

K **STREET**



RULE THE MARKET

ISSUE: 142



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From The Desk Of Research Head

Credit Growth – Risks remain

Systemic credit growth in the economy has picked up finally and came in at 6.5%, highest in past 6 months. Non-food credit growth came in at 6.5% vs 5.7% YoY posted during Jan '21. YTD bank credit growth has been picking up gradually from negative zone in the initial months of opening up of the economy to 3.3% in Feb 2021. Non-food credit growth picked up to 6.5% in Feb 2021 YoY vs growth of 5.7% recorded in Jan 2021. Industrial credit growth remained flattish in Feb 2021 but still remained in negative territory both for Feb 2021 and on YTD basis. YTD, industrial credit remained deep in negative zone. Credit to large industries which constitutes nearly 80% of total industrial credit still remained in deep negative territory with capex yet to revive and large industries still in deleveraging mode. With government giving green signal for IBC proceedings and India's apex court lifting dispensation on NPA recognition, expect NPAs to spike further, resulting in banks remaining averse to lending to large industries.

Industry credit growth came in flattish but remained in negative zone. For the month of February 2021, the industrial credit growth was up -0.2% but YTD, it remains deep in negative zone and has remained sticky around -4% to -5% for the past 7 months. Credit to large industries, which constitutes around 80% to overall industrial credit and nearly a quarter of the systemic credit is the real culprit. Credit to large industries still remain in deep red zone due to a) subdued industrial capex activity b) risk averse banks and c) lot of industries still in deleveraging mode. We expect the scenario to continue with downside risks. Key downside risks include a) risk of concentrated short lockdowns in select locations and b) banks may continue to remain averse to lending to the sector due to expected spike in NPAs as regulatory dispensations end.

Retail credit has been the driving force behind the overall credit growth. It has contributed nearly 78% of overall incremental credit YTD over previous year. Retail credit has shown a sharp uptick during Feb 2021 by growing 8.6% YTD vs 6.7% during Jan 2021. Within retail loans the growth was led by home loans, gold loans and other personal loans. Home loans contribute nearly half of total retail loans. The primary factors behind strong traction in home loans include attractive schemes by illiquid builders to clear inventory, record low home loan interest rates, tax benefits and other incentives announced by central government in budget to kick start ailing real estate sector and attractive incentives announced by banks .

After remaining sticky around 8.8% for about 3 months, credit to services sector finally saw an uptick to 9.3%. YTD credit to services sector has finally picked up to 3.5% from 1.6% seen in Jan 2021. The services sector was the last one to recover and came out of the negative territory in Jan 2021. While there are some downside risks to the credit growth to services sector growth due to rising covid cases and increasing risk of social distancing norms, the key constituents of services sector namely trade and NBFCs which put together constitute 56% of total credit to services sector are expected to remain resilient from these risks. Other segments of the services sector including transport operators, aviation, tourism and hotels and commercial real estate, which put together, constitute 18% of total services sector credit might get negatively impacted due to imposing of social distancing norms.

- DR. RAVI SINGH

Vice President & Head of Research

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NEWS

AUTO

- Apollo Tyres: The tire maker said it has received permission from the authorities to re-start operations at its manufacturing plant at Perambra in Kerala from May 21. On May 17, the company had informed about the closure of the plant till May 23, 2021, pursuant to directives issued by the District Government authority.
- Endurance Technologies Q4FY21: Net Revenue at Rs. 2132.9 Cr, +33.6% YoY and +4.5% QoQ. EBITDA at Rs. 332.2 Cr, +39.7% YoY and -5.7% QoQ. EBITDA Margin at 15.6%, +68 bps YoY and -168 bps QoQ. Net Profit at Rs. 187.3 Cr, +75.3% YoY and -1.5% QoQ.
- JK Tyre & Industries Q4FY21: Net Revenue at Rs. 2927.3 Cr, +63.1% YoY and +5.7% QoQ. EBITDA at Rs. 454.7 Cr, +119.2% YoY and -9.1% QoQ. EBITDA Margin at 15.5%, +398 bps YoY and -254 bps QoQ. Net Profit at Rs. 195.0 Cr vs loss of Rs. 52.8 Cr YoY and -15.4% QoQ.

BANKING

- Axis Bank: The government has raised about Rs. 4,000 Cr from the sale of 1.95% stake in the bank held through SUUTI. "The OFS of Axis Bank got good response from investors with SUUTI garnering about Rs. 4,000 Cr (subject to reconciliation). Thanks to all for their participation," DIPAM Secretary Tuhin Kanta Pandey tweeted.
- State Bank of India: The public sector lender is expected to report a profit of Rs. 6,166.2 Cr in the three months to March, up from Rs. 3,580.8 Cr in the same period last year, according to a Bloomberg estimate of 10 analysts. The bank will declare its Q4FY21 and full year results on Friday.
- ICICI Bank: The private sector lender's cardholder base grew by a record 672,911 during the March quarter, while HDFC Bank's portfolio contracted by 322,999 in the same period, latest data released by the central bank showed. SBI Card and Axis Bank added 331,523 and 273,310 cards, respectively.
- Union Bank of India: The bank said it has raised Rs. 1,447 Cr through qualified institutional placement. The bank's QIP issue had opened on May 17 at an issue price of Rs. 33.82 per share.
- City Union Bank: The RBI has imposed monetary penalty on City Union Bank for non-compliance with certain provisions contained in the RBI (Lending to Micro, Small & Medium Enterprises (MSME) Sector) Directions, 2017 and the circulars on educational loan scheme and credit flow to agriculture.

CEMENT

- JK Lakshmi Cement: The company reported a higher consolidated profit of Rs. 152.91 Cr in Q4FY21 against Rs. 99.15 Cr in Q4FY20, revenue rose to Rs. 1,424.32 Cr from Rs. 1,137.47 Cr YoY.

CONSUMPTION

- Havells India Q4FY21: Net Revenue at Rs. 3339.2 Cr, +50.6% YoY and +5.2% QoQ. EBITDA at Rs. 508.1 Cr, +107.8% YoY and -0.4% QoQ. EBITDA Margin at 15.2%, +419 bps YoY and -85 bps QoQ. Net Profit at Rs. 303.8 Cr, +71% YoY and -13.2% QoQ.
- Relaxo Footwears Q4FY21: Net Revenue at Rs. 747.7 Cr, +38.3% YoY and +11.3% QoQ. EBITDA at Rs. 162.9 Cr, +69.3% YoY and +9.5% QoQ. EBITDA Margin at 21.8%, +399 bps YoY and -35 bps QoQ. Net Profit at Rs. 102.2 Cr, +97.3% YoY and +13.5% QoQ.
- Reliance Retail: Reliance Retail and Reliance Fashion have approached the National Company Law Tribunal (NCLT) seeking its permission to hold meetings of their shareholders and creditors to consider and approve the proposed merger with Future Group's retail, logistics and warehousing business in an Rs. 24,713 Cr deal.
- Prism Johnson Q4FY21: Net Revenue at Rs. 1850.2 Cr, +24.8% YoY and +21.3% QoQ. EBITDA at Rs. 237.5 Cr, +76.8% YoY and +24.8% QoQ. EBITDA Margin at 12.8%, +378 bps YoY and +36 bps QoQ. Net Profit at Rs. 157.4 Cr vs loss of Rs. 38.0 Cr YoY and +228.3% QoQ.
- Heritage Foods Q4FY21: Net Revenue at Rs. 619.4 Cr, -5.1% YoY and +2.4% QoQ. EBITDA at Rs. 45.4 Cr vs loss of Rs. 327.1 Cr YoY and -20.8% QoQ. EBITDA Margin at 7.3%, +5746 bps YoY and -215 bps QoQ. Net Profit at Rs. 24.2 Cr vs loss of Rs. 209.9 Cr YoY and -6.9% QoQ.

INFRA

- Jaypee Infratech: Creditors' panel of the bankrupt company decided to start the voting process on Suraksha group's offer from next week and rejected the plan proposed by state-owned NBCC, sources told PTI. NBCC's bid was reportedly found to be non-compliant with certain provisions of the insolvency law.

IT

- Mindtree: Bengaluru-based Mindtree Ltd has agreed to acquire the NxT Digital Business, the cloud-based platform of L&T, for a total consideration of Rs. 198 Cr. The acquisition is expected to enhance Mindtree's cloud-based internet of things and artificial intelligence capabilities for industry 4.0.

FORTHCOMING EVENTS

COMPANY NAME	EVENT	EX-DATE
Grasim Industries Limited	Financial Results	24-May-21
Ramco Industries Limited	Financial Results	24-May-21
Berger Paints (I) Limited	Financial Results	26-May-21
Bharat Petroleum Corporation Limited	Financial Results	26-May-21
Pfizer Limited	Financial Results	26-May-21
Cadila Healthcare Limited	Financial Results	27-May-21
Eicher Motors Limited	Financial Results	27-May-21
Page Industries Limited	Financial Results	27-May-21
Sun Pharmaceutical Industries Limited	Financial Results	27-May-21
Glenmark Pharmaceuticals Limited	Financial Results	28-May-21
Mahindra & Mahindra Limited	Financial Results	28-May-21
REC Limited	Financial Results	28-May-21
Divi's Laboratories Limited	Financial Results	29-May-21
Bank of Baroda	Financial Results	29-May-21

GLOBAL NEWS

- Iran says world powers accept sanctions should end; crude falls. Iran's already preparing its oil fields so it can ramp up exports if sanctions are eased.
- Nissan, Suzuki Motor to curtail production in June due to chip shortage. Nissan Motor Co will idle its factory in Kyushu, southern Japan, for three days on June 24, 25, and 28, while making production adjustments during the month at its Tochigi and Oppama plants in Japan, three sources said.

MEDIA

- Zee Entertainment Enterprises Q4FY21: Net Revenue at Rs. 1965.8 Cr, +0.8% YoY and -28% QoQ. EBITDA at Rs. 561.6 Cr, +199.8% YoY and -11.1% QoQ. EBITDA Margin at 28.6%, +5740 bps YoY and +542 bps QoQ. Net Profit at Rs. 272.4 Cr, +135.6% YoY and -31.6% QoQ.
- NDTV Q4FY21: Media firm NDTV reported an over two-fold jump in consolidated net profit at Rs. 24.09 Cr for the fourth quarter ended March 2021. The company had posted a net profit of Rs. 9.20 Cr during the January-March period a year ago, New Delhi Television Ltd (NDTV) said in a BSE filing.

OIL & GAS

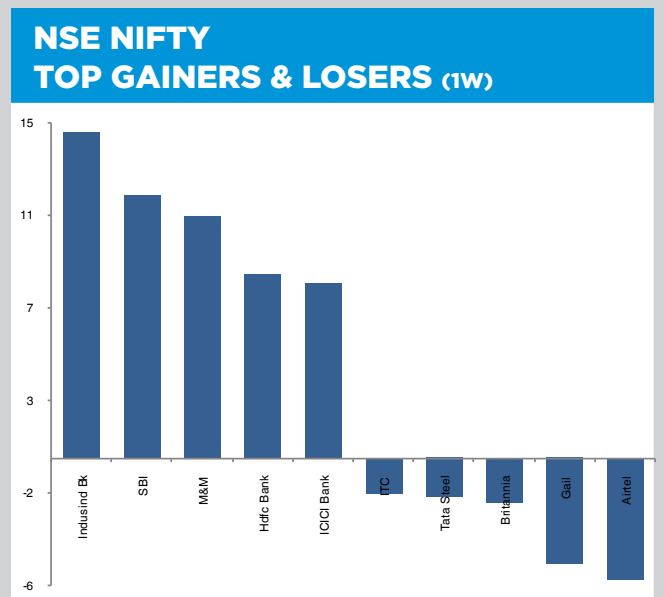
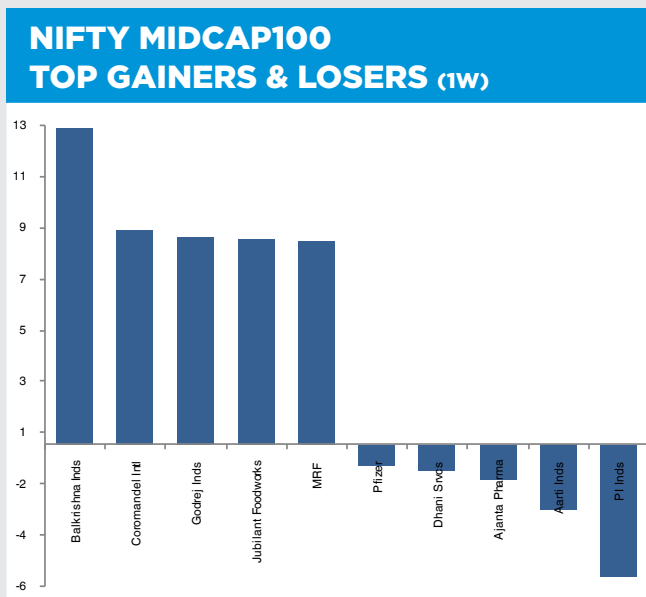
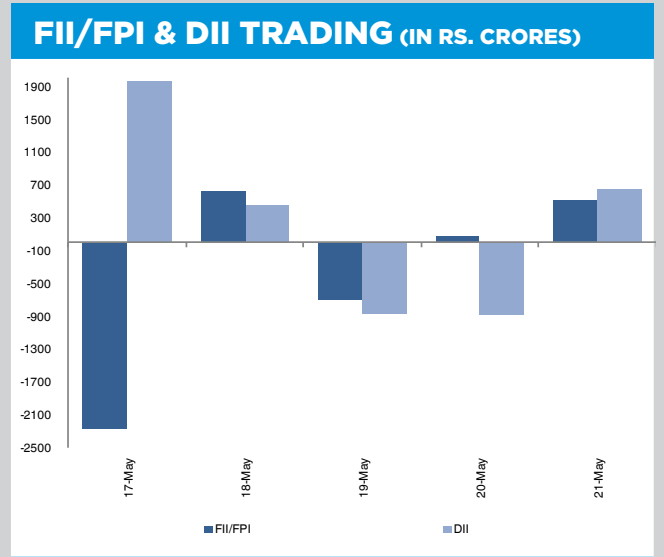
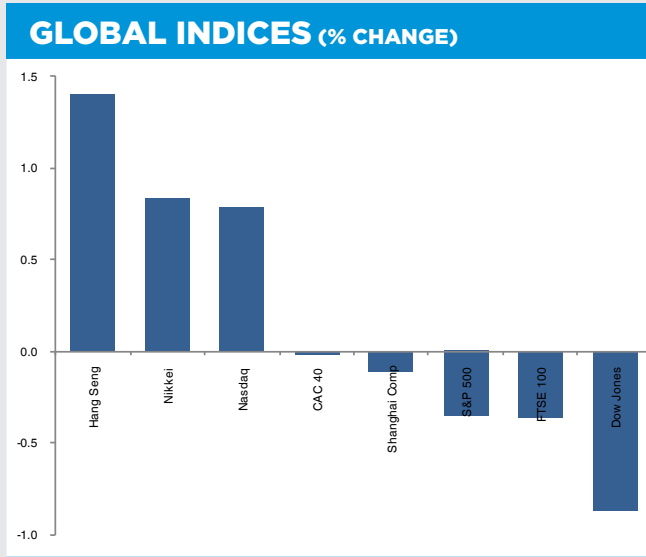
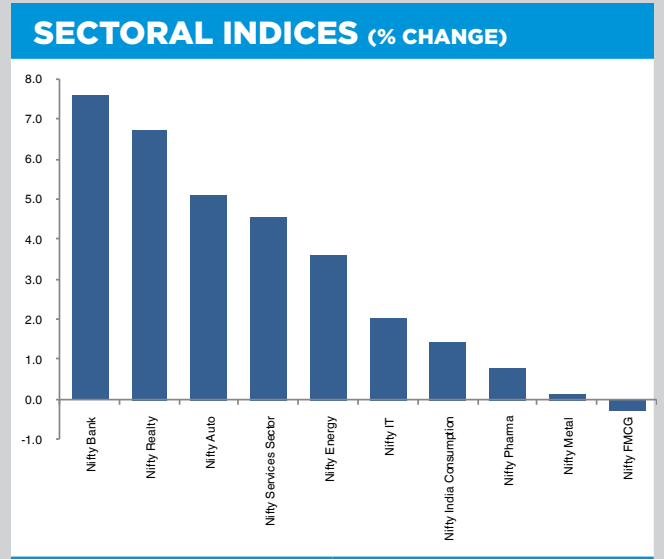
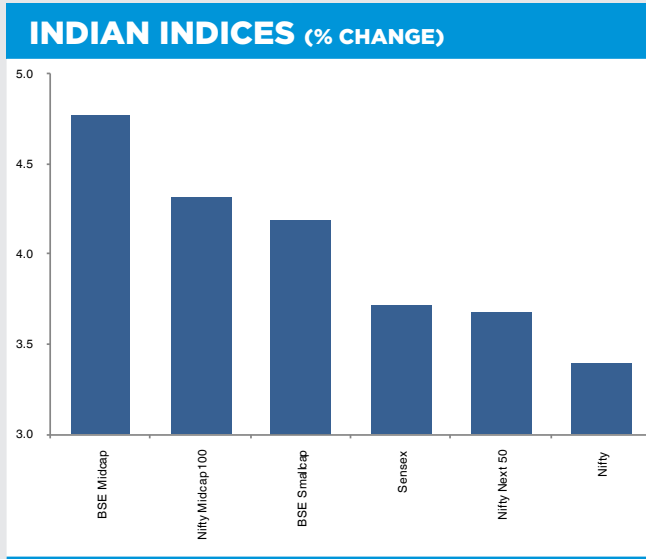
- HPCL Q4FY21: Net Revenue at Rs. 85264.8 Cr, +19% YoY and +10% QoQ. EBITDA at Rs. 4736.7 Cr, +1557.9% YoY and +43.7% QoQ. EBITDA Margin at 5.6%, +601 bps YoY, and +130 bps QoQ. Net Profit at Rs. 3060.7 Cr, +11177.5% YoY and +28.9% QoQ.

PHARMA & HEALTHCARE

- Apollo Hospitals: Healthcare major Apollo Hospitals has upgraded the capacity of Chittoor district hospital to 850 beds as part of efforts to fight the COVID-19 pandemic, Apollo Hospitals Group Joint MD Sangita Reddy said on Thursday.

POWER

- Torrent Power: The company reported a consolidated profit of Rs. 398.1 Cr in Q4FY21 against a loss of Rs. 273.94 Cr in Q4FY20, revenue rose to Rs. 3,084.13 Cr from Rs. 2,983.5 Cr YoY. The company approved the issuance of non-convertible debentures up to Rs. 2,000 Cr in one or more tranches by way of the private placement.
- Dalmia Bharat: Subsidiary Dalmia Power has sold a 4.47 percent stake in Indian Energy Exchange (IEX) for Rs. 487.55 Cr through an open market transaction.
- Suzlon Energy: The company's board has approved the allotment of 2.36 crore equity shares following the conversion of dollar-denominated bonds.



Source: Karvy Research

HOUSING DEVELOPMENT FINANCE CORP LTD



STOCK	HDFC
CMP	2522
ACTION	BUY
ENTRY	2500-2510
AVERAGE	2380
STOP LOSS	2179
TARGET 1	2850
TARGET 2	2900

On the technical front, HDFC 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 2896 levels, the stock has witnessed a correction to the current levels. At the current juncture, the stock has formed a base of around 2179 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 2380 levels. This may trigger a fresh round of buying which may take the stock towards 2850 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 2900 levels in the medium term. Any correction towards the recent support levels of 570 levels may be utilized to average the positions.

TATA MOTORS LTD



STOCK	TATAMOTORS
CMP	312
ACTION	BUY
ENTRY	309-310
AVERAGE	286
STOP LOSS	255
TARGET 1	375
TARGET 2	400

On the technical front, TATAMOTORS 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 357 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 255 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 375 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 400 levels in the short term. Any correction towards the recent support levels of 286 levels may be utilized to average the positions.

