

**Reliance Industries leads benchmark indices in positive terrain; Add quality blue chips on decline for long term..**

Indian equities ended in positive territory amidst high volatility on Friday and pared most of its gains at the end of the session. Reliance Industries (RIL) and FMCG giant Hindustan Unilever (HUL) helped indices settle in the positive territory while selling was witnessed in financial, auto and metal stocks.

The S&P BSE Sensex ended up by 199 points or 0.63 percent to level of 31,642.70, up 199 points with HUL (up nearly 5 per cent) being the top gainer and NTPC (down nearly 4 per cent) the biggest loser.

On the NSE, the benchmark Nifty ended at 9,251.50, up 52 points or 0.57 per cent.

Volatility index, India VIX, declined nearly 3.5 per cent to 38.53 levels.

In the broader market, the S&P BSE MidCap index ended flat at 11,423.81 while the S&P BSE SmallCap index slipped 0.45 per cent to 10,638.70 levels.

**Crude oil**

Brent crude oil was up by 87 cents, or 3 per cent, at \$30.33 a barrel. US oil gained \$1.12, or 4.8 per cent, to \$24.67 a barrel.

**Sectors and stocks**

Shares of Reliance Industries (RIL) were up by 3.64 percent to Rs. 1,561.80 extending its Thursday's 3 per cent gain after the company announced that US-based private equity firm Vista Equity will invest Rs. 11,367 crore into Jio Platforms, a wholly-owned subsidiary of the company. Vista's investment will translate into a 2.32 per cent equity stake in Jio Platforms on a fully diluted basis, making Vista the largest investor in Jio Platforms, only behind Reliance Industries and Facebook. Jio Platforms has now raised Rs. 60,596.37 crore from leading technology investors in less than three weeks. This is a third major equity deal for Jio Platforms in three weeks — it previously sold a 9.9 per cent stake to Facebook for Rs. 43,534 crore, and then 1.5 per cent to Silver Lake for Rs. 5,655 crore. Vista is a global investment firm focused on empowering and growing enterprise software, data and technology-enabled companies. "Like our other partners, Vista also shares with us the same vision of continuing to grow and transform the Indian digital ecosystem for the benefit of all Indians. They believe in the transformative power of technology to be the key to an even better future for everyone," said Mukesh Ambani, Chairman and Managing Director - Reliance Industries.

Hindustan Unilever (HUL) shares witnessed a jump of 4 per cent to Rs. 2,075 apiece on the National Stock Exchange (NSE) on Friday after institutional investors bought stake in the fast moving consumer goods (FMCG) company via open market on Thursday. The stock recovered 9 per cent from its Thursday's low of Rs. 1,902 touched in early morning deal.

Shares of Dr Reddy's Laboratories rallied by over 4 percent intraday and finally closed at Rs. 3,984 on May 8 after the company said that it had received EIR from US FDA for Srikakulam (CTO VI) unit. "With regards to the audit of our API manufacturing plant at Srikakulam, Andhra Pradesh (CTO VI), we would like to inform you that we have received the Establishment Inspection Report (EIR) from US FDA, for the above-referred facility, indicating closure of the audit and the inspection classification of this facility is determined as "Voluntary Action Indicated" (VAI), the company said in a filing to the exchanges. The stock has seen a good rally of over 57 percent in the last 9 months.

Shares of RBL Bank declined 8.5 per cent to Rs. 117.85 in the intra-day deals on the BSE on Friday. The Bank witnessed strong operating performance in the March quarter of FY20 (Q4FY20), but its pre-tax profit declined 58 per cent YoY to Rs. 151 crore compared to Rs. 360 crore in Q4FY19. The Bank witnessed 37 per cent year-on-year (YoY) growth in its operating profit at Rs. 765 crore compared to Rs. 560 crore a year ago. The net profit of the bank also declined 54 per cent to Rs. 114.36 crore from Rs. 247.18 crore.

Shares of Asian Paints extended its loss into eighth straight day, down 1.5 per cent at Rs. 1,570, on the BSE on Friday. In the past eight trading sessions, the stock of Asian Paints has underperformed the market by falling 15 per cent. The fall in the stock could be attributed to expectations that the nationwide lockdown could affect sales of the paint industry.

Shares of Cyient were locked in the 10 per cent lower circuit band, at Rs. 209, on the BSE after the company's March quarter (Q4F20) performance came below expectations on, both, revenue and margin terms largely due to the impact of Covid-19. The company's revenue for the quarter stood declined by 3.7 per cent lower on quarter (QoQ) in constant



currency terms to US\$149.2 million,. In rupee terms, consolidated revenue during the quarter under review declined 2.9 per cent at Rs 1,074 crore on sequential basis. The consolidated net profit, too, witnessed significant dip of 30.4 per cent to Rs 75.4 crore from Rs 108.3 crore in previous quarter. The significant impact on net profit due to lower other income and lower EBIT. Furthermore, gross margin at 33.5 per cent was lower by 248 bps QoQ with significant impact due to the shortfall in revenue. The design-led manufacturing (DLM) gross margin at 13.3 per cent was hit due to changes in revenue mix. Lower utilisation during the quarter due to Covid-19 preparedness also impacted the margin. EBIT margin was lower by 120 bps mainly due to a volume drop.

### **Global markets**

Global equities rallied on Friday as investors cheered signs of improving China-American relations and economies globally gradually relaxing the lockdown. Top US and Chinese trade representatives discussed their Phase 1 trade deal on Friday, with China saying they agreed to improve the atmosphere for its implementation and the United States saying both sides expected obligations to be met.

The pan-European STOXX 600 rose 0.6 per cent, boosted by a 5.1 per cent jump in Siemens after the German industrial company announced cost-cut plans to deal with the impact of the pandemic following an 18 per cent drop in industrial profit in the second quarter.

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

We believe the markets would remain volatile and will continue to remain under pressure. It would be difficult for Indian equities to rally as tremendous losses by the industry and businesses would be a reality with no major fiscal stimulus in sight apart from talks of MSME package. We recommend value buying only in high quality stocks gradually at every decline for building a long term portfolio.



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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](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

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