

Market Outlook

Indian markets are likely to open flat tracking mixed global cues and lack of any major trigger from Asian markets. However, import ban on defence equipment, verdict on staggered AGR payments for telcos and earning outcomes would be key monitorables for today's trade.

Markets Yesterday

- Domestic markets ended flattish amid mixed global cues and rising Covid-19 cases in the country
- US markets ended mixed as concerns surrounding US-China tensions and uncertainty about stimulus package offset better-than-expected unemployment data

Key Developments

- For Titan, we expect revenues from the jewellery, watches division to decline 55%, 88% YoY, respectively, in Q1FY21. Overall revenues are expected to fall 62% YoY to ₹ 1980.9 crore. We anticipate the company will report EBITDA loss of ₹ 7.5 crore. Management commentary on overall demand scenario and cost rationalisation measures will be key monitorables to watch
- Mahindra & Mahindra (M&M) reported a relatively healthy operational performance in Q1FY21. Standalone net sales for the quarter were at ₹ 5,602 crore. Standalone EBITDA in Q1FY21 was at ₹ 549 crore with corresponding EBITDA margins at 9.8% (down 261 bps QoQ). Consequent standalone PAT for the quarter came in at ₹ 112 crore, crimped by lower other income and higher interest costs.
- India's coal import fell 43% to 11.1 million tonnes (MT) in July 2020 on account of higher stockpile of dry fuel at pitheads, plants and ports. During April-July 2020, total coal imports were at 57.3 MT, which is 36% lower than 89.2 MT imported during April-July 2019

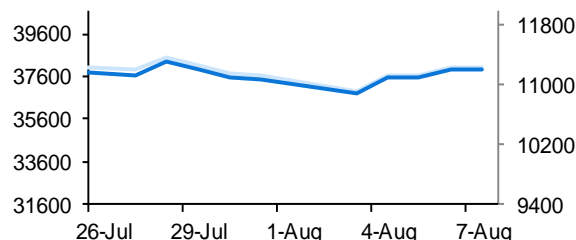
Nifty Heat Map

Asian Paints	1,805	4.4%	Bajaj Finance	3,466	3.6%	UPL	480	3.6%	Indusind Bank	509	2.9%	Bajaj Finserv	6,469	2.8%
BPCL	420	2.6%	Britannia	3,934	2.0%	Tata Motors	119	2.0%	Maruti	6,680	1.8%	GAIL	97	1.4%
Zee Ent.	150	1.0%	Bharti Airtel	570	0.9%	Adani Ports	327	0.9%	ONGC	79	0.9%	Tata Steel	404	0.9%
Shree Cement	21,894	0.8%	Coal India	130	0.7%	Reliance Ind.	2,147	0.6%	Bharti Infratel	193	0.6%	Nestle	16,761	0.5%
Eicher	21,793	0.5%	Grasim Ind	637	0.4%	Bajaj Auto	3,002	0.4%	ITC	196	0.4%	TechM	662	0.4%
HDFC Bank	1,044	0.3%	Vedanta	123	0.3%	JSW Steel	240	0.2%	Kotak Bank	1,342	0.2%	Axis Bank	433	0.0%
Hero Moto	2,706	0.0%	Power Grid	176	0.0%	SBI	191	-0.2%	Hindalco	178	-0.2%	Dr Reddy	4,571	-0.3%
ICICI Bank	358	-0.4%	HUL	2,211	-0.4%	NTPC	86	-0.4%	Cipla	729	-0.4%	HDFC Ltd	1,778	-0.4%
TCS	2,295	-0.6%	Ultratech	4,005	-0.6%	L&T	916	-0.7%	Wipro	277	-0.8%	IOC	86	-0.9%
Sun Pharma	526	-1.2%	M&M	601	-1.5%	Infosys	951	-1.9%	HCI Tech	690	-2.2%	Titan	1,091	-2.6%

Today's Highlights

Results: Titan, Ipca Labs, Action Construction, BoB, Cochin Shipyard, Shree Cement, Caplin Point, D-link India, HEG, Sonata Software, TTK Prestige, Triveni Engineering, Oriental Carbon, KEC International

Index Movement



— BSE (LHS) — NSE (RHS)

	Close	Previous	Chg (%)	MTD(%)	YTD(%)	P/E (1yrfwd)
Sensex	38,041	38,025	0.0	4.3	-18.0	20.6
Nifty	11,214	11,200	0.1	4.2	-18.0	20.1

Institutional Activity

	CY18	CY19	YTD CY20	Yesterday	Last 5 Days
FII (₹cr)	-68,503	40,893	-58,463	397	8,141
DII (₹cr)	107,388	44,478	83,210	-439	-1,252

World Indices – Monthly performance

Kospi	Dow Jones	BSE	NSE	Nasdaq
2,352	27,433	38,041	11,214	11,011
9.4%	5.2%	4.2%	4.1%	3.7%
Germany	Nikkei	U.K.	France	Shanghai
12,675	22,330	6,032	4,890	3,354
0.3%	0.2%	-1.0%	-1.6%	-8.7%

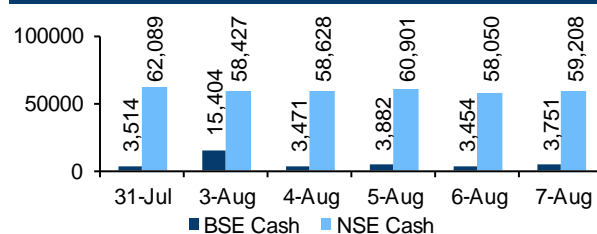
Markets Today

Commodities	Close	Previous	Chng (%)	MTD(%)	YTD(%)
Gold (₹10 gm)	54,876	55,845	-1.7	3.3	42.1
Silver (₹kg)	74,483	76,052	-2.1	14.9	59.8
Crude (\$/barrel)	44.4	45.1	-1.5	4.2	-31.6
Copper (\$/tonne)	6,308	6,479	-2.6	1.2	5.7
Currency					
USD/INR	74.9	74.9	0.0	-0.2	-4.7
EUR/USD	1.2	1.2	-0.8	0.6	5.7
USD/YEN	105.9	105.6	0.4	0.3	2.9
ADRs					
HDFC Bank	46.5	46.3	0.5	-0.7	-26.8
ICICI Bank	9.6	9.6	0.0	1.1	-37.1
Tata Motors	7.9	7.9	0.9	14.7	-39.5
Infosys	12.6	12.8	0.1	-1.6	22.6
Dr Reddys Labs	60.8	61.2	-0.7	0.9	51.1
Wipro	4.2	4.3	-1.9	-1.4	13.6

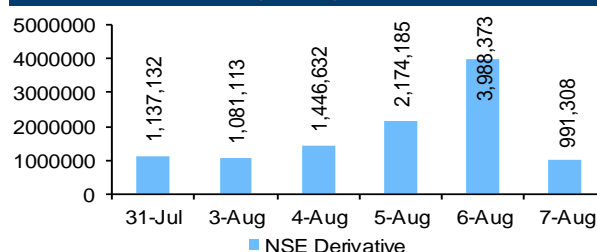
Key Data Points

Key Economic Indicator	Period	Latest	Prior Values
RBI Cash Reserve Ratio	N/A	3.00%	4.00%
RBI Repo Rate	N/A	4.00%	4.40%
RBI Reverse Repo Rate	N/A	3.35%	3.75%
CPI YY	Jun	6.09%	5.84%
Current Account Balance	Q1	-0.6bln \$	-1.4bln \$
Exports - USD	Jun	21.91 bln\$	19.05 bln\$
FX Reserves, USD Final	Jun	517.64 bln\$	506.8 bln\$
GDP Quarterly yy	Q1	3.10%	4.70%
GDP Annual	FY 20	4.20%	6.10%
Imports - USD	Jun	21.11 bln \$	22.2 bln \$
Industrial Output yy	Jun	-34.70%	-55.50%
Manufacturing Output	Jun	-39.30%	-64.30%
Trade Deficit Govt - USD	Jun	0.79 bln \$	3.15 bln \$
WPI Food yy	May	1.10%	2.60%
WPI Fuel yy	May	-19.83%	-10.12%
WPI Inflation yy	May	-3.12%	-
WPI Manuf Inflation yy	May	-0.42%	-

Exchange Cash Turnover (₹ crore)



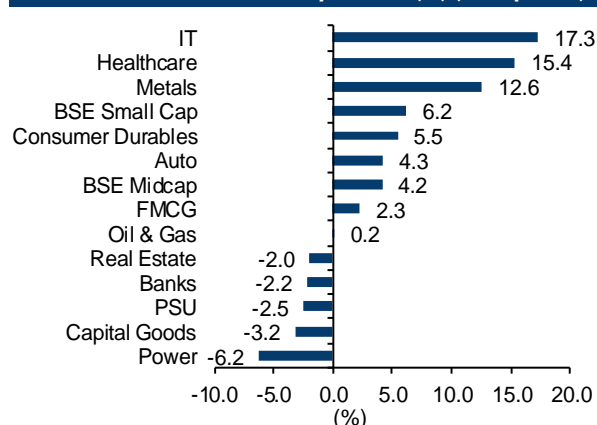
NSE Derivative Turnover (₹ crore)



Corporate Action Tracker






Security name	Action	Ex Date	Record Date	Status	Price (₹)
Sun Pharma	Buyback			Ongoing	425.00
Sterlite Technologies	Buyback			Ongoing	150.00
Oriental Carbon	Dividend	11-Aug-20	-		6.00
Dabur	Dividend	13-Aug-20	-		1.60
Escorts	Dividend	13-Aug-20	-		2.50
Maruti Suzuki	Dividend	13-Aug-20	-		60.0
NTPC	Dividend	13-Aug-20	14-Aug-20		2.65
TTK Prestige	Dividend	13-Aug-20	-		20.00
Hawkins Cooker	Dividend	14-Aug-20	17-Aug-20		80.00
Varun Beverages	Dividend	14-Aug-20	17-Aug-20		2.50





Sectoral Performance – Monthly Returns (%) (Not updated)












Key News for Today





Company/ Industry	News	View	Impact
Divi's Lab	Q1 revenues grew a robust 48.8% YoY to ₹ 1730 crore (I-direct estimate: ₹ 1303 crore) on the back of strong growth across segments. Generic segment grew 54.0% YoY to ₹ 894 crore. Carotenoids grew 19.8% YoY to ₹ 127 crore. Custom synthesis grew 48.9% YoY to ₹ 709 crore. EBITDA margins expanded 716 YoY, 847 bps QoQ to 40.5% (I-direct estimates: 32.5%) due to significantly better overall operational performance. Hence, EBITDA grew 80.8% YoY to ₹ 700 crore (I-direct estimate: ₹ 423 crore). PAT grew 80.6% YoY to ₹ 492 crore (I-direct estimate: ₹ 307 crore) in line with strong operational performance.	Divi's Lab reported a stellar Q1FY21 performance. Q1 results were better than I-direct estimates on all fronts. In addition to the strong quarterly performance, the important narrative for Divi's is the ongoing mega capex it has undertaken a few quarters back and is likely to complete by FY21. This massive capex amounting to ₹ 1800 crore would further augment the capacities thus preparing the company to tap growing opportunities. We expect the full-blown impact of this investment to fructify from FY22 onwards.	





Cipla	Q1 revenues grew 9.0% YoY to ₹ 4346 crore due to 15.9% YoY growth in domestic formulations to ₹ 1608 crore. US revenues declined 8.8% YoY to ₹ 1021 crore. RoW markets grew 53.1% YoY to ₹ 672 crore due to base effect. EU grew 19.4% YoY to ₹ 240 crore. EBITDA margins improved 145 bps YoY to 24.1% on account of a sharp drop in other expenditure amid Covid lockdown, partly offset by lower gross margins due to higher contribution from margin dilutive trade generics segment. Subsequently, EBITDA grew 15.9% YoY to ₹ 1049 crore. Net profit grew 21.4% YoY to ₹ 578 crore in line with the operational performance	We continue to focus on the management's long-drawn strategy of targeting four verticals viz. One-India, South Africa & EMs, US generics & specialty and lung leadership. Recent first generic approval by USFDA for Albuterol sulphate (Proventil HFA) amid rise in demand for Albuterol products in the ongoing Covid-19 pandemic are vindication of its lung leadership quest. Across the board transformation from tenderised model to private model in exports market and towards rapid consumerisation of important TGx, Rx in India bode well to change the investors' perspective	
Bata India	Results for Q1FY21 were materially impacted due to closure of stores for major period during quarter and absence of school shoes sale. Revenue fell 85% YoY to ₹ 135 crore. Despite a sharp reduction in operating overheads, EBITDA losses came in higher at ₹ 86 crore owing to significant contraction in gross margins	Aligning with the current demand scenario, Bata has tweaked its product portfolio by launch of collections such as fitness-at-home, Easy-wash & Work-from Home. The company reiterated its vision of opening 500 franchisee stores by 2023 and reaching in new towns. We believe with its strong brand patronage and pan-India retail reach, Bata India should be able to revive its revenue growth trajectory as and when the impact of the Covid-19 is phased out	
Abbott India	Q1FY21 revenues grew 6.5% YoY to ₹ 1064 crore despite being impacted by demand slowdown in some therapies amid Covid-19 lockdown. EBITDA margins improved 450 bps YoY to 21.9% due to lower travel and promotional spends partially offset by higher raw material costs. EBITDA grew 34.0% YoY to ₹ 233 crore. PAT grew 54.2% YoY to ₹ 180 crore on the back of better operational performance and lower tax rate	Abbott posted a strong earnings performance despite Covid challenges. We remain positive on the company due to its robust and sustainable business model backed by stable growth, debt-free B/S, favourable market dynamics with doctor prescription stickiness and lower perceived risk factors. We continue to believe in Abbott's strong growth track in power brands and capability of new launches on a fairly consistent basis	
Amara Raja Batteries (ARBL)	ARBL reported a relatively stable performance in Q1FY21. Net sales for the quarter fell 37% YoY to ₹ 1,151 crore. EBITDA in Q1FY21 was at ₹ 152 crore with corresponding EBITDA margins at 13.2%, down 220 bps QoQ. PAT in Q1FY21 was at ₹ 63 crore, down 56% YoY	ARBL's performance was slightly better than its key competitor, possibly tracking higher share of replacement channel in overall mix. Management commentary was positive on automotive aftermarket demand as well as industrial segments (UPS and telecom sector)	
Container corporation of India	Concor reported Q1FY21 numbers, which were in line with I-direct estimates on the revenue front while lower on the profitability front. Revenues de-grew 27% YoY to ₹ 1189 crore, led by volume de-growth of 21%. EBITDA margins de-grew 1123 bps YoY to 13.4% mainly due to higher other expense as a percentage of sales. Subsequently, absolute EBITDA de-grew 61% to ₹ 159 crore. Reported PAT de-grew 73% to ₹ 62 crore mainly due to weak operational performance	While volumes dropped as per expectations, EBITDA margins saw an exceptional contraction. For the quarter, the company recorded ₹ 121 crore as land license fee (LLF) for all terminals in other expenses, as per the new policy of railways applicable from April 1, 2020 (rent payable at 6% value of the land), which has negatively impacted the operational performance	
ICICI Securities	Retail Research		

Kajaria Ceramics	Kajaria Ceramics reported a washout quarter, as expected, impacted by Covid-19 led lockdown. Sales volumes declined by 61% YoY while topline de-grew 60% YoY to ₹ 277.6 crore. The company reported EBITDA loss of ₹ 7.6 crore on account of negative operating leverage. Weakness at the operating level percolated to PAT wherein it reported a loss of ₹ 27.1 crore	While it will be a weak FY21, recovery is tracking better than expected. In Q2, the company has indicated that capacity utilisation improved to 78% in July, 2020 (vs. ~26% in June, 2020) and further stands at 85%+ in August, 2020. In terms of sales, the current sales volumes are back to 80% of Q2FY20 levels and the company expects it to improve progressively, going ahead. Kajaria, with a net cash balance sheet and superior brand, is likely to tide over the challenging times and even capitalise on market share gain during the recovery phase.	
Sobha Ltd	Sobha Ltd. reported a weak set of numbers, as expected, owing to Covid-19 impact. Sales volume at 6.50 lakh was down 38.9% YoY with sales value down 37.3% YoY at 487.7 crore. On the financial front, revenues were down ~70% YoY at ₹ 350 crore, mainly due to lower revenues recognition in real estate segment of ₹ 222.9 crore, down ~74% YoY, due to weak execution amid lockdown. Contractual and Manufacturing Revenue at ₹ 141.7 crore, was down ~61% YoY. EBITDA declined by 89% YoY at 15.8 crore, with margin of 4.7%, down 930 bps. PAT was down 92.7% YoY at ₹ 6.6 crore.	We note that notwithstanding, close to two months of lockdown, the sales volumes are encouraging. It will be key to monitor the volume traction from hereon as residential real estate is likely to remain soft for the next couple of quarters. Another key thing will be net debt to equity which is at 1.2x.	
Shipping Corporation of India	SCI reported its Q1FY21 results. While the topline grew 24% YoY to ₹ 1143 crore, led by 51% jump in the Tanker revenues (75% of the topline), the EBITDA doubled to ₹ 505 crore. Subsequently, PAT came at ₹ 337 crore in Q1FY21 vs a loss of ₹ 29 crore in Q1FY20	SCI has reported its highest PAT in 54 quarters, led by surge in the tanker earnings as oil refiners and traders sought crude oil tankers for storage, due to fall in crude oil prices and lack of storage on land.	
DCB Bank	DCB Bank reported mixed set of Q1FY21 numbers. Moratorium book as on June 2020 reduced sharply to ~26% as against ~60% in April 2020. Provision surged 106% YoY to ₹ 84 crore, including Covid provisions of ₹ 32 crore. Total Covid provisions as on June 2020 stood at ₹ 95 crore i.e 40 bps of advances. In addition, the bank has additional floating provisions of ₹ 99 crore i.e ~0.4% of advances. GNPA and NNPA ratio stood at 2.44% and 0.99% respectively. Advances growth decelerated to 4.2% YoY to ₹ 25058 crore amid lockdown, though home loans, gold loans and agri loans growth was healthy. NII growth was subdued at ₹ 307 crore, up 0.6% YoY. Muted top-line was offset by lower opex which made operating profit to come in at ₹ 191 crore, up 14.8% YoY. Sequentially lower provisioning made PAT to come in at ₹ 79 crore, up 15.4% QoQ.	Relatively higher morat book coupled with a higher proportion of customers who haven't paid any EMI since April 2020 is a cause for concern. A significant morat book would keep provisions elevated thus keeping earnings capped in medium term. We maintain a cautious view.	

Mahanagar Gas	Mahanagar Gas' revenues fell 66.6% YoY to ₹ 277.5 crore due to lower sales volume during lockdown. The volumes came in at 1.1 mmscmd, down 62.5% YoY. Gross margins increased ₹ 0.9/scm YoY to ₹ 16.1/scm due to lower gas costs. EBITDA was down 71.1% YoY at ₹ 80 crore and reported PAT stood at ₹ 45.3 crore, down 73.4% YoY	MGL profitability and sales volume was lower than expectations. MGL's CNG and industrial/commercial PNG sales were significantly affected during lockdown. Sales volume improved from April lows and was at 50% of normal levels in June. Faster recovery in demand will be key to performance in near term.	
Affle India	Affle India reported a healthy set of Q1FY21 numbers considering challenging times. The company's revenues increased 12.2% QoQ (20.4% YoY) to ₹ 89.8 crore mainly led by 28.4% QoQ growth in international revenues (53% of topline) partially offset by 2.6% QoQ decline in India revenues. The company's adjusted EBITDA margins were flat on QoQ basis at 25.0%. The company's PAT margins stood at 20.9% increase of 180 bps QoQ mainly led by lower tax expenses.	The company reported healthy Q1FY21 number and is key beneficiary of rising trend in mobile advertising and increasing penetration in ecommerce. In addition, the company's unique business model of outcome based advertising differentiates Affle from its cost per click peers and helps advertisers generate higher return on investment (RoI). Hence, we remain positive on the stock from long term perspective.	
TV Today Network	TV Today revenues fell 32% YoY to ₹ 167.7 crore with broadcasting revenue at ₹ 137.8 crore, down 33.7% YoY. Radio revenues were minimal at ₹ 0.2 crore, witnessing 70% YoY decline and Digital segment's revenues were down 5% YoY at ₹ 27.6 crore. Reported EBITDA came in at ₹ 30 crore, down 59.7% YoY with margin of 17.9% (down 1235 bps YoY). Subsequently, reported PAT de-grew 75% YoY to ₹ 12.8 crore	TV Today's operating performance was below our expectations. Revenue decline was on account of low ad rates in Covid-19 led lockdown scenario and high base effect (general elections in Q1FY20). Admin and employee cost savings along with huge spike in viewership were the positives. Faster recovery in ad rates/volume will be key to earnings going ahead.	
Entertainment Network India (ENIL)	ENIL reported a weak set of numbers for Q1FY21. Revenues fell 71% YoY to ₹ 38.5 crore as ad scenario was worsened by Covid-19 led lockdown. Reported EBITDA loss was at ₹ 25.9 crore (EBITDA of ₹ 33.1 crore in Q1FY20). Although ENIL managed cost reduction across all fronts, significant fall in revenues led to operating loss. The company reported net loss of ₹ 37.9 crore against net profit of ₹ 3.9 crore in Q1FY20	ENIL's operating performance was affected due to sharp decline in ad spend by corporates/government with controlled operating cost being the positive. ENIL's revenue market share was at 33% which was boosted by solution business. With resumption of economic activities, we seek management commentary on ad recovery outlook as revival of ad volumes as well as rates will be important going forward.	
Birla Corp	Q1FY21 revenue and PAT declined by 35% and 53% YoY respectively to ₹ 1222 crore and ₹ 65.8 crore respectively. Margins also fell by 134bps YoY to 19.8%. As a result, PAT declined by 53% YoY to ₹ 65.8 crore.	While other regions saw sharp increase in the prices the company's key area of markets like Eastern region not only saw weakness in the prices but also lower sales volume due to heavy rains and floods in that region. Further sharp fall in premium cement sales also affected margins. Overall, weak performance for Q1FY21 in our view.	
Mangalam Cement	Mangalam cement reported revenue de-growth of 32% YoY to ₹ 226.2 crore. PAT declined by 58.4% YoY to ₹ 13.8 crore. However, on QoQ basis, margins improve by 505bps led by sharp fall in expenses.	Despite weak pricing environment in northern region during the quarter, the company has managed to improve margins QoQ basis by over 500bps to 20.6% leading to EBITDA/tonne of ₹ 949/tonne for the quarter that came as positive surprise. Hence, weak performance due to lockdown impact is cushioned to some extent by cost control measures.	

Balrampur Chini	<p>Balrampur Chini reported strong set of numbers with 50.8% increase in revenues & 24.9% increase in net profit. The higher Revenue was higher was on account of 60% increase in both sugar & distillery sales. Sugar sales was aided by higher domestic quota & exports in Q1. the company has sold 2.9 lakh tonnes of sugar in domestic market & 0.6 lakh tonnes through exports. The higher distillery sales was driven by higher volumes as the company commissioned 160 KLD new distillery in January 2020. Moreover, better distillery realisation due to higher proportion of B heavy ethanol also helped growth. Power sales was down by 13.5% to ₹ 95.7 crore mainly on account of lower volumes as company has sold some quantities of bagasse during the quarter. Moreover, power realisation have remained down given revision in power tariffs last year. Operating profit increased by 23.9% to ₹ 217.9 crore with higher sugar & ethanol sales during the quarter. Operating margins was down 330 bps mainly due to gross margin contraction. Average sugar realisation has been lower compared to last year given sugar prices fell to ₹ 31/kg in April & May due to lockdown conditions imposed across country. Net profit grew by 24.9% to ₹ 139.5 crore</p>	<p>The company has exported ~2.8 lakh tonnes of sugar in current sugar season. Moreover, it has been able to sell higher sugar quantities in domestic market through higher sale quota. Further, sugar production for Balrampur Chini in 2019-20 sugar season not increased despite higher sugarcane availability. The company has been able to sacrifice sufficient sugar quantities through the production of B heavy molasses. We believe the company is in a position to liquidate its current season inventory by November-December 2020, which is far better position than industry (it would be carrying just a months in inventory compared to average 5 months inventory by industry). The company would see higher distillery volumes with full year of new distillery operations & higher ethanol realisation with more diversion towards B heavy ethanol. Balrampur chini is most efficient sugar company in India with no high cost long term debt & least working capital debt requirement. We remain positive on the stock</p>	
Amber Enterprises	<p>Amber Enterprises' Q1FY21 revenue declined by 79% YoY, while company reported a loss of ₹24 crore at bottomline.</p>	<p>Despite being a strong quarter, RAC industry faced challenges in Q1 due to lower volume offtake amid lockdowns. As a result, Amber Enterprises also faced a sales loss of almost 40 days in Q1FY21. On the operating front, while gross margin remain flat on a YoY basis, Amber reported loss at EBITDA level to ~₹6 crore mainly due to low operating leverage. We await management commentary on future outlook of demand recovery in RAC industry as well as business opportunities under Atmanirbhar Bharat schemes</p>	
Majesco	<p>Majesco US (the US listed company) has signed an amended agreement to sell its company to a private equity (Thoma Bravo, LP) at a revised price of US\$16/share (from earlier offer of US\$13.1/share), valuing the company at US\$729 million (~₹ 5,467 crore). The increased offer from Thoma Bravo and the amendment followed Majesco's receipt of an unsolicited acquisition proposal from an unaffiliated third party. The company is now valued at 5x FY20 EV/sales.</p>	<p>Majesco India (the India listed company) holds 74.07% stake in the US entity (Majesco US). Hence, based on the stake, the company will now receive cash of US\$513.8 million (₹ 3853.3 crore). Assuming a capital gains tax, the company would receive cash of ~₹3121.2 crore. This, coupled with cash of ₹ 23.5 crore on the company's balance sheet, the total cash with the firm now would be ₹3144.7 crore or ~₹1037/share (vs earlier ₹ 852/share). The company plans to distribute this cash via buyback and/or dividend. Hence we remain positive on the stock.</p>	

Defence Manufacturing companies	Ministry of defence (MoD) announced import embargo list of 101 defence items to be progressively implemented between 2020 to 2024 to boost indigenization of defence production providing big push to "Atmanirbhar Bharat" and "Make in India" Initiatives. This was one of the major steps proposed in Draft Defence production and Export Promotion policy (DPEPP) 2020. The decision offers a great opportunity to Indian defence industry to manufacture the items in the negative list by using their own design and development capabilities or adopting technologies designed & developed by DRDO.	The embargo list is in line to reduce imports and push the 'Make in India' and 'Atmanirbhar Bharat' initiative through design and development or adopting technologies designed and developed by DRDO. The estimated embargo list to enable estimated ₹ 4.0 lakh crore worth of contracts to be placed on domestic industry over next 5 to 7 years which comes to average contracts of ₹ 57000 crore to ₹ 80,000 crore per annum. This would provide significant thrust to defence manufacturing companies in scaling up their production capabilities in the long term. In our coverage universe, companies like L&T, Bharat Electronics (BEL) and Cochin Shipyard (CSL) having strong indigenous capabilities in products like artillery systems, missile subsystems, Aerospace, Radars, Electronic warfare systems, shipbuilding etc. are likely to benefit from the move in the long run.	
Mastek	Majesco US (the US listed company) has signed an amended agreement to sell its company to a private equity (Thoma Bravo, LP) at a revised price of US\$16/share (from earlier offer of US\$13.1/share), valuing the company at US\$729 million (~₹ 5,467 crore). The increased offer from Thoma Bravo and the amendment followed Majesco's receipt of an unsolicited acquisition proposal from an unaffiliated third party. The company is now valued at 5x FY20 EV/sales.	Mastek hold ~20 lakh shares in Majesco US. Based on the revised price, the company will receive additional ₹ 45 crore which is ~3% of the company's market cap.	
Telecom Sector	The Supreme Court will examine whether the insolvency proceedings of bankrupt telcos Reliance Communications (RCOM), Aircel and Videocon Telecom are bonafide, while an order on the timeline of staggered payments (already reserved) of adjusted gross revenue- (AGR) related dues is also likely.	Assuming 15 years payment timeline (as requested by telcos) at 8% interest rate, we expect annual instalments of ~₹ 6000 for Vodafone Idea and ₹ 3000 crore for Airtel. While for Airtel, it is very much within the ability, we expect a meaningful case of Vodafone Idea's long term survival only when there is substantial capitalisation by promoters/ strategic partners and/or change in regulations such as floor tariff norms, lowering of levies etc	
Indian EV space	The Delhi government has issued Delhi Electric Vehicle Policy 2020, which envisages battery EVs forming 25% of all new registrations by 2023. The policy provides upfront purchase incentives for all categories of vehicles (₹ 5,000/10,000 per kWh for 2W and PVs respectively and ₹ 30,000/unit for e-auto's, e-rickshaws and goods carriers).	The 3-year policy has set forward aggressive goals (25% of all new registrations to be electric, 50% of 2-W delivery fleet and 50% of state procured buses to be electric). The purchase incentives are over and above FAME-II incentives, with certain unique benefits like waiver of road tax. It plans to fund the incentives through a fee-bate system thereby imposing additional taxes on petrol & diesel powered vehicles. The policy would help the fledgling EV ecosystem in India.	

Midhani	With an objective to promote domestic defence industry, the government has announced restriction on import of 101 weapons and military platforms including wheeled armoured fighting vehicle (AFV), bullet proof jackets, light combat aircraft (LCA) MK I A (having enhanced indigenous content), conventional submarines, etc. The embargo on imports would be progressively implemented for different items between 2020 and 2024. With the decision to prune import list, domestic defence industry is likely to receive orders worth ₹ 4 lakh crore, over the next 5-7 years. The government has also bifurcated the capital procurement budget for FY21 between domestic and foreign capital procurement routes. A separate budget head has been created with an outlay of ₹ 52000 crore for domestic procurement for the current financial year.	Over the years, Midhani has developed capability of supplying niche steel catering to the defence sectors requirements. Hence it is likely to be a key beneficiary of the recent step taken by the government. Increase in procurement domestically is expected to result in higher orders for Midhani over the medium term.	
Tractor and Construction Equipment Industry	The Road Transport Ministry has deferred implementation of emission norms for tractors (TREM) and construction equipment (CEV) to October 1, 2021 and April 1, 2021 respectively vs. the earlier notified implementation date of October 01, 2020 for both categories of vehicles.	This will delay the increase in initial ownership costs for the >50 hp tractor segment as well as construction equipment. It will enable demand recovery as economic sentiments gain momentum and is positive particularly for Escorts with Tractor and Construction Equipment being its key domain.	
Bharat Forge	Ministry of Defence has notified import embargo on 101 items beyond given timelines (largely Dec 2020) to boost indigenisation of defence production. The list includes artillery guns, calibre guns as well as Armoured Fighting Vehicles among others.	In the defence space, the company has developed a manufacturing ecosystem for artillery guns. It is also currently executing a US\$ 100 million contract for manufacturing of Barak 8 missile kits with its Israeli partner under a JV i.e. Kalyani Rafael Advance Systems (KRAS). The company has also developed certain protective vehicles for Indian defence forces. Thus, the company is well placed with requisite capabilities to capture the opportunity offered under increasing domestic procurement by the Indian defence sector.	
Tube Investments of India (TII)	TII has submitted a bid of ₹700 crore (all cash) for 56.6% (on fully diluted basis) in troubled CG Power & Industrial Solutions. The investment is all primary shares issuance with a mix of direct equity (₹ 550 crore) and warrants (₹150 crore).	The bid values CG Power at ~0.4x price to sales (FY20 sales at ₹3,169 crore). TII has been on the lookout for inorganic growth opportunities in the post Covid environment, however with cash and investments of just ~₹180 crore on books as of FY20, a successful bid would likely be majority debt funded. Possible acquisition of CG Power would help the engineering division at TII.	

Key developments (Continued...)

- Shree Cement has a strong presence in the north. We expect lowest decline in volume (down 20.9% YoY) to 4.8 MT after Sagar Cement on a like to like basis. Strong realisations (up 1.7% YoY) would provide some cushion. Thus, we expect revenues to fall only 21.4% YoY to ₹ 2386 crore, which is the lowest de-growth in the Industry. Strong realisations should help the company maintain highest EBITDA/t in industry at ₹ 1361/t. On an absolute basis, we expect EBITDA to decline ~28% YoY only to ₹ 652 crore
- For TTK Prestige, we expect revenues to decline by 57% YoY to ₹ 164.1 crore in Q1FY21. Owing to negative operating leverage, we expect TTK to report EBITDA and PBT loss of ₹ 20.2 crore and ₹ 24.5 crore, respectively
- Covid-19 breakout would make business growth remain sluggish for Bank of Baroda. We expect loan growth to dip to ₹ 6.9 lakh crore, up 1% QoQ with major traction towards MSME loans due to the ECLGS scheme. Incremental disbursements towards corporate & MSME is seen reducing margins though providing balance sheet growth ahead. Easing of the lockdown and streamlining of the moratorium opt in process may lead to a reduction in the moratorium book by ~5-10% from current levels of 65%. NII is seen at ₹ 6860 crore with NIMs at 2.65%. On the back of standstill account classification, asset quality is expected to stay stable with GNPA at 9.67%. Nationwide lockdown and IBC suspension may delay the breather for the bank's substantial NCLT exposure. As the bank has adequately provided for Covid-19 and the merger process nearing completion, credit cost is seen at 61 bps. We estimate PAT would come in at ₹ 702 crore
- CSL resumed production activities from May 6 at the Kochi unit (90% of turnover). Business was impacted on account of supply chain issues, delay in operational projects & lockdown. Taking cognizance of the above, we expect a 45% decline in CSL's Q1FY21E revenue, estimated at ₹ 400.9 crore. We expect employee expenses at normal levels as CSL has paid full salary to all the direct employees during the lockdown period. EBITDA is expected at ₹ 38.1 crore, implying an EBITDA margin of 9.5% vs. 19.3% YoY. There will be no additional impact of liquidated damages for operational projects as the company has invoked Force Majeure clause available in all the contracts. Absolute PAT is expected at ₹ 34 crore, down 72% YoY
- Ipca Labs Q1FY21E revenues are expected to grow 19% YoY to ₹ 1288 crore mainly due to strong overall growth. Domestic formulations are expected to grow 11% YoY to ₹ 503 crore on the back of one-off hydroxychloroquine (HCQS) opportunity. Export formulations are also expected to post robust growth of 43% to ₹ 350 crore mainly due to low base effect and one-time opportunity for HCQS in US and other markets. Similarly, the API segment is also expected to benefit from chloroquine based opportunities in the quarter. EBITDA margins are likely to improve 172 bps YoY to 20% mainly due to higher gross margins. Net profit is expected to increase ~39% YoY to ₹ 180 crore
- For Q1FY21E, We expect KEC International's revenues to de-grow 35.1% to ₹ 1566.5 crore. EBITDA is expected to decline 51.4% to ₹ 122.1 crore with EBITDA margin expected to see impact of 250 bps to 7.9% YoY. PAT is expected to decline 74.1% to ₹ 22.9 crore. KEC has announced new orders worth ₹ 1192 crore as on date for the quarter. For Q1FY21E, however, some deferred revenues of Q4FY20 may get booked in this quarter. International markets of KEC such as Brazil, Mexico, Dubai are expected to fare better than domestic markets
- Gabriel India reported muted Q1FY21 numbers. Net sales declined 76% YoY to ₹ 123 crore in the Covid impacted quarter, with top line performance impacted by sharp ~70% decline in auto sector volumes during the period and lower exposure to the aftermarket channel (~12% of sales). Loss at EBITDA level amounted to ₹ 17 crore while Loss after tax stood at ₹ 24 crore vs. profit of ₹ 22 crore in the base quarter
- Wonderla Holidays reported NIL operating revenue for the quarter due to complete shutdown of theme parks. Net losses, however, restricted to ₹14.51 crore led by sharp cut down in operating costs from ₹49 crore LY to ₹ 11.9 crore in the current quarter
- Life Insurance Business data for July 2020 shows that Industry APE de-grew 0.4% YoY to ₹ 7083 crore as against a growth of -45% in March 20 and 13% growth in July 2019. During the same period, LIC reported APE growth of 2.1% YoY to ₹ 3563 crore while private insurers reported APE de-growth by 2.9% YoY to ₹ 3521 crore. On an Individual APE basis, as on July 2020, industry reported flattish YoY growth to ₹ 5813 crore with LIC at ₹ 2605 crore (up 10% YoY) and other private players at ₹ 3208 crore (down 7% YoY)
- As per AIOCD data, Indian pharma market (IPM) growth drops down to 0.2% in July 2020 after exhibiting a growth of 2.4% in June 2020 amid continued Covid-19 impact. Cardiac therapy grew 13.1% (vs June 13.9%), Anti-diabetic grew 5.9% (vs 8.5% in June) whereas Respiratory de-grew 2% vs 4.2% growth in June. Anti-infectives continue to be impacted with 10.2% de-growth (vs -9.7% in June) whereas Vitamins maintained their growth track of 5.5% (vs 5.7% in June)
- As per media sources, Tiger Global is looking to invest US\$100 million with an option to inject another US\$100 million ahead of its proposed IPO next year. This funding will value the company at US\$3 billion. We have valued the company at US\$4 billion
- Bhel has commenced civil works at 660MW Sagardighi supercritical thermal power plant in West Bengal. Valued at approximately ₹ 3500 Crore, the turnkey order for Sagardighi Thermal Power Project Extension Unit-5 was won by BHEL against stiff international competitive bidding (ICB) from West Bengal Power Development Corporation (WBPDCL)

Key developments (Continued...)

- Dabur announced the expansion of its baby care portfolio with the launch of eight new Ayurveda-based products looking into the growing demand of baby care products. It has launched the new baby care products on e-commerce platform Amazon, where these would be exclusively available
- As per media sources, out of the total ₹ 90000 crore discom liquidity package, ₹ 68000 crore has been sanctioned by PFC & REC. UP tops the chart for seeking the highest credit under the package so far at ₹ 20,000 crore followed by Telangana (₹ 12,000 crore), Karnataka (₹ 7,000 crore), Andhra Pradesh (₹ 6,000 crore), Maharashtra (₹ 5,000 crore). Punjab, Rajasthan and Jammu & Kashmir have sought around ₹ 4,000 crore each
- As per USFDA disclosures, Lupin has initiated a class-II recall of 11688 bottles of Lisinopril tablets (10 mg) from US. The drug, indicated for the treatment of high blood pressure, is being recalled due to presence of foreign tablets. The drug was manufactured at the company's Nagpur facility
- As per USFDA disclosures, Sun Pharma has initiated a class-III recall of 3516 bottles of its antiepileptic drug, Clonazepam tablets from US. The drug is being recalled due to cross contamination with other products
- In an update to earlier exchange disclosures, Alembic Pharma has approved the QIP allotment of 80,47,210 shares at the issue price of ₹ 932 per share, which is at a 4.97% discount to the floor price (₹ 980.75) as per SEBI regulations, to raise capital of ~₹ 750 crore
- Coal India (CIL) has revised its production target to 650-660 million tonnes for the current fiscal in the wake of the disruptions caused by the COVID-19 pandemic. The CIL had earlier set a production target of 710 million tonne for FY21
- Info Edge has completed QIP amounting to ₹ 1875 crore (~5% of market cap) at a share price of ₹ 3,090 per share (~7% discount to current price) and issue of ~60.6 lakh shares
- IndusInd Bank has informed exchanges that it has acquired 56.8 lakh shares of Eveready Industries (~7.8% stake) and 78.3 lakh shares of McLeod Russel India Ltd (~7.5% stake) via invocation of pledged shares.
- ICRA has reaffirmed AA/Stable rating to Motilal Oswal's NCD Programme worth ₹ 200 crore
- Bombay high court will hear broadcasters' petition against NTO 2.0 implementation on 10 or 11 August. Trai has assured no action will be taken against broadcasters till the case is heard by the court
- Brickwork Ratings has downgraded Zee Entertainment's non-convertible preference shares and issuer rating to BWR AA- with credit watch with negative implications
- PVR has allotted 38.2 lakh rights equity shares at a price of ₹ 784 amounting to a total sum of ₹ 300 crore
- The board of Minda Industries would meet on August 11 to consider rights issue worth ₹ 250 crore

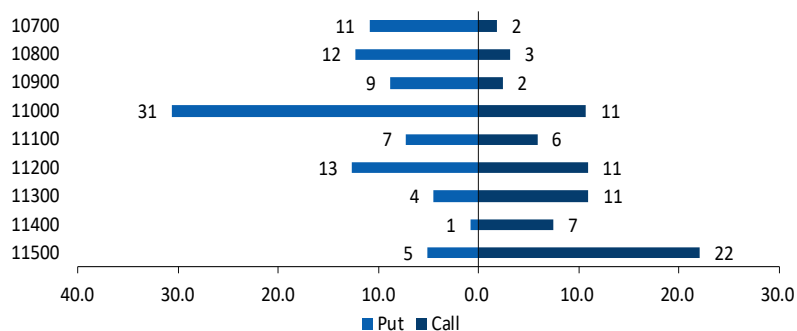
Nifty Weekly Chart

NIFTY [N59901] 11214.05, 1.27%
Price

Pivot Points

Index/Stocks	Trend	Close	S1	S2	R1	R2
SENSEX	Neutral	38040.6	37848	37657	38171	38301
Nifty 50	Neutral	11214.1	11160	11106	11250	11286
ACC Ltd	Negative	1397.2	1385	1373	1416	1435
Axis Bank Ltd	Neutral	433.3	427	422	437	442
HINDALCO INDS	Positive	177.6	175	173	179	181
SBI	Negative	190.7	190	188	192	194
HINDUSTAN PETRO	Neutral	213.6	209	205	220	227
MUTHOOT FINANCE	Neutral	1217.0	1193	1170	1237	1258
Tata Motors	Positive	119.1	116	114	120	122
MRF LTD	Positive	62702.8	61548	60394	63558	64414
BAJAJ AUTO LTD	Negative	3001.7	2979	2955	3023	3043
TCS	Positive	2295.4	2278	2262	2319	2344
ITC LTD	Positive	196.1	195	193	198	199
CIPLA LTD	Neutral	728.7	722	716	738	746
PIRAMAL ENTERPRI	Positive	1464.2	1440	1415	1505	1545
Reliance Industries	Neutral	2146.5	2124	2103	2162	2179
BHARTI AIRTEL	Neutral	560.8	555	548	566	570
EQUITAS HOLDINGS	Positive	51.0	50	50	52	52

Nifty Call – Put Strike (Number of shares in lakh) – August 2020



Technical Outlook

Equity benchmarks edged higher amid ongoing earnings season as Nifty settled at 11215, up 1.3% or 142 points for the week. In the coming session, we expect the index to hold Friday's low (11142) and trade with positive bias and head towards 11300 levels. Thus, intraday dip towards 11200-11220 should be used to create long position for target of 11312.

We reiterate our stance of an outperformance of broader markets while Nifty undergoes a healthy consolidation in the broad range of 10900-11400. Such a consolidation will make price structure more robust as indices will re-establish a higher base which will act as a launch pad for next major up move. Hence, any dip from hereon should not be construed as negative, instead be capitalised as incremental buying opportunity in quality midcap and small caps to benefit from their outperformance.

CNX Nifty Technical Picture

Nifty 50	Intraday	Short Term
Trend	Up	Range Bound
Support	11170-11140	10900
Resistance	11250-11295	11400
20 day EMA	0	10899.0
200 day EMA	0	10586.0

Advances/Declines

	Advances	Declines	Unchanged
BSE	1631	1074	148
NSE	1194	663	112

Daily Technical Calls

Daily Technical Calls

1. Buy Bharat Forge in the range of 410.00-412.00
2. Buy Pidilite in the range of 1380.00-1384.00

All recommendations of August Future

[See Momentum Pick for more details](#)

Intraday Derivative Strategy

i) Britannia

Buy BRIIND AUG Fut at ₹3937.00-3940.00

CMP: 3940

Target 1: 3968.5 Target 2: 4013.5

Stop Loss: 3908.5

ii) Petronet LNG

Sell PETLNG AUG Fut at ₹245.00-246.00

CMP: 245

Target 1: 243.5 Target 2: 240.5

Stop Loss: 247.5

[See Derivatives view for more details](#)

Results/Events Calendar

27	July Monday	28	July Tuesday	29	July Wednesday	30	July Thursday	31	July Friday	01	August Saturday
Marico, Bharat Elec., Escorts United Spirits, Havells India Bharti infratel, Pfizer, Tech Mah. Kotak Mahindra Bank, VGuard Royal Orchid, Orient Electric		Nestle, IDFC First, Hexaware Orient Cem., Quess Corp Sunteck Realty, NIIT Tech, Castrol Oriental Hotels, Indulnd Bank UltraTech Cement, Sanofi		Mahindra Lifespace, SIS Dr.Reddy, GSK, Bharti Airtel Sagar Cement, Colgate, Mastek Maruti Suzuki, Navin Fluorine Phoenix Mills, MM Forging		Dabur, JM Fin., Tata Comm., HDFC Ltd., Torrent Pharma Mahindra Logistics, Apcotex Ajanta Pharma, Essel Propack Dhampur Sugar, Hester Bios		IOC, Bluedart, Tata Metaliks Jagran Prakashan, SBI, MOSL Sun Pharma, Zydus Wellness Tata Chemicals, Tata Motors Saregama, Teamlease		Relaxo Footwear	
03	August Monday	04	August Tuesday	05	August Wednesday	06	August Thursday	07	August Friday	08	August Saturday
VST Ind., Kansai Nerolac Exide Industries Bank of India UK Manufacturing PMI EU Manufacturing PMI		Tata Consumer Prod., Astral Poly Taj GVK Hotels, PI Industries Gujarat Gas, Grindwell Norton Narayana Hrudayalaya, MRPL Varun Beverage, Hikal		Birla Soft, Inox Leisure Cadila Healthcare, Adani Gas Jyothy Labs, Hawkins Cooker Dwarikesh Sugar, Apollo Tyres JK Lakshmi cement		HPCL, GSPL, JK Tyre Gujarat Pipavav Port, Lupin VSSL, Sumitomo Chemicals Torrent Power, Indian Hotels Pidilite Ind., Vodafone Idea		TV Today, Balrampur Chini Mahanagar Gas, Ramco Cem. Container Corp., DCB Bank Kajaria Cera., Sobha Ltd., Bata M&M, Cipla, Gabriel Ind, Abbott		DCB Bank Divi's Labs Affle India Wonderla Holidays Shaily Engineering	
10	August Monday	11	August Tuesday	12	August Wednesday	13	August Thursday	14	August Friday	15	August Saturday
TTK Prestige, Bank of Baroda Sonata Software, Shree Cement Titan ,IPCA Labs, KEC Int., HEG Action Const., Caplin Point Triveni Eng., Cochin Shipyard		Indoco Remedies, Symphony AIA Eng., Somany Ceramics VST Tillers Tractors, Bosch Ltd. Ador Welding, Bajaj Electricals Ashoka Buildcon, Ratnamani		Ashok Leyland, Bharat Forge Graphite Ind., Brigade Ent., Eclerx Century Plyw., Aurobindo Pharma Gulf Oil Lubricants, Aster DM Natco Pharma, Thermax		Tata Steel, DB Corp, APL Apollo Eicher Motors, Greaves Cotton Hero Motocorp, BPCL, GAIL Engineers Ind., Trent., Timken Shankara ,City Union Bank		United Breweries, Voltas Berger Paints, Glenmark Hindalco, Elgi Equip., Indian Ban Greenply Industries, NESCO Bodal Chemical, Sun TV		JP GDP QoQ	
17	August Monday	18	August Tuesday	19	August Wednesday	20	August Thursday	21	August Friday	22	August Saturday
Hind Rectifier JP Industrial Production MoM EU Reserve Assets		KNR JP Exports, JP Imports JP Trade Balance		EU Current Account UK CPI (YoY) EU CPI (YoY)		EU Construction Output JP Manufacturing PMI		EU Manufacturing PMI EU Services PMI UK Retail Sales (MoM) US Manufacturing PMI		JP Manufacturing PMI EU Consumer Confid.	
24	August Monday	25	August Tuesday	26	August Wednesday	27	August Thursday	28	August Friday	29	August Saturday
UK Retail Sales (MoM)		US Consumer Confidence		CH Industrial Profit YTD CH Industrial Profit (YoY)		M3 Money Supply YoY US GDP (QoQ) US GDP Price Index		US Personal Income US Goods Trade Balance EU Consumer Confidence US Personal Spending EU Consumer Inflation Exp			

Major Economic Events this Week

Date	Event	Country	Period	Actual	Expected
Date	Event	Country	Period	Expected	Previous
11-Aug	Unemployment Rate	UK	June	4.2%	3.9%
11-Aug	Industrial Production (YoY)	IN	July	-18.7%	-18.3%
11-Aug	Manufacturing Output	IN	June	--	-22.40%
11-Aug	PPI (MoM)	US	July	0.3%	-0.2%
12-Aug	GDP (YoY)	UK	June	-22.5%	-1.7%
12-Aug	Manufacturing Production	UK	June	10.0%	8.4%
12-Aug	CPI (YoY)	IN	July	6.2%	6.1%
12-Aug	Core CPI (MoM)	US	July	0.2%	0.2%
12-Aug	Crude Oil Inventories	US	July	--	-7.737M
13-Aug	Initial Jobless Claims	US	July	1,140K	1186K
13-Aug	Industrial Production (YoY)	CH	July	4.7%	4.8%
14-Aug	WPI Inflation (YoY)	IN	July	-1.1%	-1.8%
14-Aug	Exports	CH	July	-0.6%	0.5%
14-Aug	Trade Balance	IN	July	--	-0.79B
14-Aug	Industrial Production (MoM)	US	July	3.0%	5.4%
14-Aug	Retail Sales	US	July	1.8%	7.5%
14-Aug	FX Reserves	IN	July	--	534.57B

Result Preview

Company	Revenue	Chg(%)	EBITDA	Chg(%)	PAT	Chg(%)
Crore	Q1FY21E	YoY	QoQ	Q1FY21E	YoY	QoQ
Bank of Baroda	6,860.0	-2.4	0.9	5,152.6	-3.4	0.6
Coachin Shipyard	400.9	-45.5	-50.9	38.1	-73.1	-76.6
KEC International	1,566.5	-35.1	-57.3	122.1	-51.4	-67.1
Shree Cement	2,385.8	-21.4	-25.8	651.9	-27.7	-39.6
Titan Company	1,980.9	-61.5	-58.2	-7.5	PL	PL
TTK Prestige	183.6	-57.7	-52.1	-20.2	PL	PL
IPCA Labs	1,287.8	19.4	19.9	257.6	30.7	52.9

Recent Releases

Date	Report
August 09, 2020	Result Update- Cipla Ltd.
August 09, 2020	Result Update - Divi's Laboratories
August 09, 2020	Result Update - Lupin
August 09, 2020	Result Update - Bata India
August 09, 2020	Result Update - Mahindra & Mahindra



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