

**Domestic bourses bounceback led by Reliance Industries and Financials; PSU stocks across sectors rally..**

Indian benchmark indices rallied led by financials and Reliance Industries Limited. The benchmark indices ended over 2 per cent higher after the Supreme Court allowed the Department of Telecommunications (DoT) time till third week of July to consider the telecom companies' proposal. The apex court also directed telcos to submit financial documents of the last 10 years.

The S&P BSE Sensex rallied by 700 points or over 2 per cent to settle at 34,208.05 levels while the Nifty50 index reclaimed the psychological level of 10,000 and ended at 10,092, up 210.50 points or over 2 per cent. Among individual stocks, Bajaj Finance, Axis Bank, and Power Grid were the top Sensex gainers. Muthoot Finance surged over 16 per cent to Rs. 1,162.55 after declaring its March quarter results. Reliance Industries (RIL) hit a fresh high of Rs. 1,665 during the day. The stock ended at Rs 1,656, up 2.53 per cent.

All the sectoral indices on the NSE, barring Nifty Pharma, ended in the green, led by Nifty Bank index, up 3.74 per cent.

In comparison, the broader market underperformed the benchmarks. The S&P BSE MidCap index gained 1 per cent and the SmallCap index rallied around 1.5 per cent.

Volatility index, India VIX, witnessed a fall of over 5 per cent to 31.58 levels.

**Key development**

The Supreme Court has asked telecom companies to file their financial statements before it and fixed adjusted gross revenue (AGR) related dues case against them for hearing in July. The Department of Telecommunications sought time from the apex court to respond to telcos replies on payment of AGR related dues by them. The DoT also filed affidavit explaining reason for raising Rs. 4 trillion demand of AGR related dues against PSUs earlier. The Centre told that the DoT has decided to withdraw 96 per cent of the Rs. 4 trillion demand for AGR related dues raised against non-telecom PSUs like GAIL.

In another major development; Reliance Industries Limited's – "Jio Platforms" gets 11th investor as Saudi Arabia's PIF joins rush for RIL unit PIF, one of the world's largest sovereign wealth funds, will invest Rs. 11,367 crore for 2.32 percent of Jio Platforms. Reliance digital unit has raised Rs. 115,693.95 crore in exchange for a 24.7 percent stake from some of the world's top technology investors in 9 weeks. The investment by PIF, estimated to own combined assets of nearly \$400 billion, in Jio Platforms is at an equity valuation of Rs. 4.91 lakh crore and an enterprise valuation of Rs. 5.16 lakh crore. It comes close on the heels of investments by private equity giants L Catterton and TPG. Mukesh Ambani, Chairman and Managing Director of Reliance Industries, said, "We at Reliance have enjoyed a long and fruitful relationship with the Kingdom of Saudi Arabia for many decades. From Oil Economy, this relationship is now moving to strengthen India's New Oil (Data-driven) Economy, as is evident from PIF's investment into Jio Platforms. I have greatly admired the defining role PIF has played in driving the economic transformation of the Kingdom of Saudi Arabia. I welcome PIF as a valued partner in Jio Platforms and look forward to their sustained support and guidance as we take ambitious steps to accelerate India's digital transformation for enriching and empowering the lives of 1.3 billion Indians." His Excellency Yasir Al-Rumayyan, Governor of PIF, commented: "We are delighted to be investing in an innovative business which is at the forefront of the transformation of the technology sector in India. We believe that the potential of the Indian digital economy is very exciting and that Jio Platforms provides us with an excellent opportunity to gain access to that growth. This investment will also enable us to generate significant long-term commercial returns for the benefit of Saudi Arabia's economy and our country's citizens, in line with our mandate to safeguard and grow the national wealth of the Kingdom." The transaction is subject to Indian regulatory and other customary approvals.

**Sectors and stocks**

Shares of public sector undertaking (PSU) companies were in focus on the bourses on Thursday with the S&P BSE CPSE (up 2.4 per cent) and S&P BSE PSU index (up 2.1 per cent) gaining over 2 per cent each on the back of positive reports on coal, power, and telecom sectors.

Shares of state-owned telecom equipment company ITI hit 20 per cent upper circuit at Rs. 108 at BSE supported by heavy volumes. The stock has rallied 32 per cent in the past two trading days after media reports said that the Department of Telecommunications (DoT) reportedly asked state-owned Bharat Sanchar Nigam Ltd (BSNL) and Mahanagar Telephone Nigam (MTNL) to exclude Chinese gearmakers from supplying 4G telecom equipment. Private telecom operators have been asked to consider staying away from such Chinese firms. ITI is a public sector undertaking in the telecommunications



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technology segment. The company has a diverse suite of products including defence security encryption products, optical and data network products and passive infrastructure products such as gigabit passive optical network and managed leased line products, multi-capacity encryption units, electrical products such as smart energy meters, smart cards, solar panels, settop boxes and mini personal computers and Internet of Things products. Besides offering the telecom solutions and customized support, ITI has a dedicated Network System Unit for executing turnkey projects for installation and commissioning of telecommunication networks. The company intends to upgrade and invest in the technology, through the acquisition of technology from strategic partners with a specific focus on high growth industry segments. The company operates a data centre at Bengaluru and currently also offers its services to government institutions/departments, banks etc.

Telecom services provider MTNL's stock was also locked in 10 per cent upper circuit at Rs 9.85 on the BSE on the back of three-fold jump in trading volumes. Bharat Heavy Electricals Limited (BHEL) soared 15 per cent to Rs 31.55 in intra-day today, on the back of over three-fold jump in volumes after Vedanta Resources Chairman Anil Agarwal said that state-run company was capable of producing the best power plants in the world if it is given greater autonomy. "Most of the power plants in India are imported from China. BHEL, a PSU, is very capable to produce the best power plants in the world. If given full autonomy and either corporatized or privatized, without laying off any personnel, it can do wonders for #atmanirbharIndia," Anil Agarwal tweeted.

Coal India was up by 8 per cent to Rs. 139.65 in intra-day after the Prime Minister kicked-off the auction process of coal blocks for commercial mining to achieve self-reliance in the mining sector, which is the key source of input for many basic industries like power, steel, aluminium and sponge iron. Among other PSU stocks, MSTC was locked in 10 per cent upper circuit on the BSE. Besides, MMTC, Hindustan Copper, Bharat Electronics, Ircon International, NLC India, Engineers India, BEML, STC India, NBCC, Mishra Dhatu Nigam and Container Corporation of India were all up in the range of 4 per cent to 8 per cent on the BSE.

Shares of state-owned companies like Oil India, Power Grid Corporation of India, Gail (India) and Gujarat Narmada Valley Fertilizers & Chemicals (GNFC) were up 2 per cent to 4 per cent after the DoT said it has withdrawn AGR demand from the PSUs since they are not in the business of providing telecom services to the general public.

Shares of Muthoot Finance were up by as much as 9.5 per cent to hit a record high of Rs. 1,095 on the BSE on Thursday after the company reported a healthy 59 per cent year on year (y-o-y) growth in net profit at Rs. 836 crore for the quarter ended March 2020 (Q4FY20), driven by strong asset under management (AUM) growth and improvement in asset quality. The Company reported that its consolidated loan assets under management achieved a YoY increase of 22 per cent at Rs. 46,871 crore against last year's Rs. 38,304 crore. During the quarter, the company's gold loan portfolio increased by Rs. 3,113 crore to Rs. 41,611 crore. "Disbursements and collections have normalized and the management are expecting increase in disbursement once movement of people increases and economic activity level picks up. The company is looking to grow gold loan business by about 15 per cent for the whole year," the company said. Over the past two quarters, Muthoot Finance has raised \$1 billion from ECBs – this liability diversification will be helpful going ahead. Over the next 12 months, the company is likely to benefit from sharp run-up in gold prices, and higher gold loan demand due to the impact of the lockdown on customers. With today's rally, the stock price has more-than-doubled from 52-week low level of Rs. 477.50, hit on the BSE on March 24, 2020.

### **Global markets**

Global equities declined on Thursday as spiking coronavirus cases in some US states and China dented hopes of an economic recovery from COVID-19 crisis. S&P 500 mini futures clawed back losses during Asian trade to end 0.2 per cent lower. China's blue-chip CSI300 shares were a bright spot, adding 0.7 per cent.

European equities too were trading in red. The pan-European STOXX 600 index fell 0.3 per cent after two straight days of gains, driven by optimism over global stimulus helping economies claw back from the coronavirus-led slide.

### **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.



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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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