

**Buoyancy witnessed across the board; banking bellwether SBI reports strong Q4FY21 performance..**

- 1) The benchmark Sensex on Friday posted its biggest single day gain since March 30 amid strong global cues following better-than-expected economic data and earnings. In addition, strong earnings performance by India's largest public sector bank, State Bank of India lifted investor sentiments.
- 2) Sensex ended at 50,540 levels, up 976 points or 1.9 per cent to cap its best week since February 5 led by rally in financial stocks.
- 3) On NSE, the Nifty rallied significantly by 269 points to settle above the crucial level of 15,150-level at 15,175. Both the indices hit their respective highs of 50,591 and 15,190.
- 4) SBI was the second best gainer on the Sensex, up 4 per cent, while IndusInd Bank, HDFC Bank, ICICI Bank, Axis Bank, HDFC, and Kotak Mahindra Bank were the other top gainers, up between 3 per cent and 4.5 per cent. All these stocks contributed nearly 680 points towards the Sensex's total gains.
- 5) On the downside, Dr Reddy's Labs and Power Grid on the Sensex, and Eicher Motors, Indian Oil Corporation, Grasim, and SBI Life on the Nifty were the only laggards on the indices, down up to 0.3 per cent.
- 6) Financial indices -- Nifty Bank, Private Bank, PSU Bank, and Financial Services -- outperformed on the NSE today, and gained between 3-3.5 per cent. Meanwhile, all other sectoral indices settled up to 1 per cent higher.
- 7) In the broader markets, the S&P BSE MidCap and SmallCap indices underperformed the benchmarks today and ended 0.8 per cent and 0.65 per cent higher, respectively.
- 8) The surge also propelled India's market capitalisation towards the \$3-trillion mark. While the Sensex is 3 per cent below its all-time high made on February 15, a rally in the broader market has lifted the market cap of all companies listed on the BSE stood to a record high of Rs 218 trillion, or \$2.99 trillion. (conversion rate of Rs 72.83)

Index	Today's Close	Prev. close	Change	% change	Open	High	Low
<b>Sensex</b>	50,540.48	49,564.86	<b>975.62</b>	<b>1.97</b>	49,833.98	<b>50,591.12</b>	49,832.72
<b>Nifty</b>	15,175.30	14,906.05	<b>269.25</b>	<b>1.81</b>	14,987.80	<b>15,190.00</b>	14,985.85

**Sectors and stocks**

- 1) India's largest public sector bank State Bank of India (SBI) on Friday reported a standalone net profit of Rs. 6,451 crore for quarter ended March 2021 (Q4FY21) aided by fewer provisions on bad loans. The lender's PAT was 80.14 per cent higher than previous year's profit of Rs 3,580.8 crore. On a quarterly basis, the bottom line expanded 24.14 per cent. In Q4FY21, SBI's lender's provisions and contingency fund dropped 18.11 per cent year-on-year (YoY) to Rs. 11,051 crore, of which provision for NPA was Rs. 9,914.23 crore, from Rs. 13,495 crore set aside in Q4FY20. Sequentially, it rose 6.8 per cent from Rs 10,342.39 crore earmarked in the December quarter of FY21 (Q3FY21). It's pre-tax profit stood at Rs. 8,649.12 crore compared with Rs. 4,970.04 crore reported in the corresponding quarter of the previous fiscal. Operationally, the bank registered an pre-provision profit of Rs. 19,700 crores in Q4FY21 as compared to Rs. 18,465 crores in Q4FY20, an increase of 6.69 per cent YoY. Sequentially, operating profit increased by 13.66 per cent.

Net interest income (NII) – increased to Rs. 27,067 crore during the quarter. SBI's NII in Q4FY20 was Rs 22,766.9 crore, and Rs 28,819.9 crore in Q3FY21. Domestic NIM for FY21 stood at 3.26 per cent, up 7 bps YoY.

"To ease the financial stress caused by Covid-19 disruptions on borrowers and relax the repayment pressures, the Supreme Court had directed that there shall not be any charge of interest on interest / compound interest / penal interest for the period during the moratorium from March 1, 2020 to August 31, 2020 and such interest shall be refunded to the concerned borrowers to be given credit / adjusted in the next installment of the loan amount. Accordingly, the bank has reversed interest income by Rs. 830 crore during the year ended March 31, 2021," it said in a statement.

SBI's total loan book at the end of Q4FY21 was up by 5 per cent on year to Rs. 25.39 trillion from Rs. 24.22 trillion at the end of Q4FY20. On a quarterly basis, the loan book expanded 3.4 per cent from Rs. 24.56 trillion. Of these, the Bank witnessed a 3 per cent YoY decline in corporate loans while retail loans jumped 16.5 per cent YoY. Moreover, Home loan, which constitutes 23 per cent of the bank's domestic advances, has grown by 10.51 per cent YoY. Deposits, were up by 13.5 per cent to Rs 36.81 trillion. Out this, Current Account Deposit grew by 27.36 per cent YoY, while Saving Bank Deposits grew by 14.79 per cent YoY.

In Q4FY21, Actual slippages stood at Rs. 5,473 crores (Reported slippages Rs.21,934 crores less Proforma Slippages for 9MFY21 - Rs.16,461 crores). Slippages Ratio for FY21 declined to 1.18 per cent from 2.16 per cent as at the end of FY20 while Credit Cost as at the end of FY21 has declined 75 bps YoY to 1.12 per cent. Its gross non-performing assets (GNPA) increased to Rs. 1.26 trillion from Rs. 1.17 trillion in Q3FY21. The same, however, was Rs 1.49 trillion in the year-ago period. As a percentage of loans, the GNPA ratio stood at 4.98 per cent, up from 4.77 per cent QoQ Net NPA, on the other hand, stood at Rs 36,809.72 crore, up from Rs 29,031.72 crore in Q3FY21. The same declined from Rs 51,871 crore reported in Q4FY20. NNPA for the quarter came in at 1.5 per cent, up from 1.23 per cent QoQ.

Cost to Income Ratio, increased marginally from 52.46 per cent in FY20 to 53.60 per cent in FY21 while Capital Adequacy Ratio (CAR) improved by 68 bps YoY to 13.74 per cent as on March 2021. Return on Assets (RoA) increased by 10 bps YoY to 0.48 per cent in FY21 against 0.38 per cent in FY20.

Overall, SBI has delivered a robust performance in Q4FY21 (in line with our expectations) with all round significant improvement in retail credit growth, profitability, asset quality also improved in FY21, slippages within control, slippage and restructuring applications for FY21 (well within guidance), improved recovery, strong collection efficiency of 96%, well provided for Stressed Book (PCR - including AUCA at 87.75%), well provided for legacy book, strong capital adequacy, fall in credit costs, all major legacy issues over with no major stress estimated and consistent improvement RoE with 9.9 percent in FY21. CD Ratio at ~62% is at cyclical lows. There is sufficient liquidity and headroom to fund likely credit growth. Remember FY17, 18 and 19 are aberrations and reflects the most difficult phase of corporate asset quality cycle. We believe the only way to go from here is up and is visible clearly. We believe the Bank is now poised to reach the next level and expect the robust performance to continue in FY22. Corporate advances growth trajectory is also expected to improve post recent Budget announcements. The Bank consistently delivered double digit ROEs FY00–FY15: 15%+ ROEs for 10 years. Most of the good work done would be reflected in coming years. Going forward, management expects sustainable ROE of ~15%+.

- 2) Shares of SBI Cards and Payment Services (SBI Cards) were trading higher for the fifth straight day, up 4 per cent at Rs. 1,076.35 on the BSE in intra-day trade on Friday. The stock has rallied 11 per cent in the past one week. In comparison, the S&P BSE Sensex has risen 3 per cent during the week. The stock was trading at its highest level since March 9, 2021. It hit a record high of Rs. 1,149 on February 24. SBI Cards is the leading issuer of credit cards in India. The company offers wide range of value-added payment. Rapid growth in digital payments and large customer base from parent may drive growth in credit cards over long-term. On March 17, US-based private equity firm Carlyle Group had sold 4.3 per cent stake (40 million shares) in SBI Cards and Payment Services via block deals. The shares sold at Rs 986 apiece, fetching Carlyle Rs. 3,944 crore. Following the share sale, Carlyle's holding in SBI Cards has dropped to 11.61 per cent from 15.86 per cent.
- 3) Shares of Hindustan Petroleum Corporation (HPCL) rallied 8 per cent and hit a 52-week high of Rs. 288.15 on the BSE in intra-day trade on Friday after reporting many-fold jump in its March quarter (Q4FY21) net profit to Rs. 3,018 crore on the back of inventory gains and rise in refining margins. The state-owned oil marketing company had a net profit of Rs. 27 crore in January-March 2020 (Q4FY20). The company announced final dividend of Rs. 22.75 per share, translating to dividend yield of 9 per cent for FY21. It also completed its share buyback program on April 20, 2021.

### **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 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) Most global markets rallied on Friday after a drop in US initial jobless claims shifted investor focus back to prospects for a global economic recovery.
- 2) The pan-European STOXX 600 index was flat, with British stocks falling about half a per cent.
- 3) In Asia, Japan's Nikkei was up 0.8 per cent. South Korea's Kospi and China CSI30 indices, however, slipped 0.2 per cent and 1 per cent, respectively.
- 4) In the previous two sessions, the markets had seen a fall amid fears of inflation and as the minutes of the Federal Reserve's meeting in April raised the possibility of tapering stimulus measures.
- 5) China earlier said it will strengthen its management of commodity supply and demand to curb any "unreasonable" increases in prices. Prices for commodities such as coal, steel, iron ore and copper – of which China is the world's biggest user – have surged this year, fuelled by post-lockdown recoveries in demand and easing liquidity globally.

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

- 1) Indian benchmark indices posted robust gains on Friday led by strong Q4FY21 result by banking giant SBI. 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. After a consistent increase in COVID-19 case positivity for 10 weeks, a decline has been reported since the last two weeks, the government said on Thursday. The number of districts reporting a decline in case positivity increased from 210 in April 29-May 5 to 303 districts in May 13-19, it said. In addition, investors are hopeful, that vaccine shortages will be resolved in some months as vaccine manufacturers ramp up supplies. The entry of new vaccines is also expected to ease the supply crunch.
- 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 19.18 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



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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 SBI, Asian Paints, Reliance Industries, Hindustan Unilever, Bajaj Finserv, Bajaj Finance, Shriram Transport Finance, SAIL, Tata Steel, Tata Elxsi, Tata Coffee, UPL, Siemens, Bosch, Borosil Renewables, Orient Electric, Godrej Consumer Products, HDFC Life, SBI Cards, Castrol, Marico, Torrent Pharma, Birla Corp, DCB Bank, Bank of Maharashtra, Dr. Lal Path Labs, Angel Broking, TCI Express, Shakti Pumps 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 continue to track ongoing Q4FY21 earnings season and management commentary on future scenario.





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