

Indian equities remain flat amidst high volatility; rally witnessed in sugar, metals and FMCG stocks..

- 1) Indian equities witnessed a smart recovery in the fag end of the session after being in red for most part of the day. The bounceback was led by metal and FMCG stocks, to end mixed on Monday even as losses in the banking counters capped gains. Among the headline indices, the BSE barometer S&P BSE Sensex settled the day at 48,718.5 levels, down 64 points or 0.13 per cent. The index hit a low of 48,028 in the opening deals but rose swiftly through the day to touch a high of 48,863 in late noon deals.
- 2) On the NSE, the Nifty50 index closed at 14,634 levels, up 3 points or 0.02 per cent, after hitting an intra-day high of 14,674. SBI Life (up over 5 per cent) settled the day as the top Nifty gainer, trailed by Bharti Airtel, Adani Ports, Tata Steel, HUL, Asian Paints, and Maruti Suzuki. On the downside, Titan (down 4.5 per cent) was leading the list of losers, followed by IndusInd Bank, Axis Bank, Reliance Industries, BPCL, Kotak Mahindra Bank, and State Bank of India (SBI).
- 3) Despite weakness in the benchmarks, the overall market strength favoured bulls amid outperformance in the broader markets. The S&P BSE SmallCap index, for instance, ended 1.6 per cent higher driven by sugar stocks, Tata Steel BSL, Tata Metaliks, and Reliance Infrastructure. All these stocks gained between 15 per cent and 20 per cent.
- 4) The S&P BSE MidCap index, on the other hand, settled 0.05 per cent higher.
- 5) The Nifty Metal index rallied 2 per cent today, followed by the Nifty FMCG index, up 1 per cent. On the downside, the Nifty Bank index slipped 0.7 per cent on the NSE.

Index	Today's Close	Prev. close	Change	% change	Open	High	Low
Sensex	48,718.52	48,782.36	-63.84	-0.13	48,356.01	48,863.23	48,028.07
Nifty	14,634.15	14,631.10	3.05	0.02	14,481.05	14,673.85	14,416.25

Sectors and stocks

- 6) Shares of sugar companies rallied on Monday, with Bajaj Hindustan, Dwarikesh Sugar Industries, Dhampur Sugar Mills, Avadh Sugar & Energy, Uttam Sugar Mills and Dalmia Bharat Sugar and Industries rallying between 15 per cent and 20 per cent, in an otherwise weak market, on healthy outlook. Triveni Engineering & Industries, EID Parry, Shree Renuka Sugars and Balrampur Chini Mills gained in the range of 10 per cent to 12 per cent.
- 7) Shares of Natco Pharma, on Monday, rose 4 per cent to Rs 935 on the BSE in intra-day trade after the company received emergency use approval for Baricitinib tablets for Covid-19 treatment. "The company has received Emergency Use approval for Baricitinib tablets, 1mg, 2mg and 4mg strengths from Central Drugs Standard Control Organization (CDSCO) in India. Baricitinib in combination with Remdesivir is used for treatment of COVID-19 positive patients," Natco Phamra said in exchange filing. Natco will be requesting a Compulsory License based on emergency use and in light of the grave and serious public health emergency across India due to the Pandemic. The company is ready to launch the product this week, so as to make the product available to suffering patients across India, it said. Last week, Natco Pharma announced that it had applied to the CDSCO in India for approval of Phase-III clinical trial of Molnupiravir Capsules for the treatment of COVID-19 positive patients. Pre-clinical data have shown that Molnupiravir has broad anti-influenza activity, including highly potent inhibition of SARS-CoV-2 replication. Patients treated with Molnupiravir achieved response within 5 days of therapy indicating that the duration of treatment with Molnupiravir is short, with the additional advantage of being an oral therapy. NATCO is hoping that CDSCO would give emergency approval of this drug based on "compassionate use" for patients. "Compassionate use" approval is given for investigational drugs so a patient with an immediately life-threatening condition can gain access to the drug. The company is ready to launch the product this month if approval is given, the company said.
- 8) Shares of Laurus Labs moved were up by 5 per cent to Rs. 474.95 on the BSE in intra-day trade on Monday, erasing a 4.5 per cent fall witnessed in the past two trading days, on a strong growth outlook. The stock of the pharmaceutical company hit a record high of Rs 482.65 on April 29, the day on which the company announced its



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January-March quarter (Q4FY21) earnings. The company's Q4 revenues grew 68.3 per cent year-on-year (YoY) to Rs 1,412 crore with strong growth across segments. Earnings before interest, taxes, depreciation and amortization (Ebitda) margins improved 1,059 basis points (bps) to 33.4 per cent against 22.9 per cent in Q4FY20 due to better product mix and improved operating leverage. Subsequently, Ebitda grew 146 per cent YoY to Rs. 472 crore. The profit after tax (PAT) was up 169 per cent YoY at Rs 297 crore, in line with a strong operational performance.

- 9) Shares of KPR Mill hit a new high of Rs 1,631.80 after rallying 18 per cent on the BSE in intra-day trade on Monday on the back of heavy volumes in an otherwise weak market. The stock was trading higher for the seventh straight day, rallying by 37 per cent during this period, after the company's net profit more-than-doubled at Rs. 186.16 crore in the March quarter (Q4FY21). It had posted profit of Rs. 80.91 crore in the year-ago quarter. The company's revenue from operations was up by 28 per cent to Rs. 1,130 crore from Rs. 882 crore. EBITDA margins expanded by 820 basis points to 24.7 per cent. The company said that new expansion project of 42 million garments factory and sugar cum ethanol plant was progressing as per schedule. The upcoming garmenting facility (42 million pieces) is expected to be commissioned by Q2FY22. The same would be fully ramped up in eight to 12 months. Of total incremental capacity, 60-70 per cent is to be utilised for existing customer with balance for new customers.

Key recent major developments..

- 1) The gross Goods and Services Tax (GST) revenue collection for the month of April 2021 touched a record high of Rs. 1,41,384 crore, of which CGST was Rs. 27,837 crore, SGST Rs. 35,621, and IGST Rs. 68,481 crore. GST collections have consistently crossed Rs. 1 trillion mark for the last seven months. "Despite the second wave of coronavirus pandemic affecting several parts of the country, Indian businesses have once again shown remarkable resilience by not only complying with the return filing requirements but also paying their GST dues in a timely manner during the month," the government said in an official statement. During April, the revenues from domestic transaction (including import of services) are 21 per cent higher than the revenues from these sources during the last month. "These are clear indicators of sustained economic recovery during this period. Closer monitoring against fake-billing, deep data analytics using data from multiple sources including GST, Income-tax and Customs IT systems and effective tax administration have also contributed to the steady increase in tax revenue," the government said.
- 2) India's eight key infrastructure industries growth reached a 32-month high of 6.8 per cent in March as compared to a year earlier, mainly due to a low base, data released by the commerce and industry ministry showed. Core sector output had contracted 37.9 per cent in April last year, with the imposition of a nationwide lockdown. While the pace of contraction declined in the subsequent months, positive growth was seen only in December and January. In fact in February, there was a degrowth of 3.8 per cent after mild growth in the previous months. The cumulative growth during April-March (2020-21) was 7 per cent.
- 3) The euro zone economy declined less than expected in the first three months of the year, preliminary data showed on Friday, while headline inflation picked up as expected on a surge in energy prices. The European Union's statistics office Eurostat said gross domestic product in the 19 countries sharing the euro contracted 0.6% quarter-on-quarter for a 1.8% year-on-year fall. The euro zone's first quarter contraction was mainly caused by a 1.7% quarterly slump in its biggest economy Germany, though mitigated by 0.4% quarterly growth in second biggest France.
- 4) US economic growth accelerated in the first quarter, fueled by massive government aid to households and businesses, charting the course for what is expected will be the strongest performance this year in nearly four decades. Gross domestic product increased at a 6.4% annualized rate last quarter, the Commerce Department said on Thursday in its advance estimate of GDP for the first three months of the year. That was the second-fastest GDP growth pace since the third quarter of 2003 and followed a 4.3% rate in the fourth quarter. Personal consumption, the biggest part of the economy, surged an annualised 10.7%, the second-fastest since the 1960s. The United States' economy is reviving rapidly as compared to its global rivals, thanks to two additional rounds of COVID-19 relief money from Washington as well as easing anxiety over the pandemic, which has boosted domestic demand and allowed services businesses like restaurants and bars to reopen. Former President Donald Trump's government provided nearly \$3 trillion in relief money early in the pandemic, leading to record GDP growth in the third quarter of last year. That was followed by nearly \$900 billion in additional stimulus in late December. President Joe Biden's administration offered another \$1.9 trillion rescue package in March, which sent one-time \$1,400 checks to qualified households and extended a \$300 unemployment subsidy through early September.
- 5) The Securities and Exchange Board of India (Sebi) last week extended the timelines for various regulatory filings, including financial earnings, in the wake of the second Covid-19 wave. The deadline to file the March quarter and annual financial results ends on May 15 and May 30 respectively. The market regulator has extended the deadline for both to June 30. "Sebi is in receipt of representations...requesting extension of timelines for various filings and relaxation from certain compliance obligations...due to ongoing second wave of the CoVID-19 pandemic and restrictions imposed by various state governments," Sebi said in a circular.

- 6) The Indian economy is projected to grow at 11 per cent in the current financial year amid the "strong" vaccine drive, said ADB on Wednesday, while cautioning that the recent surge in COVID cases may put the country's economic recovery at "risk". "India's economy is expected to grow 11 per cent in fiscal year (FY) 2021, which ends on March 31, 2022, amid a strong vaccine drive," ADB said in its flagship Asian Development Outlook (ADO) 2021 released on Wednesday. However, the Asian Development Bank (ADB) cautioned that the surge in COVID-19 cases may put the country's economic recovery at risk. For FY2022, India's GDP is expected to expand at 7 per cent, it added.
- 7) Credit rating agency S&P Global said on Wednesday the second wave of COVID-19 infections in India could impede the country's economic recovery and expose other nations to further waves of outbreaks. "In addition to the substantial loss of life and significant humanitarian concerns, S&P Global Ratings believes the outbreak poses downside risks to GDP and heightens the possibility of business disruptions," the rating agency said in a note. India's healthcare system has been overwhelmed, with the world's second most populous country reporting more than 300,000 new COVID-19 cases daily over the past six days and the death toll set to cross 200,000. S&P, which has a long-term credit rating of 'BBB-' on India, just one notch above junk, said it may have to revise its base-case assumption of 11% growth over fiscal 2021/2022, especially if wider containment measures are re-imposed. S&P expects the consumer retail and airport sectors to have a dragged out recovery with localized lockdowns and curfews in several parts of the country, and said the Indian banking sector continued to face a "high level of systemic risk".
- 10) Prime Minister Narendra Modi earlier urged all citizens to be vaccinated and exercise caution, saying the "storm" of infections had shaken India. India has given the first dose of covid antidote to 15.72 crores beneficiaries in the nation-wide vaccination till date.
- 11) S&P Global Platts has cut India's 2021 demand forecast for oil products by 9 per cent to 400,000 barrels per day (b/d) now, as compared to 440,000 b/d estimated last month. The latest revision, S&P Global Platts said, was done after taking into account the surging Covid cases across the country that have triggered lockdowns and mobility curbs across key economic hubs in India. With several states under lockdown, Platts believes India's gasoline consumption is expected to drop in the near-term to around 700,000 barrels per day in April. "That's down about 11 per cent from March. Hopes of recovery gaining traction are picked from June onwards," Platts said. A silver lining, however, could be railways that still chugs along - transporting key essentials across the country. A Crisil report suggests that the impact of the second Covid-19 wave on industrial activities thus far remains small, aided by movement of goods across the rail network.
- 12) The country's exports jumped by 60.29 per cent to \$34.45 billion in March even as the outbound shipments contracted by 7.26 per cent during the full 2020-21 fiscal to \$290.63 billion. Imports too grew by 53.74 per cent to \$48.38 billion in March, but dipped by 18 per cent to \$389.18 billion during April-March 2020-21, according to the government data released on Thursday. Trade deficit during March 2021 widened to \$13.93 billion from \$9.98 billion in March 2020. The trade deficit during the full fiscal, however, narrowed to \$98.56 billion as against \$161.35 billion during 2019-20, the data showed.
- 13) The wholesale price-based inflation was up to over 8-year high of 7.39 per cent in March on rising crude oil and metal prices. Also, the low base of March last year, when the data was computed with a low response rate due to the nationwide lockdown, contributed to a spike in inflation in March 2021. The WPI inflation was 4.17 per cent in February and 0.42 per cent in March 2020. This is the third straight month of up-tick seen in the wholesale price index (WPI) based inflation. "The annual rate of inflation stood at 7.39 per cent (provisional) for the month of March 2021 over March 2020," the Commerce and Industry Ministry said. Such a high level of WPI was last recorded in October 2012, when inflation was 7.4 per cent.
- 14) The Index of Industrial Production (IIP) which measures industrial output in India fell by 3.6 percent in February. India's industrial output has declined by 11.3 percent in the April-February period of FY21, as compared to the same period of the previous year.
- 15) Consumer Price Index-based inflation (CPI) for the month of March stood 5.52 percent as against 5.03 percent in February. Official data released on April 12 shows that retail inflation in March stayed within the Reserve Bank of India's (RBI) medium term inflation target of 4(+/-2 per cent) for the fourth consecutive month. The combined food price inflation rose to 4.94 percent in March, as compared to 3.87 percent in February.

Global markets

- 1) Asian equities ended in red with South Korea's Kospi declining by 0.66 per cent amidst low volumes as China, Japan and Britain markets were closed for public holidays today.

- 2) European equities were up on Monday after strong euro zone factory activity and German retail sales data highlighted a quick rebound in economic growth, with a largely buoyant earnings season adding to the upbeat mood.
- 3) Euro zone stocks index that includes markets in continental Europe rose 0.6 per cent, while the German DAX was up 0.8 per cent and France's CAC 40 gained 0.6 per cent.

Ajcon Global's observations and view

- 1) Today, Indian equities witnessed bounceback after falling significantly at the start. Rally was witnessed in sugar, metals, select pharma and FMCG stocks. Last week's rally was driven by foreign medical support to fight the second wave of COVID-19 and optimism on mass vaccination drive for COVID-19 which started from today. Strong set of numbers in Q4FY21 by Reliance Industries, Hindustan Unilever, Bajaj Finserv, Bajaj Finance, Shriram Transport Finance, HDFC Life, SBI Cards, Castrol have aided in rally. No doubt Q4FY21 results have been strong and encouraging but the second wave of COVID-19 would impact Q1FY22 results.
- 2) The sharp spike COVID-19 cases in the second wave with more deaths on daily basis is a serious matter of concern and the country is in war footing to fight this pandemic. The tools and resources are falling short to fight this devastating pandemic and the country is on war footing to save the lives of COVID-19 patients. The vaccination coverage for major population will take lot of time and efforts.
- 3) The mass vaccination drive for above 18 years which started from May 01, 2021 will help arrest the significant spike in COVID-19 cases but it will also take a good amount of time to show its effect. Globally, US President Joe Biden proposing to hike the capital gains tax rate for wealthy individuals in the range of 39 - 42 percent to support social spending can also dampen investor sentiments across the globe.
- 4) Going ahead investors will keep a watch on COVID-19 cases number on daily basis amidst significant spike and vaccination drive, Q4FY21 earnings season, movement of US bond yields and FPI liquidity. No doubt the country is facing the second wave of COVID-19 crisis on war footing; there are still positives that the Country has to offer. Key domestic factors like record GST collections in April 2021, positive GDP data, good proposals presented in Union Budget 2021-22 will always keep bulls in the hunt for long term. Improved US GDP data, good stimulus package in US and reduced unemployment rate in US will also support bulls. The Nifty valuations are trading in the range of 35x-40x which looks expensive amidst the high intensity of second wave of COVID-19.
- 5) We recommend investors to look out for stock specific opportunities. The current second wave of rising of COVID-19 cases will give opportunities to investors on corrections led by strict localised restrictions and lockdown in certain states. We have still not witnessed a steep correction so far. Investors will track ongoing Q4FY21 earnings season and management commentary on future scenario. Going ahead, investors will track monthly auto sales numbers, ongoing Q4FY21 earnings season, management commentary on future scenario and intensity of COVID-19 second wave and resultant situation in the country.



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