



AJCON GLOBAL  
YOUR FRIENDLY FINANCIAL ADVISOR

**Market wrap**

**July 28, 2020**

**Indian equities rise today on CIIs commentary after hiccup yesterday; IT and cement stocks rally on decent Q1FY21 performance amidst COVID-19 crisis..**

The Indian benchmark indices ended Tuesday's session with around 1.50 per cent gains amidst buying in IT, financials, and auto stocks. The benchmark S&P Sensex rallied by 558 points or 1.47 per cent to settle at 38,493, with UltraTech Cement (up 7 per cent) being the top gainer, followed by TCS (up 4.7 per cent), M&M (up nearly 4.5 per cent), and Maruti (up 4 per cent).

Nifty was up by 169 points or 1.52 percent to end at 11,300.5.

In the broader market, the S&P BSE MidCap index ended 0.76 per cent higher at 13,669 levels while the S&P BSE SmallCap index ended at 12,917, up 0.6 per cent.

On the sectoral front, barring Nifty Media, all the other indices ended in the green. Nifty Auto index rallied over 3 per cent to 7,417 levels while Nifty IT gained over 2 per cent to 18,043 points.

Volatility index, India VIX, declined over 5 per cent to 23.73 levels.

**Key development**

Industry body Confederation of Indian Industry (CII) on Tuesday said that there are early signs of economic recovery but it is important to build on these by allowing business activities to function by removing the uncertainties associated with imposing 'mini lockdowns'. In order to ensure that supply chains function seamlessly across state and district boundaries, the containment zones should be limited to micro areas instead of a wider area, its director general Chandrajit Banerjee said. It is important to mitigate the uncertainties that are currently prevailing regarding the restrictions to nurture the nascent signs of recovery, he said. "Corporates are unable to plan beyond a horizon of a few weeks, affecting all operations," Banerjee added. There are significant variations in the performance of different sectors, it said, citing sectors such as pharmaceuticals, fast moving consumer goods and agriculture as doing well. "Consumer facing industries, such as staple-based FMCG, are likely to grow at 15-20 per cent in FY21, primarily on account of an increase in in-house consumption of food and greater demand for sanitation and hygiene products," Banerjee elucidated. In contrast, sectors such as aviation, hotels and commercial vehicles are still very stressed, he said.

**Crude oil and Gold**

Crude oil prices were steady as hopes for additional US measures to stimulate the economy countered a demand outlook dampened by the rising of coronavirus cases across the globe.

Buoyancy in gold continued and the prices hit a record high before falling a bit as investors booked profit following a steep surge in the precious metal.

**Sectors and stocks**

UltraTech Cement shares were up by 7 per cent to Rs. 4,136 on the BSE after the company reported better-than-expected operational performance in the April-June quarter of FY21 (Q1FY21). "The 'overheads control programme' initiated by the management helped to cut fixed costs by 21 per cent YoY. Prudent working capital management and control on cash flows are reflected in a reduction of net debt by Rs 2,209 crore during Q1FY21," Ultratech Cement said in a press release. In the available 68 operating days during this quarter, the Company kept a tight control on costs and cash flow, and achieved an effective capacity utilisation of 60 per cent across its network of 54 plants around the country, it said. The company's consolidated net sales were at Rs. 7,563 crore against Rs. 11,229 crore over the corresponding period of the previous year. The normalised Profit after tax was Rs. 906 crore compared to Rs. 1,281 crore in the corresponding period of the previous year.

HDFC Life Insurance hit an all-time high of Rs. 647.50 on the BSE during the day ahead of its inclusion in the benchmark index Nifty50 from Friday, July 31, 2020 onwards. The stock ended at Rs. 640.55.

Shares of Tech Mahindra were up by 6 per cent to Rs. 702 on the BSE after the company's April-June quarter (Q1FY21) earnings beat Street estimates. The stock settled at Rs. 683.50, up nearly 3 per cent.

**Global markets**

European equities were up on Tuesday as investors held out for more US stimulus to limit the economic damage of the Covid-19 pandemic, brushing aside the latest batch of underwhelming quarterly earnings reports from luxury goods makers.



**AJCON GLOBAL**  
YOUR FRIENDLY FINANCIAL ADVISOR

In Asia, MSCI's broadest index of Asia-Pacific shares outside Japan ended up 0.8 per cent. Japan's Nikkei closed lower, but Chinese blue chips rose 0.8 per cent and E-Mini futures for the S&P 500 ESc1 were steady after a 1.7 per cent rebound from the Nasdaq on Monday helped Wall Street higher.

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

We believe July 2020 rally has been supported by better than expected Q1FY21 results announced by Companies so far. However, we still believe correction in Indian equities will be healthy for investors as whopping rally during April – June 2020 was led by liquidity through FPIs. In June 2020, FPIs poured US\$2.73 billion in Indian equities, which is the highest this year and importantly surpassed pre-COVID-19 levels. 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. According to data on NSDL, the inflows in January 2020 stood at US\$1.3 billion against the June inflow of US\$2.73 billion. The inflows have currently become higher than the pre-Covid-19 levels in January where the markets were at all-time highs with the benchmark Sensex and Nifty trading at the 42,000 and 12,300 mark respectively. After hitting a record high in January 2020, Indian equity benchmarks crashed 40 percent to hit around four-year low level on March 24, 2020. The indices in June 2020 quarter witnessed a sharp and fast rally of 20 percent in both Sensex and Nifty which is very sharp led by liquidity (by global central banks) and gradual re-opening of economies despite virus risk.

Presently, caution is warranted as Indian investors are not connected to realities of economic situation being very bleak which is evident by the fact that Companies are looking to raise capital via rights issue and FPO. Although there are relaxations in Unlock 2.0 but the 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 India – China tensions after banning of Chinese mobile apps, exponential rise on COVID-19 cases which is a matter of serious concern; global cues especially the spike in COVID-19 cases across the globe 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 (1992-93), 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. 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 except sectors like Insurance, FMCG, Agrochemicals, Pharma and Digital/internet would be disappointing.

## **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