

Indian equities rally on announcement of Rs. 20 lakh crore package by Hon. Prime Minister Narendra Modi; encouraging measures announced by Finance Ministry..

Indian equities ended in green and wiped off early gains after the announcement of Rs. 20 lakh crore "Atmanirbhar Bharat" package by Hon. Prime Minister Narendra Modi yesterday. The package revolves around five pillars like Economy, Infrastructure, System, Vibrant Demography and Demand. The Package will cater to various sections including cottage industry, MSMEs, labourers, middle class, industries, among others. The main theme of the package was to make India self reliant and become vocal for India's local products and make them global. The PM said the stimulus package would help the country achieve the objective of self-reliance through five pillars - an economy geared for quantum jumps, not incremental changes; modern infrastructure; technology driven systems and processes; demography; and a strong demand and supply chain.

The S&P BSE Sensex rallied 637 points or 2 per cent to settle at 32,009. of 30 constituents of the index, 26 ended in the green and rest four in the red. Axis Bank (up 7 per cent) ended as the biggest gainer on the index while Nestle India (down over 5 per cent) emerged as the top loser.

NSE's Nifty advanced 187 points or 2 per cent to 9,383.55 levels.

Sectorally, banking stocks rallied the most. The Nifty PSU Bank index rallied by over 6 per cent to 1,238.05 while Nifty Bank climbed over 4 per cent to 19,635.

Pharma stocks, on the other hand, ended in the red. Nifty Pharma slipped over 1 per cent to 9,148.

Key announcements made by Finance Ministry today..

Finance Minister Nirmala Sitharaman today disclosed the blueprint of the much awaited mega package announced yesterday and would be making several more announcements in coming days. The following announcements were made today after market hours:

- 1) Rs. 3 lakh crores Collateral free Automatic Loans for Business, including MSME (Emergency Credit Line to Businesses/MSMEs from Banks and NBFCs up to 20% of entire outstanding credit as on 29.2.2020, loans to have 4 year tenor with moratorium of 12 months on Principal repayment, Interest to be capped with 100% credit guarantee cover to Banks and NBFCs on principal and interest)
- 2) Rs. 20,000 crore Subordinate Debt for MSMEs
- 3) Rs. 50,000 crore equity infusion through MSME Fund of Funds
- 4) New definition of MSMEs
- 5) Global tender to be disallowed upto Rs. 200 crores (This will be a step towards Self-Reliant India and support Make in India)
- 6) Other interventions for MSMEs
- 7) Rs. 2,500 crores EPF support for Businesses and Workers for 3 more months
- 8) EPF contribution reduced for Business & Workers for 3 months- Rs. 6,750 crores
- 9) Rs. 30,000 crores Liquidity Facility for NBFC/HFCs/MFIs (Under this scheme investment will be made in both primary and secondary market transactions in investment grade debt paper of NBFCs/HFCs/MFIs, will supplement RBI/Government measures to augment liquidity and Securities will be fully guaranteed by GoI.
- 10) Rs. 45,000 crores Partial Credit Guarantee Scheme 2.0 for NBFC (NBFCs, HFCs and MFIs with low credit rating require liquidity to do fresh lending to MSMEs and individuals, existing PCGS scheme to be extended to cover borrowings such as primary issuance of Bonds/ CPs (liability side of balance sheets) of such entities, first 20% of loss will be borne by the Guarantor ie., Government of India.
- 11) Rs. 90,000 crores Liquidity Injection for DISCOMs
- 12) Relief to contractors
- 13) Extension of Registration and Completion Date of Real Estate Projects under RERA (treat COVID-19 as an event of 'Force Majeure' under RERA, extend the registration and completion date suo-moto by 6 months for all registered projects expiring on or after 25th March, 2020 without individual applications, regulatory Authorities may extend



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this for another period of upto 3 months, if needed, issue fresh 'Project Registration Certificates' automatically with revised timelines.

14) Rs. 50,000 crores liquidity through TDS/TCS reductions

15) Other Direct Tax Measures (Due date of all income-tax return for FY 2019-20 will be extended from 31st July, 2020 & 31st October, 2020 to 30th November, 2020 and Tax audit from 30th September, 2020 to 31st October, 2020.)

Crude oil

Crude oil prices declined as OPEC plans to deepen supply cuts were overshadowed by demand concerns exacerbated by a possible second wave of coronavirus infections as countries ease lockdowns.

Sectors and stocks

Shares of Central Public Sector Enterprises (CPSE) were in focus on Wednesday with Bharat Heavy Electricals (BHEL), REC, Engineers India, Housing and Urban Development Corporation (HUDCO) and Power Finance Corporation (PFC) advancing over 10 per cent on the back of heavy volumes on the BSE. BEML, Bharat Electronics (BEL), Moil, Balmer Lawrie & Company, NMDC, Steel Authority of India (SAIL), Shipping Corporation of India and National Fertilisers were up in the range of 6 per cent to 10 per cent, while Rail Vikas Nigam, MSTC, India Tourism Development Corporation (ITDC) were locked in 5 per cent upper circuit on the BSE.

Shares of cement manufacturers rallied up to 8 per cent on the BSE on Wednesday after Prime Minister Narendra Modi announced Rs. 20 trillion stimulus package. Ambuja Cements, UltraTech Cement, ACC, Orient Cement, JK Cement and Ramco Cements were up in the range of 5 per cent to 7 per cent in intra-day trade. Besides, Shree Cement, HeidelbergCement India, India Cements, JK Lakshmi Cement and Star Cement were up between 2 per cent and 4 per cent on the BSE.

Maruti Suzuki on Wednesday reported 27.7 per cent year-on-year fall in consolidated profit at Rs. 1,322.3 crore for the March quarter of FY20 (Q4FY20) while revenue dipped 15.2 per cent to Rs. 18,207.7 crore. The company had posted revenue of Rs. 21,473.1 crore and profit of Rs. 1,830.8 crore in the corresponding quarter of last year. The stock ended at nearly 2 per cent higher at Rs 5,035 apiece on the BSE.

Shares of Jubilant Life Sciences share price hit 5 percent upper circuit of Rs. 429.95 per share at open on May 13, 2020 after the company signed a deal with Gilead for production of Remdesivir to fight COVID-19. It will now have rights to sell Remdesivir to 127 countries. Jubilant Life Sciences' subsidiary, Jubilant Generics Limited has entered into a non-exclusive Licensing Agreement with Gilead Sciences, Inc. that will grant Jubilant the right to register, manufacture and sell Gilead's investigational drug, Remdesivir, a potential therapy for COVID-19 in 127 countries including India, the company said in a filing to the exchanges. Under the licensing agreement, Jubilant will have the right to receive a technology transfer of the Gilead manufacturing process to scale up production to enable expedited access of the medicine to COVID-19 patients upon approvals by regulatory authorities in respective countries, it said. "We are very happy to strengthen our partnership with Gilead to license remdesivir, which, based on initial data, shows promise to be a potential therapy for Covid-19, a pandemic creating unprecedented health and economic crisis globally. We will be monitoring the clinical trials and regulatory approvals very closely and would be ready to launch the drug shortly after the required regulatory approvals," said Shyam S. Bhartia, Chairman and Hari S. Bhartia, Co Chairman & Managing Director, Jubilant Life Sciences Limited.

Global markets

Global stocks and oil prices fell on Wednesday as fears about a second wave of coronavirus infections gripped financial markets. MSCI's index of global shares was down 0.3 per cent. The pan-European STOXX 600 index slipped 1.6 per cent. Banks acted as the drag after a number of negative updates.

MSCI's broadest index of Asia-Pacific shares outside Japan erased an early decline and rose 0.3 per cent. US stock futures, the S&P 500 e-minis, reversed earlier gains to fall 0.2 per cent.

Ajcon Global's view

The Finance Ministry announcements made so far which are part of mega economic package has been encouraging especially with respect to MSMEs which would instill confidence and boost morale of the industry. As we have been saying earlier that loan guarantee (which will not create NPA for the lenders) is effective in improving the credit flow which the Government today has announced in its package will augur well for advances growth to revive investment led spending. We believe street participants would also appreciate the above measures and would keep an eye on the announcements to be made in next few days. The fiscal stimulus to small businesses and MSME sector as a whole will give a big boost to Banks and NBFC stocks as there will be twin benefit of increasing guaranteed credits and at the same time restricting the NPAs.

Sectors like Pharma and Healthcare, Specialty Chemicals, Banks and NBFCs(after today's announcement) 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



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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.

We recommend value buying only in high quality stocks gradually at every decline for building a long term portfolio.



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