

Benchmark indices end flat after a see - saw movement; COVID-19 cases continue to decline in second wave..

- 1) A range-bound trade ended flat on Tuesday amidst continuous fall in COVID-19 cases in second wave. Taking cues from a good start in Asian peers, the Indian benchmark indices witnessed a gap-up opening with the frontline S&P BSE Sensex and NSE's Nifty50 indices extending their gains to surge as high as 50,961 and 15,294 levels, respectively in the intra-day deals. However, profit-booking at higher levels and selling in financial counters put a cap on gains.
- 2) During the day, the BSE barometer of 30 shares gyrated within a band of 490 points and eventually settled 14 points lower from previous day's closing at 50,637.5 levels. On the NSE, the Nifty50 defended the psychological level of 15,200 and shut shop at 15,208, up 11 points.
- 3) Up to 2 per cent selling in heavyweights such as HDFC Bank, Reliance Industries, Axis Bank, Kotak Bank, HDFC, ITC, and IndusInd Bank largely dragged the indices lower. Meanwhile, Infosys, Asian Paints, TCS, Titan Company, and ICICI Bank, that gained between 0.4 per cent and 3.5 per cent, supported the indices.
- 4) Overall, JSW Steel, Asian Paints, Titan, Eicher Motors, Britannia, and Bajaj Finserv were the top gainers on the benchmark indices while HDFC Bank, HDFC Life, Axis Bank, IndusInd Bank, Coal India, and Reliance Industries were the top laggards.
- 5) In the broader markets, the S&P BSE MidCap index slipped 0.3 per cent as against the S&P BSE SmallCap index that rose 0.3 per cent.
- 6) From sectoral view point, all financial indices - the Nifty Bank, Private Bank, PSU Bank, and Financial Services indices - slipped between 0.9 per cent and 1.4 per cent. On the upside, the Nifty Media index rallied by 3 per cent, followed by the Nifty IT index (up 1 per cent) and the Metal index (0.6 per cent).

Index	Today's Close	Prev. close	Change	% change	Open	High	Low
Sensex	50,637.53	50,651.90	14.37	0.03	50,922.32	50,961.35	50,474.34
Nifty	15,208.45	15,197.70	10.75	0.07	15,291.75	15,293.85	15,163.40

Sectors and stocks

- 1) Shares of Asian Paints and Berger Paints India hit their respective record highs on the BSE in intra-day trade on Tuesday on expectation of strong volume growth to sustain, riding the potential demand shift from unorganised segment. Asian Paints (up 3.5 per cent to Rs 2,917.10) and Berger Paints India (up 2.5 per cent at Rs 827.30) up over 2 per cent on the BSE, surpassed their respective previous highs of Rs. 2,871.40 and Rs. 824.80, respectively, touched on January 11, 2021. In the past one month, these stocks have outperformed the market by surging 15 per cent each, as compared to 6 per cent gain in the S&P BSE Sensex. The domestic paints industry commands strong pricing power, which is evident from frequent price hikes amid inflationary raw material prices; moreover, price cuts happen with a lag in a deflationary environment. Industry volume growth has a strong correlation with GDP growth (1.5–2x). Recovery in GDP in FY22 should give volumes a boost. Furthermore, innovation and strong repainting demand (90 per cent of total) are big drivers of growth. Besides, considering the industry's low penetration, growth potential remains huge. For the January-March quarter (Q4FY21), Asian Paint's decorative business had clocked multi-quarter high volume growth (48 per cent year on year) led by a strong performance in the premium and luxury portfolios. The home improvement business also clocked record sales aided by the home décor business. The Industrial coatings business delivered a solid performance in protective coatings and re-finish segments supported by the uptick in industrial activity.
- 2) Shares of Panacea Biotec were frozen at 5 per cent upper circuit at Rs 406.10 on the BSE on Tuesday after the company and the Russian Direct Investment Fund (RDIF, Russia's sovereign wealth fund), announced the launch of production of the Russian Sputnik V vaccine against coronavirus. The stock of the biotechnology company was trading close to its 52-week high level of Rs. 407.20, touched on April 28, 2021. "The first batch produced at the company's facilities at Baddi will be shipped to the Gamaleya Center for quality control. Full-scale production of the vac-



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cine is due to start this summer, Company's facilities comply with Good Manufacturing Practice (GMP) standards and are prequalified by World Health Organization (WHO)," Panacea Biotec said in a press release. Sputnik V was registered in India under the emergency use authorization procedure on April 12, 2021 and vaccination against coronavirus with the Russian vaccine started on May 14. As announced in April, RDIF and Panacea have agreed to produce 100 million doses per year of Sputnik V. To date, Sputnik V has been registered in 66 countries globally with total population of over 3.2 billion people. Efficacy of Sputnik V is 97.6 per cent based on the analysis of data on coronavirus infection rate among those in Russia vaccinated with both components of Sputnik V from December 5, 2020 to March 31, 2021. The vaccine is based on a proven and well-studied platform of human adenoviral vectors and uses two different vectors for the two shots in a course of vaccination, providing immunity with a longer duration than vaccines using the same delivery mechanism for both shots, the company said. Panacea Biotec is an innovation-led biopharmaceutical group that focuses on discovery, development, and commercialization of prescription medicines primarily, focusing on Vaccines, Diabetes, Transplant, Gastroenterology, and Oncology.

- 3) Shares of Barbeque Nation Hospitality were locked in 20 per cent upper circuit at Rs. 767.50 on the BSE on Tuesday, after the company's reported consolidated Ebitda more than doubled at Rs. 56.1 crore in the March quarter (Q4FY21). The company, one of the leading casual dining chains in India, had Ebitda of Rs. 24.6 crore in the year-ago quarter. The company's consolidated revenues grew by 18.5 per cent year on year (YoY) at Rs. 226 crore, while same store sales grew 19.9 per cent during the quarter. In Q4FY21, Ebitda margins improved to 24.8 per cent from 12.9 per cent in Q4FY20. On sequential basis, Ebitda margins contracted 70 basis points (bps) from 25.5 per cent in Q3FY21. With a new addition of delivery to the dine-in business, the company has been able to broaden its reach and cater to new customers. Continued focus on investment into the digital platforms has provided the company with an additional revenue source. The share of revenue from digital platforms increased to 24.7 per cent from 20.1 per cent in Q4FY20, while the delivery business has grown around 6 times in Q4FY21 as compared to the same period last year. The management said that with the gradual opening of the economy and reopening of outlets, the company saw month-on-month increase in sales from dine-in and delivery channels. The company continues to focus on building the delivery business which has continued to grow post the recovery of the dine in segment. With these promising signs the management expects the delivery segment to grow by two times in FY22. Barbeque Nation is one of India's leading casual dining restaurant chains. It currently owns and operates 147 outlets in India across 77 cities, 4 outlets in the UAE, 1 outlet in Malaysia and 1 outlet in Oman. The company pioneered the format of 'over the table barbeque' concept in Indian restaurants. Barbeque Nation Hospitality had made its stock market debut on April 7, 2021. The company raised Rs. 453 crore through initial public offering (IPO) by issuing shares at price of Rs. 500 per share. Post listing, the stock hit a low of Rs 481.35 on April 7 and a high of Rs. 839 on April 9 on the BSE.

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) 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



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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. "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) Asian equities were up today. Japan's Nikkei was up by 0.7 per cent, South Korea's Kospi gained 0.9 per cent, and China's Shanghai Composite rallied by over 2 per cent.
- 2) 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



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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.

- 3) European equities were up on Tuesday morning as easing inflation fears lifted global market sentiment. The pan-European STOXX 600 index rose 0.3 per cent to an all-time high of 446.47 points after it surpassed its early-May peak of 446.19. Germany's DAX also gained 0.8 per cent and hit fresh peak.

Ajcon Global's observations and view

- 1) Indian benchmark indices were flat today after a stellar run led by strong Q4FY21 result by majority of the Companies so far and declining COVID-19 cases. Midcaps and smallcaps also continue to roar hard. 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 19.85 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.



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