

IT, Telecom and Financial stocks rally; Crude oil rebounds on production cuts..

Benchmark indices settled in the positive territory on Thursday amid solid buying in IT and financial stocks.

The S&P BSE Sensex rallied by 484 points or 1.54 per cent to end at 31,863. Infosys (was up around 5.7 per cent) contributed the most to the index's gains. Other major contributors to the gains were HDFC Bank, TCS, ICICI Bank, and Reliance Industries (RIL).

On the NSE, the benchmark index Nifty settled at 9,314 levels, up 127 points or 1.38 per cent. India VIX declined around 9 per cent to 39.01 levels.

Crude oil

Crude oil was up owing to the fact that producers are cutting production to weather a collapse in demand as the coronavirus outbreak ravages world economies. US West Texas Intermediate (WTI) futures were up 98 cents, or more than 7 per cent, at US\$14.76 a barrel. Brent crude was trading up 99 cents, or 15 per cent, at US\$21.36

Indian rupee

The rupee was up by 62 paise to settle at 76.06 (provisional) against the US dollar on Thursday tracking gains in domestic equities and strength in Asian currencies. Investor sentiment strengthened after the RBI said it would undertake additional purchase of government securities through open market operations (OMO). At the interbank foreign exchange, the rupee opened higher at 76.31 rose further to the day's high of 76.00. The rupee finally settled at 76.06 against the US dollar, registering a rise of 62 paise over its previous close. On Wednesday, rupee had settled at 76.68 against the US dollar. "On a review of current and evolving liquidity and market conditions, the Reserve Bank has decided to conduct simultaneous purchase and sale of government securities under Open Market Operations (OMO) for Rs. 10,000 crores each on April 27, 2020," the Reserve Bank said in a release.

Sectors and stocks

Shares of Zee Entertainment Enterprises (ZEE) were up by 14 per cent to Rs. 173 on the National Stock Exchange (NSE) after foreign portfolio investors (FPIs) bought less than 1 per cent stake in the broadcasting & cable TV operators via open market on Wednesday. The stock ended around 4 per cent higher at Rs. 157.55 apiece.

Alembic Pharmaceuticals surged 10 per cent to Rs. 699 on the BSE after the company's consolidated profit before tax (PBT) more than doubled at Rs. 298 crore in the January-March quarter (Q4FY20), on the back of healthy revenue. The drug maker had a PBT of Rs. 139 crore during the same quarter in previous fiscal.

Shares of Vodafone Idea were up as much as 14.89 per cent to Rs. 4.55 on the BSE on Thursday after its parent company, Vodafone Plc, announced that it was making an advance payment of US\$200 million to its India arm. The UK-based group accelerated the payment, which was due in September 2020 under the terms of the contingent liability mechanism with Vodafone Idea, mainly to tide over any liquidity crisis arising out of the Covid-19 pandemic. "Vodafone Group has accelerated this payment to provide Vodafone Idea with liquidity to manage its operations, and to support the approximately 300 million Indian citizens who are Vodafone Idea customers, as well as the thousands of Vodafone Idea employees during this phase of emergency health measures," the group said. The company said that following the decision by India's Supreme Court on the definition of Adjusted Gross Revenue (AGR) in October 2019, India's telecoms operators became liable for licence fees, penalties and interest dating back over 14 years. Vodafone Idea has made payments to the Government of India in relation to its AGR liabilities. In a recent report, rating agency ICRA had said there will not be any major impact of the ongoing nationwide lockdown due to Covid-19 on telecom services. "Pressure on revenues on account of limited customer addition, along with lack of physical recharges is moderated by the increased mobile usage on account of work from the home regime as well as content viewing, in addition, to shift towards digital recharges," ICRA's note said. "Meanwhile, Vodafone Idea has added network capacity to cater to the rising demand for data in Delhi-NCR, amid the ongoing lockdown. The sites upgraded will facilitate better indoor network experience and enhance network speed in Delhi-NCR. The company is geared to handle the increase in demand from customers who are confined within their homes, heavily dependent on network connectivity to work, study, access essential services online, stay informed and entertained," it said.

Shares of Parag Milk Foods rallied by 9.84 percent after promoters released 75 lakh equity shares pledged with Kotak Mahindra Investments by paying Rs. 54 crore.



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Shares of Morepen Laboratories were locked in upper circuit for the third straight trading day, up 10 per cent at Rs. 19.43 on the BSE on Thursday as the company has received license to manufacture Hydroxychloroquine (HCQ). HCQ is a drug usually used to treat malaria patients but is also being found useful in treatment of COVID-19 patients. The stock has rallied 33 per cent in the past three trading days, rallied by 152 per cent in the past one month. It had closed at a multi-year low of Rs. 7.71 on March 23, 2020. The stock touched a 52-week high level of Rs. 24 in September 2019. "The company has launched a wide range of essential products being required to combat the growing menace of COVID-19 and to prevent further spread of this disease in the country. These include non-contact infrared thermometers, alcohol-based hand sanitizers, hand wash, hand rubs and face masks, all under its umbrella brand — Dr. Morepen," Morepen Labs said in a press release on Monday, April 20, 2020. The company further said it has also received license to manufacture Hydroxychloroquine (HCQ) from State Drug Controller, (HP) last week for its Baddi plant in Himachal Pradesh and is working to commercialize the production of HCQ in both API as well as tablets form. HCQ is a prescription-based drug commonly being recommended to Corona patients under treatment for the disease. India is taking a lead in supplying HCQ to the rest of the world, including USA. India is the largest producer of HCQ and will continue to retain its leadership position in this time of crisis, it added.

Shares of Hindustan Unilever fell declined by 3 percent in an otherwise strong market after the parent Unilever Plc withdrew its full-year forecast on Thursday, saying the hit from lockdowns in China and India.


Rating agency Standard & Poor's has lowered Future Retail Ltd's long-term issuer credit rating from 'B-' to 'CCC-' as its liquidity position has weakened by the extended lockdown in India due to COVID-19. The ratings remain on CreditWatch with negative implications to reflect the company's weakening debt-servicing ability. Future Retail or its related entities are likely to restructure its debt within the next few months. Its operating cash flows are likely to remain weak over the next two months. The ratings on Future Retail remain preliminary because the cross-guarantees between Future Retail and group company Future Enterprises Ltd have not been fully released, S&P said in a statement. The India-based retailer's ability to meet its upcoming financial obligations is dependent on an improvement in business conditions or access to additional lines of credit. "We anticipate a phased relaxation of the lockdown across India after the government's deadline of May 3. This could mean a gradual recovery in revenue", S&P said. However, the discretionary spending will remain low, given the expected decline in disposable income due to the economic impact of COVID-19. Sales in high-margin segments such as fashion, accounting for about one-third of the company's revenue, are unlikely to pick up until later in the year. "We believe Future Retail's available cash and cash equivalents have fallen from Rs 200 crore as of Dec. 31, 2019", it said. Future Retail's disbursement of approved credit lines from banks has been further delayed. This includes enhanced working capital credit lines of about Rs 2,125 crore which were expected to be available in April 2020. In addition, the company is proposing to avail its Rs. 650 crore peak-season working capital credit line to support its liquidity. The delays in disbursement are due to procedural issues during the lockdown and the company now expects them to be available by May 2020. "We expect these credit lines to be sufficient to meet the company's immediate funding requirements, should they become available. Timeliness remains critical", S&P said. Potential debt restructuring at the operating and promoter group level remains an overarching credit risk. The restructuring of onshore debt at Future Retail or other related entities could trigger a cross-default on the company's US\$ 500 million senior secured notes. Additionally, the restructuring of promoter debt could trigger the change-of-control clause on the company's senior secured notes, through the promoter shareholding potentially falling below 26 per cent in such a scenario.

Global markets

In Asia, MSCI's broadest index of Asia Pacific shares outside of Japan bounced from two-week lows to be up 0.6 per cent at 460.43 points. Chinese shares gave up gains with the blue-chip index down 0.1 per cent. Japan's Nikkei climbed 1.5 per cent.

South Korea's KOSPI index rose 1.09 per cent while Hong Kong's Hang Seng index added 0.5 per cent.

Ajcon's view

Ideally, one should look at Companies which has seen massive destruction in their share price, companies that can survive the side effects of country lockdown, have strong portfolio of brands, strong management integrity, monopoly kind of presence, competitive advantage, have weathered the storm in different market cycles, low debt and debt free, able to generate positive cashflow consistently as we firmly believe that **"with the right Company, there is only one way to go...Up"** 



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