

Investors cheer RBI measures; Pharma, Banking and shipping stocks rally..

- 1) Indian equities rallied today on RBI's proactive measures amidst COVID-19 second wave. RBI announced a Covid-19 healthcare package of Rs. 50,000 crore for vaccine makers, medical equipment suppliers, hospitals and patients in need of funds. Besides, individual borrowers and small businesses with loan outstanding of up to Rs. 25 crore, and who did not avail for moratorium or restructuring relief last year, can ask for restructuring of their loans for up to 2 years. The RBI will also have a special long-term repo operation window for small finance banks, whereby the banks can borrow funds up to Rs. 10,000 crore at repo rate for deploying for fresh loans SFBs, to be deployed for fresh lending of up to Rs. 10 lakh per borrower. Besides, the RBI extended some measures taken last year for banks and other entities to help during the pandemic.
- 2) The benchmark S&P BSE Sensex was up by 424 points or 0.88 percent to end the session at levels 48,677.5. In the intra-day trade, the 30-share barometer hit a high and low of 48,743 and 48,254, respectively.
- 3) On the NSE, the Nifty50 hit an intra-day high of 14,637 and closed up by 121 points or 0.84 percent to end at levels of 14,618.
- 4) Sectorally, The Nifty Pharma index was up by over 4 per cent with individual stocks such as Lupin, Aurobindo Pharma, Cadila Healthcare, Sun Pharma, and Torrent Pharma rallying between 5 per cent and 14 per cent.
- 5) The Nifty Bank index, meanwhile, ended 1.6 per cent up. Individually, AU Small Finance Bank, Ujjivan Small Finance Bank, Equitas Small Finance Bank, Axis Bank, IndusInd Bank, and ICICI Bank gained up to 4 per cent.
- 6) The Nifty Financial Services, IT, Auto, and Metal indices gained up to 1.3 per cent on the NSE.
- 7) In the broader markets, the S&P BSE MidCap index was up by over 1 per cent higher while the S&P BSE SmallCap index moved up by 0.7 per cent.

Index	Today's Close	Prev. close	Change	% change	Open	High	Low
Sensex	48,677.55	48,253.51	424.04	0.88	48,569.12	48,742.72	48,254.32
Nifty	14,617.85	14,496.50	121.35	0.84	14,604.15	14,637.90	14,506.60

Sectors and stocks

- 1) Shares of Lupin hit an over three-year high of Rs. 1,147 as it rallied by over 8 per cent on the BSE in intra-day trade on Wednesday on the back of heavy volumes. The stock of the pharmaceutical company surpassed its previous high of Rs. 1,121.85 touched on September 18, 2020. It was trading at its highest level since July 2017. The S&P BSE Sensex and the S&P BSE Healthcare indices were up 0.56 per cent and 1.97 per cent, respectively at the same time. Lupin on Monday, May 3, informed the stock exchanges that the meeting of the board of directors of the company is scheduled on May 15, inter alia, to consider and approve the audited financial results for the quarter and year ended March 31, 2021, recommend dividend, if any and other business matters.
- 2) Shares of shipping companies were in focus at the bourses, on Wednesday, with the stock of Great Eastern (GE) Shipping hitting an over three-year high of Rs. 391.80 after rallying 14 per cent on the BSE in intra-day trade. The stock surpassed its previous high of Rs. 349.75, touched on Tuesday. It is trading at its highest level since February 2018. Among the other individual stocks, Shreyas Shipping & Logistics was locked in 20 per cent upper circuit at Rs. 98, also its 52-week high, on the BSE. Essar Shipping soared 17 per cent to Rs 9.26 on the BSE, followed by Shipping Corporation of India (7 per cent to Rs. 114.70) and Seacoast Shipping Services (up 3 per cent at Rs. 161). In the past one week, GE Shipping's market price has soared 29 per cent after the company said its board will meet on Friday, May 5, 2021 to consider issue of non-convertible debentures upto an amount not exceeding Rs 1,000 crore by way of private placement during the period of one year. The board will also to consider and approve audited financial results for the year ended March 31, 2021 and recommendation of final dividend, if any, the company said.



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- 3) Shares of Aarti Industries hit a new high of Rs. 1,750 after rallying 7 per cent on the BSE in intra-day trade on Wednesday after the company announced a bonus issue plan. The stock surpassed its previous high of Rs. 1,687.40 on Tuesday. The meeting of the board of directors of the Company is scheduled to be held on Tuesday, May 11, 2021 to consider, recommendation of issue of bonus shares. Earlier, in 2019, Aarti Industries had issued bonus shares in the ratio of 1:1 i.e. one bonus share for every one share held in the company on record date. The company further said, the board will also consider, approve and take on record audited financial results for the quarter and year ended March 31, 2021. The board will consider and recommend final dividend, if any, for the year ended March 31, 2021, the company said. Aarti Industries (AIL) is one of the leading speciality chemical companies in the world. It is one of the largest producers of Benzene-based basic and intermediate chemicals in India and manufactures 125 products with chemistry of benzene, aniline, sulphuric acid, toluene and methanol. AIL is one of the leading global suppliers of dyes, pigments, agrochemicals, pharmaceuticals and rubber chemicals. Benzene accounts for around 60 per cent of the company's revenues, while aniline and sulphuric acid compounds contribute around 12 per cent to revenues. AIL has two business segments, speciality chemicals – largest manufacturer of specialized pigment & paint Intermediates in India and leading player globally. Also, manufactures intermediate for agrochemicals. This segment accounts for around 85 per cent of total revenues and enjoys 20-22 per cent margins. Pharmaceuticals business has backward integrated facilities for most APIs, intermediates and formulations. This segment contributes around 15 per cent to revenues.

Key recent major developments..

- 1) The Reserve Bank of India (RBI) on Wednesday announced a Covid-19 healthcare package of Rs. 50,000 crore for vaccine makers, medical equipment suppliers, hospitals and patients in need of funds, as it opened up another round of restructuring of loans for individual and small borrowers for up to two years. RBI governor Shaktikanta Das, in an unannounced press conference Wednesday morning, announced measures to help the economy during India's second wave of Covid-19 infections. Loans, which can be given till March 31, 2022, by banks will be classified as priority sector loans for three years or repayment whichever is earlier. The classification comes with a softer loan rate. Banks can put their surplus liquidity worth the loans they give under the scheme with the RBI, using a special liquidity window earning reverse repo rate plus 40 basis points. This will work as an incentive for banks to expand their loan books, said Das. Individual borrowers and small businesses with loan outstanding of up to Rs 25 crore, and who did not avail for moratorium or restructuring relief last year, can ask for restructuring of their loans for up to 2 years. The window remains open up to 30 September, and banks will have to do the restructuring within 90 days of getting the request. Individual borrowers and small businesses that availed the facility last year but banks allowed restructuring of less than two years can now avail the facility and tell banks to increase the residual repayment window to up to two years in total. The RBI will also have a special long-term repo operation window for small finance banks, whereby the banks can borrow funds up to Rs 10,000 crore at repo rate for deploying for fresh loans SFBs, to be deployed for fresh lending of up to Rs 10 lakh per borrower. Besides, the RBI extended some measures taken last year for banks and other entities to help during the pandemic. "The immediate objective is to preserve human life and restore livelihoods through all means possible," governor Das said in his speech.
- 2) India's manufacturing sector activity was flat in April 2021, as rates of growth for new orders and output eased to eight-month lows amid the intensification of the COVID-19 crisis, a monthly survey said on Monday. The seasonally adjusted IHS Markit India Manufacturing Purchasing Managers' Index (PMI) was at 55.5 in April, little changed from March's reading of 55.4. In PMI parlance, a print above 50 means expansion while a score below 50 denotes contraction. "The PMI results for April showed a further slowdown in rates of growth for new orders and output, both of which eased to eight-month lows amid the intensification of the COVID-19 crisis," said Pollyanna De Lima, Economics Associate Director at IHS Markit. Lima also noted that "the surge in COVID-19 cases could dampen demand further when firms' financials are already susceptible to the hurdle of rising global prices."
- 3) 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.
- 4) 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



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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.

- 5) 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.
- 6) 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.
- 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 16.04 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) European equities were up on Wednesday after a sharp selloff in the previous session, helped by gains in commodity and banking stocks. The pan-European STOXX 600 index rose 1.3 per cent, with the German DAX gaining by 1.3 per cent and the UK's FTSE 100 gaining 1.1 per cent.

Ajcon Global's observations and view

- 1) Today, Indian equities witnessed rally on RBI measures amidst second wave of COVID-19. However, there are concerns on slow start to vaccination drive for adults in the age group of 18-45 years owing to shortage in certain states. 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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