

Domestic bourses end in red as the country reports biggest single day record spike in COVID-19 cases; Pharma and PSU Banks stocks rally..

- 1) Indian benchmark indices ended in red amidst a range-bound session on Friday led by India reporting record jump of COVID-19 cases in second wave and mixed global cues.
- 2) The S&P BSE Sensex fell by 155 points to touch levels of 49,591. 50 per cent of the constituents ended the day in the red with Bajaj Finance (down 3 per cent), Ultratech Cement, NTPC, ICICI Bank, Axis Bank, IndusInd Bank, and Reliance Industries leading the list of losers. On the upside, Sun Pharma, HUL, Tech Mahindra, Titan Company, Dr Reddy's Labs, and HCL Tech were the top gainers on the index, up in the range of 1 per cent to 3.5 per cent.
- 3) On the NSE, the 50-share barometer settled at 14,835 levels, down 39 points dragged down by UPL, Tata Steel, Coal India, and Axis Bank.
- 4) Trends in the broader markets were mixed as the S&P BSE SmallCap index closed 0.7 per cent higher while the S&P BSE MidCap index dipped 0.07 per cent.
- 5) The SmallCap index hit fresh record high of 21,667. Smallcap companies like Aarti Surfactants, Bank of Maharashtra, Butterfly Gandhimathi, Srei Infra, Sasken Technologies, Kilitch Drugs, Vimta Labs ec. were upbeat today.

Index	Today's Close	Prev. close	Change	% change	Open	High	Low
Sensex	49,591.32	49,746.21	-154.89	-0.31	49,743.39	49,906.91	49,461.01
Nifty	14,834.85	14,873.80	-38.95	-0.26	14,882.65	14,918.45	14,785.65

Sectors and stocks

- 1) PSU Banks were up today on privatisation buzz. Shares of Bank of Maharashtra were up by 15.3 per cent on the National Stock Exchange (NSE), Indian Overseas Bank surged 12 per cent, and Central Bank of India jumped 10 per cent. Other PSB stocks, including Punjab and Sind Bank, Bank of Baroda, Indian Bank, UCO Bank, and J&K Bank gained between 7.5 per cent and 12 per cent on the NSE while Canara Bank, Bank of Baroda, PNB, Union Bank of India, and State Bank of India (SBI) rallied up to 3 per cent. In comparison, the Nifty PSU Bank index rose 4.7 per cent in the intraday trade while the Nifty50 index added 0.2 per cent.
- 2) Shares of Siemens were up by as much as 3.8 per cent and hit an intra-day high of Rs. 1,912 on the BSE on Friday after the Company signed a memorandum of understanding (MoU) with Ashok Leyland's Switch Mobility Automotive to address need of electric commercial vehicle customers and execute EMobility Projects in India. The MoU is aimed at delivering efficient, cost-effective and sustainable E-Mobility solutions to various commercial vehicle customers in India, the firms said in a joint statement. "Switch Mobility will bring its electric commercial vehicle industry experience while Siemens will provide the charging infrastructure technology and charging infrastructure management software solution to enhance the energy-efficient operations of the chargers," it added. According to the deal terms, the two companies will collaborate on new business models such as eMobility-as-a-Service (eMaas), integrated depot energy management, Vehicle-to-Grid (V2G) as well as on-site / off-site renewable energy sources by leveraging batteries from commercial vehicles. "Siemens is a global leader in E-Mobility solutions for commercial vehicles. We have been implementing projects for electric commercial vehicles across the globe. Together with Switch Mobility, we intend to implement high-quality techno-commercial solutions to address the needs of the growing E-mobility market in India," Sunil Mathur, managing director and chief executive officer at Siemens Limited said in his statement.
- 3) Shares of Zensar Technologies extended gains to the third straight day on Friday and climbed nearly 6 per cent after the company announced a strategic partnership with US-based Claimatic. Following this development, the stock of Zensar Technologies jumped 5.70 per cent on the BSE in intra-day trade to touch a high of Rs 290. However, the scrip pared some gains and was trading 2.73 per cent up at Rs 281.85 around 9.55 am. At the same time, the BSE barometer Sensex was down 67.6 points or 0.14 per cent at 49,678."Zensar has entered into a global



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strategic partnership with US-based Claimatic. This partnership combines industry-leading, intelligent decisioning software of Claimatic with Zensar's world-class strategic consulting, enterprise delivery, and implementation services," the company said in an exchange filing post the market hours on Thursday.

Key recent major developments..

- 1) The net direct tax collection for the fiscal ended March 31 stood at Rs. 9.45 lakh crore, an increase of 5 per cent over the revised estimates in the Union Budget. Central Board of Direct Taxes (CBDT) Chairman P C Mody on Friday said the income tax department has exceeded the revised estimates despite issuing substantial refunds in the 2020-21 fiscal. During the fiscal, the net corporate tax collection stood at Rs. 4.57 lakh crore, while net personal income tax was Rs. 4.71 lakh crore. Another Rs. 16,927 crore came from securities transaction tax (STT). The direct tax collection target set in the revised estimates (RE) for 2020-21 was Rs 9.05 lakh crore. The collection was 5 per cent higher than the RE, but was 10 per cent lower than the mop up in 2019-20.
- 2) The Reserve Bank of India (RBI) on Wednesday fulfilled a long-standing demand of bond market participants of having an open market operations (OMO) calendar of sorts, through which the central bank would commit its periodic support to the market. The RBI pledged to buy Rs. 1 trillion of bonds this quarter to cap borrowing costs to support an economy facing a resurgence of coronavirus infections. As expected, the six-member monetary policy committee kept the policy repo rate and stance unchanged at 4 per cent, and 'accommodative', "for as long as necessary", respectively. Despite the surge in Covid-19 infections, the growth target for GDP also remained unchanged at 10.5 per cent for FY22 despite COVID-19 cases rising strongly in second wave. For each quarter of FY22, the RBI gave real GDP growth forecasts at 22.6 per cent (Q1); 8.3 per cent (Q2); 5.4 per cent (Q3); and 6.2 per cent (Q4). The inflation target was tweaked upwards slightly. The CPI inflation is expected to be 5 per cent for Q4FY21, 5.2 per cent in Q1FY22, 5.2 per cent in Q2FY22, 4.4 per cent in Q3FY22 and 5.1 per cent in Q4FY22 with risks broadly balanced. RBI Governor Shaktikanta Das said in his monetary policy statement for April that it will pre-announce a secondary market government securities (G-Sec) acquisition programme to commit upfront its support to the market. For the first quarter, it will buy bonds worth Rs 1 trillion from the secondary market, starting April 15, when it will buy bonds worth Rs 25,000 crore. On-tap TLTRO scheme, which was available till March 31, 2021, has been extended by six months till September 30, 2021 to ensure requisite liquidity support to the economy. Last year, the apex bank had announced an 'On Tap TLTRO' scheme worth Rs. 1 trillion, to provide liquidity support to various economic sectors and banks. The TLTRO is available for up to three years and for a total amount of up to Rs. 1 trillion at a floating rate linked to the policy repo rate for banks.
- 3) The government on Wednesday approved a production linked incentive (PLI) scheme for white goods - Air Conditioners and LED Lights - with a budgetary outlay of Rs. 6,238 crore. The proposal was approved in a Union Cabinet meeting, chaired by Prime Minister Narendra Modi. Commerce and Industry Minister Piyush Goyal said the approval of the scheme for ACs and LEDs will give a boost to domestic manufacturing. The prime objective of the scheme is to make manufacturing in India globally competitive by removing sectoral disabilities, creating economies of scale and ensuring efficiencies. It is designed to create a complete component ecosystem in India and make India an integral part of the global supply chains. The scheme is expected to attract global investments, generate large scale employment opportunities and enhance exports substantially. "The PLI scheme for white goods shall extend an incentive of 4 per cent to 6 per cent on incremental sales of goods manufactured in India for a period of five years to companies engaged in manufacturing of Air Conditioners and LED Lights," an official statement said. Selection of companies for the scheme will be done to incentivise manufacturing of components or sub-assemblies, which are not manufactured in India presently with sufficient capacity. Mere assembly of finished goods will not be incentivised, the statement said. "Companies meeting the pre-qualification criteria for different target segments will be eligible to participate in the scheme. Incentives shall be open to companies making brownfield or greenfield Investments," it said, adding thresholds of cumulative incremental investment and sales of manufactured goods over the base year would have to be met for claiming incentives. The scheme, it said, is expected to be instrumental in achieving growth rates that are much higher than the existing ones for AC and LED industries, develop complete component eco-systems in India and create global champions manufacturing in India. They will have to meet the compulsory BIS (Bureau of Indian Standards) and BEE quality standards for sales in the domestic market and applicable standards for global markets. It is estimated that over five years, the scheme will lead to an incremental investment of Rs. 7,920 crore, incremental production worth Rs. 1,68,000 crore, exports worth Rs. 64,400 crore, earn direct and indirect revenues of Rs 49,300 crore and create additional four lakh direct and indirect employment opportunities.
- 4) COVID-19 is spreading at a fast pace with an increase in the intensity of the pandemic and the next four weeks are going to be very critical, the Centre said on Tuesday as it stressed on people's participation to control the second wave of the contagion. At a press conference, NITI Aayog Member (Health) Dr V K Paul said the pandemic situation in the country worsened with a sharp rise in cases and a large part of the population is still susceptible to the virus. The tools to fight the pandemic remain the same. COVID-appropriate behaviour, containment measures, testing



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have to be implemented more efficiently, medical infrastructure has to be ramped up and vaccination drive intensified, he said. India has given the first dose of covid antidote to 9.43 crores beneficiaries in the nation-wide vaccination till date.

- 5) Foreign portfolio investors (FPI) put in a record amount of Rs. 2.74 trillion (US\$37 billion) during the 12 month ended March 2021. The previous best for the highest-ever FPI flows in a financial year was in FY13, when overseas investors had pumped in Rs. 1.4 trillion (US\$25.8 billion), data provided by NSDL showed. The Finance Ministry said on Tuesday the sharp inflows last fiscal were due the government's policy initiatives and economic recovery. "The robust FPI flows came on the back of faster-than-expected economic recovery supported by multiple tranches of innovatively designed stimulus packages. The government and regulators had also undertaken major policy initiatives directed at improving ease of access and investment climate for FPIs in the recent past," it said in a press release. "The increase in aggregate FPI investment limit in Indian companies from 24 per cent to the sectoral cap has been a catalyst for increase in weightage of Indian securities in major equity indices, thus mobilising massive equity inflows, both passive and active, into Indian capital markets," said the ministry.
- 6) The International Monetary Fund (IMF) has raised its projection for India's economic growth in the current financial year by one percentage point to 12.5 per cent. The forecast, published in the IMF's World Economic Outlook, suggests India would again become the fastest-growing large economy in the world. In fact, India is the only country among major world economies that is projected to grow at a double-digit rate during FY22. China comes closest, with a forecast of 8.4 per cent economic expansion. The IMF also sees India's gross domestic product (GDP) growing by 6.9 per cent, a rate 10 basis points higher than its earlier projection, in the next financial year. Should that happen, India would become the most rapidly expanding large economy in the world; the closest competitor, China, is projected to grow by 5.6 per cent. The IMF's projection for India in the current financial year is the upper end of a range that the World Bank's forecast recently. Considering the uncertainty caused by Covid-19 cases, the World Bank gave a range for India's economic growth – from 7.5 per cent to 12.5 per cent – in FY22. However, it also said India was likely to grow by 10.1 per cent during the year.
- 7) 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.
- 8) 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.
- 9) 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.

Global markets

- 1) MSCI's broadest gauge of world stocks set a record high in Asian trading, though it was down 0.1 per cent by close. In Asia, Japan's Topix gained 0.6 per cent and Australian stocks hovered near a 13-month high, while South Korea's Kospi touched the highest intraday level since mid-February.
- 2) Chinese indices were down by 1.5 per cent, as robust domestic inflation data raised worries over policy tightening.
- 3) European equities were subdued on Friday, but on course for their longest weekly winning streak since November 2019. The pan-European STOXX 600 index was flat after hitting an all-time high at the open, while UK's blue-chip FTSE 100 and Germany's DAX slipped 0.4 per cent and 0.2 per cent, respectively.

Ajcon Global's view

- 1) Indian benchmark indices were range bound and ended in red amidst record jump of COVID-19 cases in the country. Investors moved to defensives today. As a result, buoyancy was witnessed in Pharma and FMCG pack. PSU Banks too were upbeat on privatisation buzz.
- 2) The rise in COVID-19 cases at a very fast pace in the second wave is creating uncertainty in the mind of investors which would turn markets volatile. However, this time situation is different as there is availability of vaccines and good pipeline of vaccines coming up in future, vaccination drive growing strongly which would help mitigate the COVID-19 crisis. In addition, the Government and Central Bank too have learnt to deal with the COVID-19 crisis.
- 3) The RBI recent measures shows that the central bank will be proactive to deal with the crisis in a strong manner. RBI's accommodative stance in the monetary policy and its bold move of a secondary market G-Sec acquisition program (G-SAP 1.0), whereby the central bank will commit upfront to a specific target for bond purchases will lend confidence to investors community. This bold move will remove uncertainty for market participants given the commitment for absorption of G-Sec supply and will help in flattening the yield curve. Under the first tranche of the programme - G-SAP 1.0, the RBI will purchase government bonds (G-sec) worth Rs. 25,000 crore. The central bank eyes bond purchases worth Rs. 1 trillion during the April-June quarter of FY22 (Q1FY22).
- 4) 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.
- 5) 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.
- 6) 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.
- 7) Investors will now continue to focus on quality names in Defensive sectors like Pharma, FMCG and ITC amidst resurgence of COVID-19 cases. Focus would be on also PSUs which would benefit on Government's impetus on privatisation. The Government has already been 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.
- 8) We recommend investors to be stock specific and suggest investors not to get carried away with unknown names in uncertain times. 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 amidst localised restrictions and partial lockdown.



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