

Benchmark indices fall on negative global cues and first tranche of stimulus package not taken well by street participants; IT and Financials stocks decline the most..

Domestic bourses declined by around 3 per cent on Thursday on negative global cues after US Federal Reserve Chairman Jerome Powell warned of extended economic weakness due to COVID -19 pandemic in the world's biggest economy. The slew of announcements made by Finance Minister Nirmala Sitharaman worth Rs 5.94 trillion yesterday, focusing largely on MSMEs, NBFCs, power discoms, and real estate sectors failed to lift investor sentiments.

The S&P BSE Sensex was down by 886 points or 2.8 percent to level of 31,123 while Nifty ended at 9,143, down 241 points or 2.57 per cent.

Volatility index, India VIX, ended over 1.50 per cent lower at 38.2350 levels.

In the broader market, the Nifty Midcap 100 index ended flat at 13,018.20, down just 0.35 per cent while the Nifty SmallCap 100 index slipped 1 per cent to settle at 3,936.20 points.

Sectorally, Nifty IT index declined 3.5 per cent to 13,293.70 levels. Nifty Bank lost 566 points or nearly 3 per cent to 19,068.50 levels.

Key announcements made by Finance Ministry today..

Finance Minister Nirmala Sitharaman today disclosed the blueprint of the 2nd tranche of mega package announced by PM. The following announcements were made today after market hours:

The measures were mainly focused on migrant labourers, farmers, workers and street vendors as their livelihood is affected by the coronavirus outbreak. All migrant workers will be provided free food grains for the next two months, the minister said as she announced the first of the three measures for them. "For non-(PDS) cardholders, they shall be given 5kg wheat/rice per person and 1 kg chana per family/month for two months. Eight crore migrants will benefit from this and Rs. 3,500 crore to be spent on this," the finance minister said, adding states would be the implementing agencies for the programme.

Street vendors, the worst-hit by lockdown and staring at an uncertain future, have been handed a major lifeline with the government announcing special credit facility of Rs. 5,000 crore for them.

Finance Minister Sitharaman said a special drive to provide concessional credit to PM-Kisan beneficiaries will be undertaken. The Rs. 2 lakh crore concessional credit will be extended to 2.5 crore farmers who don't have the card. Fisherman and animal husbandry workers will also be included. Interest subvention scheme on farmer loans at concessional rates has also been extended until May 31, 2020.

With regards to labour reform, there will be mandatory ESIC coverage for employees of hazardous industries, social security schemes for gig and platform workers and re-skilling of retrenched workers. Focus will also be on employment for adivasis and tribals. There is a proposal to make all occupations open to women, including night shifts with proper safeguards, in the pipeline in the proposed Labour Code.

Sectors and stocks

Shares of electric utilities and power finance companies rallied up to 10 per cent on the BSE on Thursday after Finance Minister Nirmala Sitharaman announced a special liquidity infusion scheme for the ailing power distribution sector, through which it is looking to infuse around Rs. 90,000 crore in the distribution companies (discoms). "Power Finance Corporation (PFC) and Rural Electrification Corporation (REC) will infuse liquidity in the discoms to the extent of Rs. 90,000 crore in two equal installments. This amount will be used by discoms to pay their dues to transmission and generation firms," the FM said. The government has noted that the disbursement of loans would be against state guarantees. In addition, the disbursement would be related to specific measures such as DISCOMs providing facility for digital payments, liquidation of state government dues to DISCOMs, and reduction in financial and operational losses of DISCOMs. Adani Power, Tata Power, Torrent Power, REC, CESC, Adani Transmission, Power Finance Corporation, and Indian Energy Exchange (IEX) were up between 3 per cent and 10 per cent in early morning trade today.

Godrej Consumer Products (GCPL) was up by over 6 per cent on the BSE in an otherwise weak market on Thursday after encouraging comments from Management in its concall and launch of new products. The Company's consolidated net profit for the quarter ended March 2020 declined 75.4 per cent year-on-year (YoY) to Rs. 229.90 crore. The stock ended at



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Rs. 563.50, down around 5.4 per cent. With today's gain, the stock has climbed 17 per cent in the past one week. For the full year, net profit declined 36.09 per cent to Rs. 1,496.58 crore as against Rs. 2,341.53 crore during the previous year ended March 2019. Sales declined 3.86 per cent to Rs. 9,826.51 crore as against Rs. 10,221.07 crore in the previous year.

Shares of Bharti Infratel were trading higher for the sixth straight day, up 7 per cent to Rs. 209 on the BSE on Thursday on the back of heavy volumes. The stock of telecom services provider soared 30 per cent in the past six trading days, as compared to a 1.5 per cent decline in the S&P BSE Sensex. Bharti Infratel is a provider of tower and related infrastructure, and deploys, owns and manages telecom towers and communication structures for various mobile operators. The Company's consolidated portfolio consists of over 90,000 telecom towers.

Shares of Syngene International were up 5 per cent at Rs. 342 on the BSE on Thursday after the company reported a healthy 24 per cent year on year (YoY) growth in EBITDA at Rs. 225 crore in the March quarter of FY20 (Q4FY20). EBITDA margin, too, expanded by 300 basis points to 36 per cent from 33 per cent in year ago quarter. The company posted quarterly revenue of Rs. 628 crore, an jump of 13 per cent YoY from the corresponding quarter last year, when it had posted a revenue of Rs. 555 crore. Profit after tax was up by 20 per cent to Rs. 120 crore relative to last year's profit of Rs. 100 crore. The fourth quarter performance was driven by strong growth in its discovery and development services divisions. During the quarter, the company commissioned a new research facility at Biocon Park in Bengaluru. According to the management, the construction phase of the commercial scale API manufacturing facility in Mangalore was completed. The plant is currently in a critical phase of completing qualification and preparing for commencement of GMP commercial operations towards the end of this financial year. The company further said it successfully cleared a US FDA inspection of its small molecule bioanalytical laboratory within the clinical development unit with no observations or formal discussion points.

IT stocks declined on Gartner prediction that IT spending will decline 8 percent. Infosys, MindTree, Tech Mahindra and NIIT Tech were all down more than 5 percent each.

Global markets

Global equities continued to fall for a third day running on Thursday after a sobering warning from the World Health Organization that the coronavirus may never go away. The head of the Federal Reserve quashed talk of U.S. interest rates going negative to kickstart investment and new outbreaks of the virus in South Korea and China and some dour assessments of the global economy aroused concern too. The US economy faces unprecedented downside risks that could do lasting damage to households and businesses if fiscal and monetary policymakers don't rise to the challenge, Federal Reserve Chair Jerome Powell said. US stocks fell sharply for the second day on Wednesday after his comment.

Asian equities also declined with MSCI's broadest index of Asia-Pacific shares finishing down 1.3% and Japan's heavyweight Nikkei closing 1.75% lower.

Ajcon Global's view

We believe domestic bourses would remain volatile and may fall further on negative global cues, worsening relations between USA and China, street participants' disappointment of no relief package for middle class who are also affected significantly in COVID-19 crisis which was also expected along with announcements today focussed on farmers, migrant labourers, workers and street vendors. Mood of investors may change after easing of lockdown restrictions in few days time as economic activity would pick up. Yesterday's announcements by Finance Ministry was 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 was announced as part of stimulus package etc.

We believe the real stimulus would have been:

- 1) Waiver of interest on MSME loans for 4 to 6 months
- 2) Interest subvention of at-least 4 percent on all other borrowers
- 3) Non refundable payroll subsidy equal to at-least 4 months' salary to small business and MSMEs
- 4) Loans upto 4 months of working capital to all the non borrower small businesses and MSMEs at concessional interest rate of 7 percent pa.
- 5) Reduction in the Income Tax rates of flat 15 percent on all non salaried individuals, small businesses and MSME.
- 6) Waiver from advance tax payment for FY 20-21 (AY 21-22)
- 7) Deferment of GST payment for small businesses & MSMEs till 30th September, 2020.
- 8) No deduction and payment of TDS until 30th September, 2020.

Sectors like Pharma and Healthcare, Specialty 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-



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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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For research related queries contact:

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

CIN: L74140MH1986PLC041941

SEBI registration Number: INH000001170 as per SEBI (Research Analysts) Regulations, 2014.

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
