Arihant's LUE Plus

ISSUE | JULY 2020



InsideThe Issue















INDIAN INDICES

Indices	Jun-20	May-20	Monthly Change (%)
SENSEX	34915.80	32424.10	7.68 🛊
NIFTY 50	10302.10	9580.30	7.53 🛊
NIFTY BANK	21370.15	19297.25	10.74 🛊
NIFTY MIDCAP 100	14704.00	13273.00	10.78 🛊
NIFTY 500	8474.80	7822.40	8.34 🛊
NIFTY IT	14754.30	14010.50	5.31 🛊
NIFTY REALTY	202.65	180.10	12.52 🛊
NIFTY INFRA	3032.35	2845.15	6.58 🛊

(Source: BSE & NSE)

BSE SECTORAL INDICES

Indices		Jun-20	May-20	Monthly Change (%)
AUTO	₽	15275.21	14094.69	8.38 🖈
BANKEX	aux III	24293.83	22135.67	9.75 ♠
CD		20338.20	18966.54	7.23 🛧
CG		12858.81	12333.98	4.26 ♠
FMCG		11258.33	10897.67	3.31 ♠
НС	Ô	16262.97	15646.40	3.94 ♠
IT		14886.92	14067.30	5.83 ♠
METAL		7210.02	6805.26	5.95 ♠
OIL & GAS		12668.18	11835.97	7.03 🛊
PSU		4882.37	4498.12	8.54 🖈
REALTY		1581.44	1411.46	12.04 🛊
TECK		7569.21	7222.49	4.80 ♠

GLOBAL INDICES

Indices	Jun-20	May-20	Monthly Change (%)
DOW JONES	25812.88	25383.11	1.69 🛊
NASDAQ	10058.77	9489.87	5.99 🛊
HANG SENG	24427.19	22961.47	6.38 🛊
FTSE	6169.74	6076.60	1.53 🛊
NIKKEI	22288.14	21877.89	1.88 ♠

COMMODITIES

Particulars	Jun-20	May-20	Monthly Change (%)
MCX GOLD	48560.00	46995.00	3.33 ♠
MCX SILVER	48600.00	47905.00	1.45 ♠
MCX CRUDE OIL	3015.00	2564.00	17.59 🛊
MCX NATURAL GAS ()	130.40	135.90	-4.05 ♣

FOREX

Particular	Jun-20	May-20	Monthly Change (%)	
USD-INR ₹	75.59	75.55	0.05 🛊	
EUR-INR €	84.70	84.16	0.64	
GBP-INR £	92.74	93.24	-0.54 🖊	
JPY-INR ¥	70.15	70.48	-0.47 ♣	

(Source: Falcon software)

(Source: SEBI)

(Source: Falcon software)

FII Activity (Rs. Cr.)

Date	Gross Purchases	Gross Sales	Net Pur/Sales	
Total for Jun 2020	161,016.54	148,708.65	12,307.89	
Total for 2020*	824,673.01	852,710.26	-28,037.25	

MF Activity (Rs. Cr.)

Date	Gross Purchases	Gross Sales	Net Pur/ Sales	
Total for Jun 2020	71,868.76	72,272.77	-404.01	
Total for 2020*	450,984.22	414,560.06	36,424.16	

*Till Jun 2020 (Source: SEBI)



Monthly Market Roundup

In June 2020, Domestic market moved positively with benchmark Sensex and Nifty Index ending the month with 7.7% and 7.5% gains respectively. During the June month, markets witnessed huge volatility, but eventually, almost all sectoral indices closed in green after the government announced relaxations in Unlock 1.0 and there are many indicators which have bounced off lows whether be it electricity consumption, E-way bill, GST collections, traffic at ports, railway freight, retail payments and even cash in circulation has come down.

On the sectoral front

Nifty PSU and reality were the best performing sectors, while Nifty FMCG and Metals were flat during the month. Nifty PSU was the top Performer at 26.4%, followed by Nifty Media with 14.1% gain for the month. While Nifty FMCG was flat at 2.6.%. Other major sectoral indices saw positive momentum in the month of June. Nifty Reality index gained 12.5%, followed by Nifty NBFCs, which rose by 10.9%. Nifty Private Bank & Metals also gained by 10.8% & 5.9% respectively. Nifty 100 Midcap and Nifty 100 Small Cap ended the month with a gain of 10.8% and 15.3% respectively.

World Economic Outlook Update, June 2020: A Crisis like None Other & Uncertain Recovery

Global growth is projected at 4.9% in 2020, 1.9% points below April 2020 World Economic Outlook (WEO) forecast. The COVID-19 pandemic has had a more negative impact on activity in the first half of 2020 than anticipated, and the recovery is projected to be more gradual than previously forecasted. In 2021 global growth is projected at 5.4%. Overall, this would leave 2021 GDP some 6½ % points lower than in the pre-COVID-19 projections of January 2020.

India's GDP to contract 3.1% in 2020: Moody's

Moody's Investor Service further downgraded its growth forecast for India to -3.1% this calendar year compared to 0.2% in April. The June 2020 update of its Global Macro Outlook, expected a marginally stronger rebound at 6.9% in 2021, as opposed to 6.2% in the April update. The global rating agency lowered its estimates for almost all major economies. For the G20 advanced economies, the report projected a contraction of 6.4% in 2020 followed by a 4.8%.

On the global front

In June 2020, market looked cautious on the prospect of fresh trade tensions between the US and Europe and an uptick in COVID-19 cases around the world and worsening economic damage. Even the International Monetary Fund's has downgraded global economic projections and this shook the confidence of the investors. Fed has estimated that the economy will shrink 6.5% this year, in line with other forecasts, before expanding 5 per cent in 2021. The Fed also projects the unemployment rate to fall to 9.3% by year-end from 13.3% in May. Recent data showed that GDP in the euro area contracted by 3.6% compared to the previous quarter.

The S&P 500 index, ended the month with flat to positive territory of 1.8%. Commodity market is facing very rough patch over the first half. While the 2nd half going to start now with new normal of opening up economies, raw materials are going to be under lenses to see the upcoming prospects and pitfalls. The mixed picture as of now suggesting to be selective. WTI crude surged 16.5%, while gold up by 2.80% The USD/INR flat at -0.10% in the month of June.

Market
Outlook

US' Nasdaq 6%, UK's FTSE and US' Dow Jones closed in positive territory with 1.5% & 1.7% respectively. Whereas, Hong Kong's Hang Seng, ended the month with positive territory of 6.4% respectively, Japan's Nikkei gained 1.9%...

Economic Data Wrap Up: June

- India's July Nikkei Services PMI surged at 33.7 from 12.6 in June.
- India's May Trade Balance at -3.15B from -6.76B in April.
- India's May WPI inflation declined to 3.21% compared to in April 1.0% and Previous revised to 0.42%.
- India's April IIP at -0.8% compared to -16.7% in March and Previous revised to -18.3%..
- India's July Nikkei Markit Manufacturing PMI surged at 47.2 from 30.8 in June.

Nifty Technical Outlook: July - 2020



On the monthly chart, we are observing a strong bear candle which has tested the median line of the channel (shown above in the graph). In coming month if Nifty trades and close above 10491 level then it is likely to test 10786 - 11080 - 11423 levels. However, if Nifty trades and close below 10112 level then it can test 9818 - 9524 - 9181 levels.

At present the monthly trend is up. However, we are of the opinion that Nifty has support at 9800 level. As long as Nifty holds this level on monthly closing basis there is high probability that Nifty may test 10786 - 11080 - 11423 levels. Hence, one needs to adopt cautiously positive approach at current level as stock specific move is likely to continue.



Fundamental Stack



Mahindra & Mahindra Ltd.

BUY	Target Price: Rs. 621
Value Parameters	
BSE Code	500520
NSE Symbol	M&M
CMP (As on 04th July, 2020)	Rs. 531
Face Value	Rs. 5
52 Week High / Low	675/245
Market Cap (Rs bn)	606
Equity Capital (Rs mn)	5965

Company Overview:

Mahindra & Mahindra Ltd (M&M) operates in nine segments: automotive segment comprises of sales of tractors, spare parts and related services; information technology (IT) services comprises of services rendered for IT and telecom; financial services comprise of services relating to financing, leasing and hire purchase of automobiles and tractors; steel trading and processing comprises of trading and processing of and processing of steel; infrastructure comprise of operating of commercial complexes, project management and development; hospitality segment comprises of sale of timeshare; Systech segment comprises of automotive components and other related products and services, and its others segment comprise of logistics, after-market, two wheelers and investment.

Investment rationale- Q4FY20 Company reported

Operating results ahead of estimates

M&M + MVML reported weak operating performance was offset marginally by margin expansion. Net sales stood at Rs. 90,047 mn (-34.8% YoY / -27.1% QoQ). Gross margins expanded by 40 bps to 35.7% driven by commodity cost benefits and cost rationalization measures by the company. EBITDA was at Rs. 12,275 mn (-34.3% YoY / -25.6% QoQ) with margin of 13.6% (+1bps YoY / +3bps QoQ). PAT was at Rs 3,226 (-70% YoY / -64.4% QoQ). PAT after exceptional items was primarily impacted due to write down of investment in Ssangyong and some other international subsidiaries.

Tractor segment to recover faster on robust rural sentiments:

M&M stated that rural sentiments have been robust given good rabi harvest and water reservoir levels. Moreover, forecast of a normal monsoon has further buoyed sentiments. Further, M&M stated that the government's spending on the rural segment has been higher, which would also boost sentiments. M&M stated that the tractor segment is likely to witness faster recovery (May 2020 saw wholesales reaching near normal). M&M stated that 90% of tractor dealers have resumed operations and the company has reached 80% capacity utilisation and is planning to further ramp up capacity.

Automotive segment volumes to be impacted in FY2021; Expect recovery in FY2022: The automotive segment is expected to be under pressure in FY2021 due to the economic slowdown on account of COVID-19 and cost increases due to BS6 emission norms. However, M&M plans to launch three new products in the SUV segment in FY2021 (around festive season). New launches coupled with economic recovery and pent-up demand would lead to recovery in volumes in FY2022.

Outlook and valuation

At CMP of Rs 531, M&M currently trades at FY20 core PE of 13.8x.M&M earnings were ahead street estimates as company managed to maintain margins despite the steep fall in the topline. However Prolonged COVID-19 infection could dampen consumer sentiments and impact demand. Further, increased competitive intensity in the utility vehicles segment could affect stock. Further, the pace of recovery in tractors has surprised positively (May wholesales reached near normal) and the company is ramping production in the tractor space led by strong margin execution and guidance of further cost-cutting initiatives. At CMP of Rs 531, stock is trading at core PE of 14.7x to its FY22E. We have a 'Buy' rating on the stock, with SOTP based target price of Rs 621.





Maruti Suzuki

Total Sales: 57,428 units, -54% YoY down
Domestic Sales: 52,300 units, -53.7% YoY down
PV Sales: 51,274 units, -53.8% YoY down
Exports: 4,289 units, -56.4% YoY down



TVS Motor

Total Sales: 198,387 units, -33% YoY down 2Wheeler Sales: 144,817 units, -33% YoY down 3Wheelers Sales: 7,311 units, -46% YoY down Exports: 53,123 units, -32% YoY down



Mahindra & Mahindra

Total Sales: 19,358 units, -77% YoY down
Domestic Sales: 18,505 units, -78% YoY down
PV Sales: 8,075 units, -57% YoY down
CV Sales: 10,417 units, -36% YoY down
M&HCV Sales: 51 units, -93% YoY down
Exports: 853 units, -72% YoY down



Atul Auto

Total Sales: 1,044 units, -72% YoY down



Bajaj Auto

Total Sales: 278,097 units, -31% YoY down
Domestic Sales: 151,189 units, -34% YoY down
CV Sales: 22,975 units, -57% YoY down
Motorcycle Sales: 255,122 units, -27% YoY down

Exports: 126,908 units, -28% down



Escorts

Total Sales: 10,851 units, 21% YoY up Domestic Sales: 10,623 units, 23% YoY up Exports: 228 units, -27% YoY down



Hero MotoCorp

Total Sales: 450,744 units, -27% YoY down



Ashok Leyland

Total Sales: 2,394 units, -81% YoY down M&HCV Sales: 572 units, -93% YoY down LCV Sales: 1,560 units, -64% YoY down



Tata Motors

Total Sales: 23,845 units, -82% YoY down

PV Sales: 14,571 units, -61% YoY down CV Sales: 10,476 units, -90%YoY down M&HCV Sales: 2,117 units, -92% YoY down



Volvo-Eicher Commercial Vehicles

Total Sales: 1,358 units, -70% YoY down

Eicher Motorcycle

Total Sales: 38,065 units, -35% YoY down Exports: 1,555 units, -52% YoY down



MUTUAL FUNDS

Indian equity markets rejoiced and ended on positive note in June 2020. The barometer index, S&P BSE Sensex delivered positive returns of 7.68% to settle at 34915.80 and Nifty50 gained 7.53% ending the month at 10302.10.

MF ACTIVITY

Indian mutual funds were net seller of equities to the tune of Rs 404.01 crores in the month of June 2020. Highest Buying was recorded in the fifth week of the month when the fund houses made total net buy of Rs 3285.66 crores of equities. On the other hand, foreign institutional investors (FIIs) were net Buyers to tune Rs 12307.89 crores worth of equities in June 2020.

Mutual Fund Activity In June 2020

Rs in Crores	Gross Purchases	Gross Sales	Net Investment
1st Week	14847.51	18462.41	-3614.90
2nd Week	14572.39	14833.54	-261.15
3rd Week	15657.70	12768.44	2889.26
4th Week	19650.56	22353.44	-2702.88
5th Week	7140.60	3854.94	3285.66
Total	71868.76	72272.77	-404.01

Note: Mutual Fund activity as on 30 $^{\rm th}$ June 2020





Equity Scheme Recommendation

	Latest	AUM as on 31st	Launch	Returns (%)				Min. Investment Amount	
Scheme Name	NAV*	May, 2020 (Rs in Cr)	May, 2020 Date		Three Years	Five Years	Since Inception	SIP	Lump sum
Large Cap Fund									
Axis Bluechip Fund(G)	28.69	13003	05-Jan-10	-4.24	8.82	8.19	10.57	1000	5000
ICICI Pru Bluechip Fund (G)	38.07	21766	23-May-08	-11.78	2.14	5.59	11.67	100	100
Mirae Asset Large cap Fund(G)	46.27	15175	04-Apr-08	-11.14	3.05	7.35	13.33	1000	5000
Multi Cap Fund									
Axis Focused 25 Fund(G)	27.01	9428	29-Jun-12	-5.48	5.64	8.31	13.21	1000	5000
Kotak Standard Multicap Fund(G)	32.31	25984	11-Sept-09	-10.94	2.22	7.15	11.46	500	5000
SBI Magnum Multicap Fund (G)	43.14	7825	29-Sept-05	-13.86	0.73	6.02	10.41	500	1000
Mid Cap Fund	Mid Cap Fund								
DSP MidCap Fund(G)	53.54	6498	25-Jun-07	-1.82	1.78	8.38	13.09	500	5000
L&T Mid Cap Fund (G)	119.05	5326	9-Aug-04	-9.61	-2.49	6.70	16.86	500	5000

Note: Returns as on 30^{th} June, 2020, Returns < 1 yr annualized, Returns > 1 yr compounded annualized.

Debt Scheme-Liquid Funds Recommendation

		AUM as on		Returns (%)					
Scheme Name	YTM	Latest 31st May, NAV* 2020 (Rs in Cr)	2020	One Month	Three Months	Six Months	One Year	Since Inception	
Liquid Fund									
Axis Liquid(G)	3.78	2219.81	29605	0.31	1.17	2.63	5.64	7.71	
ICICI Pru Liquid Fund(G)		296.02	57566	0.33	1.20	2.64	5.62	7.70	
Ultra Short Term Fund					,				
Kotak Saving Fund(G)	4.78	32.78	9128	0.69	2.14	3.64	7.43	7.76	
L&T Ultra Short term Fund(G)	4.38	33.36	1708	0.51	2.07	3.67	7.33	7.46	

 $Note: NAV \ and \ Returns \ as \ on \ 30^{th} June, \ 2020, \ Returns \ < 1 \ yr \ annualized, \ Returns \ > 1 \ yr \ compounded \ annualised.$

ELSS Scheme Recommendation

		AUM as			Retur	ns (%)	
Scheme Name	Latest NAV*	on 31 st May, 2020 (Rs in Cr)	Launch Date	One Year	Three Years	Five Years	Since Inception
Mirae Asset Tax Saver(G)	16.71	3141	28-Dec-15	-7.22	4.67	-	12.05
Axis LT Equity Fund(G)	43.36	19127	29-Dec-09	-5.44	5.80	7.15	14.98
Kotak Tax Saver(G)	41.04	1030	31-May-96	-10.09	1.95	5.67	10.15

Note: NAV and Returns as on 30th June, 2020, Returns <1 yr annualised, >1 yr compounded

THE MONTH AHEAD KEY FINANCIAL EVENTS JULY 2020



JUL 01-02

- Indian Automobile Sales Data, by Automakers
- USD ISM Manufacturing PMI
- USD Unemployment Rate
- Indian Manufacturing PMI

JUL 08

- Indian Automobile Sales Data, by SIAM
- GBP Monetary Policy Report Hearings

JUL 14

- Indian WPI
- GBP GDP m/m
- GBP Manufacturing Production m/m

JUL 17

- GBP Retail Sales m/m
- USD Prelim UoM Consumer Sentiment

JUL 29

- USD Federal Funds Rate
- USD FOMC Statement

JUL 03-04

- Indian Nikkei Service PMI
- GBP Final Services PMI
- EUR ECB President Lagarde Speaks

JUL 09-10

- USD Unemployment Claims
- USD Core PPI m/m
- USD PPI m/m
- Indian IIP

JUL 15

- GBP CPI v/v
- USD Industrial Production m/m

JUL 18-19

- G20 Meetings

JUL 30

- USD FOMC Press Conference
- USD Advance GDP q/q

JUL 06

- USD ISM Non-Manufacturing PMI

JUL 13

- Indian CPI

JUL 16

- EUR Monetary Policy Statement
- USD Unemployment Claims
- USD Retail Sales m/m

JUL 23

- EUR German Flash Services PMI
- USD Unemployment Claims
- USD Flash Manufacturing PMI

JUL 31

- USD Employment Cost Index q/q
- USD Personal Spending m/m





ARIHANT'S SIP INVESTMENT

WHY SIP INVESTMENT







POWER OF COMPOUDING



RUPEE COST AVERAGING



SMALL POCKET INVESTMENT

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Embatron: This incorrect how been proposed by Arbert Explicit Market Light (Name) and several book and several date and sever