

Ups and downs of Capital markets..



By
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WHAT IS CAPITAL MARKET?

Capital Market

Primary Market

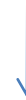


Companies looking to tap capital markets



Listing through IPO (Fresh Issue/Offer for sale)

Secondary Market



Companies listed on exchanges like NSE, BSE



Investors invest in existing shares of the Companies

OVERVIEW OF INDIAN CAPITAL MARKET (EQUITY)

Particulars	BSE – Sensex 30	NSE – Nifty 50
Base year	1979	1995
Base value	100	1000
Index value in 1995	3405.88	1,000
Index value in 2022	57292.49	17147.45
Average Daily turnover in Cash Market	BSE: FY98 - Rs. 896 Crore FY22 (till date): Rs.5,387 Crore FY21: Rs. 4,197Crore	NSE: FY98 – Rs. 1,520 Crore Feb 2022 – Rs. 58,442 Crore FY21 – Rs. 61,839 Crore
Average daily Derivatives turnover	BSE: FY22 (till date) Rs. 2,67,184 Crore	NSE: FY22 (till date) Rs. 72,07,991 Crore
Market capitalisation of listed companies	Rs. 260 Lakh Crore	Rs. 306 Lakh Crore

LISTING ON EXCHANGES

How do companies get listed on exchanges?

IPO process

Appointment of a Merchant Banker and other intermediaries

Due Diligence of the Company by Merchant Banker

Preparation of Draft Prospectus to be filed with SEBI

Verification of Draft prospectus by SEBI

After approval from SEBI, application for listing to Stock exchanges

Conducting roadshows to get a feedback on valuation front from potential investors

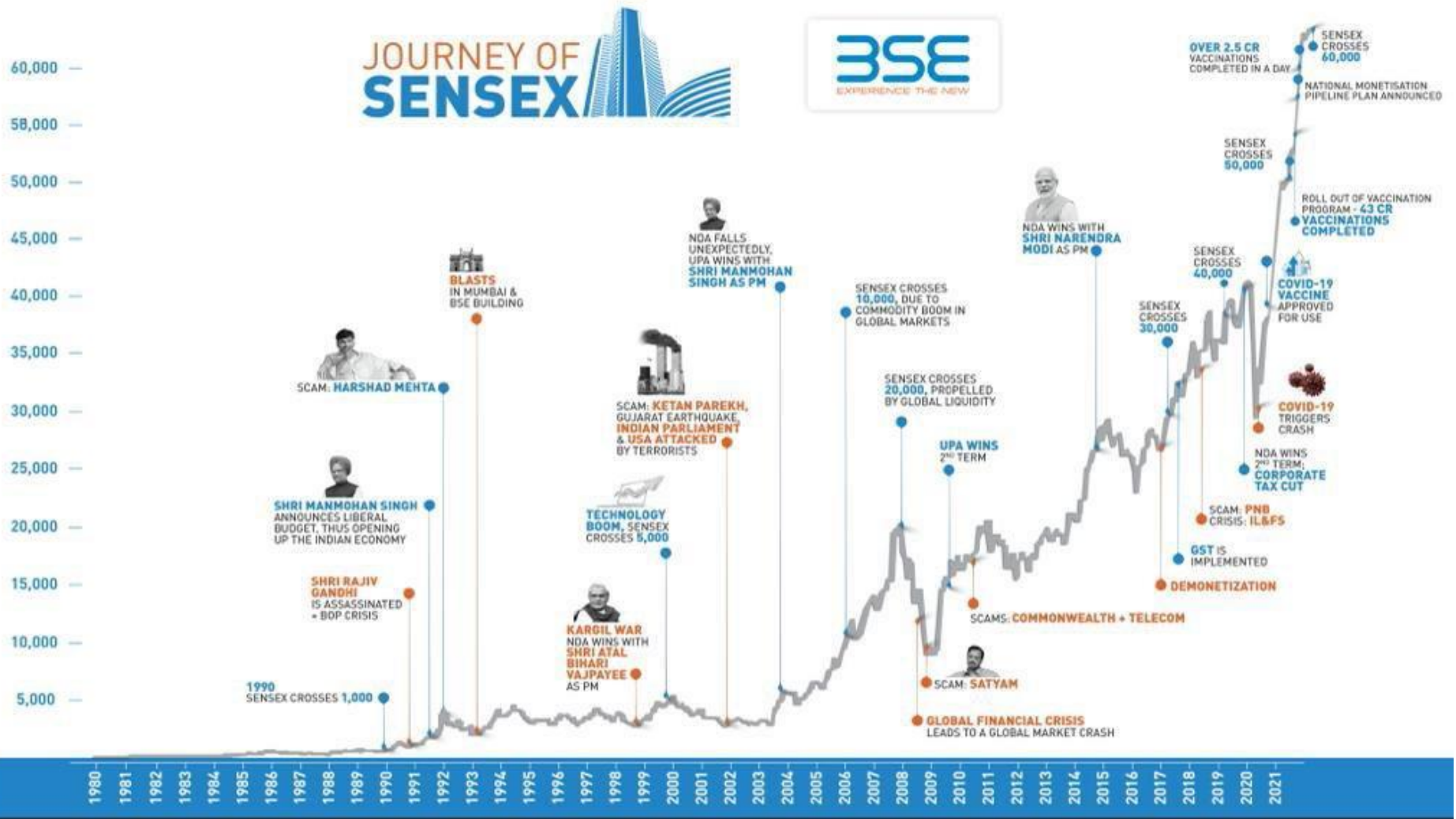
Pricing of an IPO

Allotment of shares

Listing of shares on stock exchanges

* For SME IPOs on BSE SME platform and NSE Emerge platform, criteria are relaxed than main board and easier compliance norms when listed on SME exchange

Ups and downs of Capital markets



Source: BSE

Ups and downs of Capital markets

Journey of Sensex – Key events

Key events	
May 1991 - Prime Minister Rajiv Gandhi was assassinated coupled with Balance of Payment crisis	Sensex stood at 999 on Jan. 1991 Darkest period of Indian history
July 1991 – FM Shri. Manmohan Singh introduced set of reforms while presenting the budget – Liberalisation of Indian Economy	Within 2 months, the Sensex had rallied by 29% from 1,488 to 1,916 pts.
1992 - Harshad Mehta Bull run and Scam	Bull run – Sensex touched a record high of 4,467 points by April 1992. Once the scam was exposed the markets crashed by 43%. The Sensex reached 2595 points by August 1992
1993 – Mumbai blasts – BSE was targeted	The Sensex traded between 2,300-2,400 points this year.
1999 July: Kargil War and the Dotcom bull run	Affected foreign investments which resulted fall in markets
Oct. 1999: NDA won election	Sensex touched 5,000 points

Ups and downs of Capital markets

Journey of Sensex – Key events

Key events	
1999 - 2000	Dot-com bull run
2001 – Ketan Parekh scam, Gujarat earthquake and Sep. 9/11 attack in US	Sensex fell below 5000 points and ended the year at levels of 3,262.33
2004 - Fall of NDA government	The Senex declined nearly 16% post the result but rebounded and ended the year at 6,602.69 points.
2006 – Boom in commodity prices globally	Sensex crossed levels of 10,000
2007 – Increased liquidity in global market	Sensex crossed levels of 20,000
2008 – Global recession/fall of Lehman Brothers followed by Mumbai terror attacks (26/11)	Sensex crashed by over 50% from 21,000 points to 9,000 by the end of the year. This was the benchmark's biggest fall since 1992.
2009 – Satyam scam	Markets were still struggling to recover from the 2008 Financial crisis.

Ups and downs of Capital markets

Journey of Sensex – Key events

Key events	
May 2009: UPA wins second term	The Sensex saw its biggest inter-day gain on May 18, 2009. <i>For the first time trading was halted due to the markets hitting the upper circuit limit.</i>
2010-12: Commonwealth and 2G Scam	Sensex fell by 10.5% to 17404.20 in 2012 from 19,445.22 in 2011.
2014: NDA wins election	Markets cheer selection of Shri. Narendra Modi as India's Prime Minister The Sensex touched 25,000 following the NDA government winning the Lok Sabha elections.
2016: Demonetization	Sensex fell by 4.57% month-on-month and ended at 26,652.81 points.
2017: GST implemented	The Sensex rallied by over 10% by the end of the year above 34,000 points.
2018: PNB and IL&FS crisis	Despite the scams, the Sensex grew by 5.91% and ended 2018 at 36,068.33.

Ups and downs of Capital markets

Journey of Sensex – Key events

Key events	
2019: NDA wins the 2nd term	Sensex touched levels of 40,000
2020: Onset of COVID-19 pandemic	The Sensex fell to 25,638.90 after a nationwide lockdown was implemented to curb the spread of COVID-19 on March 24, 2020. The Sensex lost around 40% from its peak in mid-January 2020. As the cases rose the Sensex kept getting further punished.
Feb 2021 : Market cheers growth oriented Union Budget announced by Finance Minister Nirmala Sitharaman with thrust on infra, privatisation, disinvestment	Sensex touched 50,000 points for the first time after the budget presentation
January 2022	Sensex touches new high by crossing levels of 61,000
Feb - March 2022	Markets gave up January gains and were volatile led by war between Russia and Ukraine in Ukraine leading to significant spike in crude oil prices

UPs and downs of Capital markets during crisis

- 1) Global Recession (1986-88): **Market Fall -40.8%↓** | **Post 3Yrs return: 199.5%↑**
- 2) Gulf War/India Fiscal Crises (1990-91): **Market Fall -39.3%↓** | **Post 3Yrs return: 320.5%↑**
- 3) Harshad Mehta Scam (1992-93): **Market Fall -56.4%↓** | **Post 3Yrs return: 90.2%↑**
- 4) Stock Market Stumble (1994-96): **Market Fall -41.6%↓** | **Post 3Yrs return: 73.8%↑**
- 5) 97 Market Meltdown (1997-98): **Market Fall -40.5%↓** | **Post 3Yrs return: 11.7%↑**
- 6) Dot-Com Bubble (2000-01): **Market Fall -57.1%↓** | **Post 3Yrs return: 110.6%↑**
- 7) Central Election Results (2004): **Market Fall -32.4%↓** | **Post 3Yrs return: 238.3%↑**
- 8) High Inflation (2006): **Market Fall -30.6%↓** | **Post 3Yrs return: 73.2%↑**
- 9) Financial Crisis (2008): **Market Fall -63.7%↓** | **Post 3Yrs return: 124.6%↑**
- 10) European Sovereign Debt Crises (2010-11): **Market Fall -11.6%↓** | **Post 3Yrs return: 80.8%↑**
- 11) COVID-19 Crisis which resulted in Lockdown (2020): **Market Fall -36.5%↓** (24 Feb, 20: 11829 to 24 March, 20: 7511) | **Post Return ~2 years from low: 229%↑** (March 21, 22 – 17,235)

History proves that after crisis, equities recover strongly..

Ups and downs of Capital markets in times of War

- 1) **Sep. 9/11 Attack (2001):** Down by (-16%), After 3 months : (+24.4 %)↑, After 6 months: (+30 %) ↑
- 2) **Iraq - Kuwait War (1990):** Down by (-13.3 %), After 3 months : (+ 2.3 %)↑, After 6 months : (+16.3 %)↑
- 3) **Russia - Afghanistan War (1980):** Down by (-2.2 %), After 3 months : (-4%)↑, After 6 months : (+6.8 %)↑
- 4) **Korean War (1950):** Down by : (-12 %), After 3 months : (+15.3 %)↑, After 6 months : (+19 %) ↑
- 5) **Now Russia-Ukraine War:**
Sensex : (-12.50%) Nifty: (- 14.50%)

INDIAN MARKET

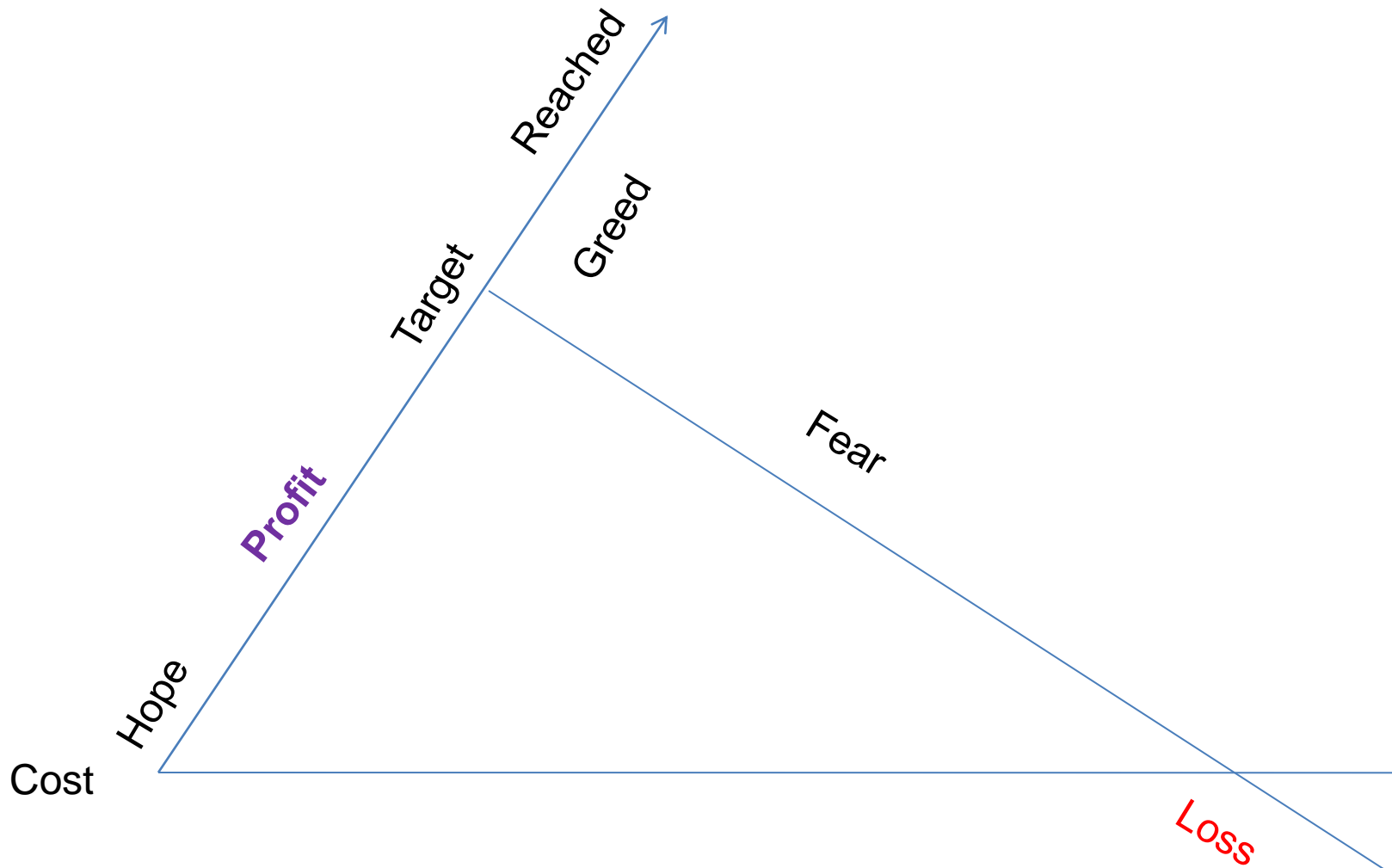
Nifty on every war situation
Average downside: (-16.5%)

After 3 months: +23%↑
After 6 months: +34% ↑

Global picture: Impact of global crisis on Dow Jones

- 1) Arab oil embargo (1973): **Down by (-17.9%), After 3 months : (+10.2%)↑, After 6 months: (+7.2%) ↑**
- 2) Hunt silver crash (1980): **Down by (-15.9%), After 3 months : (+16.2%)↑, After 6 months : (+25.8%)↑**
- 3) 1987 stock market crash: **Down by (-34.2%), After 3 months : (+11.4%)↑, After 6 months : (+15%)↑**
- 4) Asian crisis (1997): **Down by (-12.4%), After 3 months : (+10.4%)↑, After 6 months : (+25%)↑**
- 5) Lehman Brothers collapse(2008): **Down by (-33%), After 3 months : (-1.1%), After 6 months : (+11.3%)↑, After 1 year (+40%)**
- 6) GFC peak fear (2009): **Down by (-21.7%), After 3 months : (+35.6%)↑, After 6 months : (+46.0%)↑**
- 7) Recession fears (Fed rate hikes) (2018): **Down by (-15.5%), After 3 months : (+17.1%)↑, After 6 months : (+22.6%)↑**
- 8) World closes down due to COVID-19 (2020): **Down by : (-34.8%), After 3 months : (+44 %)↑, After 6 months : (+47%) ↑**

PSYCHOLOGICAL BEHAVIOR: INVESTING INTO EQUITY



“Be fearful when others are greedy. Be greedy when others are fearful” – Warren Buffet

WHAT LEGENDARY INVESTORS SAY?

Warren Buffett

- ❖ Rule no. 1: Never lose money. Rule no. 2: Never forget rule number 1 – Warren Buffett
- ❖ “Price is what you pay. Value is what you get”
- ❖ “Only buy something that you’d be perfectly happy to hold if the market shutdown for 10 years.” “If you aren’t thinking about owning a stock for 10 years, don’t even think about owning it for 10 minutes”

Charlie Munger

- ❖ “The big money is not in the buying or selling, but in the waiting”

Benjamin Graham

- ❖ Investing isn't about beating others at their game. It's about controlling yourself at your own game

FUNDAMENTAL ANALYSIS



Fundamental Analysis is important before investing in a Company/Stock

FUNDAMENTAL ANALYSIS



FUNDAMENTAL ANALYSIS

Economy Analysis

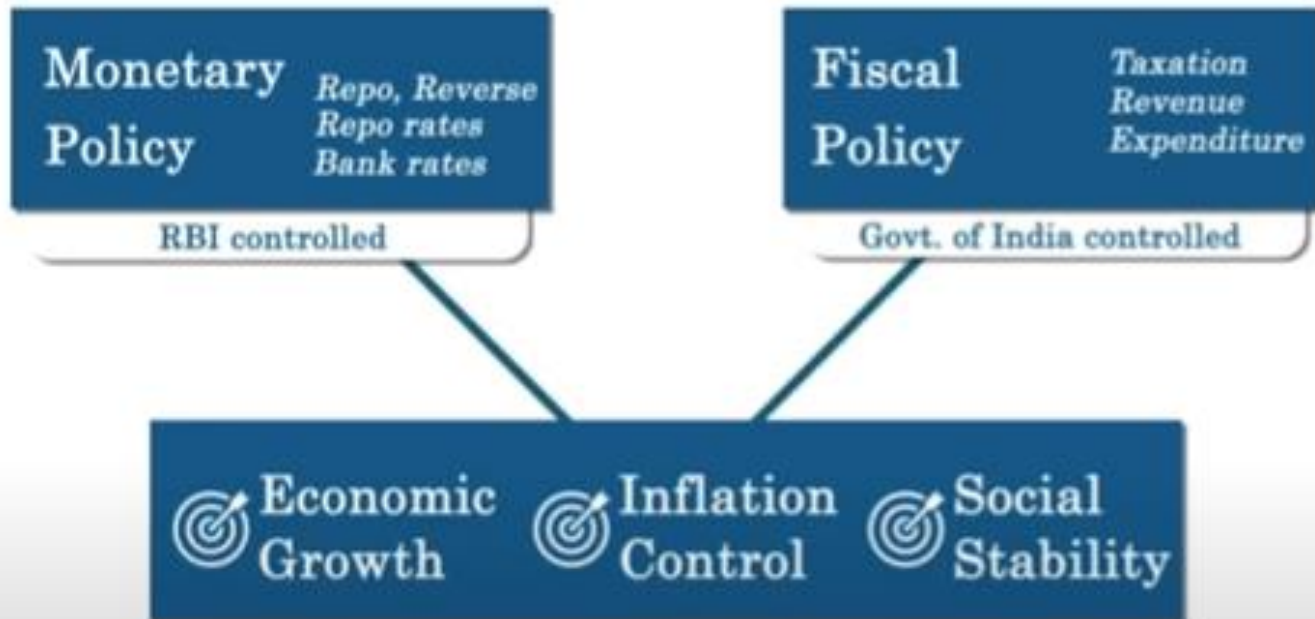


(Gross Domestic Product)

GDP is the total value of output of goods and services produced within an economy in a given period of time

FUNDAMENTAL ANALYSIS

Economy Analysis



FUNDAMENTAL ANALYSIS

Global Economy Analysis



Industry Analysis

- The underlying forces influencing and governing the Industry
- The standing of the Industry in the overall Economy
- The critical factors that determine a Company's position relative to other companies producing similar products or services in the same Industry

FUNDAMENTAL ANALYSIS

Industry Analysis



FUNDAMENTAL ANALYSIS

Company Analysis



FUNDAMENTAL ANALYSIS

Key ratios in conjunction to be checked for stock picking..

ROE (%) – To measure efficiency of equity deployed in business and return for equity shareholders. YoY increase in ROE is preferred.

ROCE (%) - To measure efficiency of total deployed in business and return for equity shareholders and debt holders. Consistent increase is good for business.

Fixed Asset Turnover: To measure efficiency of Fixed assets used to generate sales

EBITDA margin: To measure operating efficiency of business after meeting its operational costs

Debt/equity ratio: To measure the strength of Balance sheet . Lower the ratio, the better it is..

Working capital cycle: Lower the working capital cycle indicates strong operating cashflow generating ability. It takes into consideration inventory days, debtors days and trade payable days..

FUNDAMENTAL ANALYSIS

Checklist to avoid getting trapped in gruesome companies

Too many corporate actions like frequent equity dilution

Large Overseas Acquisition

High debt and rising Debt Level

Pledged promoter holding

Management giving aggressive guidance and not able to achieve execution consistently

High related party transactions

Promoters gradually reducing stake in the Company

TECHNICAL ANALYSIS

- 1) Technical analysis is identify trading opportunities by analyzing statistical trends gathered from trading activity, such as price movement and volume.
- 2) It is the study of price movements in a market, whereby traders make use of historic chart patterns and indicators to predict future trends in the markets.
- 3) Technical analysis involves the interpretation of patterns from charts.

TECHNICAL ANALYSIS

Technical Indicators are used by traders when looking for opportunities in the market. The more popular indicators for technical analysis include:

- 1) **Moving Averages:** To identify trends and reversals, as well as to set up support and resistance levels.
- 2) **Parabolic Stop and Reverse (Parabolic SAR):** To find potential reversals in the market price direction.
- 3) **Moving Average Convergence Divergence (MACD):** To reveal changes in the strength, direction, momentum, and duration of a trend in a stock's price.
- 4) **Stochastic Oscillator:** To predict price turning points by comparing the closing price to its price range.
- 5) **Relative Strength Index (RSI):** Measures recent trading strength, recent change in the trend, and magnitude of the price movement.
- 6) **Bollinger Bands:** Measures the high & low of price, relative to previous trades.
- 7) **Chaikin Oscillator:** Monitors the flow of volume, which can help determine price tops and bottoms.

India growth story..

WEALTH CREATION THROUGH CAPITAL MARKETS

What Happens When Per Capita Income Crosses \$2000 Threshold

- 1) Russia crossed in 2001 - (Consumption grew by 3.2 times in next 5 years)
- 2) China crossed in 2006 - (Consumption grew by 2.6 times in next 5 years)
 - a) China saw 1.5 times growth in Bath & Shower Category
 - b) 25 times growth in Cosmetic & Skin Care Category
- 3) India has already crossed \$2,000 Per Capita
Consumption to grow ? in next 5-10 years

WE ARE LIVING IN A HISTORIC MOMENT

- a) India's Corporate Profit \$71 billion
 - b) India's Market Cap \$3.42 trillion
-
- a) Apple's Profit \$55 billion
 - b) Apple's Market Cap \$2.76 trillion

Apple's Market Cap is more than 180+ countries GDP

WEALTH CREATION THROUGH CAPITAL MARKETS

Generational value migration

Displacement

Unorganised to organised

Weak business model to strong business model

Less competitive to More competitive

Digitisation

Embracing and adaptors of technology

Disruption

Change in consumer mindset

Change in distribution networks

Change in Cost of distribution, Cost of manufacturing and disrupting themselves

WEALTH CREATION THROUGH CAPITAL MARKETS

Structural changes will take Indian Economy to next level

- 1) JAM: Jan Dhan, Aadhaar, Mobile
- 2) Thrust on Digital Economy –UPI, Health records
- 3) Swachh Bharat + Ujjwala + Nal se Jal + DBT (Direct Benefits Transfer)
- 4) PMAY: PM Awaas Yojana
- 5) Production Linked Incentive (PLI) schemes for various sectors
- 6) GST
- 7) IBC, RERA, Demonetization
- 8) Privatisation, Asset Monetization and PSU disinvestments
- 9) India has demonstrated its capabilities vide its COVID vaccination program
- 10) India is amongst the countries having lowest tax structure

WEALTH CREATED BY COMPANIES

US\$ 1 trillion		US\$ 2 trillion		US\$ 3 trillion		US\$ 3.68 t
May-07		Jul-17		May-21		Feb-22
M-cap (US\$ bn.)		M-cap (US\$ bn.)		M-cap (US\$ bn.)		M-cap (US\$ bn.)
RIL	59	RIL	75	RIL	174	209
ONGC	48	TCS	72	TCS	156	174
Bharti Airtel	39	HDFC Bank	67	HDFC Bank	113	106
NTPC	33	ITC	63	Infosys	79	96
TCS	30	HDFC	40	HUL	76	67.6
Infosys	28	SBI	38	HDFC	62	58
Rcomm	26	HUL	37	ICICI Bank	61	68
ICICI Bank	20	Maruti	35	SBI	49	57
Wipro	19	Infosys	34	Kotak Bank	48	49
				Bajaj		
SBI	17	ONGC	32	Finance	47	56

HOW MARKETS VALUE MANAGEMENT



Factors beyond numbers



STORY OF PAGE INDUSTRIES

Einstein said, “ Compound interest is the eight wonder of the world. He who understands it, earns it...he doesn't pays it.”

- a) Page Industries has rewarded its shareholders handsomely in the last 13 years. A market cap of Rs. 369 crore in 2009 has raced to Rs. 45,994 crore as on March 04, 2022.
- b) An investment worth Rs. 1,00,000 in 2009 made in Page Industries scrip in is now worth Rs. 1.29 Crore - witnessed a CAGR of ~45 % over the last 13 years

STORY OF BAJAJ FINSERV

- a) Bajaj Finserv has been a good story of wealth creation for investors. An investment worth Rs. 1,00,000 in 2009 made in Bajaj Finserv scrip is now worth Rs. 1.10 Crore, witnessed a CAGR of 44%
- b) Bajaj Finserv deals with financial services of the Bajaj group. Its core businesses are spread across lending, insurance and wealth advisory.

STORY OF BAJAJ FINANCE

- a) Bajaj Finance has also created massive wealth for investors. An investment worth Rs. 1,00,000 in 2009 made in Bajaj Finance scrip is now worth Rs. 14.55 Crore, witnessed a CAGR of 75.1%.
- b) Bajaj Finance Limited (Subsidiary of Bajaj Finserv Limited) has a diversified lending portfolio across retail, SMEs and Commercial customers.

STORY OFEICHER MOTORS

- a) Eicher Motors has created good wealth for investors. An investment worth Rs. 1,00,000 in 2009 made in Eicher Motors scrip is now worth Rs. 1.12 Crore, witnessed a CAGR of 43.75 %.
- b) Eicher Motors Limited (EML) is the listed parent of Royal Enfield, global leader in the middleweight motorcycles segment (250cc - 750cc). EML has a joint venture with Sweden's AB Volvo - VE Commercial Vehicles Limited (VECV) - which is driving modernization in India's commercial vehicle space, and in other developing countries.

STORY OF MRF

- a) MRF has created good wealth for investors. An investment worth Rs. 1,00,000 in 2009 made in MRF scrip in is now worth Rs. 42.9 lakhs, witnessed a CAGR of 33.54 % .
- c) MRF is India's largest tyre manufacturer and ranked amongst the Top 20 Global Manufacturers with 9 state-of-the-art factories across India. It is also India's largest Original Equipment Manufacturer (OEM) tyre supplier with an expansive tyre range from two-wheelers to fighter aircrafts.

STORY OF AJANTA PHARMA

- a) Ajanta Pharma has created good wealth for investors.
- b) An investment worth Rs. 1,00,000 in 2009 made in Ajanta Pharma scrip now worth Rs. 2.53 crore, witnessed a CAGR of 53.05 % .
- c) Ajanta Pharma is a specialty pharmaceutical formulation company having branded generic business in India and emerging markets, generic business in US and institution business in Africa.

STORY OF DR. REDDY'S LABORATORIES

- a) An investment worth Rs. 1,00,000 in 2009 made in Dr.Reddy's scrip is now worth Rs. 9.86 lakhs witnessed a CAGR of 19.29% .
- b) Dr. Reddy's Laboratories Ltd. is an integrated pharmaceutical company and offers a portfolio of products and services including APIs, custom pharmaceutical services, generics, biosimilars and differentiated formulations
- c) Focus on Therapeutic areas like gastrointestinal, cardiovascular, diabetology, oncologye, pain management and dermatology
- d) Major markets include – USA, India, Russia & CIS countries, and Europe.

WEALTH CREATION THROUGH CAPITAL MARKETS

Wealth creation in SME companies through Capital Markets

- 1) BSE Ltd had set up the BSE SME Platform as per the rules and regulations laid down by SEBI in 2012
- 2) Over the past 10 years, till date, 364 Companies have been listed on BSE SME Exchange
- 3) The total amount of Money raised till date is Rs. 3,844.54 Crore
- 4) The Market Cap of Companies listed on BSE SME Exchange is Rs. 48,873.85 Crore which shows the power of equities in wealth creation

WEALTH CREATED BY NEW AGE COMPANIES THROUGH CAPITAL MARKETS

Company Name	Current Market Cap as on Mar. 23, 2022 (Rs. In Crore)	Networth as on H1FY22 (Rs. In Crore)	Profitability status
Zomato	63,565	16,494	Loss making at bottomline
FSN E-Commerce Ventures Limited (Nykaa)	72,973	624	Profit making
One 97 Communications Limited (Paytm)	34,002	5,815	Loss making at bottomline
PB Fintech Limited (Policybazaar and Bankbazaar)	32,065	1,991	Loss making at bottomline
Fino Payments Bank Limited	2,338	151	Profit making
Nazara Technologies Limited	5,746	686	Profit making

RICHEST PEOPLE IN INDIA

As per Forbes, the following are India's Richest people

Mukesh Ambani – Networth: US\$ 96.5 Billion

Gautam Adani– Networth: US\$ 74.8 Billion

Shiv Nadar – Networth: US\$ 31 Billion

Radhakishan Damani– Networth: US\$ 29.4 Billion

Cyrus Poonawala – Networth: US\$ 19 Billion



DOS AND DONTs OF CAPITAL MARKETS

- 1) Be an Investor and not a trader/speculator
- 2) Trading does not allow an investment portfolio the opportunity to compound over the years
- 3) Chase quality/ companies having excellence, money will follow sooner or later..Dont worry..
- 4) Successful investors have created wealth through investment in quality names, holding it for many years and not through trading and Futures & Options..
- 5) Easy money through trading never lasts. One mistake can destroy your profits
- 6) Focus on Fundamentals -
 - Promoter quality, Management Integrity, Business Model, Products & Services, Market Share, Financials along with key metrics like ROCE, ROE, Operating Cashflows, Freecashflow (after meeting capex), Debt/Equity..
- 7) Margin of safety is crucial for making investment..Don't be obsessed to buy Quality companies at peak/exorbitant valuations..Wait for right opportunity to enter..
- 8) Worst times provide opportunities for making big returns in the long run..
- 8) Be humble and learn from your own mistakes. It will make you wiser..



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