

Market Outlook

Indian markets are expected to open in the green tracking positive global cues. Near term key monitorables include earnings expectations coupled with crude and currency levels.

Markets Yesterday

- Domestic markets ended higher on the back of mixed economic data releases
- US markets ended in the negative territory as reports suggested lower-than-expected US retail sales growth in September

Key Developments

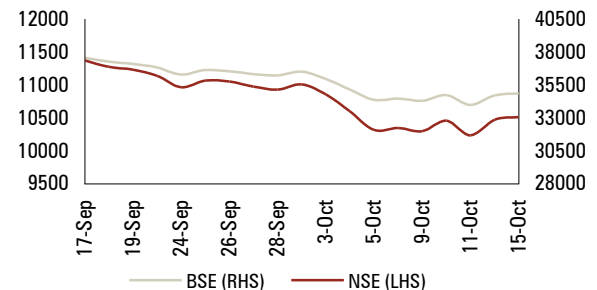
- Infosys is expected to report constant currency revenue growth of 3% QoQ while US\$ revenue may grow 2.2% QoQ to \$2,893 million in Q2FY19. Rupee revenue is expected to grow 6% to ₹ 20,267 crore. EBIT margins are expected to expand 70 bps sequentially to 24.4% while PAT is expected to be ₹ 4,057 crore
- Hero MotoCorp is expected to report a steady performance in Q2FY19. Total 2W sales volume in Q2FY19 was at 21.3 lakh units, up 5.5% YoY. Consequent net sales are expected at ₹ 8,969 crore, up 7.3% YoY. EBITDA in Q2FY19 is expected at ₹ 1,368 crore (EBITDA margins: 15.2%) with consequent PAT at ₹ 936 crore, down 7.4% YoY
- Federal Bank's credit traction is expected to sustain above 20% YoY, increasing ~23% to ₹ 99194 crore. This is expected to be led by retail & SME segments. Margins are expected at ~3% while GNPA ratio is estimated at ~3.1% vs. 3% seen in the previous quarter. The trajectory of slippages & provisions needs to be keenly watched. Nil is expected to increase 17.8% YoY to ₹ 1059 crore. We expect PAT of ₹ 311 crore

Nifty Heat Map

Lupin	886.8 4.8%	Dr Reddy	2,566.9 4.7%	Cipla	647.9 4.0%	Infosys	698.8 2.9%	ITC	282.5 2.7%
BPCL	296.4 2.6%	Hindalco	231.8 2.2%	IBULHSG FIN	948.9 1.8%	HCL Tech	1,003.0 1.8%	ONGC	160.2 1.7%
TCS	1,949.5 1.6%	Sun Pharma	600.0 1.6%	HDFC Bank	2,008.1 1.3%	UPL	636.0 1.3%	Zee Ent.	472.5 1.2%
RIL	1,139.8 1.2%	Wipro	320.0 1.2%	Bharti Infratel	268.6 1.1%	IOC	135.1 0.9%	Bajaj Finance	2,306.2 0.8%
Bharti Airtel	291.1 0.4%	Tata Motors	184.4 0.3%	Grasim	897.9 0.3%	Kotak Bank	1,170.5 0.3%	NTPC	164.7 0.3%
Titan	807.2 0.3%	HDFC Ltd	1,732.9 0.2%	TECHM	694.6 0.1%	Bajaj Auto	2,620.5 -0.1%	Yes Bank	246.0 -0.2%
Power Grid	188.1 -0.2%	SBI	263.2 -0.2%	Hero Moto	2,881.3 -0.4%	Adani Ports	321.3 -0.6%	Asian Paints	1,250.3 -0.9%
Coal India	275.7 -1.1%	Tata Steel	570.0 -1.1%	Axis Bank	576.6 -1.4%	Maruti	7,182.0 -1.4%	L&T	1,216.4 -1.5%
Indusind Bank	1,627.0 -1.6%	Vedanta Ltd	210.6 -1.7%	ICICI Bank	313.4 -1.9%	Eicher	23,434.5 -2.0%	Ultratech	3,708.4 -2.3%
GAIL	351.1 -2.3%	M&M	749.0 -2.5%	Bajaj Finserv	5,637.2 -2.7%	HPCL	212.5 -2.7%	HUL	1,526.3 -2.8%

Today's Highlights

Results: Infosys, Hero MotoCorp, Federal Bank, Mahindra CIE, J&K Bank

Index Movement (past month)


	Close	Previous	Chg (%)	MTD(%)	YTD(%)	P/E (1yr fwd)
Sensex	34,865	34,734	0.4	-3.8	2.4	20.2
Nifty	10,513	10,473	0.4	-3.8	-0.2	19.3

Institutional Activity

	CY16	CY17	YTD CY18	Yesterday	Last 5 Days
FII (₹ cr)	14,049	-40,663	-63,622	68	-6,462
DII (₹ cr)	11,320	91,032	97,953	295	6,889

World Indices – Monthly performance

Nikkei	Dow Jones	U.K.	Germany	Shanghai
22,270	25,251	7,029	11,614	2,595
0.8%	-2.5%	-3.8%	-4.2%	-4.2%
France	Nasdaq	Kospi	BSE	NSE
5,095	7,431	2,156	34,865	10,513
-4.8%	-7.2%	-7.5%	-8.5%	-8.7%

Markets Today

	Close	Previous	Change (%)	MTD(%)	YTD(%)
Commodities					
Gold (₹/10 gm)	31,892	31,565	1.0	5.3	9.0
Silver (₹/kg)	38,634	38,267	1.0	4.4	0.7
Crude (\$/barrel)	81.1	80.8	0.4	-1.9	21.3
Copper (\$/tonne)	6303	6319	-0.3	0.6	-12.5
Currency					
USD/INR	73.82	73.57	0.3	-1.8	-13.5
EUR/USD	1.16	1.16	0.1	-0.2	-3.5
USD/YEN	111.97	111.77	0.2	1.5	0.6
ADRs					
HDFC Bank	90.0	89.5	0.5	-4.9	-12.0
Tata Motors	12.5	12.4	0.8	-19.5	-62.6
Infosys	9.9	9.7	1.7	-4.2	20.1
Dr Reddys Labs	34.5	33.2	3.9	-4.1	-11.7

Key Data Points

KEY ECONOMIC INDICATORS

Key Economic Indicator	Period	Latest	Prior Values
RBI Cash Reserve Ratio	N/A	4.00%	4.00%
RBI Repo Rate	N/A	6.50%	6.25%
RBI Reverse Repo Rate	N/A	6.25%	6.00%
CPI YY	August	3.69%	4.17%
Current Account Balance	Q2	-15.8bln \$	-13bln \$
Exports - USD	August	27.84bln \$	25.77bln \$
FX Reserves, USD Final	w/e	401.79bln \$	400.49bln \$
GDP Quarterly yy	Q1	8.20%	7.70%
GDP Annual	12M	6.60%	7.10%
Imports - USD	August	45.24bln \$	43.79bln \$
Industrial Output yy	July	6.60%	7.00%
Manufacturing Output	July	7.00%	6.90%
Trade Deficit - RBI	Q2	-45.7bln \$	-41.6bln \$
Trade Deficit Govt - USD	August	17.39bln \$	18.02bln \$
WPI Food yy	August	-4.04%	-2.16%
WPI Fuel yy	August	17.73%	18.10%
WPI Inflation yy	August	4.53%	5.09%
WPI Manufacturing Inflation yy	August	4.43%	4.26%

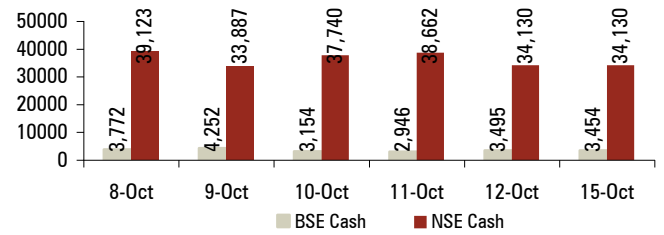
Sectoral Index

Sector	Close	Previous	Change	% Change	Volume
Auto	20325.69	20419.72	-94.03	(0.46)	3323000
Banks	28341.81	28429.02	-87.21	(0.31)	8108000
BSE Small Cap	11792.74	11901.39	-108.65	(0.91)	66926000
Capital Goods	16809.98	16853.38	-43.4	(0.26)	6334000
Consumer Durables	18507.39	18733.78	-226.39	(1.21)	1195000
FMCG	8304.6	8368.14	-63.54	(0.76)	1023000
Healthcare	17870.57	18140.06	-269.49	(1.49)	1830000
IT	11396.98	11501.95	-104.97	(0.91)	1254000
Metals	13041.07	13088.54	-47.47	(0.36)	4742000
Mid Cap	10993.02	11070.76	-77.74	(0.70)	64406000
Oil & Gas	13330.53	13276.54	53.99	0.41	5125000
Power	1962.31	1947.43	14.88	0.76	13331000
PSU	6958.38	6934.89	23.49	0.34	21789000
Real Estate	1621.5	1620.28	1.22	0.08	1573000

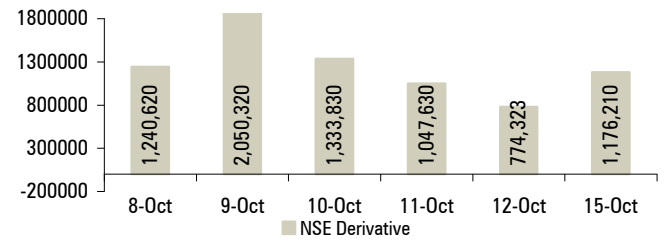
Key News for Today

Company/ Industry	News	View	Impact
Gujarat Gas	Gujarat Gas has announced that its board will consider a stock split on November 3	This move will enhance liquidity and volumes of the stock. However, in the near term, operational performance will be key to watch	↔
Larsen & Toubro	L&T's heavy engineering business has won orders worth ₹ 1050 crore in Q2FY19, which includes three super heavy hydrocracking reactors for Indian refinery with heaviest among them weighing 2180 MT	The total order inflow in H1 FY19 of the heavy engineering segment has reached ₹ 2661 crore, after a prolonged subdued market scenario in this segment. The all-round performance led by buoyancy in order inflows and pick-up in execution places L&T on a sound footing. We maintain our positive outlook on L&T	↑

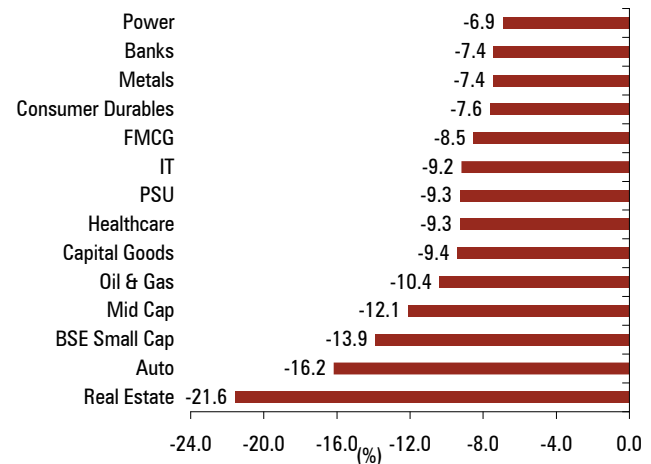
Exchange Cash Turnover (₹ crore)

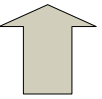


NSE Derivative Turnover (₹ crore)



Sectoral Performance – Monthly Returns (%)



Pitti Engineering	The company reported a robust performance in Q2FY19. Net sales for the quarter came in at ₹ 173 crore, up 106% YoY. EBITDA in Q2FY19 was at ₹ 25.9 with corresponding EBITDA margins at 15.0%. PAT in Q2FY19 was at ₹ 8.0 crore vs. ₹ 3.3 crore in base quarter i.e. Q2FY18	Q2FY19 marks a third consecutive quarter of improved performance for Pitti. The management commentary suggests it is sustainable in the near term. We expect the stock to open positive reacting to Q2FY19 numbers. However, we have a cautious view on the stock on a long term basis amid levered a balance sheet and elongated working capital cycle (~150 days)	
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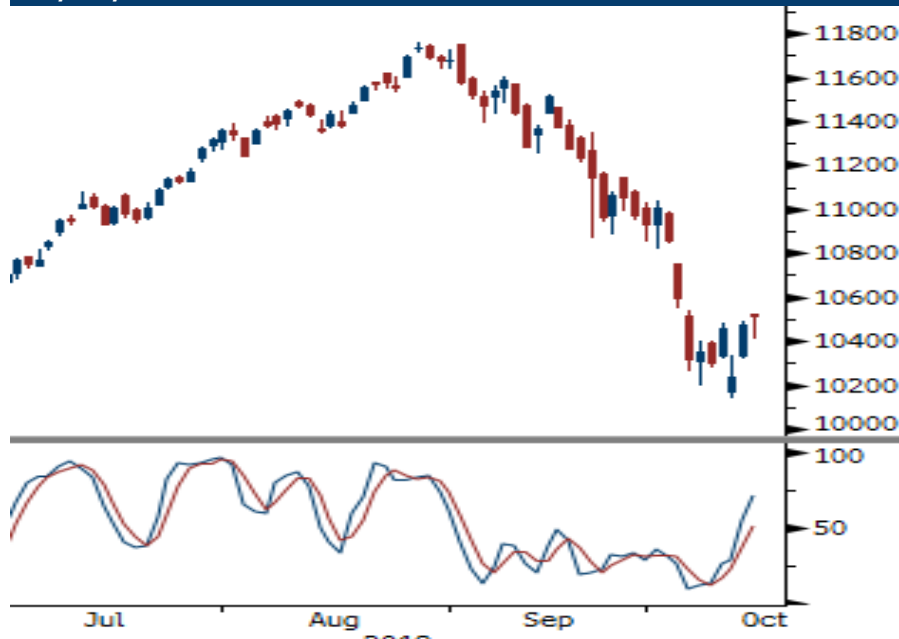
Key developments (Continued...)

- Mahindra CIE's Q3CY18E (follow calendar year end) standalone business is expected to be driven by healthy production volumes of its top three clients, which account for ~60% of its revenue. Thus, its revenue is expected to grow 12% YoY to ₹ 542 crore. EBITDA margins are likely to remain flat YoY at 10% with PAT expected at ₹ 29 crore. At the consolidated level, we expect revenue & EBITDA of ₹ 1919 crore & ₹ 251 crore, respectively
- For J&K Bank, balance sheet growth is seen healthy with advances growth at ~20% YoY. However, interest reversal related to rehabilitated accounts may keep earnings growth muted with NII growth expected at 2.7% YoY to ₹ 710 crore. Cost to income ratio may stabilise at ~60%. Slippages are seen moderate but subdued PPP, ageing of assets and MTM losses on investment book may keep credit cost elevated at ~72% of PPP. PAT is seen at ₹ 61 crore, down 14% YoY. With a moderation in slippages, overall asset quality may remain steady. However, exposure to rehabilitated account at ₹ 4129 crore continues to remain under watch
- IndusInd Bank reported healthy traction on the operational front with PPP increasing 22% YoY to ₹ 1992 crore. However, owing to higher provisions mainly on account of contingent provisions of ₹ 275 crore made towards an infrastructure company, PAT came in lower at ₹ 920 crore, up 4.6% YoY. Asset quality was steady QoQ while business growth was strong with credit increasing by ~32% YoY to ₹ 163144 crore
- TV18 reported strong numbers for Q2FY19. Advertising revenue grew 18% YoY while subscription revenue grew 16% YoY. Regional news operating losses come down by 70% to ₹ 8 crore now while viewership share of regional portfolio rose to 5.7% vs. below 2% two years ago
- South Indian Bank reported PAT of ₹ 70 crore and NII of ₹ 506 crore. This was largely a stable performance with advances growth of 16% YoY and deposits growth of 12% YoY. Overall asset quality did not see deterioration with GNPA ratio at 4.61% and NNPA ratio at 3.16%
- Zee Media reported strong Q2FY19 numbers. Ad revenue continued its strong growth momentum and grew 34.5% YoY while subscription grew 11% YoY. Total revenue grew 35.5% YoY while EBITDA grew 52.8% YoY on operating leverage
- As per media sources, the lenders of Bhushan Power & Steel have decided to put to vote the revised financial offer from JSW Steel amounting to ₹ 19300 crore
- Dr Reddy's Lab has entered into a definitive agreement for the sale of its active pharmaceutical ingredient (API) unit in Hyderabad to generics pharmaceutical company Therapiva Pvt Ltd
- Lupin has received tentative approval for the generic version of Sunovion Pharma Latuda (Lurasidone Hydrochloride) tablets for treatment of bipolar depression in the US. Annual sales of this medicine is ~US\$3.1 billion in US (IQVIA MAT June 2018)
- As per media sources, states are slated to get ₹ 100 crore award on completing household electrification early and for being efficient under the Saubhagya Scheme
- As per media sources, Sterlite Power has commissioned the ₹ 3000 crore Kashmir transmission project to supply 1000 MW of incremental power supply to valley
- Tata Motors has started advance booking for SUV Harrier for ₹ 30,000 and is built on Omega platform derived from Jaguar Land Rover. The Tata Harrier will start production probably by the end of 2018. It will compete against the Hyundai Creta, Jeep Compass and others
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Key developments (Continued...)

- Amara Raja Batteries is setting up its third automotive battery manufacturing plant at Chittoor at an investment of ₹ 700 crore for the first phase, with a capacity of 6.5 million units
- Natco Pharma's Partner Mylan has won against Teva Pharma, culminating its defence of patent infringement cases for multiple sclerosis (MS) drug Copaxone (Glatiramer Acetate) in the US. These were the last remaining patent infringement cases Mylan was defending in the US relating to Copaxone injection 40mg/ml. Copaxone is the most prescribed multiple sclerosis (MS) treatment for relapsing forms of multiple sclerosis in the US. Glenmark has received USFDA approval for the Hydrocortisone Valerate Cream USP, 0.2%, a generic version of Westcort®1 Cream, 0.2%, of Sun Pharma. According to IQVIA sales data for the 12-month period ending August 2018, the Westcort® Cream, 0.2% market achieved annual sales of ~US\$17.0 million
- Media reports say Reliance Industries is in talks with both Hathway and Den networks to pick up 25% stake each. The report further says the announcement is expected on October 17 when RIL will report its Q2FY19 numbers
- Dilip Buildcon has been entitled for bonus of ₹ 14.62 crore on completion of rehabilitation & upgradation of SH 317-Kalamb-Ralegaon-Wadki EPC project in Maharashtra 210 days before the scheduled completion date
- As per media sources, the government is planning to increase ethanol's limit in petrol from 10% to 20%. Hence, it may approve a loan to set up an ethanol plant. The government may approve interest credit of ₹ 1500 crore to mills
- As per media sources, NTPC, Nalco has called off proposed 2400 MW Gajamara power project in Odisha. The project was supposed to provide power to Nalco's smelter plant, in Angul
- As per media sources, the demand for electricity has risen with October recording a spike of 12.5% owing to increase in diesel price. The increase was aided by captive power producers and diesel-run industrial units shifting their demand on grid-connected power
- The government is planning to ease entry of more private players into fuel retailing and appointed the Kirit Parikh committee to review the same
- The board of Cochin Shipyard will meet today to consider a proposal for buyback of equity shares of the company
- Petronet LNG says talks to invest in Qatar's E&P sector had slowed down as they had been unable to reach an agreement on price

Nifty Daily Chart



NIFTY Index (NSE Nifty 50 Index) NIFTY momentum pick Daily 15OCT2018-1
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Technical Outlook

Equity benchmarks extended gains over a second consecutive session and settled at 10513, up 40 points or 0.4%.

The price action formed a small real body with a long lower shadow supported by higher high-low, suggesting positive bias as buying demand emerged from intraday support of 10400. The last two session's pullback (387 points) is larger in magnitude compared to the earlier pullback of around 300 points (since August 2018 high of 11760), signifying structural improvement. We expect the Nifty to consolidate in the broad range of 10600-10200 in coming week as it will form a strong base for the next leg of up move. One should accumulate quality stocks in a staggered manner in the current consolidation. In the coming sessions, if it sustains above the previous session's low (10410) that will lead to continuance of the current pullback towards 10600.

Pivot Points

Index/Stocks	Trend	Close	S1	S2	R1	R2
S&P BSE SENSEX INDEX	Positive	34865.1	34613.0	34165.0	35062.0	35511.0
Nifty 50	Positive	10512.5	10440.0	10324.0	10556.0	10672.0
ACC LTD	Positive	1523.2	1481.0	1413.0	1549.0	1617.0
AXIS BANK LTD	Negative	576.6	569.0	553.0	585.0	600.0
HDFC BANK LTD	Positive	2008.1	1981.0	1941.0	2022.0	2062.0
STATE BANK IND	Negative	263.2	260.0	256.0	265.0	270.0
HOUSING DEV FIN	Positive	1732.9	1703.0	1641.0	1764.0	1826.0
MARUTI SUZUKI IN	Positive	7182.0	7092.0	6878.0	7306.0	7520.0
TATA MOTORS LTD	Neutral	184.4	184.0	180.0	187.0	191.0
MAHINDRA & MAHIN	Neutral	749.0	733.0	695.0	770.0	807.0
BAJAJ AUTO LTD	Neutral	2620.5	2583.0	2511.0	2654.0	2725.0
TATA CONSULTANCY	Neutral	1949.5	1928.0	1893.0	1964.0	2000.0
INFOSYS LTD	Positive	698.8	685.0	662.0	709.0	732.0
CIPLA LTD	Positive	647.9	628.0	596.0	660.0	692.0
OIL & NATURAL GA	Positive	160.2	157.0	153.0	161.0	166.0
RELIANCE INDS	Positive	1139.8	1123.0	1094.0	1152.0	1181.0
BHARTI AIRTEL	Neutral	291.1	285.0	276.0	294.0	303.0
DLF LTD	Negative	156.8	155.0	150.0	160.0	165.0

CNX Nifty Technical Picture

Nifty 50	Intraday	Short Term
Trend	Up	Range bound
Support	10460-10410	10100
Resistance	10550-10585	10600
20 day EMA		10758
200 day EMA		10770

Advances/Declines

	Advances	Declines	Unchanged
BSE	1634	976	175
NSE	1246	576	81

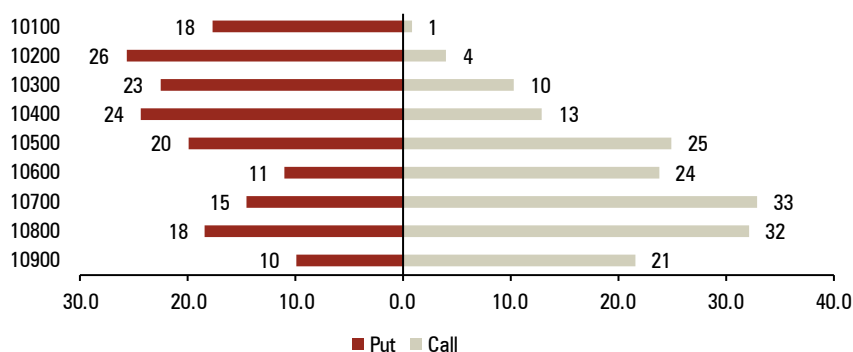
Daily Technical Calls

1. Buy Sun Pharma in the range of 600.00-601.00
2. Buy Bajaj Finance in the range of 2313.00-2318.00

*All recommendations are of October Future

See Momentum Pick for more details

Nifty Call - Put Strike (Number of shares in lakh) - October 2018



Intraday Derivative Strategy

i) Aurobindo Pharma

Buy AURPHA OCT Fut at ₹ 762.00-762.60

CMP: 758.2

Target 1: 768 Target 2: 777

Stop Loss: 756

ii) Britannia Industries

Sell BRIIND OCT Fut at ₹ 5620.00-5624.00

CMP: 5670

Target 1: 5594 Target 2: 5549

Stop Loss: 5654

See Derivatives view for more details

Results/Events Calendar

01	October Monday	02	October Tuesday	03	October Wednesday	04	October Thursday	05	October Friday	06	October Saturday
Nikkei India PMI Mfg Markit US Mfg PMI Nikkei Japan PMI Mfg Markit EU Mfg PMI Markit UK PMI Mfg		Japan Monetary Base YoY EU PPI YoY		Markit US Services PMI Nikkei Japan PMI Services Markit EU Services PMI		Nikkei India PMI Services US Initial Jobless Claims		RBI Repo Rate RBI Reverse Repo Rate RBI Cash Reserve Ratio US Trade Balance US Unemployment Rate			
08	October Monday	09	October Tuesday	10	October Wednesday	11	October Thursday	12	October Friday	13	October Saturday
Caixin China PMI Services Caixin China PMI Composite China FDI YoY		Japan BoP Current Acc Bal		Zee Entertainment Bandhan Bank US Wholesale Inv MoM US 10Y High Yield Rate UK Ind Prod YoY		TCS GM Breweries US CPI YoY US Initial Jobless Claims Japan PPI YoY		HUL India CPI YoY India Industrial Prod YoY EU Ind Prod SA MoM			
15	October Monday	16	October Tuesday	17	October Wednesday	18	October Thursday	19	October Friday	20	October Saturday
IndusInd Bank Pitti Engg India Trade Balance US Retail Sales Advance MoM India Wholesale Prices YoY		Hero MotoCorp Infosys, Federal Bank Mahindra CIE, J&K Bank China CPI YoY US Ind Prod MoM		ACC, Reliance Ind Mindtree, Cyient DCB Bank, Havells India UK CPI YoY China FDI YoY		Japan Trade Balance Japan 20Y Bond Yield US Initial Jobless Claims		SBI Life Insurance Ultratech Cement China Ind Prod YoY Japan Natl CPI YoY China GDP YoY		HDFC Bank	
22	October Monday	23	October Tuesday	24	October Wednesday	25	October Thursday	26	October Friday	27	October Saturday
Asian Paints, Hindustan Zinc Kansai Nerolac TVS Motors, Alembic Pharma EU Govt Debt/GDP Ratio Japan All Ind Activity Index		Bajaj Finance, HCL Tech Bajaj Finserv Ambuja Cement Rallis India EU Consumer Confidence		Bajaj Auto, TTK Prestige Bharti Infratel Wipro, Syngene Int, KPIT Nikkei Japan PMI Mfg Markit US PMI Mfg		Bharti Airtel, Biocon Yes Bank, V-Guard Maruti Suzuki, Kewal Kiran Kajaria Ceramics ECB Main Refinancing Rate		Mahindra Lifespace Nestle India Dr. Reddy's Lab Shoppers Stop, ITC US GDP Annualized QoQ			
29	October Monday	30	October Tuesday	31	October Wednesday	01	November Thursday	02	November Friday	03	November Saturday
Colgate Action Const. Equipment Swaraj Engines		Tech Mahindra Infoedge Ramco Cements Pidilite, Nocil Concor		Dabur, BlueDart, United Spirits EIH Associated, Tata Motors EPC Industries, HEG India Fiscal Deficit BOJ Policy Balance Rate		HDFC, Trent, Marico Firstsource Taj GVK Nikkei India PMI Mfg Caixin China PMI Mfg		Axis Bank TCI TV Today ABFRL		TCI Express	

Major Economic Events this Week

Date	Event	Country	Period	Actual	Expected
15-Oct	Trade Balance	IN	Sep	-\$13978M	-\$17300M
15-Oct	Retail Sales Adv MoM	US	Sep	0.1%	0.6%
15-Oct	Wholesale Prices YoY	IN	Sep	5.13%	5.00%
15-Oct	Industrial Prod YoY	JN	Aug F	0.2%	--
16-Oct	CPI YoY	CH	Sep	2.5%	2.5%
16-Oct	Industrial Prod MoM	US	Sep	--	0.3%

Date	Event	Country	Period	Expected	Prior
17-Oct	CPI YoY	UK	Sep	2.6%	2.7%
17-Oct	FDI YoY	CH	Sep	--	--
18-Oct	Trade Balance	JN	Sep	¥45.1B	¥444.6B
18-Oct	20Y Bond Yield	JN	Oct	--	0.618%
18-Oct	Initial Jobless Claims	US	Oct	--	214,000
19-Oct	Industrial Prod YoY	CH	Sep	6.0%	6.1%
19-Oct	Natl CPI YoY	JN	Sep	1.3%	1.3%
19-Oct	GDP YoY	CH	3Q	6.6%	6.7%

Result Preview

Company	Revenue		Chg(%)		EBITDA		Chg(%)		PAT		Chg(%)	
	Q1FY19E	YoY	YoY	QoQ	Q1FY19E	YoY	QoQ	Q1FY19E	YoY	QoQ	YoY	QoQ
Hero MotoCorp	8,969.1	7.3	1.8	1,367.5	-6.1	-0.7	935.6	-7.4	2.9			
Infosys	20,266.8	15.4	6.0	5,451.8	15.9	8.7	4,057.4	8.9	12.3			
Mahindra CIE	1,918.6	15.9	-2.8	251.0	19.5	-13.7	119.8	28.3	-11.1			
Federal Bank	1,059.1	17.8	8.1	664.1	13.8	10.2	311.0	17.7	18.4			
J&K Bank	709.6	-1.8	2.7	329.0	-9.7	-0.2	61.4	LP	16.7			

Revenue = Nil; EBITDA = PPP for Banks and NBFC

Recent Releases

Date	Report
October 15, 2018	Result Update –Hindustan Unilever
October 15, 2018	Monthly Update –Inflation
October 12, 2018	Result Update –Tata Consultancy Services
October 11, 2018	Result Update – Zee Entertainment
October 11, 2018	Result Update –Bandhan Bank



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