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# Banking, telecom threaten markets

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Sectors such as banking and financial services, telecom and automobile pose the biggest downside risk to FY19 Sensex earnings as they have witnessed the maximum earnings downgrade in the current financial year.

"An earnings downgrade in the BFSI sector could be attributed to concerns around asset quality issues in case of banks and margin pressures for housing finance companies. Despite a low weight in BSE-200, telecom is another sector where pace of earnings downgrades have accelerated over past few quarters. We believe the emergence of Jio as a key disruptor in the sector seems to have resulted in these downgrades," said Ambit Capital in its India Strategy report.

In the automobile space, the report attributed the downgrade to multiple factors including rising cost of vehicles owing to inflation in raw material prices, gradual rise in interest rates and sudden increase in insurance costs per September.

However, it added that IT and metals & mining

■ **ON THE MACRO** front, Ambit Capital expects the GDP growth to decelerate in FY20 to 6.1 per cent from 7 per cent in FY19 as restricted liquidity availability for all NBFCs could result in slowdown in the consumption and MSME/SME lending.

on the other hand were two large sectors that have seen earnings upgrades. Macro tailwinds in the US and a depreciating rupee are the reasons behind consistent earnings upgrade in the former while beaten down earnings estimates seems to explain the reasons for upgrades in the latter.

On the macro front, Ambit Capital expects the GDP growth to decelerate in FY20 to 6.1 per cent from 7 per cent in FY19 as restricted liquidity availability for all NBFCs could result in slowdown in the consumption and MSME lending. This, Ambit said, could impact the Indian economy more given its reliance on NBFC loans.