

Buoyancy continues at Dalal Street; Reliance Industries remains heartthrob of investors..

Indian benchmark indices continued to rally and ended Friday's session with around 1.5 per cent gains, led by Reliance Industries (RIL) as the company announced it has become net debt-free, much before its original schedule of March 31, 2021. The stock rallied 6.5 per cent to end at Rs 1,764. In the process, the company scaled the market capitalisation of Rs 11 trillion.

The S&P BSE Sensex was up by 524 points or 1.53 per cent to settle at 34,732. Of 30 stocks on the index, 18 ended in the green and rest 12 in the red. Besides RIL, ICICI Bank, HDFC Bank, Bajaj Finance, and Bharti Airtel were the major contributors to the index's gains.

Nifty was up by 153 points or 1.5 percent and ended at 10,244 with 33 constituents advancing, 16 declining and 1 remaining unchanged. Sectorally, all the indices except Nifty IT and Nifty Metal ended in the green. Nifty Realty index was up by over 6 per cent to 29.78 levels. On the other hand, Nifty IT slipped 0.35 per cent to 14,500.

In the broader market, the S&P BSE MidCap index gained 1.37 per cent to 12,804 while the S&P BSE SmallCap index rallied around 1.4 per cent to 12,277.

More than 120 stocks on the BSE to hit a 52 – week high which included Reliance Industries Limited, Bayer Crop Sciences, Dixon Tech, Vaibhav Global, Ruchi Soya and Muthoot Finance.

Volatility index, India VIX, declined by 5 per cent to 29.78 levels.

Key development

The Finance Ministry on Friday invited bids from consulting firms, investment bankers, and financial institutions for advising it on the proposed initial public offer. The government proposes to engage up to two pre-IPO transaction advisors, for assisting the Department of Investment and Public Asset Management (DIPAM) in the preparatory processes leading to the Initial Public Offer (IPO) of Life Insurance Corporation of India (LICI), tipped to be the largest ever in the country. The government "proposes to engage up to two pre-IPO Transaction Advisor(s) from reputed professional consulting firms/ investment bankers/ merchant bankers/ financial institutions/ banks, independently (not in the consortium) for facilitating/assisting DIPAM in the preparatory processes leading to the IPO of LICI, the Finance Ministry said in the Request For Proposal (RFP) for engaging pre-IPO transaction advisors.

Crude oil

Crude oil was up and trading above US\$42 a barrel after OPEC producers and allies promised to meet supply cuts.

Sectors and stocks

Reliance Industries extended its rally and was up by over 6 percent to hit a new high after the company said the record investments it received for Jio Platforms and a mega rights issue helped it become debt-free well ahead of its March 2021 target. It also became the first listed company to cross Rs. 11-lakh-crore in market capitalisation.

Shares of ICICI Bank were up by over 3 percent after the Bank sold a 3.96 percent stake in its insurance arm, ICICI Lombard General Insurance Company Limited.

Shares of DCB Bank were trading higher for the second straight day, up 7.5 per cent at Rs. 85.40 on the BSE on Friday on the back of heavy volumes. In the past two trading days, the stock of the private sector lender has rallied 20 per cent after the lender reported a reduction in accounts in SMA/overdue categories wherein moratorium was granted. "The moratorium has been reduced from Rs. 1,908.1 crore as on March 31, 2020, to Rs. 710 crore on May 31, 2020," the bank said in an exchange disclosure on Wednesday.

Shares of sugar companies were in focus at the bourses on Friday. The stocks gained up to 7 per cent on the BSE on media report that the government is considering proposal to increase the minimum selling price (MSP) of sugar from the current Rs. 31 per kg. Moreover, the strong operational performance of sugar companies in the January-March quarter (Q4FY20) results declared so far also aided the sentiment. Balrampur Chini Mills, EID Parry (India), Triveni Engineering & Industries, Dalmia Bharat Sugar and Industries, Shree Renuka Sugars, Avadh Sugar, Dwarkesh Sugar and Dhampur Sugar Mills were up in the range of 2 per cent to 7 per cent on the BSE.

EID Parry (India) hit a 52-week high of Rs. 247.75, up 4.5 per cent on the BSE today. In the past month, the stock has rallied by 63 per cent. For Q4FY20, the company has reported a healthy 30 per cent YoY jump in consolidated EBITDA at



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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. On June 2, 2020, EID Parry had sold 5.85 million equity shares, representing 2 per cent stake, in its subsidiary, Coromandel International for Rs 368 crore. The company said proceeds from the sale will be utilised towards reduction of debt.

Triveni Engineering & Industries was locked in 5 per cent upper circuit for the third straight day at Rs. 56.55 after reporting 73 per cent YoY rise in its consolidated net profit at Rs. 137.59 crore in Q4FY20. Gross revenue was up 75 per cent at Rs. 1,494 crore on YoY basis. The company said sugar business had performed well during the quarter owing to stable sugar prices and overall higher volumes of sales.

Balrampur Chini Mills was up by nearly 5 per cent to Rs. 135 on the BSE today. The company's board of directors is scheduled to meet on Tuesday, June 23, to consider the financial results for the quarter and year ended 31st March, 2020. The board will also consider share buyback proposal.

Shares of DIC India were up by 16.22 per cent to Rs. 360.30 on the BSE on Friday after the company said it had received the first tranche of Rs. 102.5 crore from Godrej Properties upon registration of land at Mumbai's Chandivali in latter's favour. On February 27, 2020, Godrej Properties had informed the exchanges that the company had "entered into an agreement to purchase land in the upcoming & fast developing micro-market of Chandivali, Mumbai." Spread across about 3 acres, this project will offer 0.45 million square feet of saleable area primarily comprising residential apartments with a small amount of retail space, it had said. In a separate regulatory filing, DIC India had said that its board has approved the sale of land. "The consideration of this land parcel is up to Rs. 153 crore to be paid in three tranches," it said. On Thursday, DIC India informed the exchanges that "the registration of the land has been completed in favour of Godrej Properties on 18 June 2020. The company has received the first tranche of Rs 102.5 crore upon registration."

Following the development, shares of Godrej Properties also rose as much as 3.32 per cent to Rs 852 on the BSE.

City Union Bank share price declined by 7 percent after the company reported a loss of Rs 95.25 crore for the fourth quarter ended March 2020 due to a spike in bad-loan provisioning.

Shares of MOIL declined by almost 4 percent after the company reported a fall of more than 90 percent in its consolidated net profit at Rs. 13.47 crore for the quarter ended March 31, 2020.

Global markets

Asian equities and US stock futures teetered in choppy trade on Friday as lingering concerns about a fresh spike in coronavirus cases offset growing hopes for a quick economic recovery.

MSCI's broadest index of Asia-Pacific shares outside Japan rose 0.1 per cent. US S&P 500 e-minis were oscillating between the positive and negative zones.

Shares in China rose 1.15 per cent, led by gains in financials and the health care sector, but South Korean stocks fell 0.25 per cent due to concern about diplomatic tension with North Korea.

In Europe, stocks rose, with the Stoxx 600 up around half a per cent at the time of writing of this report.

Ajcon Global's view

After a strong rally in last 2 days, we believe Indian equities will take cues from India – China tensions, global cues especially the spike in COVID-19 cases in second wave, on ground domestic economic situation. Going ahead, onset and progress of monsoon, management commentary in 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



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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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