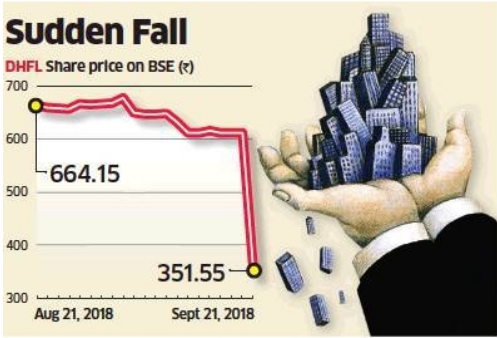



Market Update – September 2018

Domestic News

- Shares of Dewan Housing Finance crashed by almost 42 per cent as there were concerns that it could default on outstanding bond re-payments, with many in the equity markets holding the belief that exposure to troubled financier IL&FS could further stretch the finances at the mortgage lender. Dewan Housing Finance. has sufficient liquidity to take care of any redemptions for the rest of the year and it expects redemption liability of ₹6,000-7,000 crore until March 2019. The Top Management commented that it has neither defaulted on any bonds or repayment, nor has there been any single instance of a delay on any of its repayment liabilities.
- 

Sudden Fall
DHFL Share price on BSE (₹)

Date	Share Price (₹)
Aug 21, 2018	664.15
Sept 21, 2018	351.55
- IL&FS was downgraded from AAA to a defaulting status in a span of 45 days after it failed to repay Rs 1,000 crore by way of loans to Sidbi. The default also created a massive crisis of confidence in the equities market, with speculation that most non-banking finance companies (NBFC) are facing a liquidity problem. The Company defaulted on one of its commercial paper (CP) issuances due for repayment and it was the Company's third default by the company.
 - It has been reported in certain sections of the media that Sebi has advised mutual funds not to roll over their current exposure to Indiabulls Housing Finance and Dewan Housing but SEBI clarified that it has not issued any such advisory.
 - On September 25, Yes Bank's board decided to request the central bank to extend Kapoor's term till at least April 2019. Previously, the reappointment was proposed by the bank's board and shareholders for three years until September 2021. NSE accused Yes Bank of influencing market participants to artificially inflate/support the bank's share price before key events like equity raise/QIP (qualified institutional placement). On September 27, Yes Bank shares ended lower by 9.72 Per cent by losing a market cap by rs 4560 cr.
 - The Government proposed merger of three banks — Bank of Baroda, Vijaya Bank and Dena Bank and aimed at creating the country's third-biggest lender. The combined entity will have a strong presence across the nation with more than 34% of low-cost deposits, a capital buffer of nearly 12% and a business book of Rs 14.82 lakh crore. Bank of Baroda is the biggest of the three with Rs 10.29 lakh crore of total business, followed by Vijaya Bank at Rs 2.79 lakh crore and Dena Bank at Rs 1.72 lakh crore and The boards of state-run Bank of Baroda (BoB) and Vijaya Bank Saturday gave in-principle approvals for their amalgamation with another lender Dena Bank

 Parameters	Bank Baroda	Vijaya Bank	Dena Bank	Merged Entity
Total Business (Rs cr)	1029810	279575	172940	1482325
Deposits (Rs cr)	581485	157325	103020	841830
Gross Advances (Rs cr)	448330	122350	69920	640600
Employees	56360	15875	13440	85675
Branches (Domestic)	5502	2130	1858	9490
Deposite/Branch (Rs cr)	106	74	55	89
Advances/Branch (Rs cr)	81	57	38	68
RoA (%)	0.29	0.32	-2.43	-0.02
CET-1 Capital Ratio (%)	9.27	10.35	8.15	9.32
CRAR Capital Ratio (%)	12.13	13.91	10	12.25
Net NPA (%)	5.4	4.1	11.04	5.71
CASA Ratio (%)	35.52	24.91	39.8	34.06

- The commerce ministry's foreign trade arm DGFT has simplified the procedure for traders to avail export incentives under the MEIS scheme, a move aimed at promoting ease of doing business for exporters.
- India has initiated an anti-subsidy probe into increased imports of select copper wire rods from Indonesia, Malaysia, Thailand and Vietnam.
- India has delayed the implementation of higher tariffs on some goods imported from the United States to Nov. 2, according to a government order.
- India's microfinance industry clocked 47 % growth with a gross loan portfolio of Rs 68,789 crore in the financial year ended March 2018 as against Rs 46,842 crore in the year-ago period, according to a report.
- The Government approved a Rs 5,500 crore package for the sugar industry that includes over two-fold jump in production assistance to cane growers and transport subsidy to mills for export up to 5 million tonnes in the marketing year 2018-19.
- India reported a fiscal deficit of \$62.57 billion for April-June, or 68.7 percent of the budgeted target for the current fiscal year, better than 80.8 per cent a year ago. The government has outlined a fiscal deficit target of 3.3 per cent of GDP in 2018-19 as against a revised estimate of 3.5 per cent in 2017-18, indicating some fiscal consolidation, albeit at a slower pace than that recommended under the Fiscal Responsibility and Budget Management (FRBM) framework.

Market Outlook on NBFC

In recent days, shares of non-banking financial companies (NBFCs) and housing finance companies have taken a beating against the backdrop of IL&FS group entity defaulting on its debt obligations, triggering fears of liquidity crunch. Mutual funds have significant exposure to several housing finance firms and NBFCs as a whole, including through their debt securities. The market on 21 September 2018 slipped down by 1500 points on the Sensex due to rumours of liquidity crunch in non-banking finance companies (NBFCs) that sent DHFL down 42 percent and other stocks in the space lost 5-14 percent. Recently RBI and SEBI said that they are "closely monitoring" activities in the financial markets and will take appropriate action wherever it is required. After the default of IL&FS Group NBFC sector is worried. Recently RBI announced guidelines for co-origination of priority sector loans by banks and NBFCs with a view to enhancing flow of funds to the sector at competitive rates. Minimum 20% of the credit risk by way of direct exposure shall be on NBFC's books till maturity and the balance will be on bank's books.

So, because of this other Financial Services Company like Mahindra and Mahindra Financial Services, HDFC Limited have been upgraded. Recently shares of Dewan Housing Finance Corporation (DHFL) lost nearly Rs 10,000 crore worth in market cap. The cost of funds has escalated and there is tightness in the money market and so the cost of borrowings for NBFCs is going to shoot up and they may face challenge in raising money in the light of recent news on IL&FS. Majority of its lending was in Building Funding. Fifty-five per cent of NBFC paper with MFs has less than 90-day maturities and could lead to redemption related pressures.

The primary commercial paper market is coming back to life despite uncertainties like HDFC subsidiary Gruh Finance, Aditya Birla Finance, and Indiabulls Housing are few NBFCs that raised money in the commercial paper (CP) . It was observed that daily trading volumes in CPs nearly doubled to Rs 10,900 crore on Tuesday (25 Sept 2018) as compared to Rs 5,500 crore last Friday. Indiabulls Housing Finance collectively raised Rs 2,250 crore via two month CPs in two-three tranches. It offered 8.05-8.36 per cent to raise two-three-month money. Moreover, The central bank announced open market operation (purchase) for Rs 10,000 crore which is a move that aimed at infusing liquidity. Tata Power raised about Rs 600 crore with its CPs offering 8.16 per cent for two-month maturity and in fact Gruh raised another Rs 300-400 crore. Depreciation in Rupee has also added to the borrowing woes of corporate sourcing funds from the global markets. There was a spread of 75 to 100 basis points as compared to last weeks. It was seen that returns have gone down drastically in money market. The returns of Liquid Funds were also hit due to this turmoil in the market.

Global News

- British inflation jumped unexpectedly to a six-month high in August. Consumer price inflation rose to an annual rate of 2.7 % in August from 2.5 % in July.
- China and the United States plunged deeper into a trade war after Beijing added US\$60 billion of US products to its import tariff list in retaliation for President Donald Trump's planned levies on US\$200 billion worth of Chinese goods.
- U.S. imposed 10% tariffs on about \$200 billion worth of Chinese imports. The latest U.S. tariffs will take effect from Sep. 24, according to news reports. The rate will increase to 25% from next year.

- Towards the end of the week the Italian banking index fell (FTIT8300) and lowered down, ending down 1.3 percent but the broader pan-European STOXX 600 index rose 0.4 percent to a one-month high, having earlier lost as much as 0.6 percent and Italian banks are particularly sensitive to political risk due to their big sovereign bond holdings. Euro zone banks.SX7E fell 0.3 percent.
- The Fed raised rates on Wednesday for the third time this year and removed the reference to monetary policy remaining “accommodative.” It was seen that August’s increase in consumer spending was in line with economists’ expectations. When adjusted for inflation, consumer spending rose 0.2 percent after climbing 0.3 percent in July.

Debt Market Update

- The Reserve Bank of India purchased bonds worth 100 billion rupees earlier in the week, which was its fourth such operation in this financial year. The RBI had bought bonds in May, June and July, while it did not conduct such operation in August, which had led to speculations that they may not conduct open market purchases till rupee stabilises.
- India is scheduled to borrow 3.18 trillion rupees via bonds in October-March, according to budget documents. The government will borrow a total 6.06 trillion rupees via bonds in this financial year, of which it will borrow 2.88 trillion rupees in first half.
- The State Bank of India NSE 0.06 % (SBI) redeemed at least Rs 15,000 crore of mutual fund investments, which also put pressure on asset managers to sell their holdings in the secondary market. The redeemed funds were mostly parked in liquid schemes, which invest in short-term debt instruments. Banks normally invest in them and it was reported that many of those mutual fund schemes have invested in debt papers of NBFCs.

Equity Market Update

- The key indices suffered losses all four sessions of the week as investors opted for selling from the day one as selling pressure in most of the sectors, fear of escalation in US, China trade spat, continuing rupee woes which fell to historic 72.99 against the dollar during the week impacted the trading momentum.
- September turned out to be the worst month for Dalal Street since February 2016, with the Sensex plunging 2,418 points, or 6.26 per cent, and the Nifty 750 points, or 6.42 per cent. Next week RBI’s money policy review will be one of the key market drivers along with some macroeconomic numbers and movement in the rupee and crude oil prices.
- IRB Infrastructure Developers Ltd. (IRB Infra) has achieved another Financial Closure, on successive day, for its Special Purpose Vehicle IRB PS Highway Private Ltd. formed to manage affairs of its second Hybrid Annuity project.

- Metropolis Healthcare Ltd, one of the leading diagnostics companies in India, by revenue, as of March 31, 2018, according to a Frost & Sullivan report, has filed an offer document with the Securities Exchange Board of India (SEBI) to launch an Initial Public Offering (IPO). The company's IPO comprises an offer of up to 15,269,684 equity shares of face value of Rs2 each (the "Equity Shares") for cash at a price per equity share; consisting of an offer for sale of up to 5,017,868 equity shares by Dr. Sushil Kanubhai Shah (the "Promoter Selling Shareholder") and up to 10,251,816 equity shares by CA Lotus Investments (the "Investor Selling Shareholder").

FII & DII Activity

Net Flows	Sep-18	Aug-18	Jul-18	Jun-18
FII (in Cr.)	-9,469.13	2,822.72	-3,340.96	-7,458.76
DII (in Cr.)	12,504.73	-2,228.53	4,136.74	14,146.15

In the month of September, 2018 FII's again became the net sellers and pulled out Rs9469.13 crore from equity capital market as compared with Rs2822.72 crore in May and DII's were still net buyers in the equity market to the tune of Rs12,504.73 crore in month of June as compared to May, 18 to the amount of Rs2,228.53 crore.

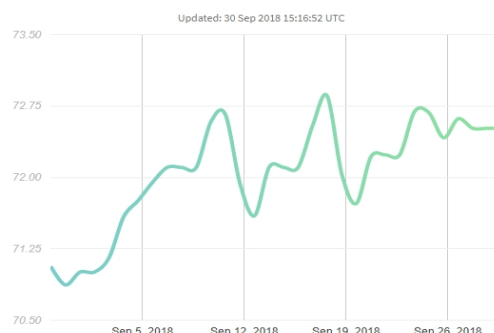
IPO CORNER

IPO Name	Issue open	Issue Closes	Offer Price	Issue Size in Crore
Ircon International Limited	17-Sep	19-Sep	470-475	470.49
Aavas Financiers Limited	25-Sep	27-Sep	818-821	1,734.07
Garden Reach Shipbuilders & Engineers Ltd.	24-Sep	26-Sep	115-118	344.69
Kritika Wires Ltd.	26-Sep	01-Oct	32	14.59
Manorma Industries Ltd.	21-Sep	25-Sep	181-188	22.4
Rajnandini Metals Ltd.	24-Sep	27-Sep	26	4.06
Silgo Retail Ltd.	27-Sep	03-Oct	36	4.62
Innovative Ideals and Services (India) Ltd.	24-Sep	26-Sep	36-40	13.39
Parin Furniture Ltd.	26-Sep	28-Sep	60-63	6.26
Kshitij Polyline Ltd.	21-Sep	27-Sep	35	8.29
Marine Electricals (India) Ltd.	28-Sep	03-Oct	64-66	40.66

Debt Instrument	Credit Rating	Interest Rate	Issue Price (Cr)	Issue Opening Date	Issue Closing Date
Indiabulls Commercial Credit Ltd.	CRISIL and CARE AAA	8.57%-9.20%	Rs. 1,000	11-Sep-18	14-Sep-18
Tata Capital Financial Services Ltd.	CRISIL and CARE AAA	8.7%-9.10%	Rs. 7,500	10-Sep-18	18-Sep-18

Currencies

- Over the last two decades, barring a few exceptions, the USD has continued to rise in value when compared to the INR. Since India imports about 80% of its oil needs, it needs to spend more dollars to procure oil. This will lead to debt outflows and compel the Reserve Bank to embark on its own phase of monetary tightening while Prime Minister Narendra Modi's populist spending in support of his 2019 re-election bid is expanding the country's fiscal deficit.



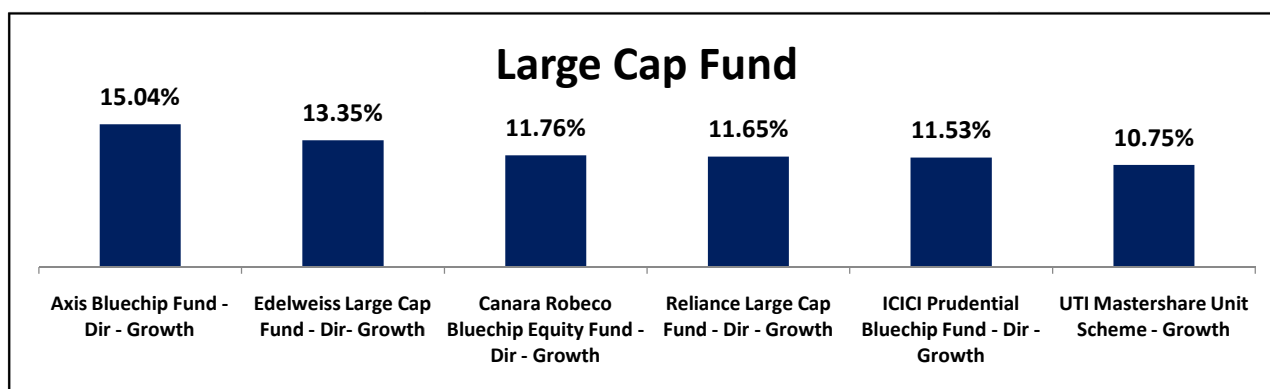
Mutual Funds

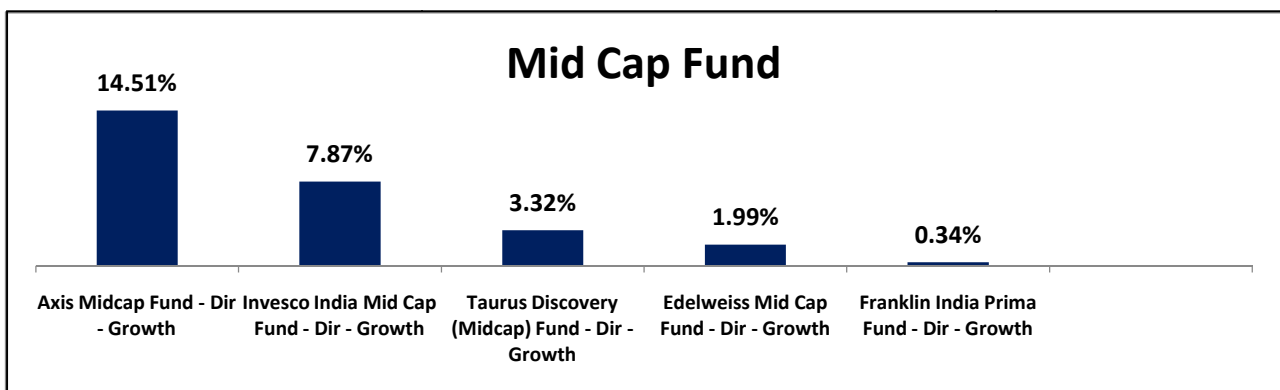
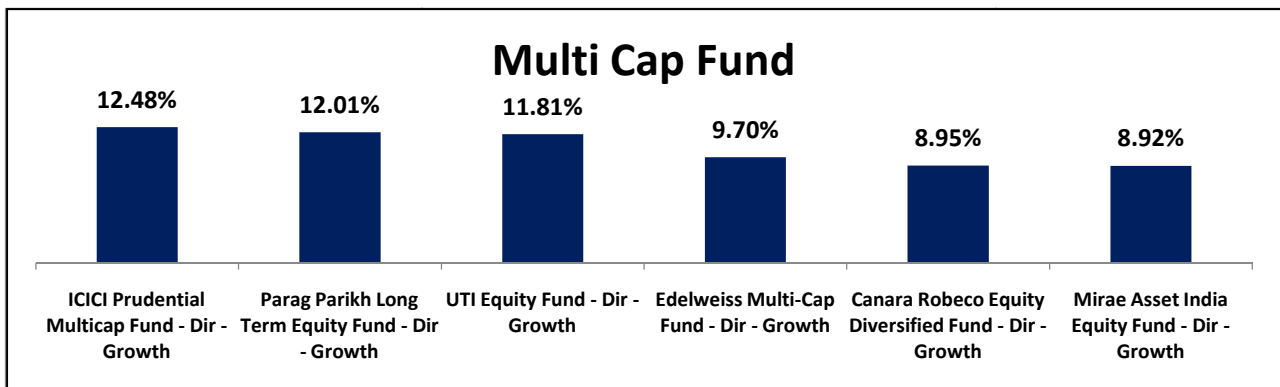
Mutual Fund houses were net buyers to the tune of Rs157466 crore in September, 2018 on debt side as compared with the previous month where they were the net sellers with the amount of Rs101,766 crore. On equity side they were still net buyers with the amount of Rs55,169 crore in September, 2018.

MF Activity	September			August		
	Purchase	Sell	Net Flow	Purchase	Sell	Net Flow
Equity (Cr.)	55,169.83	47,264.91	7,904.92	46,368.84	43,558.70	6554.62
Debt (Cr.)	157,466.69	141,348.65	16,118.04	1,27,757.22	1,33,464.27	37974.28

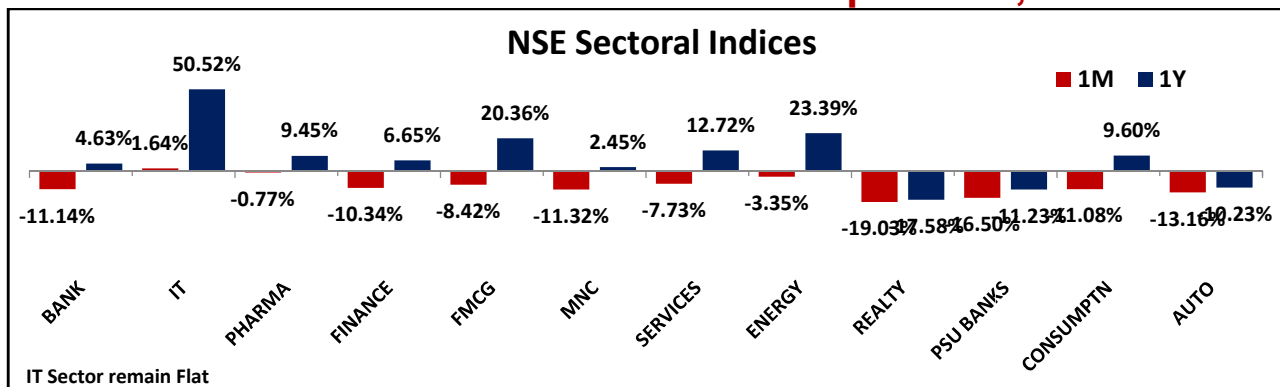
- HSBC Asset Management today announced the launch of HSBC Equity Hybrid Fund – an open-ended hybrid scheme investing predominantly in equity and equity related instruments. The new fund will invest in equity and equity related securities as well as fixed income instruments.
- The Securities and Exchange Board of India (SEBI) has cut the fees that mutual funds charge investors for handling their money, modified the consent mechanism for securities market offenders and introduced rules for mandatory debt market borrowings for large companies.

Mutual Fund Performance Tracker - 1yr Annualised Return





Sector Performance of NSE as on 30th September, 2018



- The metal stocks are more influenced by how the underlying metal prices behave and we have seen a very strong recovery in metal prices over the last year and a half and that is partly driven by the Chinese closure of capacities where China has been closing capacities pretty aggressively and they will be closing another about 5% to 6% capacity this calendar year.
- There are some positive signs in the capital goods sector. The commercial vehicles numbers have been pretty strong and core industries have been showing pretty smart recovery and the data has been pretty consistent now for almost five or six months.

Merger and Acquisition Deals

- Infosys to acquire Fluidio, the largest sales force consulting partner in Nordics
- 91mobiles acquires majority stake in 500 startups-funded Pricebaba
- Zendesk acquires FutureSimple Inc. to deliver software designed for salespeople
- Centrum acquires supply-chain finance business of L&T Finance
- GIC buys significant minority stake in India's Provenance Land
- BLS International Services acquires Delhi-based Starfin
- Ebix acquires Pune-Based Indus Software Technologies for US\$29mn
- Infosys completes acquisition of Wongdoody
- Federal Bank to acquire 26% stake in Equirus Capital

Key Global Economic Events - October 2018

Date	Events	Previous
India		
03-Oct-18	Nikkei Manufacturing PMI	51.5
05-Oct-18	Cash Reserve Ratio	4%
05-Oct-18	RBI Interest Rate Decision	6.50%
US		
01-Oct-18	ISM Manufacturing PMI	60.5
03-Oct-18	ADP Nonfarm Employment Change	185K
03-Oct-18	ISM Non-Manufacturing PMI	58.5
04-Oct-18	Factory Orders MoM AUG	-0.80%
05-Oct-18	Balance of Trade AUG	\$-50.1B
05-Oct-18	Non Farm Payrolls SEP	201K
05-Oct-18	Unemployment Rate SEP	3.9%
Europe		
01-Oct-18	Manufacturing PMI (Sep)	54.6
01-Oct-18	Unemployment Rate (Aug)	8.20%
03-Oct-18	Markit Composite PMI (Sep)	54.2
03-Oct-18	Services PMI (Sep)	54.7
2-Oct-18	Industrail Production (MoM) (Aug)	-0.80%
China		
08-Oct-18	Caixin Services PMI (Sep)	51.50
12-Oct-18	Exports (YoY) (Sep)	9.80%
12-Oct-18	Imports (YoY) (Sep)	19.9%
12-Oct-18	Trade Balance (USD) (Sep)	27.89 B
World		
02-Oct-18	Construction PMI (Sep)-GBP	55
02-Oct-18	RBA Interest Rate Decision (Oct)	1.50%
03-Oct-18	Services PMI (Sep)-GBP	54.3
05-Oct-18	Retail Sales (MoM) (Aug)-AUD	0.30%
10-Oct-18	Manufacturing Production (MoM) (Aug)-GBP	0.20%

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PRIME Research & Advisory Limited

Address: 1204, Level 12, B-wing, ONE BKC, Bandra Kurla Complex, Bandra (E), Mumbai - 400051, India
 Phone: +91-22-67418021 E-Mail: research@primeadvisory.in Website: <http://www.primeadvisory.in>
 CIN No. - U65990MH1993PLC07100