

Benchmark indices end in red amidst profit booking; midcaps and smallcaps remain buoyant..

- 1) Indian benchmark indices ended in red amidst profit booking in large caps after witnessing rally for four consecutive sessions. Sell off in global equities also supported the downward movement.
- 2) The S&P BSE Sensex fell by 341 points, or 0.69 per cent, to end the session at 49,162 levels. During the day, the index traded within a range of 49,304 and 48,988 levels.
- 3) Kotak Mahindra Bank (down 3 per cent) was the biggest index loser today, followed by HDFC, Tech Mahindra, HUL, Bajaj Finserv, Titan Company, and Bajaj Finance. On the contrary, NTPC, ONGC, PowerGrid, Sun Pharma, UltraTech Cement, and SBI were the top gainers, up between 1 per cent and 5 per cent.
- 4) The Nifty was down by 91.6 points or 0.61 percent to end at levels of at 14,851 levels, down 92 points or 0.61 per cent. The index breadth remained neck and neck with 28 stocks in the red against 22 stocks in the green. JSW Steel, Hindalco, Wipro, and Divis Labs were the additional losers on the Nifty index while Coal India, Indian Oil Corporation, BPCL, and UPL were the additional gainers.
- 5) The broader markets, however, bucked the trend of fall in benchmark indices and were outperformers today. The S&P BSE MidCap and SmallCap indices were up by 0.60 per cent and 0.80 per cent, respectively.

Index	Today's Close	Prev. close	Change	% change	Open	High	Low
Sensex	49,161.81	49,502.41	340.60	0.69	49,066.45	49,304.47	48,988.18
Nifty	14,850.75	14,942.35	91.60	0.61	14,789.70	14,900.00	14,771.40

Sectors and stocks

- 1) Shares of Tata Motors differential voting right, or DVR, hit a 33-month high of Rs. 151, as they rallied 6 per cent on the BSE in Tuesday's intra-day trade on the back of heavy volumes amid expectations of inclusion in the MSCI Smallcap index. The stock was trading at its highest level since July 30, 2018. In the past two weeks, shares of Tata Motors DVR have outperformed the index by surging 20 per cent, as against a 1.8 per cent rise in the S&P BSE Sensex.
- 2) Shares of Bharat Heavy Electricals Limited (BHEL) rallied by 14 per cent to Rs. 75.15, hitting a 21-month high on the BSE in an otherwise weak market on Tuesday, on the back of heavy volumes. The stock of the state-owned heavy electrical equipment company was trading at its highest level since July 2019. In the past eight trading days, the stock has rallied 59 per cent from level of Rs. 47.20 hit on April 29. BHEL, a government owned entity, is India's largest engineering company and dominates the supply of equipment for power plants in India. Key products include gas turbines, generators, thermal sets, diesel shunters, turbo / hydro sets, transformers, switch gears, circuit breakers and boilers. Apart from conventional power plants (thermal, hydro & gas), BHEL has been contributing significantly to the development and promotion of solar energy over the past three decades. BHEL offers EPC solutions for grid-interactive and off-grid, ground mounted, rooftop, floating and canal top solar plants, with a current solar portfolio of more than 1 GW. In addition, BHEL is also manufacturing space-grade solar panels and batteries for space applications. "Atmanirbhar Bharat" enables localization of equipments supported by BHEL's strategy to partner with Global OEMs to leverage manufacturing facilities remains a positive catalyst going forward.
- 3) Shares of Alkyl Amines Chemicals rallied by 10 per cent and hit a new high of Rs. 3,640 on the BSE in intra-day trade on Tuesday in an otherwise weak market after the stock turned ex-split today. The company has split the equity share of face value Rs. 5 into Rs. 2. The board of directors of the company, at its meeting held on February 2, 2021, had approved the sub-division/split to increase the liquidity in the shares and bring down the company's share price. It allows retail investors to own the shares at a lower price. "To facilitate more liquidity of the Company's equity shares in the stock market, it is proposed to subdivide/split equity shares of the face value of Rs 5 each into Rs. 2," Alkyl Amies Chemicals said on the rationale behind the split. The company is primarily engaged in the business of "Specialty Chemicals". It has established a leading position in domestic market and a presence in international market with a reputation for reliable service and quality products. With the growing demand for Company's



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products, the Board of Directors had approved the investments for enhancement of capacity for Aliphatic Amines at Kurkumbh and Patalganga sites in Maharashtra.

Key recent major developments..

- 1) Equity mutual funds (MF) witnessed net inflows for the second straight month in April. Senior industry officials said equity funds have logged net inflows of Rs 3,437 crore. In March, equity funds had seen net inflows of Rs 9,115 crore after a gap of 8 months. Between July 2020 and February 2021, such schemes saw cumulative net outflows of Rs 47,000 crore even as the benchmark Sensex surged more than 40 per cent during this period. Market participants say that while inflows through systematic investment plans (SIPs) continued to remain strong and there was no major redemption pressure as seen in the last financial year. MFs were net-buyers in the cash market for the second consecutive month. In April, they bought shares worth nearly Rs 6,000 crore, providing some counterbalance to outflows by overseas investors. Foreign portfolio investors (FPIs) sold shares worth nearly Rs 14,000 crore in April—most since March 2020 when the covid-19 pandemic first took hold.
- 2) Rating agency Moody's has cut India's gross domestic product (GDP) forecast for FY22 to 9.3 per cent from the earlier projection of 13.7 per cent and has ruled out a sovereign rating upgrade – at least for now. The downward revision in GDP estimates comes on the back of a second wave of Covid infections across the country, which have triggered localised lockdowns and mobility curbs, except for essential services. "As a result of the negative impact of the second wave, we have revised our real, inflation-adjusted GDP growth forecast down to 9.3 per cent from 13.7 per cent for fiscal 2021 (FY22)," the Moody's release said.
- 3) 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.
- 4) 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.
- 5) The finance ministry on last 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.
- 6) Last week, The Reserve Bank of India (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, 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



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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.

- 7) 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."
- 8) 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.
- 9) 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.
- 10) 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.
- 11) 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.
- 12) 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 17.01 crores beneficiaries in the nation-wide vaccination as of May 10, 2021 – 7 am.
- 13) 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.

- 14) 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.
- 15) 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.
- 16) 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 down today on fears that rally in commodity prices will have strong effect on cost of raw materials. Consequently, MSCI's broadest index of Asia-Pacific shares outside Japan down 1.6 per cent in afternoon trade, its largest drop since late March while Japan's Nikkei slid 3.16 per cent. The Hang Seng tech index, meanwhile, fell 3 per cent.
- 2) In Europe, the pan-European STOXX 600 index fell 1.9 per cent while the main bourses in Frankfurt, Paris and London all lost close to 2 per cent.

Ajcon Global's observations and view

- 1) Indian equities witnessed profit booking today amidst sell off in global equities led by rising commodity prices. However, broader markets were upbeat and continued to rally as companies continue to report strong performance in Q4FY21.
- 2) No doubt, the second wave of COVID-19 has forced the nation to be on war footing to save the lives of COVID-19 patients; however, there is silver lining as well. There was some sigh of relief today as the country witnessed downward trajectory in COVID-19 cases with good fall witnessed in the state of Maharashtra especially in the city of Mumbai.
- 3) RBI measures amidst second wave of COVID-19 has also been 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.
- 4) 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.
- 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 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.
- 6) 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.
- 7) 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



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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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