

Domestic bourses end in green; Banking, midcap and smallcap Pharma stocks rally..

Indian benchmark indices ended in positive terrain amidst volatility led by buying in Reliance Industries (RIL), HDFC, TCS, ICICI Bank, and IndusInd Bank.

The S&P BSE Sensex was up by 290 points or 0.86 percent to touch level of 34,247.05 with IndusInd Bank (up nearly 8 per cent) being the top gainer and Hero MotoCorp (down nearly 4 per cent) the biggest loser.

Nifty gained by 69.50 points or 0.69 percent to end at level of 10,116. Of 50 constituents, 28 advanced and 22 declined.

India VIX, the volatility gauge, slipped nearly 3 per cent to 29.35 levels.

In the broader market, the S&P BSE MidCap index was up nearly 0.81 per cent to 12,659.34 levels while the S&P BSE SmallCap index climbed 0.92 per cent to 11,955.04-mark.

Sectorally, PSU bank stocks advanced the most with the Nifty PSU Bank index jumping 3.5 per cent to 1,395.05 levels. Nifty Bank ended 1.81 per cent higher at 21,100 levels while Nifty Realty index gained nearly 2 per cent to 206.60. On the flip side, Nifty Auto declined over 1 per cent to 6,502.65 levels.

Key development

S&P on Wednesday retained India's sovereign rating at 'BBB-' with a stable outlook, saying that while risks to growth are rising, the economy and fiscal position will stabilise and begin to recover from 2021 onwards. "While risks to India's long-term growth rate are rising, ongoing economic reforms, if executed well, should keep the country's growth rate ahead of peers," S&P said in a statement. S&P has forecast India's economy to shrink by 5 per cent this fiscal. "The stable outlook reflects our expectation that India's economy will recover following the containment of Covid-19 pandemic and the country will maintain its sound net external position," S&P said while affirming India's rating at 'BBB-' and maintaining a stable outlook.

Crude oil

Crude oil declined by more than 1 per cent towards \$40 a barrel after the report from the American Petroleum Institute, an industry group, said crude stocks rose by 8.4 million barrels.

Sectors and stocks

Tata Consultancy Services (TCS) touched a three-month high of Rs 2,127 during the day ahead of the company's scheduled annual general meeting (AGM) on June 11, 2020. The stock settled at Rs 2,108.30, up 1.7 per cent.

Shares of mid-and-smallcap pharmaceutical stocks rallied up to 20 per cent on the back of positive corporate announcements. Panacea Biotec, Dishman Carbogen Amcis, Unichem Laboratories, Nectar Lifesciences, and Vimta Labs were frozen at 20 per cent upper circuit on the BSE.

Jubilant Life Sciences extended its seven-day rally and was up by 12 per cent to Rs. 625 on the BSE during the day after the company reported strong earnings for the quarter ended March 2020 (Q4FY20). The stock ended at Rs. 601, up over 8 per cent. The company reported a 92 per cent year-on-year (YoY) jump in normalised profit after tax at Rs. 260 crore in Q4FY20, as against Rs. 135 crore in Q4FY19. Revenue from operations remained flat at Rs. 2,391 crore, as compared to Rs. 2,386 crore in the previous year quarter.

Shares of Panacea Biotec hit a 20 per cent upper circuit of Rs. 203 on the BSE after the company said it has inked a pact with US firm Refana for Covid-19 vaccine. The collaboration will enable global development, manufacturing and distribution of the Covid-19 vaccine. "Under the collaboration, Panacea Biotec is advancing its response to address the unprecedented challenges of COVID-19 by collaborating with Refana Inc. USA to make Covid-19 vaccine widely accessible around the world in an equitable manner through a joint venture company to be based in Ireland," Panacea Biotec said in a press release. The collaboration aims to bring to patients a whole inactivated virus-based vaccine for Covid19. Under the collaboration, Panacea Biotec will be responsible for product development and commercial manufacturing, with the Joint Venture Company undertaking clinical development and regulatory submissions across the World. Both Panacea and Refana will undertake sales and distribution of the vaccine in their respective territories, it said. The company's management said that after the



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collaboration with Refana, Panacea Biotec aims to manufacture over 500 million doses of Covid-19 candidate vaccine, with over 40 million doses expected to be available for delivery early next year.

Dishman Carbogen Amcis, too, was locked in the upper circuit of 20 per cent at Rs 123. The stock has witnessed stellar rally of 76 per cent in the last week after it reported a good set of numbers on operational level for the quarter ended March 2020 (Q4FY20). The company's EBITDA margin remained flat at 25.8 per cent against 26.1 per cent in Q4FY19. The margin was impacted owing to the higher cost of material incurred in CRAMS India business due to the increased cost of procurement from China and it also took a one-time provision of certain inventory and forex movement. The company said its total revenues during the quarter under review declined 21.2 year-on-year (YoY) at Rs. 512 crore, attributable to higher revenues in the previous quarters and certain commercial orders expected to be shipped in Q1FY2021. Dishman Carbogen Amcis is an India-based contract research and manufacturing services (CRAMS) company. The company is engaged in the process of research and development to late-stage clinical and commercial manufacturing. It operates through two segments: CRAMS and others.

Global markets

Global equities were trading below three-month highs on Wednesday, while the dollar stumbled ahead of a meeting of the US Federal Reserve.

European stock markets gained 0.8% in early trade, but held below three-month highs.

MSCI's broadest index of Asia-Pacific shares outside Japan, which has galloped 9 per cent higher in June and is 35 per cent above March lows, rose 0.4 per cent. Japan's Nikkei added 0.15 per cent.

Ajcon Global's view

We expect Indian equities to follow global cues and ongoing Q4FY20 earnings season. Although some sectors have rallied on positive sentiments led by relaxations in Lockdown 5.0, 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. We recommend value buying only in high quality stocks gradually at every decline for building a long term portfolio for 3 – 5 years horizon.

However, those who have entered at the lower levels in the recent past may book short term partial profits. We feel that there will be further opportunities to pick up the stocks at lower levels.



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