

Buoyancy witnessed across the board; discretionary companies stocks rally...

- 1) Indian equities witnessed buoyancy today as recoveries from Covid-19 infection continued to surpass new cases in India. Positive cues like rally in global markets as most of the countries' central bank policymakers were keen to keep monetary policy loose despite high inflation.
- 2) The S&P BSE Sensex was up by 436 points in the intra-day deals and hit a high of 51,073 levels led by Infosys, HDFC, TCS, Bajaj Finance, Bajaj Finserv, L&T, and Reliance Industries. The index, however, came off highs and settled at 51,017.5 levels, up 380 points or 0.75 per cent.
- 3) On the NSE, the Nifty50 index touched 15,300-mark to end at 15,301, up 93 points or 0.6 per cent. Earlier in the day, it had crossed the record closing peak of 15,313 and hit a high of 15,320.
- 4) Overall, Bajaj twins, Infosys, Grasim Industries, UPL, Maruti Suzuki, Wipro, and Indian Oil Corporation were the top gainers on the indices while PowerGrid, JSW Steel, Hindalco, NTPC, Tata Steel, and Coal India were the top laggards.
- 5) In the broader markets though, the S&P BSE MidCap index slipped 0.14 per cent compared with the S&P BSE SmallCap index, which was up 0.69 per cent.
- 6) Sectorally, the Nifty Metal index declined 2 per cent.
- 7) On the upside, the Nifty Realty added 3 per cent and the Nifty IT index 2 per cent. Shares of consumer discretionary companies were in focus at the bourses on Wednesday, with the S&P BSE Consumer Discretionary Goods & Services hitting a new high after a strong rally in smallcap stocks like Mahindra Holidays & Resorts, Lux Industries, Dish TV India, Shalimar Paints and Borosil, which rallied more than 10 per cent on the BSE in intra-day trade. The stocks from sectors like movies & entertainment, hosiery, hotels and restaurants, auto ancillaries, paints and real estate have seen a sharp run-up today.
- 8) Volatility index, India VIX, however, rallied by 11 per cent to 21 levels ahead of the expiry of monthly F&O contracts due tomorrow.

Index	Today's Close	Prev. close	Change	% change	Open	High	Low
Sensex	51,017.52	50,637.53	379.99	0.75	50,899.58	51,072.61	50,620.45
Nifty	15,301.45	15,208.45	93.00	0.61	15,257.05	15,319.90	15,194.95

Sectors and stocks

- 1) Shares of Transport Corporation of India (TCI) were locked in 20 per cent upper circuit at Rs. 366.90 on the BSE on Wednesday after the company reported 69 per cent year-on-year (YoY) growth in standalone profit after tax (PAT) in March quarter (Q4FY21) at Rs. 52.86 crore, on the back of healthy revenue growth. The company, India's leading integrated supply chain and logistics solutions provider, had PAT of Rs. 31.28 crore in Q4FY20. The stock, at its 52-week high level, was trading close to its record high level of Rs. 376, touched on August 29, 2018. In Q4FY21, TCI's revenues grew strong 27 per cent YoY to Rs 797 crore. EBITDA margins expanded 147 basis points (bps) YoY to 10.7 per cent, mainly due to a combination of higher gross margins, lower employee to sales ratio and lower other expense ratio. As per management, in spite of challenges posed by the pandemic in FY21, the company was able to sustain its revenues and margins due to its diversified portfolio of value-added services. All segments have performed well due to continuous focus on building strong customer relationships, superior multimodal network, diversified portfolio of value-added services from design to execution. The emerging business units have also shown good traction, TCI said. TCI, through its subsidiary TCI Cold Chain Solutions Limited, has entered into a joint venture with MITSUI & Co. Limited (MITSUI). MITSUI has global expertise in logistics & supply chain management and the company believe that the synergies created by bringing together the respective resources and capabilities will create more value for its customers.



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- 2) Shares of Indco Remedies rallied by 20 per cent to Rs. 405 on the BSE in intra-day trade on Wednesday on the back of huge volumes after the pharmaceutical company reported a strong revenue growth from its international business in the March quarter (Q4FY21). The stock surpassed its previous high of Rs. 377.15, touched on May 6, 2021. It was trading close to its record high level of Rs. 413, hit on May 25, 2015. During the fourth quarter of FY 2020-21, Indoco Remedies' revenue grew by 12 per cent at Rs. 305 crore, as against Rs. 272 crore reported in the same quarter last year. The company's export formulations grew 65.6 per cent year on year (YoY) to Rs. 132 crore, driven by strong growth in regulated and emerging markets. Domestic formulations de-grew 13 per cent YoY to Rs 139 crore due to continued impact on anti-infective and respiratory segment. Ebitda was up by 63.7 per cent YoY to Rs. 54.6 crore from Rs. 33.3 crore in a year ago quarter. The Ebitda margins expanded 569 basis points YoY to 17.9 per cent on account of lower staff, travel & promotional spend partly offset by decline in gross margin performance. Indoco has nine domestic marketing divisions with a strong brand portfolio in various therapeutic segments including Gastro-intestinal, Respiratory, Anti-Infective, Stomatologicals, Ophthalmic, Nutritional, Cardiovascular, Anti-Diabetics, Pain Management etc. Top Indoco brands include Cyclopam, Febrex Plus, Sensodent-K, Karvol Plus, ATM, Oxipod, Cital, Sensoform, Sensodent-KF, Cloben-G, Glychek, Kidodent, Carmicide, Rexidin, MCBM, Methycal, etc. On the international front, Indoco has tieups with large generic companies across the globe.
- 3) Shares of Lux Industries rallied by 14 per cent to hit a new high of Rs. 2,630.55 on the BSE in intra-day trade today after the company reported a more-than-doubled net profit at Rs. 90.64 crore in the March quarter (Q4FY21), on the back of healthy operational income. The company, one of India's largest hosiery producer and exporter, had posted profit of Rs. 41.49 crore in Q4FY20. In the past three days, the stock rallied 26 per cent on the BSE. Lux Industries' income from operations during the quarter under review jumped 49 per cent year on year (YoY) at Rs. 601 crore against Rs. 404 crore in the corresponding quarter of previous fiscal. Ebitda margins improved 507 basis points (bps) at 21.45 per cent against 16.38 per cent in the year-ago quarter. Higher Ebitda margins were on account of an increased share of value-added products and overall cost efficiency measures, including advertisement expenditure. The management said the performance has been driven by progressive improvement in demand and consumption across the innerwear industry. The company witnessed healthy traction for economy and mid-premium categories and saw a gradual pickup in premium and export segment.

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 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



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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) Recently, US Federal Reserve officials had reaffirmed a dovish monetary policy stance, assuaging concerns over rising inflation. Now, the European Central Bank policymakers have said that it may be too early to discuss tapering of emergency bond purchases.
- 2) In effect, the pan-European STOXX 600 index rose 0.2 per cent in the Euro region while Germany's DAX was up about 0.1 per cent. France's CAC40 added 0.26 per cent and the UK's FTSE 100 climbed 0.07 per cent. Shares in Japan, China, and Australia too gained up to 0.3 per cent



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- 3) Meanwhile, Dow Jones Futures were up over 100 points, or 0.3 per cent, in early pre-market deals. Futures for S&P 500 and Nasdaq Futures also gained around 0.3 per cent each, supported further by a decline in 10-year US Treasury yield at 1.5 per cent.
- 4) 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

- 5) Indian benchmark indices continued its stellar run after being flat yesterday led by strong Q4FY21 result by majority of the Companies so far, declining COVID-19 cases with recoveries surpassing new 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.
- 6) 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 which were hotspots at the start of COVID-19 second wave. 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 20.06 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.
- 7) 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.
- 8) 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, Lux Industries, Indoco Remedies, Angel Broking, TCI, 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.
- 9) 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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