

**Sell off witnessed across the board; PSU Banks buck the trend and witness strong rally..**

- 1) Today selling was witnessed across the board after a media report suggested that banks have approached the Reserve Bank of India (RBI) to grant a 3-month moratorium period. In addition, rising COVID-19 cases and slower-than-expected pace of vaccination for the mass raised concerns in investors mind.
- 2) The BSE Sensex fell by around 850 points from day's high to touch a low of 48,149. The index then mildly recovered to settle the day at 48,253.5 levels, down 465 points or 0.95 per cent.
- 3) On the NSE, the Nifty50 gave up the psychological level of 14,500 and closed at 14,496.5-mark, down 138 points or 0.94 per cent. Earlier in the day, it hit a low of 14,461.
- 4) 35 of the 50 constituents on the index ended the day in the red including Tata Consumer Products (down 4.3 per cent), Cipla, Reliance Industries, Dr Reddy's Labs, Hindalco Industries, Divi's Labs, and Sun Pharmaceuticals.
- 5) On the upside, SBI Life, up over 2 per cent, ended as the top Nifty gainer for the second straight day, followed by Bajaj Finance, BPCL, Adani Ports, ONGC, and Coal India.
- 6) The S&P BSE MidCap and SmallCap indices each fell by 0.5 per cent. Despite in red, healthy buying was witnessed in PSU Bank stocks such as Union Bank of India, Bank of India, Indian Bank, Central Bank along with Tata Steel BSL, Shriram City Union Finance, NBCC, Bharat Forge, Dish TV, and Excel Industries.
- 7) In effect, the Nifty PSU Bank index was the sole sectoral gainer on the NSE today, up 3.5 per cent. The Nifty Pharma index, on the contrary, was gripped in profit-booking and ended 2 per cent lower today. All other sectoral indices on the NSE nursed losses between 0.4 per cent and 0.8 per cent.

Index	Today's Close	Prev. close	Change	% change	Open	High	Low
<b>Sensex</b>	48,253.51	48,718.52	<b>465</b>	<b>0.95</b>	48,881.63	<b>48,996.53</b>	48,149.45
<b>Nifty</b>	14,496.50	14,634.15	<b>137.65</b>	<b>0.94</b>	14,687.25	<b>14,723.40</b>	14,461.50

**Sectors and stocks**

- 1) Shares of Tata Elxsi rallied by 16 per cent to Rs. 4,089.70 on the BSE in intra-day trade on Tuesday, extending its previous week's rally after the Tata Group IT company reported a stellar set of March quarter (Q4FY21) numbers. In the nine trading sessions since April 22, the stock has rallied by 36 per cent, as compared to 2.4 per cent rise in the S&P BSE Sensex. In the past one year, it has rallied by 432 per cent, against 54 per cent jump in the benchmark index. In Q4FY21, Tata Elxsi's revenues increased 8.7 per cent quarter-on-quarter (QoQ) to Rs 518 crore, mainly led by 3.9 per cent QoQ growth in transportation, 5.8 per cent QoQ growth in broadcast & communication and 13.3 per cent QoQ growth in healthcare. Earnings before interest, taxes, depreciation, and amortization (Ebitda) margin increased from 30.1 per cent to 32.4 per cent on account of higher offshoring and fixed price projects. The profit after tax, meanwhile, rose 9.5 per cent QoQ to Rs. 115.20 crore. The company also announced a final dividend of Rs. 24 per share for the year 2020-21 along with a one-time special dividend of Rs. 24 per share, subject to tax. The company said growth was led by America and India with both reporting a 21.1 per cent QoQ growth while Europe grew by 1.6 per cent. Both transportation and media and communications reported another steady quarter of sustained growth while the healthcare business continues to grow faster. We have seen new customer additions and large deals in all three industry segments in the quarter, it said. The company further said that it added key new customers including a Tier-1 operator and a leading medical devices manufacturer in North America. It also closed some large deals including a multi-million dollar deal with a global OEM for an integrated connected vehicle program in one of their key markets that will leverage IoT platform.
- 2) Steel Authority of India Ltd (SAIL) on Tuesday regained market capitalisation (m-cap) of Rs. 50,000 crore, after its stock climbed over 80 per cent in the past one and half month, on expectations of strong earnings in March quarter (Q4FY21) and a healthy outlook going forward. The state-owned steel major also entered into the league of top 100



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most valued companies in terms of market capitalisation. In the intra-day today, the stock hit an over nine-year high of Rs. 135.60, up 6 per cent, on the BSE. In the past six weeks, it has rallied by 85 per cent, as compared to a 2.6 per cent decline in the S&P BSE Sensex. It was trading at its highest level since July 2011. SAIL is one of the leading steel producers in India, which has 5 large integrated steel plants (Bhilai steel plant, Rourkela steel plant, Durgapur steel plant, Bokaro steel plant and IISCO) spread across 4 states in eastern India (Chhattisgarh, Odisha, West Bengal and Jharkhand). In addition, SAIL also has 3 special steel plants (Salem Steel plant, Alloy Steel plant and Visvesvaraya iron and steel plant) and a Ferro Alloy plant at Chandrapur. For the first nine months (April to December) of fiscal 2020-21 (9MFY21), SAIL had posted a consolidated profit after tax of Rs 406 crore as against loss of Rs 704 crore during the same period of FY20. In Q4FY21, SAIL had recorded its best-ever quarterly performance, both, in terms of production and sales. FY21 sales volume was at 14.87 MT compared with 14.23 MT in FY20, a growth of 4.4 per cent YoY, and was its best-ever annual sales volume during the financial year 2020-21 (FY21). The management said after the difficult market conditions during the initial months of the financial year, the company adopted a focused approach on improving its volumes and operational efficiencies, operating the facilities at optimum levels, deleveraging its balance sheet, reducing its inventory levels, etc. "The multipronged strategy has helped us top the performances during the month, quarter, as well as, the year. The team effort by the SAIL employees helped in seizing the opportunity offered by the pick-up in the economic activities in the country especially the steel-intensive sectors like infrastructure, construction, automobiles, etc," the management added.

- 3) Shares of IndiaMART InterMESH hit an over three-month low at Rs. 7,220, down 6.6 per cent on the BSE in intra-day trade on Tuesday. The stock has fallen by 18 per cent in three days following the announcement of its March quarter (Q4FY21) results on Thursday, April 29. The stock was trading at its lowest level since January 7. IndiaMART's, India's largest online B2B marketplace for business products and services, consolidated net profit during the quarter declined 31 per cent to Rs. 56 crore over the December quarter (Q3FY21). Total income was down 4 per cent quarter on quarter (QoQ) at Rs. 190 crore as against Rs. 198 crore in the previous quarter. Ebitda margins contracted 300 basis points (bps) QoQ to 48 per cent due to an increase in manpower and outsourced sales cost. With the past three days' decline, the stock has corrected 27 per cent from its all-time high level of Rs. 9,952 touched on February 5. It has also fallen below its qualified institutional placement (QIP) price of Rs. 8,615 per share. In February, the company had raised Rs. 1,070 crore by issuing shares to institutional investors including Axis Mutual Fund, Arisaig Asia Consumer Fund, Platinum Asia Fund and Driehaus Emerging Markets Growth Fund. The company said the proceeds of which will be utilised for future growth and expansion.

#### **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,



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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".
- 8) 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.
- 9) 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.
- 10) 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.
- 11) 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



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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.

- 12) 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.
- 13) 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 were up today with South Korea's Kospi moving up by 0.6 per cent.
- 2) European equities continue to remain upbeat after strong euro zone factory activity and German retail sales data highlighted a quick rebound in economic growth, with a largely buoyant earnings season so far.
- 3) The pan-European STOXX 600 index was up by 0.4 per cent in early trading, with the German DAX up 0.2 per cent, and the UK's FTSE 100 rising 0.8 per cent.

#### **Ajcon Global's observations and view**

- 1) Today, Indian equities witnessed broad sell off amidst concerns on slow start to vaccination drive for adults in the age group of 18-45 years. The continuous sharp spike of COVID-19 cases in the second wave along with more deaths on daily basis is a serious matter of concern. At present, the country is in war footing to fight this pandemic save the lives of COVID-19 patients. The tools and resources are falling short to fight this devastating pandemic. The vaccination coverage for major population will also take lot of time and efforts which was looking easier earlier.
- 2) The 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.
- 3) 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.
- 4) Q4FY21 results season has been good so far led by Reliance Industries, Hindustan Unilever, Bajaj Finserv, Bajaj Finance, Shriram Transport Finance, SAIL, Tata Elxsi, HDFC Life, SBI Cards, Castrol, Marico etc. No doubt Q4FY21 results have been strong and encouraging but the second wave of COVID-19 would impact Q1FY22 results.
- 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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