

Flash Note 11/03/2019

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Indian market surge to highest level in six months. What's next?

Domestic equity benchmarks (Sensex and Nifty) rose to their highest levels since September

- The overall market breadth was extremely positive with almost 70% of shares (1,756 shares) growing in the last 2 weeks.
- Rally has been led by blue-chip shares but also banks, who are showing signs of having definitively left behind their balance problems.
- Some examples of top gainers are: Reliance Industries, ICICI Bank, Bharti Airtel, State Bank of India and HDFC.

What's next?

- Foreign investors continued with their shopping spree in Indian equities in March (have so far this month invested Rs 5,621 crore in equity markets, according to data compiled by National Securities Depository Limited (NSDL). In February, the foreign investors turned net buyers of equities and bought shares worth Rs 17,219.62 crore)
- After a period of foreign capital outflows in the last 9 months, we have finally seen a stabilization in the Rupee, which helps investors feel more comfortable, causing global funds to flow again towards India. That's why Sensex and Nifty are rising.
- We believe that foreign flows will continue to invest in India this year, and that is a shared vision with some brokerage firms in the region we have talked with (such as IDBI Capital)
- The benefits published by the companies begin to show signs of acceleration, and that makes it feasible to meet the objectives for FY19 profit growth that we set in January (of 17%)
- Some examples of satisfactory results in key sectors that may indicate an acceleration of the cycle:
 - Ambuja Cements (India) on Monday posted a 58.8% yoy jump in profit, exceeding analysts' estimates, as it logged higher cement sales and a tax benefit.
 - Nestle India, reported a 9.6% rise in profit. Sales +12%.
 - Indian Oil and Natural Gas Corporation (ONGC) on Thursday posted a 64.8% jump in profits.

- Coal India Ltd, the world's biggest coal miner, reported a 50.1% jump profit on Tuesday as it benefited from higher coal production.
 - Sun Pharmaceutical Industries, the country's largest drug maker by market value, posted a nearly four-fold jump (x4), clearly beating analysts' estimates.
 - On the negative side, automakers and aluminum producers, showed declines in profits.
- Target Price (Sensex): 40,800 (+10.2%) / Exit 42,885 (+16%). Based on FY19EPS growth of 16.6% and PE ltm at Dec19 of 20x.

Best