CniGlobalbiz

CNI Publications; Weekly Plattern

Weekly summary

Vol -1, No-I, 08 Feb, 2020, 08 pages

Editorial

CNI generated 8 buy calls to take advantage of the panic situation due to knee jerk reaction. Market will rise first to 11900 and then to 13000. After 10 days no 1 will talk about Budget. This is event is used by market drivers to milk out of F and O traders. We had clearly said Nifty may fall to 11500 and avoid f and o longs ahead of budget. Now if you were long time to average.

Budget is excellent and those who can't analyse it well will keep on saying Budget is bad. No one understood section 80 M which makes DIVIDEND tax free in the hands of corporate. Market is driven by corporate earnings. 22 or 15 pc tax as the case may be, No MAT in 15 pc case, no DDT, No dividend taxable if distributed hence corporate will be now maximum subject to tax to 22% as against 35 plus 20 pc DDT hence the earnings will rise by at least 30 40 pc without doing anything. If still you believe this is not going to work then short INDIA and enjoy.

Second is that Govt still not accounting private investment hence provided additional Rs 4 lac crs spending which is good enough to pull the economy from slow down. On a overall spending of Rs 22 lacs lat year the rise of Rs 4 lac means 18% is really huge. If you do not trust Govt nos then you are open to sell short. Private investment as and when down will add sugar.

Third various TDS provisions have been introduced to widen the tax base from 7 crs to 15 crs. Do not you think this is essential..?

Fourthly ADIA has been exempted from income in INDIA suggest that Rs 2.10 lac crs is coming from none other than ADIA and if happens then may be another 3 to 5 lac crs will come in the course of time. Why only ADIA why not GOS......? You have to think... Media guys does not know about ADIA. Check the shareholding of HDFC or ICICI.

Agriculture, Defence and Manufacturing all were given head up in this budget hence I do not see any reason for such bad reaction except the planned for to get the stop losses triggered and even margin call for the first 2 hours of the day.

Change of the week

	8-Feb-20	Rise /Gain
Sensex	41141	411 ↑
Nifty	12098	96 ↑

Net Investments (` Cr)

	FII	DII
03-Feb-20	(1200.2)	1286.6
04-Feb-20	366.2	601.8
05-Feb-20	248.9	262.7
06-Feb-20	(560.3)	304.0
07-Feb-20	161.9	(178.5)
Total	**(985)**	**2274.5**

Turnover (` Cr)

	FII	DII	Combined
07-Feb-20	**64,561**	**45,050**	1,09611

07-Feb-20	Advances	Declines	Ratio
BSE	1190	1311	0.90

RIL is not in good books of Govt as seems. First AGR, then ARMACO, now removal of anti dumping on PPA and 60% duty on toys all goes against RIL. RIL is struggling from DEBT issue and Govt will divert ARMACO to Govt investments having done with ADIA. Yet I believe RIL stock will move up. The PPA anti dumping removal is positive for RDB Rasayan as RM cost will fall by 11%. Now no one cas stop this stock from becoming multi bagger. The conservative promoters never used to announce dividend due to DDT and now with scrapping of DDT they will announce big dividend as Rs 70 crs is lying in the Balance sheet. I would suggest BUY RDB RASAYAN even though the act of motivated screen destruction will continue till the time some last leg selling remains pending

Lastly the corporate which parked excess funds in bonds and debentures or fixed deposits will move the money to mutual funds so that the dividend earned will become exempt in their hands. The yield will rise from 5% post tax to 14% pre and post tax. (MF gives at least 14 % dividend) .

Kirloskar brothers will also benefit due to sops for electric pumps where this co has major share.

PFS wants to raise funds and raising funds at Rs 800 crs market cap is impossible. So they will take the price to Rs 50 60 and then raise the funds of rs 500 crs. So the stock price has to rise. But you have inclination to buy cash stock profit will never come to you. F and O will remain a drag forever.

In short the Budget is path taking in the given set of circumstances, no attempt was made to raise taxes even though there was shortfall in revenue, attempts were made to push infra spending to pull economy out of slow down, ways made for privatisation in Railway, civil aviation and ports, and widen the tax base to plug non tax payers and resolve the grievances of tax payers. No other FINANCE MINISTER did this in the past hence calling this Budget bad is clear endorsement that you did not understand Budget

70 years we are used to see only rise in taxes and only now for the first time we are seeing reduction in taxes yet we are not happy. There were cases where tax exemption was less than Rs 1.5 lacs now Rs 5 lacs. Only this Govt has tried to keep the race of exemptions with the inflation.

Rs 15 lacs is the level where average tax comes to as low as 13% and one should straight opt for new regime as the issues on deductions and exemptions will also go away leaving no scope of dispute. If you cannot pay even 13% tax it is really pity. Then you deserve to have Govt which raises tax every time

5 Top Gainers			
Stock	07-Feb-20	03-Feb-20	% Gain
WELSPUN CORP	223.8	166.8	34.1
DISHMAN	91.1	71.5	27.3
SWAN ENERGY	139.3	112.1	24.2
SHRIRAM TRAN	1217.5	987	23.3
HONEYWELL	34350	27983	22.7

5 Top Losers			
Stock	07-Feb-20	03-Feb-20	% Loss
VINANTI	1030.5	1989	48.1
J&K BANK	22.8	27.65	17.5
GLAXO PHARMA	1352.9	1637.9	17.4
INDIA BULL REAL	91.2	101.65	10.23
MANAPPURAM	166.9	184.2	9.39

Top 5 Picks By CNI 'A' Group
Company
RIL
SBI
ICICI BANK
GODREJ IND
BRITANNIA

Top 5 Picks By CNI 'B' Group
Company
HDFC LIFE
ZYDUS WELLNESS
POLY CAB CABLE
RDB RASAYAN
NUTRA PLUS

I have never seen a case in my lifetime where tax rate is 22 pc, no DDT and 80 M gives dividend exemption. Also this will channelize to FD, bonds and debentures funds to equity to raise corporate earnings. I am sure earnings will rise by at least 20 pc in 20-21 and so Nifty should also rise by 20 pc to 14400.

We have given the analysis in R I section on RDB where the raw material cost will fall by 11% by just importing the same. Now with fall of crude raw material prices will even fall more improving the margins. Apart from the promoters were conservative and now will announce dividend as there is DDT. Well, still it does not appeal to you all then yes we are there to buy stocks which rise on volume and manipulated results and finally become a VIRUS for the hard earned finances.

Though RIL is affected stock by BUDGET it is all set to rise to rs 1600 as the people behind this stock takes head on with price when things are against it. May be treasury operations is one reason. I see RIL reversing back to rs 1600 very fast which will pull Nifty also.

On 7th Tisco and NCC both will announce results. We can't expect anything from RBI on 7th now. GAIL has announced record date for dividend and I feel stock will rise.

Castrol has performed and bounced back to Rs 152 as expected so never get disappointed when stock falls.

Media is focusing on chemical stocks for right reason today as crude has fallen steeply but VIPUL is not there on their radar as they have been hands in glove with biggies and VIPUL will come on their radar may be after couple of quarters. Biggies have just entered and looking for more blocks.

Market is now normal and no one will talk about Budget so let us focus on earnings and quality stocks again.

125 bn usd set to enter INDIA as per bloomberg story. Plus 80 M diversion could be 50 to 100 bn usd. In short equity will have good days ahead. Last thing I expect is change in SEBI circular on OCT 17 post which small caps will rise 10 times. My bets are on VIPUL NUTRAPLUS and RDB RASAYAN. Since in all these 3 stocks pledge is zero the people who creating artificial market by making losses will never succeed and price will rise for sure.

Street does not even understand what is good and what is bad. We were the first to tell you about section 80 M during Budget that too on line. Today CLSA says 80 M is good read E T. We expect a flow transfer from F D Debentures and Bonds to Equity nothing less than Rs 10 to 20 lac crs which means the AUM will double in next 2 to 3 years. SEBI now agreed to change the OCT circular read E T front page Mr Tyagi's interview. We believe small caps will rise now 1000 pc. Buy VIPUL NUTRA and RDB.

Market casted doubt on the Budget from various angels saying the challenges are huge and N S will have sleepless nights...

Well, I will deal with the market concerns in my assessment...

First concern is Govt will not be able to achieve the disinvestment figure of Rs 2.10 lac crs. We believe it will. Govt has given free hand to Sovereign Wealth Funds more specifically ABU DHABI INVESTMENT AUTHORITY with no tax on dividend, interest and capital gains. This could be with an backdoor understanding that ADIA will invest in BPCL and LIC. So in all probability the disinvestment targets will be achieved. If privatisation catches speed then Govt may even exceed targets. BPCL alone will give Rs 74000 crs to Govt.

Second is telecom revenues. The telecom players are in do or die situation. They have no escape. If they do not go for 5G they will lose out heavily and also liable for stricter AGR recovery. So on this count also we believe that the revenue targets will be met.

Third comes is 11.55% rise in corporation tax and 12.76 pc rise in GST. We believe both will achieve the targets. With 22 pc tax, no DDT and dividend exemption under section 80M the corporate profits will rise substantially hence 8% pc rise very moderate and in fact may exceed the target.

Amnesty scheme is announced to resolve and settle old pending cases. Minimum expectations is that of Rs 40000 to 50000 crs revenue expected and lot of streamlining. This is not even taken into account in revenue estimates. If we consider the fiscal slippage of 63000 crs for 19-20 this Rs 50000 crs is good enough to bring back the fiscal deficit to 3.3 pc though Govt estimated 3.5 pc on safer side.

There is wide disappointment over non removal of LTCG. Well market was reacted in the past also when LTCG was introduced but settled down. When you earn profits there is no harm is giving profits to the Govt.

Mutual Fund profits including dividend and gains are subject to 10% TDS (dividend over Rs 5000). One must remember that TDS is not TAX. There is misconception in some traders that if they have profits in 1st half and TDS is deducted then the same will not be adjusted against second half losses if any. Well, this is possible only if you do not have any other income. TDS can be claimed credit in the tax returns. In any case even if you do not have taxable capital gains and no other income yet you can get your TDS refunded. So there is no issue even on this front. This provision was brought into effect because many people invest in M F from no 2 money and there was CBDT instruction to select all cases of investment over Rs 2 lacs for scrutiny. Now that hassles have gone.

Travel agent payments for foreign travel are now subject to 5 pc TDS. Well again TDS is not a tax. This is done to plug the unaccounted spending adjusted by the travel agents for foreign travel. Department were told keep watch on social media to check the foreign travels. In fact, in last I T returns even provision for details of foreign travel was introduced. Now with TDS all foreign travel comes in tax net as the same will be reflected AS 26. However, direct payments through credit cards and debit cards to overseas hotels are not subject to TDS.

All efforts were made to give free hand to NRI and overseas investors in bonds and equities investment. The NRI taxation is misread and this never intent to tax genuine NRI's having citizenship of any other country and are subject to tax there.

Stress was given on Govt spending instead of private spending though savings has been promoted in no of ways. When private spending adds to the Govt spending the real power of growth will be visible.

The Budget was very well crafted and seems things were in place which clearly suggest that it was directed by the PM himself and will give desired results.

Corona virus is an opportunity to the market. Because this is cold virus and will get resolved once temperature rises. The WUHAN city is sealed hence it will be contained in WUHAN itself and will not spread world over. An article is published in TOI today on this. Also there is CLSA report on this hence as and when this is resolved markets world over will rise.

"Quick summary: look at the fatality rate outside of Wuhan - it’s below 1%. The correct comparison is not SARS or MERS but a bad cold which kills people who already have other health issues. This virus will burn itself out in May when temperatures rise. Wash your hands." this is what the report says.

Expiry game is the biggest writer of the stock market. Nifty fell to 11600 and rose to 12160 you can imagine how traders have lost on both side. Simply because they went against the BULL RULE that all dips should be used for buying and never short in a bull market.

Well, F and O traders are destined to wipe off their hard earned capital elsewhere as none of them are specialist traders of market. Those who are traders they are small timers.

Wealth creation should be the theme. F M is trying to meet all rating agencies over next 2 months to get INDIA re rated. Thus Nifty tone of 13000 is already set. I have enough spoken on small caps and mid caps but you are never thrilled and continue to believe that F and O can make your dream home so let it be.

After meaningful expiry some correction today only to built fresh positions and allowing traders to short more. Even fall of 100 points tempt traders to short more as they believe all is over. They never think ALL is WELL.

NSE 50 companies may announce rs 80 k crs dividend as per E T headlines whereas my working says Rs 1.76 lac crs for 500 companies. This means as told to you Rs 12.5 lac need to move to MF and or other corporate giving high dividend. In either case the flow will in turn make huge buying and that will lead to huge capital gains. The vicious cycle will turn.

Now coming to cartel of merchant banking will get exposed very soon. Govt is realising that ITI FPO cannot subscribe whereas issue like polycab can subscribe 2oo times which means M B work in tandem. There is urgent need for the Govt to allow IPO FPO of rs 50 to 100 crs size to kill the monopoly of big merchant bankers. I was told they were working on this.

Keep eye on VAISHALI Pharma. I have visited management 2 times and I am impressed with the products. They have oral researched D3 B12 and have done Rs 17 crs exports. Now they are working on few more oral products which will be first in the world. This will open the door of this small tiny pharma co (market cap Rs 50 crs) to a billion USD co in 10 years.

Global Story

Though Nifty closed at 12082 it made a high of 12167 on Thursday thanks to expiry considerations. This was a big settlement post Budget. We had categorically told you that Nifty might correct till 11500 and the bottom was 11600. Why the fall..? At CNI we told you to remain neutral and wait for the opportunity to buy and we got excellent opportunity to time the market.

You first need understand the market movements are fixed and these volatility is created for the sake of getting stop losses triggered and fresh shorts built without which there is no case of rally going forward. Market works on positions that is short and long. Wherever the counter is excess long it will get hammered like there is nothing tomorrow and the vice a versa.

Nifty had to scale to 13000 in any case and there was louder propaganda of 13000 3 weeks before Budget. Accordingly to the strategy Nifty in fact rose by couple of 100 points to give firm belief to the street followers that 13000 could come ahead of Budget and removal of LTCG issue was the centre point. Even media tossed this issue time and again. In the process believing that LTCG will go many big HNI's and traders built good long positions particularly from upcountry and those who trade in DABBA.

Exactly when the distribution started from 12400 and corrected till 12000 before Budget. Now NO LTCG means Budget very bad was the sentiment. Please remind what CNI told during the announcement of Budget itself that Budget is extremely good; particularly the honest admission about the fiscal deficit slipping due to setback in revenue collection, rise in market borrowings and then scrapping DDT along with re introduction of Section 80M. We explained the 80 M provisions on Budget day, also explained in our Budget analysis and now repeat the same for your clarity.

Section 80 M was first introduced somewhere in 1994. It was withdrawn in 2003. What is Section 80 M ..?

If a company invest in any other co or M F any amount on which it gets dividend then the same shall be exempt in the hands of the co to the extent of which the co distributes dividend. The only change was earlier till 2003 the dividend need to be distributed till the date of filing of return of income whereas now it is 30 days before the due date of filing return of income. e g Bajaj invest say Rs 100 crs on which approximately it will get Rs 14 crs dividend as minimum M F pays 14%. It may be more or less on case to case basis. Now having received Rs 14 crs dividend if Bajaj distribute Rs 13 crs dividend then only Rs 1 crs will be taxable in the hands of the co. If distributes Rs 14 crs or more then nothing will be taxed.

Now what is the importance of this section for market..?

Well since 2003 all big groups had withdrawn idle funds lying with M F specially UNIT 1964 that time, being largest dividend giver, and parked in FD, debentures and tax free bonds and taxable bonds. Even badla was scrapped hence there was no possibility of earning badla. The average post tax returns now are around 5 to 6%. With the re introduction of Section 80 M these funds will get diverted back to corporate, MF for dividend. What is the quantum of investment in such case.

The Nifty 500 companies last year have distributed Rs 1.21 lac crs dividend. Nifty 786 companies distributed dividend of approximately Rs 1.76 lac crs. Now reverse calculations on the back of the envelop suggest that to make the dividend completely tax free corporate India should invest Rs 8.64 lac crs on which 14% works out to Rs 1.21 lac crs and on higher side the same is Rs 12.57 lac crs.

Now understand the importance of Section 80M. The current size of AUM of M F officially is 27.25 lac crs. It is getting added every month by Rs 10000 crs approximately from small investors. Now if a fresh flow comes from Corporate India as explained above the AUM size will grow to Rs 40 lac crs in no time. MF cannot sit on such a big cash and they will start investing in equity for high returns.

The current size of FPI in NSE 500 co's is Rs 32 lacs crs and hence with this invention F M has struck a right cord to take DII above FPI and hence our markets will remain more stable and growing. This also suggest that FPI will be pulling in another 8 to 10 lac crs in coming years to keep the upper hand and equilibrium with DII AUM.

On the other hand with 22 pc tax , no DDT and dividend tax free along with low regime of interest the earnings of corporate INDIA will grow more than 20 pc for sure. The EPS upgrade on account of no dividend tax will be 6%. Also with MNC's allowed to set up shop in INDIA for manufacturing with just 15% tax there will be healthy competition among the corporate. They will have to expand to match the performance of MNC. This will result in higher recovery, higher earnings and higher valuations.

Now for bonds Govt has initiated and introduced LONG TERM REPO OPERATIONS for 1 and 3 years period of repo rate for 1 tr INR. Entire yield curve is likely to shift down which should benefit NBFC and PSU banks. This is exactly ECB had done in 2014 to stimulate the banking system and it worked.

Having explained all this, we come back to the core question why market fell...?

No doubt, no one understood Budget on Budget day. Their minds were fit with LTCG expectations and when it did not come the buzz was spread that Budget is BAD. In our Budget note we clearly said DII were not present on Budget day hence the there was no buying. Operators used the panic conditions to get stop losses triggered and fresh shorts built and it worked. Then the inevitable happened 12167.

Investors become sentimental and act in F and O which is no less than CASINO and hence they lose. If they just follow one simple rule of BULL MARKET they can beat the market. CNI has been following this rule since 2008 and has a success rate over 90%. The rule is never short in a bull market and trade only by buying dips.

We surely believe that all the estimates made in the Budget of disinvestment, telecom revenue, revenue collection and fiscal deficit will meet the target. So even the target of 13000 Nifty will come.

Global Indices

Country	Indices	Date	Index	Net Change	Change %
Hong Kong	Hang Seng	08/02	27,404.27	-89.43	-0.33
Singapore	Straits Times	08/02	3,181.48	-50.07	-1.55
United States	NASDAQ	08/02	9,520.51	-51.64	-0.54
United States	DJIA	08/02	29,102.51	-277.26	-0.94
United States	S&P 500	08/02	3,327.71	-18.07	-0.54
Japan	Nikkei 225	08/02	23,827.98	-45.61	-0.19
United Kingdom	FTSE 100	08/02	7,466.70	-38.09	-0.51
Malaysia	KLSE Composite	08/02	1,554.49	+1.72	+0.11
Indonesia	Jakarta Composite	08/02	5,999.61	+12.46	+0.21
Thailand	SET	08/02	1,535.24	-0.55	-0.04
France	CAC 40	08/02	6,029.75	-8.43	-0.14
Germany	DAX	08/02	13,513.81	-61.01	-0.45
Argentina	MerVal	08/02	41,213.89	+307.80	+0.75
Brazil	Bovespa	08/02	113,770.30	-1,419.70	-1.23
Mexico	IPC	08/02	44,399.33	-93.82	-0.21
Austria	ATX	08/02	3,146.91	+4.32	+0.14
Belgium	BEL-20	08/02	4,095.20	-45.03	-1.09
Netherlands	AEX General	08/02	616.46	-2.29	-0.37
Spain	Madrid General	08/02	975.27	+0.09	+0.01
Switzerland	Swiss Market	08/02	11,001.53	-10.83	-0.10
Australia	All Ordinaries	08/02	7,121.43	-27.26	-0.38
China	Shanghai Composite	08/02	2,875.96	+9.45	+0.33
Philippines	PSE Composite	08/02	7,507.20	+0.69	+0.01
Sri Lanka	All Share	08/02	5,942.53	-5.74	-0.10
Taiwan	Taiwan Weighted	08/02	11,612.81	-136.87	-1.16
East Israel	TA-100	08/02	1,500.13	-4.02	-0.27

Name of Editor: Minit Jhaveri

Publisher:
Mr. Kishor Ostwal
120, Gokul Arcade,
Sahar Road, Vile Parle (East),
Mumbai-400057
Tel No: 022-28220323/28383889, Fax No: +91-22-28242220
E-Mail at: chamatcar@chamatcar.com

Printer:
KOKILA GRAPHICS

Printing Press Address:
Gala No-12, Gr. Floor,
Bliss Compound, Nivetia Road,
Malad (East),
Mumbai-400 097

Owner:
CNI Research Ltd

Place of Publication
A-120, Gokul Arcade,
1st Floor, opp Garware House,
Sahar Road, Vile Parle (E)
Mumbai- 400057

CNI Publications, A/120, Gokul Arcade, Sahar Road, Vile Parle (East). Mumbai- 400 057. PH.022- 28220323 / 28383889, Fax– 022-28242220