



AJCON GLOBAL  
YOUR FRIENDLY FINANCIAL ADVISOR

Market wrap

Sep. 02, 2020

### Auto and IT stocks rally; Indian equities end in positive terrain..

Indian benchmark indices ended in the green for the second consecutive day on Wednesday, led by buying in Reliance Industries (RIL), Mahindra & Mahindra (M&M), Infosys, and TCS.

Auto stocks were on the up move after monthly auto sales for most companies in India rose at a brisk pace in August over the same month last year. The Nifty Auto index rallied over 1 per cent to 7,976.95 levels, with 10 out of 15 constituents advancing.

The benchmark S&P BSE Sensex ended 185 points, or 0.48 per cent higher at 39,086 levels, with M&M (up nearly 6 per cent) being the top gainer. NSE's Nifty ended at 11,535, up 65 points, or 0.56 per cent.

In the broader market, the S&P BSE MidCap index gained over 1 per cent to settle at 15,019 levels while the S&P BSE SmallCap index ended at 14,652, up 1.66 per cent.

India VIX dropped 4 per cent to 20.93 levels.

### Sectors and stocks

Shares of Adani Group companies were in focus with Adani Green Energy, Adani Gas and Adani Enterprises rallying up to 10 per cent on the BSE in the intra-day trade. Adani Green Energy was locked in the upper circuit limit of 10 per cent at Rs. 546, also its record high on the BSE. It rallied 20 per cent in the past two trading days from the level of Rs. 454 on Monday, August 31.

Shares of Bharti Airtel were up by 2 per cent to Rs. 559 on the BSE on Wednesday, rallying 9 per cent in the past two trading days after the Supreme Court allowed staggered payments towards settlement of Adjusted Gross Revenue (AGR) dues. The court, on Tuesday, allowed staggered payments towards settlement of AGR dues over 10 years period, starting April 1, 2021. Also, the telcos are asked to pay 10 per cent of AGR associated dues by March 31, 2021. The decision on AGR dues has come after several rounds of hearings by the Supreme Court. "The industry will need higher ARPUs from the current level to pay the AGR dues in the 10 year timeline. The industry average revenue per user (ARPU) is estimated to have stood at Rs. 82 in the June 2020 quarter. This ARPU is much lower than the average ARPU of Rs. 124 during FY16 when Reliance Jio had not entered the telecom market," CARE Ratings said in telecom sector update.

Shares of Vodafone Idea were up by 14 per cent to Rs. 10.1 on the BSE on Wednesday after the telecom services provider announced that its board will meet on Friday to consider fund-raising plans. "A meeting of the board of directors of the Company is scheduled to be held on September 4, 2020 to consider and evaluate any and all proposals for raising of funds in one or more tranches by way of a public issue, preferential allotment, private placement, including a qualified institutions placement or through any other permissible mode and/or combination thereof as may be considered appropriate, by way of issue of equity shares or by way of issue of any instruments or securities," VIL said in an exchange filing.

Shares of IndiaMART InterMESH continued its buoyancy, hitting a new high of Rs. 4,596 on the BSE in the intra-day trade on the expectation of strong earnings outlook. The stock settled at Rs. 4,575, up around 19.5 per cent. The stock was trading higher for the third straight day in an otherwise weak market. The company on Tuesday announced that it has disinvested 70 per cent stake in equity share capital of 10times to Mayank Chowdhary and Atul Todi for Rs 21.17 lakh. Consequent to the said partial disinvestment by way of sale of equity shares, Ten Times Online Private Limited has ceased to be a wholly owned subsidiary and is now only an Associate Company of Indiamart InterMesh which continues to hold 30 per cent of the stake in the said Company, it said. IndiaMART is a dominant market leader in the online B2B Classifieds industry. The company banks on increased digital adoption among SMEs, which constitute the majority of the sellers on the platform. In the past two months, the stock has rallied 98 per cent after reporting a strong operational performance for the quarter ended June 2020 (Q1FY20). The company's consolidated earnings before interest, taxes, depreciation, and amortization (EBITDA) margins increased to 48 per cent in Q1FY21 from 25 per cent in Q1FY20 primarily driven by various cost optimization measures leading to sustained and temporary rationalization of expenses. Total revenue from operations during the quarter grew 4 per cent year on year (YoY) at Rs. 153 crore, primarily driven by marginal improvement in realization of existing customers. The number of paying subscription suppliers were same as last year due to the challenging economic and market conditions amidst the Covid-19 pandemic. With small and large businesses increasingly adopting digital means to support business growth, the management foresees a higher demand for B2B online classifieds. "As micro, small and medium enterprises (MSMEs) face huge challenges in transacting with offline counterparts, owing to a highly fragmented and unorganised B2B market, coupled with an under-developed commerce infrastructure, the market potential of this service is significant," the company said in FY2019-20 annual report.

Shares of Bajaj Auto declined by 3.8 per cent to Rs. 2,845 on the BSE on Wednesday after the company reported a 9 per cent fall in its total vehicle sales at 3,56,199 units in August. The Company had sold a total of 390,206 vehicles in August 2019. Total domestic sales in August stood at 1,85,879 units as compared to 2,08,109 units in the same month of 2019, a drop of 11 per cent, Bajaj Auto said in a regulatory filing. Total two-wheeler sales declined 1 per cent to 3,21,058 units as against 3,25,300 units in August 2019. Total commercial vehicles sales also plunged 46 per cent in the previous month to 35,141 units as compared to 64,726 vehicles sold in August 2019, it said.

### **Global markets**

Chinese equities closed mixed on Wednesday as tech shares gained but material and energy shares gained. At the close, the Shanghai Composite index was down 0.17 per cent at 3,404.80, while the blue-chip CSI300 index was up 0.04 per cent.

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

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.

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.

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.



**AJCON GLOBAL**  
YOUR FRIENDLY FINANCIAL ADVISOR

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. SEBI from its side is tightening the goose and making margining more tough to take care of any eventuality like March which has uprooted many brokerages and their clients including the largest debt credit fund. 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, developments related to India – China tensions and domestic monthly auto Sales numbers.



**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.

---



**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

---