



July-September 2020 magazine | Volume: 11 / Issue: 11

# MCONNECT

A MAGAZINE

# UNLOCK



## MISSION BEGIN AGAIN

**Equity Outlook**  
**Mr Jinesh Gopani**  
Head of Equities &  
Fund Manager  
Axis Mutual Fund

**Stock of the Quarter**  
BHARAT ELECTRONICS LTD

**MConnect Lockdown**  
**Portfolio Performance**

**Commodities Outlook**  
**Mr Vikram Dhawan**  
Head Commodities &  
Fund Manager  
Nippon India Mutual Fund

# BRIGHTER DAYS AHEAD



## **BACK TO THE NEW NORMAL** RETURNING TO OFFICE IN LIGHT OF COVID-19

In this journey of reopening, Mehta group will continue to be your guide in the challenges ahead, keep an open mind to new solutions and opportunities, and most importantly - the prime objective will be to remain safe.

---

903 Lodha Supremus, Dr. E Moses Road, Worli Naka, Mumbai - 400 018

**Call : +91 - 22 - 61507100/101 | Fax: +91 - 22 - 61507102**



### DEAR READERS,

## “KUCH CORRECTION ACHE HOTE HAIN” as challenging markets are friends to long term investors.

After more than 100 days of Lockdown, Now we are into Unlock 1.0 leading to a gradual re-opening up of the economy to people and markets. Indian markets has undergone one of sharpest corrections in the past one quarter since March 23. Concerns are related to global as well as domestic slowdown triggered by the ongoing Coronavirus pandemic, whereas the concerns are real and the policymakers are also proactively responding to the crisis with unprecedented levels of monetary as well as fiscal stimulus. We believe Indian government has done a commendable job to counter the virus risk and once we return to normalcy, there would be better sun shine for India.

Honourable Prime Minister Narendra Modi ji has called for **'AATMA NIRBHAR BHARAT'** which is a big leap of faith taken by him to announce Rs 20 Lac crore Economic Package, the largest stimulus package in the world; which has something for every sector of economy.

Atmanirbhar Bharat idea is trying to make it easy for all Indians. **Basically the main idea & reason is to be self-sufficient.** The prime minister has asked every industry to adopt the new methods that will help in preparing India for a future competition. The competition will be that of competing in the global market. We all know that a single virus has destroyed the entire world. Therefore, it remains to be seen how we can protect ourselves as well as our economy. **Today we need to change ourselves to the new system of this world, So that "Change can will bring Growth".**

As I write this message, India's economy is also slowly chugging back to life. Factories offices and plants are opening shutters across the country and other services are slowly reopening their businesses. Indian markets are coming back to life too. The economy may take some time to normalize. As investors, you should not let go of the opportunity to be a part of our story.

The market has surged over 35% from March lows even as the number of Covid-19 cases in the country has jumped from 500 to over 8.5 lacs during the period. The unprecedented liquidity has directly helped financial markets as well. Another interesting feature of this crisis rally the participation by retail investors has substantially increased which is showing confidence.

We believe that the worst of the economy is behind. However, the zigzag is likely to continue in the near term. While we don't expect lockdowns anymore. The Covid crisis is likely to accelerate deglobalization and business localization and India is well placed to capitalize the same. The best way forward is to identify these winners and stay invested through the chaos.

**Together with you our offices and franchises / branches have been re-opening in phase-wise as UNLOCK 1.0 opens up more opportunity. The government is making India ready to shine out and easing lockdown norms to revive the economy and we should also be ready to tap the mission to begin again.**

**Team MEHTA is working hard under a safe environment by saying – Tough times don't last, tough people do. I am confident that we will pass this crisis and emerge stronger and healthier than before for new business and growth opportunities**

On personal note,

**I WISH YOU ALL SAFETY & GOOD HEALTH,  
BOTH ON THE PERSONAL AND FINANCIAL FRONT.**



**CA RAKESH MEHTA**

Chairman, MEHTA GROUP





**MR. JINESH GOPANI**

Fund Manager & Head of Equity at Axis AMC.

**Mr. Jinesh Gopani** has Joined Axis AMC in 2009 as an Equity Fund Manager and worked his way to Head of Equity in 2016. He currently manages the flagship Axis Long Term Equity Fund amongst other funds. Prior to Axis AMC, Jinesh was associated with Birla Sunlife AMC as a Portfolio Manager, where he was responsible for alternative assets across the growth, value and dividend basket.

### Equity Outlook considering "Reopening of the economy with Global & Domestic markets view"

The year 2020 has been a tale of 2 halves – January to March where markets corrected severely and April to June where markets bounced and gained some lost ground. The equity markets (Nifty 50) were in a free fall in the first 3 months of the year, as they struggled to come to terms with the spread of the coronavirus contagion and the resultant global shut-down. But the markets breathed a temporary sigh of relief as global central banks announced an unprecedented co-ordinated stimulus package of US\$ 5 trillion to calm global markets and cushion the fallout of the virus. This led to the markets gaining 20% in the next 3 months albeit volatility still persistent as the scenario remains hazy.

The coronavirus pandemic has now gripped most parts of India, with new cases being reported from non-metro regions as well. India's number of confirmed COVID-19 cases continue to rise and crossed the 7lakh mark (data as on 7th July 2020), the fourth highest number of cases in the world. Among the five countries with the most cases, the growth rate of new cases is the highest in India. Notably, the fatality rate at 3.2 per 100 confirmed cases—though it has inched up slightly from 2.9 in recent weeks—is quite low compared to the 5.2 world average. Further, once adjusted for population, both confirmed cases and fatalities in India are fairly low.



In India, the government put in place emergency measures including a massive Rs 20 lakh crore package which include monetary as well as non-monetary benefits, mainly targeting the lower strata of the society. The relief measures included direct cash transfers (under the DBT or Direct Benefit Transfer scheme) and food security-related steps aimed at giving relief to the poor workers hit by the countrywide lockdown. The RBI also pulled out all the stops reducing benchmark rates by 75bps in an attempt to cushion the economy.

The economy continues to open up and the approach for dealing with COVID-19 is now more localized vis-à-vis the earlier top down approach. For example, recently as COVID-19 cases flared up, a lockdown was imposed in just the impacted city of Chennai. With lockdowns having eased, economic activity continues to gain traction. This rebound in activity has continued in June. Daily electricity consumption now stands 5% below the year-ago level (7-day moving average) after being down 15% in May and 24% in April. Similarly, daily vehicle registrations are down 48% compared to 80% down in May.



The opinion expressed in this article are those of the author alone and should not be regarded as investment advice. Investors should obtain their own independent advice before taking a decision to invest in any securities.



The monsoon season has started well with rainfall 22% above long term averages for this time of the year. The monsoons this year have been fairly early, which given the heatwave is a good thing. Typically, we see the monsoon's cover the Indian subcontinent by July 8th. Favourable weather, job stress and high public procurement have made farming more lucrative during the pandemic.

An interesting theme playing out across the last few months has been frantic capital raising across sectors. Large blue-chip companies have raised significant capital from primary markets in an attempt to shore up capital and improve balance sheets. In large part, proceeds from these capital issuances have been utilized to repay high cost debt or to build adequate capital buffers. So far companies have raised in excess of Rs. 75,000 Cr from primary equity issuances – most of them by blue-chip names part of the NIFTY 100.



Market continues to remain volatile amidst a barrage of news events globally and in India. As biologists and clinical researchers get closer to human trials with vaccine alternatives, we believe economies around the world will open up gradually. The damaging impact of the virus is already seen in Q1 CY 20 numbers for companies and GDP growth figures. We retain our stance of 'cautious' for equities for the rest of the year as we factor a protracted recovery for the economy.

Valuation corrections' have been spoken about at length over the last few months. The fall in output has made most traditional valuation models incompatible and hence we advise investors to look at longer term valuation metrics rather than earnings based forecast models in determining investment opportunities. We believe longer term valuation methodologies like discounted cash flows may allow investors to look more pragmatically at the markets in the current scenario. Earnings should normalize as people go about their normal lives over the next few quarters. From a long term investment stand point, investors should consider investing in a staggered manner, as elevated volatility in the markets may have sharp short term implications for portfolios.

From our perspective, we believe that the current situation is more of a health crisis and not a major financial crisis as of now. We are already seeing green spots emerge as the government has lifted restrictions in select regions of the economy. The 'people first' approach of the government is commendable and should help the economy recover faster and healthier. Unfortunately for us, markets will remain uncertain till the time a cure is found. The high degree of uncertainty might continue for some time as this is a true black swan event and there are no real guides available as reference points to the markets. But we believe, investors with a 5 years + horizon should look at this as an opportunity to allocate in a staggered manner towards equities.

### Disclaimer

**Source:** Axis MF Research

Sector(s) / Stock(s) / Issuer(s) / Top instruments with increased or decreased exposure mentioned above are for the purpose of disclosure of the portfolio of the Scheme(s) and should not be construed as recommendation to buy/sell/ hold. This interview represents the views of Axis Asset Management Co. Ltd. and must not be taken as the basis for an investment decision. Neither Axis Mutual Fund, Axis Mutual Fund Trustee Limited nor Axis Asset Management Company Limited, its Directors or associates shall be liable for any damages including lost revenue or lost profits that may arise from the use of the information contained herein. No representation or warranty is made as to the accuracy, completeness or fairness of the information and opinions contained herein. The material is prepared for general communication and should not be treated as research report. The data used in this material is obtained by Axis AMC from the sources which it considers reliable. While utmost care has been exercised while preparing this document, Axis AMC does not warrant the completeness or accuracy of the information and disclaims all liabilities, losses and damages arising out of the use of this information. Investors are requested to consult their financial, tax and other advisors before taking any investment decision(s). The AMC reserves the right to make modifications and alterations to this statement as may be required from time to time.

Axis Mutual Fund has been established as a Trust under the Indian Trusts Act, 1882, sponsored by Axis Bank Ltd. (liability restricted to Rs. 1 Lakh). Trustee: Axis Mutual Fund Trustee Ltd. Investment Manager: Axis Asset Management Co. Ltd. (the AMC) Risk Factors: Axis Bank Limited is not liable or responsible for any loss or shortfall resulting from the operation of the scheme. The information set out above is included for general information purposes only and does not constitute legal or tax advice. In view of the individual nature of the tax consequences, each investor is advised to consult his or her own tax consultant with respect to specific tax implications arising out of their participation in the Scheme. Income Tax benefits to the mutual fund & to the unit holder is in accordance with the prevailing tax laws as certified by the mutual funds consultant. Any action taken by you on the basis of the information contained herein is your responsibility alone. Axis Mutual Fund will not be liable in any manner for the consequences of such action taken by you. The information contained herein is not intended as an offer or solicitation for the purchase and sales of any schemes of Axis Mutual Fund.

**Mutual Fund Investments are subject to market risks, read all scheme related documents carefully.**

The opinion expressed in this article are those of the author alone and should not be regarded as investment advice. "Investors should obtain their own independent advice before taking a decision to invest in any securities."



## COMMODITY FUND MANAGER OUTLOOK

**MR. VIKRAM DHAWAN** is a Fund Manager - Commodities at Nippon India Mutual Fund. Vikram has over two decades of experience in Commodities, Fund Management, Enterprise Risk Management and Investing in Corporate and Banking sectors in India and Overseas. Prior joining Nippon India MF, he was associated with Reliance AIF Management Ltd, and Reliance Capital. Before his association with Nippon India MF, he was managing risk portfolio with Gold Matrix Pte, Singapore.



**MR. VIKRAM DHAWAN**

Head Commodities & Fund manager,  
Nippon India Mutual Fund

## MUTUAL FUND PARTICIPATION IN COMMODITY MARKETS

### Commodities are wealth of nations

India is a commodity deficit country. We do have plentiful reserves of iron ore, zinc, bauxite, lignite, manganese etc. but lack abundance in strategic commodities like Oil, Gold, Silver, Copper, Nickel, Uranium, Lithium etc.

The post-war (WW-II) commodities and industrial boom catapulted the American and Canadian economies in a steeper upward trajectory. The oil boom of the 1970s transformed the Middle Eastern Countries into prosperous advanced economies. In the recent times China's manufacturing miracle was amply supported by its abundant commodity reserves.

European countries like the U.K., Spain, France, Portugal etc. exploited the mineral wealth of their colonies for centuries.

While, countries like Japan and Germany may seem exceptional with limited production of strategic commodities, however both enjoy global clout by virtue of their money muscle and investments in commodity assets across the globe. Japan was quite proactive in 1990s in securing raw materials for its surging economy. At times there were hardly any base metals projects in Latin America that did not have investment or offtake arrangements with Japanese companies. Years later China charted the same path and its investments into commodity assets are dotted across the African continent.

### The New Normal

The Covid-19 pandemic has exacerbated trade and geopolitical tensions across the globe. The world is wary of keeping all their eggs in one basket - China. Its not going to be a swift or straightforward switch as China has the scale and consistency that will not be easy to replicate. Nevertheless, it is a great long-term opportunity for India to become a viable alternate to China in at least a few sectors.

For India to become a self-reliant superpower we need clout in the global commodity markets. We are not a rich country and cannot write cheques at will to buy out mines and oil wells across the globe. Not to mention trying to outbid the Chinese, Americans, and Europeans at each auction.

### Opportunities in Commodities

India has a vibrant and dynamic financial sector comparable to the best in the world. Permitting Mutual Funds into commodities is a step towards developing vibrant commodity markets in India of global scale and consistency. This will go a long way in unleashing the potential of domestic commodity sector.

It is an exciting development for the investors. From portfolio diversification to hedging and access to global commodities, investors can look forward to host of opportunities through commodity Mutual Funds.

As of now besides Gold ETFs, Mutual Funds offer hybrid schemes that invests into multiple assets including commodities. At Nippon India Mutual fund, in the near future, we intend to launch the Multi-Asset Fund that will invest into Equities, Debt and Commodities.



The opinion expressed in this article are those of the author alone and should not be regarded as investment advice. Investors should obtain their own independent advice before taking a decision to invest in any securities.



## COMMODITY FUND MANAGER OUTLOOK

### Why Commodities?

Unlike equities or bonds, commodities do not offer coupon or dividend. So why should one invest in them?

What commodities lose out on dividends and coupons they more than make up for in cyclicity and carry. Some commodities are poorly correlated to bonds and equities and offer good portfolio diversification or hedging.

Investors into commodities can make money through directional moves or carry trades that exploit the yield curve of the futures markets.

Since commodities are relatively volatile assets, they tend to attract traders and speculators. But in today's scenario where most of the short-term trades are machine and AI driven, unless you are good at it you may end up on the losing side more often.

Investors who neither have time or the inclination to follow the commodity markets tic-by-tic are better off investing into commodities through Mutual Funds that take a medium to long-term view in each commodity.



## COMMODITY THEMES

Besides capital appreciation and carry, commodities can offer opportunities to participate in market trends or themes. Some of them are as below.

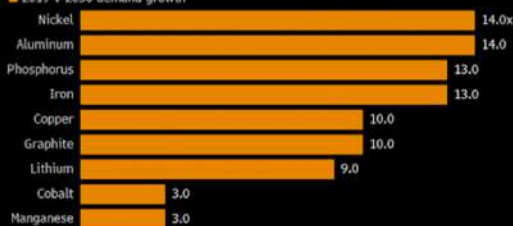
### ► Electric Vehicles

If you believe the future is electric and your next car is most likely to be hybrid or electric then you may want to invest into the EV story. One of the ways could be to get hold of the pricey Tesla shares or alternatively you may invest into copper or nickel as proxies for the EV industry. An electric car uses roughly six times more copper than its internal combustion counterpart.

#### Battery Boost

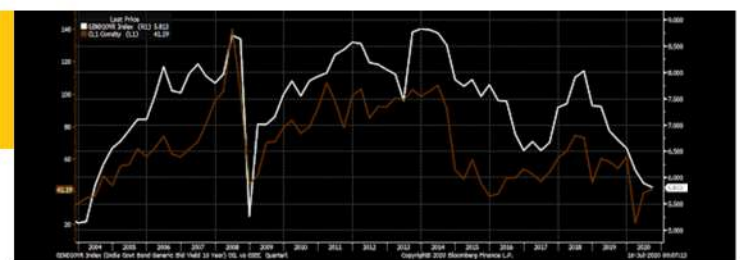
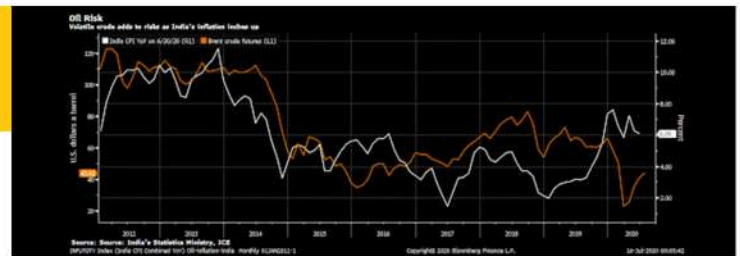
Demand from electric vehicle batteries will spur a group of metals

■ 2019 v 2030 demand growth



### ► Crude Oil

Crude Oil prices have direct bearing on inflation and bond yields. Over a longer-term Crude Oil prices are close to 70% correlated with 10 Year GSec yields. The correlation can be used to diversify or hedge inflation or higher yield risks.



### ► Gold

If you are looking for an asset class that has generated reasonable superior inflation adjusted returns over long term, is extremely liquid, carries no credit risk and rallies sharply during economic crises then Gold may fit the bill.

Disclaimer: The information herein above is meant only for general reading purposes and the views being expressed only constitute opinions and therefore cannot be considered as guidelines, recommendations or as a professional guide for the readers. The document has been prepared on the basis of publicly available information, internally developed data and other sources believed to be reliable. The sponsors, the Investment Manager, the Trustee or any of their directors, employees, affiliates or representatives ("entities & their affiliates") do not assume any responsibility for, or warrant the accuracy, completeness, adequacy and reliability of such information. Recipients of this information are advised to rely on their own analysis, interpretations & investigations. Readers are also advised to seek independent professional advice in order to arrive at an informed investment decision. Entities & their affiliates including persons involved in the preparation or issuance of this material, shall not be liable in any way for any direct, indirect, special, incidental, consequential, punitive or exemplary damages, including on account of lost profits arising from the information contained in this material. Recipient alone shall be fully responsible for any decision taken on the basis of this document.

Mutual Fund investments are subject to market risks, read all scheme related documents carefully.

**STOCK OF THE QUARTER****BHARAT ELECTRONICS LTD (BEL)****RECOMMENDATION: ACCUMULATE**Market Cap (Rs in Cr) – Rs 23,014 | CMP: Rs 95 | Target: Rs 120  
18th July 2020

**About the Company:** Bharat Electronics Ltd (BEL) is a 5 decade old Navratna PSU engaged in manufacturing and supplying of strategic electronic products primarily to Defense Services. BEL is the dominant supplier of radar, communication and electronic warfare equipment to the Indian armed forces. It has about nine manufacturing units factories and two research units across India. The Bangalore and the Ghaziabad units are BEL's two major units, with the Bangalore unit contributing the most to its growth. Over the years, it has grown into a multi-product, multi-technology, multi-unit company servicing the needs of customers in diverse fields in India and abroad. The growth and diversification of BEL over the years mirrors the advances in the electronics technology, with which BEL has kept pace.

**INVESTMENT RATIONALE**

- ▶ **Riding on 'Make in India' push:** We believe BEL is well placed to tap the story of Make in India and Atmanirbhar Bharat. India's plan to reduce import dependency and shift production to India, coupled with globally declining preference for manufacturing in China. The business prospects look encouraging, especially given the government's focus on 'Make in India' and indigenization of defence manufacturing. Also its continuous focus on receiving orders for Homeland Security, Smart City, Space Electronics, Weather Radars, etc. should help it grow. We expect normalcy to return in second half of the year with all manufacturing units resuming operations. Healthy topline growth is on cards with increasing future run rate of orders. BEL is well prepared to execute all the orders and overcome challenges coming its way.
- ▶ **Strong execution to aid growth:** BEL received major orders during the year worth Rs 13,200 Cr. Amongst the orders it received AMC for Akash Missile System, Coastal Surveillance System, upgrade of EW system and smart city business. Order inflows during the year were down 43%, but an order backlog of Rs 51,970 Cr provides revenue visibility. Amid current crisis it is likely to face short term challenges in terms of execution and order inflow. However over the medium to long term, BEL's established track record, large manufacturing capacities with adequate pool of trained manpower and research and development (R&D) capabilities will continue to be strong mitigating factors.
- ▶ **Signed MoU with AAI:** BEL has collaborated with the Airports Authority of India (AAI) for tapping emerging global opportunities in the airport business. It has signed MoU where AAI will play the role of a development partner and will assist BEL in its domain of expertise to enable execution of the prestigious MEA projects outside India. Both the organisations will work in close co-operation with each other in the field of civil aviation, in both present and future projects handled by BEL.
- ▶ **Healthy financial profile:** BEL continues to enjoy advantage over its competitors due to its dominant market position and established track record. Last quarter witnessed increase in raw material cost but was offset by lower other expenses. Also there's a notable reduction in BEL's trade receivables in FY20, indicating improvement in payments from the govt. BEL's financial profile remains strong on account of healthy profitability and return indicators, negligible borrowings, comfortable liquidity profile supported by good cash flows. These cash flows are expected to meet the capex and dividend outflows. The company also has sanctioned and unutilised fund-based borrowing facilities of Rs 500

**MVIEW**

We believe medium to long term, the BEL remains well positioned for growth given its strong order book position, expertise in executing complex projects, healthy client base and cost reduction efforts. We will also see in future improvement in balance sheet through better payments terms from the govt and healthy order backlog amounting to four times the previous fiscal year's sales, provides revenue visibility. Hence we are optimistic on BEL which has capability of delivering a much larger turnover yielding better cash flows/returns over two-three year. Considering all the rationales and growth prospects we recommend investors to Buy/Accumulate BEL in current levels for long term with a target price of Rs 120.

**PROFIT & LOSS STATEMENT (Rs in Cr)**

Particulars	FY19	FY20	FY21E	FY22E
<b>Income From Operation</b>	<b>12164</b>	<b>12968</b>	<b>14264</b>	<b>16404</b>
<b>YoY Growth</b>		<b>7%</b>	<b>10%</b>	<b>15%</b>
<b>Expenditure</b>				
Cost of Material Consumed	5279	5897	6419	7382
Changes in Inventory	628	1200	1089	1252
Employee benefit expense	1895	2075	2282	2543
Other Expenditure	1419	1041	1162	1336
<b>Total expenses</b>	<b>9221</b>	<b>10213</b>	<b>10952</b>	<b>12513</b>
<b>EBIDTA Rs</b>	<b>2906</b>	<b>2754</b>	<b>3312</b>	<b>3891</b>
<b>YoY Growth</b>		<b>-5%</b>	<b>20%</b>	<b>17%</b>
<b>EBIDTA Margin %</b>	<b>23.9%</b>	<b>21.2%</b>	<b>23.2%</b>	<b>23.7%</b>
Interest	13	4	0	0
Depreciation	338	372	457	526
Exceptional items	0	0	0	0
PBT	2555	2379	2855	3366
Other Income	73	99	26	26
<b>PBT</b>	<b>2628</b>	<b>2478</b>	<b>2881</b>	<b>3391</b>
Tax	780	686	816	961
<b>PAT</b>	<b>1848</b>	<b>1793</b>	<b>2065</b>	<b>2431</b>
<b>minority interest</b>	<b>39</b>	<b>32</b>	<b>0</b>	<b>0</b>
<b>PAT after minority interest</b>	<b>1809</b>	<b>1761</b>	<b>2065</b>	<b>2431</b>
<b>YoY Growth</b>		<b>-3%</b>	<b>15%</b>	<b>18%</b>
<b>PAT Margin %</b>	<b>15.2%</b>	<b>13.8%</b>	<b>14.5%</b>	<b>14.8%</b>
<b>EPS</b>	<b>7.58</b>	<b>7.36</b>	<b>8.47</b>	<b>9.98</b>

The opinion expressed in this article are those of the author alone and should not be regarded as investment advice. Investors should obtain their own independent advice before taking a decision to invest in any securities.\*





### MConnect Lockdown Portfolio Performance 2020

(April 1st 2020) – (July 13th 2020)

#### LARGE CAP CATEGORY

Sr. No	Company Name	Sector	CMP (Rs)	Portfolio Price	Performance %
1.	TCS Ltd	IT	2,224	1,823	22.0%
2.	HDFC Bank Ltd	BFSI	1,083	862	25.6%
3.	ITC Ltd	FMCG	197	172	14.5%
4.	ICICI Bank Ltd	BFSI	354	325	8.9%
5.	SBI Ltd	BFSI	193	197	-2.0%
6.	Bajaj Finance Ltd	BFSI	3,245	2,216	46.4%
7.	Larsen & Toubro Ltd	Infra	930	807	15.2%
8.	Ultratech Cement Ltd	Cement	3,788	3,254	16.4%
9.	HDFC Life Insurance Co Ltd	BFSI	603	441	36.7%
10.	BPCL	Oil & Gas	380	316	20.3%
11.	Britannia Industries Ltd	FMCG	3,799	2,690	41.2%
<b>Average</b>					<b>22.3%</b>

#### MID & SMALL CAP CATEGORY

Sr. No	Company Name	Sector	CMP (Rs)	Portfolio Price	Performance %
1	HDFC AMC Ltd	BFSI	2,446	2,112	15.8%
2	ICICI Lombard Gen Ins Co Ltd	BFSI	1,272	1,077	18.1%
3	United Breweries Ltd	FMCG	1,009	918	9.9%
4	PI Industries Ltd	Agrochemicals	1,692	1,170	44.6%
5	Sanofi India Ltd	Pharma	7,596	6,242	21.7%
6	Godrej properties Ltd	Realty	895	603	48.4%
7	Ramco Cement Ltd	Cement	671	514	30.5%
8	Natco pharma Ltd	Pharma	675	506	33.4%
9	Polycab India Ltd	Cable & Wire	821	742	10.6%
10	MGL	Oil & Gas	972	818	18.8%
11	KRBL	FMCG	263	136	93.4%
12	Granules India Ltd	Pharma	244	144	69.4%
13	Radico Khaitan Ltd	FMCG	382	267	43.1%
14	Triveni Engg Industries Ltd	Commodities	55	37	48.6%
<b>Average</b>					<b>36.2%</b>
<b>NSE NIFTY 50</b>		<b>INDEX</b>	<b>10,815</b>	<b>8,597</b>	<b>25.8%</b>
<b>BSE SENSEX 30</b>		<b>INDEX</b>	<b>36,694</b>	<b>29,468</b>	<b>24.5%</b>

**OUTLOOK ON CRUDE****CRUDE OIL**

to about 8.7 million bpd, according to the U.S. Energy Information Administration, as producers slash drilling activity after oil prices plunged. Shale production has been sliding for several months, but the declines are expected to accelerate as demand has fallen by roughly 30% worldwide due to the coronavirus pandemic. April's decline is forecast to be followed by fall in May by 183,000 bpd to 8.53 million bpd, which would be the lowest since June 2019, and a sixth straight month of declines, the EIA said in a monthly forecast. Overall U.S. production hit a record of 12.9 million bpd in November 2019; of that, shale production was 9.1 million bpd, also a record, according to U.S. Energy Department figures.

**CRUDE OUTLOOK**

Crude oil prices suffered a severe decline in early 2020, with the U.S. benchmark WTI falling from \$61 per barrel at the start of the year to at one point falling into negative territory, an unprecedented event for the oil market. Oil prices were hit by the drastic loss in demand from the COVID-19 pandemic combined with an increase in oil supply following the collapse of the OPEC+ alliance in March 2020. Although the OPEC+ alliance was able to reach agreement on a historic production cut in terms of size and duration, the near-term outlook for oil prices remains challenging. Oil inventories have built rapidly around the world and will likely remain bloated well into 2021, which will keep a lid on oil prices in the near-term.

Long-term, we expect oil prices in the U.S. to be between \$45 to \$65 per barrel, reflecting the volatile nature of the commodity, as large price swings are common. Assuming OPEC+ adheres to its production-cut agreement and oil demand begins to recover in the second half of 2020, we expect global oil inventories to return to more normal levels by the end of 2021. A key risk to our long-term outlook is the pace of oil demand growth, which is less certain given the global economy's transition towards a lower-carbon future. In the short term, we expect oil prices to remain well below this range, and we expect significant price volatility to continue.

**Technically**

Crude oil prices are trading in the tight sideways range dominates trades as appears on the chart, which hovers around 40.91 level, noting that there is a contradiction between the EMA50 positivity and stochastic negativity, which makes us continue with our neutrality until we get a clearer signal for the next trend. Note that surpassing the sideways range's resistance at 41.90 will push the price to achieve additional rises that target 44.05 areas initially while breaking 38.10 will put the price under negative pressure that its main targets begin at 36.60 and extend to 34.10. The expected trading range for today is between 38.00 support and 42.00 resistance.

**CRUDE HIGHLIGHTS****▶ OPEC+, agreed to trim record supply cuts**

Despite the concerns, the OPEC+ group of oil-producing countries recommended yesterday that members ease back on output cuts from the beginning of August. The size of the headline output cut will be reduced record supply cuts from 9.6 million barrels a day to 7.7 million.

**▶ Hedge funds increase bullish U.S. crude bets**

Hedge funds and other money managers raised their net long U.S. crude futures and options positions in the latest week, the U.S. Commodity Futures Trading Commission (CFTC) said on Monday. The speculator group raised its combined futures and options position in New York and London by 251 contracts to 378,951 during the week.

**▶ Coronavirus pain drives Big Oil's dash for record debt**

The world's top oil and gas companies locked in cheap borrowing rates to raise a record amount of debt in the second quarter of 2020 and boost cash reserves as a buffer against a collapse in revenues because of COVID-19. The dash for debt piles pressure on company balance sheets and the issue is particularly acute for BP and Royal Dutch Shell. Already burdened by high levels of borrowing, they also face the disruption of a major shift towards renewable and low-carbon.

**▶ Iran's oil storage almost full as sanctions and pandemic weigh**

Iran has slashed crude oil production to its lowest level in four decades as storage tanks and vessels are almost completely full due to a fall in exports and refinery run cuts caused by the coronavirus pandemic, industry data showed. Total onshore crude stocks surged to 54 million barrels in April from 15 million barrels in January, and swelled further to 63 million barrels in June, according to FGE Energy.

**Chart Reading**

Crude Oil on MCX is trading at 3032 levels. 200-day Moving Average is at 3053 levels. The 3200 level acts as the major resistance level as it is close to the 0.618 Fibonacci retracement ratio. If prices manage to break this level then prices can rise sharply to reach 3841 levels. If it fails to break 3200 levels it can fall to see the level of 2280. Technically RSI is at 65 levels which suggest it is in the positive



**ACTION: Crude prices look to trade between range 3200 & 2800 a break of either side will rally. A trader can take short below 2800 level for support at 2280 levels else wait to break 3200 levels.**

The opinion expressed in this article are those of the author alone and should not be regarded as investment advice. Investors should obtain their own independent advice before taking a decision to invest in any securities.



## Ek hi ball mein hat-trick nikalo.

Large, mid aur small companies ka labh uthalo.

### AXIS MULTICAP FUND

An open-ended equity scheme investing across large cap, mid cap, small cap stocks



**AXIS MUTUAL FUND**

May 2020

#### About the Fund

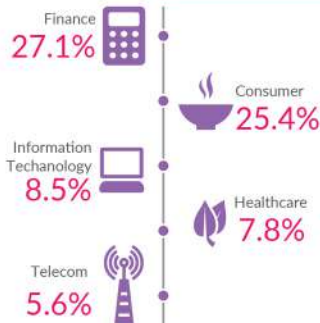
Axis Multicap Fund seeks to invest across the market cap spectrum in high conviction ideas with improved risk-adjusted return characteristics. The fund manager looks for stocks that are expected to report faster growth relative to the benchmark.

The fund as such is sector agnostic and focuses on a bottom up approach to invest in stocks that are at an inflection point such as market share gain, industry consolidation, sunrise industries, improved management focus and capital allocation or regulatory & policy changes.

#### Current market cap split



#### Top 5 Sectors



#### Performance (NAV Movement)



	1 Year	3 Years*	5 Years**	Since Inception		
	CAGR (%)	Current Value of Investment of ₹ 10,000/-	CAGR (%)	Current Value of Investment of ₹ 10,000/-	CAGR (%)	Current Value of Investment of ₹ 10,000/-
Axis Multicap Fund - Regular Plan - Growth	-9.18%	9,082	NA	NA	3.06%	10,790
Nifty 500 TRI (Benchmark)	-19.17%	8,083	NA	NA	-4.98%	8,792
Nifty 50 TRI (Additional Benchmark)	-18.57%	8,143	NA	NA	-1.60%	9,601

Past performance may or may not be sustained in future. Since inception (20th November 2017). Different plans have different expense structure. Shreyash Devalkar is managing the scheme since inception and he manages 5 schemes of Axis Mutual Fund. Returns greater than 1 year are Compounded Annual Growth Rates (CAGR). Face value ₹10 per unit. Please refer return table for performance of all schemes managed by the fund manager.

#### Top 10 stocks



Current Portfolio Allocation is based on the prevailing market conditions and is subject to changes depending on the fund manager's view of the equity markets.

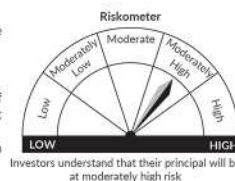
#### AXIS MULTICAP FUND

(An open-ended equity scheme investing across large cap, mid cap, small cap stocks)

This product is suitable for investors who are seeking\*:

- Capital appreciation over medium to long term.
- Investment in a diversified portfolio consisting of equity and equity related instruments across market capitalization.

\*Investors should consult their financial advisers if in doubt about whether the product is suitable for them.



Distributed by

ARN - 26010 Mehta Equities LTD  
902/903, Lodha Supremus, Dr. E. Moses  
Road, Worli Naka,  
Mumbai 400018

9967794884



## OUR SERVICES

### BROKING

- EQUITIES - BSE, NSE & MSEI
- DERIVATIVES - NSE
- COMMODITIES - MCX & NCDEX
- DIAMOND - ICEX
- CURRENCY - NSE

### WEALTH MANAGEMENT

- DEMAT SERVICES - CDSL
- PMS & AIF
- LOAN AGAINST SHARES
- RESEARCH ADVISORY
- DISTRIBUTION - MUTUAL FUNDS/IPO/BONDS

**Disclosures:** The following Disclosures are being made in compliance with the (herein after referred to as the Regulations). Mehta Equities Ltd. (MEL) is a SEBI Registered Research Analyst having registration no. INH00000552. MEL, the Research firm as defined in the Regulations, is engaged in the business of providing Stock broking services, Investment Advisory Services, Depository participant services & distribution of various financial products. MEL is registered with the Securities & Exchange Board of India (SEBI) and is a registered Trading Member with National Stock Exchange of India Ltd. (NSE) and BSE Limited (BSE), Multi Commodity Exchange of India (MCX), National Commodity & Derivatives Exchange Ltd. (NCDEX) & ICEX for its stock broking activities & is Depository participant with Central Depository Services Limited (CDSL) and is member of Association of Mutual Funds of India (AMFI) for distribution of financial products. Neither MEL nor its associates or the Research Analyst(s) named in this report or his/her relatives individually own 1% or more securities of the company(ies) covered under this report, at the relevant date as specified in the SEBI (Research Analysts) Regulations, 2014 but MEL and/or its associates and/or Research Analyst may have actual/beneficial ownership of 1% or more securities in the subject company at the end of the month immediately preceding the date of publication of the Research Report. MEL and its associate company(ies), their directors and Research Analyst and their relatives may; from time to time, have a long or short position in, and buy or sell the securities or derivatives thereof of companies mentioned herein. MEL and its associates have not received any compensation or other benefits from the Subject Company or third party in connection with the research report. To enhance transparency, MEL has incorporated a Disclosure of Interest Statement in this document. This should, however, not be treated as endorsement of the views expressed in the report. MEL and/or its affiliates do and seek to do business including investment banking with companies covered in its research reports. As a result, the recipients of this report should be aware that MEL may have a potential conflict of interest that may affect the objectivity of this report. Compensation of Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions. **Terms & Conditions:** This report has been prepared by MEL and is meant for sole use by the recipient and not for circulation. The report and information contained herein is strictly confidential 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 MEL. The report is based on the facts, figures and information that are considered true, correct, reliable and accurate. The intent of this report is not recommendatory in nature. The information is obtained from publicly available media or other sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. The report is prepared solely for informational purpose only and clients has to initiate decision to buy or sell or hold, considering their own risk before investing, MEL will not treat recipients as customers by virtue of their receiving this report. MEL may not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. This report is provided for information only and must not alone be taken as the basis for an investment decision. **Analyst Certification:** The views expressed in this research report accurately reflect the personal views of the analyst(s) and investment committee(s) about the subject securities or issues, and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations and views expressed by research analyst(s) in this report. The research analyst fulfills all the qualification required as per SEBI Research Analyst Regulations 2014. **Disclosure of Interest Statement:** Analyst ownership of the stock: No

903, Lodha Supremus, Dr. E. Moses Road, Worli Naka, Mumbai - 400018

Tel: +91 2261507100 / Fax: +91 2261507102 / Website: [www.mehtagroup.in](http://www.mehtagroup.in) / Email id: [info@mehtagroup.in](mailto:info@mehtagroup.in)

Dealing Desk : 022-61507118/119/120 Research Desk : 022-61507123/124/142 Commodity Desk : 022-61507125/126/128  
 Risk Management Desk : 022-61507135/136/137 Mutual Fund Desk : 022-61507144/145/147  
 Wealth Management Desk : 022-61507197 IT Desk : 022-61507157/158/137 Backoffice Desk : 022-61507169/170/172  
 Compliance Desk : 022-61507179/180 Account Desk : 022-61507183/184/185