AJCON GLOBAL
YOUR FRIENDLY FINANCIAL ADVISOR

Market wrap **Sep. 04, 2020**

Indian equities decline significantly; as expected across the board selling witnessed..

The Indian benchmark indices declined by over 1.5 per cent on Friday led by across the board selling. The S&P BSE Sensex fell by 634 points, or 1.63 per cent, to settle at 38,357 levels. Of 30 constituents, 29 declined and just one advanced. Axis Bank (down 4 per cent) ended as the biggest loser on the index. On the other hand, Maruti ended as the only gainer (up nearly 2 cent).

Reliance Industries (RIL), HDFC, ICICI Bank, and Infosys were the major contributors to the Sensex's loss.

NSE's Nifty ended at 11,334, down 194 points or 1.68 per cent.

All the Nifty sectoral indices were painted red, led by Nifty Metal, which slipped 3 per cent to 2,451 levels. Nifty Bank dipped over 2 per cent to 23,011.50 levels, with all the 12 constituents declining.

In the broader market, the S&P BSE MidCap index fell 1.74 per cent to 14,817 levels while the S&P BSE SmallCap index fell over 1 per cent to 14,603 points.

The volatility index, India VIX, rose over 7 per cent to 21.95 levels.

On a weekly basis, Sensex declined 2.8 per cent while Nifty fell by 2.69 per cent.

Key developments

Reserve Bank of India has comprehensively reviewed the Priority Sector Lending (PSL) Guidelines to align it with emerging national priorities and bring sharper focus on inclusive development, after having wide ranging discussions with all stakeholders. Revised PSL guidelines will enable better credit penetration to credit deficient areas; increase the lending to small and marginal farmers and weaker sections; boost credit to renewable energy, and health infrastructure.

Bank finance to start-ups (up to Rs. 50 crore); loans to farmers for installation of solar power plants for solarisation of grid connected agriculture pumps and loans for setting up Compressed Bio Gas (CBG) plants have been included as fresh categories eligible for finance under priority sector. Some of the salient features of revised PSL guidelines are:

1. To address regional disparities in the flow of priority sector credit, higher weightage have been assigned to incremental priority sector credit in 'identified districts' where priority sector credit flow is comparatively low.
2. The targets prescribed for "small and marginal farmers" and "weaker sections" are being increased in a phased manner.
3. Higher credit limit has been specified for Farmers Producers Organisations (FPOs)/Farmers Producers Companies (FPCs) undertaking farming with assured marketing of their produce at a pre-determined price.
4. Loan limits for renewable energy have been increased (doubled).
5. For improvement of health infrastructure, credit limit for health infrastructure (including those under 'Ayushman Bharat') has been doubled.

FinMin directs govt-owned banks to invoke personal guarantees of defaulters: In a communication to the heads of all public sector banks on August 26, the Finance Ministry said the Insolvency and Bankruptcy (Application to Adjudicating Authority for Insolvency Resolution Process for Personal Guarantors to Corporate Debtors) Rules, 2019, which have come into force with effect from December 1, 2019, empowers lenders to file insolvency application against personal guarantors to corporate debtors before the National Company Law Tribunal under the Insolvency and Bankruptcy Code, 2016. "In this connection, banks may consider putting in place a mechanism for monitoring the cases which may require initiation of individual insolvency process before the NCLT against personal guarantors to corporate debtors. Banks may also consider setting up IT (information technology) system to collate data regarding personal guarantors to corporate debtors in all such cases for the requisite follow up and consequential action," it said. Indian public sector lenders, led by the State Bank of India, are preparing the list of all defaulters who had given their personal guarantees while taking loans and defaulted leading to bankruptcy proceedings. As per the advice, the personal guarantees of all promoters, whose companies have gone to NCLT for debt resolution, must be invoked.

Sectors and stocks

Shares of Astrazeneca Pharma India hit fresh record high of Rs. 3,900 apeice, in an otherwise weak market, up 5.15 per cent on the BSE on Friday. With today's rally, the stock has soared 15.18 per cent in the past eight sessions. AstraZeneca Plc, the company's parent firm, is expected to release initial data on whether a vaccine can stop people from getting the

virus on September 15. The drugmaker has pledged as many as 30 million doses to the UK by the end of the month. In Q1FY21, the company reported net profit of Rs.18.63 crore, down from Rs 21.51 crore reported in the year-ago quarter. Sequentially, profit rose from Rs 9.57 crore logged in quarter ended March 31, 2020. It's revenue from operations stood at Rs 193.57 crore, down from Rs 204.56 crore clocked in June quarter of FY19. The board declared interim dividend of Rs 2 per share for FY21.

Shares of CreditAccess Grameen was up by 9 per cent to Rs. 749 on the BSE on Friday in an otherwise weak market after the company announced that its board has approved Rs. 1,000 crore fund raising plans. "The board of directors of the company at their meeting held on Thursday, September 3, approved issue of equity shares by way of permissible mode(s) including but not limited to private placement and/or follow-on public offering and/or preferential issue and/or qualified institutions placement, or any combination thereof up to an amount not exceeding Rs. 1,000 crore," CreditAccess Grameen said in exchange filing. The company has called extra-ordinary general body meeting on September 26, 2020 to take shareholders approval.CreditAccess Grameen is microfinance institution (MFI), focused on providing micro-loans to women customers predominantly in rural areas across India. The company also shared its business update for the month of August, where it said that loans under moratorium are down to 18 per cent in August from 24 per cent in July. The company's collection efficiency improved to 82 per cent in August from 76 per cent in July. Full/partial paying customers also increased from 83 per cent in July to 85 per cent in August. Disbursements in August stood at Rs. 484.6 crore in August although disbursements were made only to those customers making on-time payments. "Robust liquidity with Rs. 1,778 crore in cash / bank balance & liquid investments as on 31st August 2020 compared to Rs. 1,636 crore in July, along with undrawn sanctions of Rs. 424 crore and new sanctions in pipeline of Rs. 2,705 crore," the company said.

Shares of packaged foods companies Hindustan Foods and DFM Foods hit their respective 52-week highs on the BSE on Friday on rising demand and improved operational performance in the June quarter of FY21 (Q1FY21).Hindustan Foods was locked in 5 per cent upper circuit for the third straight day at Rs. 858 - also its all-time high - on the BSE. DFM Foods hit a 52 -week high of Rs. 360 after rallying 7 per cent in intra-day trade. The stock has surged 24 per cent in the past four trading days. DFM Foods has witnessed a whopping rally of 140 per cent from level of Rs. 150, while Hindustan Foods soared 123 per cent from level of Rs 384 on the BSE.

Hindustan Foods, contract manufacturers of fast moving consumer goods (FMCG), reported 33 per cent year-on-year (YoY) growth in Ebitda at Rs 15.1 crore for April-June quarter (Q1FY21). Total revenue grew 40 per cent YoY at Rs 202 crore. Margins however, contracted 34 basis points to 7.46 per cent. The management said the performance of the Company was affected by lockdown, the reverse migration of labour, the unavailability of trucks, the shutdown of the up-stream factories and a resultant lack of raw and packing materials. The Company is on track to have record turnover in the second quarter. This has been aided by an increased demand for home and hygiene products in its factory in Hyderabad and also an increase in the demand for household insecticides in factory in Jammu. The company said it has entered into a long -term contract to manufacture a leading brand of toilet cleaner for its upcoming facility in Silvassa. The board has sanctioned a further investment of Rs. 150 crore in Hyderabad on the back of the successful commercialization of the liquid facility. The total investment of Rs. 400 crore would be funded by internal accruals and debt, it said.

Global markets

Chinese equities closed lower on Friday after a sharp overnight selloff in Wall Street, with the benchmark Shanghai index posting a weekly loss after a five-week winning streak.

The blue-chip CSI300 index fell 1 per cent to 4,770.22, while the Shanghai Composite Index ended 0.9 per cent lower at 3,355.37.

Ajcon Global's view

Indian equities are disconnected to ground realities with exponential rise in COVID-19 cases which is extremely worrisome. As Indian economy has opened up partially and increase in testing, the rise in COVID-19 cases is expected to go up. At present, the country is witnessing high recovery rate and low fatality rate which gives some relief.

The economy has been stagnating in the COVID-19 era which was evident from the depressing Q1FY21 GDP data. It has to be seen as to how fast economy rebounds from a standstill scenario.

RBI's response to the situation arising out of Covid has been unprecedented. The measures taken by the RBI are intended to deal with the specific situation of Covid and can not be permanent. In the wake of the pandemic, RBI has stepped forward and has so far announced various liquidity, monetary, regulatory and supervisory measures in the form of interest rate cuts, higher structural and durable liquidity, moratorium on debt servicing, asset classification standstill and recently a special resolution window within our Prudential Framework for Resolution of Stressed Assets. RBI has acknowledged the difficulties faced by the economy and is constantly bringing in new measures.

In order to continue to ensure orderly market conditions and congenial financial conditions, the following measures were announced by RBI:

1. The Reserve Bank will conduct additional special open market operation involving the simultaneous purchase and sale of Government securities for an aggregate amount of Rs. 20,000 crore in two tranches of Rs. 10,000 crore each. The auctions would be conducted on September 10, 2020 and September 17, 2020. The RBI remains committed to conduct further such operations as warranted by market conditions.

2. The Reserve Bank will conduct term repo operations for an aggregate amount of Rs. 100,000 crore at floating rates (i.e., at the prevailing repo rate) in the middle of September to assuage pressures on the market on account of advance tax outflows. In order to reduce the cost of funds, banks that had availed of funds under long-term repo operations (LTROs) may exercise an option of reversing these transactions before maturity. Thus, the banks may reduce their interest liability by returning funds taken at the repo rate prevailing at that time (5.15 per cent) and availing funds at the current repo rate of 4 per cent. Details are being notified separately.

3. Currently, banks are required to maintain 18 per cent of their net demand and time liabilities (NDTL) in SLR securities. The extant limit for investments that can be held in HTM category is 25 per cent of total investment. Banks are allowed to exceed this limit provided the excess is invested in SLR securities within an overall limit of 19.5 per cent of NDTL. SLR securities held in HTM category by major banks amount to around 17.3 per cent of NDTL at present. However, there are inter-bank variations with some banks close to the 19.5 per cent of NDTL limit. Accordingly, it has been decided to allow banks to hold fresh acquisitions of SLR securities acquired from September 1, 2020 under HTM up to an overall limit of 22 per cent of NDTL up to March 31, 2021 which shall be reviewed thereafter. Details are being notified separately.

4. The RBI stands ready to conduct market operations as required through a variety of instruments so as to ensure orderly market functioning.

Earlier RBI provided relief to stressed MSME borrowers by making them eligible for restructuring their debt under the existing framework, provided their accounts with the concerned lender were classified as standard as on March 1, 2020. This restructuring will have to be implemented by March 31, 2021. Further, the RBI introduced special resolution window under its June 29 circular. In addition, The Reserve Bank of India constituted the expert committee to oversee the resolution of stressed assets created by COVID-19 under the chairmanship of KV Kamath. The committee will recommend financial parameters factored in the resolution plans, along with sector specific benchmark ranges. The Expert Committee will undertake the process validation for the resolution plans to be implemented under this framework, without going into the commercial aspects, in respect of all accounts with aggregate exposure of Rs. 1,500 crore and above at the time of invocation. The "Prudential Framework on Resolution of Stressed Assets" dated June 7, 2019 provides a principle-based resolution framework for addressing borrower defaults under a normal scenario. "The resultant stress can potentially impact the long-term viability of a large number of firms, otherwise having a good track record under the existing promoters, due to their debt burden becoming disproportionate, relative to their cash flow generation abilities," RBI said. The details regarding the policy for restructuring of NPA accounts is still awaited from the expert committee to oversee the resolution of stressed assets caused by COVID-19 under the chairmanship of KV Kamath. The guidelines on the KV Kamath committee recommendations will be out by September 6,Reserve Bank of India (RBI) Governor Shaktikanta Das said in a television interview on Friday. The committee on business loan resolution would submit its recommendations within one month and the central bank will soon release its final guidelines on the issue. Both the process will be done within 30 days from the date of original notification on August 6, Das said. We believe the restructuring measures announced by RBI will help PSUs to protect themselves from capital erosion as they are loaded with NPAs.

To address the concern of poor lending growth in the current crisis of COVID-19, Finance Minister Nirmala Sitharaman told banks in a meeting on Thursday to put in place a loan restructuring scheme for rescuing all viable business units affected by the Covid-19 pandemic by September 15. "During her interaction, the Finance Minister focused on lenders immediately putting in place board-approved policy for resolution, identifying eligible borrowers and reaching out to them and quick implementation of a sustained resolution plan by lenders for revival of every viable business," the Finance Ministry said in a statement. The FM stressed that banks should keep in mind the Covid-19 related distress of borrowers which should not come in the way of assessing their credit-worthiness at the time of giving loans. The Finance Ministry said that the lenders assured that they are ready with their resolution policies, have started the process of identifying and reaching out to eligible borrowers, and that they will comply with the timelines stipulated by the Reserve Bank of India (RBI). The Finance Ministry is also in touch with the RBI to ensure that the regulator provides assistance to lenders in the resolution process.

Supreme Court on Thursday said that the bank accounts which were not termed as Non-Performing Asset (NPA) till August 31 will not be declared as NPA till disposal of this case and defers the hearing to September 10.

We maintain our same stance to maintain great caution after depressing Q1GDP data. Exponential rise in COVID-19 cases and escalating India – China tensions will always remain an overhang. India has banned 118 more apps said to be either based in or linked to China. PUBG Mobile, Alipay, and Baidu are among the biggest names on the list. India had earlier banned TikTok, WeChat, and more than 50 other China-based apps in June, suggesting they were a security issue. This comes amid the escalating tensions between India and China over an ongoing border dispute.

No doubt, the economic activity has picked up but not at the same intensity of Pre – COVID era in different phases of Unlock period but the cashflow situation for MSMEs is still an issue. Presently, caution is warranted as Indian investors are not connected to ground realities of economic situation being tough which is evident by the fact that Companies are looking to raise capital via QIP, Rights issue, Preferential Allotment and FPOs to absorb the shock of COVID-19. Although there are relaxations in lockdown, exponential rise in COVID-19 cases can force for tighter lockdown.

We believe cooling of Indian equities which has started from today will be healthy for investors as the sharp rally in lockdown period and different phases of Unlock was led by liquidity through FPIs. Last 2 months rally can be attributed to positive developments related to COVID-19 vaccine, relaxations in Unlock 1.0, 2.0 and 3.0 and better than expected Q1FY21 result of majority companies announced so far. Exponential rise in COVID-19 cases amidst high recovery rate, US – China, India – China tensions would always remain an overhang on Indian equities. Equities rallying along with Gold make us uncomfortable as it is clear case of global liquidity as big economies have resorted to printing money as part of stimulus package. Progress of ongoing monsoon, global cues and management commentary in Q1FY21 earnings season will drive market direction. The FPI inflows came amidst rush of liquidity in the markets globally after central banks around the world announced stimulus measures to help their economies. The stimulus measures given by the G4 central banks such as the US Federal Reserve, Bank of England, European Central Bank, and Bank of Japan, have helped fill the global markets with liquidity, marquee Indian companies tapping the secondary stock market by raising funds also contributed towards the increase in FPI flows.

Considering the sharp rally in the last five months including the Lockdown period and various phases of Unlock – Reopening of economy, we advise investors to book profits who have entered at levels during the announcement of initial Lockdown.

We once again advise caution to the investors specially the traders as many of the stocks are running much beyond the fundamentals and the current rally is in contrast to the economic reality. A great deal of maturity is required in dealing with the prevailing market situation. With Q1GDP data out, all eyes would be on newsflow related to COVID-19 vaccine development across the globe and developments related to escalating India – China tensions.

AJCON GLOBAL
YOUR FRIENDLY FINANCIAL ADVISOR

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 affiliates, 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