

Volatility witnessed amidst escalating tensions between India – China over border dispute; Agrochemicals and agri related stocks continue to rally..

Indian equities witnessed volatility and street participants were cautious amidst geo-political tensions between India and China at the Ladakh border. In a steep escalation of the ongoing Sino-Indian border face-off in eastern Ladakh, soldiers of China's People's Liberation Army (PLA) attacked and killed 20 Indian soldiers, including a colonel. In a strong message to China after the killing of at least 20 Indian soldiers in the violent face-off with Chinese troops, Prime Minister Narendra Modi on Wednesday said that India wants peace but is capable of giving a befitting reply, if instigated.

Further, a steady rise in Covid-19 cases, both in India and globally, also dented investor sentiment.

The S&P BSE Sensex was down by 97 points or 0.29 per cent to settle at 33,508 points. The index shot up to 33,934 and fell as much as 33,333 intra-day in wild swings. Auto major Maruti Suzuki India (up over 4 per cent) ended as the top gainer on the index. Bharti Airtel, Axis Bank, and IndusInd Bank were next on the gainers' list.

On the downside, HDFC, M&M, ITC, and Power Grid slipped up to 2 per cent.

Nifty 50 ended below 9,900 levels to end at 9,881, down 33 points or 0.33 per cent. The index hit a high of 10,003 intra-day.

The broader market fared better than the benchmarks. The S&P BSE MidCap and SmallCap indexes were up 0.3 per cent and 0.7 per cent, respectively.

Key development

The Supreme Court on Wednesday said there is "no merit in charging interest on interest" for deferred loan payment instalments during the moratorium period announced in wake of the Covid-19 pandemic. The apex court also asked the Central government to step up and take a stand over the issue related to charging interest on EMIs during the six month moratorium period granted during the pandemic. The apex court asked the Central government and Reserve Bank of India to review the matter and slated it for further hearing in the first week of August. Indian Banks Association (IBA) to see if new guidelines can be brought in force for moratorium issue, the top court said.

Crude oil

Crude oil prices declined on Wednesday as data showed an increase in US crude and fuel inventories.

Sectors and stocks

Shares of Maruti Suzuki India Limited (MSIL) were up by 5.5 per cent to Rs. 5,798 on the BSE on Wednesday, recording its sharpest intra-day gain in the past five weeks. Earlier, on May 13, the stock of automobiles major had surged 7.5 per cent during the intra-day trade. Today, Maruti Suzuki India (MSIL) said it has partnered with Karur Vysya Bank to offer consumers simpler and flexible financing schemes to own a new car. On Tuesday, the company has collaborated with IndusInd Bank to arrange attractive finance schemes to help customers buy their favourite car. MSIL said it has been arranging consumer finance with finance partners to support the progressive restart of business activities in the automobile industry. This collaboration is aimed at providing support to customers who might be facing a liquidity crunch in the prevalent Covid-19 scenario.

Coromandel International hit a new high of Rs. 720, up 6.2 per cent on the BSE today, surpassing its previous high of Rs. 700 recorded on May 27, 2020. The fertilisers and crop protection products manufacturer reported a 91.9 per cent jump in profit before tax (PBT) at Rs. 314.16 crore for the quarter ended March 31, 2020 (Q4FY20) as compared to Rs. 163.71 crore in the corresponding quarter of the previous year.

EID Parry (India) was up by 7 per cent to Rs. 236.90 on the BSE in the intra-day trade today. The stock was quoting close to its 52-week high level of Rs. 245.35, touched on February 2, 2020. In the past one month, it has rallied by 56 per cent. On June 2, 2020, EID Parry had sold 5.85 million equity shares, representing 2 per cent stake, in its subsidiary, Coromandel International at Rs. 629.19 per share aggregating to a value of Rs. 368 crore. The company said proceeds from the sale will be utilised towards reduction of debt. The company reported a healthy 30 per cent YoY jump in consolidated EBITDA at



Rs. 639 crore for Q4FY20, as against Rs. 490 crore in the corresponding quarter of the previous fiscal. EBITDA margin improved to 15.05 per cent from 13.44 per cent during the quarter.

Shares of Kaveri Seed Company continued its rally and was up by 4.5 per cent at Rs. 630 on the BSE on Wednesday in an otherwise weak market. The stock of the agriculture products company was trading at its 52-week high level after rallying over 50 per cent thus far in the month of June. In the first 13 trading sessions of this month, Kaveri Seed Company has surged 58 per cent after it reported a strong operational performance for the quarter ended March 2020 (Q4FY20). The company reported Ebitda of Rs. 18.31 crore in Q4FY20, as against loss of Rs 2.79 crore in Q4FY19. Ebitda margins (excluding other income) stood at 29.01 per cent, compared to negative 5.23 per cent in the year-ago quarter. Net sales during the quarter increased 18.3 per cent year-on-year (YoY) at Rs. 63.12 crore, while consolidated net profit stood at Rs. 7.57 crore against loss of Rs. 11.09 crore in the corresponding quarter of the previous fiscal. "The commodity prices are expected to be stable with a normal monsoon forecast translating to good farmer sentiment for coming year for all crops. The normal monsoon forecast will ensure normal sowing area for key crops. The new hybrids scale up in hybrid paddy, cotton & maize will continue the growth trajectory for the company," the management said. With minimal impact of Covid-19 expected on agriculture sector, overall outlook for seed business remains positive, it added.

Shares of Reliance Industries (RIL)-owned companies engaged in media, broadcasting & cable TV business have surged and rallied as much as 98 per cent in the past month on the back of heavy volumes. Hathway Bhawani Cabletel & Datacom, TV18 Broadcast, Network18 Media & Investments, Den Networks and Hathway Cable & Datacom were all up in the range of 46 per cent to 98 per cent on the BSE in the past one month. Of these, Hathway Bhawani Cabletel & Datacom, TV18 Broadcast and Network18 Media & Investments are trading at their respective 52-week highs on the BSE. Among individual stocks, Hathway Bhawani Cabletel & Datacom were locked in upper circuit for the 40th straight trading day. The stock up 5 per cent at Rs 32.55 on the BSE on Wednesday. The stock price has nearly doubled from the level of Rs 16.74. In the past two months, it has witnessed a whopping rally of 307 per cent from Rs. 8 on the BSE.

Global markets

In Asia, Japan's Nikkei was down by 0.5 per cent, after jumping almost 5 per cent on Tuesday for its biggest daily gain in three months. However, Shanghai Composite, Hang Seng and Kospi ended in green.

European equities were trading in green while writing this report with FTSE up by 0.82 percent, CAC up by 1.41 percent and DAX up by 0.92 percent.

Ajcon Global's view

We believe Indian equities will take cues from India – China tensions, global cues, on ground domestic economic situation. Going ahead, ongoing Q4FY20 earnings season and newsflow related to COVID-19 will dictate market trend. 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 especially in last week of March 2020 last week and first week of April 2020 may book short term partial profits. We feel that there will be further opportunities to pick up the stocks at lower levels as Q1FY21 results would be a washout for major sectors except FMCG, Agrochemicals, Pharma and Digital/internet.



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