

Bulls continue to rule at Dalal Street; continuous decline in COVID-19 cases in second wave and strong Q4FY21 performance lift investor sentiments..

- 1) The BSE benchmark Sensex was up by 111.42 points or 0.22 per cent to close at 50,651.90. During the day, it gained 317.11 points to 50,857.59. SBI was the biggest gainer among the 30-share pack in Monday's session, spurting nearly 3 per cent, followed by L&T, Axis Bank, PowerGrid and ITC. On the other hand, Titan and IndusInd Bank were among the prominent losers.
- 2) In the broader market, the BSE midcap and smallcap indices gained up to 0.86 per cent.
- 3) Sector-wise, BSE power, oil and gas, utilities, realty, capital goods and industrials indices rose as much as 1.89 per cent, while telecom, metal, FMCG and consumer durables were among those to close lower. The Nifty PSU Bank index ended the day as the top gainer on the NSE, up over 2 per cent, followed by the Nifty Realty index (up 1.4 per cent), and the Nifty Media index (up 1 per cent). On the downside, the Nifty Metal index fell 0.6 per cent on the NSE.
- 4) Investor wealth rose by Rs 3,30,458.99 crore in two consecutive days of market rally.
- 5) BSE on Monday added another feather to its cap with the market capitalisation of all listed companies on the exchange reaching USD 3 trillion for the first time ever. At close of trade, the market capitalisation of BSE-listed companies stood at Rs 2,18,94,202.30 crore (USD 3 trillion). During the day, the market capitalisation of BSE-listed companies went past the Rs 219 lakh crore level.
- 6) "Market capitalization of equities of listed companies on @bseindia reached USD 3 trillion intra day for the first time ever. A great milestone on a long journey. Congratulations to all 6.9 crore+ registered investors, 1400+ brokers, 69,000+ MF distributors and 4700 + companies," BSE's MD and CEO Ashishkumar Chauhan tweeted.

Index	Today's Close	Prev. close	Change	% change	Open	High	Low
Sensex	50,651.90	50,540.48	111.42	0.22	50,727.28	50,857.59	50,465.90
Nifty	15,197.70	15,175.30	22.40	0.15	15,211.35	15,256.25	15,145.45

Sectors and stocks

- 1) Shares of Natco Pharma were up 20 per cent to Rs 1,188.95, also its new high, on the BSE in intra-day trade on Monday after the company said it has received approval from the US health regulator for the generic version of Celgene's multiple myeloma drug, Revlimid (Lenalidomide) capsules in US. Lenalidomide capsule is indicated for treatment of adults with multiple myeloma, mantle cell lymphoma and myelodysplastic syndromes. In the past three days, the stock has rallied by 30 per cent. "The company has received final approval from the US Food and Drug Administration (USFDA) for its abbreviated new drug application (ANDA) for Lenalidomide capsules in 5 mg, 10 mg, 15 mg, and 25 mg strengths, and tentative approval for the capsules in strengths of 2.5 mg and 20 mg", Natco Pharma said in a regulatory filing. Natco, along with its marketing partner Arrow (Teva's affiliate), has already settled the Para IV litigation with Celgene in December 2015. Natco and Arrow shall launch the product on agreed-upon launch dates in the future. In a separate regulatory filing, Natco Pharma said that its marketing partner, Breckenridge Pharmaceutical Inc (BPI), has received final approval for its Abbreviated New Drug Application (ANDA) for Everolimus tablets (generic for Zortress), from the USFDA. BPI plans to launch 0.25mg, 0.5mg and 0.75mg strengths of the product shortly, which are indicated in the prophylaxis of organ rejection in kidney transplantation and liver transplantation, it said. Meanwhile, Natco also said the company has initiated Phase-III clinical trial of Molnupiravir capsules in India. Pre-clinical data have shown that Molnupiravir has broad anti-influenza activity, including highly potent inhibition of SARS-CoV-2 replication. Patients treated with Molnupiravir achieved response within 5 days of therapy indicating that the duration of treatment with Molnupiravir is short, with the additional advantage of being an oral therapy. Phase-III clinical trial is initiated to evaluate the efficacy and safety of Molnupiravir Capsules in mild COVID-19 patients.



AJCONGLOBAL
YOUR FRIENDLY FINANCIAL ADVISORS

- 2) Shares of Larsen & Toubro (L&T) were trading higher for the third straight day, up nearly 3 per cent at Rs. 1,458 on the BSE in intra-day trade on Monday. The stock of the engineering and construction giant has gained 5 per cent in the past one week as compared to a 2 per cent gain in the S&P BSE Sensex. It was quoting at its highest level since March 18, 2021. From October 2020 to February 2021, the stock witnessed an impulsive upmove towards Rs 1,600. It had hit a 52-week high of Rs 1,593 on February 2, 2021. Since then, it has remained largely range-bound amid time and price-based correction. In the past three months, L&T has underperformed the market by falling 5 per cent, as compared to a marginal 0.18 per cent decline in the benchmark index. L&T's order pipeline prospects stand at Rs 9.6 trillion, 13 per cent higher compared to the beginning of the last year. International and domestic market forms 26 per cent and 74 per cent, respectively of its prospects. The Infrastructure, Hydrocarbon sector forms 77 per cent and 16 per cent, respectively of overall prospects. Stable oil prices auger well for prospects in the Hydrocarbon segment as well as improves overall prospects in the Middle East. Management believes FY22 will witness healthy orders from both domestic and international markets. Recovery in key international markets, continuous focus on infrastructure by the government, and rebound in crude oil prices augur well for L&T.
- 3) Shares of State Bank of India (SBI) were up 4.4 per cent at Rs 418.90 on the BSE in intra-day trade on Monday, having rallied 9 per cent in the past two trading days, after the bank on Friday reported a strong performance on the asset quality front wherein slippages and restructuring were within guidance while sufficient provisioning buffer also provided comfort. The stock of the state-owned lender was trading close to its record high of Rs 426.45 touched on February 18, 2021.
- 4) Shares of Container Corporation of India (CONCOR), on Monday, hit a 52-week high of Rs 644.95 after rallying 10 per cent on the BSE in intra-day trade on the back of heavy volumes after the company said its board has accorded in-principle approval for exploring the possibility of borrowings an amount not exceeding Rs 3,500 crore by the company from any bank(s)/ corporate(s) and institution(s) towards executing long term lease agreement(s) for Railway Land(s). The stock of the state-owned company, engaged in transport related services business, has surpassed its previous 52-week high of Rs 644, touched on March 4, 2021. It had hit a record high of Rs 665 on October 1, 2019. For the January-March quarter (Q4FY21), the company reported a healthy 24 per cent year on year (YoY) growth in standalone revenues at Rs. 1,939 crore, led by volume growth of 13 per cent (1.06 million Twenty Foot equivalent units or TeUs). The company however, reported contraction in margins (down 2050 basis points (bps)) to 9.7 per cent, led by higher payment of Land License Fee (LLF) charges (6 per cent on the value of land) by CONCOR.
- 5) Shares of Hero MotoCorp (HMCL) were up 3 per cent at Rs. 2,961.75 on the BSE in intra-day trade on Monday after the company resumed production at all its facilities from today. Hero MotoCorp - the world's largest manufacturer of motorcycles and scooters – on Saturday said that the company is gearing up towards a gradual resumption of operations by starting production at all its manufacturing plants in India from Monday, May 24th. The company had already commenced single shift production at three of its plants – Gurugram and Dharuhera in Haryana and at Haridwar in the northern hill state of Uttarakhand – from Monday, May 17. The other plants of Hero MotoCorp in India – Neemrana in Rajasthan, Halol in Gujarat and Chittoor in Andhra Pradesh - will also start single shift operations from May 24th. The Global Parts Centre (GPC) at Neemrana will also be operational from May 24th, it said. HMCL further said in addition to producing for the domestic market in India, these plants will also have an enhanced focus on catering to the Global Business (GB) markets across the world. The company continues to monitor the situation closely and will move to double-shift production gradually, it said. While announcing its March quarter results on May 6, the management had said that going forward, we continue to remain cautiously optimistic on the demand for personal mobility despite the challenging circumstances. The company's electric vehicle (EV) journey has further been augmented with its recent partnership with Gogoro, the developer of the world's largest battery-swapping network. The management further said a healthy monsoon and harvest season and a rebound in GDP should aid the industry's recovery from Q2 onwards. The company also expects significant growth in its global business with a renewed thrust on developing key overseas markets. Despite today's outperformance, HMCL has underperformed the market lately, by falling 14 per cent in the past three months. In the past one year, it has gained 37 per cent as compared to a 65 per cent rally in the benchmark index.

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



AJCONGLOBAL
YOUR FRIENDLY FINANCIAL ADVISORS

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) 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 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.
- 8) 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."
- 9) 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.



AJCONGLOBAL
YOUR FRIENDLY FINANCIAL ADVISORS

"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.

- 10) 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) 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. The government will show 'zero tolerance' for monopoly behavior and hoarding, the National Development and Reform Commission said after leaders of top metals producers were called to a meeting in Beijing with multiple government departments.

Ajcon Global's observations and view

- 1) Indian benchmark indices ended in green led by strong Q4FY21 result by majority of the Companies so far. 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. 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 19.60 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 SBI, Asian Paints, Reliance Industries, L&T, 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, Container Corporation of India, 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.



Disclaimer

Ajcon Global Services Limited is a fully integrated investment banking, merchant banking, corporate advisory, stock broking, commodity and currency broking. Ajcon Global Services Limited research analysts responsible for the preparation of the research report may interact with trading desk personnel, sales personnel and other parties for gathering, applying and interpreting information.

Ajcon Global Services Limited is a SEBI registered Research Analyst entity bearing registration Number INH000001170 under SEBI (Research Analysts) Regulations, 2014.

Individuals employed as research analyst by Ajcon Global Services Limited or their associates are not allowed to deal or trade in securities that the research analyst recommends within thirty days before and within five days after the publication of a research report as prescribed under SEBI Research Analyst Regulations.

Subject to the restrictions mentioned in above paragraph, We and our affiliates, officers, directors, employees and their relative may: (a) from time to time, have long or short positions acting as a principal in, and buy or sell the securities or derivatives thereof, of Company mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage.

Ajcon Global Services Limited or its associates may have commercial transactions with the Company mentioned in the research report with respect to advisory services.

The information and opinions in this report have been prepared by Ajcon Global Services Limited and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of Ajcon Global Services Limited. While we would endeavour to update the information herein on a reasonable basis, Ajcon Global Services Limited is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent Ajcon Global Services Limited from doing so. This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. Ajcon Global Services Limited will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. Ajcon Global Services Limited accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice. Ajcon Global Services Limited or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

Ajcon Global Services Limited encourages independence in research report preparation and strives to minimize conflict in preparation of research report. Ajcon Global Services Limited or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither Ajcon Global Services Limited nor Research Analysts have any material conflict of interest at the time of publication of this report.

It is confirmed that Akash Jain – MBA (Financial Markets) or any other Research Analysts of this report has not received any compensation from the company mentioned in the report in the preceding twelve months. Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

Ajcon Global Services Limited or its subsidiaries collectively or Directors including their relatives, Research Analysts, do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.



It is confirmed that Akash Jain – MBA (Financial Markets) research analyst or any other Research Analysts of Ajcon Global do not serve as an officer, director or employee of the companies mentioned in the report.

Ajcon Global Services Limited may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Neither the Research Analysts nor Ajcon Global Services Limited have been engaged in market making activity for the companies mentioned in the report.

We submit that no material disciplinary action has been taken on Ajcon Global Services Limited by any Regulatory Authority impacting Equity Research Analysis activities.

Analyst Certification

I, Akash Jain MBA (Financial Markets), research analyst, author and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. I also certify that no part of compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view (s) in this report.

For research related queries contact:

Mr. Akash Jain – Vice President (Research) at, research@ajcon.net

CIN:L74140MH1986PLC041941

SEBI registration Number: INH000001170 as per SEBI (Research Analysts) Regulations, 2014.

Website: www.ajcononline.com

Registered and Corporate office

408 - (4th Floor), Express Zone, "A" Wing, Cello – Sonal Realty, Near Oberoi Mall and Patel's, Western Express Highway, Goregaon (East), Mumbai – 400063. Tel: 91-22-67160400, Fax: 022-28722062