow the parameters and other terms and conditions set out in the new ECB framework, will be permitted under the automatic route not requiring prior approval of the Reserve Bank and minimum average maturity period will be 3 years for all ECBs. However, for ECB raised from foreign equity holder and utilised for specific purposes, the MAMP (minimum average maturity period) would be 5 years. Similarly, for ECB up to USD 50 million per financial year raised by manufacturing sector, which has been given a special dispensation, the MAMP would be 1 year.

- As the 10 yr. G-sec yield moved from 7.41 from 1 Jan 2019 and ended at 7.48 as on 31 Jan 2019.



Equity Market

- The NSE NIFTY 50 Index was down by 0.29 percent to settle at 10830.95 as on 31 January 2019 and whereas BSE Sensex was up by 0.5 per cent and closed at 36,256.69 points. Among Nifty stocks, 22 closed in the green and 28 in the red. In the Sensex pack, 15 stocks advanced, 15 declined and one remained unchanged.
- India's second largest IT firm, Infosys reported 29.62 per cent drop in consolidated net profit at Rs 3,610 crore for December quarter. The IT firm had posted Rs 5,129 crore profit in the corresponding quarter last year. The company announced a share buyback under open market route of Rs 8,260 crore at a maximum price of Rs 800 per share. It also announced a special dividend of Rs 4 per share.
- DHFL shares extended their losing streak into the third consecutive session even as the company issued a clarification on the Cobrapost allegations. In an investor call, the company management said it was in advanced stage of talks to sell some non-core assets. The company clarified to BSE that it was fully tax compliant and its books are audited by global auditors.
- HCL reported a 19 per cent rise in consolidated net profit at Rs 2,611 crore during the December 2018 quarter and expressed confidence in meeting the higher end of its 9.5-11.5 per cent revenue growth guidance for FY2019.
- Axis Bank reported over two-fold rise in net profit with some improvement in asset quality. It posted 131 per cent year-on-year (YoY) rise in standalone profit at Rs 1,681 crore for Q3 of FY19.
- Bajaj Auto reported a 15.60 per cent year-on-year (YoY) rise in net profit on a 16 per cent rise in sales for December quarter.
- India's fourth largest private sector bank Yes Bank has appointed Brahm Dutt as non-executive part-time chairman to the board as Rana Kapoor will step down from his position on 31 Jan 2019 and EGM will be held on 21st Jan 2019.

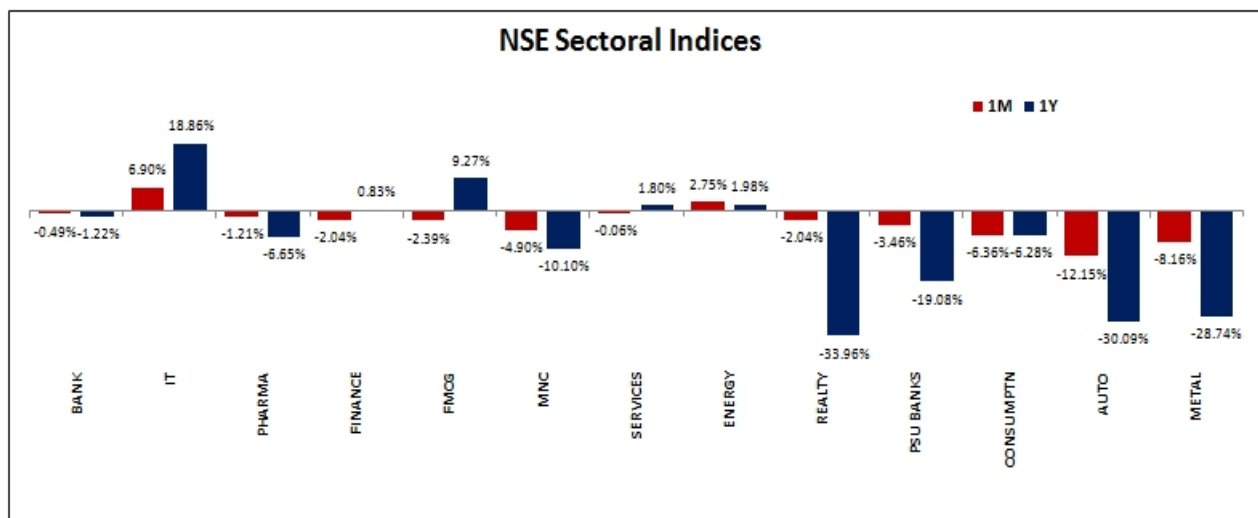
- The CBI has filed an FIR against the Kochhars, Dhoot and firms including Nupower Renewables and Videocon Industries for allegedly cheating ICICI Bank of Rs 1,730 crore until March 2012. Chanda Kocchar violated the ICICI's code of conduct, quoting an inquiry report on allegations of loan irregularities against its former chief. This means her entitlements including increments, bonuses, medical benefits and stock options, have been cancelled. She has to return bonuses paid from April 2009 to March 2018.
- Bandhan Bank will acquire NBFC Gruh Finance NSE -1.54 % in a share swap deal and Shareholders of Gruh Finance received 568 shares of Bandhan Bank for every 1,000 shares they held. HDFC-led Gruh Finance has total assets worth Rs 15,970.97 crore with turnover of Rs 1,687.19 crore and net worth of Rs 1,380.92 crore as of March 31, 2018. On the other hand, Bandhan Bank had total assets worth Rs 44,310.06 crore, turnover of Rs 5,508.48 crore and net worth of Rs 9,382 crore as of March 2018.

FII's & DII's Activity

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

- In the month of January ,2019 there was an inflow of FII's and amounted to Rs 127.67 crore in equity capital market as compared to outflow of Rs 1,103.37 crore in December 2018 and DII's were still net buyers in the equity market to the tune of Rs 2,146.87 crore in month of January as compared to December,18 to the amount of Rs 375.55 crore.
- As per the data from RBI, FDI during the previous fiscal grew 18 per cent to Rs 28.25 lakh crore. FDI increased by Rs 4,33,300 crore, including revaluation of past investments, during 2017-18 to reach Rs 28,24,600 crore in March 2018 at market value. Overseas direct investment (ODI) by Indian companies increased by 5 per cent to Rs 5.28 lakh crore.

Sectoral Performance



Currency Outlook

The Indian rupee to 70.96 against the US dollar amid weakness in the greenback in overseas markets after the US Fed kept interest rate unchanged. It is expected by many market movers that the rupee is headed for the worst performance among major Asian currencies in January as fiscal concerns weigh ahead of interim budget.



IPO CORNER

| IPO Name | Issue open | Issue Closes | Offer Price | Issue Size in Crore |
|----------------------------------|------------|--------------|-------------|---------------------|
| KPI GlobalInfrastructure Limited | 8-Jan-19 | 11-Jan-19 | 80 | 39.94 |
| Xelpmoc Design and Tech Limited | 23-Jan-19 | 25-Jan-19 | 62-66 | 23 |
| ChaletHotels Limited | 29-Jan-19 | 31-Jan-19 | 275-280 | 950 |
| Surani Steel Tubes Limited | 25-Jan-19 | 29-Jan-19 | 51-52 | 12.92 |
| Ritco Logistics Limited | 28-Jan-19 | 30-Jan-19 | 71-73 | 48.18 |

NCD

| IPO Name | Issue open | Issue Closes | Offer Price | Issue Size in Crore |
|---|------------|--------------|-------------|---------------------|
| India Infoline Finance Limited | 22-Jan-19 | 20-Feb-19 | 1000 | 2500 |
| Shriram Transport Finance Company Limited | 7-Jan-19 | 31-Jan-19 | 1000 | 700 |

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

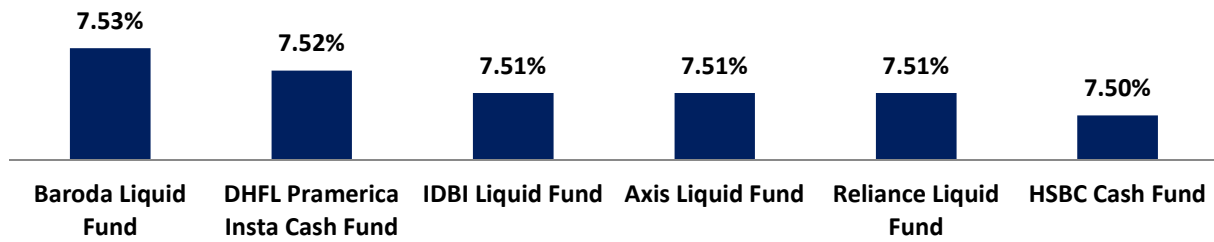
Mutual Funds

| MF Activity | January | | | December | | | November | | |
|--------------|-----------|-----------|-----------|------------|------------|-----------|------------|------------|-----------|
| | Purchase | Sell | Net Flow | Purchase | Sell | Net Flow | Purchase | Sell | Net Flow |
| Equity (Cr.) | 4,662.09 | 5,862.90 | -1,200.81 | 47,954.26 | 45,224.20 | 2,730.06 | 42,503.18 | 40,002.46 | 2,500.72 |
| Debt (Cr.) | 10,827.01 | 11,799.40 | -972.39 | 240,280.09 | 175,385.41 | 64,894.68 | 159,654.82 | 110,971.78 | 48,683.04 |

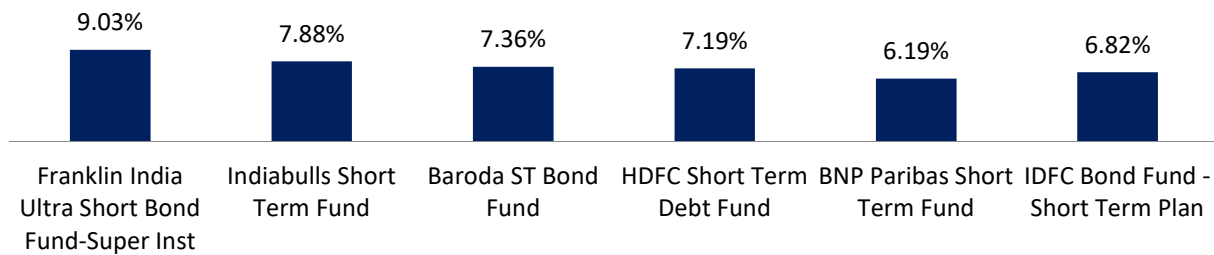
ICRA has put six debt fund schemes—two from HDFC Mutual Fund, one from Aditya Birla Sun Life Mutual Fund and three from UTI Mutual Fund—on a rating watch with negative implications. These funds held bonds of certain special purpose vehicles (SPVs)—Hazariabagh Ranchi Expressway Ltd (HREL), Jorabat Shillong Expressway Ltd (JSEL) and Jharkhand Road Projects Implementation Co. (JRPICL) that have links with IL&FS Group. The schemes that have been affected are HDFC Banking and PSU Debt Fund and HDFC Short-term Debt Fund with exposure of 0.29% and 0.55% of their assets under management (AUM), respectively.

Schemes: Mutual Fund Performance Tracker - 1yr Annualised Return

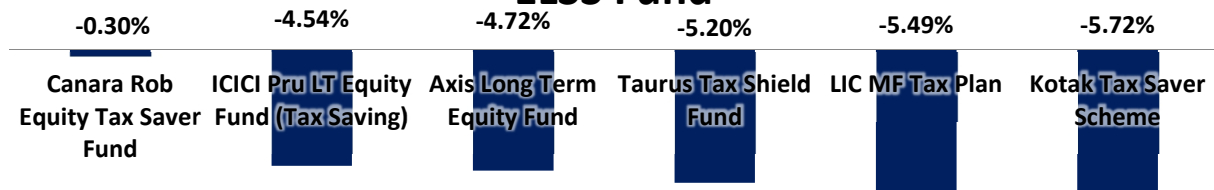
Liquid Fund



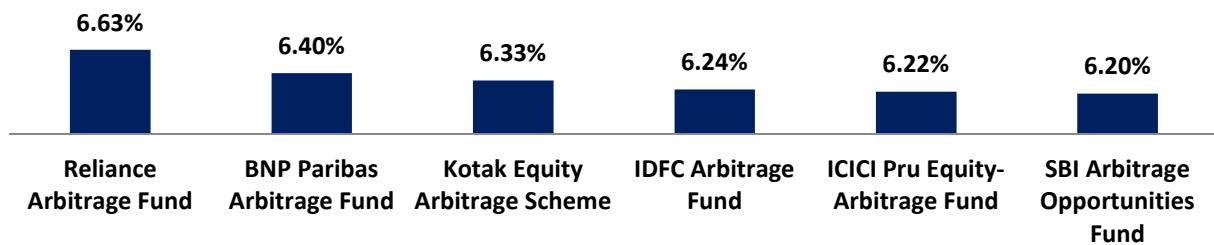
Ultra Short Term Fund



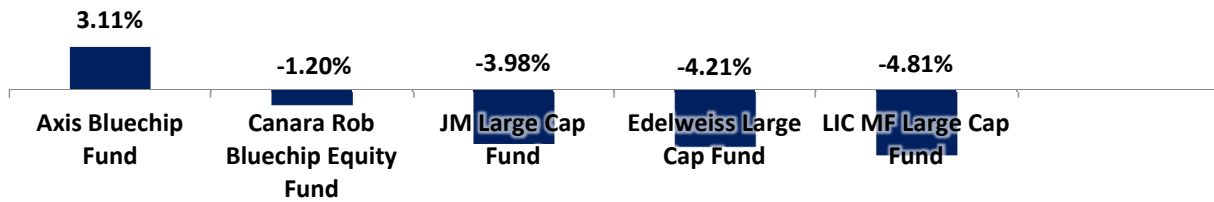
ELSS Fund



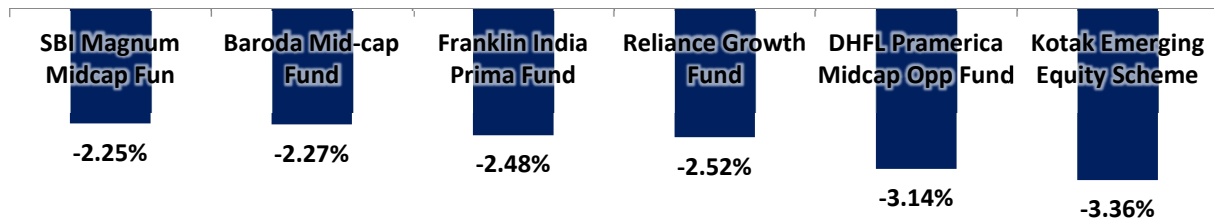
Arbitrage Fund



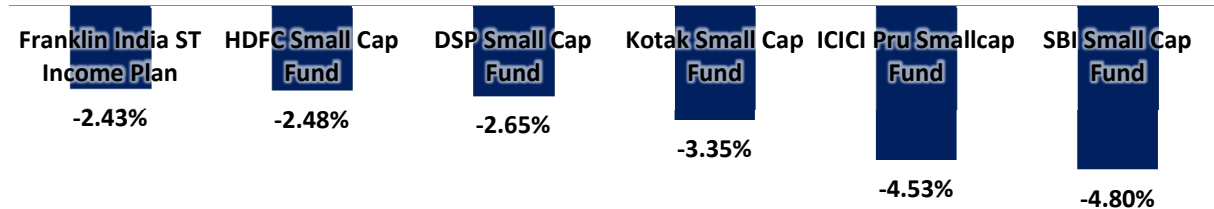
Large Cap Fund



Mid Cap Fund



Short Term



M&A Deals

- Bharat Sanchar Nigam Limited (BSNL) has entered into a machine-to-machine communications deal with Tata Motors, under which the state-owned telecom company will supply embedded SIM cards to make Tata cars 'smart.
- Mimecast Limited, a leading email and data security company, announced it has acquired Simply Migrate Ltd., an innovative provider of archive data migration technology.
- AGC Networks Limited, the trusted go-to-technology-solution-integrator, announced that its wholly-owned subsidiary has completed the acquisition of Black Box Corporation, a leading digital solutions provider in the US.

Key Global Economic Events - February 2019

| Date | Events | Previous |
|---------------|-------------------------------------|-----------|
| India | | |
| 01-Feb-19 | Nikkei Manufacturing PMI Jan | 53.20 |
| 07-Feb-19 | RBI Interest Rate Decision | 6.50% |
| 12-Feb-19 | Industrial Production YoY Jan | 0.50% |
| 14-Feb-18 | WPI Inflation (YoY) (Jan) | 3.80% |
| 12-Feb-19 | Inflation Rate YoY Jan | 2.19% |
| 15-Feb-18 | Balance of Trade Jan | \$-13.08B |
| 28-Feb-19 | GDP Growth Rate YoY Q4 | 7.10% |
| US | | |
| 01-Feb-19 | Non-Farm Payrolls Jan | 312K |
| 01-Feb-19 | ISM Manufacturing PMI (Jan) | 54.1 |
| 04-Feb-19 | Durable Goods Orders MoM Dec | 0.8% |
| 04-Feb-19 | Retail Sales MoM DEC | 0.20% |
| 05-Feb-19 | ISM Non-Manufacturing PMI Jan | 57.6 |
| 05-Feb-19 | Balance of Trade NOV | \$-55.5B |
| 13-Feb-19 | Core Inflation Rate YoY Jan | 2.2% |
| 26-Feb-19 | House Price Index MoM (Dec) | 0.4% |
| Europe | | |
| 01-Feb-19 | Markit Manufacturing PMI Final Jan | 51.4 |
| 01-Feb-19 | Core Inflation Rate YoY Flash Jan | 1% |
| 05-Feb-19 | Retail Sales YoY Dec | 1.10% |
| 14-Feb-19 | GDP Growth Rate QoQ 2nd Est Q4 | 0.2% |
| 15-Feb-19 | Balance of Trade Dec | €19B |
| China | | |
| 02-Feb-19 | Caixin Services PMI (Jan) | 53.90 |
| 13-Feb-19 | Balance of Trade (Jan) | \$57.06B |
| 13-Feb-19 | Exports YoY (Jan) | -4.4% |
| 13-Feb-19 | Imports YoY (Jan) | -7.6% |
| 14-Feb-19 | Inflation Rate YoY Jan | 1.9% |
| World | | |
| 14-Feb-19 | Consumer Inflation Expectations Feb | 3.50% |

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