

Bulls rule at Dalal Street; midcaps and smallcaps turn buoyant..

- 1) Indian equities continue to remain buoyant amidst a sharp drop in Covid-19 cases and strong Q4FY21 earnings season.
- 2) Sensex rallied by 612.60 points or 1.24 per cent to settle above the 50,000-mark on Tuesday. Over the past two sessions, the BSE gauge Sensex has gained about 1,461 points or 2.99 per cent. Following the two-day massive rallies, the market capitalisation of BSE-listed companies jumped by Rs 5,78,634.72 crore to a record Rs 2,16,39,367.91 crore on Tuesday.
- 3) On Tuesday, M&M was the top gainer in the 30-share pack, rallying nearly 6 per cent, followed by Bajaj Auto, Titan, Bajaj Finance and HDFC Bank. Bharti Airtel, ITC, Dr Reddy's, SBI and Hindustan Unilever Limited were the laggards.
- 4) The S&P BSE Midcap index hit a record high of 21,254.92, up 2 per cent on the BSE in the intra-day trade on Tuesday, on the back of a strong rally in automobile, consumer discretionary, financials and Adani Group stocks. The index surpassed its previous high of 21,085.51 touched on March 4, 2021 in the intra-day trade.
- 5) Sectorally, BSE auto, industrials, consumer durables, capital goods, power and utilities indices rallied up to 3.19 per cent, while telecom and FMCG indices declined upto 1.66 per cent.

Index	Today's Close	Prev. close	Change	% change	Open	High	Low
Sensex	50,193.33	49,580.73	612.60	1.24	49,986.68	50,313.25	49,959.20
Nifty	15,108.10	14,923.15	184.95	1.24	15,067.20	15,137.25	15,043.70

Sectors and stocks

- 1) Shares of Shilpa Medicare rose 13 per cent to Rs. 574.90 on the BSE in intra-day trade on Tuesday, up 26 per cent in the past two trading days, after the company on Monday said that it has tied up with Dr. Reddy's Laboratories for production of Sputnik V, a two-dose Covid-19 vaccine. "Shilpa Medicare, via its wholly-owned subsidiary Shilpa Biologicals Private Limited (SBPL), has entered into a three-year Definitive Agreement with Dr. Reddy's Laboratories Limited (DRL) for production-supply of the Sputnik V vaccine from its integrated biologics R&D cum manufacturing centre at Dharwad, Karnataka," the company said in an exchange filing. DRL has partnered with HVIRDIF for the clinical development of the vaccine and has distribution rights in geographies, including India. DRL will facilitate the transfer of the sputnik technology to SBPL. Under the agreement, SBPL will be responsible for manufacturing the vaccine, while DRL is responsible for the distribution and marketing of the vaccine in its marketing territories. The targeted production of the dual vector Sputnik V for the first 12 months is 50 million doses (50 million of Component 1 and 50 million of component 2), from the date of start of commercial production. The companies are also exploring the option to manufacture Sputnik Light, a single-dose version of the vaccine in the near future. The company views biologics as a strategic growth area and has made significant investments in setting up a high end, flexible biologics facility in Dharwad to cater to the requirements of the fast-growing biologics field, that include the adenoviral, subunit & DNA vaccines, Monoclonal antibodies and fusion proteins, the company said. Shilpa Medicare is in the manufacturing and supplying of affordable API (Active Pharmaceutical Ingredient) and formulation globally in different regulated markets.
- 2) Shares of Praj Industries were up by 8 per cent to hit a new high of Rs. 356.80 on the BSE in intra-day trade on Tuesday after the company announced that Circular Biobased Delta has approved Praj's Bio-bitumen samples processed from purified lignin, as a part of their flagship CHAPLIN program. The Netherlands-based Circular Biobased Delta is one of Europe's premier consortia to promote bio-economy. Lignin is one of the co-products resulting from the second generation ethanol plants, paper-making and also from compressed bio-gas plants. Bitumen is a black viscous mixture of hydrocarbons produced by fractionation of crude oil and has wide applications in road construction and roofing as a binder. Praj has now developed a proprietary process (under patenting) to convert the crude lignin into Bio-bitumen which has the potential to replace this fossil-based bitumen and offer eco-friendly green bitumen. The binding and viscoelastic property of Bio-bitumen makes it useful for applications in as-



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phat. Circular Biobased Delta (CBBDD) facilitates cooperation between knowledge centres, public authorities and industry to grow usage of biomass as a raw material in the chemical, construction and packaging industries. Under its flagship program CHAPLIN, it aims at stimulating the development and commercialisation of Bio-bitumen as a binder for use in asphalt so as to improve the greening approach in road construction while reducing CO2 intensity, the company said in a press release. The stock price of Praj Industries surpassed its previous high of Rs. 351 touched on May 11, 2021. In the past six months, the stock has rallied by 360 per cent as compared to 14 per cent gain in the S&P BSE Sensex.

- 3) Shares of Gland Pharma rallied by 12 per cent to Rs. 3,124.75 in the intra-day trade after the company reported a healthy 34 per cent year-on-year (YoY) rise in its consolidated net profit to Rs. 260.4 crore in the March 2021 quarter (Q4FY21) on robust sales. It had posted net profit of Rs. 194.8 crore in Q4FY20. The company's revenue from operations grew 40 per cent YoY at Rs. 887.70 crore from Rs. 635.2 crore in a year ago quarter. However, EBITDA margin during the quarter under review declined to 40 per cent from 42 per cent in previous year quarter. The management said the new product launches, volume growth in company's existing portfolio, along with geographic expansion, has led to strong business growth across all markets. The new Vaccine business is expected to accelerate the company's long-term strategy of entering into Biosimilar space, the management said.
- 4) Shares of the recently listed Easy Trip Planners, the travel support services company, were locked in the upper circuit of 20 per cent at Rs 229.80 on the BSE in Tuesday's session amid heavy volumes. The trading volumes on the counter jumped over four-fold with a combined 6.41 million equity shares having changed hands on the NSE and BSE at the time of writing this report. There were pending buy orders for 880,000 shares on both the exchanges, the data shows. With today's gain, the stock price of Easy Trip Planners has bounced back 56 per cent from its 52-week low of Rs 147.50 touched on April 19, 2021, in intra-day trade. The company had hit a 52-week high of Rs 233.15 during intra-day trade on its stock market debut on March 19, 2021. It had raised Rs 510 crore through an initial public offer (IPO) with an issue price of Rs 187 per share. The company operates the EaseMyTrip.com website. It offers a comprehensive range of travel-related products and services for end-to-end travel solutions, including airline tickets (94 per cent of revenues), hotels and holiday packages (5 per cent of revenues), rail tickets, bus tickets and taxis, as well as, ancillary value-added services such as travel insurance, visa processing and tickets for activities and attractions. Easy Trip Planners is anticipating pent up demand to boost the travel and tourism segment post the ease of travel restrictions and vaccination drive carried out by the government. With minimal finance cost and low depreciation and capex going forward, we anticipate the majority of earnings before interest, taxes, depreciation, and amortization (EBITDA) flowing down to profit after tax (PAT). "Online travel is one of the worst-hit sectors due to the outbreak of the Covid-19 pandemic, with recovery likely to be "U-shaped" at best. Domestic travel in India is set to recover faster relative to international travel (including hotels and holiday packages). For domestic travel, the industry should reach pre-Covid volumes by early 2021," Easy Trip Planners said in an investor presentation. The company expects the online travel market in India to double over the next five years to reach \$31 billion FY25, growing at 14 per cent CAGR from FY20 levels. "There will be increased adoption of internet platforms in under-penetrated segments such as hotels, international travel and bus (online volume penetration is less than 20 per cent in each of these segments). The elevated growth in the underlying demand in sectors like air and hotels is due to rising income levels," the company said.
- 5) Shares of Orient Cement rallied by 10 per cent to Rs. 133.70 on the BSE in intra-day trade on Tuesday after the company's net profit in the March quarter of the financial year 2020-21 (Q4FY21) more than doubled to Rs. 99.88 crore, on the back of healthy operational performance. The company had posted a profit of Rs. 44.07 crore in Q4FY20. The cement maker reported revenue growth of 27.1 per cent year-on-year (YoY) at Rs. 832 crore. EBITDA margin improved by 530 basis points (bps) YoY and 174 bps quarter-on-quarter (QoQ) to 24.4 per cent. On account of the outbreak of the Covid-19 pandemic and consequent lockdown imposed by the government, the manufacturing facilities of the company were temporarily shut down during the start of the current year, Orient Cement said, adding that accordingly, the sales volume of the current year are impacted, although cement demand has been progressively recovering over the year with improved prices.

Key recent major developments..

- 1) India's wholesale inflation accelerated to 10.49 per cent in April on account of a surge in the prices of fuel and manufactured products, data released by the commerce and industry ministry showed. Wholesale inflation rate, measured by WPI, has been rising continuously since December. It soared to an eight-year high in March to 7.39 per cent. The latest price data released by the government on Monday showed that food prices rose to 4.92 per cent in April, along with a massive price surge in manufacturing products at 9.01 per cent. Fuel and power inflation stood at nearly 21 per cent led by higher petrol and diesel prices.
- 2) India's retail inflation, measured by the Consumer Price Index (CPI), eased to 4.29 per cent in the month of April on



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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).

- 3) The Reserve Bank of India (RBI) earlier 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.
- 4) 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.
- 5) 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.
- 6) 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.
- 7) 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.
- 8) The finance ministry earlier 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.
- 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. 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) Asian equities were up on Tuesday, shrugging off worries about a resurgence of Covid-19 cases in some Asian countries and a subdued session on Wall Street, as inflation jitters helped push gold prices to three-month highs. There is optimism over the reopening of the British economy.
- 2) MSCI's broadest index of Asia-Pacific shares outside Japan rose 1.13 per cent after a mixed session on Monday. Japan's Nikkei rose as much as 2.2 per cent, while Hong Kong's stocks opened up 0.87 per cent. China's blue-chip CSI300 index was slightly lower.
- 3) Globally, investors are waiting on Wednesday's release of the minutes from the Federal Reserve's policy meeting last month, which could shed more light on the policy makers' outlook on inflation and an economic rebound.

Ajcon Global's observations and view

- 1) Bulls continue to roar hard as the country has witnessed good decline in COVID-19 cases in the second wave which has lifted animal spirits amongst investor community. In addition, Indian 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 significant decline in COVID-19 cases across major states 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 18.44 crores beneficiaries in the nationwide 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.
- 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.
- 3) 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 to some extent.
- 4) 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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