



AJCON GLOBAL
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Market wrap

May 05, 2020

Domestic bourses continue to decline; Financials remain under pressure..

Indian benchmark indices wiped of all the gains and finally ended in the negative terrain on Tuesday owing to concerns over rising COVID-19 cases in the country, Q4FY20 being mixed earnings season so far with poor outlook for Q1FY21. The fall was led by selling in banks, metals and FMCG counters.

The S&P BSE Sensex declined by 262 points or 0.83 per cent to end at 31,453.51, with SBI being the top loser and M&M (up over 3 per cent) the top gainer. Nifty lost by 88 points or 0.95 per cent to settle at 9,205.60 levels.

All the sectoral indices on the NSE ended in the red. Nifty Bank fell by 472 points or 2.39 per cent to 19,272, while Nifty FMCG slipped 1.67 per cent to 27,138.60 levels. Nifty Pharma dropped nearly 2 per cent to 9,181.50 levels and Nifty Metal dived over 1 per cent to 1,693.65 levels.

Shares of public sector undertaking (PSU) banks were under pressure with Nifty PSU Bank index hitting an over 13-year low on the National Stock Exchange (NSE) on Tuesday on concerns over asset quality. Among individual stocks, State Bank of India (SBI) hit a 52-week low of Rs. 168.80 apiece. The stock ended at Rs. 171.40 on the NSE, down over 4 per cent. Bank of Baroda (BoB) hit a multi-year low of Rs. 44, down 4 per cent. Bank of India, Punjab National Bank (PNB), Union Bank of India and Canara Bank were down in the range of 2 per cent to 3 per cent.

The S&P BSE Oil & Gas index was up by nearly 3 per cent to 11,928.27 levels in the intra-day deals on Tuesday amid rise in crude oil prices on expectations that fuel demand will begin to recover as some US states and nations in Europe and Asia start to ease coronavirus lockdown measures.

In the broader market, both S&P BSE MidCap and S&P BSE SmallCap indices dropped nearly a per cent each to 11,391.21 and 10,649.61 levels, respectively.

Crude oil

The US benchmark West Texas Intermediate (WTI) crude futures rallied by 8.2 per cent to a three-week high of \$22.06 per barrel during the day. It is on a five-day win streak that started on April 29. Brent crude futures hit a high of \$28.57 a barrel and were up for a sixth straight day, Reuters reported.

Sectors and stocks

Shares of Aarti Industries hit an all-time high of Rs. 1,192, up 9 per cent on the BSE on Tuesday. The specialty chemicals firm's stock surpassed its previous high of Rs. 1,137, touched on April 29, 2020. In the past eight trading days, Aarti Industries' stock price has surged 31 per cent from the level of Rs. 911 on April 22, after the company announced that during January-March quarter (Q4FY20), it commissioned and commercialised the initial phase of its upcoming unit/ project at Dahej SEZ and had also exported few shipments to the global customers. The company further said its fourth R&D centre located at Navi Mumbai was also made operational in the month of March 2020. This centre will facilitate further enhancement of its product portfolio. With this, the company expects to enter additional new lines of chemistry and products. The focus will be on supply chains for value-added products requiring multiple levels of synthesis and completely independent of intermediate supplies from China, it said. Aarti Industries is the largest producer of benzene-based basic and intermediate chemicals in India. It has 17 manufacturing plants and 3 R&D centres in India and over 200 products.

Shares of Marico Limited rallied by 6 percent to Rs. 301.65 on the BSE on Tuesday as the company's margin expanded in the March quarter and earnings largely met street estimates despite 50 per cent decline on a year-on-year (YoY) basis. The FMCG firm's EBITDA margin increased by 58 basis points YoY to 18.9 per cent in Q4FY20 owing to stable input costs and lower advertising spends. This also contained the impact on the top line, with Marico's pre-tax profit declining 3 per cent YoY to Rs. 262 crore. The net profit decline of 50.6 per cent to Rs. 199 crore was because of tax credit in the year-ago period and Rs. 10 crore of exceptional items in Q4FY20. Moreover, the management also remained confident of maintaining FY21 operating margin at the FY20 level of around 20 per cent, led by robust cost-cutting, such as advertising spends. Marico registered its fastest volume growth of 25 per cent in Saffola edible oil as customers stocked up food and essential items in light of the pandemic and the lockdown. However, its major hair oil category, which contributes over 55 per cent to Marico's India business, witnessed an 8-11 per cent volume decline in Q4, resulting in a 3 per cent fall in the overall domestic volumes.

Shares of Bharti Airtel continued their northward journey for the fourth straight day, up 4 per cent at Rs. 554, on the BSE on Tuesday. The scrip is less than 3 per cent away from its record high level of Rs. 569 touched on February 17, 2020. The stock of the telecom services provider has rallied 14 per cent in the past four trading days after Finnish telecom gear maker Nokia announced signing a deal worth Rs. 7,500 crore with it to enhance the mobile operator's network capacity in nine



circles across the country. The strong rally in the stock price has helped Bharti Airtel regain Rs. 3-trillion market capitalization.

Global markets

Asian equities rallied on Tuesday, tracking a late Wall Street rally as governments eased corona virus lockdowns while oil extended gains on expectations fuel demand would begin to pick up.

MSCI's broadest index of Asia-Pacific shares outside Japan rose 0.84 per cent. The gains were led by Australia's ASX 200, which rose 1.42 per cent. Hong Kong's Hang Seng climbed 0.84 per cent.

Ajcon Global's view

We believe the markets will continue to remain under pressure in view of tremendous losses by the industry and businesses and since no major fiscal stimulus is announced by Government of India.



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