KARVY
STOCK BROKING

20th Mar, 2021

K STREET

RULE THE MARKET

ISSUE: 133

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From The Desk Of Research Head

Vehicle Scrappage Policy – A booster dose?

India's automobile industry has several long-pending demands which have not been met despite being among largest providers of employment in the country. However, the government on Mat 18 announced vehicle scrappage policy, which has been a long -pending demand from the industry. While the vehicle scrappage policy has been in the works for long, it has been finally announced. As per the policy the fitness of the vehicle will be determined based on emission tests, braking, safety, equipment and many other tests as per the Central Motor Vehicles Rules, 1989. The government currently lacks basic infrastructure in the form of registered vehicle scrappging centres and automated fitness centres and it is encouraging setting up of such infrastructure through PPP model.

Rules for fitness tests and scrapping centres would be applicable from Oct 1 2021 and scrapping of government and PSU vehicles which are older than 15 years would come into effect from April 1 2022. The mandatory fitness testing for HCVs would come into force from April 1 2023 and the same will be in place in phased manner for other categories from June 1 2024. The government with an object to encourage owners of age-old vehicles to dump the vehicles and discourage them to go for re-registration has increased the re-registration fees for vehicles older than 15 years. Such vehicles should be de-registered and scrapped and declared 'End of Life Vehicle' in case such vehicles fail to get fitness certificate.

The new policy, once comes into force, is expected to provide next leg of growth and enable the industry to get back to the normal run rate of growth. The government expects that the announcement of new vehicle scrappage policy has the potential to increase the automobile industry's turnover to Rs. 10 Tn from existing Rs. 4.5 Tn. Besides, given the fact that new vehicles are far more fuel efficient with advanced safety systems, the new scrappage policy would reduce the crude oil import bill, in addition to reducing the pollution and most importantly, improve road and vehicular safety. Further, the scrapped vehicles will provide additional source of raw material like plastic, steel, aluminium, electronic components, and rubber for OEMs.

To encourage the buyers to get rid of their old and inefficient vehicles, government has provided various incentives for buyers. The scrapping centre, will give a scrapping value of approximately 4-6% of the ex-showroom price of the new vehicle, depending on the condition of the vehicle. Further, government has waived off registration fees for the new vehicles against provision of the scrappage certificate. The government has also advised the state governments to offer road tax rebate of up to 25% for PVs and 15% for CVs. Additionally, the government has advised OEMs to offer 5% discount on purchase of new vehicles against the scrappage certificate of the old vehicle. This should give the buyers enough incentives to dump their old vehicles and switch to new vehicle.

While it is the step in the right direction for the government to provide the much needed fillip to the auto industry, government might face initial hick ups as it lacks basic infrastructure to effectively implement the policy. While the government has offered to provide sufficient incentives for buyers to encourage the vehicle owners to scrap their old vehicles, it remains to be seen how far they will be met. The biggest trigger for the vehicle owners to dump their old vehicles would be to provide GST concessions on purchase of new vehicles against the scrappage certificate. While the government has been loath to reduce GST rates on new vehicles, offering GST concessions as a part of scrappage policy would be a win-win for all the stakeholders. If implemented properly, the policy has the potential to help India gain competitive advantage globally and be among the leading automobile manufacturing hubs, besides creating opportunities to become export hub for autos and auto components.

- DR. RAVI SINGH

Vice President & Head of Research

NEWS

AUTO

- Auto Stocks: Commercial vehicles older than 15 years and PVs older than 20 years should be scrapped if they fail to pass fitness and emission tests according to India's first ever vehicle scrappage programme unveiled by the central government yesterday. The centre will help set up vehicle fitness centres and scrap yards across the country to facilitate implementation of the programme.
- Auto Stocks: Fitness renewal charges for vehicles older than 15 years as a part newly approve vehicle scrappage policy is set to go up by 62 times encouraging vehicle owners to dump their 15-year old vehicles and replace them with new ones. According to the draft notification policy, a renewal fee for re-registration for two-wheelers after 15 years has gone up by more than 3 times from Rs. 300 earlier to Rs. 1000.
- Auto companies: Auto industry is worrying that hard lockdowns in the country to prevent second wave of corona virus will hamper the recovery momentum. While Nagpur, Maharashtra is the only city under lockdown, any additional lockdown announcements will hit production or sales hampering the recovery.

BANKING

- Federal Bank: Federal Bank's CMD Shyam Srinivasan sees opportunity to grow both organically and inorganically. According to a ET report the bank is interested in acquiring a microfinance company as part of its focus on growing the retail high-margin category.
- Punjab National Bank: PNB incorporated PNB Cards and Services, a wholly owned subsidiary to carry out bank's credit card related non-financial support services, PNB said in a regulatory filing. The company's authorized capital is Rs. 25 Cr, divided into 2,50,00,000 shares of FV of Rs. 10 each and the paid up capital is Rs. 15 Cr.
- HDFC Bank: Despite facing technical glitches for the past two years, HDFC Bank continues to lead over ICICI Bank and Axis Bank on overall daily and absolute transaction values among private sector banks by almost 1.5x to 2x times its competitors, according to data released by research firm Bernstein.
- State Bank of India: SBI and IOCL have inked a first deal in the ECB market using the new Secured Overnight Financing rate (SOFR) to raise $ 100 Mn over the next 5 years. SOFR is the new alternative benchmarket rate which will replace LIBOR (London Interbank Offer Rate). Which is existing benchmark rate from end of 2021. It is the first SOR deal in ECB market being offered by SBI.

CONSUMPTION

- Future Retail restrained by court from going ahead with reliance deal: Delhi High Court asked Kishore Biyani-led Future Retail to not take further action on the deal and held that the group wilfully violated Singapore Arbitrator's order. Future Group asked to pay Rs. 2 Mn. for violating arbitration order.
- Wonderla Holidays has announced its decision to temporarily suspend the services of its food takeaway and home delivery initiative 'Wonder Kitchen'.
- Shakti Pumps awarded contract from the Government of Uganda's Ministry of Water and Environment worth at $ 3.53 million.
- Blue Star has rolled out a series of split ACs at affordable prices.
- Retail sales back to 93% of Pre-Covid Levels In February, Retailers Association of India survey: Categories like footwear, beauty, wellness and personal care, sports goods and food and grocery are showing steady month-on-month recovery. House view: should be positive for HUL, Marico, Colgate, Relaxo.

INFRA

- Nava Bharat Ventures has acquired 13,66,970 equity shares of itself through open market transaction at a price of Rs. 69.98 per share on March 18, the bulk deals data available on the NSE showed. The stake buy represented a 0.77% of total paid-up equity capital of the company. This news came in after market hours on March 18. Earlier this month, diversified company Nava Bharat Ventures had bought 41,52,847 equity shares, representing 2.35% of total paid-up equity, via three bulk deals.

INSURANCE & FINANCIAL SERVICES

- Insurance Stocks: The Rajya Sabha yesterday approved a bill to raise the upper limit of foreign investment in insuraqnce companies from 49% to 74%. Finance Minister Nirmala Sitharaman said that while control will go to foreign firms, the majority of directors and key management personnel will be resident Indians who will be ruled by law of the land.
- Edelweiss Financial Services: The Ministry of Corporate Affairs has begun probe into the books of Edelweiss Asset Reconstruction company, owned by Edelweiss Financial Services, following allegations of fund diversion and irregularities by a whistleblower.

IT

- Accenture: Global technology firm Accenture, which follows the September-August financial year, has posted strong second-quarter results. The company has raised its full-year revenue guidance from 4-6% to 6.5-8.5%. It also raised the operating margin guidance. $ Revenue for the second quarter ended February increased 8% to $12.09 billion. The operating margin grew from 13.4% to 13.7%. Besides, the company has also won new deals worth $ 16 billion, which is a growth of 13% YoY.

OIL & GAS

- GAIL India: GAIL and Ranchi Municipal Corporation have signed concession agreement to set up a compressed biogas plant in Ranchi.

POWER

- Adani Green Energy has raised $ 1.35 billion in debt funding from a dozen international lenders for its under-construction renewable asset portfolio. The revolving project finance facility would be used to initially fund the 1.69 GW hybrid portfolio of
- solar and wind renewable projects to be built through four special purpose vehicles in Rajasthan.

TELECOM & MEDIA

- Bharti Airtel: Airtel said that TPG-owned The rise Fund will invest $ 200 Mn in Airtel-owned Airtel Mobile Commerce BV, the mobile money business of Airtel's Africa unit. The transaction is part of Airtel's strategic asset monetization program.
- Vodafone Idea: Vodafone Idea yesterday reported that it added wireless users in January for the first time in 14 months. This could be a one-time gain as the addition was possible due to the adoption of a new reporting method. The third-largest telco has added 1.7 Mn subscribers in Jan after losing 55.4 Mn users since October 2019.
- Hathaway Cable and Datacom: Hathaway Cable and Datacom have entered an agreement for disposing of its entire 50% stake, i.e., 5000 equity shares of FV of Rs. 10.00 in Net.9 Online Hathaway, a JV company. It has received sale proceeds of Rs. 99 lakhs.

FORTHCOMING EVENTS

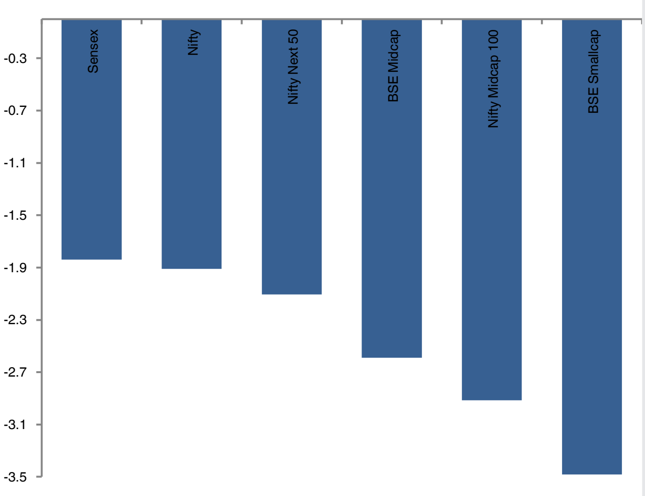
COMPANY NAME	EVENT	EX-DATE
Autolite (India) Ltd	Financial Results	22-Mar-21
Colgate Palmolive (India) Ltd	Dividend	22-Mar-21
Railtel Corporation Of India Ltd	Financial Results/Dividend	22-Mar-21
Vaibhav Global Ltd	Stock Split	22-Mar-21
NACL Industries Ltd	Dividend	23-Mar-21
Saregama India Ltd	Dividend/Other business matters	23-Mar-21
Sundaram Clayton Ltd	Dividend	24-Mar-21
TVS Motor Company Ltd	Dividend	24-Mar-21
Shriram Transport Finance Company Ltd	Dividend	25-Mar-21
India Nippon Electricals Ltd	Dividend	26-Mar-21

GLOBAL NEWS

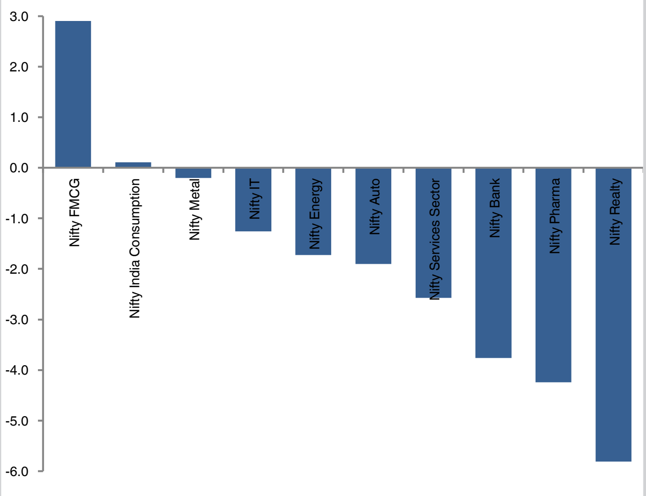
- US jobless claims rise to 770,000 with layoffs still high. The four-week average of claims, which smooths out weekly variations, dropped to 746,000, the lowest since late November.
- Google to invest over $ 7 billion in America, create 10,000 jobs, says CEO Sundar Pichai. "We plan to invest over $ 7 billion in offices and data centers across the US and create at least 10,000 new full-time Google jobs in the US this year," Sundar Pichai said in a statement.

KARVY STOCK BROKING

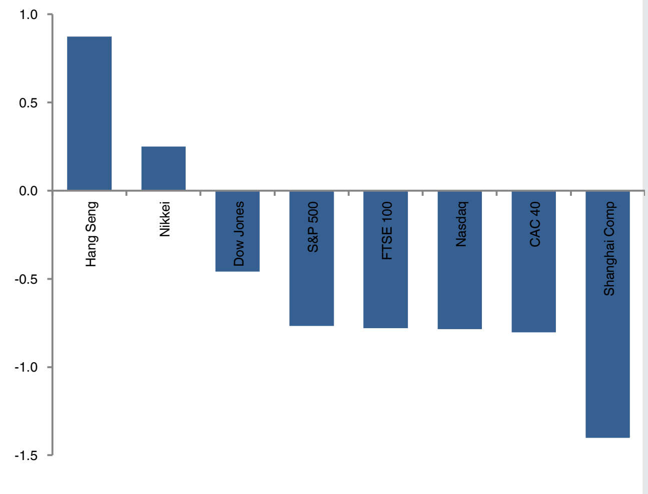
INDIAN INDICES (% CHANGE)



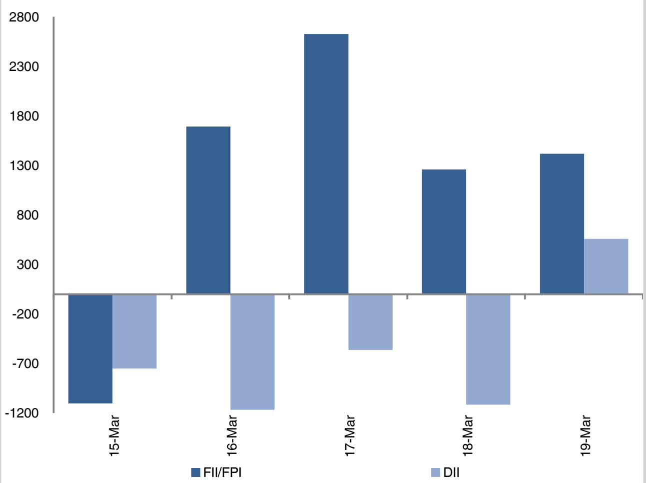
SECTORAL INDICES (% CHANGE)



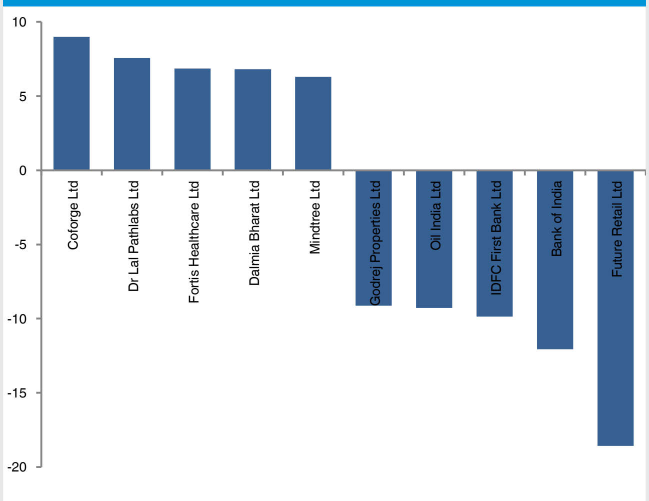
GLOBAL INDICES (% CHANGE)



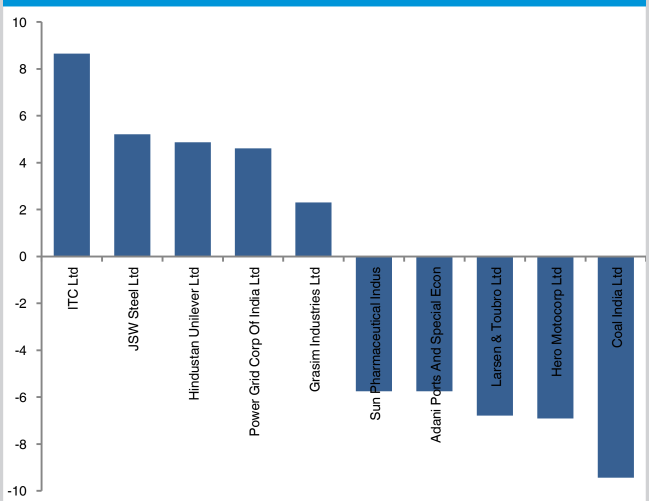
FII/FPI & DII TRADING (IN RS. CRORES)



NIFTY MIDCAP100 TOP GAINERS & LOSERS (1W)



NSE NIFTY TOP GAINERS & LOSERS (1W)



Source: Karvy Research

HINDUSTAN UNILEVER LTD

STOCK	HINDUNILVR
CMP	2315
ACTION	BUY
ENTRY	2290-2300
AVERAGE	2210
STOP LOSS	2100
TARGET 1	2550
TARGET 2	2650

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 low at 2120 levels, the stock has witnessed a bounce and rallied to the 2325 levels. At the current juncture, the stock has formed a base at 2120 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 2210 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 2650 levels in the medium-term. Any correction towards the recent support levels of 2210 levels may be utilized to average the positions.

NTPC LTD

STOCK	NTPC
CMP	108
ACTION	BUY
ENTRY	106-107
AVERAGE	100
STOP LOSS	94
TARGET 1	125
TARGET 2	130

On the technical front, NTPC 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 114 levels, the stock has witnessed a round of profit booking which dragged the counter towards the medium-term moving average of 50- EMA on the daily charts. At the current juncture, the stock is forming a base around 100 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 125 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 130 levels in the short term. Any correction towards the recent support levels of 100 levels may be utilized to average the positions.

NIFTY (14744): Indian equity benchmark index Nifty 50 closed lower by 1.91% during the week. For 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 turn bearish if it breaches and sustains below 14465 levels in future sessions. On the global front, Asia-Pacific markets mostly fell Friday as investor sentiment turned cautious, following an overnight selloff stateside. Japan's central bank concluded its two-day monetary policy meeting. It announced a raft of measures that included a decision to widen the range at which the 10-year Japanese government bond yield is allowed to fluctuate from the target level to between plus and minus 0.25%. European markets closed lower on Friday after a spike in bond yields reignited concerns about stock valuations. The Dow Jones Industrial Average fell on Friday after the Federal Reserve's decision to not extend a pandemic-era capital break for banks stoked a rise in bond yields and a sell-off in financial stocks. On the derivatives front, open interest data suggests that the index may find its supports around 14500 followed by 14000 levels while on the higher side, 15000 and 15500 levels may act as resistance.

NIFTY BANK is the worst performing index for the week and has underperformed Nifty with a weekly loss of -4% as opposed to Nifty's loss of -2%. The index started the week on a weak note by opening at the highest point of the week and closing down during four of the five trading sessions. Furthermore, during the week, Nifty Bank has put up a three black crow pattern, which is highly reliable bearish candle stick pattern. On the last trading day of the week, Nifty Bank bounced back to end up nearly 1% after closing the opening gap created on Feb 2 2021 around 33366.Fundamentally, while there was some noise made around bad bank and government approving hike in FDI limit in insurance companies to 74% from 49%, it could not cheer the index much. Bank Nifty, along with broader markets was caught in rising global bond yields. Even in India spike in core inflation has seen a spike in bond yields which is negative for banks. This coupled with spike in covid cases and fears of second wave of corona have triggered worries of a lockdown with some localities already announcing them. These factors have weighed negatively on the markets. This week, all the index components ended with losses with IDFC First Bank being top loser with losses of -10%. Bank Nifty may face resistance at 35650 followed by 37700. Nifty Bank may take support at 32790 followed by 30800.

NIFTY FMCG has outperformed the benchmark index by 4700 bps for the week. While there has been no triggers for the same, investors flocking back into the sector can be attributed to two reasons 1) Safe heaven status within the equities category - As seen during prior lockdown, FMCG continued to perform well led by stock up of products by consumers both in Urban and Rural India. With covid 19 cases rising, there are apprehensions regarding partial lockdown/curtailment of services in many parts of the country. Maharashtra, just last week, imposed 50% capacity utilisation in theaters amongst other steps taken to curb the spread. Other states are expected to follow as the cases continue to mount despite pace of vaccination being high. 2) Rural growth is expected to be less impacted as was the case during earlier covid 19 spread. As such, defensive stocks, particularly FMCG will continue to be the focus for investors despite high bond yields globally, high inflation and rising commodity prices as much of the impact can be passed on to end consumer without significant volume dip plus globally, governments are expected to ease the pain of the consumer in times like these. The index has continued to rebound of 33000 levels on more than 4 occasions since late January 2021. We expect the index to sustain above this level given the current scenario. Resistance for the index can be seen at 34250 and 35000 (near all time highs) while immediate support for the index stands at 33000 and 32900 braking which, the support level is at 32000.