HDFC securities

PCG Research

THE DAILY VIEWPOINT

Date: 29 March, 2019

DOMESTIC INDICES

	Close	Points	% Change
SENSEX	38546	413	1.08
NIFTY	11570	125	1.09
MIDCAP	15328	161	1.06
SMALL CAP	14918	140	0.95

SECTORAL INDICES

	Close	Points	% Change
REALTY	2064	33	1.61
TECK	7593	117	1.56
IT	15227	217	1.45
BANKEX	34156	482	1.43
Finance	6408	87	1.38
CD	23684	281	1.20
CG	18388	208	1.15
Healthcare	14213	110	0.78
OIL & GAS	15139	82	0.54
AUTO	18598	44	0.24
POWER	2021	-4	-0.18
METAL	11096	-39	-0.35

BSE 200 GAINERS/LOSERS

GAINERS	%	LOSERS	%
IBVENTURES	11.62	EXIDEIND	-2.32
DHFL	9.53	MFSL	-2.23
IBULHSGFIN	8.73	FRETAIL	-2.15
CENTRALBK	8.27	HINDALCO	-2.10
BAJAJHLDNG	7.95	ABCAPITAL	-1.98

ADVANCE/DECLINES

	BSE	%
ADVANCES	1670	59
DECLINES	973	35
UNCHANGED	176	6

INSTITUTIONAL ACTIVITY

Rs Cr	28/03/19	27/03/19	Mar Total
FII	3595	1481	32458
MF	-2080	135	-15655

MARCH SERIES END WITH A FLOURISH; HOPES FOR APRIL

The March series ended with a flourish with the Nifty gaining 7.2% and the Bank Nifty surging 13.55%, redeeming our confidence in the markets.

Not resting on our laurels, let's see, where are we headed in the April series.

We see the Nifty and the Bank Nifty continuing their northwards journey, for the following reasons.

1. The OI in terms of number shares in stock futures is still 17% lower from its all-time high of 523 Cr shares.
2. There is a near consensus of a 0.25% rate cut next week. We believe even a 0.5% cut is possible.
3. We have discussed the slowing global growth and the consequent change in stance of global central banks to dovish several times in these columns. The same will continue to hold true in the times to come.

While the Bank Nifty has made a new high the Nifty is just short by 190 points from its all-time intraday high of 11,760 seen on 28th August 2018. This is just 190 points away. Hope fully his will be crossed next week. We have a target of 12,400 in the Nifty.

For investors, who have not yet bought, will have to muster more courage to buy when markets reach new highs. So the chances are that those in the waiting game will have to continue to twiddle their thumbs, as the markets may not oblige.

We believe companies like Asian Paints, Bajaj Finance, ICICI Bank and ITC still have room to go. Reliance will play a major part in taking the Nifty higher.

What we had said

We had seen it coming. We had told our patrons that the March series was beginning with a 22 month low Open Interest and the benchmark had not gone anywhere in December, January and February series with a change of less than 0.5%. We had said that it will cross the 11,200 mark and eventually make a new high before 15th April. The Nifty had closed February series at 10,792.

The March series ended at 11,570 with a gain of 778 points or 7.2%

GLOBAL INDICES

	Close	Points	% Chg
DOW JONES	25717	91.87	0.36
S & P 500	2815	10.07	0.36
NASDAQ	7669	25.79	0.34
FTSE	7234	40.14	0.56
CAC	5297	-4.69	-0.09
DAX	5242	4.18	0.08
MSCI World	2094	-8.60	-0.41
MSCI EM	1044	-6.35	-0.60
MSCI AC Pac.	159	-0.35	-0.22

EXCHANGE RATES

	Value	% Change
USD/INR	69.2	0.10
EURO/USD	1.123	0.08
USD/GBP	1.307	0.17
USD/JPY	110.8	0.13

COMMODITIES

	Value	%
RJ/CRB Index	183.3	0.00
Gold ($ / Oz)	1295.9	0.04
Silver ($ / Oz)	15.0	0.23
Crude Oil Futures	59.6	0.57
Brent Oil ($ / Barrel)	67.5	0.60

BOND YIELD

	Value %	Chg bps
IND10 Yr Bond Yield	7.32	-0.01

ADR

	Value $	%
Dr Reddys Labs	39.74	-0.48
HDFC Bank	113.63	-0.51
ICICI Bank	11.41	1.42
Tata Motors	12.28	0.90
Wipro	3.96	0.51
Vedanta Ltd	10.24	1.89
INFOSYS	10.88	1.40

Domestic news

Post Market

Tata Steel acquires shares, warrants for Rs 403.79 cr in Tata Metaliks

Tata Steel has acquired shares and convertible warrants of Tata Metaliks for about Rs 403.79 crore.

Tata Metaliks (TML) is one of India's leading producers of high-quality Pig Iron (PI) and Ductile Iron (DI) pipes. It operates a state-of-the-art manufacturing plant near Kharagpur, West Bengal.

Company has acquired 27.97 lakh (27,97,000) equity shares of TML, a subsidiary of Tata Steel, at a price of Rs 642 per share aggregating to Rs 179.57 crore.

It also acquired 34,92,500 warrants at a price of Rs 642 per warrant, with a right exercisable by the warrant holder to subscribe for one equity share per Warrant of face value of Rs 10 each, aggregating to Rs 224,21,85,000 (25 per cent paid on application).

PSUs to issue differential voting right shares for much-needed equity capital

The Centre may allow public sector undertakings (PSUs) to issue differential voting rights shares (DVRSs), in a bid to help these firms raise the much-needed equity capital, even as the government stake in them is kept at 51% or above. While investors across spectrum may use the DVRS route to boost their dividend income, the government itself may receive bonus DVRSs which it could monetise later to boost its non-debt capital receipts.

A clutch of highly leveraged firms in which government stakes are only marginally above the 51% threshold required to retain their PSU status could issue DVRSs to raise fresh equity capital. Those of them with a track record of offering liberal dividends would find the route more viable (see chart). Many long-term investors are not interested in voting rights but in dividends. The government will issue a circular soon asking the PSUs to use the (DVRS) tool.

Tata Power signs PPA with BEST for 5 years

Tata Power signs Power Purchase Agreement (PPA) for supply of 676.69 MW to BEST and signing of PPA for supply of 700 MW. The agreement is for a period of 5 years (Apr-2019 to Mar-2024).

Adani Logistics to acquire Innovative B2B Logistics Solutions

Adani Logistics will acquire Innovative B2B Logistics Solutions ("InLogistics") for an enterprise value of Rs 331.5 cr. Rail operations account for ~90% of revenues.

InLogistics will add 14 container rakes, one logistics park (~38 acres) and 3,566 containers. The transaction will be all cash deal and will get completed by Q1 FY20.

Revenue for FY19 is estimated around Rs 285cr with 11.3% operating margin for InLogistics.

Rail Vikas Nigam (RVNL) IPO to open today

Rail Vikas Nigam is set to launch its initial public offering for subscription today.

The dilution of stake by the Ministry of Railways is part of the divestment target set by the government every year. The government has already surpassed its FY19 divestment target of Rs 80,000 crore.

The public issue comprises an offer for sale of up to 25,34,57,280 equity shares by the Government of India, which includes a reservation of 6,57,280 equity shares for eligible employees. The net public offering stands up to 25,28,00,000 shares.

The offer would constitute 12.16 percent of the post offer paid-up equity share capital of the company.

A discount of 50 paise per share on the final offer price will be offered to retail investors and eligible employees.

RVNL's revenue from operations has increased at CAGR of 29.4 percent from Rs 4,539 crore in the financial year 2016 to Rs 7,597 crore in the financial year 2018, and net profit has increased at CAGR of 15.2 percent from Rs 429.4 crore in FY16 to Rs 569.9 crore in FY18.

RVNL has an order book of Rs 77,504 crore as on December 31, 2018 which includes 102 ongoing projects.

During the financial year ending March 31, 2018, RVNL has completed a total of 885.50 rkm of project length which included 315.20 rkm of doubling and 425 rkm of railway electrification.

Since its inception in 2003, Ministry of Railways has transferred 179 projects to RVNL of which 174 projects are sanctioned for execution. Out of these, 72 projects have been fully completed totalling to Rs 20,567.28 crore and the balance are ongoing.

News during Market Hours

Infosys to acquire 75% stake in ABN AMRO Bank subs. for 127.5 mn euros

Infosys said that it will acquire 75 percent stake in ABN AMRO Bank's wholly-owned subsidiary, Stater, for 127.5 million euros (about Rs 989 crore).

Founded in 1997, Stater provides end-to-end mortgage administration services in the Netherlands, Belgium and Germany.

As part of the deal, Infosys will acquire 75 percent of the shareholding in Stater, while ABN AMRO will continue to hold the remaining 25 percent.

Infosys said the partnership is in alignment with its strategy to strengthen its mortgage servicing capabilities in Continental Europe.

The current management team of Stater will continue to steer the company, it added.

"While mortgages are a key product for ABN AMRO, providing administrative mortgage services is not a core activity. That's why we are very pleased with Infosys as Stater's new majority shareholder.

Britannia to replace Hindustan Petroleum in Nifty 50 from today
Britannia Industries will replace Hindustan Petroleum Corporation in the Nifty 50 index from today.

Six stocks, Bajaj Holdings & Investment, Divi's Laboratories, HDFC Asset Management Company Ltd, Hindustan Petroleum Corporation, Page Industries and United Breweries will be included in the Nifty Next 50 index.

Besides similar changes are made in Nifty500, Nifty 100, Nifty Midcap 150, Nifty Smallcap 250, Nifty Midcap 50 and Nifty Midcap 100, Nifty 200, Nifty Financial Services among others.

Key U.S. Indices

Dow	25,717	92	0.36%
S&P 500	2,815	10	0.36%
Nasdaq	7,669	26	0.34%

Wall Street Edges Up AsTreasury Yields Stabilise, Trade Talks progress
U.S. Indices closed higher Thursday in a choppy, low-volume session following reports that the U.S. and China have made progress toward a trade deal and some stability in Treasury yields.

Traders appeared willing to endure prolonged U.S.-China trade talks if they avert the possibility of further rifts between the two nations.

The Dow Jones Industrial Average rose 0.36%, the S&P 500 added 0.36%, while the Nasdaq Composite gained 0.34%.

Treasury Yields rise
U.S. Treasury yields, which has dominated direction in recent sessions, rose from lows despite data showing a slowdown in the U.S. economy.

The third and the final reading of the U.S. gross domestic product increased at a 2.2% annual rate in the October-December period, the Commerce Department said. Economists had expected a 2.4% growth rate.

Trade progress

On the trade front, White House economic adviser Larry Kudlow said the U.S. may remove some of the tariffs on Chinese goods, but not all, easing investor worries that a lack of progress on talks could lead to an all-out trade war.

The apparent olive branch could also mean more drawn-out talks, Kudlow suggested.

The somewhat upbeat remarks arrived as Trade Representative Robert Lighthizer and Treasury Secretary Steven Mnuchin arrived in Beijing on Thursday for a two-day meeting.

Most importantly, China also appeared more responsive to an enforcement framework, which the Trump administration has argued is needed to ensure Beijing complies with eventual terms of a trade deal.

That helped trade-sensitive industrials and boosted the broader market.

Other Economic data

The number of Americans seeking first-time jobless benefits fell to 211,000 from a revised 216,000 for the week ended March 23, the Labour Department said.

Pending home sales fell 1% in February from the month prior and 4.9% from the year earlier, the National Association of Realtors said. Contract signings for homes have declined on an annual basis for 14 straight months.

Brexit

In the U.K., John Bercow, the speaker of the House of Commons said parliament would be able to vote for a third time on Prime Minister Theresa May's Brexit proposal after substantial changes were made to legislative language. May on Wednesday said she would be willing to step down if her plan to usher Britain out of the European Union was approved by Parliament.

However, lawmakers failed to find a majority on any given path for Brexit, in a series of indicative votes, adding to political uncertainty and beginning a tussle for the nation's leadership.

Fed chatter

Fed Vice Chairman Richard Clarida credited supportive policy responses in the U.S. for shielding the economy during the 2011-2013 eurozone debt crisis and the China devaluation of 2015-2016. Clarida, speaking at the Banque de France and European Money and Finance Forum colloquium, said that the key message from those episodes points to "the importance of timely policy adjustments by the central bank.

Stocks

Of importance to us in India, Accenture shares gained 5.2% after the management consulting firm reported fiscal second-quarter profit and revenue that surpassed Wall Street expectations.

Other markets

Asian markets closed mixed with the Chinese and Japanese stock markets closing down, while Hong Kong's Hang Seng Index inched up 0.2%.

European markets closed mixed Thursday as the U.S. markets had dipped into the red after opening higher, when the European markets downed their shutters.

The UK's FTSE 100 rose 0.56% while the German Dax inched up 0.08% and the All Europe Stoxx 600 shed 0.12%.

In commodities markets, crude-oil prices were pressured, and gold prices settled lower, as the U.S. dollar extended its recent uptrend.

The closely watched benchmark 10-year Treasury note yield +0.96% was at 2.39%, hovering around a 15-month low.

DATA & EVENTS

OPENING TRADING CALLS

No.	Reco Date	Company Name	Reco	Cost	SL	Target
1	07-03-2019	NIIT LTD	BUY	91.15-88	85	100
2	12-03-2019	DMART	BUY	1507-1470	1440	1625
3	27-03-2019	PRAJIND	BUY	154.35-149	147	164
4	28-03-2019	NIFTY APR FUTURE	BUY	11659-11625	11580	11800

NOTE: *ALL TRADING RECOMMENDATIONS GIVEN BY PCG TEAM ARE ON REAL TIME BASIS. A TRADING RECOMMENDATION SHOULD BE CONSIDERED CLOSED OR SQUARED OFF AS AND WHEN A STOPLOSS OR TARGET IS TOUCHED IN INTRADAY TRADING. DO NOT WAIT FOR TARGET ACHIEVED OR STOPLOSS MESSAGE TO CLOSE THE POSITIONS. REFER JAMMOON FOR TIMELY ENTRY AND EXIT FROM RECOMMENDATIONS.*

LIST OF NIFTY STOCKS						
COMPANY	CLOSE	R2	R1	PIVOT	S1	S2
NIFTY 50	**11570**	**11673**	**11622**	**11537**	**11485**	**11401**
ADANIPORTS	381	393	387	377	371	360
ASIANPAINT	1500	1530	1515	1494	1479	1459
AXISBANK	776	804	790	774	759	743
BAJAJ-AUTO	2954	3069	3011	2963	2906	2858
BAJAJFINSV	6970	7115	7043	6950	6877	6785
BAJFINANCE	2993	3038	3015	2978	2955	2918
BHARTIARTL	331	342	337	327	321	312
BPCL	387	396	391	385	381	374
CIPLA	526	530	528	525	523	520
COALINDIA	236	240	238	236	233	231
DRREDDY	2723	2802	2762	2735	2696	2669
EICHERMOT	20925	21521	21223	21002	20704	20483
GAIL	358	367	363	358	354	350
GRASIM	834	851	842	833	824	815
HCLTECH	1085	1113	1099	1074	1061	1036
HDFC	1942	1973	1957	1935	1919	1897
HDFCBANK	2308	2344	2326	2307	2289	2270
HEROMOTOCO	2530	2577	2554	2534	2511	2491
HINDALCO	203	211	207	204	200	198
HINDPETRO	276	285	281	275	270	265
HINDUNILVR	1690	1704	1697	1685	1678	1666
IBULHSGFIN	818	868	843	798	773	728
ICICIBANK	399	407	403	398	394	389
INDUSINDBK	1813	1865	1839	1808	1782	1751
INFRATEL	316	323	319	316	313	310
INFY	739	753	746	738	731	723
IOC	162	166	164	162	160	158
ITC	301	308	304	299	295	290
JSWSTEEL	287	293	290	287	284	281
KOTAKBANK	1345	1365	1355	1342	1332	1319
LT	1388	1410	1399	1382	1371	1353
M&M	655	666	661	657	652	648
MARUTI	6610	6702	6656	6579	6532	6455
NTPC	137	141	139	137	135	133
ONGC	157	162	160	157	155	152
POWERGRID	198	202	200	198	196	194
RELIANCE	1362	1385	1374	1358	1347	1331
SBIN	319	353	336	323	306	292
SUNPHARMA	475	488	482	473	467	459
TATAMOTORS	171	174	172	170	169	166
TATASTEEL	505	520	513	509	501	497
TCS	2004	2039	2022	1997	1980	1955
TECHM	773	788	781	774	767	760
TITAN	1135	1157	1146	1129	1118	1101
ULTRACEMCO	3900	3994	3947	3921	3874	3847
UPL	934	962	948	922	908	883
VEDL	178	181	179	178	176	174
WIPRO	256	260	258	256	254	252
YESBANK	275	283	279	274	270	264
ZEEL	444	457	450	438	432	420

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