

**Indian benchmark indices end in red on profit booking and global inflation fears; rally continues in broader markets..**

- 1) Domestic bourses ended in red after a stellar run in last few days. The Sensex fell by nearly 450 points from the day's high to hit a low of 49,831. The index settled the day at 49,903 levels, down 291 points or 0.58 per cent. On the NSE, the Nifty50 index defended the crucial 15,000-mark and closed at 15,030 levels, down 78 points or 0.52 per cent. Earlier today, it hit a low of 15,008.
- 2) Coal India, Cipla, Sun Pharma, UPL, Nestle India, Indian Oil Corporation, Tech M, Axis Bank, and SBI Life were the top gainers of the day, up between 1 per cent and 4 per cent, while Tata Motors, HDFC, M&M, JSW Steel, Bajaj Finserv, Bharti Airtel, and Kotak Bank were the top laggards, down up to 5 per cent.
- 3) In the broader market space, the S&P BSE MidCap and SmallCap indices ended 0.53 per cent and 0.35 per cent higher, respectively.
- 4) Sectorally, the trend was largely mixed. The Nifty Financial Services index declined 1 per cent, followed by 0.9 per cent loss each in the Nifty Private Bank and Metal indices. On the upside, the Nifty Realty index zoomed over 2 per cent while the Nifty Pharma index added 1 per cent.

Index	Today's Close	Prev. close	Change	% change	Open	High	Low
<b>Sensex</b>	49,902.64	50,193.33	<b>290.69</b>	<b>0.58</b>	50,088.81	<b>50,279.01</b>	49,831.40
<b>Nifty</b>	15,030.15	15,108.10	<b>77.95</b>	<b>0.52</b>	15,058.60	<b>15,133.40</b>	15,008.85

**Sectors and stocks**

- 1) Shares of Birla Corporation were trading higher for the eight straight days, up 7 per cent at Rs. 1,289.65 on the BSE in Wednesday's intra-day trade after reporting a strong set of numbers for the quarter ended March 2021 (Q4FY21). It was trading close to its all-time high level of Rs. 1,290, touched on January 8, 2018. The stock of the cement & cement products company hit a fresh 52-week high today, and has zoomed 31 per cent in the past two weeks. In comparison, the S&P BSE Sensex was up 4 per cent during the same period. Birla Corporation reported a fourth quarter net profit of Rs 249.33 crore, up 28 per cent year on year (YoY) from Rs 194.73 crore in the same period last year, on the back strong realisation. The sales volume jumped 24.5 per cent YoY to 4.17 million tons (mt). Revenue grew 24.9 per cent YoY at Rs 2,146 crore. With a capacity utilisation of 108 per cent, the quarter was one of the best ever quarter for the company in terms of production and sales. The company's Q4FY21 Ebitda (earnings before interest, taxes, depreciation, and amortization) at Rs 405.53 crore and cash profit at Rs 338.16 crore were also the highest ever. In the wake of improved demand, Birla Corporation managed to raise prices during the March quarter, which led to marginal improvement in realisation per ton, but profitability came under pressure due to a sharp increase in raw material and fuel costs. While Ebitda/ton for Q4FY21 was down 10.3 per cent YoY, for the full-year it went up 4 per cent to Rs. 1,012. The company said it made up for its loss in production and sales at the beginning of the financial year by aggressively rationalising costs. Most notably, finance cost was pared by Rs 91.39 crore, or by 23.6 per cent YoY, to Rs 296.28 crore. The company also benefited from the better than expected recovery in cement demand from the second quarter onwards, especially in the rural sector, which was largely the outcome of the Union government injecting cash into the economy by boosting infrastructure development.
- 2) Shares of Minda Corporation rallied by 6.7 per cent to Rs. 118, also its fresh 52-week high, on the BSE in Wednesday's intra-day deals after the automobile component maker reported a consolidated net profit of Rs. 12.92 crore for the March quarter of FY21 as against a loss of Rs. 299.78 crore in the year-ago period. The stock surpassed its previous high of Rs 104.7, touched on April 28, 2021. It's total income grew by 45 per cent to Rs. 801.30 crore compared with Rs 552.50 crore in Q4FY20 while Ebitda margin improved to 11.2 per cent due to operating leverage and tight control and reduction on other cost. For the full financial year 2021, net profit stood at Rs 52.50 crore as against a loss of Rs 199.81 crore while the income from operations during the year was Rs 2,401.14 crore against Rs 2,265.16 crore in FY20. That apart, the Board of Directors of the Company also recommended a final dividend of Rs 0.35 per equity share (17.5 per cent) for shares with face value of Rs 2 per share, aggregating to Rs 837 lakhs,



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for the year ended March 31, 2021. The total dividend declared for the financial year 2020-21 is Rs 0.65 per equity share (32.5 per cent), the company said in an exchange filing. Minda Corporation is one of the leading manufacturers of automotive components for the OEMs. The US \$507 Million Group caters to the leading Passenger Vehicle, Commercial Vehicle, Motorcycle & Scooter, Off-road Vehicle & Tier 1 Manufacturers in India with presence in Indonesia, Vietnam, Uzbekistan, USA and Japan.

- 3) Shares of Torrent Pharmaceuticals, on Wednesday, rallied by 6 per cent at Rs. 2,891.55 in intra-day trade on the BSE after the drug firm reported a 3.18 per cent year-on-year (YoY) rise in its consolidated net profit at Rs. 324 crore for the quarter ended March 31, 2021, mainly on the back of continued India business recovery momentum, and cost control. Consolidated revenue from operations of the company stood at Rs. 1,937 crore for the quarter under consideration. It was Rs 1,946 crore for the same period a year ago, Torrent Pharma said in an exchange filing, on Tuesday. For the financial year ended March 2021, net profit of the company was Rs. 1,252 crore as against Rs. 1,025 crore in 2019-20, it said. The revenue from operations for the fiscal year ended March 2021 stood at Rs. 8,005 crore. It was Rs. 7,939 crore in the previous fiscal year. India revenues stood at Rs 922 crore for the quarter under consideration, a growth of 10 per cent, the filing said, it added. The company's board has recommended a final dividend of Rs. 15 per equity share of Rs 5 each, Torrent Pharma said.
- 4) Shares of Tata Motors declined by 6 per cent to Rs 312.95 on the BSE in intra-day trade on Wednesday on account of profit booking in the counter even as the firm reported a strong operational performance for the quarter ended March 2021 (Q4FY21), led by its UK subsidiary Jaguar Land Rover (JLR) and its India business, and narrowing of consolidated loss, which was mainly on account of exceptional items. The stock of the Tata group-owned global automobile manufacturer has outperformed the market by gaining 15 per cent in the past two weeks, as compared to a 4 per cent rise in the benchmark index S&P BSE Sensex till Tuesday. In Q4FY21, Tata Motors reported a net loss of Rs. 7,605 crore as against a net loss of Rs 9,894 crore in the corresponding quarter a year ago. Excluding the exceptional items, the firm's revenue, Ebitda (earnings before interest, taxes, depreciation, and amortisation), and profit before tax (PBT) were higher than Street estimates. The loss was mainly on account of asset write-downs and restructuring costs of Rs 14,994 crore with respect to JLR's Re-imagine strategy. The net exceptional expenses were Rs 13,347 crore after considering Rs 2,000 crore of write-backs in the India business. Consolidated net sales were at Rs. 88,628 crore, up 41.8 per cent year-on-year (YoY) on the back of a 106 per cent YoY rise in India revenue (volumes up 89 per cent) and a 20.5 per cent rise in JLR sales (volumes up 7.5 per cent YoY). Consolidated margins came in at 16.5 per cent during the quarter under review, down 37 basis points (bps) sequentially.

#### **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 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 counterbal-



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ance 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) Globally, equities were in red on Wednesday as uncertainties over inflation prompted investors to reduce exposure to riskier assets for now. Investors concerned about rising inflation will be keeping a close eye on the Federal Open Market Committee as it publishes the minutes from its April meeting later today.
- 2) In Europe, the pan-European STOXX 600 index fell 1.1 per cent in early deals while in Asia, Japan's Nikkei erased 1.3 per cent, China's CSI300 slipped 0.3 per cent, and Australia's S&P/ASX 200 index tumbled 2 per cent.

## Ajcon Global's observations and view

- 1) Indian benchmark indices today took a breather after being buoyant for last few sessions led by profit booking and global inflation fears. Midcaps and smallcaps 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. India's daily virus cases rose marginally on Wednesday with over 267,000 fresh cases. With this, the new infection count has remained below the 300,000-mark for the third consecutive day.
- 2) 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 18.58 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.
- 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 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, Torrent Pharma, Birla Corp, 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.
- 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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