

# **K** **STREET**

**RULE THE MARKET**

ISSUE: 141



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### Team

Srinivas Krishnan Bobba  
Sharath Kumar Jutur

### 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](http://www.karvyonline.com)  
Toll free: 1800 419 8283  
Email: [research@karvy.com](mailto:research@karvy.com)

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## From The Desk Of Research Head

### Second Wave hits Auto Volumes

Indian auto industry reports wholesale volumes for the month of April 2021 amid partial lockdowns, restricted movement for nearly half of April 2021 and surging covid cases across India. Just like last fiscal, the industry has started FY22 on a weak note. Nearly 1/3 of dealer network shut due to surging covid cases and lockdown restrictions and dealer network sitting on inventory days of nearly 45-50 days. While YoY growth numbers are not meaningful (NM) due to zero volumes in the corresponding month previous year due to lockdown, month-on-month growth is showing signs of weakness across segments. We expect the weakness to extend into the month of May as well as many OEMs have announced shutdowns citing variety of reasons including employee safety, annual maintenance shutdown, reduce consumption of oxygen to divert it to medical purposes and so on. We expect the weakness in volume growth to continue in the coming months until the second wave peaks out and supply shortages ease.

While YoY numbers are not comparable due to zero volumes during April 2020, all car makers have reported higher volume growth when compared to March 2019 volumes. Even as surge in covid cases grip India due to second wave of the pandemic, all PV makers operating in India have sold 2.86 lakh units of PVs versus 2.47 lakh units posted in April 2019, which is a positive sign. All the major PV makers have reported wholesale volumes that are comparable to April 2019 and April 2018. Companies like Tata Motors, Hyundai Motors have reported volumes higher than both April 2018 and April 2019. It remains to be seen if this momentum continues into May 2021 as well amid plant shutdown, high dealer inventory and second wave.

Premium segment outshines entry level segment in case of two-wheelers. Another striking feature of April 2021 volumes is that exports segment has picked up very strongly. For instance due to strong exports growth, Bajaj Auto emerged as largest two-wheeler manufacturer of India by sales, edging past Hero MotoCorp, which has been holding the position for decades. Three wheeler volumes which have been lagging behind since past one year, has deteriorated further. Bajaj Auto is the only three-wheeler manufacturer which has reported positive growth month-on-month due to strong growth exports.

The weakness is visible strikingly at dealer level. Total vehicle registrations fell 28% MoM in April 2021. Two wheeler segment saw a drop in terms of volumes, which dropped a whopping 28% to 8,65,134 units as compared to 11,98,445 units in March 2021. Passenger vehicles, three-wheelers, commercial vehicles and tractors fell by 25%, 43%, 24% and 45% respectively, according data released by Federal of Automobile Dealers Association. When it comes to YoY, since April 2020 saw zero registrations due to lockdown, when compared to April 2019, numbers look disappointing. When compared to April 2019, all segments except tractors saw de-growth. While tractors posted a growth of 3.52%, two-wheelers, three wheelers, passenger vehicles and commercial vehicles fell by 35.4%, 56%, 12% and 35% respectively.

May 2021 volumes are going to be more sluggish than April 2021. Closure of nearly 70% of dealer showrooms is going to affect dealers' cash position and in turn retail sales. Ongoing rally in commodities prices is likely to prompt OEMs to go for another round of price hikes – this since January 2021. This coupled with rise in petrol and diesel prices would not only hurt the consumer sentiment but also make logistics and supply chain expensive for OEMs. Ongoing regional lockdowns, which are being extended across the states are likely to hurt the supply chains hurting the production of OEMs.

**- DR. RAVI SINGH**

Vice President & Head of Research

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## NEWS

### AUTO

- Apollo Tyres Q4FY21:** The company has reported a total income of Rs.5087.57 Cr during the period ended March 31, 2021, as compared to Rs.3607.74 Cr during the period ended March 31, 2020. The company has posted net profit / (loss) of Rs. 287.26 Cr for the period ended March 31, 2021, as against net profit / (loss) of Rs.77.86 Cr for the period ended March 31, 2020. The company has reported EPS of Rs.4.52 for the period ended March 31, 2021, as compared to Rs.3.04 for the period ended March 31, 2020. The company reported an EBITDA of Rs. 8100 Cr, up 70% YoY. The board declared a final dividend of Rs. 3.50 per share.
- Lumax:** Lumax Group is investing Rs. 250 Cr in capital expenditure this fiscal to set up an electronics plant at Bawal in Haryana and augment capacity at the Sanand plant in Gujarat.
- Battery makers:** India has approved an Rs. 18,100 Cr production-linked incentive scheme for building Tesla-style Giga factories to manufacture batteries. The plan is to set up 50 gigawatt-hour (GWh) manufacturing capacity for advanced chemistry cell batteries by attracting investments totaling Rs. 45,000 Cr. This move by the government should benefit Exide Industries and Ama Raja Industries.

### BANKING

- PNB Scam:** Court issues show-cause notice to Nirav Modi. The special court had in December 2019 declared Nirav Modi a fugitive economic offender, on a plea of the Enforcement Directorate (ED), which is conducting a probe into the case.
- IDBI Bank:** IDBI Bank's CMD said that the government's plans for stake sale would not affect the bank's future plans. Last week, the Cabinet had approved strategic disinvestment in the transfer of management control in IDBI Bank. Even as the government has announced its stake sale, IDBI Bank is going ahead with obtaining shareholder approval for raising capital.

### INFRA

- Shipping Corporation of India:** The company's Q4FY21 net profit fell 23 percent to Rs. 85.76 Cr from Rs. 111 Cr, while income declined to Rs. 900.73 Cr from Rs. 1,391.85 Cr, YoY.
- Hindustan Construction Company:** The company's joint venture with KEC International won an Rs. 1,147 Cr order from Chennai Metro Rail.

### IT

- Tata Consultancy Services:** has launched a cloud-based subscription solution to help the media and publishing industry transform customer experience and shift to subscription-based order-to-cash processes for physical and digital content.
- Infosys:** Infosys Collaborates with RXR Realty to Develop a Smart Office Platform Running on Microsoft Azure for Safe Return to Work.

### METAL

- Jindal Steel and Power:** Riding on the current upcycle in global as well as domestic steel prices, JSPL clocked a net profit of Rs. 5,527 Cr for FY21. For the fourth quarter, the company reported 23 times to jump in its consolidated profit after tax to Rs. 1,900.51 Cr. JSPL's annual consolidated gross revenue grew by 224% year-on-year to Rs. 42,745 Cr.
- Vedanta:** The company reported a consolidated profit of Rs. 6,432 Cr for March quarter of 2020-21 as against a loss of Rs. 12,521 Cr in the year-ago period. Revenue increased to Rs. 29,065 Cr from Rs. 20,382 Cr, YoY.
- Hindalco Industries:** The company's subsidiary Novelis' Q4FY21 net income from continuing operations rose 186 percent YoY to \$ 180 million and net sales increased 33 percent YoY to \$3.6 billion.

### OIL & GAS

- ONGC:** ONGC has agreed to do away with charging users a marketing margin on the gas it plans to produce from its KG basin field but refused to lower the minimum rate, according to tender documents.

### PHARMA & HEALTHCARE

- Lupin Q4FY21:** Net Revenue at Rs. 3783.1 Cr, -1.6% YoY and -5.8% QoQ. EBITDA at Rs. 707.6 Cr, +34.7% YoY and -9.1% QoQ. EBITDA Margin at 18.7%, +504 bps YoY and -68 bps QoQ. Net Profit at Rs. 464.4 Cr, +18.7% YoY and +5.2% QoQ.
- Polycab India Q4FY21:** Net Revenue at Rs. 3037.4 Cr, +42.6% YoY and +8.5% QoQ. EBITDA at Rs. 421.3 Cr, +40.1% YoY and +12.1% QoQ. EBITDA Margin at 13.9%, -25 bps YoY and 44 bps QoQ. Net Profit at Rs. 283.2 Cr, +31.6% YoY and +7.4% QoQ.
- Eris Lifesciences Q4FY21:** Net Revenue at Rs. 278.2 Cr, +11.9% YoY and -10.4% QoQ. EBITDA at Rs. 94.5 Cr, +22.4% YoY and -11.8% QoQ. EBITDA Margin at 34%, +290 bps YoY and -57 bps QoQ. Net Profit at Rs. 68.3 Cr, +21.3% YoY and -24.3% QoQ.
- Torrent Pharma:** Joining a group of leading Indian pharmaceutical companies, Torrent Pharma has entered into a voluntary licensing agreement with Eli Lilly and Company to make the Covid-19 drug baricitinib in India.

## FORTHCOMING EVENTS

COMPANY NAME	EVENT	EX-DATE
Bharti Airtel Limited	Financial Results	17-May-21
Colgate Palmolive (India) Limited	Financial Results	17-May-21
The Federal Bank Limited	Financial Results	17-May-21
Canara Bank	Financial Results	18-May-21
Indian Oil Corporation Limited	Financial Results	18-May-21
Manappuram Finance Limited	Financial Results	18-May-21
Tata Motors Limited	Financial Results	18-May-21
Tata Motors Limited	Financial Results	18-May-21
Torrent Pharmaceuticals Limited	Financial Results	18-May-21
Indiabulls Housing Finance Limited	Financial Results	19-May-21
Havells India Limited	Financial Results	20-May-21
Hindustan Petroleum Corporation Limited	Financial Results	20-May-21
Torrent Power Limited	Financial Results	20-May-21
Zee Entertainment Enterprises Limited	Financial Results	20-May-21
Bosch Limited	Financial Results	20-May-21
Godrej Industries Limited	Financial Results	21-May-21
Hindalco Industries Limited	Financial Results	21-May-21
JSW Steel Limited	Financial Results	21-May-21
United Spirits Limited	Financial Results	21-May-21
SHREE CEMENT LIMITED	Financial Results	21-May-21
Amara Raja Batteries Limited	Financial Results	22-May-21

## GLOBAL NEWS

- China says supports talks on WTO proposal for intellectual property waiver for COVID-19 vaccines.** China's Commerce Ministry spokesman Gao Feng said on Thursday that China supports a proposal by the World Trade Organization for an intellectual property protection waiver on COVID-19 vaccines to enter the consultation stage.
- Tesla will no longer accept bitcoin says Elon Musk, citing environmental concerns.** According to a report by Reuters, Tesla Inc will no longer accept bitcoin for car purchases, Chief Executive Elon Musk said on May 12, citing long-brewing environmental concerns for a swift reversal in the company's position on the cryptocurrency.

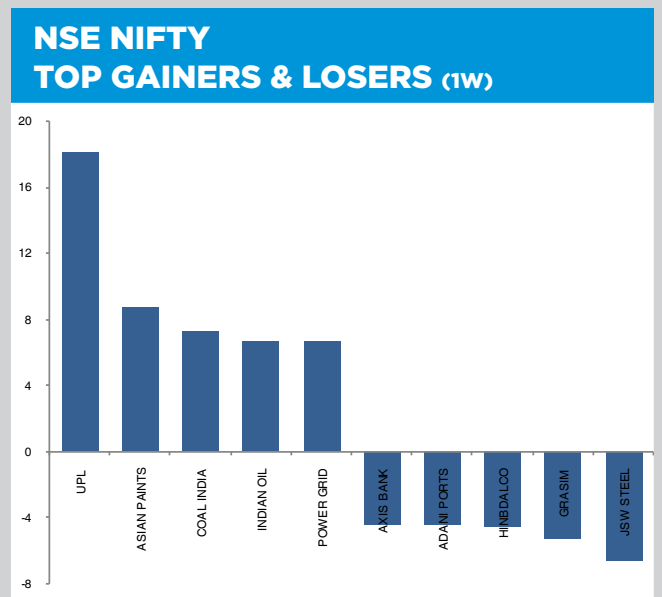
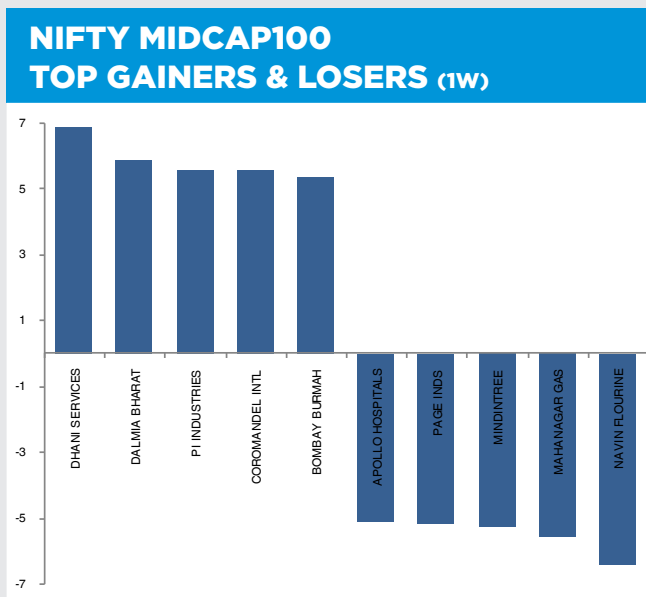
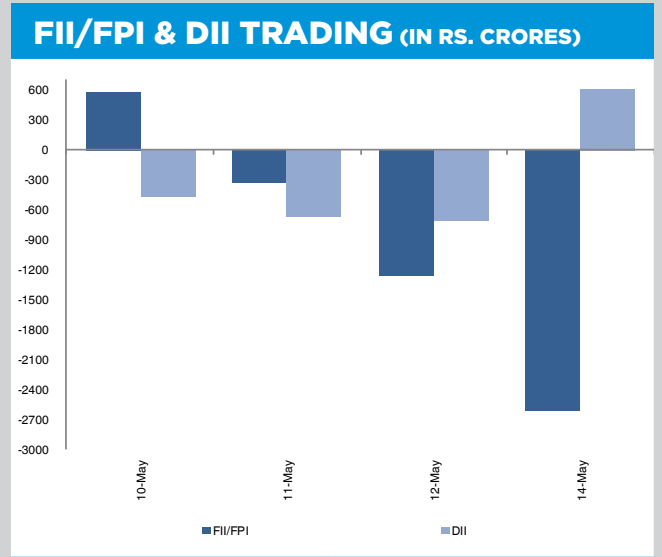
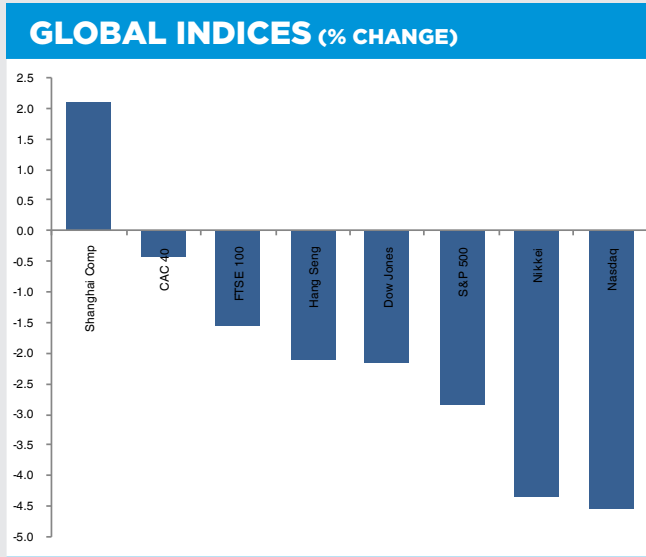
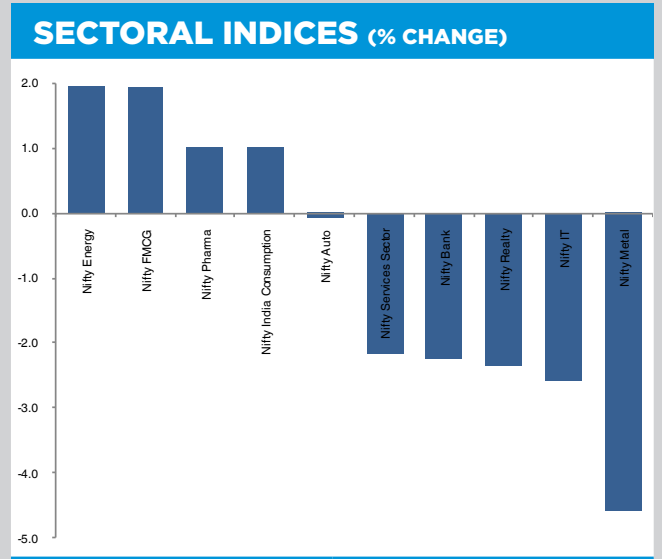
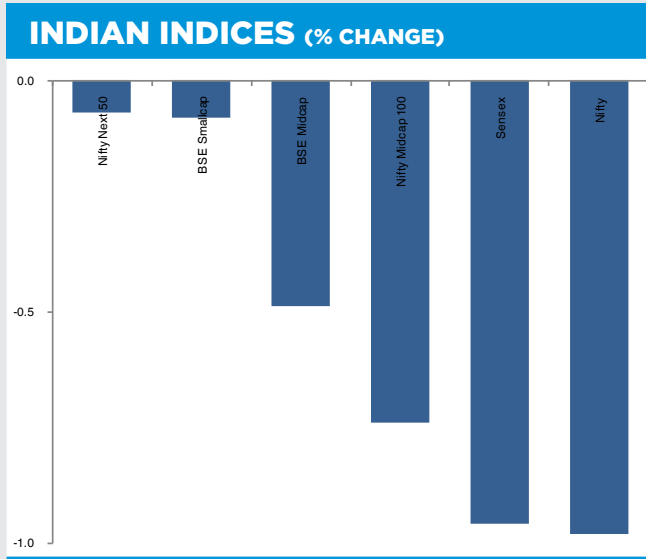
- Cadila Healthcare:** Cadila Healthcare said its wholly-owned Zydus Animal Health and Investment Limited (Z AHL) has entered into a Business Transfer Agreement with Zenex Animal Health India Private Limited to sell its animal healthcare business for ₹2,921 Cr.
- Piramal Enterprises Q4FY21:** The company reported a consolidated net loss of Rs. 510 Cr for the quarter ended 31 March 2021. The company had posted a net loss of Rs. 1702.59 Cr for the same quarter last year. Consolidated revenue from operations advanced 1.83% to rs. 3,402 Cr during the quarter under review as against Rs. 3,341 Cr for the corresponding quarter of the previous fiscal.

### POWER

- Tata Power Ltd:** The Company's board has approved a proposal to raise up to Rs. 5,500 Cr through the issuance of non-convertible debentures. The NCDs can be issued on a private placement basis to any persons, entities, companies, banks, and financial institutions. The funds so raised will be utilized for refinancing of existing loans, among others, it stated.

### TELECOM

- Bharti Airtel Ltd:** The telco's Africa unit reported a net profit of \$ 415 million for the financial year ended March, compared to \$ 408 million a year ago, the company said in a statement. Airtel Africa Plc's revenue from operations stood at \$ 3,888 million, up 19.4% in constant currency.



Source: Karvy Research

## ICICI BANK LTD



STOCK	ICICIBANK
CMP	597
ACTION	BUY
ENTRY	590-593
AVERAGE	570
STOP LOSS	530
TARGET 1	675
TARGET 2	700

On the technical front, ICICIBANK 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 680 levels, the stock has witnessed a correction to the current levels. At the current juncture, the stock has formed a base of around 530 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 570 levels. This may trigger a fresh round of buying which may take the stock towards 675 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 700 levels in the medium term. Any correction towards the recent support levels of 570 levels may be utilized to average the positions.

## ITC LTD



STOCK	ITC
CMP	213
ACTION	BUY
ENTRY	210-211
AVERAGE	200
STOP LOSS	190
TARGET 1	240
TARGET 2	250

On the technical front, ITC 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 239 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 190 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 240 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 250 levels in the short term. Any correction towards the recent support levels of 200 levels may be utilized to average the positions.



**NIFTY (14677.80):** Indian equity benchmark index Nifty 50 closed lower by 0.98% during the week. For the last year, 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. Stocks in Asia-Pacific mostly rose on Friday, following an overnight bounce for stocks stateside. Investors also continued to monitor the coronavirus situation in India, with official data released Friday showing 4,000 Covid-19 deaths reported in the last 24 hours. European shares continued a sharp rebound on Friday, alongside other global markets, following a sell-off in stocks at the start of the trading week. Back in Europe, UK Prime Minister Boris Johnson has said his government is concerned about the increased transmissibility of the new Covid-19 variant first detected in India and indicated that nothing can be ruled out in potential efforts to curtail it. The US stocks jumped on Friday led by technology shares and reopening trades, as Wall Street rebounded for a second day from steep losses earlier this week. The major averages experienced a roller-coaster week that saw the blue-chip Dow drop nearly 1,200 points from Monday to Wednesday. The indexes have since rebounded from the steep sell-off, but they still posted modest losses for the week as inflation fears hit sentiment. The Dow and the S&P 500 fell more than 1% each this week, while tech stocks got hit especially hard, pulling the Nasdaq down over 2.3% for the week. 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** has underperformed Nifty this week as Bank Nifty ended down -2% vs Nifty's loss of -1%. Nifty Bank started the week on a positive note but ended the week weak with losses of -2%. Of the four trading sessions during the week Nifty Bank ended positively only on first trading day but ended in red for the remaining 3 sessions. During the week Nifty Bank made a failed attempt to breach 100 DMA but crashed and ended the week exactly in the support zone of 32000-32200. Remains to be seen how the index fares during the next week as some of the largest public sector banks are yet to announce their Q4FY21 numbers. During the week, things started moving fast on national bad bank front. Things became clear on the ownership structure as PSBs are likely to own majority stake in the proposed bad bank. The government also named, SBI's Padmakumar M Nair as the CEO of National Asset Reconstruction Company Ltd (NARCL). While this is sentimentally positive for the sector with PSBs actually reacting positively, banking stocks are trading weak since the beginning of the second wave of corona after putting up a stellar rally. Markets are really worried about the impact of the regional and partial lockdowns on banking industry's ability to recover loans, business growth and potential spike in NPAs. RBI acted proactively and extended relief for MSMEs, the worst affected borrower segment. RBI has also announced restructuring for other vulnerable segments including individual borrowers and micro firms. While this is positive, investors are really waiting for some clarity on how the pandemic situation evolves. This week's individual components' performance has been mixed with Bank of Baroda being top gainer with gains of 5%. Bandhan Bank is the worst performer with losses of -5.65%. Among heavy weights, while SBI ended flat, top private sector banks including HDFC Bank and ICICI ended down with mild losses of 2%, Kotak, Indusind and Axis ended with losses of more than 4%. The index may face resistance at 32300 followed by 34300. Nifty Bank may take support at 32000-31900, followed by 30500.