

Benchmark indices end in green; metal stocks continue to rally..

- 1) Indian benchmark indices ended in green for the third consecutive session on Friday led by positive global cues and strong Q4FY21 earnings season.
- 2) Domestically, the frontline indices gained little over 0.5 per cent as volatility gauge, India VIX, eased 5.5 per cent, propelled largely by metal stocks. The Nifty Metal index advanced 5 per cent on the NSE while all other sectoral indices clocked gains between 0.04 per cent and 1 per cent. The Nifty PSU Bank index was the only loser, down 0.14 per cent.
- 3) Nifty was up by 98 points to touch levels of 14,823 levels. On the BSE, Sensex was up by 257 points to end at levels of 49,206.
- 4) Individually, Tata Steel, Hindalco, JSW Steel, Adani Ports, SBI Life, M&M, and HDFC were the top Nifty gainers of the day while Tata Consumer Products, Bajaj Auto, Hero MotoCorp, Bajaj Finance, and Eicher Motors declined up to 3.5 per cent.
- 5) The Nifty Metal index was up by 5 per cent on the NSE while all other sectoral indices clocked gains between 0.04 per cent and 1 per cent. The Nifty PSU Bank index was the only loser, down 0.14 per cent.
- 6) The S&P BSE MidCap index fell by 0.04 per cent while the SmallCap index ended 0.15 per cent higher.
- 7) India VIX, eased by 5.5 per cent led by metal stocks.

Index	Today's Close	Prev. close	Change	% change	Open	High	Low
Sensex	49,206.47	48,949.76	256.71	0.52	49,169.14	49,417.64	49,036.38
Nifty	14,823.15	14,724.80	98.35	0.67	14,816.85	14,863.05	14,765.50

Sectors and stocks

- 1) Shares of Tata Steel continued to rally and was up by 8 per cent today to touch Rs. 1,185, its fresh record high on the BSE, in intra-day trade on Friday. The stock has gained 11 per cent in the past two trading days after the company reported its best-ever performance across metrics such as revenue, Ebitda net profit. The company reported a higher-than-expected consolidated net profit, attributable to owners of the company, at Rs. 6,644 crore in the March quarter (Q4) of FY21, against a net loss of Rs 1,481 crore in the corresponding period last year. Revenue from operations jumped 39 per cent year-on-year (YoY) to Rs 49,977 crore on the back of higher steel prices and strong volumes, leading to strong operational gains. The stock recovered 8 percent from an intraday low of Rs 1,044, touched in early morning deals on the BSE. In the past one month, Tata Steel has rallied 30 per cent, against 0.74 per cent decline in the S&P BSE Sensex. Tata Steel's consolidated earnings before interest, taxes, depreciation, and amortization (EBITDA) for Q4FY21 came in at Rs. 14,184 crore (up 48 per cent QoQ, 196 per cent YoY). Tata Steel standalone operations reported EBITDA/tonne of Rs. 27,775/tonne, while European operations reported EBITDA/tonne of US\$66/tonne. Overall in FY21, Tata Steel consolidated operations repaid debt to the tune of Rs 29,390 crore (net debt repayment of Rs 10,781 crore in Q4FY21). Hence, Tata Steel's consolidated net debt declined from Rs 104,779 crore as on March 2020 to Rs 75,389 crore as on March 2021. Net debt to EBITDA improved to 2.44x and net debt to equity improved to 0.98x. With the past two days' gain, Tata Steel has now rallied 97 per cent since the Finance minister presented the Union Budget 2021-22 on February 1. In comparison, the S&P BSE Sensex is up 6.3 per cent during the same period.
- 2) Shares of Praj Industries hit a new high of Rs. 276.80, as they rallied 11 per cent on the BSE in intra-day trade on Friday after the company's consolidated net profit more than doubled to Rs. 52 crore for the quarter ended March 2021 (Q4FY21), on the back of higher operating income. The company had reported a profit of Rs. 24.86 crore in the year-ago quarter. Praj Industries is a globally leading engineering company with a bouquet of sustainable solutions for bioenergy, compressed biogas, critical process equipment and skids, breweries, industrial wastewater treatment and high purity water. The company's income from operations during the quarter under review jumped



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by 91 per cent year-on-year (YoY) to Rs. 567 crore from Rs. 296 crore in the corresponding quarter of the previous fiscal. EBITDA margins improved by 233 basis points (bps) to 13.21 per cent from 10.88 per cent in Q4FY20. The company said order intake during the quarter stood at Rs. 650 crore. The consolidated order backlog as of March 31, 2021, was at Rs. 1,748 crore (FY20 order backlog at Rs. 1,083 crore), which comprised 85 per cent domestic orders and 15 per cent international orders, it said. The management said the activity levels have remained positively elevated with continued traction in enquiries across several business verticals, including some significant order wins. Praj Industries bagged a prestigious breakthrough order from Hindustan Petroleum Corporation Limited (HPCL) during the quarter for setting up the CBG project at Badaun in Uttar Pradesh. The company also won an order from Godavari Biorefineries to set up India's largest capacity syrup-based ethanol plant in Karnataka. On the domestic Bio-energy front, ethanol blending with petrol at an all-India level has reached more than 7.4 per cent in the first five months of the ethanol supply year 2020-21. This is the highest-ever recorded ethanol blending level at an all-India basis, the company said. The government, in order to extend renewables usage across the nation, recently allowed the direct sale of ethanol as a fuel for compatible automobiles. Like petrol and diesel, the Center has allowed the sale of E-100 directly to compatible vehicles, it said.

- 3) Shares of SBI Life Insurance rallied by 7 per cent to hit a record high of Rs. 1,040 on the BSE in intra-day trade on Friday. The stock surpassed its previous high of Rs. 1,030 touched on October 30, 2019. SBI Life Insurance Company on Monday, May 3, had reported healthy premium growth, improved profitability and strong value of new business (VNB) margin uptick for the quarter ended March 2021 (Q4FY21). For Q4FY21, SBI Life posted net premium growth of 31 per cent year-on-year (YoY) to Rs. 15,556 crore, led by new business premium growth of 63 per cent YoY at Rs. 6,187 crore, while renewal premium grew 16 per cent YoY to Rs. 9,459 crore. AUM was up 38 per cent YoY to Rs. 220,870 crore.

Key recent major developments..

- 1) Globally, strong sales in China helped German luxury carmaker BMW to stronger profits in the first three months of the year even as its home market Germany trailed the ongoing recovery in global car markets from the worst of the pandemic shutdowns. BMW said that its sales in China nearly doubled in the quarter to 230,120 vehicles, partly reflecting the shutdowns in early 2020 as China was hit first by the pandemic. Sales in the overall Asia region however exceeded even pre-pandemic levels. Sales were up by double-digit percentages in most of Europe and in the US. An exception was the company's home market in Germany, where sales dropped 5 per cent. The earnings underscored the German auto industry's strong connections with China; competitor Volkswagen said Wednesday that it recorded a 61 per cent increase in first-quarter unit sales there, helping it sharply increase profits.
- 2) U.S. job growth unexpectedly softened in April from the prior month, suggesting that difficulty attracting workers is slowing momentum in the labor market. Payrolls increased 266,000 after a downwardly revised 770,000 March increase, according to a Labor Department report Friday that fell well short of projections.
- 3) The finance ministry on Friday said that the second wave of coronavirus (Covid-19) has posed a downside risk to economic activity in the April-June quarter of financial year 2022. However, it expects a muted economic impact as compared to the first wave. The finance ministry's Department of Economic Affairs (DEA) in its Monthly Economic Review for April said "the second wave in India is witnessing a much higher caseload with new peaks of daily cases, daily deaths and positivity rates and presents a challenge to ongoing economic recovery. With infections forcing localised or state-wide restrictions, there is a downside risk to growth in the first quarter of FY22. However, there are reasons to expect a muted economic impact as compared to the first wave. The experience from other countries suggests a lower correlation between falling mobility and growth as economic activity has learnt to operate 'with Covid-19,'" the report said. In April, due to the second Covid-19 wave in India, the momentum in economic recovery since the first wave has moderated. However, agriculture continues to be the silver lining with record foodgrain production estimated in the ensuing crop year on the back of predicted normal monsoons.
- 4) 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



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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.

- 5) 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."
- 6) 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.
- 7) 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.
- 8) 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.
- 9) 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.
- 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 16.49 crores beneficiaries in the nation-wide vaccination till date.
- 11) 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



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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.

- 12) 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.
- 13) 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.
- 14) 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) In Europe, stocks hit a record high as strong economic data from Germany and other major economies as well as upbeat earnings underpinned hopes of a swift economic recovery from the pandemic.
- 2) The pan-European STOXX 600 index rose 0.3 per cent while the German DAX rose 0.9 per cent. France's CAC 40 hit its highest level since November 2000 and the UK's FTSE 100 breached the 7,100 mark for the first time since February 2020.
- 3) Asian equities too were positive. Japan's Nikkei was up by 0.09 per cent while the broader Topix rose 0.29 per cent. South Korea's Kospi moved up by 0.6 per cent.

Ajcon Global's observations and view

- 1) Indian equities continued to rally as companies continue to report strong performance in Q4FY21 and positive global cues lifted investor sentiments. In addition, RBI measures amidst second wave of COVID-19 was taken well by the street. 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 Steel, Tata Elxsi, HDFC Life, SBI Cards, Castrol, Marico, Angel Broking 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



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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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