

Indian equities outperform on global support to India for fighting second wave of COVID-19; Financials rally..

- 1) Indian equities rallied after being under pressure last week. Good Q4FY21 result by ICICI Bank and a healthy management commentary post its March quarter results announcement, fuelled rally across the financial sector at the bourses on Monday. In addition, foreign countries especially USA offering medical support to India for fighting the Covid-19 second wave improved sentiments. The upcoming mass vaccination drive will also pump in investor enthusiasm.
- 2) The Sensex rallied by 508 points to end the day at 48,386.5 levels. The index had started gap-up and had extended gains to hit a high of 48,668 in the intra-day deals.
- 3) On the upside, Axis Bank (up 4 per cent), ICICI Bank, Ultratech Cement, State Bank of India, and HUL ended the session as the top gainers. Only seven of the index constituents ended the day in the red with HCL Tech (down 2.7 per cent) being at the forefront. Following a miss on Q4 result, most brokerages slashed their earnings expectations from HCL Tech, resulting in a dip in the stock. However, they remain bullish on the counter on account of inexpensive valuations and the probability of strong growth in FY22.
- 4) On the NSE, the broader Nifty50 index was up by 143.6 points to touch levels of 14,485. Earlier today, the index had hit a high of 14,557 levels.
- 5) The S&P BSE MidCap index closed 0.6 per cent higher while the BSE SmallCap index was up 0.8 per cent.
- 6) Sectorally, investors booked profit in the pharma counters after a healthy rally over the past week. The index settled 0.87 per cent down and was dragged down by losses in Cipla, Aurobindo Pharma, Lupin, Torrent Pharma, and Biocon, down between 0.5 per cent and 3 per cent.
- 7) On the contrary, the Nifty Realty index gained 3.4 per cent on the NSE, followed by gains in The Nifty Metal index (up 2 per cent), Nifty Bank (up 1.7 per cent), and Nifty Financial Services (up 1.3 per cent).

Index	Today's Close	Prev. close	Change	% change	Open	High	Low
Sensex	48,386.51	47,878.45	508.06	1.06	48,197.37	48,667.98	48,152.24
Nifty	14,485	14,341.35	143.65	1.00	14,449.45	14,557.50	14,421.30

Sectors and stocks

- 1) Natco Pharma shares rallied on Monday as the Company sought Central Drugs Standard Control Organization's (CDSCO's) for approval of Phase-III clinical trial of Molnupiravir Capsules for the treatment of Covid-19 positive patients. In the intra-day deals, the shares surged 7.5 per cent to Rs 944 per share on the BSE. "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," the firm said in an exchange filing. The Company is hoping that CDSCO would give emergency approval of this drug based on "compassionate use" for patients which is given for investigational drugs so a patient with an immediately life-threatening condition can gain access to the drug. "The company is ready to launch the product this month if approval is given," it added. In the past one month, the stock has rallied by 8 per cent on the BSE compared with a 4.3 per cent decline in the benchmark Sensex index.
- 2) Shares of Hathway Cable and Datacom rose by 3.4 per cent to Rs. 22.4 on Monday as promoter group Reliance Industries launched an offer for sale (OFS) to pare stake in the DTH firm. The OFS is open for non-retail investors today while the same will open for retail investors on Tuesday, April 27. As per the disclosure by Hathway, RIL intended to launch the OFS worth Rs. 442-crore to offload 205.44 million shares, or an 11.61 per cent stake, at a floor price of Rs. 21.50. Promoter group firms that will sell shares include Jio Content Distribution Holdings, Jio Internet Distribution Holdings, and Jio Cable and Broadband Holdings. According to the latest shareholding pattern,



AJCONGLOBAL
YOUR FRIENDLY FINANCIAL ADVISORS

Promoters held 86.61 per cent and post this transaction, the holding will come down to 75 per cent. "The share sale by these firms is aimed at achieving minimum public holding in Hathway in accordance with the norms set by the Securities and Exchange Board of India (Sebi)," it said in an exchange filing. Sebi rules prescribe that promoters cannot hold more than 75 per cent in a company. The OFS comes soon after RIL decided against going ahead with the merger of Hathway, Den Networks and TV18 Broadcast into Network18, a year after announcing the transaction. A delay in implementation was among the reasons for the cancellation of the merger. RIL has been slowly bringing down its stake in Hathway, trimming its shareholding from 94.09 per cent in the quarter ended December 31, 2020 to 86.61 per cent in the three months ended March 31, 2021. Hathway was acquired in October 2018 by Reliance.

- 3) Shares of Mphasis rallied by over 6 per cent in intra-day trade on Monday after private equity (PE) firm Blackstone Group said it will buy a majority stake in the company for a consideration of \$2.8 billion. A wholly-owned subsidiary of the Abu Dhabi Investment Authority (ADIA), UC Investments and other long-term investors will be co-investing along with Blackstone. Following the development, the shares of IT outsourcing services provider touched a high of Rs. 1,805 on the BSE. Blackstone had bought around 61 per cent stake in Mphasis from Hewlett Packard Enterprise in 2016 in a deal worth up to \$1.1 billion. This latest transaction will trigger a mandatory open offer for the purchase of up to 26 per cent additional shares of the company from the public shareholders and the acquiring entity has released a public announcement to the stock exchanges. Based on the open offer subscription, the blended purchase price will vary between Rs 1,452 to Rs 1,497 per share (12-16 per cent premium to 12-month average price and 3-6 per cent discount to 6-month average price) and the purchase consideration will vary between Rs. 15,200 crore to Rs. 21,000 crore (or, approximately \$2.0 billion to \$2.8 billion). "We are gratified to continue our partnership with Blackstone, both as a leading investor as well as our client. We believe Blackstone's sustained strategic partnership will help the company accelerate its growth and scale new heights. Sovereign and pension funds co-investing is a testimony of long-term commitment and a vote of confidence of a marquee set of shareholders," said Nitin Rakesh, CEO and executive director of Mphasis.

Key recent major developments..

- 1) Prime Minister Narendra Modi urged all citizens to be vaccinated and exercise caution, saying the "storm" of infections had shaken India, as the country set a new global record of the most number of Covid-19 infections in a day. The United States said it was deeply concerned by the massive surge in coronavirus cases in India and would rapidly send aid.
- 2) Earlier, Prime Minister Narendra Modi addressed the nation on the current situation of Covid-19 pandemic in India. During the address, PM Modi stressed on the fact that India needs to be saved from a complete lockdown and rather, requested stated to focus on micro containment zones to curb the virus spread. "We have to save India from lockdown, I request states to focus on micro containment zones and use the option only as the last resort," said PM Modi in his speech. PM Modi has been holding several virtual interactions and high-level meetings with state and central ministers, leading doctors and pharma companies in order to come out with solutions for the rampant increase in Covid-19 cases in the country. The meetings also threw light on the prime minister's orders to boost Covid-19 vaccination in the country. The Union government last week 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 14.19 crores beneficiaries in the nation-wide vaccination till date.
- 3) S&P Global Platts has cut India's 2021 demand forecast for oil products by 9 per cent to 400,000 barrels per day (b/d) now, as compared to 440,000 b/d estimated last month. The latest revision, S&P Global Platts said, was done after taking into account the surging Covid cases across the country that have triggered lockdowns and mobility curbs across key economic hubs in India. With several states under lockdown, Platts believes India's gasoline consumption is expected to drop in the near-term to around 700,000 barrels per day in April. "That's down about 11 per cent from March. Hopes of recovery gaining traction are picked from June onwards," Platts said. A silver lining, however, could be railways that still chugs along - transporting key essentials across the country. A Crisil report suggests that the impact of the second Covid-19 wave on industrial activities thus far remains small, aided by movement of goods across the rail network.
- 4) 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



AJCONGLOBAL
YOUR FRIENDLY FINANCIAL ADVISORS

\$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.

- 5) 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.
- 6) 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.
- 7) 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.
- 8) 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 2020-21 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.
- 9) 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."
- 10) 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.
- 11) 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.



AJCONGLOBAL
YOUR FRIENDLY FINANCIAL ADVISORS

- 12) 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.
- 13) 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) European equities were trading higher on Monday as world markets began the week in a relatively upbeat mood following further signs last week that economies are recovering rapidly. The broader Euro STOXX 600 gained 0.23 per cent while Germany's DAX rose 0.22 per cent. Britain's FTSE 100 climbed 0.21 per cent.
- 2) Asian shares also rallied where MSCI's broadest index of Asia-Pacific shares outside Japan reached its highest since March 18. The MSCI world equity index, which tracks shares in 49 countries, rose 0.2 per cent.

Ajcon Global's view

- 1) Today's buoyancy in Indian equities can be attributed to strong management commentary by ICICI Bank post result announcements, strong set of numbers in Q4FY21 by HDFC Life and SBI Cards. In addition, foreign countries especially USA offering medical support to India for fighting the Covid-19 second wave improved sentiments. There was a silver lining amidst ongoing second wave of COVID-19 as Mumbai- India's financial capital sharp dip in daily cases, lowest in about a month. The upcoming mass vaccination drive for above 18 years old will help in arresting the significant spike in COVID-19 cases. One must remember, this too shall pass. 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. In addition, Pharma companies are working hard to tackle the second wave. The Government and Central Bank have too learnt their lessons to deal with the pandemic from the first wave of COVID-19.
- 2) However, US President Joe Biden proposing to hike the capital gains tax rate for wealthy individuals to 39.6% to help pay for a raft of social spending that addresses long-standing inequality lead to a sell of US equities which can dampen investor sentiments across the globe.
- 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. Key domestic factors like record GST collections in March 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 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. 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.



AJCONGLOBAL

YOUR FRIENDLY FINANCIAL ADVISORS

- 4) 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. Investors will 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.
- 5) We recommend investors to look out for stock specific opportunities. The current second wave of rising of COVID-19 cases will give opportunities to investors on temporary corrections led by strict localised restrictions and lockdown in certain states. Investors will 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