



AJCON GLOBAL

## Market Wrap

Feb. 02, 2018

### **Sensex's steepest fall witnessed in last 10 years; street participants take LTCG tax as a bitter pill..**

Benchmark indices tumbled on Friday as the long-term capital gains tax on equities investments dampened sentiment, while bonds slid for a second consecutive session on worries the central bank would become more hawkish on inflation.

According to rating agency CRISIL, the imposition of long term capital gains tax on sale of equity shares and equity-oriented mutual funds was a widely expected move. This could bring in some volatility in the short term even as the proposal to 'grandfather' gains made up to January 31, 2018, limits the impact. Regardless, equity will continue to be a preferred investment option for long-term financial planning.

The weak sentiment came a day after the government unveiled its budget for the year starting in April that raised spending for rural sectors and healthcare, widening the fiscal deficit target to 3.3% of gross domestic product from the previous 3.0%. The government also unveiled a 10 percent tax on long-term capital gains in equity markets.

Investors worried that higher spending and the government's move to raise minimum support prices for crops could lead to higher retail prices at a time when consumer price inflation has already hit a 17-month high of 5.21%, well above the Reserve Bank of India's target of 4%.

Over 2,700 companies listed on the Bombay Stock Exchange (BSE) are likely to gain from the proposed cut in corporate tax rate to 25% proposed by Budget 2018 from the existing 30%. A quick check based on the full financial year net sales reported by companies for the financial year 2016 – 17 (FY17) suggests that there are 2,706 listed companies on the BSE that have reported consolidated net sales less than Rs 250 crore, or Rs 2.5 billion, for the full financial year where this tax benefit has been extended, ACE Equity data show.

### **Sectors and stocks**

In terms of stock-specific action in India, Larsen and Toubro ended 3 percent lower. L&T Construction, the construction arm of Larsen & Toubro, won orders worth Rs 2,275 crore across various business segments.

Shares of Vakrangee continued to plummet to new lows, with the stock trading at 10 percent lower circuit for the third consecutive day.

PC Jeweller crashed nearly 60 percent in morning following the stock recovered half of losses to trade lower by 25 percent. "The Company is not aware of reason of sudden decrease in price of equity share of the Company today. However, we would like to assure our investors, shareholders, etc. that the fundamentals of the Company remain strong," PC Jeweller said on a clarification with reference to decrease in price. We affirm that none of our promoters has diluted its stake in the Company and none of their shares are pledged as collateral with any institution, it added.

Unitech, Aban Offshore, Rain Industries, Jindal Saw, Praj Industries, Jai Corp, Bombay Burmah Trading, Philips Carbon Black and Bombay Dyeing & Manufacturing, among notable stocks, were down more than 25% each. Three companies from Anil Dhirubhai Ambani Group (ADAG) - Reliance Power, Reliance Naval and Engineering and Reliance Communications – were down more than 25% from their respective one year highs. All these stocks hit their one year highs in the month of January 2018.

Technology stocks bucked the trend when the frontline indices and broader markets hitting hard. The Nifty IT index gained around 0.15 percent, while other sectoral indices were down around 1-5 percent.

Info Edge's Q3 net profit fell 32.1 percent sequentially to Rs 53.4 crore on weak operational performance and slow revenue growth. The stock ended 1.2 percent higher on reports of a stake sale in Zomato.

Hindalco Industries ended 3 percent lower after it reported profit growth of 17.2 percent year-on-year at Rs 375 crore for December quarter, driven by copper business.



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