

# Pick firms with cash profit, zero debt

Anuj Shah

During the last one year the equity market has been testing investors' patience. Every time investors have bought stocks and the price has gone down, investors have got stuck with the stock in their portfolio. This has been the precise reason retailers are seeing pain in this fall, as in last one year, when most portfolios are down by 30-50% from the peak, the benchmark Nifty 50 index is down just about 7% from its all-time high.

Today, the street and investors are concerned about elections and its outcome. If one looks at the history of last 20-25 years, post-elections equity markets have always moved up after the initial knee-jerk reactions. This isn't because of the government that has come to power, but because of the uncertainty in the minds of investors and companies.



## CAUTION HELPS

- If one looks at the last 20-25 years, post-elections equity markets have always moved up after the initial knee-jerk reactions
- Investors should pick companies with low leverage and where promoters have low pledged shares
- Traders can look at IT and private banks as they provide safety

**Global cues, oil, rupee to dictate the trend**  
 US and other global markets see optimism in US-China trade deal along with the news of US lawmakers securing a tentative deal on border security funding. Global markets will continue to track the trade deal and any positive development will auger well for the over-

all sentiment. Crude has once again started its climb and is hovering around \$63 per barrel. Any further rise will spoil market sentiments for Indian rupee and equities.

### Need to be watchful

We continue to believe this is not a market where one can afford to make mistakes.

Market is ruthless and any mistake will see a huge dent on investors portfolio. Currently markets sentiments and confidence is low and this will take some time to change. The non-banking financial companies and liquidity crisis needs to improve with SME and MSME getting funding for their business activity. Similarly,

the private capex needs to make a comeback. While market is awaiting clarity with regards to markets stability, retail investors should invest in companies which are making profit, particularly generating cash profit, zero debt and low leverage and importantly invest in companies where promoters have low pledged shares.

While investors need to be careful due to rising volatility, current market is great place for traders. Traders will love this market as the Nifty 50 index is trading in a range of 400-500 points for last four months and we continue to believe this range will hold good for some more time. IT and private banks provide safety and can trade in them. However, for traders buy on dips and sell on every rally should work well for the coming few weeks.

*The writer is head-privilege client group, Reliance Securities*