

K STREET

RULE THE MARKET

ISSUE: 135



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Team

Srinivas Krishnan Bobba
Sharath Kumar Jutur
Thomas V Abraham

Karvy Head Office

Karvy Stock Broking Limited, Plot No.31/P,
Karvy Millennium Towers, Nanakramguda,
Financial District, Gachibowli, Hyderabad,
Telangana-500032, India.

For More updates & Stock Research

Visit: www.karvyonline.com
Toll free: 1800 419 8283
Email: research@karvy.com

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From The Desk Of Research Head

Trading of currency futures on global exchanges - Benefits galore

Globalization has blurred the boundaries but constant and ever-increasing exposure of corporate and governments to foreign currencies have placed them at a constant exposure to foreign currency risk. The risks are more so in the case of currencies which are not fully convertible like the Indian rupee or Pakistani Rupee. Back in 2007, DGCX – Dubai Gold & Commodities Exchange took an initiative to list the futures contract of Indian Rupee vs. US Dollar and started a new chapter in the economic history of emerging countries. History is going to be repeated on 16th April 2021 when DGCX will launch Pakistani Rupee contract.

Back in 2007, when Indian Rupee contract was launched at DGCX there were wide spread worries and concerns of introducing currency futures trading on global exchanges. There were worries that futures trading on global exchange would increase volatility as it would encourage speculation. There were expectations that this would lead to increased speculative activity and would keep things out of RBI's control. However, research has showed that there is no clear evidence to suggest that currency futures result in enhancement of volatility in spot exchange market.

Empirical evidence is inconclusive as to whether currency futures add to higher speculation in a currency than is possible without them. While theoretically, it is believed that futures markets largely operate on a premise similar to that of forward markets – reflecting interest rate differentials. However, empirical studies show that in India as in case of many other countries forward prices largely reflect not just interest rate differentials. Currency markets are susceptible to influence of positive or negative sentiments depending on the economic inflow of data rather, expectations of the future trend of these economic indicators.

The benefits of listing currencies at foreign exchanges are two-fold – to expand trading opportunities for market participants into the market of the currency and to reduce price volatility on account of increased options to trade and at various time zones. It allows exporters to efficiently manage credit risk through the exchange especially during extraordinary situations as Indian forex futures markets trades for limited time only while globally currency markets trade for lot longer hours. Since forex markets have high turnover and allows participation by participants from across the globe without any restrictions, it facilitates large volume transactions to go through smoothly without distorting levels and with low or no impact cost.

With the increase of additional hedging alternatives, FII inflows into Indian capital markets have had a positive impact for sure. While FII flows are largely dependent on factors like alpha-generating potential, conducive policy environment and investor friendly tax regime, ability of the investor to freely move in and move out of the emerging capital markets with least possible damage on the forex front also plays an important role.

While FIIs are very volatile due to short term horizon, FDIs have a much more bearing on a country's macro economic landscape. Listing of currency futures on foreign exchanges would give much needed confidence to the foreign investors. With the latest relaxation of FDI norms in insurance sector and given current government's focus on asset monetization and making India more investor friendly, we expect FDI flows into India to see in the coming years. According to a survey by CII-EY, India is expected to attract FDI investments of \$120-160 Bn by 2025.

We as entrepreneur have to be cautious and understand that while hedging is used to help manage currency risks and global business risks corporate should be well aware of the risks involved in it and the discipline it requires. There are many instances where the corporate treasury boards have put the survival of their company at risk being lured by the temptation of profits of forex trading. It is important to understand the scope and limitations of forex hedging so that management expectations are realistic and feasible.

- DR. RAVI SINGH

Vice President & Head of Research

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NEWS

AUTO

- **Auto Stocks:** Rating agency ICRA Ratings in its research note estimated that the PV is expected to post a growth of 22-25% in FY22. The growth is expected to achieve after a de-growth of 2-4% in FY21 due to lockdown and near-zero sales for a couple of months during the start of the fiscal. One factor in the growth would be a low base during Q1FY21 due to lockdown. Other factors supporting growth include pent-up demand, resilient rural income, healthy crop cycles, and several government initiatives.
- **Maruti Suzuki:** Maruti Suzuki, India's largest carmaker is eyeing record production levels for next fiscal. The company has told vendors it plans to raise production to 2.05-2.07 million in FY22, up 42% from the year before, according to several people aware of the matter. That would lift the Indian passenger vehicle market to a growth of 25% in FY22 against contractions of an estimated 4% in FY21 and 18% in FY20.
- **Minda Industries:** Minda Industries to invest Rs. 250 Cr in expansion of four-wheel lighting (at Bhagapura, Gujarat) and alloy wheel businesses. The expansion comes in line with the improved market scenario and increased demand, wherein the said businesses have been operating at near capacity. The CAPEX will be funded through a mix of debt and internal accruals. The facilities are expected to commence operations by the quarter ending March 2022.

BANKING

- **State Bank of India:** SBI said that it has signed a loan agreement of up to \$ 1 Bn with Japan Bank for International Cooperation (JBIC). The bank had signed a similar deal with JBIC in October last year as well. JBIC is wholly owned by the Japanese government.
- **Public Sector Banks:** The center will infuse Rs. 14,500 Cr (\$ 2 Bn) into Central Bank of India, Indian Overseas Bank, Bank of India, and UCO Bank through zero-coupon bonds as part of its budgeted capital infusion program.
- **Central Bank of India:** Earlier the bank announced to exit its home finance venture by selling it to Centrum Housing Finance. But the bank announced that the deal between both companies is no longer valid.
- **Axis Bank:** Axis Bank has informed the exchanges that it has agreed to sell its UK subsidiary to OpenPayd Holdings. According to the filing, the UK arm contributed Rs. 206 Cr total income in FY20 and had a net worth of Rs. 765 Cr as of March 2020. This is almost 1% of the bank's net worth.
- **HDFC Bank:** India's largest private sector lender HDFC Bank was once again hit by a major e-banking outage after facing three disruptions since 2018. Infuriated customers took to Twitter to vent their frustration at not being able to transact on the bank's mobile app and internet banking platform.
- **IDFC First Bank:** Private sector IDFC First Bank said it has fixed the floor price at Rs. 60.34 for the Rs. 3,000 Cr qualified institutional placement (QIP) issue. The Capital Raising Committee of the Board also decided that the bank may at its discretion offer a discount of not more than 5 percent on the floor price for the issue, IDFC First Bank said in a regulatory filing.

CEMENT

- **UltraTech Cement:** UltraTech Cement, during the last week, has prepaid its long-term loans amounting to Rs. 5,000 Cr. "This is in line with the company's endeavor to maintain optimal capital structure. The loan repayments have been done through free cash flows", the company said in its BSE filing.

CONSUMPTION

- **Britannia Industries (BRIT):** Names Urjit Patel as a non-executive independent director.
- **Lemon Tree (LEMONTRE):** To take full control of Hamstead Living by the acquisition of a 70% stake.

INFRA

- **Likhitha Infrastructure:** Likhitha Infrastructure in its BSE filing said it received orders worth Rs. 200.22 Cr from various oil & gas distribution companies during the March quarter of 2021. One order worth Rs. 169.47 Cr is for cross-country pipeline laying and related works, while the second of Rs. 30.75 Cr is for the city gas distribution pipeline and related works.

FORTHCOMING EVENTS

COMPANY NAME	EVENT	EX-DATE
Ircon International Ltd	Bonus	05-Apr-21
GM Breweries Ltd	Financial Results/Dividend	06-Apr-21
INOX Leisure Ltd	Fund Raising/Other business matters	06-Apr-21
Simplex Projects Ltd	Financial Results	06-Apr-21
Archidply Industries Ltd	Other business matters	07-Apr-21
Khaitan (India) Ltd	Other business matters	07-Apr-21
Tanla Platforms Ltd	Other business matters	07-Apr-21
Libas Consumer Products Ltd	Other business matters	08-Apr-21
SEL Manufacturing Company Ltd	Financial Results	08-Apr-21

GLOBAL NEWS

- **Time to get tough with China on global trade, UK tells G7 allies.** Trade minister Liz Truss will host her G7 counterparts and the new head of the WTO, using Britain's platform as the current president of the group of rich countries to promote post-Brexit Britain as a leading free-trade advocate.
- **China's mega-refineries are throttling other Asia oil processors.** A frenzy of refinery building in China is set to make the nation the world's largest crude processor this year. That's putting pressure on the traditionally more export-focused plants in South Korea, Singapore, and Taiwan that are trying to cope with depressed demand due to the pandemic and the longer-term.

- **Sterling and Wilson Solar Ltd:** The company's promoter Khurshed Yazdi Daruvala has sold a 4.99% equity stake in the solar EPC and O&M solutions provider, via an open market transaction. Daruvala sold 8 million equity shares at an average price of Rs. 250.6 per share, according to the bulk deals data available on the exchange.

IT

- **NIIT:** Skills and talent development firm NIIT said it's up to Rs. 237 Cr buyback offer will open on April 12. On December 24, 2020, NIIT's Board of Directors had approved a proposal for buyback of up to 9,875,000 equity shares for an aggregate amount not exceeding Rs. 237 Cr. The buyback price has been fixed at Rs. 240 apiece.

NBFC

- **Shriram Transport Finance Company:** The company has completed issuance and allotment of \$225 Mn senior secured notes under the \$3 Bn global medium-term note program.
- **Indiabulls Housing Finance Company:** Rating agency CRISIL has upgraded the HFC's outlook to stable from negative. The long-term credit rating of Indiabulls Housing Finance has been reaffirmed at CRISIL AA. The short-term credit rating has been reaffirmed at the highest rating of CRISIL A1+.
- **Edelweiss Financial Services:** The NBFC will launch a secured NCD issue to raise Rs. 400 Cr. The NBFC is offering an effective yield of up to 9.7%. The yield seems to be on the higher side. The issue will close on April 25, 2021.
- **SREI Infra Finance:** The company's unit SREI Equipment Finance has received an expression of interest from overseas investors for proposed capital infusion, the company said.

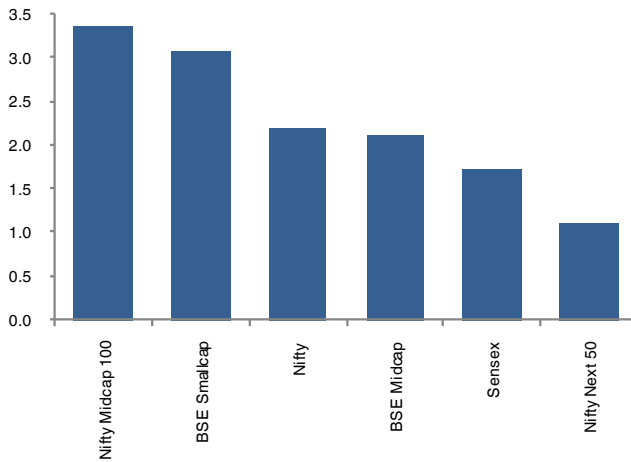
OIL & GAS

- **BPCL:** India's second-largest OMC said that it will acquire a 36.6% stake from its JV partner OQ, the national oil company of Oman, in its JV Bharat Oman Refinery Ltd for Rs. 24 Bn.

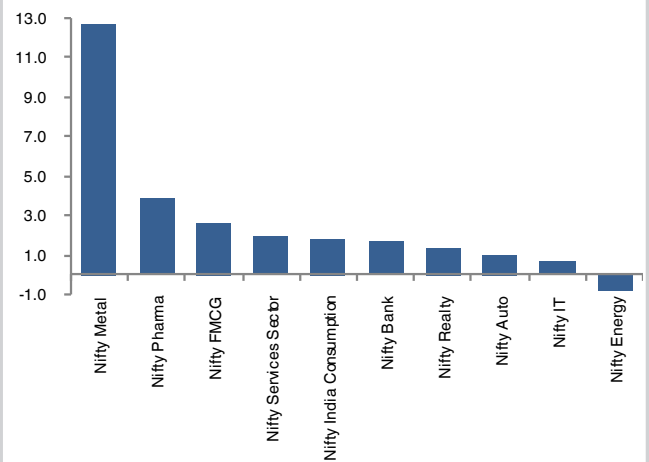
PHARMA & HEALTHCARE

- **Piramal Enterprises:** Company's pharma unit Piramal Pharma Solutions (PSS) has entered into an agreement to purchase a 100% stake in Hemmo Pharma Pvt Ltd for Rs. 775 Cr.

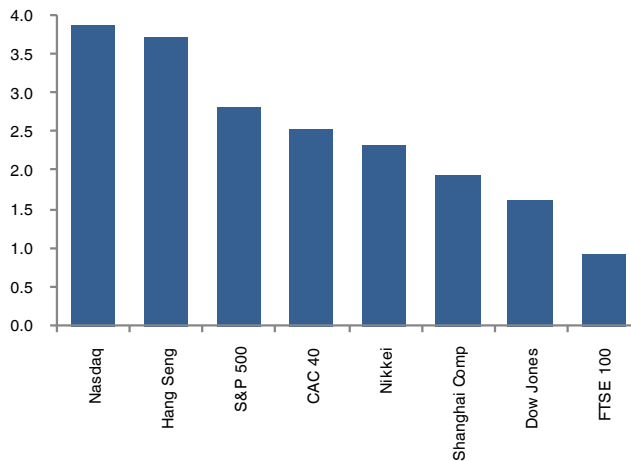
INDIAN INDICES (% CHANGE)



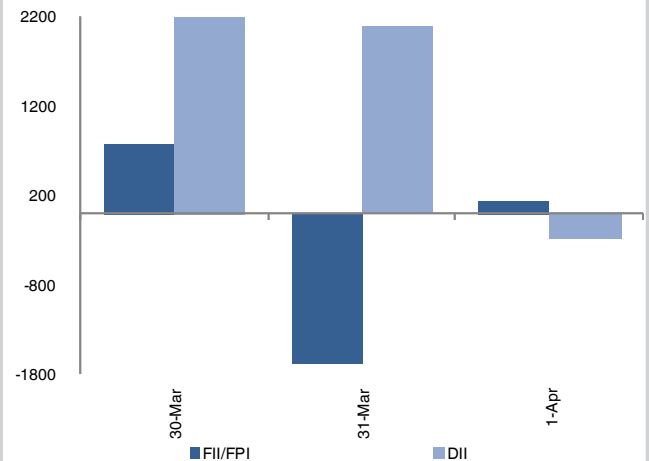
SECTORAL INDICES (% CHANGE)



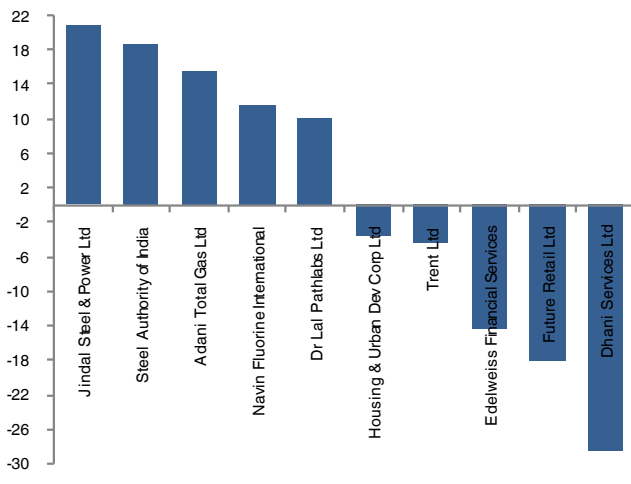
GLOBAL INDICES (% CHANGE)



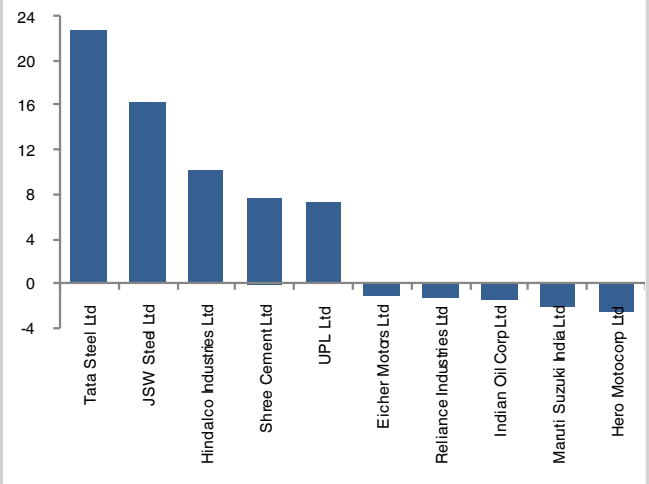
FII/FPI & DII TRADING (IN RS. CRORES)



NIFTY MIDCAP100 TOP GAINERS & LOSERS (1W)



NSE NIFTY TOP GAINERS & LOSERS (1W)



Source: Karvy Research

ADANI PORTS & SPECIAL ECONOMIC ZONE LTD



STOCK	ADANI PORTS
CMP	734
ACTION	BUY
ENTRY	725-730
AVERAGE	690
STOP LOSS	655
TARGET 1	820
TARGET 2	850

On the technical front, ADANI PORTS has higher highs and higher lows on the daily charts and is currently placed above the short-term EMAs in the daily frame. In the recent past, after clocking a high of 767 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 690 levels. This may trigger a fresh round of buying which may take the stock towards 820 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 850 levels in the medium-term. Any correction towards the recent support levels of 690 levels may be utilized to average the positions.

HINDALCO INDUSTRIES LTD



STOCK	HINDALCO
CMP	348
ACTION	BUY
ENTRY	343-346
AVERAGE	327
STOP LOSS	305
TARGET 1	395
TARGET 2	410

On the technical front, HINDALCO 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 361 levels, the stock has witnessed a round of profit booking which dragged the counter towards the medium-term moving average of 21- EMA on the daily charts. At the current juncture, the stock is forming a base around 327 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 395 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 410 levels in the short term. Any correction towards the recent support levels of 327 levels may be utilized to average the positions.

NIFTY (14867.35): Indian equity benchmark index Nifty 50 closed higher by 2.48% 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 14265 levels in future sessions. On the global front, European stocks closed higher on Thursday amid a raft of data releases from the region. Eurozone manufacturing activity grew at its fastest pace on record in March, with IHS Markit's final manufacturing PMI coming in at 62.5 compared to February's 57.9. Stateside, the S&P 500 crossed the 4,000 thresholds for the first time Thursday as Wall Street built on a solid March following the rollout of President Joe Biden's infrastructure plan. The plan includes spending on roads, bridges, green energy, and water system upgrades. This marks the second major spending push of Biden's presidency after he signed a \$ 1.9 trillion relief and stimulus bill on March 11. Domestically, for the week, on the data front, investors may focus on the Manufacturing PMI (Mar) releasing on April 5th and Interest Rate Decision on April 7th. On the derivatives front, open interest data suggests that the index may find its supports around 14700 followed by 14000 levels while on the higher side, 15000 and 15500 levels may act as resistance.



NIFTY BANK has performed on par with Nifty this week as well as both the indices gained 2%. The index started the week on a flattish note and has not moved much but consolidated around thin range of 33150 on the lower side and 33900 on the upside due to shortened trading week because of two holidays including Holi and Good Friday. This week was marked by concerns around spike in NPAs due to end of regulatory dispensation on account of Supreme Court's judgment announced last week amid fears of fresh round of lockdown and announcement of social distancing norms due to spike in covid cases. Other updates for the sector included fresh round of capital infusion amounting to Rs. 14500 Cr into Central Bank of India, Indian Overseas Bank, Bank of India and UCO Bank. While the PSU Bank index reacted positively by gaining 2.7% yesterday, Bank Nifty reacted by gaining 1.7% in line with positive sentiment in the broader markets. This week, all the index components ended in green except IDFC First Bank which lost 1%. HDFC Bank ended the week on a flattish note as the bank's internet banking and mobile banking services were hit once again during the week due to technical glitch – fourth time in the past 3 years. PNB and BoB were top gainers during the week with gains of more than 6%. The index 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 40 bps as markets bounced back from the recent corrections witnessed. While covid related stress continues to hamper pace of economic recovery, owing to recent corrections, this week provided opportunity to buy on dips across sectors as valuations lowered. FMCG was no different as money will continue to flow into the defensive sector as a safe haven against the economic perils. Markets continue to re evaluate 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 remain in focus in the near term as India's covid cases mount one again despite vaccination drives. Additionally, high inflation and rising commodity prices pose threat on economic growth but within the FMCG space, the impact can be passed on to end consumer without significant volume dip. 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 35000 (near all time highs) while immediate support for the index stands at 34500 and 34000 braking which, the support level is at 32000.

