KARVY
STOCK BROKING

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K STREET

RULE THE MARKET

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From The Desk Of Research Head

Regulatory hangover is off the banks

The Supreme Court has finally delivered much awaited judgement on a set of petitions representing borrowers, government, RBI and other stake holders of the lending industry. These petitions included extension of moratorium on loan repayments beyond August 31 2020, complete waiver of interest during moratorium period, extension of restructuring period beyond December 31, 2020, inclusion of additional sectors and other borrowers to those eligible for moratorium and other reliefs from RBI and Central government. Additionally, Supreme Court has also gave green signal for banks to tag stressed assets as NPAs. On the other hand, government has allowed IBC proceedings from April 1 2021 to expedite the NPA resolution process, which was temporarily halted due to the covid-19 situation.

The Supreme court has rejected all the pleas related to the above-mentioned items and did not extend deadlines for moratorium, rejected pleas for complete interest waiver (as opposed to interest on interest waiver), inclusion of other sectors, extension of restructuring deadline beyond December 31 2020 and finally allowed banks to start tagging distressed assets as NPAs. With this, the regulatory hangover on banks is gone on asset quality recognition, interest income recognition/reversal, NPA resolution and other key issues to set the ball rolling on various basic and important operational issues of the banks.

While some were averse to the fact that removing the regulatory hangover on NPA recognition and NPA resolution would result in spike in NPAs in banks' books and would consequently dent banks' profitability, it may not be the scenario. Thanks to RBI's mandate to continue to disclose proforma NPA assets even though Supreme Court kept banks away from NPA recognition. By disclosing proforma NPAs, banks disclosed separately the actual NPAs on their books had there been no Supreme Court injunction on NPA recognition. This gave a sense on fresh slippages in banks' books as the economy recovered from the pandemic induced economic standstill. While it cannot be denied that certain small PSBs and private sector banks might face some pressure on their books once the regulatory hangover goes away, large banks, which constitute a significant portion of th sector's loan book, the dent is not as big as expected. However, there are unknown unknowns in the form of how SME loans perform once the dispensation on these loans ends and the risk of loan waivers in the run up to elections in some states.

Most of the banks have strengthened their balance sheets by raising capital and conserved capital during this lean period by not focussing on risky sectors and risky customer groups; some banks have positioned themselves to conveniently absorb the potential damage caused by NPA recognition. Most of the banks have increased their provisioning buffers by various means including asset monetization, beefing up recovery process and increasing recoveries and enhancing write offs. While some PSBs, which were capital starved and were already reeling under the pressure of higher NPAs on their books were at a higher risk, government on its part started to take some incremental measures to address these issues.

These included budgetary allocation to infuse capital into really needy banks as opposed to earlier practice of capital infusion across the board, consolidation to keep itself from the responsibility of re-capitalising the banks very frequently, especially during these lean times and RBI prevented government from demanding dividend from these banks. Barring the exception of some really stressed banks from public sector and private sector as well, overall large banks appear to be in a comfortable position and stand ready to absorb the risk. Moreover, some large private sector banks which have already made excess provisions and/or have a higher capital adequacy might see their RoEs expand in the coming years.

- DR. RAVI SINGH

Vice President & Head of Research

NEWS

AUTO

- Tyre Stocks: With New Delhi imposing import curbs, it has become uneconomical for overseas tire brands to operate in India, industry sources told ET. Businesses of foreign companies that make tires in India are relatively less affected.

BANKING

- Punjab & Sind Bank: Has declared the NPA account of IL&FS as fraud and reported it to the RBI. The account has outstanding dues of Rs. 399.31 Cr. The bank has also allotted 335.1 Cr shares to the Government of India on a preferential basis. The shares have been allotted at an issue price of Rs. 16.41 per share, aggregating to Rs. 5,500 Cr. With this, the government's holding in the bank has increased to 97.07% from 83.06%.

CONSUMPTION

- Amazon Calls on India Not to Change E-Commerce Rules.
- Barbeque Nation IPO subscribed 1.98 times on Day 2.
- Welspun India: India Ratings & Research upgraded the long-term credit rating of Welspun India Ltd from IND AA- to IND AA. The outlook is stable, it said in a regulatory filing.

INFRA

- Rail Vikas Nigam: LIC has bought more than 18.18 crore equity shares, or 8.72% equity stake, in Rail Vikas Nigam via an open market transaction on March 24. The government had sold over a 15% stake in the company via an offer for sale during March 24-25. This news came in after market hours so the stock did not react to the announcement. The stock closed 0.18% higher at Rs. 27.75 on March 25.
- HG Infra Engineering: The company has been declared as L-1 bidder for the development of the six-lane Aluru - Jakkuva section of NH-130-CD road under Raipur-Visakhapatnam Economics Corridor in Andhra Pradesh on hybrid annuity mode, by the National Highways Authority of India.
- JSW Steel: The company is likely to close the Bhushan Power & Steel (BPSL) deal on March 26. JSW Group is expected to transfer Rs. 19,350 Cr to financial creditors to close the BPSL deal. It had raised Rs. 2,500 Cr via non-convertible debentures earlier this week to fund the deal. The company is expected to fund the deal via a mix of debt and internal accruals, sources said.
- Engineers India Ltd: The company has entered into a share purchase agreement for the proposed acquisition of 3,21,46,957 equity shares in the share capital of Numaligarh Refinery Ltd from Bharat Petroleum Corporation Ltd. OIL India Ltd is also a party to a SPA and would independently be acquiring 39,84,36,929 equity shares from BPCL pursuant to the SPA.

INSURANCE & FINANCIAL SERVICES

- Edelweiss Financial: Edelweiss Infrastructure Yield Plus (EIFP), a fund managed by Edelweiss Alternative Asset Advisors (EAAA) said that it has concluded the acquisition of a controlling stake in French utility major Engie Group's solar energy assets in India.

IT

- Compucom Software: Has won a tender from RISL worth approximately Rs. 66.99 Cr and received a Letter of Acceptance for supply and installation of computer systems, interactive panel, printer, UPS and networking, and electrification, etc. in 525 government schools with an on-site comprehensive warranty of five years.

NBFC

- IDFC: Company said that it has received a letter from the Ministry Of Finance forming about the withdrawal of the nomination of Anshuman Sharma and Soumyajit Ghosh as nominee directors from The board of the company with immediate effect.
- Moneyboxx Finance: Moneyboxx Finance said that it has raised Rs. 25 Cr in debt from a slew of lenders including NBFCs from Jan 2021. Nine new lenders including AU Small Finance Bank, Hinduja Finance, InCred Financial, inclusive
- Credit, Profectus Capital, and Capri Global provided debt support to the company.
- Shriram Transport Finance: The company's board panel approved the issuance of $ 225,000,000 senior secured notes to be consolidated from a single series with the $ 500,000,000 4.40% notes due 2024 issued on 15 Jan under the US$ 3,000,000,000 global medium-term note program updated on December 24, 2020.

FORTHCOMING EVENTS

COMPANY NAME	EVENT	EX-DATE
Bil Energy Systems Ltd	Financial Results	30-Mar-21
BSEL Infrastructure Realty Ltd	Voluntary Delisting	30-Mar-21
Insecticides (India) Ltd	Buyback	30-Mar-21
Modern Thread Ltd	Financial Results	30-Mar-21
Niraj Cement Structurals Ltd	Financial Results	30-Mar-21
Soma Textiles & Industries Ltd	Voluntary Delisting	30-Mar-21
Maharashtra Seamless Ltd	Financial Results	31-Mar-21
Inventure Growth & Securities Ltd	Stock Split	01-Apr-21

GLOBAL NEWS

- Suez snarl is seen halting $9.6 billion a day of cargo business. A back-of-the-envelope calculation shows there's about $9.6 billion worth of daily marine traffic halted by the massive container vessel that lodged in the Suez Canal earlier this week, blocking transit in both directions.
- Europe needs $355 billion for the 5G rollout, industrial study says. The study by consulting firm BCG, commissioned by telecoms lobbying group ETNO, comes as the European Union pins its hopes on 5G to lift it out of a COVID-19 pandemic-induced recession and take the lead in internet-connected devices.

OIL & GAS

- BPCL: The disinvestment process of oil marketing firm BPCL is moving on well and expected to conclude by September- end, Department of Investment and Public Asset Management (DIPAM) Secretary Tuhin Kanta Pandey said on Thursday. The government is selling its entire 52.98% stake in BPCL in the nation's biggest privatization to date.
- GAIL and Confidence Petroleum: GAIL and Confidence Petroleum have signed an agreement for setting up 100 CNG Stations in Bengaluru. The Dealership Agreement is for setting up 100 CNG stations over the next three years.

PHARMA & HEALTHCARE

- Pharma Stocks: Cadila Healthcare, Lupin, Torrent Pharma, and a wholly-owned Indian subsidiary of Sun Pharmaceuticals to subscribe to a partnership interest in ABCD Technologies LLP (to be renamed as Indo Health Services LLP). The acquisition will cost Rs. 40 Cr each to all the companies. The initiative has been undertaken with an objective to facilitate, enable and promote efficiency and Good Distribution Practices, including digitizing healthcare infrastructure in India, in support of the National Digital Health Mission.

POWER

- Power Grid: The company completed the acquisition of Jaypee Powergrid Ltd, making it a subsidiary of Power Grid, it said in a regulatory filing.

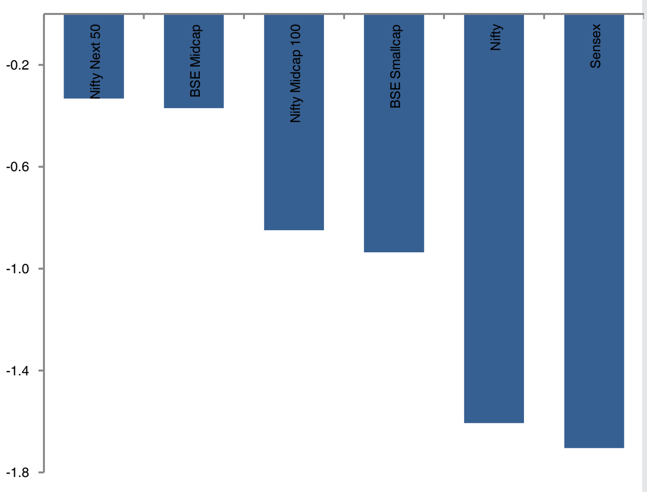
REALTY

- DLF Ltd: Realty firm DLF said it has raised Rs. 500 Cr through the issue of non-convertible debentures (NCD) to investors.

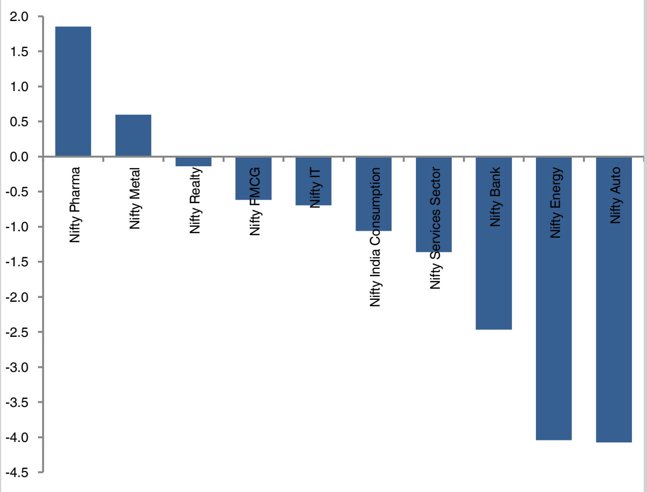
TELECOM & MEDIA

- Hathway Cable: Reliance Jio Launches OFS To Sell 19.1% Stake; Floor Price At Rupees 25.25/Share. OFS for Non-Retail Investors on March 26 and for Retail on March 30.
- DEN Networks: Reliance Jio Launch OFS To Sell 11.63% Stake; Floor Price At Rupees 48.50/Share. OFS for Non-Retail Investors on March 26 and for Retail on March 30.
- Telecom gear companies: Since March 2020, when the world came to a standstill due to due to covid-led curbs, the order book of companies like Sterlite Technologies has hit an all-time level while HFCL nearly doubled its PAT in Q3FY21. Sterlite Technologies and HFCL are major suppliers of optical fiber cable essential for 5G services and fixed broadband.

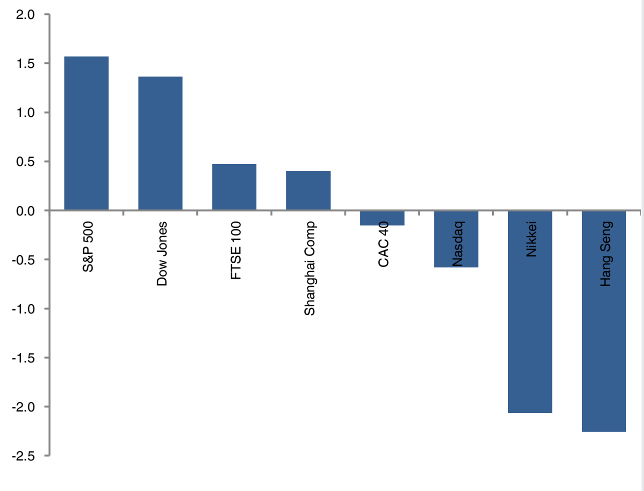
INDIAN INDICES (% CHANGE)



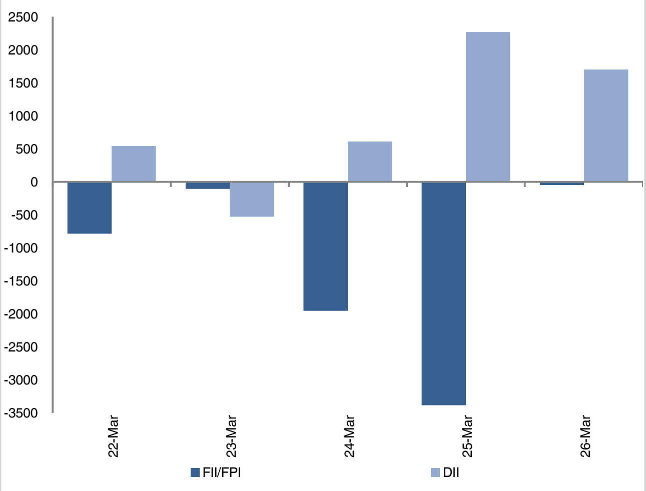
SECTORAL INDICES (% CHANGE)



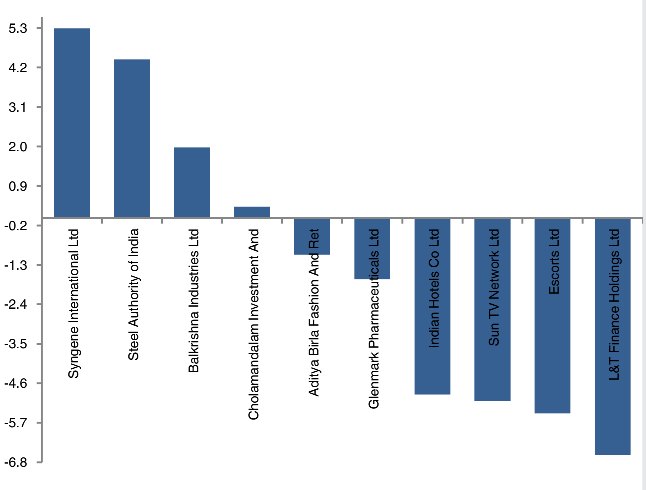
GLOBAL INDICES (% CHANGE)



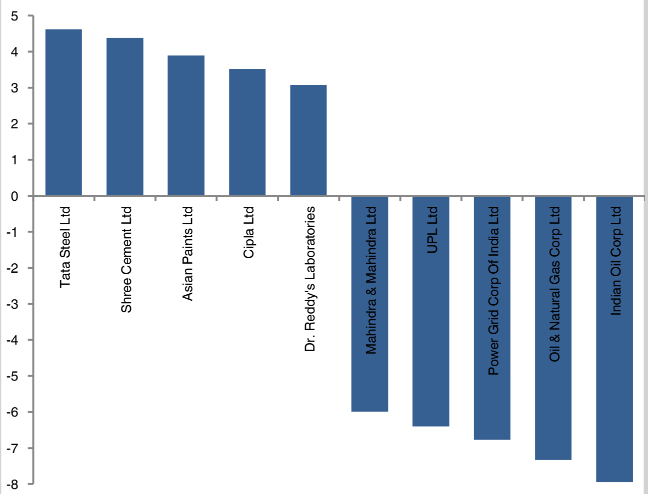
FII/FPI & DII TRADING (IN RS. CRORES)



NIFTY MIDCAP100 TOP GAINERS & LOSERS (1W)



NSE NIFTY TOP GAINERS & LOSERS (1W)



Source: Karvy Research

TATA STEEL LTD

STOCK	TATASTEEL
CMP	765
ACTION	BUY
ENTRY	755-760
AVERAGE	705
STOP LOSS	655
TARGET 1	875
TARGET 2	900

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 782 levels, the stock has witnessed a correction to the current levels. At the current juncture, the stock has formed a base of around 655 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 705 levels. This may trigger a fresh round of buying which may take the stock towards 875 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 900 levels in the medium-term. Any correction towards the recent support levels of 705 levels may be utilized to average the positions.

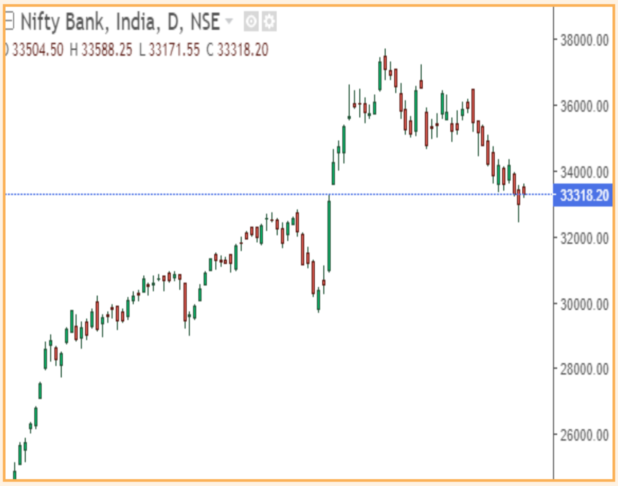
TITAN LTD

STOCK	TITAN
CMP	1506
ACTION	BUY
ENTRY	1490-1495
AVERAGE	1450
STOP LOSS	1395
TARGET 1	1620
TARGET 2	1675

On the technical front, TITAN 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 1621 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 1395 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 1620 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 1675 levels in the short term. Any correction towards the recent support levels of 1450 levels may be utilized to average the positions.

NIFTY (14507.30): Indian equity benchmark index Nifty 50 closed lower by 1.61% 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, Stocks in Asia-Pacific rose on Friday, with shares in mainland China and Japan among the biggest gainers regionally. European stocks advanced on Friday, following global sentiment higher as investors focus on the outlook for growth and inflation amid advances in Covid-19 vaccine rollouts. Focus is also attuned to oil prices, which rebounded overnight amid concerns that a massive container ship blocking the Suez Canal may take weeks to free up, squeezing global supply. Brent crude was changing hands at a fraction over $63 per barrel on Friday afternoon in Europe. Domestically, for the week, on the data front, investors may focus on the Federal Fiscal Deficit (Feb) and Foreign Debt (USD) (Q4) data releasing on Mar 31. 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, 14700 and 15000 levels may act as resistance.

NIFTY BANK has performed on par with Nifty this week as both the indices lost-2%. The index started the week on a weak note by opening the week negatively and extended the fall during the week to close the gap created on Feb 2. While the index bounced back after closing the gap it soon reversed the trend and crashed to take support at 32790-32750 levels as indicated by us and bounced back. However the index closed the week negatively. This week marked the much awaited Supreme Court's judgement on interest waiver during moratorium and other petitions. While Supreme Court ruled in favour of the banks and removed the overhang on the banking sector, it could not cheer the index. Markets were worried over spike in NPAs in the coming quarter as Supreme Court gave a go ahead for the sector for NPA recognition and the government gave green signal for IBC proceedings resulting in NPA resolution. While NPA resolution is positive, uncertainty over the size of the haircut banks would be required to take is a negative as in case of most of the accounts banks ended up taking a bigger haircut in the recent past. This week, all the index components ended with losses with HDFC Bank ending flat and Bandhan Bank ending mildly positive. RBL Bank is the worst performer which lost nearly -8%. Bank Nifty may face resistance at 34770 followed by 37700. Nifty Bank may take support at 32750 followed by 30800.



NIFTY FMCG outperformed the benchmark index by 100 bps for the week on account of movement of smart money to more defensive sectors. Trigger for the same has been the rise in covid cases across the country and resultant imposition of restrictions and expectation of additional measures to be taken to wind down the spread. Markets are now re evaluating earlier growth expectations for FY22 and FY23. While we continue to expect a rebound in the economy, the pace will slow down than earlier expected. This prompts larger allocation of smart money towards gold and defensive sectors. FMCG continued to perform well during the previous period of enforced restrictions as sector is largely comprised of necessary products for day to day life. 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.