

# Arihant's VALUE Plus

ISSUE | MAY 2020

THEY HAD TO SWITCH TO  
SOMETHING MORE PROFITABLE  
THAN OIL.



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# MOVERS & SHAKERS



## INDIAN INDICES

Indices	Apr-20	Mar-20	Monthly Change (%)
SENSEX	33717.62	29468.49	14.42↑
NIFTY 50	9859.90	8597.75	14.68↑
NIFTY BANK	21534.50	19114.00	12.66↑
NIFTY MIDCAP 100	13502.00	11703.75	15.36↑
NIFTY 500	8012.90	6996.75	14.52↑
NIFTY IT	14108.35	12763.65	10.54↑
NIFTY REALTY	187.30	175.50	6.72↑
NIFTY INFRA	2753.15	2360.50	16.63↑

(Source: BSE & NSE)

## BSE SECTORAL INDICES

Indices		Apr-20	Mar-20	Monthly Change (%)
AUTO		13349.86	10746.15	24.23↑
BANKEX		24724.52	22050.02	12.13↑
CD		20525.39	19362.96	6.00↑
CG		12186.72	10979.45	11.00↑
FMCG		10770.70	10245.89	5.12↑
HC		15332.39	12148.57	26.21↑
IT		14235.04	12842.72	10.84↑
METAL		6745.97	5713.28	18.08↑
OIL & GAS		12066.36	10020.85	20.41↑
PSU		4785.00	4460.07	7.29↑
REALTY		1450.37	1353.65	7.15↑
TECK		7152.18	6403.40	11.69↑

## GLOBAL INDICES

Indices	Apr-20	Mar-20	Monthly Change (%)
DOW JONES	23723.69	21917.16	8.24↑
NASDAQ	8604.95	7700.10	11.75↑
HANG SENG	24643.59	23423.17	5.21↑
FTSE	5901.21	5671.96	4.04↑
NIKKEI	20193.69	18739.98	7.76↑

## COMMODITIES

Particulars		Apr-20	Mar-20	Monthly Change (%)
MCX GOLD		44906.00	42956.00	4.54↑
MCX SILVER		40989.00	39523.00	3.71↑
MCX CRUDE OIL		1315.00	1680.00	-21.73↓
MCX NATURAL GAS		144.20	131.10	9.99↑

(Source: Falcon software)

## FOREX

Particular		Apr-20	Mar-20	Monthly Change (%)
USD-INR	₹	75.27	75.45	-0.24↓
EUR-INR	€	81.84	82.78	-1.14↓
GBP-INR	£	94.09	93.53	0.60↑
JPY-INR	¥	70.60	69.65	1.36↑

(Source: Falcon software)

## FII Activity (Rs. Cr.)

Date	Gross Purchases	Gross Sales	Net Pur/Sales
Total for Apr 2020	120,697.50	127,581.07	-6,883.57
Total for 2020*	533,357.93	588,271.84	-54,913.91

(Source: SEBI)

## MF Activity (Rs. Cr.)

Date	Gross Purchases	Gross Sales	Net Pur/Sales
Total for Apr 2020	54,525.10	62,490.60	-7,965.50
Total for 2020*	316,251.94	284,532.46	31,719.48

\*Till Apr 2020

(Source: SEBI)

## Monthly Market Roundup

In April 2020, Domestic market rebounded sharply with benchmark Sensex and Nifty Index ended the month with 14.42% & 14.68% gains respectively. Amid the Covid-19 pandemic, In India, major cities like Mumbai, Delhi are still struggling and continue to see an increasing trend in number of cases. Government has categorised area with Red, Green and Orange Zones and relax lockdown rules in Orange and Green Zone. Though, area wise 30% of the area comes under Red Zone but over 40% of population and over 50% of GDP is contributed by this Red Zone.

### On the sectoral front

Nifty Pharma and Auto were the best performing sectors, while Nifty Realty, Nifty PSU Bank and FMCG experienced lesser gain. Nifty Pharma was the top Performer at 32.7%, followed by Nifty Auto with 26.7% gain for the month. Other major sectoral indices saw good recovery in the month of April. Nifty Metal index gained by 19.7%, followed by Nifty Media, which rose by 15.8%. Nifty NBFCs & Auto also gained by 18.2% respectively. Nifty 100 Midcap and Nifty 100 Small Cap ended the month with a gain of 17.7% and 15.2% respectively.

### RBI Press Conference

Reserve Bank of India (RBI) on April 17 cut the reverse repo rate by 25 basis points (bps) to 3.75 % versus 4% earlier. The central bank, however, kept all key rate, including repo rate, unchanged. On April 15, Rs 6.91 crore surplus was in the system. To allow banks to use this surplus into economy, reverse repo rate is being reduced by 25 bps from 4% to 3.75% under Liquidity adjustment facility (LAF). The policy measures taken by the RBI will sizeably expand liquidity in the system, which will ensure that financial markets and institutions are able to function normally in the face of COVID-19 related dislocations. This will also reinforce monetary transmission so that bank credit flows on easier terms are sustained to all those who have been affected.

### India's trade deficit

- During FY20, contraction in India's exports and imports left a trade deficit of \$152.9 billion.
- India's merchandise exports slumped by a record 34.6% in March while imports declined 28.7% as countries sealed their borders to combat the covid-19 outbreak.
- Engineering Export Promotion Council chairman Ravi Sehgal said the sharp drop in merchandise exports was not a surprise with major economies of the world in a state of lockdown. As per Experts impact on Fiscal Deficit in the Month of April will be more severe as international trade excepting medicine and essential supplies has come to a near halt. Exporters are facing a question of survival.
- The wide range of possibilities for the predicted decline is explained by the unprecedented nature of this health crisis and the uncertainty around its precise economic impact.
- This situation will certainly mean fewer new projects, as well as the scaling back of existing ones, it added. However, the bank said India's balance of payments position may improve. Weak domestic demand, low oil prices and COVID-19-related disruptions are expected to narrow the current account deficit to

### GDP Growth Rate

Moody's Investors Service on 28<sup>th</sup> April 2020 slashed India growth forecast for calendar year 2020 to 0.2%, from 2.5 % projected in March. For 2021, Moody expects India's growth to rebound to 6.2%. It expects G-20 advanced economies as a group to contract by 5.8% in 2020. Even with a gradual recovery, 2021 real GDP in most advanced economies is expected to be below pre-coronavirus levels. Any significant revival in investment activity is unlikely as capacity utilisation levels may remain suboptimal.

## On the global front

In April 2020, Worldwide, we witnessed positive developments related to Covid-19 where in new additions seem to have peaked out and Europe saw gradual decline in new additions.

Volatility declined from extreme levels. Developed stock markets outperformed emerging markets and growth stocks outperformed value. The S&P 500 index returned 12.8% and has recovered close to 60% of its prior decline. In commodity markets, the oil price remained volatile despite the agreement on production cuts. WTI oil futures for imminent delivery went negative as weak demand and difficulties in managing US oil storage meant traders were briefly paid to take physical delivery of oil. WTI crude dropped -7.2%, while gold went rose by 6.46% The USD/INR loss of -3.04% in the month of April 2020.

## The Fed

The Federal Reserve left rates unchanged at 0-0.25 bps at its April meeting and suggested it would not be raising them anytime soon as the virus takes a huge toll on economic growth.

US' Nasdaq 16.71%, UK's FTSE and US' Dow Jones closed in positive territory with 6.42% & 12.69% respectively. Whereas, Hong Kong's Hang Seng, Germany's DAX, ended the month with positive territory of 6.06%, 12.77% respectively, Japan's Nikkei gained 10.10%.

## Economic Data Wrap Up: April

- India's March Nikkei Services PMI slipped at 49.3 from 57.5 in February.
- India's March WPI Inflation declined to 0.90% as compared to 2.26% in February.
- India's March Trade deficit narrow to 9.76B from 9.85B in February.
- India's March CPI inflation slowed to 5.91% compared to 6.58% in February.
- India's February IIP growth 4.5% compared to 2.0% in January and Previous revised to 2.1%.
- India's April Nikkei Market Manufacturing PMI slipped at 27.4 from 51.8 in March.

## Nifty Technical Outlook: May - 2020



On the monthly chart, we are observing bull candle which has closed above the lower trendline of the channel (shown above in the graph). Hence, going forward the lower trendline holds significance. The lower trendline value is at 9000 level. Hence as long as nifty holds 9000 level on monthly closing basis we may see upside momentum.

In coming month if Nifty trades and close above 10197 level then it is likely to test 10733 - 11268 - 11892 levels. However, if Nifty trades and close below 9522 level then it can 8987 - 8453 - 7830 levels.

**At present the monthly trend is down. However, there is a possibility that the pullback rally may continue. Hence, one needs to adopt cautiously**

# Fundamental Stock

## Infosys Ltd

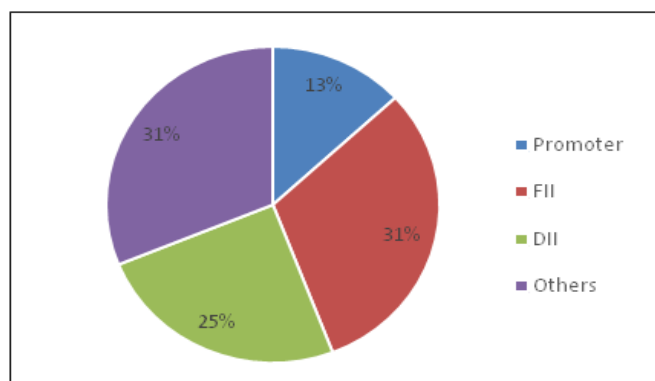
ACCUMULATE

Target Price: Rs. 737

### Value Parameters

BSE Code	500209
NSE Symbol	INFY
CMP (As on 04 <sup>th</sup> May, 2020)	Rs. 674
Face Value	Rs. 5
52 Week High / Low	847/509
Market Cap (Rs Cr)	2,86,950
EPS (FY22E)	Rs. 41
PE ratio (x) (FY22E)	16.5

### Shareholding Pattern % (Mar' 20)



### Company Overview:

Infosys is a global leader in next-generation digital services and consulting. It enables clients in 46 countries to navigate their digital transformation. From a capital of US\$ 250, It has grown to become a US\$ 12.78 bn (FY20 revenue) company with a market capitalization of approximately US\$ 35 bn. In its journey of over 38 years, it has catalyzed some of the major changes that have led to India's emergence as the global destination for software.

### Investment Rationale:

Q4FY20 Result Highlight: Infosys reported muted results in Q4FY20, mostly in line with our estimate. Consolidated revenue stood at Rs 2,32,670 mn, registering +8.0% YoY/+0.8% QoQ growth. Considering the business uncertainty emanating from COVID-19 the company has not provided guidance on revenues and margins for FY21 at this stage. The company will provide guidance after visibility improves. Infosys has historical track record of adapting to multiple business challenges and technology change cycles, Infosys will be ahead of the recovery in IT firms.

### Valuations

Despite near term weakness on account of Covid-19 disruption, subsequent improvement after normalcy will be supported by (1) Strong growth in digital (42% of revenue), (2) Resilience in large deal wins (bookings tracking well), (3) Market-share gains from vendor consolidation, and (4) Operational prudence & favourable onsite supply metrics. At CMP of Rs 674, Infosys is trading at a P/E of 17.1x and 16.5x its FY21E and FY22E earnings respectively.

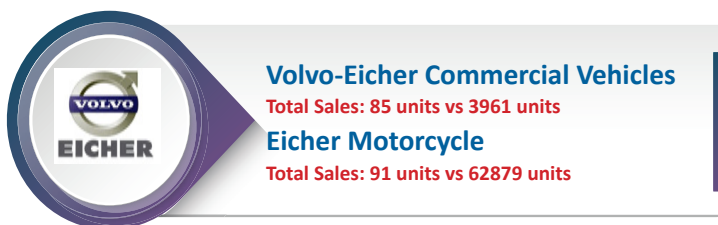
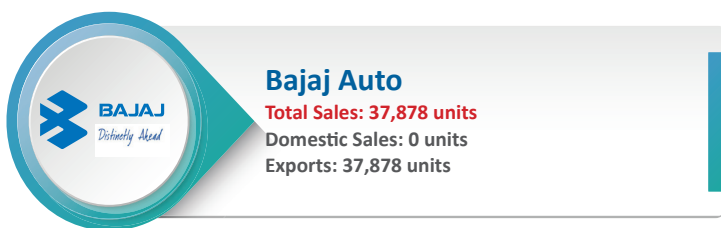
Due to muted Q4FY20 results and due to COVID-19 uncertainty the company is unable to provide guidance on revenues and margins for FY21 at this stage. We have an 'Accumulate' rating on the stock with a target price of Rs 737. Investor can accumulate the stock at a lower level.

### Financial Highlight

in Cr.	FY19	FY20	FY21E	FY22E
Revenue	82,675	90,791	89,248	93,710
EBIT	18,880	19,374	18,742	19,492
PAT	15,410	16,639	16,784	17,370
EPS	35.4	38.9	39.3	40.8
P/E	19.0	17.3	17.2	16.5
ROE (%)	24.8%	19.1%	19.2%	19.7%

# AUT SECTOR

## APRIL SALES



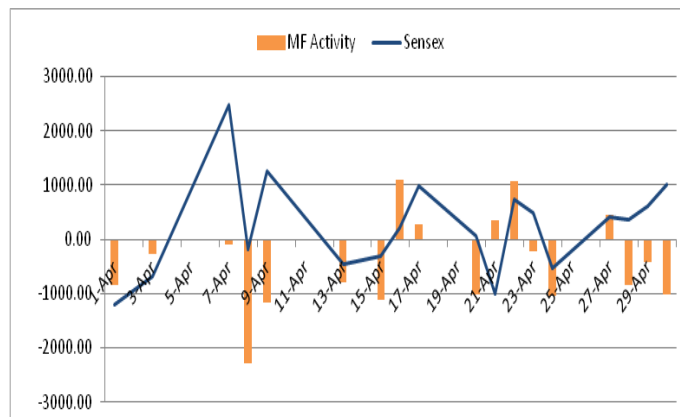


## MUTUAL FUNDS

Indian equity markets roared in the month of April 2020. The barometer index, S&P BSE Sensex delivered positive return of 14.42% to settle at 33717.62 and Nifty50 gained 14.68% ending the month at 9859.90.

### MF ACTIVITY

Indian mutual funds were net Seller of equities to the tune of Rs 7965.50 crores in the month of April 2020. Highest Selling was recorded in the Second week of the month when the fund houses made total net Sell of Rs 3557.98 crores of equities. On the other hand, foreign institutional investors (FIIs) were net Seller to tune Rs 6883.57 crores worth of equities in April 2020.



### Mutual Fund Activity In April 2020

Rs in Crores	Gross Purchases	Gross Sales	Net Investment
1st Week	4215.90	5324.12	-1108.22
2nd Week	8074.80	11632.78	-3557.98
3rd Week	12598.54	13118.83	-520.29
4th Week	14748.28	15617.13	-868.85
5th Week	14887.58	16797.74	-1910.16
<b>Total</b>	<b>54525.10</b>	<b>62490.60</b>	<b>-7965.50</b>

Note: Mutual Fund activity as on 29<sup>th</sup> April 2020

## Equity Scheme Recommendation

Scheme Name	Latest NAV*	AUM as on 31 <sup>st</sup> Mar, 2020 (Rs in Cr)	Launch Date	Returns (%)				Min. Investment Amount	
				One Year	Three Years	Five Years	Since Inception	SIP	Lump sum
<b>Large Cap Fund</b>									
Axis Bluechip Fund(G)	28.18	10998	05-Jan-10	-2.12	9.02	8.50	10.56	1000	5000
ICICI Pru Bluechip Fund (G)	36.23	18892	23-May-08	-14.95	1.09	4.83	11.38	100	100
Mirae Asset Large cap Fund(G)	44.30	13209	04-Apr-08	-13.96	2.66	7.07	13.11	1000	5000
<b>Multi Cap Fund</b>									
Axis Focused 25 Fund(G)	26	8185	29-Jun-12	-5.90	5.27	8.88	12.96	1000	5000
Kotak Standard Multicap Fund(G)	30.42	22871	11-Sept-09	-14.65	0.40	6.55	11.02	500	5000
SBI Magnum Multicap Fund (G)	41.80	6542	29-Sept-05	-14.77	0.05	5.64	10.30	500	1000
<b>Mid Cap Fund</b>									
DSP MidCap Fund(G)	50.54	5667	25-Jun-07	-6.50	-0.71	7.75	12.78	500	5000
L&T Mid Cap Fund (G)	111.53	4715	9-Aug-04	-15.23	-3.65	6.02	16.56	500	5000

Note: Returns as on 30<sup>th</sup> April, 2020, Returns < 1 yr annualized, Returns > 1 yr compounded annualized.

## Debt Scheme- Liquid Funds Recommendation

Scheme Name	YTM	Latest NAV*	AUM as on 31 <sup>st</sup> Mar, 2020 (Rs in Cr)	Returns (%)				
				One Month	Three Months	Six Months	One Year	Since Inception
<b>Liquid Fund</b>								
Axis Liquid(G)	4.49	2203.68	19980	0.43	1.43	2.77	6.10	7.77
ICICI Pru Liquid Fund(G)	5.04	293.73	37995	0.42	1.41	2.72	6.04	7.74
<b>Ultra Short Term Fund</b>								
Kotak Saving Fund(G)	6.41	32.26	9155	0.51	1.46	2.91	7.16	7.73
L&T Ultra Short term Fund(G)	5.90	32.86	1670	0.56	1.66	2.99	7.16	7.45

Note: NAV and Returns as on 30<sup>th</sup> April, 2020, Returns < 1 yr annualized, Returns > 1 yr compounded annualised.

## ELSS Scheme Recommendation

Scheme Name	Latest NAV*	AUM as on 31 <sup>st</sup> Mar, 2020 (Rs in Cr)	Launch Date	Returns (%)			
				One Year	Three Years	Five Years	Since Inception
Mirae Asset Tax Saver(G)	15.80	2671	28-Dec-15	-10.81	4.10	-	11.12
Axis LT Equity Fund(G)	42.68	17495	29-Dec-09	-3.90	6.26	7.29	15.06
Kotak Tax Saver(G)	38.88	909	31-May-96	-12.49	-0.12	5.17	9.86

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

# THE MONTH AHEAD KEY FINANCIAL EVENTS MAY 2020



## MAY 01-02

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

## MAY 04

- Indian Manufacturing PMI
- EUR EU Economic Forecasts

## MAY 06

- Indian Nikkei Service PMI
- USD ADP Non-Farm Employment Change

## MAY 07

- GBP Monetary Policy Summary
- USD Unemployment Claims

## MAY-08

- Indian Automobile Sales Data, by SIAM
- USD Unemployment Rate

## MAY 12

- Indian CPI
- Indian IIP
- USD Core CPI m/m

## MAY 13

- USD Core PPI m/m
- USD PPI m/m

## MAY 14

- Indian WPI
- USD Unemployment Claims

## MAY 15

- USD Core Retail Sales m/m
- USD Retail Sales m/m

## MAY 19

- GBP Average Earnings Index 3m/y
- EUR German ZEW Economic Sentiment

## MAY 20-21

- GBP CPI y/y
- USD FOMC Meeting Minutes
- GBP Retail Sales m/m
- USD Flash Manufacturing PMI

## MAY 25

- EUR German IFO Business Climate
- GBP Flash Manufacturing PMI
- EUR German Flash Services PMI

## MAY 26

- USD CB Consumer Confidence

## MAY 28

- EUR ECB Monetary Policy Meeting Accounts
- USD Prelim GDP q/q

## MAY 29

- EUR CPI Flash Estimate y/y
- USD Personal Spending m/m
- USD Chicago PMI



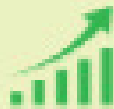
THINK  
**BIG**  
START **SMALL**

## ARIHANT'S SIP INVESTMENT

### WHY SIP INVESTMENT



**DISCIPLINED INVESTMENT**



**POWER OF COMPOUNDING**



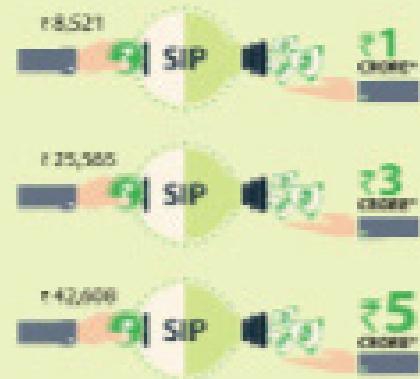
**RUPEE COST AVERAGING**



**SMALL POCKET INVESTMENT**

\*Note: The above figures are calculated for the use of ₹1000 for illustration purposes only. Actual fund investments are subject to market risks. Returns could vary significantly depending on market conditions. Please refer to the conditions of investment or investor performance in any market.

### 20 YEARS PERIOD



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