

Fresh record high made by benchmark indices; Bulls continue to roar...

- 1) Indian benchmark indices touched new peaks today led by buying in heavyweights such as Reliance Industries, ICICI Bank, Bharti Airtel, HDFC Bank, ITC, Axis Bank, TCS, and Maruti Suzuki.
- 2) RIL, up over 3 per cent on the National Stock Exchange (NSE), single-handedly lifted the frontline Nifty50 index to record peak of 15,606 in the intra-day session today while other index contributors rallied between 0.5 per cent and 3 per cent.
- 3) By close, the Nifty index quoted at 15,583 levels, up 147 points or 0.95 per cent. About 39 of the 50 constituents on the index settled the day in the green while 11 constituents settled in the red including M&M (down 4.4 per cent), Adani Ports, L&T, Sun Pharma, and Indian Oil Corporation.
- 4) Of these, shares of Mahindra & Mahindra (M&M) slipped 7 per cent to Rs 790 on the BSE in intra-day trade on Monday after the management said the tractor industry is expected to grow in low single-digits during the financial year 2021-22 (FY22), with the company focused on gaining market share. Since May 4, the stock of M&M has outperformed the market by surging 14 per cent, as compared to a 6.6 per cent rise in the S&P BSE Sensex till Friday.
- 5) The Sensex rallied by 590 points in intra-day session and hit a high of 52,013. It, however, pared minor gains and closed at 51,937, up 515 points or 1 per cent.
- 6) The S&P BSE MidCap and SmallCap indices added 0.45 per cent and 0.5 per cent, respectively amid buying in construction material, telecom, energy, and metal stocks.
- 7) The BSE Energy index advanced 2.5 per cent, followed by the BSE Telecom and Metal indices (up 1.5 per cent each), and the BSE Oil and Gas index (up 1.3 per cent).

Index	Today's Close	Prev. close	Change	% change	Open	High	Low
Sensex	51,937	51,422.88	514.56	1.00	51,476.22	52,013.22	31,641.77
Nifty	15,582.80	15,435.65	147.15	0.95	15,437.75	15,606.35	15,374

Sectors and stocks

- 1) Shares of PNB Housing Finance were locked in the upper circuit of 20 per cent at Rs 525.20, also its 52-week high on the BSE on Monday, after the company board approved a capital raise of up to Rs. 4,000 crore, led by entities affiliated to the Carlyle Group Inc. The key objective of raising capital is to augment capital adequacy, reduce gearing and accelerate growth with a focus on retail housing including self-employed and affordable housing loans such as the Unnati segment, the company added. Assuming full capital infusion (including warrants) and no other change to the March 31, 2021 financials, the capital adequacy ratio of the company as of March 31, 2021, would increase from 18.7 per cent to over 28 per cent and gearing as of March 31, 2021, will decline from 6.7x to less than 5x. Aditya Puri is expected to be nominated to the PNB Housing Finance Board as a Carlyle nominee Director in due course.
- 2) Shares of Indian Hotels Company hit a fresh 52-week high of Rs. 140.50 on the BSE in intra-day trade on Monday on expectation of demand recovery as the Covid-19 situation gradually comes under control. In January–March quarter (Q4FY21), Indian Hotels Company, South Asia's largest hospitality company, had reported a positive Ebitda (earnings before interest, taxes, depreciation, and amortization) of Rs 83 crore, an increase of 118 per cent from December quarter (Q3FY21). The company recorded its highest number of new hotel signings and openings in the industry during financial year 2020-21 with 17 signings and seven new hotel openings. The management guided that though the domestic operations have witnessed traction, recovery in international business is commendable. Also, the company's focus on being cost prudent will aid in Ebitda margin expansion, despite subdued net sales in near future. The company is hopeful of demand recovery in the US and the UK in the next three to four months with the situation now gradually coming under control. In the past one month, the stock of the Tata Group Company has



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rallied 26 per cent as compared to a 6 per cent gain in the S&P BSE Sensex. It surpassed its previous high of Rs. 139, touched on December 7, 2020. Meanwhile, the stock had hit an all-time high of Rs. 164 on June 26, 2019.

- 3) Shares of Transport Corporation of India (TCI) were up by 17 per cent to Rs. 495 on the BSE in the intra-day deal on Monday, taking gains to 62 per cent in the past four trading days after reporting a strong set of March quarter (Q4FY21) numbers. The stock of TCI, India's largest integrated logistics service provider serving 3,000 destinations, was quoting at its all-time high level. In the past one month, the stock has rallied 100 per cent, as compared to a 5.4 per cent rise in the S&P BSE Sensex. In Q4FY21, TCI reported a 69 per cent year-on-year (YoY) growth in standalone profit after tax (PAT) in the March quarter (Q4FY21) at Rs 52.86 crore, on the back of healthy revenue growth. It had reported a PAT of Rs 31.28 crore in Q4FY20. The company's revenues grew 27 per cent YoY to Rs 797 crore. EBITDA (earnings before interest, taxes, depreciation, and amortisation) margins expanded by 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 the management, in spite of the 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, and diversified portfolio of value-added services from design to execution. The emerging business units have also shown good traction, TCI said. FY21 heralded a shift in consumer behaviour, with increased social distancing norms and intermittent statewide lockdowns, the end-user adopting delayed gratification via online purchases versus pre-pandemic instant gratification via purchases in stores. The management expects a pickup in surface freight activity from H2 onwards (near festive season). Seaways division has been beneficiary of ongoing higher ocean freight realisation and better fleet utilisation. TCI saw growth in the e-commerce, FMCG sector along with demand revival in the automotive sector (~80 per cent of supply chain management or SCM). The management expects to add another ship in Q4FY22 (Rs 80 crore) and also purchase containers, rakes and few trucks (Rs. 120-140 crore) in FY22.
- 4) Shares of Mahindra & Mahindra (M&M) declined by 7 per cent to Rs. 790 on the BSE in intra-day trade on Monday after the management said the tractor industry is expected to grow in low single-digits during the financial year 2021-22 (FY22), with the company focused on gaining market share. Since May 4, the stock of M&M has outperformed the market by surging 14 per cent, as compared to a 6.6 per cent rise in the S&P BSE Sensex till Friday.

Key recent major developments..

- 1) The lowest daily case count of Covid-19 infections in 48 days further improved sentiment in the broader market. The country reported 152,734 fresh Covid-19 cases in the last 24 hours, the lowest daily count since April 13, 2021. According to global rating agency Fitch Solutions, the impact of the second Covid-19 wave on rated Indian firms is expected to be manageable, as most companies' credit profiles are supported by their strong market positions, adequate balance sheets, liquidity and diversified operations.
- 2) India's gross domestic product (GDP) grew at 1.6 per cent in the January-March quarter of fiscal year 2020-21, but witnessed a contraction of 7.3 per cent for the entire fiscal year, showed government data on Monday. This is the first full-year contraction in the Indian economy in the last four decades since 1979-80, when GDP had shrunk by 5.2 per cent. However, this is also the second straight quarter of expansion amidst COVID-19 crisis. India's GDP figures showed the growth at 3 per cent in Q4 of FY20, while growth for FY20 came at 4 per cent, an 11-year low. According to the National Statistical Office data, gross value added (GVA) growth in the manufacturing sector accelerated to 6.9 per cent in the fourth quarter of 2020-21 compared to a contraction 4.2 per cent a year ago.
- 3) The Centre's fiscal deficit for the financial year 2020-21 settled at 9.2 per cent of the gross domestic product, marginally below the government's revised target of 9.5 per cent. This was on the back of better-than-expected revenue receipts with expenditure staying broadly at the level targeted in the revised estimates of the Budget. In absolute terms, India's fiscal deficit was Rs. 18.21 trillion, about Rs. 27,194 crore lower than the projected Rs. 18.48 trillion, as per the provisional estimates released by Controller General of Accounts. The fiscal deficit of 9.2 per cent has been estimated based on provisional estimates for FY21 GDP of Rs 197.46 trillion. The Centre had revised its fiscal deficit target in the Budget from 3.5 per cent to 9.5 per cent due to increased expenditure on various schemes announced by the government to tide over the Covid-19 pandemic, and a sharp shortfall in revenue receipts (both tax and non-tax).
- 4) India's economy has not moderated to the extent it did during the first wave but uncertainties can act as a deterrent in the short term, the Reserve Bank of India said. In its annual report, the central bank said the country's growth prospects now essentially depend on how fast India can arrest the second wave of COVID-19 infections. "The recovery of the economy from the COVID-19 will critically depend on the robust revival of private demand that may be led by the consumption in the short-run but will require acceleration of investment to sustain the recovery," the central bank said in its annual report. It also added that reform measures in various areas were likely to improve India's growth potential on a sustainable basis.

- 5) 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.
- 6) 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).
- 7) 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.

Global markets

- 1) European equities slipped from record highs on Monday in subdued trading due to holidays in major markets. The pan-European STOXX 600 index was down 0.1 per cent in morning trade, with shares in Frankfurt falling 0.3 per cent and Paris dipping 0.1 per cent.
- 2) The UK and US markets are closed for a holiday, keeping trading volumes muted across the board.
- 3) In Asia, Japan's Nikkei fell by 0.9 per cent, South Korea's Kospi and China's Shanghai Composite index added 0.5 per cent each.

Ajcon Global's observations and view

- 1) Indian benchmark indices continued its stellar led by declining COVID-19 cases with recoveries surpassing new cases, positive GDP figure, talks of US\$6 trillion stimulus package by Biden administration and strong Q4FY21 result by majority of the Companies so far with good management commentary for the future. 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 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 21.31 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.
- 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,



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- 5) Going ahead, investors will keep an eye on the announcements by various states with regards to Unlock and relaxations on COVID-19 restrictions which will propel economic activity.
- 6) 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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For research related queries contact:

Mr. Akash Jain – Vice President (Research) at, research@ajcon.net

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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