

**Domestic bourses remain under pressure on weak global cues; PSU Banks rally..**

- 1) Indian domestic benchmark indices ended in red on weekly F&O expiry. The BSE barometer of 30-shares fell by 471 points to close at 48,691 levels. In the intra-day trade, the index hit a low of 48,551 levels.
- 2) The Nifty declined by 154 points and gave up 14,700-mark to settle at 14,696 levels. Earlier in the day, the index had touched a low of 14,650.
- 3) Tata Motors, PowerGrid, Titan Company, Maruti Suzuki, UPL, Cipla, State Bank of India, and NTPC were the top gainers on the 50-share index today, up between 1 per cent and 3 per cent. On the flipside, Tata Steel, JSW Steel, IndusInd Bank, Hindalco, HUL, SBI Life, and Grasim nursed losses up to 4 per cent.
- 4) The broader markets, too, succumbed to profit booking with the BSE MidCap and SmallCap indices falling 0.9 per cent and 0.6 per cent, respectively.
- 5) Among key sectoral indices, the Nifty metal index declined by over 3 per cent, followed by the Nifty Private Bank index, down 1.6 per cent.
- 6) On the upside, the Nifty PSU Bank index rallied by 3.3 per cent. Individually, Punjab and Sind Bank, Central Bank of India, UCO Bank, PNB, Union Bank of India, Bank of India and Bank of Baroda rallied in the range of 4 per cent to 10 per cent.

Index	Today's Close	Prev. close	Change	% change	Open	High	Low
<b>Sensex</b>	48,690.80	49,161.81	<b>471.01</b>	<b>0.96</b>	49,171.28	<b>49,171.28</b>	48,550.72
<b>Nifty</b>	14,696.50	14,850.75	<b>154.25</b>	<b>1.04</b>	14,823.55	<b>14,824.05</b>	14,649.70

**Sectors and stocks**

- 1) Shares of Siemens rallied by 10 per cent, hitting a new high of Rs. 2,143.20, on the BSE in intra-day trade after the company reported a strong set of numbers for the quarter ended March 2021 (Q2FY21), with healthy order book position. The stock surpassed its previous high of Rs. 2,055.10, hit on February 24, 2021. The company's consolidated net profit after tax from continuing operations grew 91 per cent to Rs. 321.90 crore, against Rs. 168.30 crore in the corresponding quarter of previous year. Revenue from operations jumped 32 per cent year on year (YoY) to Rs. 3,484 crore from Rs. 2,640 crore in a year ago quarter. EBITDA doubled to Rs. 440 crore from Rs. 220 crore, aided by lower employee costs and other expenses. The EBITDA margin improved 490 basis points (bps) YoY at 13.2 per cent. Siemens registered new orders from continuing operations of Rs.. 3,309 crore, registering a 16.9 per cent increase over the same period last year. The company's order backlog stands at a healthy Rs. 12,677 crore. The management said there has been increased demand in power transmission, digital grid and distribution systems businesses. The company's digital industries segment saw growth in the machine tool and process automation businesses. The March-end quarter demonstrated a steady revival in the economy with both private and public sectors beginning to invest in anticipation of future growth, it said.
- 2) Shares of Godrej Consumer Products rallied by 25 per cent to Rs. 895 on the BSE in the intra-day trade on Wednesday after the fast moving consumer goods (FMCG) major announced that Sudhir Sitapati will take over as its managing director (MD) and CEO in October 2021. Sudhir Sitapati—who spent over two decades at FMCG Hindustan Unilever—is stepping down from the role of executive director of the company's foods and refreshment (F&R) business.

**Key recent major developments..**

- 1) India's retail inflation, measured by the Consumer Price Index (CPI), eased to 4.29 per cent in the month of April on decline in food prices. Separately, the country's factory output, measured in terms of the Index of Industrial Production (IIP), witnessed a 22.4 per cent growth in March on low base effect, two separate data released by the Ministry of Statistics & Programme Implementation (MoSPI) showed on Wednesday.

- 2) The Reserve Bank of India (RBI) today announced the second tranche of Open Market Purchase of Government of India Securities under G-sec Acquisition Programme (G-SAP 1.0). The Reserve Bank will conduct the second tranche of open market purchase of government securities of Rs. 35,000 crore under the G-SAP 1.0 on May 20, 2021, the RBI said in a release. As per the plan, the RBI will purchase bonds in seven different maturities. There is no security-wise amount notified. The RBI reserves the right to decide on the quantum of purchase of individual securities, accept bids for less than the aggregate amount, purchase marginally higher/lower than the aggregate amount due to rounding-off, accept or reject any or all the bids either wholly or partially without assigning any reasons, it said.
- 3) 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.
- 4) 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



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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.

- 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) 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



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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.

### **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 declined by 0.9 per cent while Japan's Nikkei fell by 1.9 per cent and Taiwan's index slumped over 4 per cent.
- 2) On Wall Street, E-mini futures for the S&P 500 stumbled 0.2 per cent while futures for the tech-heavy Nasdaq were down 0.5 per cent.
- 3) Data from China on Tuesday showed that consumer price inflation hit a seven-month high in April, and factory gate prices rose at the fastest rate in three and a half years. Meanwhile, in Germany, wholesale price inflation hit a decade high.

### **Ajcon Global's observations and view**

- 1) Indian benchmark indices were under pressure amidst sell off in global equities especially in Taiwan. 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 as the country is witnessed downward trajectory in COVID-19 cases with good fall witnessed in the state of Maharashtra especially in the city of Mumbai. 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. India has given the first dose of covid antidote to 17.52 crores beneficiaries in the nationwide vaccination till date.
- 3) 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.
- 4) 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.
- 5) 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, Siemens, Borosil Renewables, Orient Electric, Godrej Consumer Products, HDFC Life, SBI Cards, Castrol, Marico, DCB Bank, Bank of Maharashtra, Angel Broking etc. No doubt Q4FY21 results have been strong and encouraging but the second wave of COVID-19 would impact Q1FY22 results.
- 6) 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.
- 7) Markets will be closed on Thursday, May 13, on account of Id-UI-Fitr holiday.



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CIN:L74140MH1986PLC041941

SEBI registration Number: INH000001170 as per SEBI (Research Analysts) Regulations, 2014.

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