

K STREET

RULE THE MARKET

ISSUE: 129



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From The Desk Of Research Head

PLI scheme and vehicle scrappage policy to support auto volumes

Wholesale volumes for January 2021 started on a strong note for PVs and tractor as they continued to maintain momentum. Auto makers welcomed New Year amid uncertainties created by supply chain constraints and price hikes. Domestic PV industry reported a mid-single digit volume growth driven by inventory build up. Looks like two wheelers (2W) took a break after long time as volumes might have decelerated. However, 2W exports continued to race ahead and showed improved due to mix of low base and recovery in target markets. Tractors continue to rule the roost with strong 50% growth driven by strong demand from an upbeat rural economy. Within CV, M&HCV and 3W continue to show gradual recovery.

PV makers posted mid-single digit growth during January 2021 driven by filling up of dealer stocks amid supply chain constraints faced by some OEMs due to shortage of semi-conductor chips. Maruti reported a volume growth of 4% led by 29% growth in export volumes and 3% growth in domestic volumes. Within domestic sales, growth was driven by mid-size (Ciaz) which reported a growth of 61% and Utility Vehicles (Gypsy, Ertiga, Vitara Brezza), which was up 45%. Mini and Compact segment, however, took a back seat with a de-growth of -7.4% lked by de-growth in compact segment. Tata Motors continued to post a strong growth as its volumes increased 94% YoY.

Two-wheelers took a break and posted a mixed set of numbers during January 2021. However, 2W export volumes posted a strong growth due to clearance of order backlogs. For Hero MotoCorp, a 3% YoY decline was led by 9% decline in motorcycle volumes. However, scooter segment has posted a strong multi-fold growth. Eicher Motors continues to show improvement, with 8% growth in volumes driven by exports growth. TVS Motors continued to post strong growth led by both motorcycle and scooter segments. 3W, however, continue to show gradual recovery on sequential basis

Recovery of CVs continues as Ashok Leyland, VECV, SML Isuzu and Tata Motors reported MoM growth led by higher demand from road infra, mining and e-commerce segments. Tractor makers continue to report strong growth in January 2021 led by M&M Tractors and Escorts, which reported nearly 50% growth YoY. VST Tillers reported a growth of 16% YoY. Tractor sales growth was fuelled by announcement of price hikes, rural development schemes and sustained demand driven by higher rabi acerage.

Recently announced PLI scheme, vehicle scrappage policy and sustained shift towards adoption of EVs should provide the next leg of growth for the industry. While the industry has made a smart recovery from pandemic lows, growth rate is yet to surp[ass long term run rate. However factors like shortage of chips, rising fuel prices and another round of price hikes triggered by sustained rise in input costs mainly steel prices should cause some short term aberrations to the industry.

- DR. RAVI SINGH

Vice President & Head of Research

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NEWS

AUTO

- Phillips Carbon Black: Company commissions two specialty black lines at Palej in Gujarat.

BANKING

- IDFC First Bank: The board of private sector IDFC First Bank has okayed raising up to ₹3,000 crores through various means. The bank said it may raise the fund in one or more tranches.
- Indusind Bank is expected to see capital infusion after successful completion of a rights issue by promoters worth Rs. 2021.45 Cr. The rights issue was necessitated to infuse residual capital in lieu of conversion of warrants issued in 2019 worth over Rs. 2695 Cr into equity.

CEMENT

- Ambuja Cements has reported an increase of 34.06% in consolidated net profit at ₹968.24 crores for December quarter 2020, helped by volume growth. The company, which follows January-December financial year, had clocked a net profit of ₹722.26 crores in October-December 2019, Ambuja Cements said in a BSE filing.
- ACC & Ambuja Cements: The board of directors of ACC Limited has approved the renewal of the existing Master Supply Agreement (MSA) with Ambuja Cements Limited for a period of 3 years w.e.f. 2 May 2021, on the same terms of the existing MSA Agreement.
- Shree Cement: CARE reaffirmed the credit rating on the company's commercial paper as A1+.

CONSUMPTION

- Foodgrain production to hit a record high in 2020-21. India won't hike prices of grains sold under food program: Goyal.
- India top court to hear amazon's plea on future-Ril deal Feb 22.
- Cotton exports may increase 30% as the global market surges.
- Trent Ltd's December quarter results show recovery from the troubles as a result of covid restrictions. In Q1FY21, revenues had declined by 87% YoY. The easing of covid-19 restrictions and improving consumer sentiment brought a respite in the subsequent quarters. In Q2FY21, the drop in revenues eased to 45%. Things improved further in Q3FY21, with a fall of 17%. Trent has done well on the profitability front in the December quarter. Reported gross profit margin expanded by 574 basis points to 56.4%. One basis point is 0.01%.
- IndiaMART Intermesh: The company has launched QIP to raise around Rs. 1,100 Cr at an issue price of Rs. 8,615 per equity share.
- Jubilant FoodWorks: The company appointed Ashish Goenka as CFO. Earlier he was with Bharti Airtel as Executive VP.

INFRA

- Engineers India & Oil India: Both companies will buy a 61.65% stake in Numaligarh Refinery.
- Karda Constructions: Lotus Global Investments acquired 3,25,000 equity shares in the company at Rs. 125 per share on the NSE.
- RPP Infra Projects approved the issuance of up to Rs. 48 Cr by way of a rights issue to the eligible equity shareholders.
- VA Tech Wabag approved further investment in Ganga STP Project, a wholly-owned subsidiary.

METAL

- Jindal Stainless (Hisar): India Ratings assigned A/RWE to the company's credit facilities.
- NALCO will open its share buyback worth Rs. 749.1 Cr on February 25 and close on March 10.

MINING

- Ashapura Minechem: Promoter Ashapura Industrial Finance increased stake in the company to 15.55% from 15.50% via open market transaction.
- NMDC has announced resuming mining operations at its Donimalai iron ore mine in Karnataka. In 2018, NMDC had suspended iron ore mining at the mine following a decision of the state government to impose 80% premium on the iron ore sales from the mine.
- NLC India issued a commercial paper of Rs. 850 Cr.
- L&T Finance Holdings has closed its Rights Issue to raise Rs. 2,998.61 crore. The Rights Issue was oversubscribed by approximately 15%.

FORTHCOMING EVENTS

COMPANY NAME	EVENT	EX-DATE
D B Realty	Fund Raising	22-Feb-21
Huhtamaki India	Financial Results/Dividend	23-Feb-21
Safari Industries (India)	Fund Raising	23-Feb-21
Sanofi India	Financial Results/Dividend	23-Feb-21
Stove Kraft	Financial Results/Other business matters	23-Feb-21
Uniply Industries	Financial Results	23-Feb-21
Ksb	Financial Results/Dividend	25-Feb-21
Rain Industries	Financial Results	25-Feb-21
Steel City Securities	Dividend	25-Feb-21
Vesuvius India	Financial Results/Dividend	25-Feb-21
Hindustan Aeronautics	Dividend	26-Feb-21
KEI Industries	Dividend	26-Feb-21
ABB Power Products and Systems India	Financial Results/Dividend	26-Feb-21

GLOBAL NEWS

- Joe Biden to debut at G7 with vaccines, economy, and China in focus. The call with G7 leaders at 1400 GMT is a chance for Biden, a Democrat who took over as president from Republican Donald Trump on Jan. 20, to project a message of re-engagement with the world and with global institutions after four years of his predecessor's "America First" policies.
- US jobless claims rise to 861,000 as layoffs stay high. The number of Americans applying for unemployment aid rose last week to 861,000, evidence that layoffs remain painfully high despite a steady drop in the number of confirmed viral infections.

NBFC

- Magma Fincorp: Rating agency ICRA has placed the rating of the company's Long Term Fund based term loans (ICRA AA-) on watch with developing implication.
- Housing finance companies: The RBI has issued new guidelines for HFCs to maintain liquidity coverage, risk management, asset classification, and loan to value ratio.

OIL & GAS

- Gas Stocks: Prime Minister said that committed to bringing Natural gas under GST.
- GAIL: Share Buyback to Open February 25 & Close On March 10 (Positive).
- Indian Oil Corp: Days after India unveiled a national hydrogen mission to accelerate plans to generate carbon-free fuel from renewables, state-owned Indian Oil Corporation on Thursday signed a pact with Greenstat Norway for setting up a Centre of Excellence on Hydrogen.

PHARMA & HEALTHCARE

- Lupin has launched gNoxafil in the US.
- Alembic Pharmaceuticals: US FDA has issued Form 483 with 5 observations to the company's injectable facility at Karakhadi.

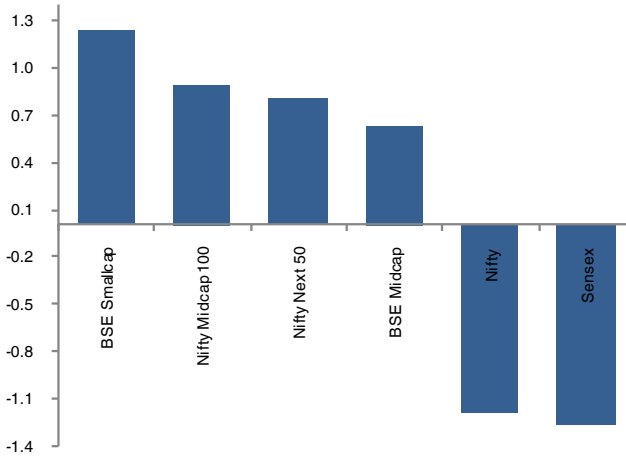
TELECOM & MEDIA

- Bharti Airtel, Vodafone Idea: Bharti Airtel with a net worth of Rs. 71,303 Cr has submitted an earnest money deposit (EMD) of Rs. 3,000 Cr for spectrum auction. Vodafone Idea with a negative net worth of Rs. 43,474 Cr has submitted an EMD of Rs. 475 Cr.
- Bharti Airtel to acquire a 20% stake in Bharti Telemedia, the company's DTH arm from Warburg Pincus.
- Telecom companies: Bharti Airtel added 40.51 lakh new customers in December 2020, while Reliance Jio added 4.79 lakh, new customers, according to data released by Trai. Vodafone Idea lost over 56.90 lakh, mobile customers.

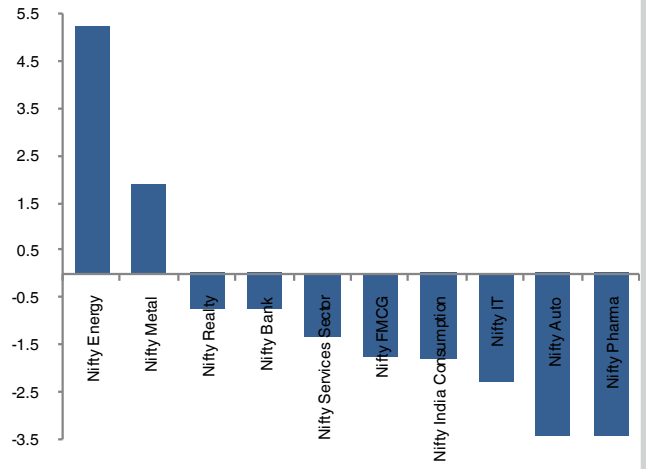
REALTY

- DLF's rental arm DCCDL has completed the acquisition of the entire 52% stake of US-based Hines in a premium commercial project in Gurugram for Rs. 780 Cr.

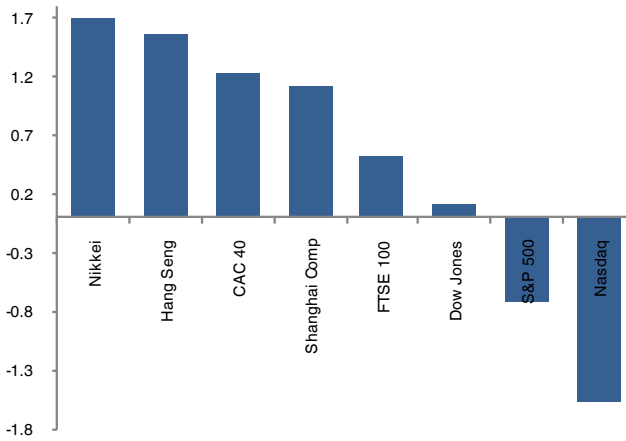
INDIAN INDICES (% CHANGE)



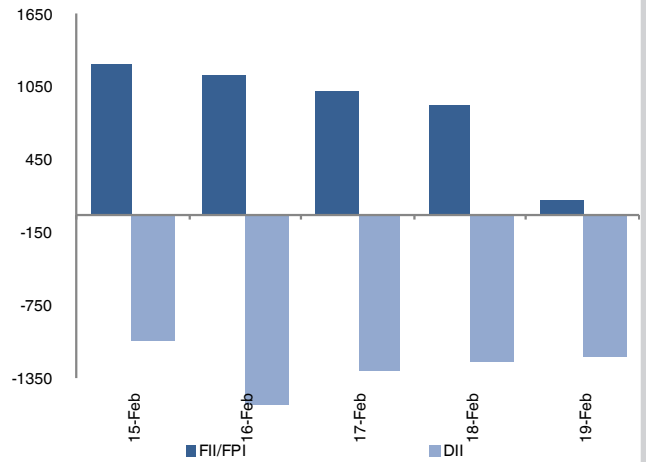
SECTORAL INDICES (% CHANGE)



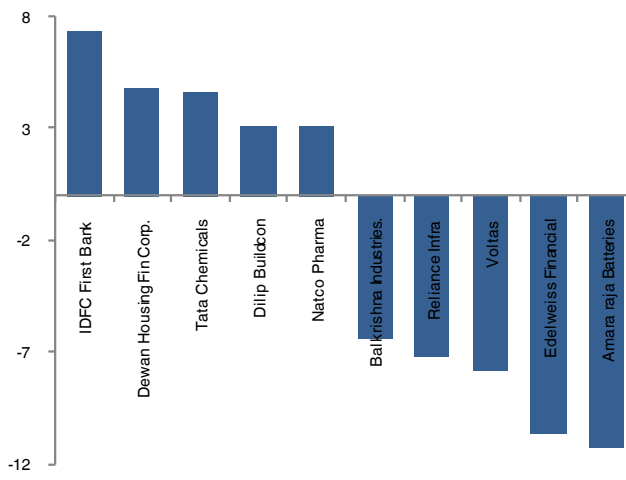
GLOBAL INDICES (% CHANGE)



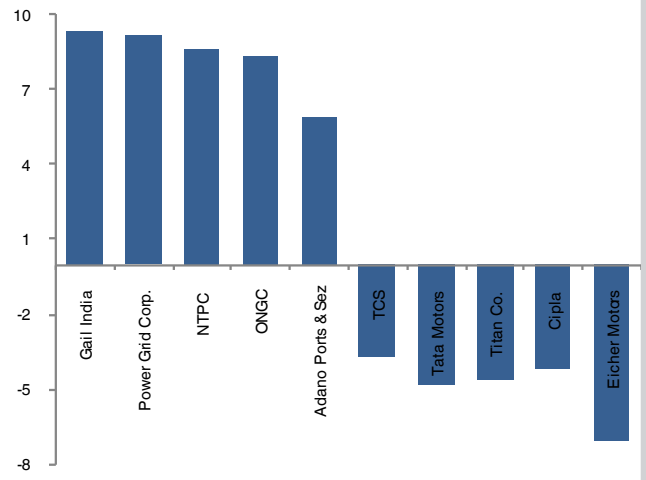
FII/FPI & DII TRADING (IN RS. CRORES)



NIFTY MIDCAP100 TOP GAINERS & LOSERS (1W)



NSE NIFTY TOP GAINERS & LOSERS (1W)



Source: Karvy Research

Indian Oil Corporation Ltd



STOCK	IOC
CMP	97.5
ACTION	BUY
ENTRY	96.50-97
AVERAGE	92
STOP LOSS	84
TARGET 1	115
TARGET 2	120

On the technical front, IOC 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 low of 84.20 levels, the stock has witnessed a bounce and rallied to the 104 levels. At the current juncture, the stock has formed a base at 92 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 84 levels. This may trigger a fresh round of buying which may take the stock towards 115 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 120 levels in the medium-term. Any correction towards the recent support levels of 92 levels may be utilized to average the positions.

UPL Ltd



STOCK	UPL
CMP	554.9
ACTION	BUY
ENTRY	550-552
AVERAGE	500
STOP LOSS	485
TARGET 1	630
TARGET 2	650

On the technical front, UPL 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 601 levels, the stock has witnessed a round of profit booking which dragged the counter towards the short-term moving average of 21- EMA on the daily charts. At the current juncture, the stock is forming a base around 500 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 630 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 650 levels in the short term. Any correction towards the recent support levels of 500 levels may be utilized to average the positions.

NIFTY (14981.75): Indian equity benchmark index Nifty 50 closed lower by 1.20% 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 13595-13635 levels in future sessions. On the global front, Stocks in Asia-Pacific were mixed on Friday following overnight declines for the major indexes on Wall Street. European markets closed higher as investors reacted to a fresh batch of corporate earnings and economic data, as well as comments from US Treasury Secretary Janet Yellen calling for fiscal stimulus. On the US front, S&P 500 falls slightly on Friday to end a losing week. Though the major indexes traded higher for most of the morning, a combination of rising interest rates and profit-taking in some of the market's largest technology companies appeared to dampen optimism afternoon. Domestically, for the week, on the data front, investors may focus on the GDP Quarterly (YoY) (Q3) and Federal Fiscal Deficit (Jan) releasing on Feb 26. On the derivatives front, open interest data suggests that the index may find its supports around 15000 followed by 14500 levels while on the higher side, 15200 and 15500 levels may act as resistance.



NIFTY PSU BANK is this week's best performing sectoral index with gains of 11% vs Nifty's loss of -1%. After ending the previous week by closing the gap created in the week before, Nifty PSU Bank started the week on a plain note. While this week's 11% gains were posted in just days with gains of more than 5% on each day, the gains would have been much higher but for overall weakness in the broader markets because of which the PSU Bank index has lost 4% just today. Despite such a massive loss, the index has put up an impressive rally during the week. After the budget week rally, the index has consolidated a bit and closed the gap it created on Feb 5. While the bullish tone for the index was set by better than expected results by industry heavy weight SBI, it was carried forward by government's move on privatization of PSU Banks where the government shortlisted 4 banks including Bank of Maharashtra, Bank of India, Indian Overseas Bank and Central Bank of India, due to which the index rallied 11% in two days, which is why these 4 banks have gained nearly 50% during the week and led the PSU Bank index to be top performer during the week. Canara Bank is this week's worst performer with gains of just 1.8%. Nifty PSU Bank might face resistance at 2660, followed by 2800. On the downside, the index may take support at 2318, followed by 2200.



NIFTY FMCG was down 1.7% (underperformed the benchmark index by 50 bps) for the week. This was a result of profit booking and move of smart money to the growth oriented stocks over the past couple of weeks (post the budget). The week saw results of midcaps being announced and in general, the performances within the sector (large and midcaps) have been good and as per expectations, thus enabling the sector to hold on to the current valuations. Reports suggest the rural FMCG consumption (revenue up 14.2%) outperformed the industry performance in Q3FY21 (overall FMCG sector grew by 7.3% in the same period). We expect this trend to continue and long term investment stocks keeping in mind the rural outperformance would be Jyothy. Emami continues to be a good bet with the promoter pledge continuing to drop. Market leaders such as HUI will provide long term growth and a hedge against adverse market movements. Given the current consumption patterns, it comes as no surprise that despite rising commodity prices, large caps are looking at hiking prices. This will also help the smaller companies (price followers) to maintain margins. As a result, we expect consolidation at current levels while being bullish on the medium to long term performance within the sector. As outlined in the previous edition, we expect consolidation to continue for the index in the coming week. Support levels for the FMCG index are 33100 and 31850 while resistance can be seen at 34560 and 35000.

