

MIDNIGHT NEWS UPDATES

- In what could be big news on the retail front, it has been reported that Amazon may be close to purchasing a stake in Reliance Retail. Amazon has been looking to gain preferential access to Jio Mart and that is yet to be ironed out. Reliance already has equity investments from Facebook and Google. Reliance has already raised over \$20 billion only from the monetization of the Jio stake and that excludes the stake sale in the oil marketing JV to BP or even the collections from the rights issue. Both Reliance and Amazon are extremely bullish on tapping the massive Kirana potential in India.
- HDFC AMC reported a 3.62% increase in net profits to Rs.302 crore for the Jun-20 quarter. The growth in profit was largely driven by a sharp fall in expenses, especially a 43.5% fall in tax expenses in the Jun-20 quarter. The total income of the AMC fell by 11% at Rs.491 crore in the quarter. With the AUM falling with an equity correction and tepid flows, the overall fees have taken a hit. However, the flows on account of SIPs continue to be robust and that has kept the momentum going for the mutual funds sector. HDFC AMC admitted that they were not able to project performance in the COVID uncertainty.
- The margins of the steel manufacturers are likely to take a hit in FY21 if early signals from the steel sector are to be believed. According to CRISIL, the OPMs of steel companies may take a 200 bps hit to 15% on the back of weaker sales volume and realizations. However, lower raw material prices are expected to provide some kind of buffer. Steel companies can also bet on a revival in demand in the second half of FY21 due to pent-up demand and a spurt in government spending on construction and infrastructure. Credit profiles may not be affected as capital outlays have been postponed.
- Bonds of Future Retail slumped on Thursday after the company missed another interest payment on its outstanding dollar bonds. The company has been under increasing strain due to the lag effect of the pandemic. Most of the outlets of Future Retail are based on large malls, which continued to remain shut due to the COVID-19. India is expected to see its first macro economic contraction in FY21, the first time in over 40 years. Rating agencies have already warned that the tight liquidity position continues to remain the biggest headwind for its credit profile. Future group is negotiating a sale to Reliance group.
- The National Financial Regulatory Authority (NFRA) has imposed a 7-year ban on Udayan Sen, a former partner of Deloitte, for professional misconduct while auditing the books of IL&FS. The NFRA has also imposed a fine of Rs.25 lakhs on Sen. Deloitte has expressed surprise that the NFRA has passed an order against its former partner when the final order against Sen was still pending in the Delhi High court. In its 88-page order, the NFRA has already clarified that the order would not take effect before July 31. However, some of the notings of the NFRA are severe in that Sen had shown gross negligence while auditing the books of IL&FS. The NFRA has also pointed out that the independence of the audit process had been entirely compromised. IL&FS is current under an independent board led by Uday Kotak.
- Rallis India reported a sharp 53% rise in net profits to Rs.92 crore for the Jun-20 quarter. Even revenues grew 6% to Rs.663 crore for the quarter. Rallis, a subsidiary of Tata Chemicals, registered 13.5% growth in its domestic crop care business and a 3% growth in its seeds revenues. Even the operating EBITDA for Rallis was up by 30% at Rs.128 crore. Rallis benefited from better price realizations as well as a better product mix. The effective tax rate for the quarter was also down sharply on a YOY basis due to the company shifting to the new tax regime of paying concessional tax rate of just 22% sans exemptions.

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