AJCON GLOBAL
YOUR FRIENDLY FINANCIAL ADVISOR

**Market wrap** **May 19, 2020**

**Indian equities move up on positive global cues; Banking and NBFCs stocks continue to decline..**

The domestic bourses ended in a positive territory on Tuesday led on positive global cues. However, the early gains evaporated owing to selling in banking stocks. There are concerns over rising COVID-19 cases as the number of cases crossed one lakh mark.

The S&P BSE Sensex today was up by 167 points or 0.56 percent to end at levels of 30,196. 22 of 30 constituents ended in the green and rest 8 in the red. IndusInd Bank (down over 2 per cent) was the biggest loser on the index while Bharti Airtel ended as the top gainer.

Nifty was up by 56 points or 0.63 per cent.

The Bank Nifty is under bear hammering owing to asset quality concerns led by suspension of fresh Insolvency and Bankruptcy Code proceedings for a year, three-month moratorium on repayment of loans to provide relief to borrowers in stressful times, middle class getting affected significantly in COVID-19 crisis.

In the broader market, the S&P BSE MidCap index was up by 0.52 per cent and the S&P BSE SmallCap index ended flat, down just 0.2 per cent.

Volatility index, India VIX, slipped 4.42 per cent to 39.10 levels.

**Crude oil**
Brent crude oil was up trading up 7 cents, or 0.2 per cent, to $34.88 a barrel, after earlier touching its highest since April 9, 2020. US West Texas Intermediate crude was up 70 cents, or 2.2 per cent, at $32.52 a barrel.

**Sectors and stocks**
Metal and auto stocks rallied today. Nifty Metal index was up by 1 per cent and Nifty Auto was up 1 per cent at 5,486 levels. According to SIAM estimates, if India's GDP growth for FY21 falls below 1 percent, passenger vehicle sales will likely decline by 20-24 percent while two-wheeler sales may drop by 27-30 percent. In the case of commercial vehicles, the drop could be as much as 32-35 percent while three-wheeler sales may decline by 28 percent.

Bharti Airtel hit a new lifetime high of Rs. 603 during the day after the company reported a healthy 15.1 per cent year-on-year (YoY) growth in consolidated revenue at Rs. 23,723 crore for the quarter ended March 2020 (Q4FY20). The stock ended at Rs. 599, up over 11 per cent on the BSE. The Company provided Rs. 5,642 crore for one-time spectrum charges, resulting in a quarterly net loss of Rs 5237 crore for the three months ended March 31, compared with a profit of Rs 107 crore a year earlier. The company's average revenue per user, a key metric for the telecom sector, rose 25 per cent to Rs 154 at its mobile services business in the country during the quarter ended March 31. The Company added 12.5 million 4G subscribers in the March quarter. The Company set aside Rs 5,642 crore for one-time spectrum charges, resulting in a quarterly net loss of Rs. 5,237 crore for the three months ended March 31, compared with a profit of Rs 107 crore a year earlier. Bharti Airtel Ltd has seen a surge in demand for home broadband services in the last few weeks as the country went into a lockdown to curb the spread of covid-19, forcing people to work from home, the company's management said in an investor conference call on Tuesday. "We are excited about home broadband. India is an underserved market and there is a very big opportunity to expand home broadband on a structural basis. Having said that, we are seeing a massive surge in latent demand for home broadband... and even during the lockdown there has been a lot of demand to actually get home broadband going," Bharti Airtel India and South Asia chief executive officer and managing Gopal Vittal said. "We believe that an ARPU of Rs. 154 is inadequate to turn a reasonable Return on Capital as a company and remain hopeful that ARPUs will get to Rs. 200 in the short term and eventually to Rs. 300 which is where it should be for a business like ours. Of course, even at this level of ARPU we believe we will be very well placed to serve all the lower end customers who may have the capacity to pay Rs. 100 or less," Vittal said.

Shares of ONGC were up by around 6 per cent higher at Rs. 77 apiece on the BSE amid rise in oil prices.

Shares of public sector banks were under pressure, with the Nifty PSU Bank index hitting an over 15-year low. At the close, Nifty PSU Bank index stood at 1,087 levels, down 29 points or 2.6 per cent. It was the top loser among sectoral indices.

**Global markets**
Asian equities rallied on Tuesday as more countries emerged from their economic lockdowns and a successful early-stage trial of a coronavirus vaccine lifted investors' morale. The rally was owing to positive data from Moderna Inc's COVID-19 vaccine, showed it produced protective antibodies in a small group of healthy volunteers.

MSCI's broadest index of Asia-Pacific shares outside Japan was up 1.8 per cent to two-week highs. Australia's benchmark index and Hong Kong's Hang Sang were the lead gainers, up 2 per cent each, South Korea added 2.3 per cent while China's blue-chip index climbed 0.8 per cent.

Japan's Nikkei was up by ~2 per cent to the highest since early March, 2020.

European shares, however, declined after a rally in the previous session.

**Ajcon Global's view**

We believe domestic bourses would continue to remain volatile and range bound. The disappointment of no relief package for middle class who are also affected significantly in COVID-19 crisis will also remain an overhang. Earlier, the RBI had announced a three-month EMI moratorium on term loans for the people (interest under the EMIs will have to be paid later), but the middle class section wants to be extended.

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 was announced as part of stimulus package etc. The later part of the measures of Tranche 4 and 5 were long term in nature and street was expecting immediate relief.

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 up to 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
9) Interest free Working capital assistance equal to 6 months expenses to all the non borrower business enterprises
10) Direct credit of at least Rs. 10,000 each to daily wage workers and farmers

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.

**Disclaimer**

Ajcon Global Services Limited is a fully integrated stock broking, investment banking, merchant banking, corporate advisory, commodity and currency broking. Ajcon Global Services Limited research analysts responsible for the preparation of the research report may interact with trading desk personnel, sales personnel and other parties for gathering, applying and interpreting information.

Ajcon Global Services Limited is a SEBI registered Research Analyst entity bearing registration Number INH000001170 under SEBI (Research Analysts) Regulations, 2014.

Individuals employed as research analyst by Ajcon Global Services Limited or their associates are not allowed to deal or trade in securities that the research analyst recommends within thirty days before and within five days after the publication of a research report as prescribed under SEBI Research Analyst Regulations.

Subject to the restrictions mentioned in above paragraph, We and our affliates, officers, directors, employees and their relative may: (a) from time to time, have long or short positions acting as a principal in, and buy or sell the securities or derivatives thereof, of Company mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage.

Ajcon Global Services Limited or its associates may have commercial transactions with the Company mentioned in the research report with respect to advisory services.

The information and opinions in this report have been prepared by Ajcon Global Services Limited and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of Ajcon Global Services Limited While we would endeavour to update the information herein on a reasonable basis, Ajcon Global Services Limited is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent Ajcon Global Services Limited from doing so. This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. Ajcon Global Services Limited will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. Ajcon Global Services Limited accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice. Ajcon Global Services Limited or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

Ajcon Global Services Limited encourages independence in research report preparation and strives to minimize conflict in preparation of research report. Ajcon Global Services Limited or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither Ajcon Global Services Limited nor Research Analysts have any material conflict of interest at the time of publication of this report.

It is confirmed that Akash Jain – MBA (Financial Markets) or any other Research Analysts of this report has not received any compensation from the company mentioned in the report in the preceding twelve months. Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

Ajcon Global Services Limited or its subsidiaries collectively or Directors including their relatives, Research Analysts, do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

It is confirmed that Akash Jain – MBA (Financial Markets) research analyst or any other Research Analysts of Ajcon Global do not serve as an officer, director or employee of the companies mentioned in the report.

Ajcon Global Services Limited may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Neither the Research Analysts nor Ajcon Global Services Limited have been engaged in market making activity for the companies mentioned in the report.

We submit that no material disciplinary action has been taken on Ajcon Global Services Limited by any Regulatory Authority impacting Equity Research Analysis activities.

**Analyst Certification**

I, Akash Jain MBA (Financial Markets), research analyst, author and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. I also certify that no part of compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view (s) in this report.

**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](http://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