

Broad based buying witnessed across the board; strong start to Q4FY21 earnings season and global support to defeat COVID-19 second wave in India improved sentiments..

- 1) Indian equities continued its rally led by buying in index heavyweights such as Reliance Industries, HDFC Bank, ICICI Bank, L&T, SBI, and TCS, coupled with a decline in fresh Covid-19 cases in the country, enthralled investors on Dalal Street on Tuesday. 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. Good Q4FY21 result by Axis Bank, Bajaj Finance, ICICI Bank and a healthy management commentary post its March quarter results announcement have fostered confidence in investors.
- 2) Broad based buying was witnessed today. The Sensex was up by 558 points to touch levels of 48,944 levels while the broader Nifty50 closed at 14,653 levels, up 168 points on the NSE.
- 3) Hindalco, L&T, Tata Steel, Divis Labs, Reliance Industries, Bajaj Finance, and SBI were the top gainers on the 50-share pack, up between 3.7 per cent and 5 per cent. HDFC Life, SBI Life, Kotak Mahindra Bank, Maruti Suzuki, and Nestle India declined up to 3.6 per cent to end as top laggards.
- 4) All the key sectoral indices settled the session in the green with the Nifty Metal index ruling 2.7 per cent up. This was followed by the Nifty PSU Bank index (up 2.3 per cent) and the Nifty Bank index (1.4 per cent).
- 5) The overall market breadth remained firmly in the favour of the bulls as broader markets too participated in the rally. The S&P BSE MidCap index was up by 1 per cent today while the SmallCap index surged 1.5 per cent.

Index	Today's Close	Prev. close	Change	% change	Open	High	Low
Sensex	48,944.14	48,386.51	557.63	1.15	48,424.08	49,009.26	48,399.53
Nifty	14,653.05	14,485	168.05	1.16	14,493.80	14,667.55	14,484.85

Sectors and stocks

- 1) Metal stocks were buoyant on Tuesday with National Aluminium Company, Hindalco, Welspun Corp, Adani Enterprises, and Tata Steel rallying up to 6 per cent. The Nifty Metal index, meanwhile, surged 4.6 per cent to 4,654.5 levels in the intra-day deals and was the top performing index on the NSE In the past two months, the index has rallied 19 per cent at the bourses as against a 0.03 per cent decline in the Nifty50 index.
- 2) Individually, Hindalco was up by 6.2 per cent, Nalco (6 per cent), Adani Enterprises (3.4 per cent), and Welspun Corp (3 per cent). That apart, APL Apollo, Vedanta, Tata Steel, NMDC, and Ratnamani Metals and Tubes were up between 1.4 per cent and 3.4 per cent. SAIL, JSPL, Jindal Steel, Moil, and Hindustan Zinc added up to 1 per cent.
- 3) Shares of Castrol India were up by over 7 per cent on the BSE in Tuesday's intra-day session following an impressive set of March quarter numbers. The Company on Monday reported a near doubling of net income for the quarter to March at Rs. 243.6 crore as against Rs. 125.2 crore a year ago, driven by robust revenue growth. Revenue grew to Rs. 1,138.7 crore in the reporting quarter from Rs. 688 crore a year ago. Its revenue for the full year ended December 2020 was Rs. 2,996.9 crore when it had a net income of Rs. 582.9 crore. Castrol India's Managing Director Sandeep Sangwan attributed the good set of numbers to the focused investments, interventions and actions taken in the second half of 2020. These included brand building with increased marketing and advertising spends, new product introductions as well as corrective pricing. Following the March quarter results, the stock hit an intra-day high of Rs 134.15 on the BSE. The stock had hit a 52-week high of Rs. 140.35 on March 3, 2021. The second wave of the pandemic is resulting in a slowdown in various parts of the country. In addition, supply disruptions on account of base oil and raw materials availability, logistics challenges and rupee depreciation are likely to adversely impact demand and supply going forward, the company said.
- 4) Shares of Jindal Steel and Power (JSPL) were up by 3 per cent to hit a fresh 52-week high of Rs. 455.95 on the BSE after the company board approved divesting entire equity interest in subsidiary Jindal Power to Worldone, a promoter group company, for Rs. 3,015 crore. The board of directors of JSPL has approved the divestment of its entire equity interest (representing 96.42 per cent of the issued and paid-up capital) in Jindal



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Power (JPL) by way of sale of shares, to Worldone, a promoter group company and a related party to the company, JSPL said in a regulatory filing. The equity value is an all-cash offer of Rs. 3,015 crore, including 3,400 MW coal fired power plants in Chhattisgarh and other non-core assets owned by JPL. The divestment is subject to receipt of requisite approvals including approval from shareholders of JSPL, approval from lenders of JPL and JSPL, and such other statutory approvals. The divestment is in line with JSPL's strategic objective to continuously reduce its debt, focus on its India Steel business and significantly reduce its carbon footprint by almost half as part of its ESG objectives, the company added in the release. Grant Thornton acted as the Transaction Advisor and Cyril Amarchand Mangaldas acted as JSPL's legal advisor for the transaction.

Key recent major developments..

- 1) Prime Minister Narendra Modi earlier urged all citizens to be vaccinated and exercise caution, saying the "storm" of infections had shaken India with daily new COVID-19 cases crossing 3,00,000 figure. The United States said it was deeply concerned by the massive surge in coronavirus cases in India and would rapidly send aid. India has given the first dose of covid antidote to 14.52 crores beneficiaries in the nation-wide vaccination till date.
- 2) 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.
- 3) 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 \$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.
- 4) 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.
- 5) 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.
- 6) 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.
- 7) 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.
- 8) 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



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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."

- 9) 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.
- 10) 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.
- 11) 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.
- 12) 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) Global equities fell from record highs on Tuesday as optimism about the economic recovery was dented by caution ahead of the Federal Reserve's policy decision and a series of earning updates.
- 2) The MSCI world equity index, which tracks shares in 49 countries, fell 0.1 per cent while the MSCI's broadest index of Asia-Pacific shares outside Japan fell 0.06 per cent.
- 3) In Europe, the pan-European STOXX 600 index slipped 0.1 per cent.

Ajcon Global's view

- 1) Today buoyancy continued in Indian equities led by broad based buying owing to medical support offered by global fraternity to defeat second wave of COVID-19. In addition, companies have posted strong Q4FY21 results so far. Strong management commentary by ICICI Bank post result announcements, strong set of numbers in Q4FY21 by Bajaj Finance, HDFC Life, SBI Cards, Castrol have aided in rally. There is 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 and Maharashtra also witnessed good decline in COVID-19 cases. 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.
- 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.



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