

# K STREET

RULE THE MARKET

ISSUE: 127



**Budget FY22 - A Step in the Right Direction**

The first budget of the decade and the first budget after the pandemic does have some big bang reforms or announcements. The Finance Minister has focused on continuing on the recovery path and has done what needs to be done to make sure domestic manufacturers benefit wherever possible. Some big bang reforms like divestment of two public sector banks and LIC's IPO is a step in the right direction. The government's intent of not to spoil the recovery party is clearly visible as it did not impose covid cess or increased tax rates on the wealthy or securities transactions or capital gains and so on as many worried. In fact in the current scenario no big negative is a big positive for the markets and the markets have given a big thumbs up for the budget. At the close of the trading session on the budget day, Indian markets have gained nearly 5% led by banking stocks thanks to big bang reforms announced for the sector.

On expected lines, government has proposed to review the mandate of FRBM Act to bring down the fiscal deficit to 3% by FY21 and amend the provisions of the act. To that effect, government mentioned that fiscal deficit would be brought down to 4.5% by FY26. The government has pegged FY21E fiscal deficit at 9.5%. As expected, government did not extend freebies and increased revenue expenditure but focused on increasing capital expenditure. Government has increased the capital expenditure for FY21E to Rs. 5.4 Tn – up by over 30% over FY21E BE capital expenditure and 23% over expected FY21 RE capital expenditure. Even when it came to spending,, government has focused on healthcare, agriculture, infra, Swachh Bharat and urban infra

On the revenue side too, keeping in mind the current situation, the government did not make unrealistic assumptions while factoring receipts nor tweaked the taxes to have an adverse impact on the receipts. It did make some incremental changes in the form of altering income tax slab rates. But it did take many steps to boost direct tax collections by announcing measures that would indirectly aid tax inflows in these lean times. In fact it is very encouraging to see GST collections hit all-time high.

Government has made very realistic assumptions about the non-tax revenues. For instance it assumed the proceeds from divestments to be at Rs. 1.75 Tn. A significant chunk of this would be met by LIC IPO. However it cannot be denied that timing of realization of these revenues is a big risk. Further it is very positive that in order to boost non-tax revenues, government is focusing more on asset monetization, which is elegant, litigation free and is not time consuming or linked to buoyancy of markets which is a big risk in case of divestment.

When it comes to market reaction, since budget has announced some really big bang reforms for the banking sector and given high weightage of banks on Nifty, positive sentiment in banking stocks should keep the market buoyant in the coming days. Setting up of bad bank is a very big positive as it address many concerns related to the adverse impact of the rising NPAs on the banking sector. The budget is neutral for auto sector as some of the long pending demands of the industry in the form of reducing GST on small vehicles has not been met yet again. The budget is a positive for infra stocks, cement, housing and allied sectors like paints, wood panel, pipes and FMEG. Nothing much has been done to boost consumption but some incremental measures like altering of income tax slab rates, applicability of minimum wage rules to all categories of workers, measures to boost rural incomes should all aid consumption indirectly. To sum it up, there are no big negatives in the budget as worried by a large section of people and no negative is a positive in the current scenario.

**- DR. RAVI SINGH**

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## NEWS

### AUTO

- MRF Ltd is expected to consider raising funds via a private placement of debenture on Feb 11, 2021.
- Minda Industries Ltd. Q3 Cons: Net profit at Rs. 108.4 Cr Vs Rs. 44.73 Cr (YoY) and Revenue up 35.8% at Rs. 1801.62 Cr Vs Rs. 1326.84 Cr (YoY). Board of Directors has approved and declared the interim dividend of Rs. 0.35 per share.
- HeroMoto Corp: Has appointed Ravi Avalur as the head of its new business unit that will be responsible for Harley-Davidson Inc.'s motorcycle business in India. Avalur was the former managing director of Italian motorcycle maker, Ducati, in India, and will report to Hero MotoCorp chairman Pawan Munjal. The two-wheeler maker will also report its December quarter results today.
- Apollo Tyres Q3FY21: Reported a 150% year-on-year increase in consolidated net profit of Rs. 444 Cr for the quarter ended 31 December, as vehicle production returned to the pre-Covid level in India and foreign markets. The company's EBITDA jumped 85.6% to Rs. 989 Cr and margins expanded to 19.2% from 12.1%. It had reported a net profit of Rs. 174 Cr in the year-ago period. Sales during the December quarter grew 14% to Rs. 4,965 Cr.
- Minda Corporation Q3FY21: Net profit up 19% at Rs. 49.48 Cr Vs. Rs. 41.59 Cr (YoY) and Revenue up 36.1% at Rs. 739.8 Cr Vs. Rs. 543.59 Cr (YoY). The board declared an interim dividend of Rs. 0.30 per share.

### BANKING

- SBI Q3FY21 Result: Net interest income (NII) grew 4% YoY/2% QoQ at Rs. 28,820 Cr; in line with consensus estimates. Net profit grew -7% YoY/14% QoQ at Rs. 5,196 Cr. Asset quality as reported improved with GNPA ratio to 4.77% Vs 5.28% QoQ and Net NPA at 1.23% vs 1.59% QoQ. Even on a proforma basis, asset quality improved with GNPA at 5.44% Vs 5.88% in Q2FY21 and Net NPA at 1.81% Vs 2.08% QoQ.
- City Union Bank Q3FY21: Net profit down -11.7% at Rs. 169.93 Cr Vs. Rs. 192.43 Cr (YoY) and NII up 14.5% at Rs. 489.05 Cr Vs. Rs. 427.27 Cr (YoY). Gross NPA at 2.94% Vs. 3.44% (QoQ) Net NPA at 1.47% Vs 1.81% (QoQ).
- Ujjivan Small Finance Bank Q3FY21: Net loss at Rs. -278.83 Cr Vs. profit of Rs. 89.66 Cr (YoY) and NII up 1.3% at Rs. 432.28 Cr Vs. Rs. 426.53 Cr (YoY). Gross NPA at 0.96% Vs 0.98% (QoQ) Net NPA at 0.05% Vs 0.14% (QoQ).

### CEMENT

- DALMIA BHARAT Ltd Q3FY21 Cons Result: Net revenue in Q3FY21 stood at Rs. 2857 Cr, which increased by 18.2% YoY from Rs. 2418 Cr in Q3FY20. EBITDA stood at Rs. 694 Cr in Q3FY21 that increased by 52.5% YoY. For Q3FY20, it posted EBITDA of Rs. 455.0 Cr. The net profit in Q3FY21 came in at Rs. 182 Cr, as compared to Q3FY20 when it reported Rs. 24 Cr.

### CONSUMPTION

- Gillette India Ltd. Q3: Net profit up 15.2% at Rs. 81.9 Cr Vs Rs. 71.07 Cr (YoY) and Revenue up 13.3% at Rs. 520.42 Cr Vs Rs. 459.31 Cr (YoY). Board of Directors of the Company have recommended an Interim Dividend of Rs. 33 per Equity Share.
- Arvind Ltd. Q3 Cons: Net profit down 30.4% at Rs. 24.91 Cr Vs Rs. 35.77 Cr (YoY) and Revenue down -19% at Rs. 1513.66 Cr Vs Rs. 1868.8 Cr (YoY).
- Avanti Feeds Ltd. Q3 Cons: Net profit up 56.7% at Rs. 74.98 Cr Vs Rs. 47.85 Cr (YoY) and Revenue down 0.8% at Rs. 915.43 Cr Vs Rs. 922.68 Cr (YoY).
- Whirlpool of India Ltd. Q3FY21: Revenue came at Rs. 1,494 Cr grew by 17.5% YoY. (Rs. 1,271.4 Cr in Q3FY20). EBITDA came at Rs. 100.6 Cr, increased by 12% YoY. (Rs. 89.8 Cr in Q3FY20). Net profit at Rs. 71.4 Cr, declined by 6.7% YoY (Rs. 76.5 Cr in Q3FY20).

### IT

- Tata Consultancy (TCS): MCX to give the contract to TCS for implementation of commodity derivatives platform.
- METAL
- Vedanta: The board approved the expansion of Lanjigarh alumina refinery from 2 MTPA to 5 MTPA at a cost of Rs. 3,779 Cr.

### OIL & GAS

- Hindustan Petroleum Corporation Ltd. Q3 Cons: Net profit up 131.1% at Rs. 2373.71 Cr Vs Rs. 1027.23 Cr (YoY) and Revenue up 3.8% at Rs. 77482.85 Cr Vs Rs. 74659.65 Cr (YoY).

## FORTHCOMING EVENTS

COMPANY NAME	EVENT	EX-DATE
Bharat Petroleum Corporation	Financial Results/Dividend	08-Feb-21
NMDC	Financial Results	08-Feb-21
Sun TV Network	Financial Results/Dividend	08-Feb-21
Adani Ports and Special Economic Zone	Financial Results	09-Feb-21
Tata Steel	Financial Results/Other business matters	09-Feb-21
Aurobindo Pharma	Financial Results/Dividend	10-Feb-21
Eicher Motors	Financial Results	10-Feb-21
GAIL (India)	Financial Results/Other business matters	10-Feb-21
Hindalco Industries	Financial Results	10-Feb-21
Titan Company	Financial Results	10-Feb-21
Coal India	Financial Results	11-Feb-21
ITC	Financial Results	11-Feb-21
Grasim Industries	Financial Results	12-Feb-21
Oil & Natural Gas Corporation	Financial Results	12-Feb-21

## GLOBAL NEWS

- The race between vaccines and virus to shape uneven Middle East recovery: IMF. "What we are seeing today is still a race between the vaccine and the virus, and this will shape the recovery in 2021," said Jihad Azour, director of the Middle East and Central Asia Department at the International Monetary Fund.
- Ford to speed up push to electric autos, digitization. The US auto giant released fourth-quarter and annual results and said it plans \$ 22 billion in electric car investment through 2025, nearly twice the earlier plan.

### PHARMA & HEALTHCARE

- Ipca Laboratories Ltd. Q3 Cons: Net profit up 34.3% at Rs. 265.47 Cr Vs Rs. 197.61 Cr (YoY) and Revenue up 16.2% at Rs. 1409.83 Cr Vs Rs. 1212.86 Cr (YoY).
- TTK Healthcare Ltd. Q3: Net profit up 71.8% at Rs. 7.68 Cr Vs Rs. 4.47 Cr (YoY) and Revenue up 8.1% at Rs. 179.18 Cr Vs Rs. 165.8 Cr (YoY).
- Strides Pharma Science Ltd. Q3FY21: Revenue came at Rs. 832 Cr grew by 13.6% YoY. (Rs. 732.4 Cr in Q3FY20). EBITDA came at Rs. 160.6 Cr, declined by 12% YoY. (Rs. 182.3 Cr in Q3FY20). Net profit at Rs. 37.8 Cr, declined by 59.7% YoY (Rs. 93.8 Cr in Q3FY20).
- Biocon: The company signed an agreement with the Clinton Health Access Initiative (CHAI), to expand access to lifesaving cancer biosimilars in over 30 countries in Africa & Asia).

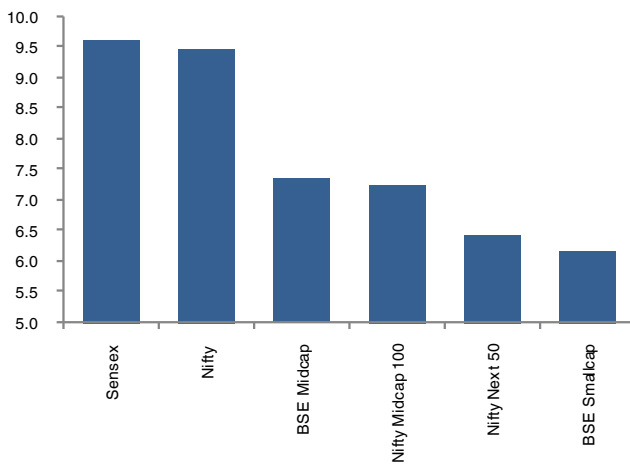
### POWER

- Adani Transmission reported sharply higher consolidated profit at Rs. 395.3 Cr in Q3FY21 against Rs. 203.7 Cr in Q3FY20, revenue declined to Rs. 2,597 Cr from Rs. 2,777.5 Cr YoY.
- Tata Power reported a higher consolidated profit at Rs. 318.4 Cr in Q3FY21 against Rs. 260.1 Cr in Q3FY20, revenue increased to Rs. 7,597.9 Cr from Rs. 7,071 Cr YoY.

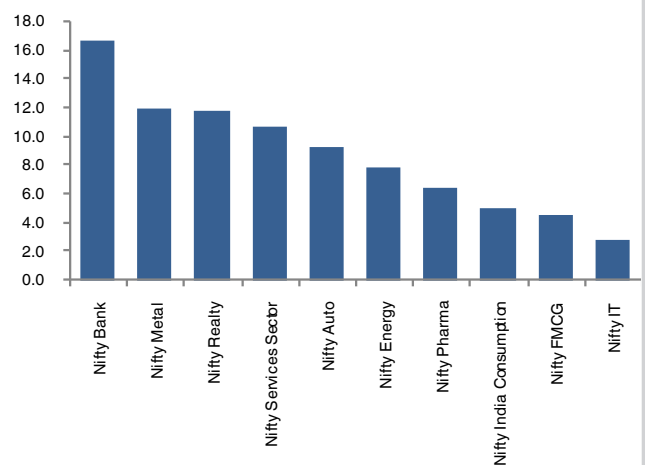
### REALTY

- PSP Projects received additional work order worth Rs. 236 Cr for an institutional project at Gujarat, and ranked L1 bidder for projects worth Rs. 420.89 Cr medical colleges construction in UP
- Godrej Properties told analysts in a post-earnings conference call that it is readying a war chest of about US\$ 1 Bn to acquire land, assets, and under-construction projects from other builders facing stress due to the COVID-19 pandemic.

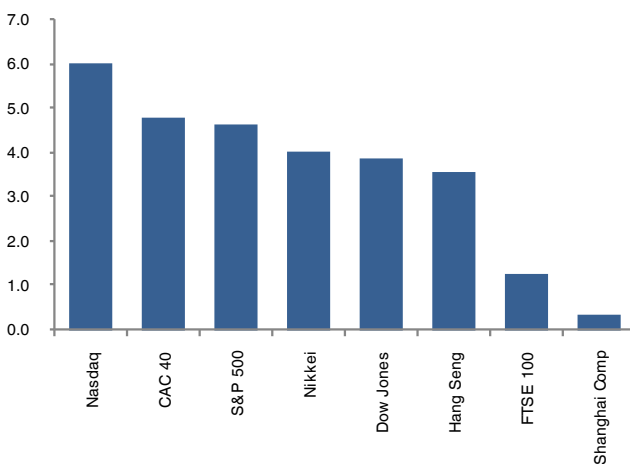
## INDIAN INDICES (% CHANGE)



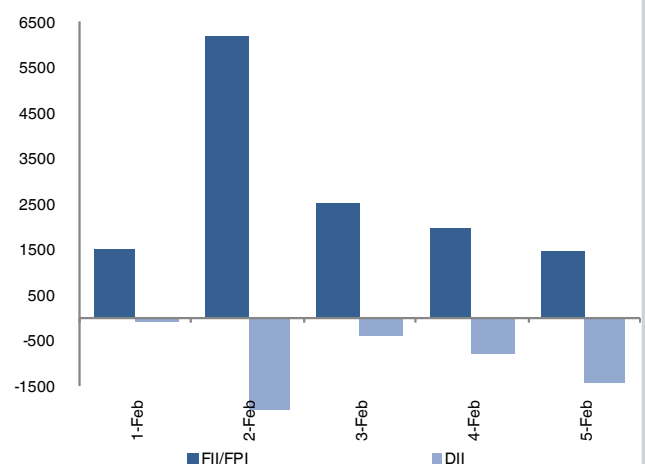
## SECTORAL INDICES (% CHANGE)



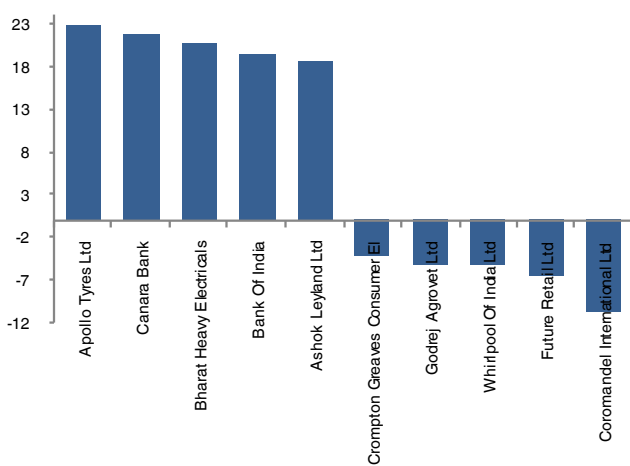
## GLOBAL INDICES (% CHANGE)



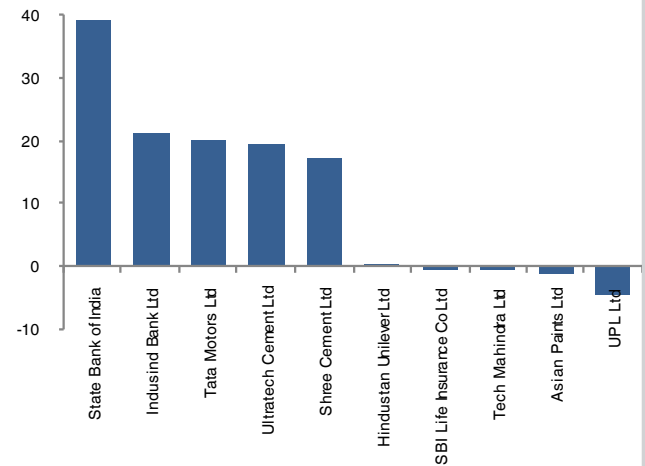
## FII/FPI & DII TRADING (IN RS. CRORES)



## NIFTY MIDCAP100 TOP GAINERS & LOSERS (1W)



## NSE NIFTY TOP GAINERS & LOSERS (1W)



Source: Karvy Research

## BEAT THE STREET - TECHNICAL ANALYSIS

### Tata Steel Ltd



STOCK	TATASTEEL
CMP	689
ACTION	BUY
ENTRY	682-685
AVERAGE	645
STOP LOSS	585
TARGET 1	800
TARGET 2	830

On the technical front, TATASTEEL 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 731 levels, the stock has witnessed a correction to the current levels. At the current juncture, the stock has formed a base of around 585 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 645 levels. This may trigger a fresh round of buying which may take the stock towards 800 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 830 levels in the medium-term. Any correction towards the recent support levels of 645 levels may be utilized to average the positions.

### Maruti Suzuki India Ltd



STOCK	MARUTI
CMP	7501 (Spot Levels)
ACTION	SELL
ENTRY	BLW 7460
AVERAGE	7695
STOP LOSS	7805
TARGET 1	7100
TARGET 2	7000

On the technical front, MARUTI 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 8329 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 7805 levels on the higher side and is all set to move lower below 7100 levels. The overall chart structure of the counter looks bearish at the current levels taking resistance of the 21 EMA during retracements. This may trigger a fresh round of selling which may take the stock towards lower 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 7000 levels in the short to medium term. Any upward rally towards the recent resistance levels of 7695 levels may be utilized to average the positions.

## INDEX SNIPPETS

**NIFTY (14924.25):** Indian equity benchmark index Nifty 50 witnessed a stellar rally and closed higher by 9.46% 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, Shares in Asia-Pacific rose on Friday following overnight gains stateside that saw the S&P 500 hitting a record closing high. European stocks closed mixed as investors looked to vaccine rollouts for hopes of normalization, while global markets flirted with record highs. The US Labor Department reported that the US added 49,000 jobs in January, while the unemployment rate fell to 6.3%, in the first employment report of the Biden administration. The US stocks climbed on Friday, wrapping up a strong week on Wall Street as investors hoped a disappointing January jobs report would increase the likelihood of further stimulus. Domestically, for the week, on the data front, investors may focus on the CPI (YoY) (Jan) and Industrial Production (YoY) (Dec) data releasing on Feb 12. On the derivatives front, open interest data suggests that the index may find its supports around 14700 followed by 14500 levels while on the higher side, 15000 and 15500 levels may act as resistance.



**NIFTY BANK** outperformed the Nifty by gaining 16.65% during the week passed by while the broader index Nifty gained by 9.46%. Technically, from May 2020, the index is forming higher highs indicating the secular uptrend in the index. However, the index may resume its bearish bias if it breaches and sustains below 29685 levels in future sessions. The PSU Bank index up 31% in the last week on strong SBI Q3 results and privatization hope as announced in the Budget FY 21-22. SBI, Indian Bank, Bank of Baroda, Canara Bank, Punjab National Bank, and Bank of India were rallied between 25 percent and 50 percent in the past week. In Q3FY21, SBI's asset quality picture, within guidance, came as a positive surprise for the Street. Also, Q3 slippages around Rs 2,073 crore and new restructuring in Q3 were at Rs 18,125 crore which also supported sentiment. This has brought stressed assets status, as of December 2020, at Rs 41,000 crore which is within the guided Rs 60,000 crore. On the news front, RBI's Monetary Policy Committee has decided to keep policy rates unchanged. The repo rate is maintained at 4 percent and the reverse repo rate at 3.35 percent and the accommodative policy stance will continue. The MPC has pegged real Gross Domestic Product (GDP) growth at 10.5 percent in 2021-22. As indicated by the derivatives data, BankNifty may face resistance at 36500 levels followed by 37000 levels. For the week ahead, support for the index can be pegged at 35000 levels followed by 34000 levels.



**NIFTY FMCG** ended the day up 4.6%, which in a budget week underperformed the index by over 450bps. This was the result of a growth oriented budget announced by the FM, with large focus on sectors such as infra, resulting in movement of smart money from defensive and safe sectors to growth oriented sectors. The week also saw crucial results such as HUL, Jyothy, Emami etc. By and large the sector has performed well and continues to grow despite a curtailed economy. However, as has been the case over the covid period, the safe defensive sectors continue to be at high valuations and focus now shifts to growth oriented sectors and the beaten down stocks as broader valuations are expected to pick up, supported by revival in the economy. Nifty FMCG is currently trading near its all time highs and has been finding consolidation between 33700 and 34850. We expect further consolidation at these levels in the week to come. Over the last 4 days, the index has been making lower highs and lower lows signalling a negative bias for the short term. However, we do not expect a significant dip in the near term despite smart money shifting to other sectors. The sector will continue to gain indirectly as growth returns and hence the high valuations are justified for the long term. The immediate support levels for the index are at 34400 and 34100. Immediate resistance level to watch out for is 34800. However, if the index crosses levels of 34900 with good momentum, we can expect a significant upward move into the uncharted territories, the move we believe is unlikely given the current market trend.

