

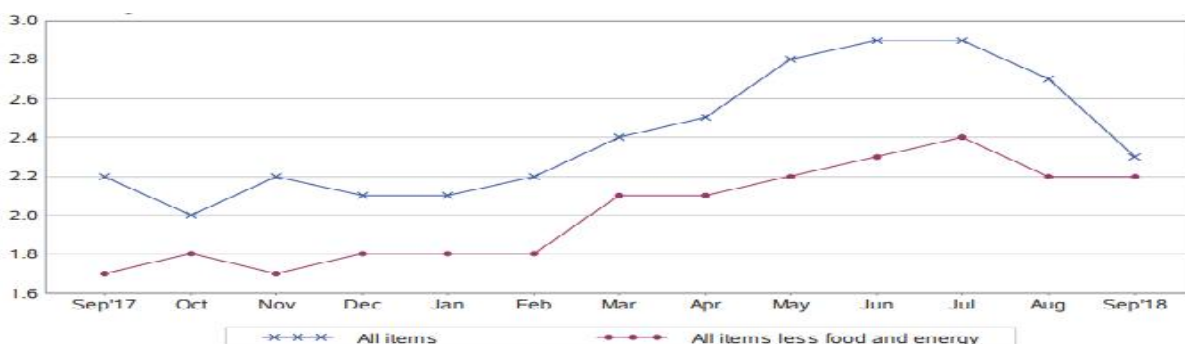
Market Update – October 2018

Economy

- As per World Bank report growth in India is firming up and is projected to accelerate to 7.3 % in the 2018-19 fiscal and 7.5 % in the next two years and IMF predicted a growth rate of 7.3 per cent for India in the current year and 7.4 per cent in 2019.
- The RBI kept the repo rate unchanged at 6.50 per cent, despite global and domestic macro-economic headwinds of rising interest rates in the US, rising crude prices, threat of crude oil fuelled inflation, weaker currency and FII outflows.
- Recently the Narendra Modi government announced a total relief of Rs 2.5 per liters on petrol and diesel in collaboration with oil companies and also hiked the natural gas price by 10% in its Six-Monthly revision to \$3.36 per million British thermal unit (mmBtu) from \$3.06 from October 1, which will lead to higher CNG and PNG rates.
- India's oilmeal exports rose 9 per cent to 14.03 lakh tone during the first six months of the ongoing financial year.
- The Government announced 6 percent hike in support price of wheat at Rs 1,840 per quintal, a move that will give farmers an additional income of Rs 62,635 crore and help contain their simmering discontent over high input cost and low sales realization. The Cabinet has approved a Rs 105 per quintal hike in wheat MSP to Rs 1,840 for 2018-19 season.
- Inflation appeared to shrug off the effects of a weakening rupee and higher oil prices in September, as the headline reading modestly rose to 3.8% from 3.7% in August, which was below market analysts' expectations of 4.0%
- In September, the WPI rose 0.7% from the prior month, up from the revised 0.1% increase in August (previously reported: +0.3% month-on-month). Wholesale price inflation accelerated to 5.1% in September from 4.5% in August. In September, consumer prices fell 0.07% from the previous month, contrasting the 0.43% rise recorded in August. Lower prices were due to cheaper food and beverages.
- The all-India general CPI inflation rose marginally to 3.77% in September 2018 (new base 2012=100), compared with 3.69% in August 2018. The core CPI inflation declined to 5.82% in September 2018 compared with 5.95% in August 2018.
- India's IIP growth in September 2018 rose 4.3% as compared to a year ago. The combined Index of Industrial Production (IIP) of the eight core industries stood at 127.2 in September 2018, 4.3% higher as compared to the index of September 2017.
- The Nikkei India Manufacturing Purchasing Managers' Index strengthened to 53.1 in October from 52.2 in September as new orders and production increased at the quickest rate in four months.

Indicators	C/Y	P/Y
Monthly CPI	3.77%	3.69%
Monthly WPI	5.10%	4.50%
IIP	4.29%	4.30%

- The five crucial states of MP, Chhattisgarh, Rajasthan, Telangana and Mizoram will be held in mid of November and may have an impact on our economy as a whole. The counting will start from 11 December 2018.
- The Reserve Bank lowered its retail inflation projection for the second half of the current fiscal to 3.9-4.5 per cent mainly because of an unusually benign trend in food prices. The decision of the Monetary Policy Committee (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, while supporting growth.
- GST collections in October crossed the Rs 1 lakh crore mark, after a gap of 5 months, on the back of festive demand, anti-evasion measures. According to Finance Ministry 67.45 lakh businesses filed goods and services tax (GST) returns in October and deposited Rs 1,00,710 crore as taxes. Of the Rs 1 lakh crore total gross GST revenue collected in October, central GST is Rs 16,464 crore, state GST is Rs 22,826 crore, IGST is Rs 53,419 crore (including Rs 26,908 crore collected on imports) and cess is Rs. 8,000 crore .
- The Union Cabinet approved the merger of regulatory institutions like the National Council for Vocational Training (NCVT) and the National Skill Development Agency (NDSA) into the National Council for Vocational Education and Training (NCVET).
- Sep trade deficit narrowed to lowest levels in 5 months to \$14bn from \$17.4bn previously with deceleration in both exports (-2.2% YoY from 19.3% Aug) & imports (10.5% from 25.4%). Major commodity groups showed positive export growth with petroleum products (26.8%) & inorganic chemicals leading the pack (16.9%).
- India has jumped 23 spots in the new World Bank Ease of Doing Business (EODB) 2019 rankings to take up the 77th spot, with a score of 67.23 and this jump is significant, as it comes after last year's 30-rung climb when India moved into the top 100 rankings among 190 countries.



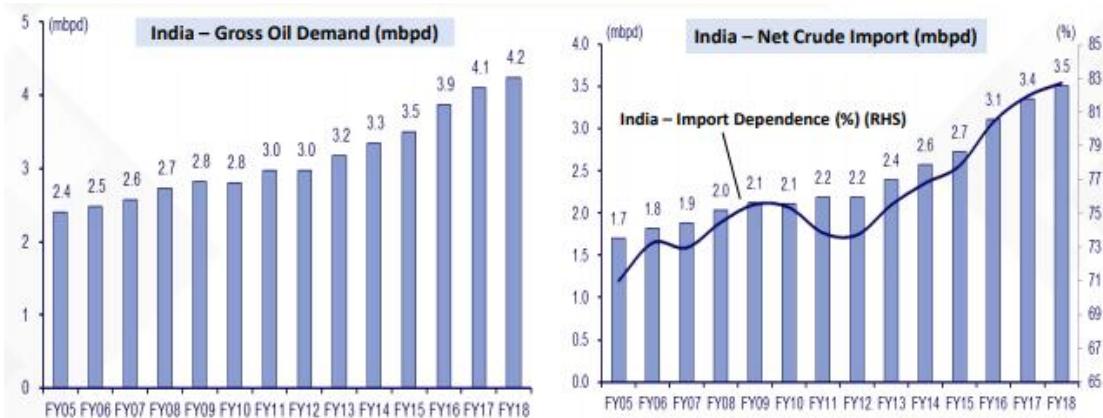
CPI Index Analysis

Global

- In US after the Hurricane in Florence retail sales were weaker than expected but manufacturing conditions indexes remained strong in October. PMIs rose in October and jobless claims remain ultra-low.
- It was observed that ECB made no changes in the monetary policy and appeared to play conservatively and on the basis of the data received it remains on the track to end quantitative easing in December. However, it did refer to the possibility of using another round of cheap bank financing (LTROs if needed) and rate hikes still seem to be an unlikely scenario.
- It is expected that China's tax cuts next year could exceed the equivalent of 1 percent of gross domestic product (GDP). China's GDP totaled 82.7 trillion yuan (\$11.93 trillion) last year. A tax cut equal to 1 percent of GDP next year would be at least 827 billion yuan.
- China's official manufacturing Purchasing Managers' Index (PMI) for October was 50.2 which was lower than the 50.6 as expected and was down from 50.8 in September and a reading above 50 indicates expansion, while a reading below that signal's contraction. Already, China reported slower-than-expected growth of 6.5 percent in the third quarter of the year — its weakest pace since the first quarter of 2009.
- China will inject a net USD 109.2 billion in cash into the banking system, amid a deepening trade war with the US that has increased pressure on growth in the world's second-largest economy. People's Bank of China (PBOC) will cut the RRR for RMB deposits by one percentage which will enable banks in China to release 1.2 trillion-yuan cash for additional lending.

Debt Market

- The benchmark bond yield dipped as much as eight basis points to 7.8 per cent on 29 October 2018 and ended at 7.81 per cent, the lowest since Aug 10 this year and it is expected that Cost of borrowing in India will fall across the board, tracking the recent slide in government bond yields, with the latest debt purchases by the central bank and softening prices of crude oil set to lower the broader market rates.
- The yield on G-sec as on 1st October 2018 was 7.98% and as on 31 October was 7.84% and was trading highest on 4th of October 2018 at 8.15%.
- The sixth tranche of electoral bonds sale will take place from November 1-10 and Electoral bonds are being pitched as an alternative to cash donations made to political parties as part of efforts to bring transparency in political funding. An electoral bond will be valid for 15 days from the date of issue. No payment would be made to any payee political party if the bond is deposited after expiry of the validity period.
- The Reserve Bank of India will inject Rs 40,000 crore in the banking system next month, a move that will help ease cash shortage in the system and stabilise debt market rates.



News on NBFC and other Financial Companies

- Indian money-market funds popular over lower-yielding savings accounts suffered the worst withdrawals since at least April 2007 last month, after the IL&FS defaults spooked the market and because of which the finance cost increased. There has been some encouraging signs of support from policy makers. Reserve Bank of India eased rules to help the non-bank lenders access loans more easily.
- Recently a realty developer Supertech got downgraded by rating firm Brickwork, amid reports that the builder defaulted on loans to Corporation Bank and Syndicate Bank and this news triggered. Supertech has a total debt of Rs 2,000 crore. Indiabulls Housing alone has Rs 600 crore exposures to two of Supertech projects.
- RBI eased lending norms related to certain NBFCs as liquidity concerns mounted close on the heels of the Infrastructure Leasing & Financial Services Ltd (IL&FS) debt default crisis that sparked the liquidity scare and panicked the markets. It allowed banks to allocate up to 15% of their lending to NBFCs that do not finance infrastructure projects against 10% earlier.
- Dewan Housing Finance would join India's biggest bank in raising collectively about Rs 6,500 crore through bond sales. DHFL, the flagship company of Wadhawan Global Capital (WGC), would seek to mop up Rs 1,500 crore. Those papers could offer 9.88 per cent quarterly with three-year maturities.
- SEBI is planning to overhaul the role of credit rating agencies (CRAs) in the wake of the IL&FS fiasco and the regulator is discussing a proposal under which credit rating agencies separate their rating entity and the non-rating businesses in order to avoid conflicts of interest and Sebi is also considering rotation of rating agencies. Companies having listed debt may be required to have two credit rating agencies rate the outstanding debt for three years. After that, another two rating agencies may have to be appointed. No rating agency can be appointed for consecutive two terms.

Equity Market

- During the month of October, market witnessed a lot of volatility and negativity which turned the sentiments down as Sensex and Nifty were down by 2084 points and by 628 points respectively that is by almost (5.5%). Sensex finally settled at 34,442 and Nifty at 10,386. This was majorly due to liquidity tightness in the credit markets, fear of defaults, rupee depreciation and a global risk-off.
- As of 31 October, 13 of 19 sector gauges compiled by BSE ended higher led by the S&P BSE Capital Goods Index's 2.3 percent gain. On the other hand, S&P BSE IT Index was the top loser and was down by 1.8 percent.
- The precipitous fall in NBFCs have shaken up even institutional investors. FPIs have bought and domestic institutions have sold shares, which indicate that although FPIs are in a selling mood at the aggregate level, they still find value in the beaten down NBFC sector.
- Massive losses in the derivative segment have reduced the overall open interest by half from the peak hit a few quarters ago and Stocks making 52-week lows are steadily coming down from 203 in the previous week to 176 this week.
- NSE launched trading in commodity derivatives and to start with, the bourse will focus on non-agri commodities, and will gradually broaden product offerings to agri commodities. NSE's commodity derivatives segment was launched by Sebi's whole time member S K Mohanty.

FII's & DII's Activity

Net Flows	Oct-18	Sep-18	Aug-18	Jul-18	Jun-18
FII (in Cr.)	-29,201.20	-9,469.13	2,822.72	-3,340.96	-7,458.76
DII (in Cr.)	26,033.90	12,504.73	-2,228.53	4,136.74	3,201.60

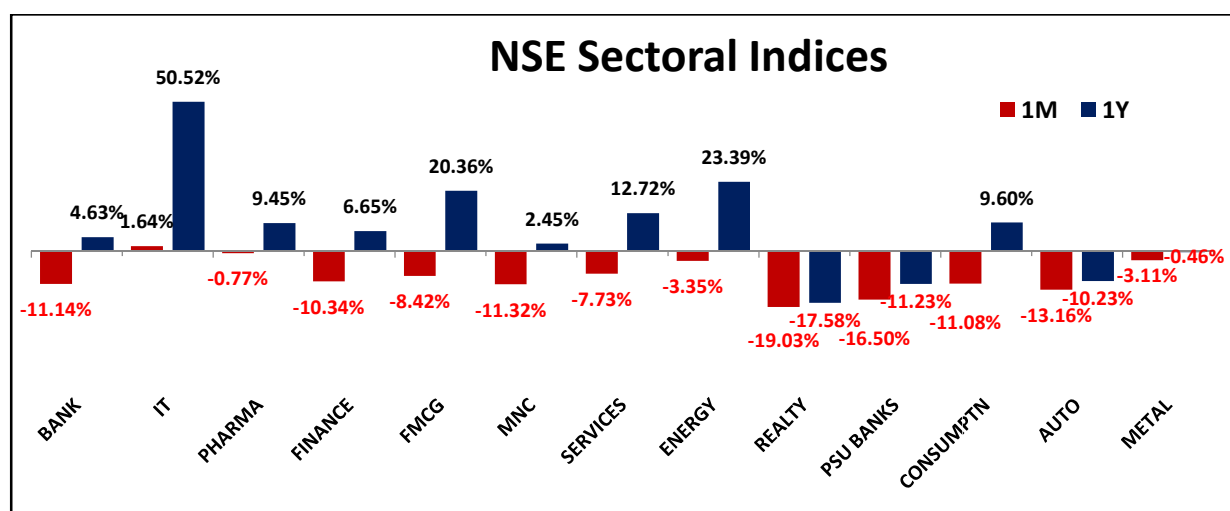
In the month of October, 2018 FII's again became the net sellers and pulled out Rs 29,201 crore from equity capital market as compared with Rs 9,469.13 crore in September, 2018 and DII's were still net buyers in the equity market to the tune of Rs 26,033.90 crore in month of October as compared to September, 18 to the amount of Rs 12,504.73 crore.

Results & Happenings of major conglomerates

- 1. HDFC Bank-** The Bank's total income for the quarter ended September 30th, 2018 at ` 28,215.2 crore grew by 21.2% from 23,276.2 crore for the quarter ended September 30th, 2017. The Bank's total Capital Adequacy Ratio (CAR) as per Basel III guidelines was at 17.1% as on September 30, 2018 (15.1% as on September 30th, 2017) as against a regulatory requirement of 11.025%.
- 2. ICICI Bank-** The core operating profit (profit before provisions and tax, excluding treasury income) grew by 10% year-on-year to ₹ 5,285 crore (US\$ 729 million) in the quarter ended September 30th, 2018 (Q2-2019) as compared to ₹ 4,794 crore (US\$ 661 million) in Q2-2018. The Bank's total capital adequacy at September 30th, 2018 as per Reserve Bank of India's guidelines on Basel III norms was 17.84% and Tier-1 capital adequacy was 15.38% compared to the regulatory requirements of 11.03% and 9.03% respectively.
- 3. Indusind Bank-** Core fee income for the quarter is Rs.1,218 crores as against Rs.1,013 crores in Q2 FY 2017-18, marking a growth of 20%.

4. **Jubilant Life Sciences-** The Company showed a strong performance in Q2'FY19 and disclosed a Revenue of Rs 2,269 Crore which was up by 38% YOY and EBITDA was standing at Rs454 Crore which was up by 45% YOY.
5. **Hindustan Unilever Limited-** Domestic Consumer Growth was recorded at 12% and underlying Volume Growth was recorded at 10%. PAT was standing at Rs 1522 crores (SQ 17:Rs 1,236) which was up by 23%.
6. **Havells India-** Profits increased in Q2 by 4.4 per cent and amounted to Rs 178.6 crore versus Rs 171 crore; revenue jumped up by 23.3 percent to Rs 2,191 crore versus Rs 1,777.4 crore YoY.
7. **L&T Infotech-** The firm had posted better-than-expected performance across all fronts during Q1FY2019. Revenue growth was driven by broad base, which led to constant currency revenue growth of 5.1 percent QoQ and 22.9 percent YoY.
8. **Trident Limited-** The Net Revenue from operations stood at INR 1391.5 crores in Q2 FY19 as against INR 1120.5 crores in Q2 FY 18 registering 24.2% growth Y-o-Y.
9. **Bandhan Bank-** Promoters and pre-IPO shareholders of Bandhan Bank received an exemption from markets regulators SEBI on the one-year lock-in period for selling stock. Last month, the micro financier-turned-bank was barred from opening new branches by the RBI for not diluting promoter holding. In terms of bank license requirements, it was to dilute promoter holding to below 40% in three years but at the same time SEBI Guidelines prevent promoters from offloading their stake within a year of an IPO.
10. **Bharti Airtel Ltd-** Bharti Airtel Ltd, India's second-biggest wireless carrier has delayed a planned initial public offering of its Africa unit due to the turmoil in emerging-market stocks and the Company which was originally aiming to list the unit in London by March, has pushed back the share sale by about half a year and it plans to seek an enterprise value of about \$8 billion for the Africa business and recently its African unit raised \$1.25 billion from investors including Warburg Pincus, Temasek Holdings Pte and SoftBank Group Corp.

Sectoral Performance



Currency Outlook

The US Fed hiked 25 basis points and is on the path to increase another 25 basis points in December and as much as 84 per cent of rate hike in December has already been discounted by the market. Trade war has increased risk sentiment with the US equities trading higher and despite greenback advancing to two-week high post FOMC hike, emerging market currencies such as the rupee is bucking the trend and trading favourably. One of the reasons for DXY (dollar index) trading higher might be weakness in euro.

Sector	NSE 50 weight %	Impact of depreciating INR on earnings
Information Technology	14.6	
Energy	12.9	
Materials	7.4	
Consumer Staples	8.4	Weak INR = Higher Inflation = Higher Nominal growth
Health Care	3.1	
Total % with Positive Impact	46.4	
Retail Banks & Financials	26.7	
Corporate Banks & Financials	9.6	
Consumer Discretionary	8.1	Few Indian Auto companies will benefit due to exports
Industrials	4.2	
Communication Services	2.1	
Utilities	3.0	
Total % with Neutral Impact	53.7	

IPO CORNER

IPO Name	Issue open	Issue Closes	Offer Price	Issue Size in Crore
Ultra Wiring Connectivity Systems Ltd	12-Oct-18	17-Oct-18	35	4.82
Iris Clothing Limited IPO	10-Oct-18	12-Oct-18	90	11.07
BCPL Railways Infrastructure Ltd	05-Oct-18	11-Oct-18	35	17.01
S.M. Gold Limited IPO	03-Oct-18	10-Oct-18	30	7.5

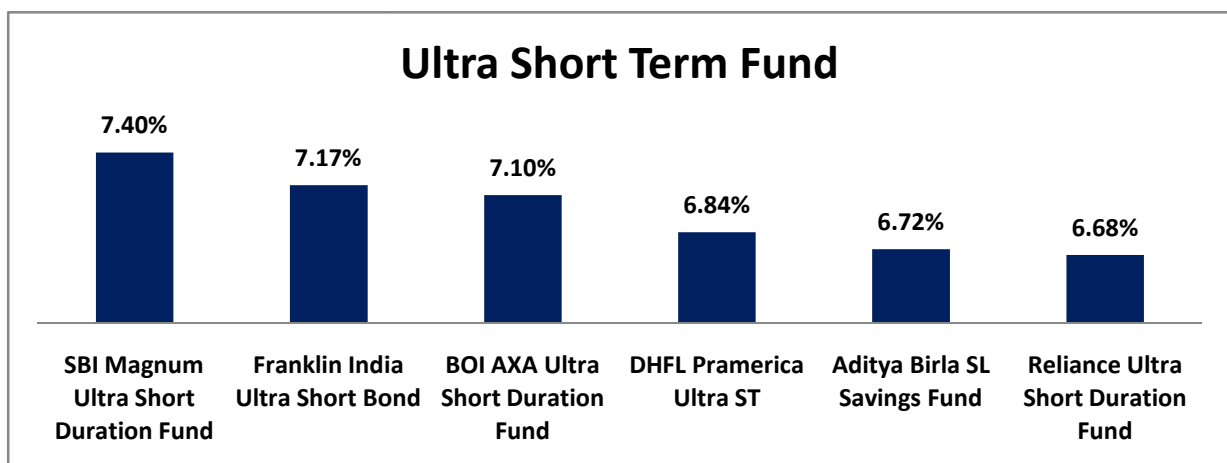
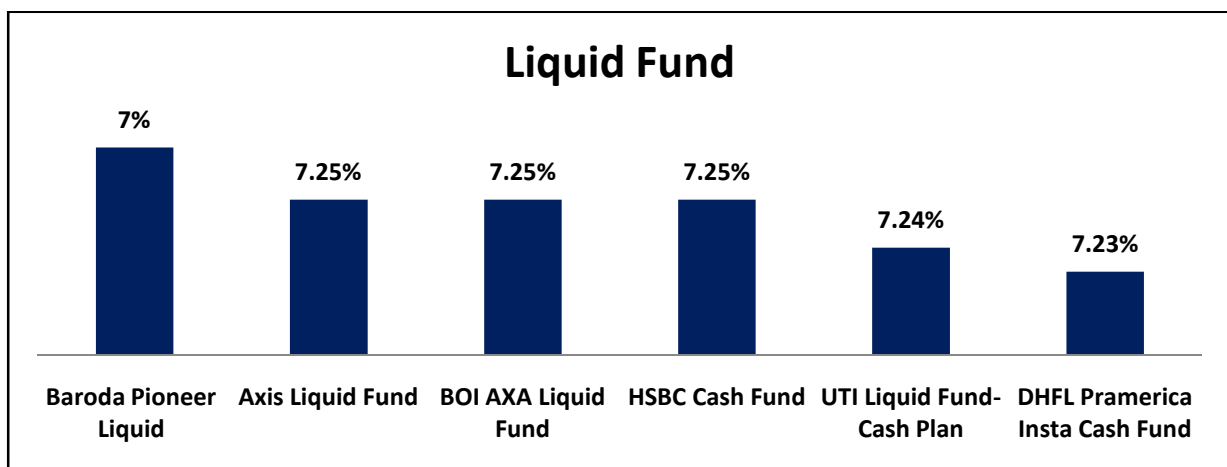
Debt	Credit Rating	Interest Rate	Issue Size (Cr.)	Issue Opening Date	Issue Closing Date
Shriram Transport Finance Company Limited	CRISIL AA+	9.12% - 9.70%	Rs. 300	15-Oct-18	29-Oct-18

Mutual Funds

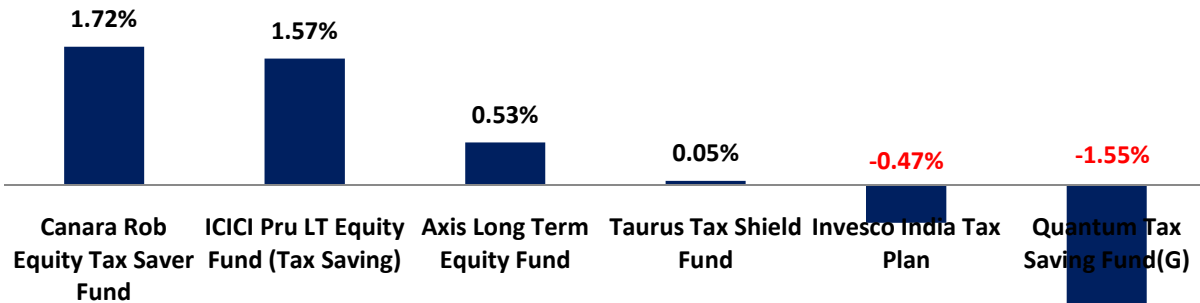
MF Activity	October			September		
	Purchase	Sell	Net Flow	Purchase	Sell	Net Flow
Equity (Cr.)	73,141.47	51,255.80	21,885.67	55,169.83	47,264.91	7,904.92
Debt (Cr.)	139,497.61	111,165.22	28,332.39	157,466.69	141,348.65	16,118.04

- Aditya Birla Sun Life AMC Limited launched Aditya Birla Sun Life Overnight Fund, an open-ended debt scheme investing in overnight securities and NFO opened on 30 October 2018 and will close on 1 November 2018 and the fund will invest in the money market and debt instruments of one day maturity.
- HDFC Mutual Fund's liquid scheme got roughly Rs30,000 crore in October which is about 50-60% of the total flows of around Rs60,000-70,000 crore into liquid funds during the month. It was reported that HDFC Liquid Fund moved up to Rs 75,000 to Rs 80,000 crore from Rs 45,000 to Rs 50,000 crore in September.
- Tata Money Market Fund saw its net asset value dip as much as 5.94 per cent on October 29 after the fund wrote off the balance 50 per cent of its investment in the commercial paper of IL&FS which was to mature on October 29. As on October 29, the fund had an exposure of Rs 24.83 crore to IL&FS, which constituted 6 per cent of the assets under management of Rs 430 crore.

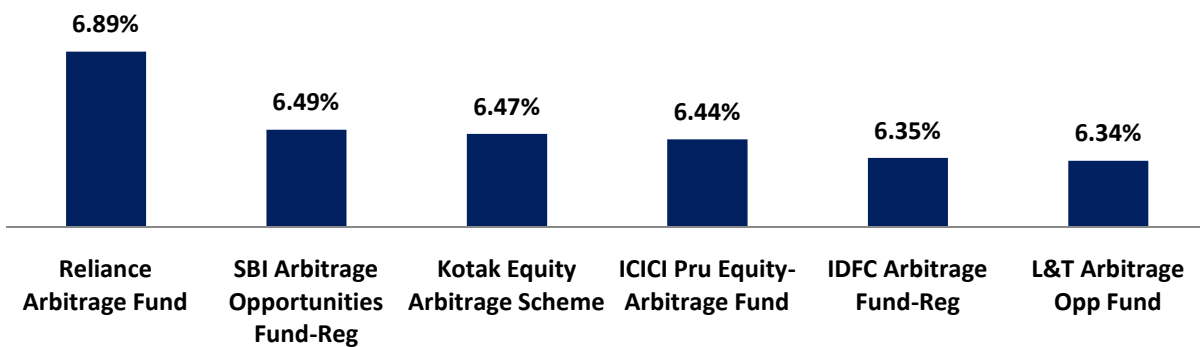
Schemes: Mutual Fund Performance Tracker - 1yr Annualised Return



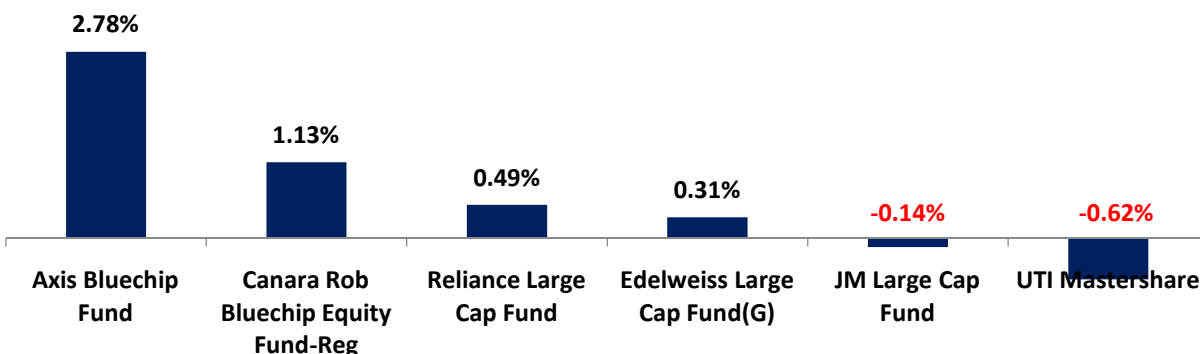
ELSS Fund



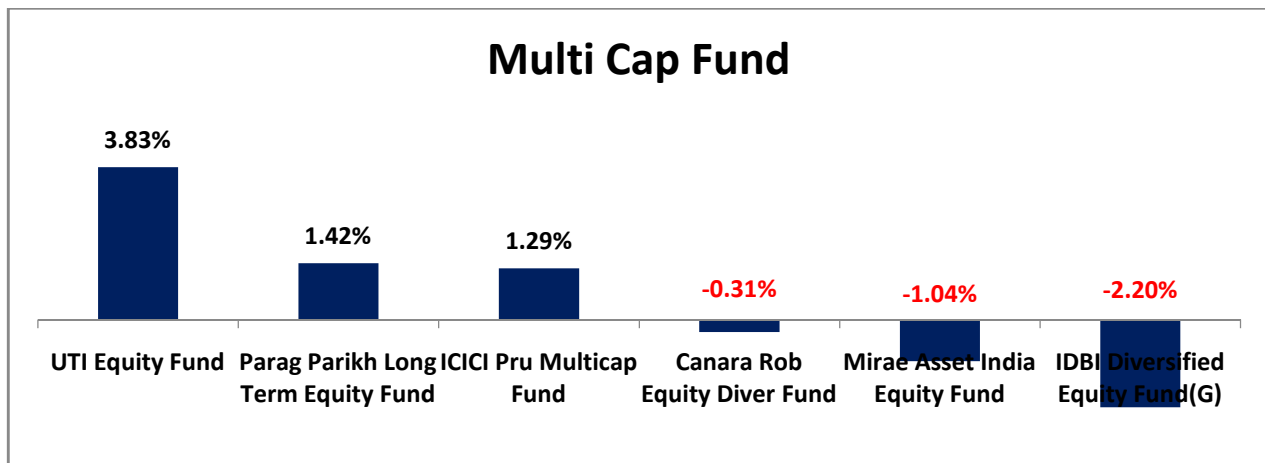
Arbitrage Fund



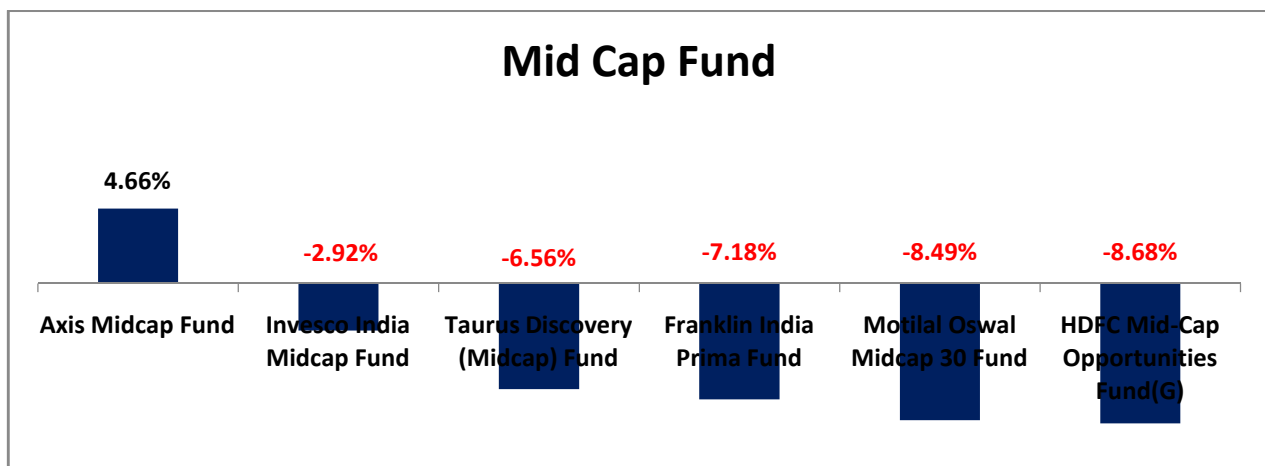
Large Cap Fund



Multi Cap Fund



Mid Cap Fund



M&A Deals

- SoftBank vision Fund may put \$250 million in Delhivery.
- Infosys to acquire Finland-based Fluido for over Rs 544 crore to strengthen presence in Europe.
- Adobe in talks to buy-privately-held marketing software firm Marketo
- PVR- To acquire 71.6% stake in South Indian-based SPI Cinemas for Rs 633 cr.
- Swiggy acquires on-demand delivery rival Scootsy for around Rs 50 cr.
- NIIF to acquire IDFC Infrastructure Finance from IDFC
- Healthcare Global to buy Quest’s India diagnostics business

Key Global Economic Events - October 2018

Date	Events	Previous
India		
04-Nov-18	Nikkei Servicess PMI OCT	50.90
12-Nov-18	Industrial Production YoY SEP	4.30%
12-Nov-18	Manufacturing Production YoY SEP	4.60%
13-Nov-18	Inflation Rate YoY OCT	3.77%
13-Nov-18	WPI Inflation YoY OCT	5.13%
14-Nov-18	Balance of Trade OCT	\$-13.98B
30-Nov-18	GDP Growth Rate YoY Q3	8.20%
US		
01-Nov-18	Unit Labour Cost QoQ Prel Q3	-1%
01-Nov-18	ISM Manufacturing PMI OCT	59.8
02-Nov-18	US Balance of Trade SEP	\$-53.2B
02-Nov-18	US Unemployment Rate OCT	3.70%
08-Nov-18	US Fed Interest Rate Decision	2.25%
14-Nov-18	US Inflation Rate YoY OCT	2.3%
21-Nov-18	Durable Goods Orders MoM OCT	0.8%
Europe		
06-Nov-18	Markit Manufacturing PMI (OCT)	52.7
07-Nov-18	Retail Sales MoM SEP	-0.20%
14-Nov-18	GDP Growth Rate YoY 2nd Est Q3	2.1%
15-Nov-18	TradeBalance (Sep)	€11.7B
China		
01-Nov-18	Caixin Manufacturing PMI (Oct)	50.00
08-Nov-18	Exports (YoY) (OCT)	14.5%
08-Nov-18	Imports (YoY) (OCT)	14.3%
08-Nov-18	Trade Balance (USD)(OCT)	\$31.70B
09-Nov-18	CPI% MoM/YoY (OCT)	0.7%/2.5%
09-Nov-18	PPI % YoY (OCT)	3.6%
14-Nov-18	Industrial Production YoY (OCT)	5.80%
World		
07-Aug-18	RBA Interest Rate Decision	1.50%

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