

Sensex and Nifty turn choppy; companies continue to report strong Q4FY21 result..

- 1) Domestic bourses were choppy and were oscillating between gains and losses during the day led by downgrades in the GDP growth forecasts for FY22 by various rating houses along with slowdown in the vaccination programme.
- 2) The Sensex was up by 42 points or 0.09 percent to end at levels of 48,732.5. During the choppy session, the index hit a high and low of 48,899 and 48,473, respectively. The Nifty was down by 19 points or 0.13 percent to end at levels of 14,678.
- 3) Overall, 21 of the 30 shares on the Sensex and 34 of the 50 constituents of the Nifty ended the day in the red. Coal India, Hindalco, Tata Steel, Tata Motors, Grasim, and IndusInd Bank on the Nifty and M&M, SBI, ONGC, Dr Reddy's Labs, and NTPC on the Sensex ended the day as top laggards.

Index	Today's Close	Prev. close	Change	% change	Open	High	Low
Sensex	48,732.55	48,690.80	41.75	0.09	48,898.93	48,898.93	48,473.43
Nifty	14,677.80	14,696.50	18.70	0.13	14,749.40	14,749.65	14,591.90

Sectors and stocks

- 1) Shares of PowerGrid Infrastructure Investment Trust listed with a premium of 4 per cent on Friday against its issue price of Rs 100. The stock made its debut at Rs. 104, registering a gain of 4 per cent on the BSE. It further jumped 4.97 per cent to Rs. 104.97 as the trade progressed. At the NSE, it listed at Rs. 104, with a premium of 4 per cent. Earlier this month, the initial public offer of PowerGrid Infrastructure Investment Trust was subscribed 4.83 times. Price range for the offer was at Rs 99-100 per unit. PowerGrid Infrastructure Investment Trust (PowerGrid InvIT) is owned by state-owned PowerGrid Corporation of India.
- 2) Shares of Asian Paints were up by 11 per cent to Rs. 2,839 on the BSE in intra-day trade on Friday after the company reported a strong 44 per cent year-on-year (YoY) revenue growth at Rs. 6,651 crore in the March 2021 quarter (Q4FY21), led by a 48 per cent YoY volume growth in the decorative segment. The stock had hit a record high of Rs. 2,871 on January 11, 2021. The higher revenue growth was led by pent-up demand, especially as demand in Tier I cities recovered sequentially; recovery in the Project business; and gain in market share from organised and unorganised peers. A soft base also aided the figure. The company's profit after tax (PAT) during the quarter under review increased by 81 per cent YoY to Rs. 870 crore. EBITDA grew by 53.4 per cent YoY to Rs. 1,318 crore. On the margin front, while no price hike in Q4 weighed on gross margins (down around 266 basis points (bps) YoY), savings in employee and other costs to the tune of 100 bps and 290 bps YoY, respectively, led to a 127 bps YoY increase in EBITDA margin. The management said the domestic decorative business delivered a stellar performance, registering a 48 per cent volume growth in the quarter, led by robust growth in the premium and luxury product range. The huge inflationary trend in raw material prices has been worrying, however, its impact on profitability has been negated with some path-breaking work on sourcing and cost optimization, it said.
- 3) Shares of UPL hit a new high of Rs. 728.80, up 5 per cent, on the BSE in intra-day trade on Friday after the company reported a healthy 72 per cent year-on-year (YoY) jump in its consolidated net profit at Rs 1,065 crore on the back of strong operational performance. The global provider of sustainable agriculture products and solutions had posted a profit of Rs 617 crore in the year-ago quarter. The stock is trading higher for the fourth straight day and has gained 16 per cent during this period, while in the past three weeks, it has rallied 24 per cent on the BSE. In Q4FY21, the company's revenue from operations increased 15 per cent YoY to Rs. 12,797 crore. It logged volume growth of 18 per cent and a price increase of 1 per cent. EBITDA rose 31 per cent YoY to Rs. 2,839 crore. The strong margins and cost synergies have augured well for EBITDA margins expansion of 270 basis points (bps) to 22 per cent during the quarter. The management said the strong volume growth in Latin America, up 40 per cent YoY, was helped by the catch-up of a delayed season in Brazil. However, the depreciation in the Brazilian Real more than offset the volume and price increases.



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- 4) Shares of HG Infra Engineering rallied by 19 per cent in intraday trade to Rs 346.40, also its 52-week high, on the BSE after the company reported a robust set of numbers for the quarter ended March 2021 (Q4FY21), with standalone profit after tax jumping 91 per cent year-on-year (YoY) to Rs. 97.70 crore on the back of strong revenue. The construction & engineering company had logged a profit of Rs 51.3 crore in Q4FY20. The stock was trading close to its record high of Rs 356, touched on April 23, 2018. The company's revenue during the quarter under review increased 65 per cent to Rs. 1,027.8 crore from Rs. 622.9 crore in the corresponding quarter of previous year, clearly reflecting the sharp pickup in execution. EBITDA) grew by 64 per cent YoY to Rs. 166.5 crore from Rs. 101.40 crore in the year-ago quarter. The Ebitda margin stood at 16.2 per cent during Q4 FY21 led by better project mix and lower contribution by sub-contracting projects. The management said robust execution capabilities reflected in strong growth in revenue and order book with timely execution of all projects with no delays in any project. The strict discipline in selecting and executing orders translating into robust margins and return profile, it said.

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.
- 5) 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.
- 6) 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.
- 7) 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



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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.

- 8) 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 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.
- 9) 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."
- 10) 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.
- 11) 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.

Global markets

- 1) In Europe, the pan-European STOXX 600 index rose 0.3 per cent, with banks and retail stocks leading the gains, following a healthy session in Asia.
- 2) Barring Singaporean shares, all other Asian stocks strengthened on reassurances from the US Federal Reserve that a spike in inflation was temporary, with China and South Korea shares advancing 1.7 per cent and 1.1 per cent, re-



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spectively. Singapore equities, on the other hand, fell by more than 3 per cent after the city-state's imposed strict Covid-19 curbs.

- 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 choppy today amidst positive action in broader markets as companies continue to report strong Q4FY21 result with good management commentary for the future despite second wave of COVID-19. 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 is 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 17.92 crores beneficiaries in the nation-wide vaccination till date. According to a government official, two billion doses of Covid-19 vaccines will be made available in the country between August and December, enough to vaccinate the entire population. He added that the Russian Covid vaccine Sputnik V is also likely to be available by next week. This comes after Delhi, Maharashtra and Karnataka decided to suspend the vaccination for people in the 18-44 age group till further orders amid acute shortage of vaccines.
- 2) 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 Asian Paints, Reliance Industries, Hindustan Unilever, Bajaj Finserv, Bajaj Finance, Shriram Transport Finance, SAIL, Tata Steel, Tata Elxsi, UPL, 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.
- 5) We recommend investors to look out for stock specific opportunities. Investors will track ongoing Q4FY21 earnings season and management commentary on future scenario. Going ahead, investors will continue to track 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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