

K STREET

RULE THE MARKET

ISSUE: 125



Will 2021 be the year of equities?

Every investor wants to invest in the best investment options in such a way that he can achieve maximum return with minimal risk in a given tenure. The investment options that you choose should depend on your risk appetite, investment horizon, financial goals, investment objective and liquidity needs. Historically, retail investors in India were exposed to very limited options including gold, real estate, equities, mutual funds and fixed income products like bank FDs. Public Provident Fund (PPF), and Bank RDs. With passage of time, thanks to financial engineering, investors today have a wide range of investment options including exchange traded funds (ETFs), real estate-investment trusts (REITs), and sovereign gold bonds. Given low financial literacy levels, a large section of public switch in between fixed income products and equities depending on the euphoria in the markets

Now that stock markets are at all-time highs and fixed deposit (FD) and recurring deposit (RD) interest rates are at low levels, it is advisable for investors to focus on equities. Because of declining returns, fixed income assets have become unprofitable and unattractive for risk-averse investors and retired employees - who rely on such products to get a steady income. In an environment of high inflation, such low returns on capital tend to undermine capital and thus the aces dwindle. Although volatility is consistent and unavoidable in equities, in this scenario equities can be considered as investment option provided investors tread carefully.

Indian indices are up about 95% since their March lows, due to liquidity and low-interest rates. Liquidity has found its way into emerging markets due to massive fiscal stimulus from governments around the world and monetary stimulus from global central banks. With central banks not in a hurry to pull back the liquidity in the near future and in fact are willing to pump in more if needed, the party in equities will continue. Given these factors, the year 2021 is going to be the year of equities.

Within equities, while large caps have led the rally so far there are quite a few sectors that are yet to participate in the rally like cyclicals, sectors worst affected by social distancing norms including tourism, travel and hospitality and outdoor entertainment related stocks. Within cyclicals while metals stocks, more so in case of steel have already started moving up, other sectors like roads, infra, EPC players and real estate should start rallying now as it is widely expected that government would focus heavily on infra sector in the upcoming budget. Some other themes investors can focus on include turnaround stocks, cash rich public sector enterprises (in anticipation of divestment/buybacks and high dividend payouts) and companies which enjoy near-monopoly in their industries.

Investors should build a judicious mix of large caps, cyclicals, turnaround stocks and beaten down well managed small and mid caps with strong and solid fundamentals. Within large caps, while many large caps are trading at their 52-week highs, they should enter such stocks on dips perhaps on big down days. Investors may allot around 40% of their portfolio towards large caps, with balance equally allotted between cyclical, turnarounds and quality small and mid caps.

- DR. RAVI SINGH

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NEWS

AUTO

- Hero MotoCorp: India's largest two-wheeler maker expects the current momentum in demand in the rural market to continue in FY22, riding on hopes of further measures to boost rural income in the upcoming Budget. These measures are expected to boost the sales of Hero's entry-level motorcycles in the coming fiscal, said Pawan Munjal, chairman.
- JK Tyre Q3FY21: The company reported a multi-fold jump in consolidated net profit at Rs. 230.5 Cr in the quarter ended December on robust sales and aided by favorable foreign exchange fluctuations. The company had posted a consolidated net profit of Rs. 10.27 Cr a year ago. Consolidated revenue from operations during the period under review stood at Rs. 2,769.28 Cr as against Rs. 2,199.80 Cr.
- Bajaj Auto Q3FY21: Net profit up 29.8% at Rs. 1716.26 Cr. Vs Rs. 1322.44 Cr. (YoY) and Revenue up 16.6% at Rs. 8909.88 Cr. Vs Rs. 7639.66 Cr. (YoY).
- Phillip Carbon Black Q3FY21: Phillip Carbon has reported an 80.2% YoY rise in consolidated profit at Rs. 126.5 Cr for the quarter ended December 31, 2020. The company has posted a net profit of Rs. 70.2 Cr in the same quarter last year. Consolidated revenue from operations was almost flat at Rs. 769.4 Cr in the reported quarter against Rs. 768.6 Cr posted last year. EBITDA grew 56.8% to Rs. 188.3 Cr against Rs. 120.1 Cr reported last year. The margin grew to 24.5% in Q3FY21 against 15.6% posted in Q3FY20. The company said the new specialty black line in Palej plant, Gujarat has been put on trial. The board has approved an interim dividend of Rs. 7 per share.

BANKING

- HDFC Bank: Sebi has imposed Rs. 1 Cr penalty on the bank for unilaterally invoking securities pledged by BRH Wealth Kreators in violation of the regulator's interim orders. The regulator asked the lender to deposit Rs. 160 Cr in a separate escrow account until the issue of settlement of clients' securities is reconciled.
- Punjab & Sind Bank: The lender has reported a fraud of Rs. 94.29 Cr in an NPA account of Supertech Township Projects. The state-owned bank said it has reported the fraud to the RBI and that the account has been fully provided for as per the existing regulatory norms.
- South Indian Bank Q3FY21: The company reported a loss of Rs. 91.6 Cr in Q3FY21 against a profit of Rs. 90.4 Cr in Q3FY20, net interest income fell to Rs. 596.4 Cr from Rs. 601.8 Cr YoY.
- Bandhan Bank Q3FY21: Net profit down 13.5% at Rs. 632.59 Cr. Vs. Rs. 731 Cr. (YoY) and NII up 34.5% at Rs. 2071.73 Cr. Vs. Rs. 1540.27 Cr. (YoY). Gross NPA at 1.11% Vs 1.18% (QoQ) Net NPA at 0.26% Vs 0.36% (QoQ).
- Axis Bank: Competition Commission of India on Wednesday approved the stake acquisition in Max Life Insurance Company by Axis Bank, Axis Capital, and Axis Securities. As per the combination notice filed with CCI, the shareholding of Axis Bank in Max Life will increase to 9.9%. Currently, the bank holds about a 1% stake in Max Life and is also the biggest distributor of the insurer's products through the banking channel.

CONSUMPTION

- Asian Paints Q3FY21: The company said demand conditions continued to exhibit a strong recovery across business segments. The paints major reported a 62.3% jump in its consolidated profit to Rs. 1,265.35 Cr for Q3FY21.
- Reliance-Future's Rs.24,000Cr. Deal Cleared By Market Regulator SEBI: Reliance Industries' Rs. 24,713Cr. deal to buy Future Group's retail assets was cleared by the Securities and Exchange Board of India (SEBI) on be subject to the outcome of these proceedings. SEBI also stated that the case pending before the Delhi High Court and arbitration proceedings by the global e-commerce major Amazon contesting the deal should be specifically mentioned by Future Group while seeking shareholders or the National Company Law Tribunal approval.
- CCI approves Flipkart's acquisition of a 7.8% stake in Aditya Birla Fashion: The Competition Commission of India (CCI) on January 20 approved an Rs. 1,500 Cr deal between Aditya Birla Fashion and Flipkart, which allows the latter to acquire a minority stake of 7.8% in the Birla Group-linked entity. The announcement regarding this deal was made in October, last year.

INFRA

- Vedanta's mined metal production rose 4% to 2.44 lakh tonnes in Q3FY21 against 2.35 lakh tonnes in Q3FY20, integrated metal production increased 7% to 2.35 lakh tonnes from 2.19 lakh tonnes YoY.

INSURANCE & FINANCIAL SERVICES

- SBI Cards and Payment Services Q3FY21: The company reported a nearly 52% decline in its net profit to Rs. 210 Cr in the quarter ended December on higher provisioning. The pure-play credit card company, promoted by SBI, saw its total income grow marginally to Rs. 2,540 Cr. Even though the company reported a weak set of earnings, the prospects of the company are looking bright due to overall economic recovery. The stock might recover positively.
- Indian Energy Exchange Q3FY21: The company reported sharply higher consolidated profit at Rs. 58.1 Cr in Q3FY21 against Rs. 41.7 Cr in Q3FY20, revenue jumped to Rs. 85.2 Cr from Rs. 59.7 Cr YoY.
- MCX India Q3FY21: The company has reported a higher profit at Rs. 71.80 Cr in Q3FY21 against Rs. 55.57 Cr in Q3FY20, revenue rose to Rs. 100.90 Cr from Rs. 94.11 Cr YoY.

FORTHCOMING EVENTS

COMPANY NAME	EVENT	EX-DATE
Kotak Mahindra Bank Ltd	Financial Results	25-Jan-21
Larsen & Toubro Ltd	Financial Results	25-Jan-21
Bank of Baroda	Financial Results	27-Jan-21
Hindustan Unilever Ltd	Financial Results	27-Jan-21
United Spirits Ltd	Financial Results	27-Jan-21
Axis Bank Ltd	Financial Results	27-Jan-21
Lupin Ltd	Financial Results/Other business matters	28-Jan-21
Maruti Suzuki India Ltd	Financial Results	28-Jan-21
TVS Motor Company Ltd	Financial Results/Dividend	28-Jan-21
United Breweries Ltd	Financial Results	28-Jan-21
Cipla Ltd	Financial Results	29-Jan-21
Dabur India Ltd	Financial Results	29-Jan-21
Dr. Reddy's Laboratories Ltd	Financial Results	29-Jan-21
Indian Oil Corporation Ltd	Financial Results	29-Jan-21
LIC Housing Finance Ltd	Financial Results/Other business matters	29-Jan-21
Sun Pharmaceutical Industries Ltd	Financial Results	29-Jan-21
Tata Motors Ltd	Financial Results	29-Jan-21
Union Bank of India	Financial Results	29-Jan-21
UPL Ltd	Financial Results	29-Jan-21
ICICI Bank Ltd	Financial Results	30-Jan-21
Shree Cement Ltd	Financial Results	30-Jan-21
Tech Mahindra Ltd	Financial Results	30-Jan-21

GLOBAL NEWS

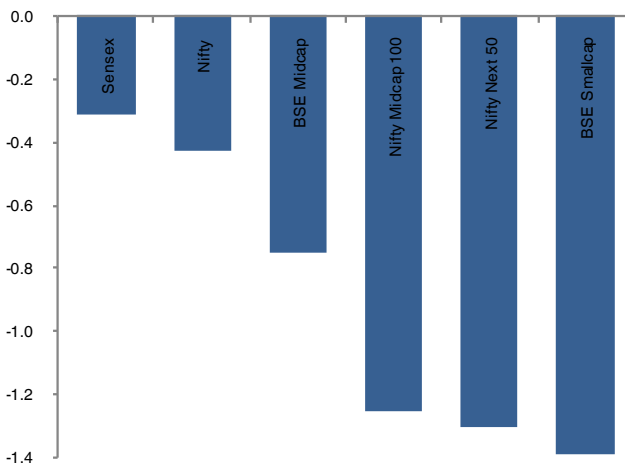
- European Central Bank faces a gloomier picture for the economy. Spiking virus totals have led Germany, the eurozone's biggest economy, to extend restrictions on many businesses involving contact with the public until Feb. 14, while Portugal hit a record for new COVID-19 infections and France imposed a 6 p.m. curfew. Vaccination rollouts have been slower than many would like.
- China doubles new renewable capacity in 2020 but continues to build thermal plants. China, the world's biggest greenhouse gas emitter, added 71.67 gigawatts (GW) of wind power capacity last year, the most ever and nearly triple 2019's levels, according to data released by the National Energy Administration (NEA) late Wednesday.

- HDFC Asset Management Company Q3FY21: The AMC reported a 5% increase in profit after tax at Rs. 369.26 Cr for three months ended December 31.
- Bajaj Finserv Q3FY21: Bajaj Finserv on Wednesday reported a 14.6% YoY rise in net profit at Rs. 1,290 Cr for the quarter ended December 31, 2020. It had posted a net profit of Rs. 1,126 Cr in the corresponding quarter of the last financial year. Its total income grew 9.6% YoY to Rs. 15,960.72 Cr in Q3FY21 against Rs. 14,561 Cr posted in Q3FY20.

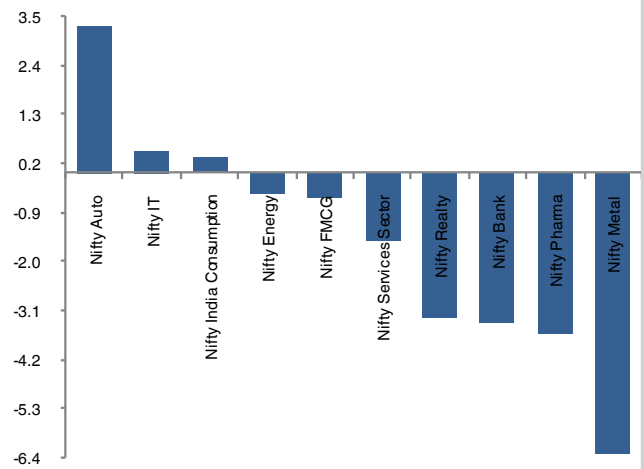
NBFC

- Bajaj Finance Q3FY21: The lender reported a 29% year-on-year (YoY) decline in consolidated net profit at Rs. 1,145.98 Cr for the three months to December, owing to higher losses and provisions. Net interest income (NII) was down 5% YoY to Rs. 4,296 Cr. FY22 onwards, the company expects loan losses and provisions to revert to pre-covid-19 levels of 160-170 bps of average assets. GNPA came in at 0.55%.
- DHFL delisting: The bankrupt mortgage lender is set to delist the shares of Dewan Housing Finance Corp and merge it with Piramal Capital Housing Finance Ltd, Mint reported. The proposed plan is expected to lead to major losses for DHFL shareholders as it does not envisage any offer to buy out the shares held by these investors, unlike a regular delisting process.

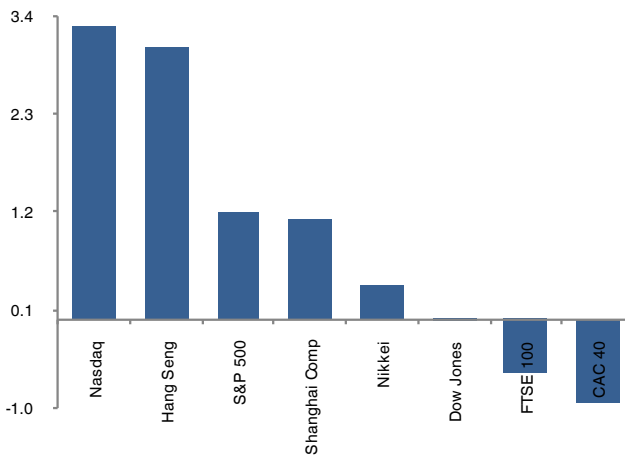
INDIAN INDICES (% CHANGE)



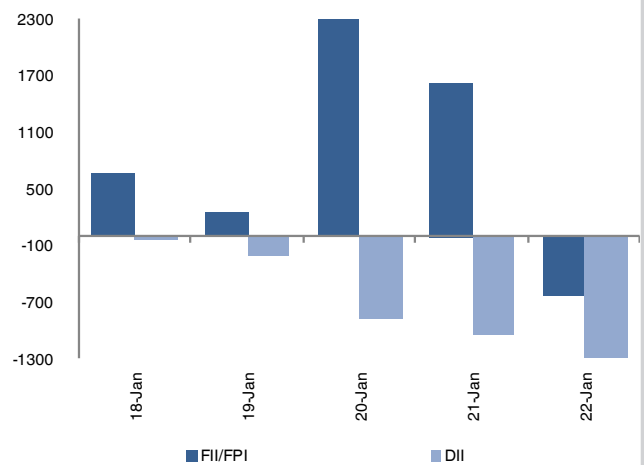
SECTORAL INDICES (% CHANGE)



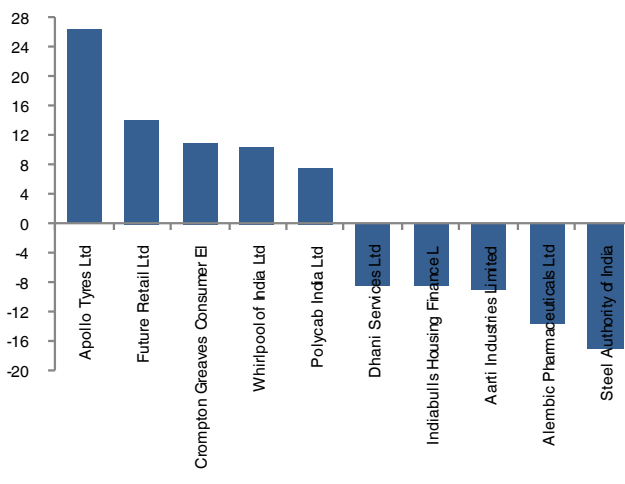
GLOBAL INDICES (% CHANGE)



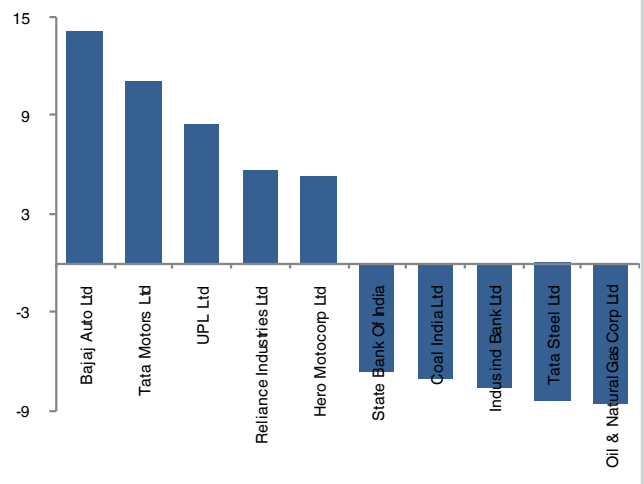
FII/FPI & DII TRADING (IN RS. CRORES)



NIFTY MIDCAP100 TOP GAINERS & LOSERS (1W)



NSE NIFTY TOP GAINERS & LOSERS (1W)



Source: Karvy Research

BEAT THE STREET - TECHNICAL ANALYSIS

Hindustan Unilever Ltd



STOCK	HINDUNILVR
CMP	2402
ACTION	BUY
ENTRY	2375-2385
AVERAGE	2325
STOP LOSS	2265
TARGET 1	2550
TARGET 2	2600

On the technical front, HINDUNILVR has higher highs and higher lows on the daily charts and is currently placed above the long-term EMAs in the daily frame. In the recent past, after clocking a high of 2457 levels, the stock has witnessed a correction to the current levels. At the current juncture, the stock has formed a base of around 2265 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 61 levels. This may trigger a fresh round of buying which may take the stock towards 2550 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 50 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 2600 levels in the medium-term. Any correction towards the recent support levels of 2325 levels may be utilized to average the positions.

Hindalco Industries Ltd



STOCK	HINDALCO
CMP	239.60 (Spot Levels)
ACTION	SELL
ENTRY	BLW 236
AVERAGE	250
STOP LOSS	271
TARGET 1	200
TARGET 2	190

On the technical front, HINDALCO has higher lows and lower lows on the daily charts and is currently placed below the short-term moving averages. In the recent past, after clocking the high of 275 levels, the stock has witnessed a round of profit booking which dragged the counter below the short-term moving average of 21-DEMA on the daily charts. At the current juncture, the stock is forming a ceiling around 250 levels on the higher side and is all set to move lower below 200 levels. The overall chart structure of the counter looks bearish at the current levels forming higher lows and lower lows. This may trigger a fresh round of selling which may take the stock towards 190 levels. The stock is underperforming compared to the broader markets indicating the inherent weakness in the counter and is trading well below the short-term support levels. On the Bollinger band (20,2) the stock price is plotting below the mean indicating the price likely to trend lower. Analyzing the recent volume price action, the volumes are significant in the recent down move indicating strong hands have started supplying the stock at current levels. On the oscillator's side, RSI (14) is trading in the bearish zone of below 50 levels indicating the bearishness in the stock. We expect the counter to continue its underperformance in the coming trading weeks as well and may move towards 190 levels in the short to medium term. Any upward rally towards the recent resistance levels of 250 levels may be utilized to average the positions.

INDEX SNIPPETS

NIFTY (14371.90): Indian equity benchmark index Nifty 50 closed lower by 0.43% during the week. During the last ten 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 the strong bullish strength of the index. However, the index may resume its bearish bias if it breaches and sustains below 13130-13150 levels in future sessions. On the global front, Stocks in Asia-Pacific fell on Friday, as shares of oil giant CNOOC in Hong Kong saw heavy losses. European markets pulled back as investors monitored coronavirus restrictions and new economic data out of the eurozone. Business activity in the eurozone fell to a two-month low in January, preliminary data showed on Friday, on the back of stricter coronavirus-related lockdowns. The European Central Bank on Thursday held interest rates steady but said it stands ready to act in light of the new Covid-19 restrictions across the continent. Domestically, for the week, on the data front, investors may focus on the Federal Fiscal Deficit (Dec) and Infrastructure Output (YoY) (Dec) data releasing on Jan 29. On the derivatives front, open interest data suggests that the index may find its supports around 14000 followed by 13500 levels while on the higher side, 14700 and 15000 levels may act as strong resistance.



NIFTY PSU BANK is among this week's worst performing sectoral indices with losses of -4% vs Nifty's loss of -0.4%. During the week Nifty PSU Bank completed the double top around 2002 which it hit during the previous week. Technically, a double top formation is perceived as negative and indicates a correction from these levels after a spectacular rally in the index over the past three months. If double top formation starts working then there are chances that Nifty PSU Bank might go all the way to 1650 levels in the coming months. Fundamentally the possibility is high as big banks start disclosing their Q3FY21 results in the coming months. While real picture on asset quality will be masked for most of the PSU banks due to Supreme Court injunction on NPA recognition, chances are high that the stocks might react negatively amid concerns about future prospects. However, in the recent past, Nifty PSU Bank has taken support at 21 DMA and bounced back strongly. The index closed the week exactly at 21 DMA and there is a possibility that it might bounce back from these levels. Next week's tone for the index will be set by the results to be declared by top PSU banks. All the index components ended the week in red with SBI being the top loser with losses of -6.6%. Nifty PSU Bank might face resistance at 2000, followed by 2200. On the downside, the index may take support at 1800, followed by 1650.



NIFTY CONSUMPTION marginally outperformed the benchmark index by 70 bps in the week gone by. With Vaccination process underway across the globe and expectation of a much higher stimulus packages in US and Europe will help boost the pace of recovery of Indian economy there by also improving consumption in the process. Signs of global recovery include rise in commodity prices, which in turn has led companies to hike prices for FMCG products and the expectation of managements continue to be positive on the volumes front despite inflationary trends. We believe the pace of recovery will gather further in the second half of FY22. Consumption should witness steep rise in HFY22E owing to the measures taken by the Govt and also due to festive demand. Q3 results for now are much anticipated in the near term and current trends point to a positive set of numbers in the FMCG segment and recovery picking up in the other discretionary products. Hence valuations continue to be expensive in the space but we expect a marginal drop off in the valuations post result announcements. With valuations expensive in most sectors, the focus continues to be on IPOs which have been recently clocking over 100x subscriptions. The index is hovering around uncharted territory (hit all time high in the range of 14750) and has corrected ~3% from the highs. We expect the index to hover around this range and our resistance levels for the week are 14750 and 14900 while support can be found at 14350 and 14250.

