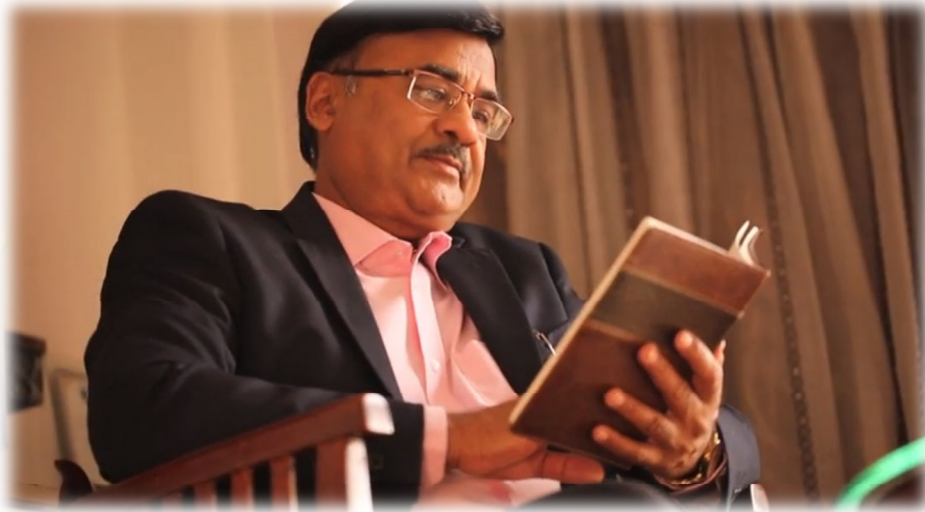




**AJCON GLOBAL**  
YOUR FRIENDLY FINANCIAL ADVISOR



**Dr. Ashok Ajmera (FCA), CMD & CEO**

**Dr. Ashok Ajmera's column as on Oct. 19, 2019**

**Domestic equities bounceback strongly; Reliance Industries Q2FY20 results above street expectations..**

On a weekly basis, the S&P BSE Sensex rose 3.07 percent while the Nifty added 3.15 percent compared to 2.7 percent gain seen in the Small-cap index, and 4.6 percent rally witnessed in the Mid-cap index, for the week ended October 18, 2019.

Small & mid-cap stocks witnessed continued buying as more than 60 stocks in the S&P BSE index rose 10-50 percent in the same period.

India's retail inflation in September grew 3.99 percent against 3.21 percent in August 2019, while India's August Index of Industrial Production (IIP) stood at -1.1 percent versus 4.6 percent, month-on-month (MoM).

Recently, the International Monetary Fund (IMF) and the World Bank, trimmed India's gross domestic product (GDP) growth prospects by a whopping 0.9 percent and 1.5 percent respectively.

**Sectors and stocks**

Shares of Reliance Industries (RIL), Hindustan Unilever (HUL), Bajaj Finance and Nestle India from the Nifty 50 index hit their respective all-time high on the National Stock Exchange (NSE) in intra-day deal on Friday. Avenue Supermarts, which runs the DMart chain of stores, Adani Green Energy, Berger Paints, Blue Star, Indraprastha Gas, Manappuram Finance, SBI Life Insurance, Siemens and Whirlpool of India among total 16 stocks from the Nifty 500 index that also reached their record high in intra-day trade on Friday.



## AJCON GLOBAL

YOUR FRIENDLY FINANCIAL ADVISOR

Reliance Industries Q2FY20 results beat street expectations. Q2FY20 Consolidated topline witnessed a growth of 4.8 percent on yoy basis to Rs. 1,63,854 crores.

Commenting on the results, Mukesh D. Ambani, Chairman and Managing Director, Reliance Industries Limited said: "The Company has reported record net profit for the quarter. These excellent results reflect benefits of our integrated Oil to Chemicals (O2C) value chain and the rapid scale-up of our Consumer businesses. During this quarter, our O2C businesses gained from favourable fuel margins environment, feedstock sourcing flexibility and higher petrochemicals volumes. Our O2C business, with new partnerships, is best placed to pursue growth and substantial value creation. Continuing growth trends in our retail business is heartening. Guided by our obsession to provide the best value for our customers, Reliance Retail delivered robust performance with record quarterly revenues and EBITDA. Our digital services business is recognized for having the nation's widest 4G wireless network. As an outcome of our team's relentless efforts, Jio has become India's largest mobility services provider. Jio today also has the highest market share in terms of 4G subscriber base and 4G data traffic in India. We are now executing yet another game changing initiative with the largest ever roll out of broadband services to home and enterprises through JioFiber. As always, we are committed to bring to Indian consumers more world-class products and services and providing them unique value propositions through innovation and technology."

The company's gross refining margins (GRM) for Q2 came in at \$9.4 per barrel, its highest in the last four quarters. It was \$9.5 per barrel a year ago, and \$8.1 per barrel in the June 2019 quarter. EBIT for the refining business fell 6.9 per cent year-on-year (YoY) to Rs 4,957 crore. For its petrochemicals business, EBIT fell 6.4 per cent to Rs 7,602 crore.

"IMO is clearly the short-term positive trigger for improvement in refining margin, but because of the overall weak demand environment, it is pulling the margins in the other side. It (IMO) can be constructive impact," said V Srikanth, joint chief financial officer of RIL.

Reliance Retail delivered stellar Q2FY20 result. EBITDA clocked yoy growth of 66.8 percent to Rs. 2,322 crores in Q2FY20. "Continuing growth trends in our retail business is heartening," Reliance Industries chairman Mukesh Ambani said. The Company said the strong numbers from the retail arm came "despite consumption" and the 13 year old business had recorded the fourteenth successive quarter of growth in revenue and profit.

Reliance Jio also impressed with its Q2FY20 result with eight profitable consecutive quarter. Jio Standalone revenue from operations stood Rs. 12,354 crore. Standalone EBITDA stood at Rs. 5,166 crore with EBITDA margin of 41.8%. Standalone Net Profit witnessed a growth of 45.3 percent to Rs. 990 crore on yoy basis. However, ARPU witnessed a fall on addition of more JioPhone subscribers. Jio has witnessed more than 3x increase in voice and data traffic on its network, over the past two years. However, with >750K eNodeBs (across 800MHz/ 1800MHz/ 2300MHz bands) deployed on 4G-LTE, Jio continues to be by far the industry leader in terms of network capacity and performance (average download speed of 21.3 Mbps during August 2019, as per TRAI).

Outstanding debt as on 30th September 2019 was Rs. 2,91,982 crore (US\$ 41.2 billion) compared to Rs. 287,505 crore as on 31 st March, 2019. Cash and cash equivalents as on 30th September, 2019 were at Rs.134,746 crore (US\$ 19.0 billion) compared to Rs. 133,027 crore as on 31st March, 2019. The capital expenditure for the quarter ended



## AJCON GLOBAL

YOUR FRIENDLY FINANCIAL ADVISOR

30th September, 2019 was Rs.19,095 crore (US\$ 2.7 billion) including exchange rate difference.

RIL's market valuation topped Rs. 9 trillion in intra-day trade on Friday, becoming the first domestic company to do so. On Friday, shares of the company rose as much as 2.3 per cent before giving up some gains to end at Rs. 1,415, up 1.4 per cent. At close, the company was valued at Rs 8.98 trillion (\$125 billion).

Shares of public sector undertaking (PSU) companies made major moves on exchanges, rallying by up to 25 per cent on the BSE, on Friday on the back of heavy volumes. Shares of Bharat Heavy Electricals (BHEL), Hindustan Copper, MMTTC and The New India Assurance Company surged more than 11 per cent, while MOIL, NBCC (India), NLC India, General Insurance Corporation of India (GIC Re), National Aluminium Company, Steel Authority of India (SAIL), IFCI and Shipping Corporation of India (SCI) jumped in the range of 5-10 per cent on the BSE.

Furthermore, Bharat Electronics (up 7 per cent at Rs 121) and India Tourism Development Corporation or ITDC (up 4 per cent at Rs 368) hit their respective 52-week highs in the intra-day on Friday.

### **Indian rupee**

On a weekly basis, the Rupee ended lower by 12 paise at 71.14 on October 18 against the October 11 closing of 71.02.

### **Crude oil**

Oil prices continue to decline on global slowdown in economic activity. China's slowest GDP growth in almost three decades also stoked demand fears.

### **Global markets**

On Thursday, new Brexit deal uplifted sentiments globally. UK President Boris Johnson said that Britain and the European Union had agreed a "great" new Brexit deal and urged lawmakers to approve it at the weekend. Progress in US - China trade talks also aided in improving sentiments of global investors.

However, Asian stocks stumbled on Friday, erasing earlier gains after China posted its weakest growth in nearly three decades, countering a global lift in sentiment on the UK and European Union striking a long-awaited Brexit deal.

### **Ajcon's view**

It was good to see FII remaining net buyers in the last week along with DIIs. The flow can continue once corporate earnings start improving along with GDP data. Going ahead all eyes would be on ongoing Q2FY20 earnings season, festive sales, agriculture output, corporate advances growth.

We expect the rally to continue as Reliance Industries has posted handsome result which will instill confidence among investor community.

The Government has already taken big steps to improve deteriorating sentiments and tackle economy slowdown. The Finance ministry reduced corporate tax rate to 22 percent without exemptions (after surcharge Effective tax rate to be 25.17). To boost FDI in Country and promote "Make in India", the Government introduced lower tax rate of 15% for new manufacturing companies which will benefit companies looking to set up new capacity in India. Earlier, the Finance Ministry rolled back high taxes on foreign investors to tweak in



## AJCON GLOBAL

YOUR FRIENDLY FINANCIAL ADVISOR

FDI norms and earlier on August 30, Finance Minister Nirmala Sitharaman unveiled mega merger plan to help India become a US\$5 trillion economy and kick start investment cycle. No doubt, the above steps would help in improving economic activity but we still believe some more steps are required from the Government to increase the purchasing power of consumers which can result in revival of demand. In addition, to revive investment led spending, corporate advances growth should happen in PSU banks.

Long term investors with an horizon of more than 2 years should look at building long term portfolio in companies which have weathered the storm in different market cycles, suited to changing dynamics of the economy as business models are changing in new age economy and delivered decent financial performance. The strategy at present should be invest in phased manner only in companies which have a robust business model, strong earnings and cashflow visibility, low debt, no pledge of promoter holdings and backed by quality management especially on the corporate governance front.

**Dr. Ashok Ajmera, FCA**



**AJCON GLOBAL**  
YOUR FRIENDLY FINANCIAL ADVISOR

## **Disclaimer**

Ajcon Global Services Ltd. is a fully integrated investment banking, merchant banking, corporate advisory, stock broking, commodity, and currency broking. Ajcon Global Services Ltd. 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 Ltd. 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 Ltd. 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 affiliates, 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 Ltd. 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 Ltd. 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 Ltd. While we would endeavour to update the information herein on a reasonable basis, Ajcon Global Services Ltd. 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 Ltd. 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 Ltd. 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 Ltd. 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 Ltd. 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

YOUR FRIENDLY FINANCIAL ADVISOR

Ajcon Global Services Ltd. encourages independence in research report preparation and strives to minimize conflict in preparation of research report. Ajcon Global Services Ltd. 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 Ltd. nor Research Analysts have any material conflict of interest at the time of publication of this report.

It is confirmed that CA Ashok Ajmera 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 Ltd. 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 CA Ashok Ajmera 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 Ltd. 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 Ltd. 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 Ltd. by any Regulatory Authority impacting Equity Research Analysis activities.

### **Analyst Certification**

I, CA Ashok Ajmera, 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 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.



**AJCON GLOBAL**  
YOUR FRIENDLY FINANCIAL ADVISOR

**For research related queries contact:**

Mr. Akash Jain – Vice President (Research) at [research@ajcon.net](mailto:research@ajcon.net)

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 - (4<sup>th</sup> 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