

**Panic selling witnessed at Dalal Street; Financials and multiplex companies stocks fall..**

- 1) Indian equities were under pressure as the second wave of Covid-19 pandemic intensified. Panic selling was witnessed in cyclical sectors and defensives too witnessed some profit booking.
- 2) Among the headline indices, the S&P BSE Sensex declined by 1,469 points in the early deals to hit a low of 47,363 levels. On the NSE, the Nifty too fell by 427 points to 14,191 levels in intraday. However, buying at lower levels in the pharma and IT space cut off losses in Sensex and Nifty. At close, the Sensex index quoted 47,949 levels, down 883 points while the Nifty50 was at 14,359 levels, down 258 points. Both the indices were down 1.8 per cent each.
- 3) On the National Stock Exchange, the Nifty Pharma index was the only index that ended in the green, up 0.17 per cent, while the Nifty IT and FMCG indices ended 0.33 per cent and 0.9 per cent down, respectively. Among cyclicals, the Nifty PSU Bank, Nifty Bank, Nifty Private Bank, and Nifty Financial Services indices slipped between 2.5 per cent and 4 per cent. The Nifty Auto, Realty, and Metal indices, meanwhile, tumbled up to 4 per cent.
- 4) Britannia, Dr Reddy's Labs, Infosys, Wipro, and Cipla were the only gainers on the Nifty index, up between 0.6 per cent and 1.5 per cent. On the downside, Adani Ports, Power Grid, ONGC, Hero MotoCorp, IndusInd Bank, Bajaj Finserv, Kotak Mahindra Bank, and HDFC Life were the top drags, down up to 4 per cent.
- 5) In the broader markets, the S&P BSE MidCap and SmallCap indices declined 1.9 per cent and 1.6 per cent, respectively.

Index	Today's Close	Prev. close	Change	% change	Open	High	Low
<b>Sensex</b>	47,949.42	48,832.03	<b>-882.61</b>	<b>-1.81</b>	47,940.81	<b>48,020.79</b>	47,362.71
<b>Nifty</b>	14,359.45	14,617.85	<b>-258.40</b>	<b>-1.77</b>	14,306.60	<b>14,382.30</b>	14,191.40

**Sectors and stocks**

- 1) Shares of Glenmark Pharmaceuticals hit a 23-month high of Rs. 587.50, up 3 per cent, on the BSE in intra-day trade on Monday after the company announced that its API (Active Pharmaceutical Ingredient) division, Glenmark Life Sciences, is planning to raise fund via an initial public offer (IPO). The stock of the drugmaker is trading at its highest level since May 2019. It recovered 9 per cent from its intra-day low of Rs. 539 touched on the BSE. Glenmark Life Sciences, a wholly-owned subsidiary of Glenmark Pharmaceuticals, on April 16, 2021, filed a draft red herring prospectus (DHRP) with the Securities and Exchange Board of India (SEBI) for an IPO, comprising of a fresh issue of up to Rs. 1,160 crore and an offer for sale of up to 7.3 million equity shares of Rs. 2 each of Glenmark Life Sciences, by Glenmark Pharmaceuticals, the company said in an exchange filing. The board of directors of Glenmark Pharmaceuticals, at its meeting held on April 16, 2021, approved the offer for sale of up to 7.3 million equity shares of Rs 2, in the offer. The IPO will be subject to market conditions, receipt of applicable approvals and other considerations, it said. The fresh issue proceeds will be utilised for payment of outstanding purchase consideration to the promoter for the API spin-off (Rs. 900 crore), funding capex (Rs. 153 crore) and general corporate purposes.
- 6) Shares of Linde India, a supplier of medical oxygen to hospitals and industrial gases to corporations, rallied by 10 per cent to hit a new high of Rs. 2,078.60 in intra-day trade on the BSE on Monday in an otherwise weak market on expectation of higher product demand, due to the rising coronavirus cases. The stock was trading higher for the fourth straight day, rallying 19 per cent during the period. Linde India Ltd is a leading supplier of gases and related products and services in India. The company is primarily engaged in manufacture of industrial and medical gases and construction of cryogenic and non-cryogenic air separation plants. For the October-December quarter (Q4CY20), Linde India had reported 145 per cent year on year (YoY) jump in its consolidated profit before tax and exceptional items of Rs 85.21 crore against Rs 34.89 crore during the same quarter last year. Revenue from operations grew 15 per cent at Rs 475 crore from Rs 413 crore in the corresponding quarter of previous fiscal. Meanwhile, as per March 2021 quarter shareholding disclosed by Linde India, institutional investors reduced their combined stake in the company to 13.04 per cent from 13.95 per cent at the end of December 2020 quarter. Individual shareholders holding however rose to 9.88 from 9.04 per cent in previous quarter.

- 7) Shares of multiplex operators PVR and Inox Leisure extended their fall on Monday, declining up to 9 per cent on the BSE in the intra-day trade, after rating agency CRISIL downgraded its rating on the bank facilities of these companies over likely delay in recovery of operating performance due to the recent spike in Covid-19 cases. Among individual stocks, PVR slipped 9 per cent to Rs 961 while Inox Leisure (ILL) declined by 8 per cent to Rs. 242, hitting over eight-month lows on the BSE in the intra-day trade today. In the past one month, PVR and Inox Leisure have tanked 30 per cent and 25 per cent, respectively. In comparison, the S&P BSE Sensex slipped 4.3 per cent during the same period. CRISIL Ratings downgraded its long-term bank facilities and non convertible debentures of PVR to 'CRISIL AA-/Negative' from 'CRISIL AA/Negative', while it downgraded its ratings on the bank facilities of INOX Leisure to 'CRISIL A+/-Negative/CRISIL A1' from 'CRISIL AA-/Negative/CRISIL A1+'. "The rating action reflects CRISIL Ratings' expectation of weakening of PVRs and ILL's business risk profile over the medium term. It was earlier expected that with resumption of operations in October 2020, the occupancy will improve gradually with return of content to the multiplexes. However, with the recent spike in Covid-19 cases, recovery in operating performance of multiplexes will be delayed," it said in its rating rationale. Many states have already announced localised lockdowns, night curfews and restrictions over occupancy levels in cinemas. These restrictions will also result in deferment of the release of strong content, which was earlier scheduled to be released in the first quarter of fiscal 2022, thereby impacting operations.
- 8) Financial stocks were under pressure at the bourses, falling up to 7 per cent, in intra-day trade on the National Stock Exchange (NSE) on Monday on concerns over near-term growth momentum and asset quality improvement due to the pandemic-induced local lockdowns on continuously rising Covid-19 cases. AU Small Finance Bank, IDFC First Bank, RBL Bank, ICICI Bank, Axis Bank, IndusInd Bank, State Bank of India, Bajaj Finance, Housing Development Finance Corporation (HDFC) slipped 5 per cent to 7 per cent in intra-day trade.

#### **Key recent major developments..**

- 1) In a major key development amidst the second wave of COVID-19 pandemic, the Union government on Monday took a major decision to further liberalise the vaccination process. Under the phase-3 strategy of inoculation, the government opened up vaccination to everyone above 18 years. "In a meeting chaired by Prime Minister Narendra Modi, an important decision of allowing vaccination to everyone above the age of 18 from May 1 has been taken," said the government in an official statement. "The Prime Minister said that the government has been working hard from over a year to ensure that maximum numbers of Indians are able to get the vaccine in the shortest possible of time," it said. The government has been working hard from over a year to ensure that maximum numbers of Indians are able to get the vaccine in the shortest possible of time, said PM Modi. India has given the first dose of covid antidote to 12.38 crores beneficiaries in the nation-wide vaccination till date.
- 2) 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.
- 3) 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.
- 4) 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.
- 5) 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.
- 6) 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-



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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.

- 7) India's drug regulator, the Drugs Controller General of India (DCGI) last week approved Russian Covid-19 vaccine Sputnik V for 'restricted use in emergency situations' in India. This was a day after the Subject Expert Committee (SEC) gave its thumbs up to the vaccine. Hyderabad-based Dr Reddy's Laboratories (DRL) has collaborated with the Russian health ministry to obtain regulatory approval for import of the vaccine in India. The health ministry said in an official statement: "After detailed deliberation, the SEC recommended for grant of permission for restricted use in emergency situations subject to various regulatory provisions. DRL has collaborated with National Research Center for Epidemiology and Microbiology of the Ministry of Health of the Russian Federation for obtaining regulatory approval for import for marketing in India."
- 8) The second wave of Coronavirus (Covid-19) infections is credit-negative and poses threat to economic recovery in India, according to global rating agency Moody's. The second wave of infections presents a risk to growth forecast as the reimposition of virus management measures will curb economic activity and could dampen market and consumer sentiment. However, given the focus on "micro-containment zones" to deal with the current wave of infections, as opposed to a nationwide lockdown, the impact on economic activity will be less severe than that seen in 2020. India's very low Coronavirus death count (only about 170,179 deaths have been recorded as of April 12) and relatively very young population also help mitigate risks. Gross Domestic Product (GDP) is still likely to grow in double digits in 2021 given the low level of activity in 2020. Retail and recreation activity across India had dropped by 25 per cent as of April 07, 2021 compared to February 24, 2021, according to Google mobility data. This was mirrored in the Reserve Bank of India's March consumer confidence survey which showed a deterioration in perceptions of the economic situation and expectations of decreased spending on nonessential items, it added.
- 9) 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.
- 10) 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.
- 11) 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.

## Global markets

- 1) Global equities traded near record highs as markets were generally upbeat about the prospects for a global economic recovery from Covid-19, ahead of a busy week for earnings.
- 2) Europe's STOXX 600 was up 0.2 per cent while MSCI's main European Index was up 0.1 per cent. Japan's Nikkei and South Korea's Kospi ended mildly higher while China CSI300 index jumped 2.4 per cent.

## Ajcon Global's view

- 1) Indian bourses were under tremendous pressure amidst significant surge of COVID-19 cases in the second wave with higher positivity rate. COVID-19 cases now crossing figure of 2,00,000 on daily basis is worrisome and creating anxiety across the nation. In addition, the recent IIP numbers and inflation data announced were also weak. Strict restrictions and lockdown in major states to curb the spread of virus and ramp up medical infrastructure has led to investors sitting on the fence leading to selling and profit booking. The rise in COVID-19 cases at a very fast pace in the second wave is creating uncertainty in the mind of investors. However, one should remember 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.
- 2) Today's Union Government's decision of opening up vaccination to everyone above 18 years of age from May 01, 2021, will lift sentiments of investors and people of India as it will help in controlling the second wave of COVID-19 pandemic. In addition, the Government and Central Bank too have learnt their lessons to deal with the pandemic from the first wave of COVID-19.
- 3) 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.
- 4) Key domestic factors like record GST collections in March 2021, positive GDP data, good proposals presented in Union Budget 2021-2 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. In addition, the monsoon forecast is also good.
- 5) 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.
- 6) Investors will now continue to focus on quality names in Defensive sectors like Pharma, FMCG and ITC amidst significant spike of COVID-19 cases on daily basis in second wave.
- 7) We recommend investors to take a breather for some time. The current second wave of rising of COVID-19 cases will give opportunities to investors on corrections. The resurgence of COVID-19 cases is a serious matter of concern as jump in COVID-19 cases are on daily basis which can lead to further correction amidst strict localised restrictions and lockdown in certain states. Investors will track ongoing Q4FY21 earnings season and management commentary on future scenario.



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