Consumption Sector Stocks for long term wealth creation

Consumption sector stocks offer some characteristic intrinsic values in real terms because they have the biggest exposure in rural, urban and semi-urban India. Consumption sector stocks become the best investment options for long term wealth creation.

The Covid induced lockdown disrupted supply for the entire consumption sector in India. Though the disturbance for staples was restricted for a month, discretionary and 'out of home' consumption products supply remained severely affected for at least a three months.

Apart from this, the situations for the demand of discretionary and out of home consumption was also not okay for H1FY21. With the lockdown completely ending, we believe there will be huge pent up demand for discretionary categories (skincare, cosmetics) within FMCG in H2FY21.

Also Read: Tata steel share price takes an exciting take-off attracting investors

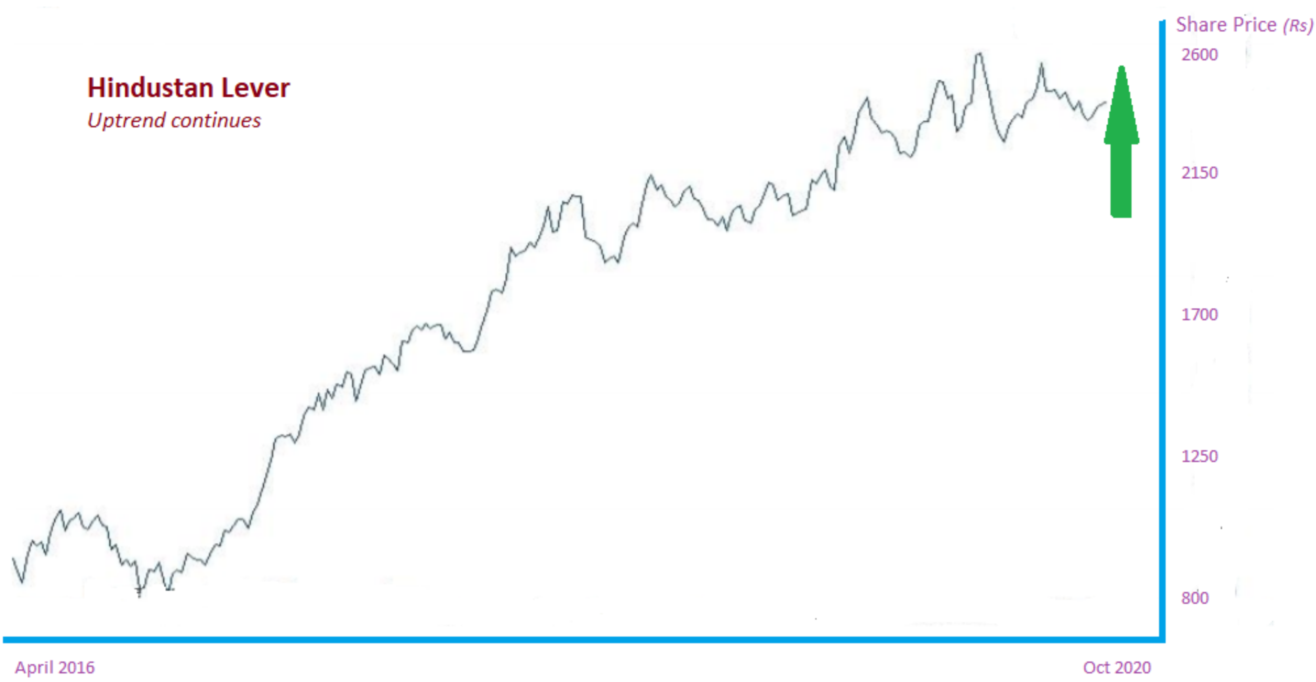
The consumer durable sector is expected to witness a surge in volumes with pent up demand for washing machines, dishwashing categories. Moreover, almost half a year delay in repainting activities would result in boosting sales for paint companies. In addition, government encouragement and less interest rate are also responsible for an improvement in demand conditions for many products. Trade analysts believe lower interest rates would lead to an improvement in demand for residential houses, subsequently leading to an increase in related consumables.

One of the reasons for a robust demand situations in October is the festive season discounts and offers. Further, trade analysts also believe demand for wedding related products would also surge given halt on wedding-related functions in H1 would lead to pent up demand for such products.

Technically, analysts recommended one of the leading consumption sector stocks – Hindustan Unilever.

Hindustan Unilever (HINLEV):

Base formation at rising demand line, 52 weeks of its share price movement indicates fresh entry opportunity along with a favourable risk-reward.



o Consumption sector stocks, after the sharp up move in March-April, have witnessed a healthy base formation in the last six months at the long term support area and are expected to resume their fresh up move.

o The share price of Hindustan Unilever has formed a higher base at the long term demand line joining major lows since October 2018 and the rising 52-week EMA (currently at Rs 2094), thus offering a fresh entry opportunity with a favourable risk-reward set-up

o During the current week's trade, the stock has generated a breakout above the falling supply line joining highs of April (Rs 2614) and July (Rs 2350) signalling the current consolidation is approaching maturity and resumption of the fresh up move

o The stock has taken nearly 28 weeks to resume 80% of the previous four week’s up move (Rs 1758-2614). A slower retracement highlights a robust price structure and higher base formation

o Trade analysts expect the stock to resume its primary uptrend and head towards Rs 2490 as it is the 80% retracement of the entire previous decline of AprilMay (2614-1902) around Rs 2490

HUL reported a healthy set of numbers with 16.1% sales growth aided by consolidation of acquired brands (Horlicks, Boost, VWASH). On a like to like basis, growth has been 3% supported by 1% volume growth. The recovery in the business was led by complete normalisation of supply chain & strong demand in health, hygiene & nutrition space. The health, hygiene & nutrition products that constitute 80% of sales witnessed growth of 10% whereas discretionary & out of home consumption products, which constitute 20% of sales saw a decline of 25%

• With the merger of nutrition brands (Horlicks, Boost), trade analysts see the possibility of margin improvement by the way of controlling common cost & bringing synergistic benefits. Moreover, the company would be able to grow these brands at a faster pace given large distribution network & robust cash flows for the brand-building exercise

• The effect of lockdown induced due to corona was a disruption of supply for more than a month. However, some of the ‘at home’ consumption categories got the boost with additional demand for tea, coffee, ketchup & soups business. Moreover, with a sharp increase in tea prices, the company is looking to gain market share from unorganised/regional tea producers. It may be noted that the unorganised tea market makes up almost 50% of sales.

• Trade analysts believe the company would be able to able to witness a sustainable revenue & earnings growth backed consolidation of the acquired business. trade analysts remain positive on the stock from a long term perspective

Also Read: Jet Airways Revival News Brings Cheers to Jet's Investors

---

Tata steel share price takes an exciting take-off attracting investors

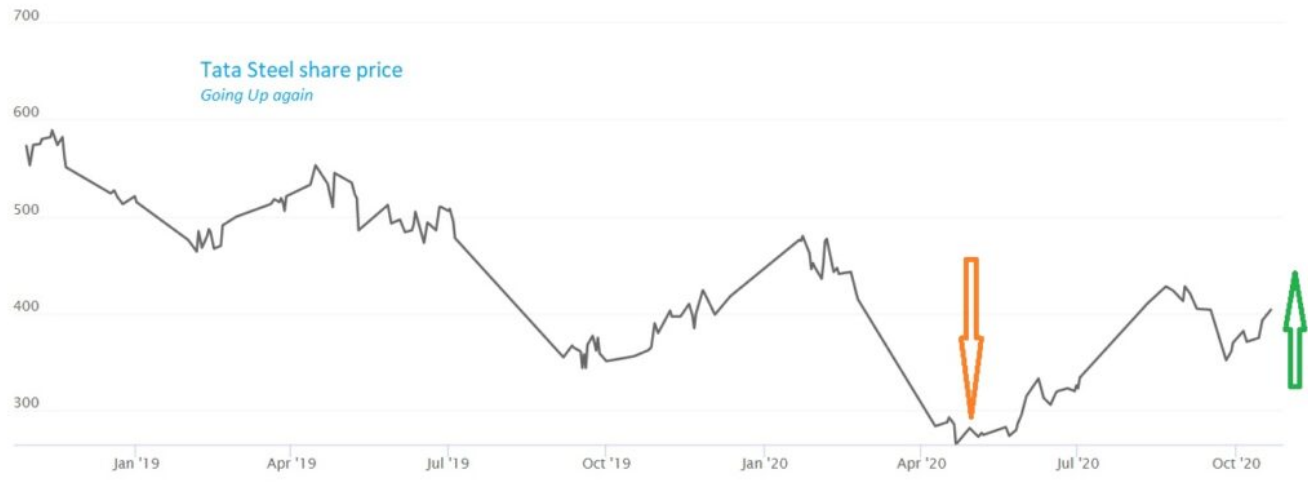
Tata steel share price has recently started showing its familiar uptrend attracting a good number of buyers.

Tata steel news

The Indian stock market continues its bull run with Sensex up 0.88 percent to 40901.72, and the Nifty moving up 97.20 points or 0.82 percent reaching 11994.

One of the leading sectors has been the Metals – steel, aluminium or Zinc. It moved up 2%. The key performers have been Tata Steel, Jindal Steel, Hindustan Zinc, Hindalco Industries, MOIL, JSW Steel, Ratnamani Metals and SAIL. The metal group as of late has experienced some solidification and stayed away from the market correction on October 15, 2020. The following day the metal stocks inside this space just flew, particularly the steel stocks.

Traditionally, Tata steel has been on top of all steel industries and as such Tata steel is one of the most favorite shares of investors and brokerage houses. Steel prices have gone up and the demand is going up after the covid induced lockdown which augurs well for the Tata steel share price. A wise decision for long term investment.



Tata steel share price movement

 Metal stocks have been in a recovery mode and have shown significant resilience in the current market volatility. Stocks like JSW Steel have managed to retest their new 52-week high despite jittery market conditions, indicating the prevailing positive bias in the metal space. We believe stocks like Tata Steel will resume their uptrend on account of short-covering.

 The open interest in the stock declined sharply in June amid short-covering. Since September, the stock has witnessed a downtrend with short additions. These positions have begun to be covered. We now expect the momentum to be seen along with covering of short positions in the coming sessions.

 In the options space, the stock has the highest Call option base at the 400 strikes followed by 420 strikes. As the stock was in a consolidation phase, Call writers are active at the 400 strikes. Sustainability above this level may trigger a further up move on the back of short-covering in the Call writer’s position. These positions may shift to higher OTM strikes. At the same time, Put open interest base is strengthening at the 380 and 370 Put, which can act as strong support on downsides

 From June to August, Tata steel share price witnessed an impulsive up move towards Rs 445 levels. Since then, it has remained largely range-bound with time and price based correction. This recent decline towards Rs 360 has given another opportunity to go long in the stock for fresh upsides

 The stock has seen one of the highest delivery based actions around Rs 340-360 in June. We expect levels around Rs 360 to act as crucial support for the stock in the short-term. With the early signs of the stock moving out of the prevailing range, analysts expect it to continue its upward momentum

Also Read: Jindal Stainless Steel share going up – Invest Money

Also Read: TATA-Walmart deal: A real game-changer in the Indian business landscape

---

Can Fin Homes: A sharp rebound from the lower band of the rising channel

The News. October 9, 2020. Shaktikanta Das, Reserve Bank of India (RBI) Governor announced some good news for Can Fin

Homes like housing finance companies:

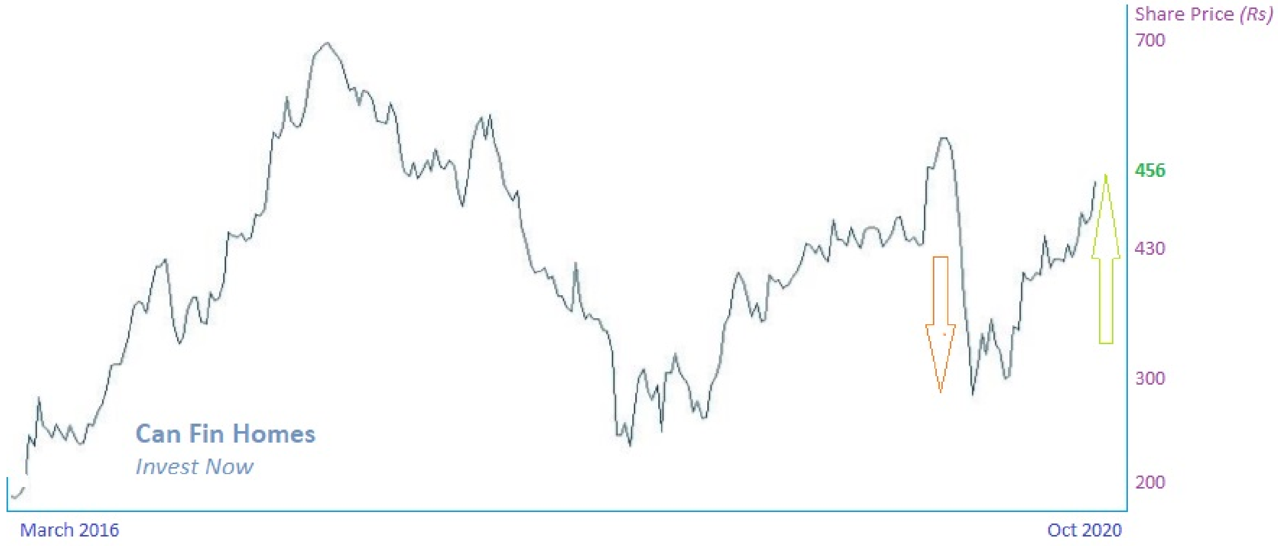
- The Monetary Policy Committee (MPC) voted unanimously to keep the policy repo rate unchanged at 4 per cent.
- The MPC will continue with the accommodative stance of monetary policy as long as necessary at least through the current financial year and next year.
- The Marginal Standing Facility Rate and bank rate remains unchanged at 4.2 per cent and the reverse repo rate stands unchanged at 3.35 per cent.

After the RBI declared the monetary policy, shares of nearly all housing finance companies – LIC HFL, GIC HF, Repco Home, Can Fin Homes, M&M Finance, IndiaBulls HF – started to surge. It seems the decision to maintain the repo rate and reverse repo rate was warmly welcomed by the sector. Most developers and consultants feel that the RBI’s move to rationalise risk weightage on home loans and link housing loan risks to loan to value is expected to make more credit available to borrowers, bring down the cost of funds to buyers and improve demand for homes.

Also Read: Government investigations into Jet Airways could derail revival plan

Case Study. *Can Fin Homes*: A sharp rebound from the lower band of the rising channel offers fresh entry opportunity for investors.

The share price of Can Fin Homes (CANHOM) has outperformed its NBFC peers. As during the sharp decline of February – March 2020 it has formed a higher bottom (Rs 253) above its CY18 lows (Rs 217) and during the subsequent pullback in the last six months it has already retraced 80% of its entire decline (Rs 519-253) way ahead of other NBFC stocks highlighting the strength



The upward trend encourages investors

o The entire pullback since May low (Rs 267) is well channelled as can be seen in the adjacent chart highlighting sustained demand at elevated levels. It recently witnessed a sharp rebound from the lower band of the channel, thus providing a fresh entry opportunity

o The stock from mid-July to mid-September has consolidated in a range of Rs 420-360. It has recently generated a breakout above the same. The upper band of the consolidation at Rs 420 is expected to act as a value area of the stock

o Analysts expect the stock to continue its positive momentum and head towards Rs 528 levels as it is the 123.6% extension of the previous up move (Rs 267-407) as projected from the recent trough of Rs 361 signals upside towards Rs 528 levels

Also Read: Caplin Point Laboratories to replicate the success

FICCI for Start-ups Initiative

SAVE THE DATE

LAUNCH INVITATION: “FICCI for Start-ups”
Date: October 1, 2020
Time: 3:00 PM to 4:00 PM (IST)

We invite you to the launch of “FICCI for Start-ups” initiative of the Federation of Indian Chambers of Commerce and Industry (FICCI). Under this initiative, FICCI will provide a wide array of services and benefits to the Indian start-ups. The prime aim of the initiative is to provide a voice to the startups in India.

A comprehensive benefits package has been developed by FICCI under the said initiative which includes connecting start-ups to FICCI corporate members, mentorship by industry experts, direct connect to the Indian Angel Network, access to soon to be set up FICCI-IAN social venture fund, access to FICCI innovation and start-up programs, exhibitions, delegations, conferences at special costs, connect to the global investor community, policy advocacy with the government on behalf of start-up members among others.

Learn more at the launch event by registering here:
https://webinar.ficci.com/startups/index.php

BE THERE!

In July 2020, FICCI had conducted a nationwide survey on the ‘Impact of COVID-19 on Indian Start-ups’ jointly with the Indian Angel Network (IAN), 250 start-ups, 61 incubators and investors. The covid has had a huge impact on the Indian businesses, especially for the SMEs and Start-ups. With uncertainty in the general economy and an unexpected shift in the priorities of the government and the business houses, various start-ups struggled to meet the challenges. The survey found:

- 70% of start-ups say their businesses impacted by Covid-19,
- 60% are operating with disruptions,
- 12% have shut operations,

- 33% start-ups said that the investors have put the investment decision on hold,
- 10% stated that the deals have been called off,
- 22% of the start-ups have cash reserves to meet the fixed cost expenses of their companies over the next 3-6 months,
- 68% of the start-ups are majorly cutting down their operational and administrative expenses,
- 30% of the companies stated that they will lay off employees if the lockdown was extended too long, and
- 43% of the start-ups have already started salary cuts in the range of 20-40% over the period of April-June 2020.

CAMS: Most Exciting IPO Opportunity

Why invest in CAMS IPO?

Computer Age Management Services Limited (CAMS) is India's largest registrar and transfer agent of Mutual Funds with an aggregate market share of approximately 70%, based on Mutual Fund Average Assets Under Management (AAUM) managed by its clients and serviced by it during July 2020, according to the CRISIL Report.

- *Largest infrastructure and services provider in a large and growing Mutual Funds market.*
  The ten-year CAGR of QAAUM (Quarterly Average AUM) of

Mutual Funds between March 2010 and March 2020 was 13.4% according to the CRISIL Report, while the ten-year CAGR of QAAUM of Mutual Funds serviced by CAMS over the same period was 15.8%.

- *Integrated business model and long-standing client relationships in our Mutual Funds services business*
  Its pan-India physical network comprises of 271 service centres spread over 25 States and 5 Union Territories as of June 30, 2020. Its Mutual Fund clients include 4 of the 5 largest Mutual Funds as well as 9 of the 15 largest Mutual Funds based on AAUM during July 2020.

- *Established track record of delivering robust financial results*
  Its total income for the three months ended June 30, 2020, and the Financial Year 2020 was ₹1,634.61 million and ₹7,213.43 million, respectively. Its profit after tax for the three months ended June 30, 2020, and the Financial Year 2020 was ₹408.25 million and ₹1,734.56 million, respectively.

Issue Details

Issue dates		Issue Price*	Lot Size	Issue Size
Open	Close			
September 21, 2020	September 23, 2020	₹1,229 - ₹1,230 per share	12 shares and in multiples thereof	₹2,242 Cr (Calculated at higher Price Band)

*A discount of ₹122 per Equity Share is being offered to eligible employees bidding in the Employee Reservation Portion. Investors are advised to refer to the Red Herring Prospectus dated September 11, 2020 (RHP) and the "Risk Factors" beginning on page 20 of the RHP before applying in the offer. A copy of the RHP will be made available on the website of SEBI and the websites of the BRLMs.

One World, One Sun, One Grid: Is it possible?

With war clouds hovering around several Nations in the world, will it be ever possible for us to see a One World One community?

One basic need of the humans – Energy – seems to have the potential to bring and connect people of the world to come together cutting across geographical barriers.

September 8, 2020. The International Solar Alliance (ISA) organised a virtual World Solar Technology Summit.

India’s Prime Minister Narendra Modi was earlier expected to deliver the inaugural address but could not do so because of some other engagements. His message was read out by the New and Renewable Energy Minister R K Singh.

The PM Modi expressed his visions on humanity and the global use of clean energy supplies across nations. He mentioned the idea of ‘One World, One Sun, One Grid’. The Prime Minister also mentioned that ISA is part of this project which can bring transformational benefits for the entire humanity.

The PM Modi made it clear that his government wants to take solar energy to all villages of India and replace fossil fuels with this clean source in agriculture.

India’s existing clean energy capacity is 134 GW. It will be scaled up to 220 GW by 2022.

The PM Modi exuded confidence that India will reduce energy tariffs further through technological advancements. A further reduction in the cost will provide a major boost to the use and expansion of renewable energy.

Five public sector undertakings (PSUs) – Oil and Natural Gas Corporation Limited (ONGC), Indian Oil Corporation Limited (IOCL), Bharat Petroleum Corporation Limited (BPCL), Hindustan Petroleum Corporation Limited (HPCL) and GAIL (India) Limited – under the Petroleum and Natural Gas Ministry may join ISA's Coalition for Sustainable Climate Action (ISA-CSCA) as corporate partners.

	Current Market Price *(Rs)*	**% Change over Prev Close**
BPCL	412.7	+2.9
HPCL	198.7	+0.63
GAIL	94.55	-1.25
ONGC	74.45	-2.62
IOC	82.75	-1.25

Time to invest in PSUs

Oil Minister Dharmendra Pradhan said the PSUs will be active contributors to ISA's Corpus Fund.

Pradhan stated that the government is actively encouraging the industry, oil and gas companies in particular, to become participants in this transition to solar energy. The mission of solarising nearly 50 per cent of fuel stations owned by public sector oil companies in the next five years is in progress. The oil and gas companies are deploying solar panels across the value chain of their operations. The current installed solar power capacity is 270 MW. An additional 60 MW solar capacity will be added in one year.