



AJCON GLOBAL  
YOUR FRIENDLY FINANCIAL ADVISOR

## Market wrap

August 21, 2020

### **Domestic bourses end in green led by Financials; buoyancy in midcaps and smallcaps continues..**

The Indian benchmark indices ended over half a per cent higher on Friday, lifted by financial stocks. The S&P BSE Sensex was up by 214 points, or 0.56 per cent, to 38,435 levels, and the Nifty50 index ended above the 11,350-mark at 11,372, up 59 points or 0.53 per cent. NTPC (up over 4.5 per cent), Asian Paints (up over 4 per cent) and Power Grid (up over 4 per cent) were the top Sensex gainers. Asian Paints hit a record high of Rs 1,971 during the day. The stock settled at Rs 1,958.35 on the BSE.

On the flip side, ONGC (down over 1 per cent), Bharti Airtel (down 1 per cent), and Tata Steel (down nearly 1 per cent) were the biggest losers on the index.

The trend among Nifty sectoral indices was positive, led by Nifty PSU Bank index, up 1.8 per cent. Meanwhile, the broader markets kept up their outperformance. The S&P BSE MidCap index ended at 14,954, up 0.57 per cent while the S&P BSE SmallCap index ended at 14,625.19, up nearly 1.5 per cent.

Volatility index, India VIX, dipped 4 per cent to below 20 levels.

On a weekly basis, Sensex gained 1.47 per cent while Nifty added 1.72 per cent.

### **Sectors and stocks**

Shares of Divi's Laboratories and SBI Life Insurance rallied on Friday, a day after the NSE Indices, a subsidiary of the National Stock Exchange (NSE) announced that both the stocks will enter the benchmark index Nifty50 from September 25, 2020. The stock of Divi's Laboratories hit an all-time high of Rs. 3,331 in the early trade, up nearly 4.5 per cent against Thursday's close of Rs. 3,189.30 with the market capitalisation (m-cap) nearing Rs. 90,000 crore.

Shares of Va Tech Wabag, the multinational player in the water treatment industry, rallied by 20 per cent to Rs. 219.95 apiece on the BSE on Friday after the company informed on Thursday that the company will hold a board meeting on August 25, 2020, to consider and approve raising of funds. For the quarter ended March 2020, Va Tech Wabag reported profit before tax (PBT) of Rs. 45.23 crore, up 186 per cent against Rs. 15.82 crore in the March 2019 quarter. Revenue from operations stood at Rs. 785.06 crore, up 15.5 per cent against Rs 679.25 crore in the year-ago period. The net profit of the company came in at Rs. 30.47 crore, down 25.2 per cent against Rs. 40.77 crore in June 2019 quarter. "Our fourth-quarter revenues have grown year-over-year despite the slowdown due to Covid-19 pandemic towards the end of the financial year. Also, our robust order book with competitive margins has yielded results this year, as our operating margins have improved significantly. We are confident that this trend continues in the long run and reflect in our bottom line, as the execution increases," said Rajiv Mittal, Managing Director at the company. Va Tech Wabag had announced its Q4 numbers on August 1, 2020.

Shares of GMM Pfaudler were up by as much as 8.18 per cent to Rs 6,360 on the BSE on Friday after the process equipment manufacturer acquired a 54 per cent stake in its parent firm Pfaudler Group for a consideration of around \$27.4 million. GMM, which supplies process equipment to pharmaceutical and chemical industries, has signed definitive agreements to acquire a majority stake in Pfaudler Group from the private equity firm Deutsche Beteiligungs AG Fund VI (DBAG) for the stake. "As per the agreements, GMM, (directly and through its subsidiary Mavag AG), and the Patel family will acquire 54 per cent and 26 per cent equity stake respectively, in the Pfaudler Group," the company said in a statement. The private equity firm will continue to retain remaining 20 per cent stake. "The consideration for the 54 per cent stake acquired by GMM, which is expected to be around \$27.4 million (nearly Rs 205 crore), will be funded by the company through a mix of internal accruals and debt," it said. Pursuant to the acquisition, GMM shall become the ultimate holding company with the entire business of Pfaudler being consolidated into the company. The company expects to complete the transaction by November this year. "This transaction combines the strengths of three very different partners promoter family, professional management and private equity which we believe will help extract synergies and create value for all stakeholders," GMM Managing Director Tarak Patel said.

### **Global markets**

Chinese equities ended higher on Friday and posted a weekly rise, as investors cheered a series of solid corporate earnings, though uncertainty over Sino-US trade talks kept a check on gains. The blue-chip CSI300 index rose 0.9 per cent, to 4,718.84, while the Shanghai Composite Index added 0.5 per cent to 3,380.68.

In Europe, shares edged higher after data showed Germany's manufacturing sector rebounded further in August, but gains were capped as overall recovery in euro zone business activity stalled.

### **Ajcon Global's view**

We advise investors to exercise great caution while building fresh long positions at the present level. According to us, COVID – 19 situation is getting bad to worse, the markets may see a major profit booking and selling bouts. 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 Indian equities will take cues economic activity pickup during relaxations in Lockdown, escalating US- China, India – China tensions after banning of Chinese mobile apps; global cues especially the spike in COVID-19 cases across the globe in second wave, on ground domestic economic situation. However, selective Pharma, IT, Chemicals, Fertilisers, Low end consumer products Companies may be still looked at.

We believe cooling of Indian equities 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.

We like the measures announced by RBI in its Monetary Policy to address the issues faced by the Indian industry. The central bank announced measures to support NBFCs, HFCs, corporate debt market, and announced a relaxation on the loan-to-value (LTV) ratio for gold loans. 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.

Going ahead, management commentary in Q1FY21 earnings season and newsflow related to COVID-19 will dictate market trend. Although some sectors have rallied in last 5 months, 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.

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.

## **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.

---



**AJCON GLOBAL**  
YOUR FRIENDLY FINANCIAL ADVISOR

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](http://www.ajcononline.com)

### **Registered and Corporate office**

408 - (4<sup>th</sup> 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

---