AJCON GLOBAL
YOUR FRIENDLY FINANCIAL ADVISOR

Market wrap **July 10, 2020**

Indian equities decline on weak global cues amidst rapid rise in COVID-19 cases; suggest profit booking for those entered 3 months back..

Indian benchmark indices end in red owing to weak global cues amidst volatility. The rampant increase in Covid-19 cases both in India as well as on the global front weighed on investor sentiment. The S&P BSE Sensex declined by 143 points or 0.39 per cent to settle at 36,594 levels while Nifty ended at 10,768, down 45 points or 0.42 per cent.

HDFC, HDFC Bank, ICICI Bank, and Axis Bank contributed the most to the Sensex's fall. Axis Bank ended as the top loser on the index while Reliance Industries (RIL) ended as the biggest gainer-up around 3 per cent. RIL hit a fresh lifetime high of Rs. 1,884.40 during the day before settling at Rs 1,878.50 on the BSE.

On a weekly basis, Sensex was up by 1.6 per cent while Nifty rose 1.5 per cent.

The sectoral trends on the NSE remained mixed. While financials, metals and auto stocks declined in the trade, pharma, FMCG, and realty counters rallied. The Nifty Pharma gained 0.85 per cent to 10,072.25 levels. On the other hand, Nifty Bank slipped over 2 per cent to 22,398.45 points.

In the broader market, the S&P BSE MidCap index fell 0.72 per cent while the S&P BSE SmallCap index declined 0.35 per cent.

India VIX, the volatility index, declined over 5 per cent to 24.75 levels.

Crude oil
Crude oil prices continued to declined on concerns about renewed Covid-19 lockdowns in the United States outweighed signs of a recovery in US gasoline demand.

Sectors and stocks
Shares of PI Industries hit a fresh all-time high of Rs. 1,789, up 3.5 per cent in the intra-day trade, on the BSE on Friday. The stock has surged 8 per cent in the past two days after the company successfully raised Rs. 2,000 crore via qualified institutional placements (QIP). The agro-chemical firm on Wednesday said the company has fixed issue price at Rs 1,470 per share, about 4 per cent lower than the floor rate, for sale of shares to institutional investors. PI Industries has received a strong response from institutional investors for its QIP issue. According to the latest shareholding pattern data filed by the company, mutual funds (MFs) increased their stake by more than four percentage points to 21.19 per cent, while foreign portfolio investors (FPIs) hiked their holdings by nearly two percentage points to 13.82 per cent. At the end of March 2020 quarter, MFs and FPIs held 17.03 per cent and 12.13 per cent stake, respectively. The company proposed to utilize the net proceeds to fund the organic or inorganic growth opportunities in the area of its operations and adjacencies, other long-term capital requirements, investments in subsidiaries, joint venture(s) and affiliate(s) (either through debt or equity or any convertible securities), and pre-payment and / or repayment of outstanding borrowings.

Punjab National Bank was down by 6.7 per cent to Rs. 34.6 on the BSE on Friday after the bank said it has reported loan extended to Dewan Housing Finance Ltd (DHFL), worth Rs 3,688.58 crore, as fraud. "The bank is reporting Borrowal Fraud of Rs 3,688.58 crore in NPA account of Dewan Housing Finance Ltd. (DHFL) at large corporate branch at Mumbai, Zonal Office," the bank said in a regulatory filing. The bank, however, had already made provisions for the NPA account amounting to Rs 1,246.58 crore, as per prescribed prudential norms, it added.

Shares of YES Bank were down by 9 per cent to Rs. 24.20 on the BSE on Friday after the bank fixed floor price at Rs. 12 per share and a cap of Rs. 13 per unit for its proposed follow-on public offer (FPO). "A discount of Rs. 1 per equity share will be given to the eligible employees of the bank bidding in employee reservation portion. A minimum bid lot of 1,000 equity shares and in the multiples of 1,000 equity shares thereafter," it said. YES Bank is planning to raise Rs. 15,000-crore through the FPO, which will open on July 15, 2020 and close on July 17, 2020. YES Bank said a meeting of the capital raising committee (CRC) is scheduled to be held on July 14, 2020 for the purposes of allocation of equity shares to the successful anchor investors pursuant to the offer and for determination of the anchor investor allocation price. The fundraising is important for the bank to boost its capital base, especially after it announced last month that it failed to make interest payments on its bonds, after the RBI said its capital adequacy ratio was below regulatory ratio.

Global markets
Global equities were under pressure on Friday as record-setting new coronavirus cases in several US states led to worries that more lockdowns may be necessary, making a quick economic recovery unlikely.

European stocks declined 0.3 per cent, taking cues from Asia. Shares in China fell 1.8 per cent from a five-year high. MSCI's broadest index of Asia-Pacific shares outside Japan fell 1.3 per cent. Australian stocks declined by 0.6 per cent as an extension of loan-payment deferrals hit the banking sector. Japanese stocks were down by 1.1 per cent.

Ajcon Global's view

We believe cooling of Indian equities is healthy for investors as whopping rally in last 3 months was led by liquidity through FPIs. FPIs have poured money on Indian equities as global economies have resorted to printing money and were not connected to ground realities. We believe caution is warranted as on economic situation is bleak although there are relaxations in Unlock 2.0. We believe Indian equities will take cues economic activity pickup during relaxations in Lockdown, escalating India – China tensions after banning of Chinese mobile apps, global cues especially the spike in COVID-19 cases in second wave, on ground domestic economic situation. Going ahead, onset and progress of monsoon, Q1FY21 earnings season and newsflow related to COVID-19 will dictate market trend. Although some sectors have rallied in June 2020 quarter, investors will keep an eye as to how far the sectors revive from a standstill scenario. The disappointment of no relief package for middle class who are also affected significantly in COVID-19 crisis will also remain an overhang. We like the agriculture reforms announced; major announcements made in sectors like Coal, Mining, Aviation, Defence and Power sector were also good and long term in nature. However, certain announcements by Finance Ministry were not taken well by street participants with regards to measures like MSME loan not being interest free, ambiguity with regards to MSMEs who do not have an existing credit facility, market sentiments getting affected as the reduction in rate of TDS to increase liquidity in the system were announced as part of stimulus package etc.

Sectors like Pharma and Healthcare, Speciality Chemicals, Insurance, E-Commerce, Companies with innovative business models especially in facility management, housekeeping and digital space would benefit from the COVID-19 crisis while sectors like over leveraged NBFCS including micro finance, real estate, construction, hospitality, tourism and aviation sector would be affected significantly. We advise investors to not lose hope in Indian equities as historically it is proven that market do witness recovery post an epidemic. Historically, Indian equities have always bounced back strongly post a Black swan and key events like Global Recession (1986-88), Gulf War/India Fiscal Crises (1990-91), Harshad Mehta Scam (199293), Stock Market fall (1994-96), 97 Market Meltdown (1997-98), Dot-Com Bubble (2000-01), Central Election Results (2004), High Inflation (2006), Global Financial Crisis (2008), European Sovereign Debt Crises (2010-11) in the past ranging from a fall of 11 percent to 65 percent and bouncing back in three years' time frame by ~73 percent to 300 percent in the above events. Globally in the past, during the Great Depression, the US market declined steeply and made record highs later on. Any news of faster discovery and launch of vaccine for COVID-19 may fuel the market. We recommend value buying only in high quality stocks gradually at every decline for building a long term portfolio for 3 – 5 years horizon.

However, those who have entered at the lower levels especially in last week of March 2020 last week and first week of April 2020 may book short term partial profits. We feel that there will be further opportunities to pick up the stocks at lower levels as Q1FY21 results would be a washout for major sectors except FMCG, Agrochemicals, Pharma and Digital/internet.

Disclaimer

Ajcon Global Services Limited is a fully integrated investment banking, merchant banking, corporate advisory, stock broking, commodity and currency broking. Ajcon Global Services Limited research analysts responsible for the preparation of the research report may interact with trading desk personnel, sales personnel and other parties for gathering, applying and interpreting information.

Ajcon Global Services Limited is a SEBI registered Research Analyst entity bearing registration Number INH000001170 under SEBI (Research Analysts) Regulations, 2014.

Individuals employed as research analyst by Ajcon Global Services Limited or their associates are not allowed to deal or trade in securities that the research analyst recommends within thirty days before and within five days after the publication of a research report as prescribed under SEBI Research Analyst Regulations.

Subject to the restrictions mentioned in above paragraph, We and our affliates, officers, directors, employees and their relative may: (a) from time to time, have long or short positions acting as a principal in, and buy or sell the securities or derivatives thereof, of Company mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage.

Ajcon Global Services Limited or its associates may have commercial transactions with the Company mentioned in the research report with respect to advisory services.

The information and opinions in this report have been prepared by Ajcon Global Services Limited and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of Ajcon Global Services Limited While we would endeavour to update the information herein on a reasonable basis, Ajcon Global Services Limited is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent Ajcon Global Services Limited from doing so. This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. Ajcon Global Services Limited will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. Ajcon Global Services Limited accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice. Ajcon Global Services Limited or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

Ajcon Global Services Limited encourages independence in research report preparation and strives to minimize conflict in preparation of research report. Ajcon Global Services Limited or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither Ajcon Global Services Limited nor Research Analysts have any material conflict of interest at the time of publication of this report.

It is confirmed that Akash Jain – MBA (Financial Markets) or any other Research Analysts of this report has not received any compensation from the company mentioned in the report in the preceding twelve months. Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

Ajcon Global Services Limited or its subsidiaries collectively or Directors including their relatives, Research Analysts, do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

It is confirmed that Akash Jain – MBA (Financial Markets) research analyst or any other Research Analysts of Ajcon Global do not serve as an officer, director or employee of the companies mentioned in the report.

Ajcon Global Services Limited may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Neither the Research Analysts nor Ajcon Global Services Limited have been engaged in market making activity for the companies mentioned in the report.

We submit that no material disciplinary action has been taken on Ajcon Global Services Limited by any Regulatory Authority impacting Equity Research Analysis activities.

Analyst Certification

I, Akash Jain MBA (Financial Markets), research analyst, author and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. I also certify that no part of compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view (s) in this report.

For research related queries contact:

Mr. Akash Jain – Vice President (Research) at, 022-67160431 (D)

CIN: L74140MH1986PLC041941

SEBI registration Number: INH000001170 as per SEBI (Research Analysts) Regulations, 2014.

Website: www.ajcononline.com

Registered and Corporate office
408 - (4th Floor), Express Zone, "A" Wing, Cello – Sonal Realty, Near Oberoi Mall and Patel's, Western Express Highway, Goregaon (East), Mumbai – 400063. Tel: 91-22-67160400, Fax: 022-28722062