

Domestic bourses to remain volatile; all eyes on relaxations in Lockdown 4.0 and announcements on tranche 4 of Economic package which has dampened market sentiments so far..

Indian benchmark indices witnessed significant volatility on Friday with the indices briefly swinging into positive territory and finally ending in negative terrain. Selling was witnessed across the board, but metal stocks bucked the trend. Nifty Metal index was up by 1.6 per cent to 1,742.60-mark.

The S&P BSE Sensex ended at 31,098, down 25 points or 0.08 per cent. Of 30 constituents, 20 declined and 10 advanced. Mahindra & Mahindra (down around 5 per cent) ended as the top loser on the index while telecom major Bhart Airtel (up nearly 3 per cent) was the biggest gainer.

ICICI Bank, Axis Bank, HDFC Bank, and Infosys contributed the most to the index's loss. Market breadth was inclined towards bears as out of 2,493 companies traded on the BSE, 1,230 declined and 1,086 advanced while 177 remained unchanged.

On the NSE, Nifty ended at 9,137, down 6 points or 0.06 per cent.

Sectorally, PSU bank stocks declined the most with the Nifty PSU Bank index ending at 1,186.10, down 1.64 per cent. Nifty Bank ended at 18,834, down 235 points or over 1 per cent. Nifty Auto ended 1 per cent lower at 5,745.70.

In the broader market, the S&P BSE MidCap index settled 0.3 per cent lower at 11,500.32 and the S&P BSE SmallCap index shed 0.16 per cent to 10,688.86 levels.

On a weekly basis, Sensex fell 1.72 per cent while Nifty lost 1.23 per cent.

Key announcements made by Finance Ministry today..

Finance Minister Nirmala Sitharaman today disclosed the blueprint of the 3rd tranche of mega package announced by PM. The third tranche of announcements were mainly related to agriculture and allied activities - fisheries, animal husbandry, dairy, etc. A large amount of the population engaged in agriculture activities. Small and medium farmers against all adversities have endured.

Rs 1 lakh crore fund to be created for aggregators, Farmer's Produce Organisation (FPOs), primary agriculture cooperative societies, for strengthening farm gate infrastructure. The fund will be created at the earliest.

Rs. 20,000 crore for fishermen under Pradhan Mantri Matsya Sampada Yojana. This will lead to 70 lakh tonnes of additional fish production in 5 years. The focus is on empowerment rather than giving entitlements.

The FM announced National Animal Disease Programme with total outlay of Rs. 13,343 crore to ensure 100% vaccination for cattle, buffalo, sheep and pigs against foot and mouth disease (FMD).

Rs. 10,000 crore fund for micro food enterprises (MFEs) in cluster-based approach. Vocal for global can build brands and therefore marketing them globally will be included. Branding, modernising and capacity ramp-up will be part. This will benefit 2 lakh MFEs. Focus will be on women, ST/SCs.

For the promotion of herbal cultivation, Rs 4,000 crore to be allocated. Around 10,00,000 hectare will be covered in the next 2 years and will lead to Rs. 5,000 crore income generation for farmers.

In a key announcement, Government will amend the Essential Commodities Act to enable better price realisation for farmers and to make agriculture sector competitive. Agriculture food stuffs including cereals, edible oils, oilseeds, pulses, onion, and potato to be deregulated. Stock limit to be imposed under very exceptional circumstances like national calamities, famine with surge in prices. No such stock limit shall apply to processors or value chain participants, subject to their installed capacity or to any exporter subject to the export demand. A central law will be formulated to provide adequate choices to the farmers to sell produce at an attractive price, barrier-free interstate trade and framework for e-trading of agricultural produce. A facilitative legal framework will be created to enable farmers to engage with processors, aggregators, large retailers, exporters in a fair and transparent manner.

Crude oil

Crude oil prices were up more than 3 per cent, touching more than one-month highs amidst possible increase in demand for crude with China reporting increased refinery activity in China.

Sectors and stocks

Shares of Alembic Pharmaceuticals rallied for the second straight day, up 6 per cent, to hit a new high of Rs. 896 on the BSE on Friday. The stock has rallied 12 per cent in the last two days. On the National Stock Exchange (NSE), the pharma firm's stock gained 3 per cent and hit a high of Rs 874. The stock price more-than-doubled from its recent low of Rs 436, touched on March 23, 2020. In the past four weeks, Alembic Pharma outperformed the market by surging 41 per cent after the company's consolidated profit before tax (PBT) more than doubled at Rs. 298 crore in the January-March quarter (Q4FY20) as compared to PBT of Rs. 139 crores in Q4FY19. The company's total revenue in Q4FY20 witnessed a growth of 30 per cent year-on-year (YoY) at Rs. 1,207 crore against Rs. 927 crore in the corresponding quarter of previous year. EBITDA margin expanded 900 basis points to 28 per cent from 19 per cent in the previous fiscal. Last week, Alembic Pharma said its joint venture, Aleor Dermaceuticals, had received establishment inspection report (EIR) for its formulation facility at Karkhadi in Gujarat. Earlier this month, the company announced that the US Food and Drug Administration (USFDA) classified the company's general oral solid formulation facility located at Panelav as Voluntary Action Indicated (VAI).

Shares of Unichem Laboratories was up by 9.6 per cent to Rs. 139.70 apiece on the BSE on Friday after the company informed that it has received the Establishment Inspection Report (EIR) from United States Food and Drug Administration (USFDA) for its Active Pharmaceutical Ingredients (APIs) facility at Roha. The company received EIR on May 13, 2020 and

the USFDA had conducted the inspection of its Roha facility from February 17 to 21, 2020. Unichem Lab stock had hit a 52-week high of Rs. 200.60 on the BSE on May 24, 2019, while its 52-week low was Rs. 75.10, hit on March 23 this year. Headquartered in Mumbai, Unichem Lab has six drug manufacturing locations across the country. It is one of the leading pharmaceutical companies. It functions in therapeutic areas like gastroenterology, cardiology, diabetology, psychiatry, neurology, anti-bacterials, anti-infectives, and pain management.

Shares of Biocon Limited declined by 4.11 per cent to Rs. 321.50 on the BSE on Friday after the biotechnology major's net profit declined 42.2 per cent year-on-year (YoY) to Rs. 123 crore in the fourth quarter of FY20 (Q4FY20). The Company's profit before tax (PBT) declined 28.2 per cent to Rs. 204 crore during the quarter when compared with the corresponding quarter of previous financial year. The company's revenue, however, saw a muted growth of 6 per cent as compared to Q4 of FY19, according to a BSE filing by the company. "Q4FY20 witnessed a muted growth of 6 per cent with revenues at Rs. 1,644 crore due to operational challenges including one-time Covid-19 related impact on our Biologics business. Small Molecules and Research Services businesses, however, delivered robust growth of 15 per cent and 14 per cent, respectively," said Kiran Mazumdar-Shaw, executive chairperson, Biocon. The company reported an EBITDA margin of 23 per cent for the quarter. Biocon's small molecules segment crossed an annual revenue milestone of Rs. 2,000 crore in the quarter. The Biologics segment reported a de-growth of 21 per cent during the quarter after reporting three consecutive quarters of robust performance.

Shares of Manappuram Finance jumped 7.2 per cent to Rs. 132, in an otherwise weak market, on the BSE on Friday after the gold financier reported a strong operating performance in the March quarter of FY20 (Q4FY20). During Q4FY20, its gold loan AUM growth gold was 31 per cent, up 5 per cent sequentially, and was led by a sharp 29 per cent increase in gold price, 7 per cent increase in gold stock, even as LTV declined by 5.7 per cent YoY to 61 per cent. Besides, non gold AUM growth moderated to 27 per cent from 49 per cent in Q3, microfinance - constituting 67 per cent of non gold AUM - grew by 43 per cent. The Company reported growth of 30.4 per cent in profit before tax at Rs. 534.07 crore during the quarter ended March 31, 2020, as compared to Rs. 409.41 crore during same period of last year. The company's total income grew 38.7 per cent to Rs. 1,618.15 crore during the quarter as against Rs. 1,166.51 crore during same quarter a year ago. For the whole FY20, profit before tax grew by 37.8 per cent to Rs. 2,007.30 crore, as compared to Rs 1,456.59 crore during FY19, total income for the fiscal year grew 30.8 per cent to Rs. 5,551.19 crore, as against Rs. 4,242.04 crore during the previous fiscal year. Additionally, profit before tax from gold loan and others grew 44.5 per cent to Rs. 459.47 crore during the quarter, as compared to Rs. 317.97 crore during same quarter a year ago. However, profit before tax from microfinance business declined by 18.4 per cent to Rs. 74.59 crore as against Rs. 91.44 crore a year ago. The company has proposed a opt-in moratorium of three months on the payment of all principal installments and interest as applicable, falling due between March 1, 2020 and May 31, 2020, to all eligible borrowers classified as standard, even if overdue as on February 29, 2020, excluding the collections already made in the month of March, 2020. While GNPA ratio in the standalone entity (gold loans) increased to 0.9 per cent from 0.5 per cent; GNPA in Micro finance subsidiary also increased marginally to 1.56 per cent from 1.34 per cent in Q3. The company has made additional provisioning of Rs. 150 million in standalone entity and Rs. 550 million in Microfinance subsidiary, over and above the RBI requirement.

Global markets

Asian equities were up on Friday but ended the week lower on negative global cues especially worsening US-China relations and on concerns as to how global economies can recover from lockdowns. Japan's Nikkei was moderately up by 0.6 per cent but finished the week down 0.7 per cent while Chinese equities were mixed. MSCI's broadest index of Asia-Pacific shares outside Japan rose 0.2 per cent but has lost about 1 per cent so far this week. European benchmark indices too were moderately up.



Ajcon Global's view

We believe domestic bourses would continue to 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 yesterday which 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 (1992-93), 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.

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



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