

Market Gyan

Banking Mess - Time to buy PSU Banking Stocks ?

Since the arrival of Raghuram Rajan, public sector banks have been under tremendous pressure. Banks which for years had been postponing attempts to clean up its balance sheet were under pressure with a deadline to meet.

Banks which had been growing their profits at a steady clip and one that wasn't impacted by the 2008 financial crisis either were suddenly looking at booking losses that would wipe out years of profit.

Dena Bank has booked a Net Loss in last 3.5 years that has wiped out all its profits that it had seen from 2006-07 onwards. For Indian Overseas Bank, we would need to go even before to find enough profits that can be set off against losses booked by it since 2014-15.

IDBI Bank has 32% NPAs, and that tells you that 1 out every 3 rupees lent is now refusing to come back.

Urjit Patel was initially considered to be someone who will back off from the path set by Raghuram Rajan, but that didn't happen as the pressure was kept up. RBI asked Dena Bank to freeze all fresh lending making it close to a zombie bank before the government decided to push its merger with Bank of Baroda along with Vijaya Bank.

When Banks take losses, the losses must be borne by someone – in most cases it would be the depositors but in India, that is a no-go area. Even when Global Trust Bank, a Private Sector Bank went down, the government & RBI by pushing it to be merged with Oriental Bank of Commerce.

Banks need to have a certain amount of capital to meet obligations and absorb unexpected losses. This is generally based on BASEL norms which are applied universally. These losses have meant that many of the Banks ratios have gone down even though the government over the years have infused fresh money.

Thanks to the continuous recognition of NPA's, 11 banks came under the radar of PCA(Prompt Corrective Action). While Dena Bank has literally stopped lending, lending by these 11 banks were asked to stop expansion of branches, hold off onto new staff recruitment and most importantly were restricted from increasing the size of their loan book.

The difference between Dena and these Banks is that while Dena cannot even lend, these Banks can lend subject to the total outstanding remaining the same. In other words, they can lend to a new enterprise only if they have received payments from another enterprise.

Emergence of Private Sector Banks which aggressively chased growth and combined with Non Banking Financial Companies has led to loss of market share for Public Sector Banks.

With Private Banks not lending easily and large part of the Public Sector Bank unable to lend, the pressure is being felt and seen in the economy.

But No Change in Credit or Lending Culture?

The government's focus is on adding capital, somehow, or merging weak banks with slightly stronger banks. This doesn't actually change credit culture – if you weren't careful enough when you lent, and you see no repercussions on your future, why will you change after a government rescue?

That means if you rescue these banks today or ease regulation, they aren't going to be forced to change their own lending culture.

Should one Buy PSU Banks?

The answer for now is clearly No. Even if there is a relaxation in rules and Banks are able to move out of the PCA, with no change in the way loans are extended, it wouldn't be long before they are back with huge NPA's that require a bailout.

The market can be quite excited for a while, but unless there's structural change, these PSU banks are going to have a tough time either now or later.

We are still tracking the space closely and if we come up with any idea within this space we will share it with you. As of now avoid investing in this sector.

Nifty Spot In Last Week :-

As we saw the Price Movement in Nifty Spot in last week that In Upside is 10,838.60 and in Downside 10,333.85.



Nifty Spot In Upcoming Week :-

There is strong Resistance is 10,950 There is possibility of profit booking on this level if close above 11,090 the next level 11,230 down side 10,550 is support if break this level then down side next target 10,350 to 10,155.

Bank Nifty in Upcoming week:-

27,480 is strong resistance if cross 27,480 then next level up side 28,500, down side 26,500 is very important level if close below this level then down side target 26,000.

Recommendation for next week

Serial No.	Stock Name Cash segment	Above/ Below/ Add HOLD	CMP as on 15.12.2018	Trail SL	Buy Stop loss	Sell Stop loss	Target
1	VGUARD(BUY)	HOLD215	212.70		207		225/272
2	BEML(BUY)	HOLD215	212.70		207		225/272
3	JPASSOCIAT	ABOVE7.30	7.05		6.80		8.80/10.60
4	ICICIBANK(SELL)	BELOW347	351.90			355.5 5	181/171
5	PIDILITND(SELL)	HOLD1180	1167			1205	1077/1050

Commodity Market

COPPER:- Buy in dips with sl 420 upside target will be 445 to 455.



CRUDEOIL :- Buy in dips around 3700 with sl 3610 upside target will be 3980 to 4060.

SILVER:- Buy in dips with sl 36000 upside target will be 38,300 to 39,300 possibilities .



GOLD:- buy in dips with the Stop loss of 30,400 for target will be 31,500.

NATURALGAS:-Buy in dips with the stop loss of 280, target will be 397 possibilities .



Commodity Market

USDINR: Investors can Sell on rise stop loss of 73.45 down side target will be 71.50 to 72.60 ,Buy in dip with sl 69.90 upside target will be 71.50 to 72.60.



EURINR: Investors can buy in dip with the stop loss of 80.00 and upside target will be 81.00 to 81.50.



GBPINR: Investors can buy in dip with the stop loss of 89.20 and upside target will be 91.50 to 92.40.



JPYINR: Investors can buy in dip with the stop loss of 61.80 and upside target will be 63.50 to 64.15.

Currency	DEMAND ZONE LEVEL		CLOSE	SUPPLY ZONE LEVEL	
	D2	D1		S1	S2
USDINR	70.88	71.50	72.06	72.60	73.40
GBPINR	89.40	90.00	90.74	91.66	92.44
EURINR	79.60	80.19	80.78	81.25	82.20
JPYINR	61.80	62.47	63.58	63.87	64.25

The week gone by was full of events and excitements. The events like state election result and resignation of RBI governor, Urjit Patel were supposed to have significant impact. Because the loss of electoral votes, it is believed that BJP may adopt some populace measures which may have burden on the exchequer and on Current account deficit. Urjit Patel's resignation also came as a shock to the market. However, the news on wholesale price index (WPI) touching to 3 months low and the rise in Industrial production (IIP) came as a relief to economy. This ideal situation (lower inflation and higher growth) has provided the cushion against the bad news and restricted rupee from weakening.

it is believed that rupee would trade in a narrow range waiting for political situations in the country and the global economic developments

Premium / Discount (USD/ INR) Based on Forward Rates	
Duration	Premium
One month Forward	0.25
Three month Forward	0.48
Six month	1.16
One year	2.40

RBI reference Rates	
Currency	Rates
USD	71.74
GBP	90.58
Euro	81.46
100 Yen	63.20

Mindtree Limited

Mindtree Limited (Mindtree or the Company) is an international Information Technology consulting and implementation company that delivers business solutions through global software development. The Company is structured into four industry verticals Retail, CPG and Manufacturing (RCM), Banking, Financial Services and Insurance (BFSI), Technology, Media and Services (TMS) and Travel and Hospitality (TH). The Company offers services in the areas of agile, analytics and information management, application development and maintenance, business process management, business technology consulting, cloud, digital business, independent testing, infrastructure management services, mobility, product engineering and SAP services.

MindTree Ltd., incorporated in the year 1999, is a Mid Cap company (having a market cap of Rs 14528.30 Crore) operating in Information Technology sector.

MindTree Ltd. key Products/Revenue Segments include Software Development Charges which contributed Rs 5325.00 Crore to Sales Value (100.00 % of Total Sales) for the year ending 31-Mar-2018.

For the quarter ended 30-09-2018, the company has reported a Consolidated sales of Rs 1755.40 Crore, up 7.07 % from last quarter Sales of Rs 1639.50 Crore and up 31.83 % from last year same quarter Sales of Rs 1331.60 Crore. Company has reported net profit after tax of Rs 206.30 Crore in latest quarter. The company's top management includes Mr. Akshaya Bhargava, Mr. Bijou Kurien, Mr. Krishnakumar Natarajan, Mr. Milind Sarwate, Mr. N S Parthasarathy, Mr. Rostow Ramanan, Mr. Subroto Bagchi, Ms. Apurva Purohit. Company has Deloitte Haskins & Sells as its auditor. As on 30-09-2018, the company has a total of 164,189,371 shares outstanding.

Pros:

Company is virtually debt free.

Company has been maintaining a healthy dividend payout of 40.12%

Cons:

Promoter holding is low: 13.34%

- Market Cap: 14,670 Cr.
- Current Price: 893.45
- 52 weeks High / Low 1181.90 / 532.65
- Book Value: 184.74
- Stock P/E: 21.32
- Dividend Yield: 1.23 %
- ROCE: 26.55 %
- ROE: 21.44 %
- Sales Growth (3Yrs): 15.32 %
- Face Value: 10.00

Category	No. of shares	Percentage
Promoters	19,654,342	11.97
Foreign Institutions	70,865,369	43.16
Others	34,036,931	20.73
General Public	24,132,333	14.70
NBFC and Mutual Funds	10,155,116	6.19
Financial Institutions	2,681,133	1.63
Foreign Promoters	2,243,375	1.37
Central Government	420,772	0.26

Return on Equity	
10 Years:	23.40%
5 Years:	23.36%
3 Years:	20.88%
TTM:	21.44%

MH Recommendation:-

Market Hub Recommended to their valuable investors to buy this stock around 670-700 with stop loss 500 and target will be 1000 with time frame 2-3 year

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