



AJCON GLOBAL
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Market wrap

March 03, 2020

Global equities recover; Pharma and metal stocks rally..

Street participants heaved a huge sigh of relief as domestic bourses recovered after seven consecutive sessions of sell-off led by positive global cues and hopes of stimulus to mitigate the economic impact of the coronavirus outbreak helped benchmark indices settle in the green.

The S&P BSE Sensex rallied 480 points or 1.26 per cent to settle at 38,623.70 while NSE's Nifty50 ended at 11,303, up 170.5 points or 1.53 per cent. Drug major Sun Pharma ended as the biggest gainer on the Sensex with over 6.5 per cent gains. Tata Steel, ONGC and UltraTech Cement were the other top gainers on the index.

In the broader market, the S&P BSE MidCap index gained 259 points or 1.79 per cent to 4,764 while the S&P BSE SmallCap index surged 170 points or 1.25 per cent to end at 13,774 points.

Volatility index India VIX declined 2.6 per cent to 24.54 levels.

Sectorally, metal and pharma stocks gained the most. Nifty Metal index climbed 5.6 per cent to 2,321 levels while Nifty Pharma index ended at 7,921, up over 5 per cent. That said, all the sectoral indices on the NSE ended in the positive zone.

Crude oil

Oil prices bounced back further after a jump of more than 4 per cent on Monday, reversing an early decline to multi-year lows.

Sectors and stocks

Shares of Deepak Nitrite continued their upward journey, surging 6 per cent to hit a new high of Rs. 537, on the BSE on Tuesday on expectation that the strong run of earnings growth will continue despite the tailwinds. In the past six months, the market price of the company has zoomed 97 per cent, up from a level of Rs. 272 touched on September 3. In comparison, the S&P BSE Sensex rose 5 per cent during the period. Deepak Nitrite has a diversified portfolio of intermediates that caters to the dyes and pigments, agrochemical, pharmaceutical, plastics, textiles, paper and home and personal care segments in India and overseas. For the October-December quarter (Q3FY20), the company posted a solid performance as the results for all the three segments in their base business remained strong, while the phenol-acetone manufacturing subsidiary Deepak Phenolics, clocked record quarterly turnover on the back of high utilization levels. Supported by strong volume growth due to production efficiencies and recalibration of product mix, the company's total revenue during the quarter under review grew 36 per cent year on year (YoY) at Rs. 1,120 crore. Consolidated net profit jumped more than three-fold to Rs. 157 crore from Rs. 48 crore in Q3FY19. The management said China, which enjoys a dominant position in the market, has been deemphasizing manufacturing of chemicals and high-complexity products. Further, global customers are also seeking to establish operations in alternate markets other than China for which India is better placed. Uncertainties caused by the coronavirus are exacerbating the concerns around China. This is a tailwind for the speciality chemical industry and Deepak Nitrite is well placed and endeavours to continue to build upon its success in recent years, it added. "The company is secure on the raw materials front, since it sources most of its raw materials locally and has a well-integrated facility. It has also undertaken positions to ensure that supply of imported raw materials are covered for the current quarter causing no disturbance to operations as a result of the developments in China," the management said.



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Eicher Motors, the parent company of Royal Enfield, climbed around 4 per cent to Rs. 17,685 apiece on the BSE on Tuesday, a day after the company announced its board of directors will meet on March 11 to consider and approve payment of interim dividend. "A meeting of the Board of Directors of the Company will be held on Wednesday, March 11, 2020, inter-alia, to consider and approve proposal for payment of interim dividend on the equity shares of the Company for the financial year 2019-20," the company said in its press release

Earlier, the company unveiled its sales figures for February. On year-on-year (YoY) basis, sales of motorcycles of models with engine capacity upto 350cc remained flat at 57,292 units, whereas models with engine capacity exceeding 350cc grew 11 per cent YoY to 6,244 units. Overall, sales figures grew 1 per cent YoY to 63,536 units in February. However, exports, slipped 8 per cent to 2,348 units. On year-to-date (YoY) basis, the company reported 17 per cent decline in its motorcycle sales of models with engine capacity upto 350cc while models with engine capacity exceeding 350cc saw a 34 per cent uptick at 70,499 units. In total, sales declined 14 per cent YoY to 660,024 units. Exports, on the other hand, jumped 95 per cent. As regards coronavirus, Eicher Motors said that the virus outbreak had minimal impact on the production of motorcycles during February. "Some of the company's supply partners have dependencies on the manufacturers in China for sourcing of certain specific components. The company is making all efforts for maintaining continued supplies of these components," it said.

Shares of TVS Motor Company were down 3 per cent to Rs. 409 on the BSE on Tuesday, falling 6 per cent in the past two trading days after it reported a 15.4 per cent drop in its total sales at 253,261 units in February 2020. The two and three-wheeler manufacturer had sold a total of 299,353 units in February, 2019. The stock was trading at its lowest level since October 17, 2019. In the past one month, it has underperformed the market by falling 13 per cent in line with auto index, as compared to 4 per cent decline in the S&P BSE Sensex. The management said, as planned, the Company is on track to reducing dealer level BSIV stock in the domestic market and is confident of retailing it this month. In addition, the outbreak of pandemic Coronavirus (COVID-19) has led to impact on supply of certain components for production of BS-VI vehicles, it added.

Global Markets

Global equities extended their rebound on Tuesday as policymakers indicated their willingness to move to ease the economic fallout from the coronavirus, while investors waited for a conference call by Group of Seven heads for trading cues. MSCI's broadest index of Asia-Pacific shares outside Japan gained 1.4 per cent. Japan's Nikkei lost steam and fell 0.7 per cent after short-covering ran its course and as the yen firmed on the dollar.



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For research related queries contact:

Mr. Akash Jain – Vice President (Research) at, 022-67160431 (D)

CIN: L74140MH1986PLC041941

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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