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Market wrap **April 05, 2021**

Big sell off witnessed today on record jump of COVID-19 cases in the country; IT stocks keep their head high..

1) Big sell off was witnessed today on massive and record jump in the Covid-19 cases which lead to strong restrictions in the economically important state of Maharashtra with weekend lockdown which affected investor sentiments.

2) In addition, weak PMI manufacturing data for March 2021 and spike in US bond yields also affected investor sentiments on Monday. The two-year US Treasury yield rose to 0.186 percent, near its eight-month peak of 0.194 per cent touched in late February.

3) The frontline S&P BSE Sensex witnessed a steep fall of 1,449 points in the intra-day deals to hit a low of 48,581 amid heavy selling in banking, financial services, and realty counters. However, a sharp rally in the IT ahead of the March quarter results gave investors some solace and the index ended 870.5 points, or 1.74 per cent, down at 49,159 levels.

4) On the NSE, the Nifty50 index recovered 179 points from the day's low level of 14,459, and settled at 14,638 levels, down 229 points or 1.5 per cent.

5) Broader market was less affcted as the S&P BSE MidCap and SmallCap indices closed 1.13 per cent and 1 per cent, respectively. The overall market breadth on the BSE was in the ratio of 1:2 with two stocks falling against every stock that rose, as against a 1:4 ratio on the 30-share index.

6) Sectorally, the Nifty PSU Bank index witnessed a fall of 4 per cent on the NSE, while the Nifty Bank, Private Bank, Financial services, Realty, Auto, and Media indices slipped between 2.5 per cent and 3.5 per cent.

7) On the contrary, the Nifty IT index jumped over 2 per cent and the Nifty Metal index gained 1 per cent in a weak market on the back of strong earnings expectations and solid global cues, respectively.

Index	Today's Close	Prev. close	Change	% change	Open	High	Low
Sensex	49,159.32	50,029.83	**-870.51**	**-1.74**	50,020.91	**50,028.67**	48,580.80
Nifty	14,637.80	14,867.35	**-229.55**	**-1.54**	14,837.7	**14,849.85**	14,459.50

Sectors and stocks

1) Shares of Infosys hit a fresh record high of Rs. 1,425 after rising nearly 3 per cent on the BSE in intra-day trade on Monday, which propelled the company's market capitalisation (market-cap) beyond Rs. 6 trillion mark. The stock surpassed its previous high of Rs. 1,406.25, touched on March 16, 2021. Infosys, last month, informed the stock exchanges that a meeting of the board of directors of the company will be held on April 13 & 14, 2021, to approval and take on record the audited consolidated financial results of the Company and its subsidiaries for the quarter and year ending March 31, 2021 (Q4FY21). Acceleration in digital technologies, improved demand post Covid-19, ramp up of previous deal wins and migration to cloud are driving revenues of IT companies.

2) Shares of Steel Authority of India (SAIL) hit an over two-year high of Rs. 88.40 on the BSE as they rallied 5.5 per cent in intra-day trade on Monday, in an otherwise weak market, after the company recorded its best-ever quarterly performance both in terms of production and sales during the January-March quarter (Q4FY21). The stock of the state-owned steel major was trading at its highest level since June 2018. The crude steel production volume for the quarter stood at 4.55 million tonnes (MT), up 6 per cent year-on-year (YoY) and 4 per cent quarter-on-quarter (QoQ). Meanwhile, the sales volume for Q4FY21 came in at 4.27 MT, up 14 per cent YoY and 3 per cent QoQ, SAIL said in a press release. Aided by a healthy Q4FY21 performance, SAIL reported its best-ever annual sales volume during the financial year 2020-21 (FY21). FY21 sales volume was at 14.87 MT compared with 14.23 MT in FY20, a growth of 4.4 per cent YoY. 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. In line with its focus on reducing the borrowings, the company has reduced its gross debts by around Rs. 16,150 crore to stand at Rs. 35,330 crore (provisional) as on March 31, 2021 vis-à-vis Rs. 51,481 crore as on March 31, 2020. In the past week, the stock of SAIL has outperformed the market by surging 22 per cent as against a 2.5 per cent gain in the S&P BSE Sensex. In the last six months, it has rallied 156 per cent as compared to a 28 per cent rally in the benchmark index.

3) Shares of Dr. Lal PathLabs hit a record high of Rs. 2,924.85, ralling 7 per cent on the BSE in the intra-day trade on Monday, on expectation of healthy earning growth in the near-term, as the company would continue to reap benefits from increased Covid-related and allied testing in its widespread network of diagnostic centers and labs. In October-December quarter (Q3FY21), Dr Lal Pathlab recorded an all-time-high quarterly revenue of Rs 452.4 crore in Q3FY21 backed by growth in non-Covid business. The contribution from COVID-19 & allied business in Q3FY21 was 21.6 per cent. The company said it had conducted 5.27 lakh Covid RTPCR tests in Q3FY21 and 1.03 million year to date till December 2020. RT-PCR test being conducted in 11 labs, it said. Dr. Lal PathLabs provides diagnostic and related healthcare tests and services in India and internationally. The company has 216 clinical laboratories, including national reference lab at Delhi and regional reference lab at Kolkata; and 3,095 patient service centers and 6,995 pickup points.

4) Shares of multiplex operators like PVR and Inox Leisure declined by up to 8 per cent on the BSE in intra-day trade on Monday after the Maharashtra government ordered shutting down cinema halls, theatres and multiplexes for public access until further notice to bring the spread of Covid-19 under control. Among individual stocks, Inox Leisure declined by 8 per cent to Rs. 256.60 while PVR was down 6 per cent at Rs 1,160 on the BSE. In comparison, the S&P BSE Sensex lost 0.81 per cent to 49,627 around 09:45 am. Shares of discretionary retail players such as Trent, Aditya Birla Fashion and Retail (ABFRL) and Shoppers Stop were down between 2-3 per cent after the state government imposed strict lockdown-like curbs.

Key recent major developments..

1) India reported 1,03,558 COVID-19 cases in a day, the most since start of the COVID-19 pandemic in India. India is in the grip of the second covid-19 wave. The government said that the situation was going from bad to worse with serious cause for concern in some states, even as it expected a fast uptake in the vaccination from April 1 onwards.“No state and no part of the county should be complacent. Trends show that the virus is still very active and can penetrate our defences. When we think we have controlled it, it strikes back. There is a concern we should all be mindful of,” said V K Paul, member-health, Niti Aayog. India has given the first dose of covid antidote to 7.91 crores beneficiaries in the nation-wide vaccination till date. About 18-19 vaccine candidates against COVID-19 are in the pipeline and in different clinical trial stages, Health Minister Harsh Vardhan had said earlier. The Government earlier allowed people above 45 years to get vaccinated from April 1, 2021. The Cabinet also decided that the second dose of the vaccine can be taken between four and eight weeks, on the advice of doctors. It was allowed to be taken between four to six weeks earlier, but scientists have now said that taking the second dose between four and eight weeks gives improved results.

2) Growth in manufacturing activities slowed to the lowest rate in seven months. PMI fell from 57.5 in February to a low of 55.4 in March. In PMI lexicon, a reading above 50 means growth and the one below 50 shows contraction. The data came on a day the Reserve Bank of India's monetary policy committee sits for deciding the policy rate. The decision will be made on Wednesday. "Survey participants indicated that demand growth was constrained by the escalation of the COVID-19 pandemic, while the rise in input buying was curtailed by an intensification of cost pressures," said Pollyanna De Lima, economics associate director at IHS Markit. The weak March PMI data corroborates what the core sector showed for the month of February. Core sector output contracted 4.6 per cent in the month, dragged down in fall in production in each of eight industries.

3) The goods and services tax (GST) collection crossed the Rs. 1 lakh crore mark for the sixth month in a row in March 2021 and a new record of Rs. 1,23,902 crore (GST) collected in the month of March 2021 was created."The gross GST revenue collected in the month of March 2021 is at a record of Rs. 1,23,902 crore of which CGST is Rs. 22,973 crore, SGST is Rs. 29,329 crore, IGST is Rs. 62,842 crore (including Rs. 31,097 crore collected on import of goods) and cess is Rs. 8,757 crore (including Rs 935 crore collected on import of goods)," an official release stated. GST collection in the month of February stood at Rs. 1.13 lakh crore. In line with the trend of recovery in the GST revenues over past five months, the revenues for the month of March 2021 are 27 percent higher than the GST revenues in the same month last year. During the month, revenues from import of goods were 70 percent higher and the revenues from domestic transaction (including import of services) were 17 percent higher than the revenues from these sources during the same month last year, the Ministry of Finance said. The GST revenue witnessed growth rate of (-) 41%, (-) 8%, 8% and 14% in the first, second, third and fourth quarters of this

financial year, respectively, as compared to the same period last year, clearly indicating the trend in recovery of GST revenues as well as the economy as a whole.

4) Earlier, the government has extended the Emergency Credit Line Guarantee Scheme (ECLGS) by another three months, and widened its scope to issue additional funding up to 40 per cent of outstanding loans as on Feb 29, 2020 as against 20 per cent earlier. The scheme, dubbed as ECLGS 3.0, has been extended until June 30, or until Rs. 3 trillion is disbursed, due to continuing adverse impact of Covid-19 pandemic on certain services sector, Ministry of Finance said in a statement. The collateral free loan guarantee scheme, announced as a part of the Atmanirbhar Bharat package, would now also cover borrowers with total credit outstanding up to Rs. 500 crore, with overdues for 60 days or less on February 29 as compared to 30 days overdue earlier. The tenor of loans granted under ECLGS 3.0 will be 6 years including moratorium period of 2 years. The tenor of loans under the previous version, ECLGS 2.0, was five years with a 12-month moratorium on repayment of principal. “The modifications introduced in the scheme, while providing an incentive to MLIs (member lending institutions) to enable availability of additional funding facility to the eligible beneficiaries will go a long way in contributing to economic revival, protecting jobs, and creating conducive environment for employment generation,” the statement said. The government has incurred an expense of Rs 4,000 crore to provide guarantee on 91.9 lakh loans amounting to Rs 2.01 trillion as on March 15.

5) The output of eight infrastructure sectors contracted by 4.6 per cent in February as compared to a revised growth of 0.9% in January. All the core segments, including coal, crude oil, natural gas, refinery products and fertilisers witnessed a decline in February, according to official data released on Wednesday. This is the sharpest contraction in six months. The growth rate of the eight infrastructure sectors - coal, crude oil, natural gas, refinery products, fertilisers, steel, cement and electricity - stood at 6.4 per cent in February 2019. Coal, crude oil, natural gas, refinery products, fertilisers, steel, cement and electricity production recorded negative growth of 4.4 per cent, 3.2 per cent, 1 per cent, 10.9 per cent, 3.7 per cent, 1.8 per cent, 5.5 per cent, and 0.2 per cent, respectively in February, the data showed. According to Commerce and Industry Ministry data, during April-February 2020-21, the eight sectors' growth declined by 8.3 per cent as compared to (+) 1.3 per cent in same period of the previous fiscal.

6) Maintaining status quo on inflation targeting, the government last week extended 4 per cent retail inflation target for the Reserve Bank of India for the next five years. Under the current mechanism, the RBI has been mandated by the government to maintain retail inflation at 4 per cent with a margin of 2 per cent on either side. "The inflation target for the period April 1, 2021 to March 31, 2026 under the Reserve Bank of India Act 1934 has been kept at the same level as was for previous five years," Economic Affairs Secretary Tarun Bajaj said.

7) RBI Governor Shaktikanta Das said earlier that the central bank does not at the moment foresee a downward revision of the economic growth forecast for 2021-22. The central bank had in February forecast India's FY22 real Gross Domestic Product (GDP) growth at 10.5 percent.The comments came amidst concerns after the recent surge in COVID-19 cases.The RBI Governor made the comments while speaking at the India Economic Conclave. He said digital players will increasingly have a critical role across the banking sector in India, which is emerging as Asia’s financial technology (FinTech) hub. "FinTech is expected to challenge the financial sector with innovations and its exponential growth. Harnessing FinTech for customer services will effectively control costs and expand the banking and nonbanking businesses," Das said. The increased use of digital payments induced by the pandemic can fuel a rise in digital lending in the current decade, he said. The RBI had said that the working group, which was set up in January would study all aspects of digital lending activity of both regulated and unregulated players to put in place an appropriate regulatory approach. The Governor said “IT systems need to be developed to handle the exponential surge in the number of transactions.” The Governor cited the example of Unified Payments Interface (UPI) which took three years from 2017 to reach a monthly count of 1 billion transactions, but doubled to 2 billion a month in a short span of another year.

8) Earlier, The Supreme Court (SC) pronounced verdict on loan moratorium case and declined to extend the six months loan moratorium, observing further that the waiver of complete interest is not possible. The apex court said that the waiver of complete interest is not possible as it affects depositors. However, it said that any amount collected as compound interest shall be adjusted to the next installment payable instead of refunding it to the borrower irrespective of the loan amount. Pronouncing its verdict on a batch of pleas by various trade associations, seeking an extension of loan moratorium and other reliefs in view of the Covid-19 pandemic, the Court partly allowed the petitions which had challenged the decision of the Centre and RBI to restrict waiver of interest on interest to certain categories of borrowers who had availed loans of less than Rs 2 crore. The Centre had earlier submitted before the top court that if it were to consider waiving interest on all the loans and advances to all categories of borrowers for the six-month moratorium period announced by RBI, then the amount foregone would be more than Rs. 6 trillion. “If the banks were to bear this burden, then it would necessarily wipe out a substantial and a major part of their net worth, rendering most of the lenders unviable and raising a very serious question mark over their very survival,” it had said.

Global markets

1) Globally, equities were up on Monday after data showed a surge in US employment while US bonds came under pressure on worries the Federal Reserve may bump up interest rates sooner than it has indicated.

2) In Asia, Japan's Nikkei rose 0.8 per cent while MSCI's broadest index of Asia-Pacific shares outside Japan slipped slightly, with China closed for Tomb-Sweeping day and Australia on Easter Monday.

Ajcon Global's view

1) Indian equities fell significantly on record significant spike of COVID-19 cases in the country especially in the state of Maharashtra (over 57,000 cases on Sunday - the highest so far) which led to tough restrictions. The Maharashtra government on Sunday decided to impose a complete lockdown on weekends and a night curfew in the state to control the spread of the novel coronavirus. The curbs will come into effect from Monday night. They were announced as Mumbai alone recorded over 11,000 Covid cases which is a matter of serious concern.

2) However, this time situation is different amidst rising COVID-19 cases as there is availability of vaccines, vaccination drive growing strongly. Key domestic factors like record GST collections in March 2021, positive GDP data, good proposals presented in Union Budget 2021-22, RBI's Monetary Policy keeping rates unchanged, stellar show by majority of the Companies in Q3FY21 earnings season will keep bulls in the hunt. Positive global cues like US President Joe Biden's proposed $3 trillion infrastructure package, improved US GDP data and reduced unemployment rate in US will also support bulls. The Nifty valuations are trading in the range of 35x-40x which looks expensive but with recent budget proposals one will need to watch out the effect on corporate earnings in Q4FY21 and FY22.

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, FPI liquidity after new concerns stated above. Globally, Central banks are in the mood of accommodative monetary policy. The US Federal Reserve on March 17, 2021 suggested that it was in no hurry to raise interest rates through all of 2023, even as it talked about a V-shaped recovery in the world's largest economy.

4) We believe India economic recovery from COVID-19 crisis will surpass major economies. As India is now one of the few major economies to post positive GDP growth in the last quarter of calendar year 2020, foreign investors will get attracted to Indian equities. Moody's Analytics said India's economy is likely to grow by 12 per cent in CY2021 following a 7.1 per cent contraction last year as near-term prospects have turned more favourable.

5) Investors will continue to track PSUs which would benefit on Government's impetus on privatisation. In addition, the Government is putting a lot of emphasis and effort to implement the Strong Budget proposals in a timely and efficient manner. PSU space as a whole was neglected in the past for many years but with recent announcements re-rating has happened and are also available at fair valuations considering majority of the Companies turning expensive post stellar show.

6) We recommend investors to be stock specific and suggest investors not to get carried away with unknown names. Stock specific opportunities would emerge on corrections. The resurgence of COVID-19 cases is a serious matter of concern which can lead to further correction.

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