

Arihant's

# VALUE *Plus*

ISSUE | JUNE 2020

PUZZILLA

# AATMA NIRBHAR

BOYCOTT

CHINA



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# MOVERS & SHAKERS



## INDIAN INDICES

Indices	May-20	Apr-20	Monthly Change (%)
SENSEX	32424.10	33717.62	-3.84↓
NIFTY 50	9580.30	9859.90	-2.84↓
NIFTY BANK	19297.25	21534.50	-10.39↓
NIFTY MIDCAP 100	13273.00	13502.00	-1.70↓
NIFTY 500	7822.40	8012.90	-2.38↓
NIFTY IT	14010.50	14108.35	-0.69↓
NIFTY REALTY	180.10	187.30	-3.84↓
NIFTY INFRA	2845.15	2753.15	3.34↑

(Source: BSE & NSE)

## BSE SECTORAL INDICES

Indices		May-20	Apr-20	Monthly Change (%)
AUTO		14094.69	13349.86	5.58↑
BANKEX		22135.67	24724.52	-10.47↓
CD		18966.54	20525.39	-7.59↓
CG		12333.98	12186.72	1.21↑
FMCG		10897.67	10770.70	1.18↑
HC		15646.40	15332.39	2.05↑
IT		14067.30	14235.04	-1.18↓
METAL		6805.26	6745.97	0.88↑
OIL & GAS		11835.97	12066.36	-1.91↓
PSU		4498.12	4785.00	-6.00↓
REALTY		1411.46	1450.37	-2.68↓
TECK		7222.49	7152.18	0.98↑

## GLOBAL INDICES

Indices	May-20	Apr-20	Monthly Change (%)
DOW JONES	25383.11	23723.69	6.99↑
NASDAQ	9489.87	8604.95	10.28↑
HANG SENG	22961.47	24643.59	-6.83↓
FTSE	6076.60	5901.21	2.97↑
NIKKEI	21877.89	20193.69	8.34↑

## COMMODITIES

Particulars		May-20	Apr-20	Monthly Change (%)
MCX GOLD		46654.00	44906.00	3.89↑
MCX SILVER		50118.00	40989.00	22.27↑
MCX CRUDE OIL		2564.00	1315.00	94.98↑
MCX NATURAL GAS		135.90	144.20	-5.76↓

(Source: Falcon software)

## FOREX

Particular		May-20	Apr-20	Monthly Change (%)
USD-INR	₹	75.55	75.27	0.37↑
EUR-INR	€	84.16	81.84	2.83↑
GBP-INR	£	93.24	94.09	-0.90↓
JPY-INR	¥	70.48	70.60	-0.17↓

(Source: Falcon software)

## FII Activity (Rs. Cr.)

Date	Gross Purchases	Gross Sales	Net Pur/Sales
Total for May 2020	130,298.54	115,729.77	14,568.77
Total for 2020*	663,656.47	704,001.61	-40,345.14

(Source: SEBI)

## MF Activity (Rs. Cr.)

Date	Gross Purchases	Gross Sales	Net Pur/Sales
Total for May 2020	62,863.52	57,754.83	5,108.69
Total for 2020*	379,115.46	342,287.29	36,828.17

\*Till May 2020

(Source: SEBI)



## Monthly Market Roundup

In May 2020, Domestic market ended on a negative note with benchmark Sensex and Nifty Index ending the month with -3.84% & -2.84% respectively. During the end of May month, markets moved higher on hopes that the government would give more relaxations and give states more autonomy in case it imposes the fifth phase of the nationwide lockdown. There was also expectation that government would announce more measures to support the tenuous economy. Whereas in the month of May government announced Rs 20 lakh crore-relief package to help Indian economy to kick-start its slowing engine.

### On the sectoral front

Nifty Auto and Metal were the best performing sectors, while Nifty PSU Bank and Financial services experienced decline. Nifty Auto was the top Performer at 13.6%, followed by Nifty Metals with 9.7% gain for the month. While Nifty PSU banks was the top loser at 9.3%. Other major sectoral indices saw positive momentum in the month of May. Nifty Pharma index gained by 4.3%, followed by Nifty Media, which rose by 6.3%. Nifty Reality & IT also gained by 3.3% & 4.1% respectively. Nifty 100 Midcap and Nifty 100 Small Cap ended the month with a gain of 2.8% and 1.4% respectively.

### RBI Interest Rate Decision

The Reserve Bank of India on 22<sup>nd</sup> May 2020 announced a surprise 40 basis points repo rate cut in an off-cycle policy review. The short-term lending rate now stands at 4%, down from 4.4% earlier. The repo rate has, thus, fallen to the lowest level since 2000. The reverse repo rate has also been reduced by a similar measure to 3.35% from 3.75% earlier.

The central bank maintained its 'accommodative' stance.

### GDP Data

India's economic growth slumped to 3.1% in the March quarter, the slowest pace in 11 years, even as fresh data suggested the economy may be headed for a major shock in the June quarter. Data released by the statistics department showed GDP grew at 4.2% in the year ended 31 March, compared with 6.1% in the previous year, as private consumption slowed down and investment demand contracted even before the pandemic hit the economy. To add to the government's woes, India's fiscal metrics worsened beyond government's estimates, with the fiscal deficit for FY20 widening to 4.6% of GDP against the finance ministry's estimate of 3.8% of GDP.

The March quarter GDP partially captures the impact of the coronavirus-induced lockdown, which was formally imposed on 25 March and is now in its third month. Manufacturing output shrank 1.4% in the quarter, the third straight contraction. Agriculture and government spending are the only silver linings, growing at 5.9% and 10.1%, respectively, in the March quarter. The construction sector, the second largest employer after agriculture, contracted for the second straight quarter in the three months ended March at 2.2%.

### On the global front

In May 2020, Worldwide, Major countries have started lifting to varying degrees some of their restrictions on economic and social activities. While there has been an uptick in infections in some of the states that have re-opened, this increase has also coincided with enhanced diagnostic testing. Diagnostic testing in the US has been expanding considerably since April 21, with the last week averaging over 400,000 tests a day.



The S&P 500 index, ended the month with positive territory pf 7.55%. On the commodity markets front recovery was witnessed as Crude has risen more in the month of May as production cuts have kicked in and demand has started to return. WTI crude surged 33.62%, while gold up by 2.12% The USD/INR flat at 0.19% in the month of 2020.

US' Nasdaq 10.28%, UK's FTSE and US' Dow Jones closed in positive territory with 5.44% & 6.99% respectively. Whereas, Hong Kong's Hang Seng, ended the month with negative territory of 6.83% respectively, Japan's Nikkei gained 11.51%.

## Nifty Technical Outlook: June - 2020



## Economic Data Wrap Up: May

- India's April Nikkei Services PMI slipped at 5.4 from 49.3 in March.
- India's April Trade Balance at 6.76B from 9.76B in March.
- India's April CPI inflation surged to 5.84% compared to 5.91% in March.
- India's March IIP de-growth 16.7% compared to 4.0% in February and Previous revised to 4.6%.
- India's May Nikkei Markit Manufacturing PMI surged at 30.8 from 27.4 in April.

On the monthly chart, we are observing an inside month candle which suggests that a pullback rally cannot be ruled out.

In coming month if Nifty trades and close above 9730 level then it is likely to test 9961 – 10192 – 10462 levels. However, if Nifty trades and close below 9430 level then it can 9199 – 8968 – 8699 levels.

**At present the monthly trend is down. However, we are of the opinion that Nifty has support at 9200 – 8950 levels. As long as Nifty holds this level on monthly closing basis there is high probability that Nifty may test 9961 – 10192 – 10462 levels. Hence, one needs to adopt cautiously positive approach at current level as stock specific move is likely to continue.**





# Fundamental Stock

## HDFC Bank Ltd.

BUY

Target Price: Rs. 1149

### Value Parameters

BSE Code	500180
NSE Symbol	HDFCBANK
CMP (As on 04 <sup>th</sup> June, 2020)	Rs. 1022
Face Value	Rs. 1
52 Week High / Low	1,306/738
Market Cap (Rs Cr)	5,60,529
Equity Capital (Rs cr.)	Rs. 548

### Company Overview:

HDFC Bank is one of the largest private sector bank in India, with a market share of ~9.6% in banking system as of FY20. It has a loan portfolio of ~Rs 9.9tn (as of March 2020), a strong branch network of 5,130 branches spread across urban and rural markets, good liability profile, well-diversified revenue mix, and consistent financial performance. The bank offers wide range of products across its retail and wholesale banking franchise. The bank is among top three players in Personal loan, CV loan, Auto loan and supply chain management. Bank originates home loans on behalf of its parent company, HDFC Ltd.

### Investment Rationale

#### Potential to gain market share

On the wake of Covid-19, competitive environment remains weak which should enable HDFC Bank to gain market share. Recent Yes/PMC Bank debacle further imply that depositors/customers are more comfortable choosing larger banks like HDFC Bank. We expect bank's loan growth to be slower as compared to its historical growth rate at 8%/12% in FY21E/FY22E. Retail loan growth to moderate going forward due to Covid-19 pandemic.

### Lower funding costs will help to maintain stable margins

HDFC Bank has strong liability franchise with CASA ratio at 42% which helps bank to insulate from margin pressure. Going forward, there will be some pressure on NIM due to lower credit growth in retail book and additional liquidity which bank has maintaining. We are expecting margins to remain in the range of 3.8%-4% over FY21E/FY22E (one of the best in banking sector).

### Asset quality to remain largely stable

HDFC bank's better lending practices, strong underwriting system and consistently increasing provisioning will help the bank to manage asset quality risk. Going forward there will be some spike in Bank's GNPA but higher provisioning buffer would help the bank to cushion the NPA impact. We expect, overall GNPA ratio to be in the range of 1.5-1.9%.

### Valuation & View

HDFC Bank's core banking business grew sharply during FY20 in contrast to the sector's reeling growth. HDFC Bank is known as one of the most reliable private banks in the urban & sub-urban geographies with vast branch network. Considering its stable margin, adequately capitalized, best liability franchise, better asset quality, Investments in digital strategy resulting in consistent cost rationalisation and superior management, we believe it is well placed to outperform its peers. Due to Covid-19 situation the loan growth will be lower in FY21 which is expected to pick up gradually once the situation normalizes. We are positive on the stock from longer term perspective. We have a Buy rating on the stock with a target price of Rs 1,149, valuing it at 3.2x FY22 ABVPS of Rs 359.

Key Risks: Sharp slowdown in credit growth, Substantial increase in NPA & credit cost.



# AUT SECTOR

## MAY SALES



### Maruti Suzuki

**Total Sales: 18,539 units**  
Domestic Sales: 13,888 units  
Exports: 4,651 units



### TVS Motor

**Total Sales: 58,906 units, -81% YoY Down**  
Exports: 9,640 units



### Mahindra & Mahindra

**Total Sales: 9,560 units, -79% YoY Down**  
Domestic Sales: 9,076 units, -79% YoY Down  
Exports: 484 units, -80% YoY Down



### Atul Auto

**Total Sales: 410 units, -88% YoY Down**



### Bajaj Auto

**Total Sales: 127,128 units, -70% YoY Down**  
Domestic Sales: 40,074 units, -83% YoY Down  
Exports: 87,054 units, -53% YoY Down



### Escorts

**Total Sales: 6,594 units, -3.4% YoY Down**  
Domestic Sales: 6,454 units, -0.5% YoY Down  
Exports: 140 units, -58.7% YoY Down



### Hero MotoCorp

**Total Sales: 112,682 units, -83% YoY Down**



### Ashok Leyland

**Total Sales: 1,420 units, -89% YoY Down**  
M&HCV Sales: 266 units, -97% YoY Down  
LCV Sales: 1154 units, -73% YoY Down



### Volvo-Eicher Commercial Vehicles

**Total Sales: 686 units, -86% YoY Down**

### Eicher Motorcycle

**Total Sales: 19,113 units, -69% YoY Down**



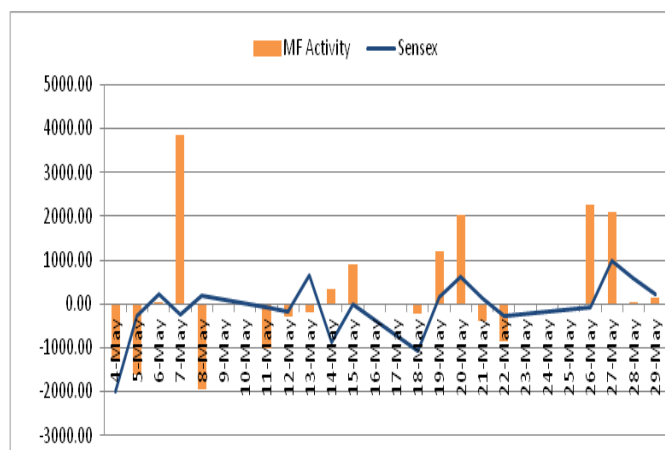


## MUTUAL FUNDS

Indian equity markets ended on negative note in May 2020. The barometer index, S&P BSE Sensex delivered negative returns of 3.84% to settle at 32424.10 and Nifty50 lost 2.84% ending the month at 9580.30.

### MF ACTIVITY

Indian mutual funds were net buyers of equities to the tune of Rs 5108.69 crores in the month of May 2020. Highest Buying was recorded in the fourth week of the month when the fund houses made total net buy of Rs 4527.86 crores of equities. On the other hand, foreign institutional investors (FIIs) were net Buyer to tune Rs 14568.77 crores worth of equities in May 2020.



### Mutual Fund Activity In May 2020

Rs in Crores	Gross Purchases	Gross Sales	Net Investment
1st Week	15319.50	16277.52	-958.02
2nd Week	16020.88	16261.72	-240.84
3rd Week	15270.40	13490.71	1779.69
4th Week	16252.74	11724.88	4527.86
<b>Total</b>	<b>62863.52</b>	<b>57754.83</b>	<b>5108.69</b>

Note: Mutual Fund activity as on 31<sup>st</sup> May 2020



## Equity Scheme Recommendation

Scheme Name	Latest NAV*	AUM as on 30 <sup>th</sup> Apr, 2020 (Rs in Cr)	Launch Date	Returns (%)				Min. Investment Amount	
				One Year	Three Years	Five Years	Since Inception	SIP	Lump sum
Large Cap Fund									
Axis Bluechip Fund(G)	27.09	12717	05-Jan-10	-9.06	6.77	6.96	10.05	1000	5000
ICICI Pru Bluechip Fund (G)	35.92	21821	23-May-08	-16.95	0.04	4.10	11.22	100	100
Mirae Asset Large cap Fund(G)	42.87	15347	04-Apr-08	-18.05	0.45	5.69	12.72	1000	5000
Multi Cap Fund									
Axis Focused 25 Fund(G)	25.01	9493	29-Jun-12	-12.67	3.48	6.89	12.27	1000	5000
Kotak Standard Multicap Fund(G)	29.99	26049	11-Sept-09	-18.53	-0.65	5.51	10.79	500	5000
SBI Magnum Multicap Fund (G)	40.55	7912	29-Sept-05	-19.91	-1.50	4.55	10.01	500	1000
Mid Cap Fund									
DSP MidCap Fund(G)	50.26	6488	25-Jun-07	-8.40	-0.68	7.22	12.66	500	5000
L&T Mid Cap Fund (G)	110.70	5367	9-Aug-04	-17.10	-4.33	5.13	16.42	500	5000

Note: Returns as on 31<sup>st</sup> May, 2020, Returns < 1 yr annualized, Returns > 1 yr compounded annualized.

## Debt Scheme- Liquid Funds Recommendation

Scheme Name	YTM	Latest NAV*	AUM as on 30 <sup>th</sup> Apr, 2020 (Rs in Cr)	Returns (%)				
				One Month	Three Months	Six Months	One Year	Since Inception
Liquid Fund								
Axis Liquid(G)	4.63	2212.99	25860	0.41	1.44	2.76	5.91	7.75
ICICI Pru Liquid Fund(G)	5.04	295.04	45457	0.43	1.44	2.73	5.87	7.72
Ultra Short Term Fund								
Kotak Saving Fund(G)	6.25	32.55	9148	0.92	1.94	3.32	7.27	7.76
L&T Ultra Short term Fund(G)	5.73	33.18	1616	0.98	2.21	3.54	7.37	7.47

Note: NAV and Returns as on 31<sup>st</sup> May, 2020, Returns < 1 yr annualized, Returns > 1 yr compounded annualised.

## ELSS Scheme Recommendation

Scheme Name	Latest NAV*	AUM as on 30 <sup>th</sup> Apr, 2020 (Rs in Cr)	Launch Date	Returns (%)			
				One Year	Three Years	Five Years	Since Inception
Mirae Asset Tax Saver(G)	15.28	3184	28-Dec-15	-15.64	1.76	-	9.96
Axis LT Equity Fund(G)	41.18	19632	29-Dec-09	-10.72	4.47	5.90	14.55
Kotak Tax Saver(G)	37.92	1040	31-May-96	-17.12	-1.18	3.99	9.61

Note: NAV and Returns as on 31<sup>st</sup> May, 2020, Returns <1 yr annualised, >1 yr compounded



# THE MONTH AHEAD KEY FINANCIAL EVENTS JUNE 2020



## JUN 01-02

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

## JUN 03

- Indian Nikkei Service PMI
- USD ISM Non-Manufacturing PMI

## JUN 04

- EUR ECB Press Conference
- EUR Monetary Policy Statement

## JUN 05

- USD Average Hourly Earnings m/m
- USD Unemployment Rate

## JUN 08

- Indian Automobile Sales Data, by SIAM
- CNY USD-Denominated Trade Balance

## JUN 10

- USD Core CPI m/m
- USD FOMC Statement

## JUN 11

- USD Unemployment Claims
- USD PPI m/m

## JUN 12

- Indian IIP
- Indian CPI
- GBP Manufacturing Production m/m

## JUN 15

- CNY Industrial Production y/y
- Indian WPI

## JUN 16

- USD Core Retail Sales m/m
- EUR German ZEW Economic Sentiment

## JUN 18

- GBP MPC Official Bank Rate Votes
- GBP Official Bank Rate
- USD Unemployment Claims

## JUN 23-24

- EUR German Flash Services PMI
- USD Flash Manufacturing PMI
- GBP Flash Services PM
- EUR German IFO Business Climate
- GBP Monetary Policy Report Hearings

## JUN 25

- USD Final GDP q/q
- USD Unemployment Claims

## JUN 29

- GBP Final GDP q/q
- USD Pending Home Sales m/m

## JUN 30

- USD CB Consumer Confidence
- USD Chicago PMI





THINK  
**BIG**  
START SMALL

## ARIHANT'S SIP INVESTMENT

### WHY SIP INVESTMENT



**DISCIPLINED INVESTMENT**



**POWER OF COMPOUNDING**



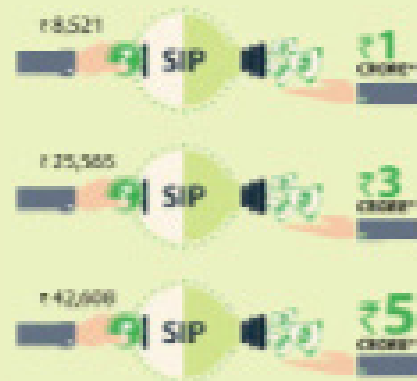
**RUPEE COST AVERAGING**



**SMALL POCKET INVESTMENT**

\*Note: The above figures are calculated on the basis of returns for illustrative purposes only. Actual fund investments are subject to market risks. Returns could vary significantly depending on factors such as, market risk, credit risk, liquidity risk, etc. Past performance is not a guarantee of future performance in any manner.

### 20 YEARS PERIOD



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