

K ₹ STREET

RULE THE MARKET

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RBI Pauses leaving doors open

As expected, RBI maintained the status quo for the repo rate at 4% and reverse repo rate at 3.35% and has maintained the stance as “accommodative”. The RBI governor insisted that the economy is improving amid the COVID threat. By the end of this financial year, the RBI is expecting that the high-frequency indicators could note a significant improvement due to the progressive unlocking by the government. The business environment may turn positive and optimistic as the PMI pointer recently showed the highest expanding value of 56.9, even though there would be a contraction of 9.5% in GDP as noted by the RBI Governor. The Governor also said that inflation could ease by Q3 and Q4 toward the expected target as the supply chains could restore.

Regarding liquidity measures, the RBI Governor said that the liquidity measures will be focused on the specific sectors that will boost the growth in multiple effects. To that effect, the RBI has announced TLTRO to the tune of Rs. 1 Tn rupees at 4% till Mar 2021. Similarly, the ways and means advances for the states and centre is kept at Rs. 1.25 Tn compared to the 30000 crores in the second half of the previous year. The RBI also announced Rs. 20,000 Cr for OMO in the coming week. The newly introduced TLTRO would reduce borrowing costs for NBFCs. Also, the new steps taken would make the home loans safer considering the risk weights assigned to the loan to value ratios.

To increase the credit flow, the co-lending model is extended to the housing finance companies and to all categories of NBFCs and to the sectors unserved so far. This will allow operational flexibility to the banks and NBFCs. We expect the co-lending will improve the reduction in interest rates by the Housing Finance Companies.

To provide impetus to the real estate sector, RBI announced changes to risk weights applicable for big ticket home loans. Risk weights will be linked only to loan-to-value ratios for all new housing loans sanctioned till March 31 2022. Earlier, risk weights on home loans were linked to both LTV ratios and the size of the loan particularly to those below Rs 7.5 Mn. Already basking in the glory of historically-low interest rates, real estate bosses welcomed the latest moves by the Reserve Bank of India (RBI) to enhance liquidity to the sector.

RBI has also decided to extend the existing enhanced Held to Maturity (HTM) limit of 22 per cent for SLR securities acquired between September 1, 2020, and March 31, 2021, up to March 31, 2022. This means that Banks may continue to hold such excess SLR securities in HTM category up to March 31, 2022. The enhanced HTM limit would be restored to 19.5% in a phased manner, beginning from the quarter ending June 30, 2022. RBI has raised the banks' maximum aggregate retail exposure limit to entities with turnover up to Rs 50 Cr to Rs 7.5 Cr. Earlier this limit was Rs 5 Cr. The decision has been taken to increase credit flow to small businesses. The risk weight of 75% will apply to all fresh exposures and also to existing exposures where incremental exposure may be taken by the banks up to the revised limit of Rs 7.5 Cr.

Though, the steps taken by the RBI in its policy meeting are progressive, we expect the RBI needs to take more aggressive steps for the absorption of government bonds supply. Similarly, the RBI should have given more details towards the future forecast of growth and inflation.

- DR. RAVI SINGH

Vice President & Head of Research

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NEWS

AUTO

- Rane Brake Lining Ltd. Q2FY21: Net profit up 54.8% at Rs. 11.53 Cr Vs. Rs. 7.45 Cr (YoY) and Revenue down 3.6% at Rs. 105.48 Cr Vs. Rs. 109.43 Cr (YoY). Board has approved buyback of the company's from the open market through the stock exchange mechanism, for a maximum price of Rs. 825 per equity share.
- Honda Motorcycle and Scooter India Pvt. Ltd. (HMSI) crosses the 25 lakh unit sales milestone in Kerala. In order to celebrate the milestone, the two-wheeler manufacturer has announced the Super 6 Offer where customers can save up to INR 11,000 under its limited period offer till the end of November 2020.

BANKING

- The South Indian Bank Q2FY21: Net profit down 23% at Rs. 65.09 Cr Vs. Rs. 84.48 Cr (YoY) and NII up 13.5% at Rs. 663.11 Cr Vs. Rs. 584.3 Cr (YoY). Gross NPA at 4.87% Vs. 4.93% (QoQ) Net NPA at 2.59% Vs. 3.09% (QoQ).
- IDBI Bank: The government will seek the Cabinet's approval to lower its 47.11% stake in the lender after which the structure of the sale will be determined, The Economic Times reported.
- Interest waiver case: The Supreme Court on Wednesday declined to give the government a month to implement a waiver of compound interest on loans of up to Rs. 2 Cr, saying it expects the government to implement the proposal by Nov 2, 2020.
- The Reserve Bank of India (RBI) has permitted banks to restructure loans to real estate companies on the basis of the project rather than the developer. It has also indicated that banks can restructure loans drawn by a borrower during the current fiscal, provided the account was classified as 'standard' (not overdue for more than 30 days) as of March 1, 2020.

CEMENT

- Dalmia Bharat: Jayesh Nagindas Doshi resigned from the position of Whole Time Director and Chief Financial Officer of the company.

CONSUMPTION

- Apparel exporters' turnover to dip 25 pc in FY21, domestic retailers to see 40 pc revenue fall: Icrs - Indian apparel players are banking on the upcoming festive season to recover meaningfully from their all-time low sales, Icrs said in a report. Icrs projects the Indian apparel exporters to report a turnover decline of 20-25 percent in FY21, compared to a steeper 30-40 percent decline in revenues of companies focused on the domestic market, the report said. House view: Our conversations with management indicate an increase in the order book in recent times (exports) as demand is being sourced from other countries other than China. However, given the competitive landscape across Asia, it will be interesting to see as to the extent to which we can grab market share from them. We believe domestic consumption will continue to be the main growth driver in the near to medium term.
- US watchdog probes Jockey partner Page Industries after human rights abuse claims. The investigation by U.S.-based Worldwide Responsible Accredited Production (WRAP) comes after Norway's \$1 trillion sovereign wealth fund dropped Page from its investment portfolio due to concerns of human rights violations at "Unit-III" - one of Page's Jockey manufacturing sites in Bengaluru. House view: We do not foresee a material impact on the stock price at this point but should the claims be validated, it could dampen investor sentiment (particularly overseas large funds), and case the valuation to dip.

INFRA

- RITES Ltd: The Indian Railways arm has picked up a 24% stake in Indian Railway Stations Development Corporation (IRSDC), a JV between Rail Land Development Authority and IRCON, infusing Rs. 48 Cr as additional capital.
- JTL Infra reported profit at Rs. 2.87 Cr in Q2FY21 against Rs. 2.19 Cr, revenue increased to Rs. 79.88 Cr from Rs. 45 Cr YoY.
- Sunedison Infrastructure: Promoter entity Avyan Pashupathy Capital Advisors proposed to sell 5,31,811 equity shares (representing 11.84 percent of equity capital) via offer for sale on October 15-16. The floor price of the sale is fixed at Rs. 22 per share.

IT

- Mindtree Q2FY21: Net profit up 19.1% at Rs. 253.7 Cr Vs. Rs. 213 Cr (QoQ) and Revenue up 0.9% at Rs. 1926 Cr Vs. Rs. 1908.8 Cr (QoQ). The Board of Directors has declared an interim dividend of Rs. 7.50 per equity share.
- Cyient Ltd Q2FY21: Net profit up 3.1% at Rs. 83.9 Cr Vs. Rs. 81.4 Cr (QoQ) and Revenue up 1.2% at Rs. 1003.3 Cr Vs. Rs. 991.7 Cr (QoQ).
- Tech Mahindra has formed a 50:50 joint venture with Japan's Sumitomo Corp. The JV will provide engineering services to the automotive sector.

FORTHCOMING EVENTS

COMPANY NAME	EVENT	EX-DATE
HDFC Life Insurance Company Ltd	Financial Results	19-Oct-20
ACC Ltd	Financial Results	19-Oct-20
Hindustan Unilever Ltd	Financial Results	20-Oct-20
Bajaj Finserv Ltd	Financial Results	21-Oct-20
Bajaj Finance Ltd	Financial Results	21-Oct-20
Colgate Palmolive (India) Ltd	Financial Results/Dividend	21-Oct-20
UltraTech Cement Ltd	Financial Results	21-Oct-20
Ambuja Cements Ltd	Financial Results	22-Oct-20
Asian Paints Ltd	Financial Results/Dividend	22-Oct-20
Bajaj Auto Ltd	Financial Results	22-Oct-20
Biocon Ltd	Financial Results/Other business matters	22-Oct-20
Bharti Infratel Ltd	Financial Results	22-Oct-20
JSW Steel Ltd	Financial Results	23-Oct-20
Yes Bank Ltd	Financial Results	23-Oct-20

GLOBAL NEWS

- IMF data shows coronavirus will push China GDP growth well beyond the US. The IMF estimates China will grow by 8.2% next year, down a full percentage point from the IMF's April estimate but strong enough to account for more than one-quarter of global growth. The U.S. is expected to rally to a 3.1% increase which will account for 11.6% of global growth in 2021 in purchasing power parity terms.
- Apple supplier Foxconn aims to supply 10% of global electric vehicles. The Taiwanese contract manufacturer, formally called Hon Hai Precision Industry Co Ltd and a major supplier to Apple Inc is looking at fresh growth from sectors such as electric vehicles, digital health, and robots in a drive to diversify its global investments.
- Infosys reported a solid set of Q2FY201 numbers. Sequentially, revenue was up 3.8% to Rs. 24,750 Cr and PAT was up 14.4% to Rs. 4,845 Cr. Operating margins expanded 270 bps to 25.40%. The company showed strong improvement across all parameters which beat estimates and peers. The company reported record deal wins at \$ 3.15 Bn. In \$ terms, revenue was up 6.1% sequentially to \$ 3312 Mn. The IT major raised its revenue growth guidance to 2-3% for the year to 31 March from the earlier 0-2% in constant-currency terms.
- Tata Elxsi announced a strong set of Q2FY21 numbers with revenue/PBT increasing 7.4%/17% sequentially and 11.5%/56% YoY. In CC terms the company reported a growth of 6.9%/4.4% QoQ/YoY. The growth was driven by the strong performance of the EPD and Industrial Design segments. Healthcare and Media businesses continue to grow as the Auto vertical was up 5.6%.
- Tata Consultancy Services (TCS) has seen a surge in demand for its services and expects to recruit 10,000 individuals in the US by 2022.

PHARMA & HEALTHCARE

- Natco Pharma aims to launch around 10 new products every year in the Indian market. During the year, Natco spent Rs. 349 Cr on capital expenditure, a majority of which was used to enhance the capabilities of their manufacturing facilities.

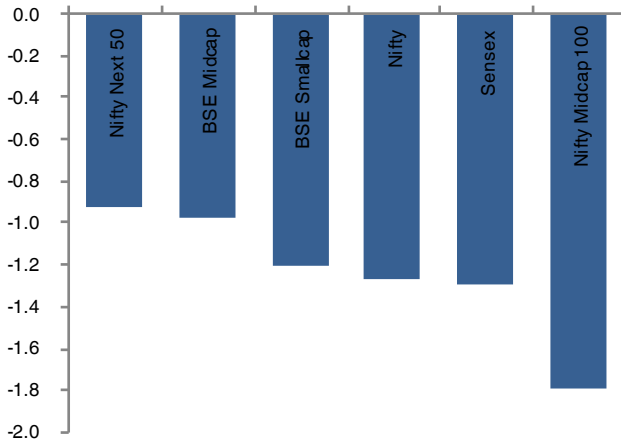
POWER

- Adani Green transfers newly acquired Essel solar assets to TOTAL JV.

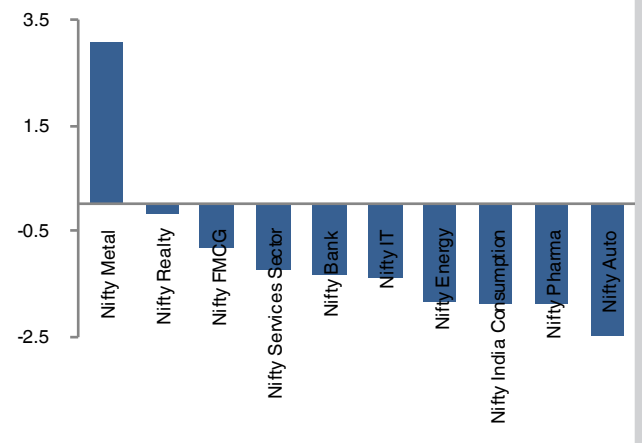
TELECOM & MEDIA

- Bharti Airtel said shares of its subsidiary Nxtra Data have been issued to CA Cloud Investments, an affiliated entity of Carlyle Asia Partners, following CCI nod to the recently-announced deal.

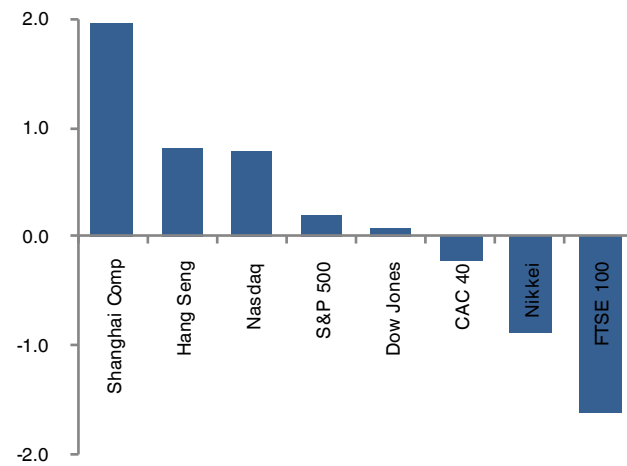
INDIAN INDICES (% CHANGE)



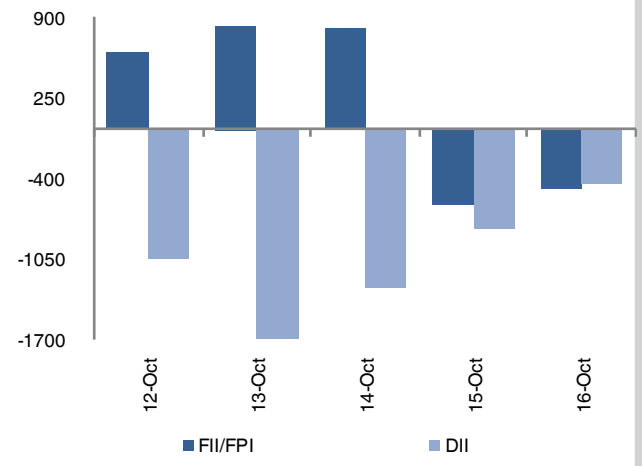
SECTORAL INDICES (% CHANGE)



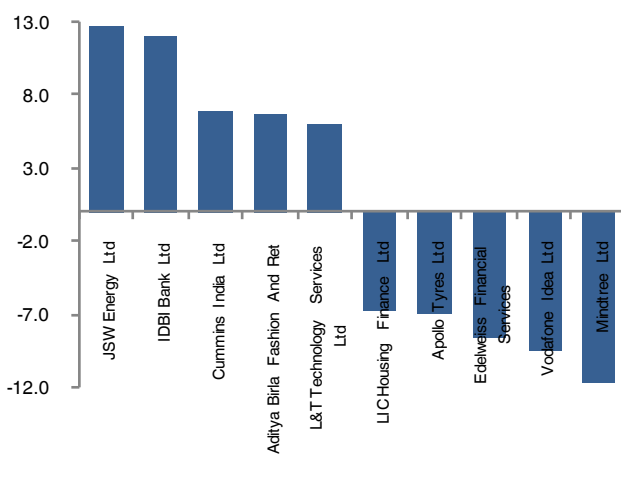
GLOBAL INDICES (% CHANGE)



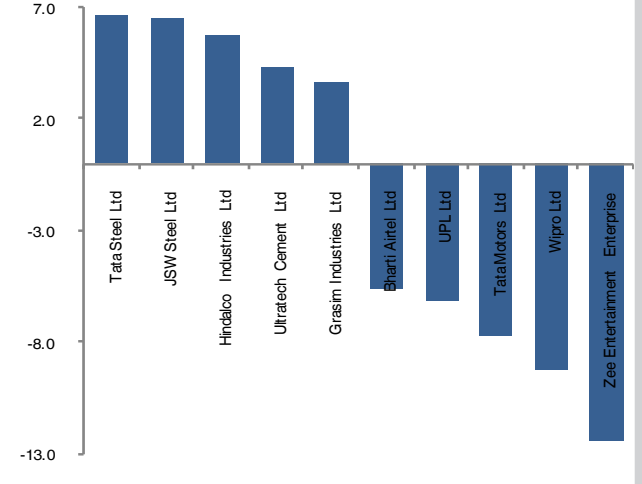
FII/FPI & DII TRADING (IN RS. CRORES)



NIFTY MIDCAP100 TOP GAINERS & LOSERS (1W)



NSE NIFTY TOP GAINERS & LOSERS (1W)



Source: Karvy Research

BEAT THE STREET - TECHNICAL ANALYSIS

JSW Steel Ltd



STOCK	JSWSTEEL
CMP	311
ACTION	BUY
ENTRY	307-309
AVERAGE	293-295
STOP LOSS	279
TARGET 1	350
TARGET 2	360

On the technical front, JSWSTEEL has higher highs and higher lows on the daily charts and is currently placed above the major long-term EMAs in the daily frame. In the recent past, after clocking a low of 257 levels, the stock has witnessed a bounce and rallied to the current levels, and witnessed a breakout at 293 levels. At the current juncture, the stock has formed a base of around 280 levels on the lower side and is all set to move higher. The overall chart structure of the counter looks bullish from current levels and is witnessing a bounce from the support zone around 280-285 levels. This may trigger a fresh round of buying which may take the stock towards 350 plus levels. The stock is currently performing in line with the broader markets indicating the inherent strength in the counter and is trading well above the major long-term support levels. On the Bollinger band (20,2) the stock price is trading above the mean with the upper band facing in the northward direction indicating the price likely to move higher. Analyzing the recent volume price action, the volumes have been encouraging in the recent up move indicating strong hands have started accumulating the stock at current levels. On the oscillator's side, RSI (14) is trading in a comfortable zone of above 60 levels indicating the intact bullishness in the stock. We expect the counter to continue its outperformance in the coming trading days as well and may move towards 360 levels in the medium-term. Any correction towards the recent support levels of 293-295 levels may be utilized to average the positions.

Divi's Laboratories Ltd



STOCK	DIVISLAB
CMP	3224
ACTION	BUY
ENTRY	3200-3205
AVERAGE	3090
STOP LOSS	BLW 2985
TARGET 1	3500
TARGET 2	3600

On the technical front, DIVISLAB has higher highs and higher lows on the daily charts and is currently placed above the long-term supports. In the recent past, after clocking the high of 3389 levels, the stock has witnessed a round of profit booking which dragged the counter towards the medium-term moving average of 100-DEMA on the daily charts. At the current juncture, the stock is forming a base around 2985-2990 levels on the lower side and is all set to move higher. The overall chart structure of the counter looks bullish at the current levels forming higher highs and higher lows. This may trigger a fresh round of buying which may take the stock towards 3500 plus levels. The stock's performance is in line with the broader markets indicating the inherent strength in the counter and is trading well above the long-term support levels. On the Bollinger band (20,2) the stock price is plotting above the mean indicating the price likely to trend higher. Analyzing the recent volume price action, the volumes have been encouraging in the recent up move indicating strong hands have started accumulating the stock at current levels. On the oscillator's side, RSI (14) is trading in a comfortable zone of above 50 levels indicating the bullishness in the stock. We expect the counter to continue its outperformance in the coming trading weeks as well and may move towards 3600 levels in the short term. Any correction towards the recent support levels of 2985 levels may be utilized to average the positions.

INDEX SNIPPETS

NIFTY (11762.45): Indian equity benchmark index Nifty 50 closed lower by 1.27% during the week. During the last six months, the index witnessed a bounce towards the current levels after correcting from 12150 levels towards the low of 7511 levels. Technically, from March 2020, the index is forming higher highs indicating that the bulls are reclaiming the lost ground. However, the index may resume its bearish bias if it breaches and sustains below 11600-11650 levels in future sessions. On the global front, Stocks across Asia-Pacific were mostly down by the close on Friday, amid dampened sentiment on the coronavirus front. European markets closed sharply higher Friday, clawing back from steep losses in the previous session. US stocks rose on Friday as Wall Street attempted to snap a three-day losing streak. Fresh data showed that US retail sales jumped 1.9% in September, smashing a Dow Jones estimate of 0.7%. Excluding autos, sales were up 1.5%, better than a 0.4% estimate. Back in Europe, UK Prime Minister Boris Johnson said he would seek a no-deal Brexit unless there was a fundamental change of approach from the European Union. Sterling initially sank versus the dollar on his comments, before trading marginally higher. Domestically, on the derivatives front, open interest data suggests that the index may find its supports around 11700 followed by 11000 levels while on the higher side, 12000 and 12500 levels may act as strong resistance.



NIFTY AUTO index has underperformed Nifty 50 with losses of 2.5% as opposed to Nifty 50's losses of 1.3%. Technically, the index has been moving in a range for the past three months after recovering sharply from lows of Covid-correction. The index has not been able to break out of the resistance of 8220-8260 levels despite making three attempts in the past three months. Nifty Auto index has opened the week on a negative note and has moved downwards throughout the week to close at 7959. The positive sentiment of pick up in September month's wholesale despatches could not last long in the index. This week's Auto index's underperformance was led by M&M and Tata Motors. Despite posting robust monthly sales growth of 165%, Tata Motors ended in red by losing 7.7% for the week. Among other index heavy weights, while Maruti ended the week down 2%, Hero MotoCorp ended the week with gains of 0.74%. Eicher Motors is the top performer of the week which gained 2.3% for the week. We believe future direction of the index will be decided by how the festive season turns out as some of the dealers are cautious about the festive season as they believe that tight financing environment and lockdowns might dampen the upbeat picture painted by OEMs. We expect the index to see support at 7800 followed by 7676. On the upside, we expect to see some resistance at 8100 followed by 8260.



NIFTY REALTY ended nearly flat for the week, a period in which most indices were in the red. This was propelled by a few RBI initiatives and data indicating large private equity investment in the sector, particularly in the office space. RBI has permitted banks to rejig projects based on the loans rather than the developer. It also gave thumbs up to rejig loans of individuals for the same for the current fiscal, which were not classified as NPA at the time of beginning of lockdown. A total of \$2,308 Mn has been invested into PE over Jan – Sept 2020, with \$1,871 Mn of the same going towards office space. That is a total of 81% of PE investment going towards office space, 10% towards warehousing, and 9% towards residential. Recent times have also seen bank and builder inquiries on the rise on account of pent up demand for particularly residential space. While the demand continues to be far below prior year, recent pick up is a huge positive to the industry. Hence, the sector, which had hit a low in April – May of 2020, has seen recent uptick both on positive demand and due to more favorable economics for developers and clients. Overall valuations have been picking up over the period but are currently in a higher band since Sept. 2020, since these recent announcements. We expect the index to consolidate around these levels till further triggers. Support levels for the index can be found at 205 and 196, while the resistance levels to watch out for are 224 and 236.

