

**Indian equities witness selling pressure; Financials come under pressure..**

- 1) Indian equities came under tremendous pressure as continuous rise in COVID-19 cases dented investor sentiments along with weakness in Asian markets. Profit booking came in after four consecutive sessions of gains.
- 2) The Sensex witnessed a fall of 983.5 points to touch levels of 48,782. On the other hand, Nifty fell by 263.80 points to close at 14,631 levels dragged mainly by HDFC (down 4.2 per cent), HDFC Bank (4 per cent), ICICI Bank, Kotak Mahindra Bank, Asian Paints, M&M, TCS, Tata Motors, and Adani Ports. The losses were, however, capped by gains in ONGC (4 per cent), Coal India, Divi's Labs, Grasim, and Indian Oil Corporation.
- 3) The Nifty Bank and Financial Services indices fell sharply by 3 per cent each. Nifty FMCG, Auto, IT, and Realty indices declined up to 1.5 per cent. The Nifty Pharma index however held its head high and was up by 1 per cent.
- 4) The MidCap index fell marginally by 0.65 per cent while the S&P BSE SmallCap was just 0.07 per cent lower.
- 5) On a weekly basis, both the frontline indices were up by 2 per cent each.

Index	Today's Close	Prev. close	Change	% change	Open	High	Low
<b>Sensex</b>	48,782.36	49,765.94	<b>983.58</b>	<b>1.98</b>	49,360.89	<b>49,569.42</b>	48,698.08
<b>Nifty</b>	14,631.10	14,894.90	<b>263.80</b>	<b>1.77</b>	14,747.35	<b>14,855.45</b>	14,601.70

**Sectors and stocks**

- 1) Shares of information technology (IT) services major Wipro was up by 4.5 per cent to hit a 52-week high of Rs. 511.95 on the BSE in intra-day trade on Friday after the company revised its IT services revenue guidance for the quarter ended June 2021. Wipro in an exchange filing earlier today said it expects revenue from its IT services business to be in the range of \$2,324-\$2,367 million during the first quarter of FY22. This translates to a sequential growth of 8-10 per cent. During its earnings announcement for the March quarter of FY21 on April 15, the IT bellwether had guided for a 2-4 per cent QoQ growth in IT services revenue to \$2,195-\$2,238 million. The company revised the guidance on the completion of the acquisition of Capco although it clarified that the new guidance does not include revenue from its recently announced acquisition of Ampion. Wipro on March 4, 2021, had informed that it has signed an agreement to acquire Capco, a global management and technology consultancy company providing digital, consulting and technology services to financial institutions in the Americas, Europe and the Asia Pacific. The said acquisition was completed on April 29, 2021. Wipro's consolidated net profit stood at Rs. 2,972.3 crore during Q4FY21, up 27.78 per cent year-on-year (YoY), as against Rs. 2,326.1 crore posted in the same period last year. On a quarter-on-quarter (QoQ) basis, the profit increased marginally by 0.14 per cent, compared to Rs 2,968 crore reported in the December quarter of FY21. Its consolidated revenue from operations, meanwhile, climbed 3.4 per cent YoY to Rs. 16,245.4 crore in the recently concluded quarter.
- 2) Shares of Tata Coffee rallied over 9 per cent in Friday's session to hit a 52-week high of Rs. 139.70 on the BSE after the company posted a strong set of results for the quarter ended March 2021. The company on Thursday posted a more than two-fold jump in consolidated net profit at Rs. 57.37 crore for the fourth quarter of 2020-21 fiscal on strong income, as against a net profit of Rs. 24.05 crore in the same quarter of the previous fiscal. Net income during the quarter under review rose by 17 per cent year-on-year (YoY) to Rs 612.06 crore from Rs 523.46 crore. Expenses remained higher at Rs. 529.48 crore as against Rs. 475.71 crore in the said period. The company's managing director Chacko P Thomas said the Q4 performance remained strong despite challenging conditions. "Instant coffee exports during the quarter were higher despite logistics issues and a fresh wave of lockdowns in Europe, which are expected to ease in the near future," he said. Going ahead, however, the company sees a slowdown in demand in some geographies in the short-term, especially in the out-of-home consumption due to the Covid-19 pandemic. "We are also keeping a close watch on any other possible impacts of the second wave of this pandemic," Thomas said, adding that the company continues to drive aggressive cost optimisation initiatives across its operations. The board also recommended a dividend of Rs 1.50 per share for 2020-21 fiscal.

**Key recent major developments..**

- 1) 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.
- 2) The euro zone economy declined less than expected in the first three months of the year, preliminary data showed on Friday, while headline inflation picked up as expected on a surge in energy prices. The European Union's statistics office Eurostat said gross domestic product in the 19 countries sharing the euro contracted 0.6% quarter-on-quarter for a 1.8% year-on-year fall. The euro zone's first quarter contraction was mainly caused by a 1.7% quarterly slump in its biggest economy Germany, though mitigated by 0.4% quarterly growth in second biggest France.
- 3) US economic growth accelerated in the first quarter, fueled by massive government aid to households and businesses, charting the course for what is expected will be the strongest performance this year in nearly four decades. Gross domestic product increased at a 6.4% annualized rate last quarter, the Commerce Department said on Thursday in its advance estimate of GDP for the first three months of the year. That was the second-fastest GDP growth pace since the third quarter of 2003 and followed a 4.3% rate in the fourth quarter. Personal consumption, the biggest part of the economy, surged an annualised 10.7%, the second-fastest since the 1960s. The United States' economy is reviving rapidly as compared to its global rivals, thanks to two additional rounds of COVID-19 relief money from Washington as well as easing anxiety over the pandemic, which has boosted domestic demand and allowed services businesses like restaurants and bars to reopen. Former President Donald Trump's government provided nearly \$3 trillion in relief money early in the pandemic, leading to record GDP growth in the third quarter of last year. That was followed by nearly \$900 billion in additional stimulus in late December. President Joe Biden's administration offered another \$1.9 trillion rescue package in March, which sent one-time \$1,400 checks to qualified households and extended a \$300 unemployment subsidy through early September.
- 4) The Securities and Exchange Board of India (Sebi) on Thursday extended the timelines for various regulatory filings, including financial earnings, in the wake of the second Covid-19 wave. The deadline to file the March quarter and annual financial results ends on May 15 and May 30 respectively. The market regulator has extended the deadline for both to June 30. "Sebi is in receipt of representations...requesting extension of timelines for various filings and relaxation from certain compliance obligations...due to ongoing second wave of the CoVID-19 pandemic and restrictions imposed by various state governments," Sebi said in a circular.
- 5) The Indian economy is projected to grow at 11 per cent in the current financial year amid the "strong" vaccine drive, said ADB on Wednesday, while cautioning that the recent surge in COVID cases may put the country's economic recovery at "risk". "India's economy is expected to grow 11 per cent in fiscal year (FY) 2021, which ends on March 31, 2022, amid a strong vaccine drive," ADB said in its flagship Asian Development Outlook (ADO) 2021 released on Wednesday. However, the Asian Development Bank (ADB) cautioned that the surge in COVID-19 cases may put the country's economic recovery at risk. For FY2022, India's GDP is expected to expand at 7 per cent, it added.
- 6) Credit rating agency S&P Global said on Wednesday the second wave of COVID-19 infections in India could impede the country's economic recovery and expose other nations to further waves of outbreaks. "In addition to the substantial loss of life and significant humanitarian concerns, S&P Global Ratings believes the outbreak poses downside risks to GDP and heightens the possibility of business disruptions," the rating agency said in a note. India's healthcare system has been overwhelmed, with the world's second most populous country reporting more than 300,000 new COVID-19 cases daily over the past six days and the death toll set to cross 200,000. S&P, which has a long-term credit rating of 'BBB-' on India, just one notch above junk, said it may have to revise its base-case assumption of 11% growth over fiscal 2021/2022, especially if wider containment measures are re-imposed. S&P expects the consumer retail and airport sectors to have a dragged out recovery with localized lockdowns and curfews in several parts of the country, and said the Indian banking sector continued to face a "high level of systemic risk".
- 6) 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. India has given the first dose of covid antidote to 15.22 crores beneficiaries in the nation-wide vaccination till date.
- 7) 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



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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.

- 8) 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.
- 9) 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.
- 10) 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.
- 11) 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.
- 12) 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.
- 13) 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.
- 14) 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.

### Global markets

- 1) Chinese equities fell by 0.8 per cent while Japan's Nikkei declined by 0.8 per cent owing to a softer-than-expected survey of China's manufacturing. In Asia, MSCI's ex-Japan index lost 0.9 per cent
- 2) In Europe equities were trading near record high and the euro was on course for its best month in nine as strong US data and corporate earnings plus the Federal Reserve's commitment to support the economy fuelled investors' appetite for risk.
- 3) MSCI's broadest gauge of world stocks covering 50 markets dipped 0.1 per cent but remained close to a record peak touched the previous day, up 5 per cent on the month. In Europe, euro Stoxx futures were steady and Britain's FTSE 100 traded up 0.2 per cent.
- 4) US stock futures were down 0.3 per cent after the S&P 500 closed at an all-time high.

### Ajcon Global's view

- 1) Indian benchmark indices came under tremendous pressure with sharp spike COVID-19 cases in the second wave with more deaths on daily basis. The recent euphoria amidst ongoing second wave of COVID-19 was led by optimism ahead of mass vaccination drive (strong registrations on CoWIN App), 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 Finserv, Bajaj Finance, Shriram Transport Finance, HDFC Life, SBI Cards, Castrol have aided in rally. 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. 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.
- 2) 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.
- 3) We believe India's 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.
- 4) 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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