

# **K** STREET

**RULE THE MARKET**

ISSUE: 140



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## From The Desk Of Research Head

### RBI reacts proactively to COVID 2.0

RBI has adopted a proactive approach to deal with the adversities of economic fallout of COVID 2.0 (covid-19 second wave). On May 5 RBI announced a series of liquidity support and relief measures to support the lenders and borrowers who are directly impacted by the pandemic. RBI's macroeconomic assessment has broadly remained the same from RBI's monetary policy meeting outcome on April 7. RBI has remained cautiously optimistic about India's FY22 growth rate underpinned by expectations of a normal monsoon, sustained growth in agri sector and continued support from rural demand and based on its assessment of various economic lead indicators released so far. On the inflation front, RBI expects food inflation to ease further amid forecasts of normal monsoon and expects future inflation trajectory to depend on how covid situation plays out. It is against this macro backdrop that RBI has announced following measures to deal with the likely economic fallout of the Covid-2.0.

RBI announced on-tap liquidity window of Rs. 50,000 Cr to ramp up covid-related healthcare infrastructure with tenor of up to 3 years will be open till March 31, 2021. All such loans will be considered as priority sector lending for classification purposes by banks. Further, banks can create covid loan book under the scheme and park excess liquidity equal to the amount of such covid loan fund with RBI for interest rate of 40 bps higher than RBI's reverse repo rate.

RBI has announced special long-term repo operations (SLTRO) to the tune of Rs. 10000 Cr at repo rate for small finance banks, allowing them to lend up to Rs. 10 lakhs per borrower. This facility will be available till October 31, 2021. Further, fresh lending to MFIs with asset size of up to Rs. 500 Cr done by SFBs for on-lending purposes to individual borrowers will be considered as PSL. This facility is open till March 31, 2022. With a view to incentivize lending to MSME borrowers, RBI in Feb 2021 allowed scheduled commercial banks to deduct credit disbursed to new MSME borrowers with exposures till Rs. 25 lakhs from their NDTL for calculation of CRR. With intent to further incentivize and encourage inclusion of unbanked MSME borrowers into the banking system, RBI has extended this facility from October 1, 2021 to December 31, 2021.

RBI has announced restructuring under resolution framework 2.0 for covid-related stressed assets of individuals, small businesses and MSMEs. Borrowers including individuals, small businesses and MSMEs having aggregate exposure of up to Rs. 25 Cr and those who have not availed restructuring under any of the earlier restructuring frameworks (including Resolution Framework 1.0 announced on Aug 6, 2020) and those borrowers who were classified as 'standard' as on March 31, 2021, shall be eligible to be restructured under resolution framework 2.0. Restructuring under the framework 2.0 can be invoked up to September 30, 2021 and have to be implemented within 90 days after invocation. For those borrowers who have availed restructuring under framework 1.0, banks are allowed to extend the residual tenor by another two years.

Keeping in mind the potential pandemic related stress being faced by banks and as a measure to enable capital conservation, RBI has allowed banks to use 100% of floating provision/counter cyclical buffer held as on December 31, 2020 for making specific provisions for NPAs with prior approval of their boards. Such utilization is permitted with immediate effect and till March 31, 2022.

RBI has announced certain relaxations with regard to use of OD facility by state governments. The maximum number of days OD can be used has been increased from 36 to 50 days in a given quarter and the number of consecutive days of OD has been increased to 21 days from 14 days. This facility will be available till Sep 30, 2021.

RBI has reacted proactively by acting to reduce the adverse impact on grass-root level due to trickle-down effect. It rightly focused on those categories of customer segments and borrowers including small businesses, MSMEs, small finance banks and MFIs, who are likely to be worst affected as was the case during first wave of covid.

**- DR. RAVI SINGH**

Vice President & Head of Research

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## NEWS

### AUTO

- CEAT to make a fresh investment of Rs. 1200 Cr in truck and bus plant. The fresh investment is over and above the investment of Rs. 3500 Cr announced by the company a few years ago. A part of this investment will go towards the expansion of the existing plant in Halol, Gujarat, and the balance will go towards setting up a brownfield plant in Chennai - the company's base for car radial tires.
- Sundram Fasteners Q4FY21: Net profit up 158% at Rs. 140.78 Cr Vs Rs. 54.57 Cr (YoY) and Revenue up 53.2% at 1273.1 Cr Vs Rs. 830.91 Cr (YoY). The Board of directors has declared an interim dividend of Rs. 3.40 per share.
- Mahindra & Mahindra: The group has announced the setting up of an advanced design centre for mobility products in the UK. Mahindra Advanced Design Europe is being set up in the West Midlands, and the new Centre of Excellence will be a part of the Mahindra global design network that includes the Mahindra Design Studio in Mumbai, and Pininfarina Design in Turin (Italy).
- Hero MotoCorp Q4FY21: The two-wheeler maker has reported a 39.3% YoY rise in profit after tax at Rs. 865 Cr for the quarter ended March 31, 2021. It had posted a profit of Rs. 621 Cr in the same quarter of the last financial year. Revenue from operation rose 39.2% YoY to Rs. 8,686 Cr as against Rs. 6,238 Cr posted last year. EBITDA stood at Rs. 1,211.5 Cr, up 83.6%, from Rs. 660 Cr posted last year. The margin improved to 13.9% in Q4FY21 against 10.6% posted in Q4FY20. The company's board also recommended a final dividend of Rs. 25 per share for the financial year ended March and a special dividend of Rs. 10 per share. Dr. Pawan Munjal has been re-appointed as the Chairman and CEO for a term of five (5) years with effect from October 1, 2021, subject to the approval of shareholders at the ensuing Annual General Meeting of the Company to be held on August 4, 2021.

### BANKING

- PSBs: PSBs form alliance to provide door-step banking services through an entity called Cordex. Besides, PSBs private-sector lenders including IDBI Bank and ICICI Bank held a stake in Cordex but surrendered their stake in favor of PSBs.
- SBI: SBI MD said that PSBs will only lead the bad bank - National Asset Reconstruction Company (NARC). He further said that if all lenders, including private sector banks, come on board, the National Asset Reconstruction Company (NARC) announced in the budget will be able to aggregate 100% of a sick company's outstanding loans, which shall ultimately lead to better resolution of the asset quality stress for all.

### CAPITAL GOODS

- Praj Industries Q4FY21: Net profit up 109.2% at Rs. 52.01 Cr Vs Rs. 24.86 Cr (YoY) and Revenue up 91.4% at Rs. 567.1 Cr Vs Rs. 296.29 Cr (YoY). Board has declared a final dividend of Rs. 2.16 per equity share.

### CONSUMPTION

- Blue Star Q4FY21: Net profit at Rs. 67.97 Cr Vs Rs. 8.9 Cr (YoY) and Revenue up 24% at Rs. 1611.56 Cr Vs Rs. 1299.36 Cr (YoY). Board recommended a final dividend of Rs. 4.00 per share.
- Tata Consumer Products Q4FY21: Net profit up 170.5% at Rs. 53.9 Cr Vs Rs. -76.49 Cr (YoY) and Revenue up 26.3% at Rs. 3037.22 Cr Vs Rs. 2405.03 Cr (YoY). Board has proposed a final dividend of Rs. 4.05 per share.
- Apcotex Industries Q4FY21: Net profit at Rs. 22.59 Cr Vs Rs. 3.06 Cr (YoY) and Revenue up 61.7% at Rs. 186.91 Cr Vs Rs. 115.62 Cr (YoY). Board recommended a final dividend of Rs. 2.00 per share.
- Procter & Gamble Health Q4FY21: Net profit down -66.1% at Rs. 15.77 Cr Vs Rs. 46.46 Cr (YoY) and Revenue down -3.9% at Rs. 219.15 Cr Vs Rs. 228.1 Cr (YoY).
- Century Textiles & Industries Q4FY21: Net loss at Rs. -8.41 Cr Vs profit Rs. 82.11 Cr (YoY) and Revenue up 6.8% at Rs. 839.39 Cr Vs Rs. 786.21 Cr (YoY). Board has recommended a dividend of Rs. 1.00 per share.
- Raymond Q4FY21: Net profit at Rs. 56.45 Cr Vs loss of Rs. -68.25 Cr (YoY) and Revenue up 6.8% at Rs. 1365.66 Cr Vs Rs. 1278.65 Cr (YoY).

### INFRA

- Sadbhav Infrastructure: Canada Pension Plan Investment Board is acquiring an additional 15.9% of the total units in IndInfravit Trust, an infrastructure trust (InvIT). CPP Investments has acquired 7% of the units from Sadbhav Infrastructure Project Limited and will acquire an additional 8.9% from L&T IDPL.
- Shipping Corporation of India: US-based Safesea Megha Engineering and Infrastructure and a consortium led by NRI businessman Ravi Mehrotra have been shortlisted as potential buyers for the government of India's stake in Shipping Corporation of India.

### INSURANCE

- SBI Life: US private equity fund CA Emerald Investments is looking to sell a 3.5% stake in SBI Life Insurance Company worth Rs 3,307 crore through a block deal. The sale price has been fixed at 945 apiece, which is at a 2.5% discount on Thursday's closing price of 969.30. As of March

## FORTHCOMING EVENTS

COMPANY NAME	EVENT	EX-DATE
Siemens Limited	Financial Results	11-May-21
Asian Paints Limited	Financial Results	12-May-21
Jindal Steel & Power Limited	Financial Results	12-May-21
Lupin Limited	Financial Results	12-May-21
Apollo Tyres Limited	Financial Results	12-May-21
Tata Power Company Limited	Financial Results	12-May-21
UPL Limited	Financial Results	12-May-21
Voltas Limited	Financial Results	12-May-21
Pidilite Industries Limited	Financial Results	12-May-21
Equitas Holdings Limited	Financial Results	13-May-21
Mphasis Limited	Financial Results	13-May-21
Piramal Enterprises Limited	Financial Results	13-May-21
Vedanta Limited	Financial Results	13-May-21
Cipla Limited	Financial Results	14-May-21
Dr. Reddy's Laboratories Limited	Financial Results	14-May-21
Escorts Limited	Financial Results	14-May-21
Larsen & Toubro Limited	Financial Results	14-May-21
Balkrishna Industries Limited	Financial Results	14-May-21

## GLOBAL NEWS

- WHO gives emergency approval to Sinopharm, the first Chinese COVID-19 vaccine. The vaccine, one of two main Chinese shots that collectively have already been given to hundreds of millions of people in China and abroad, becomes the first COVID-19 shot developed by a non-Western country to win the WHO's backing.
- US economy likely created nearly a million jobs in April. The Labor Department's closely watched employment report on Friday will be the first to show the impact of the White House's \$1.9 trillion COVID-19 pandemic rescue package, which was approved in March. It is likely to show the economy entered the second quarter with even greater momentum, firmly putting it.

31, 2021, CA Emerald Investments held a 6% stake in the company, CA Emerald Investments is an affiliate of Carlyle Asia Partners.

### IT

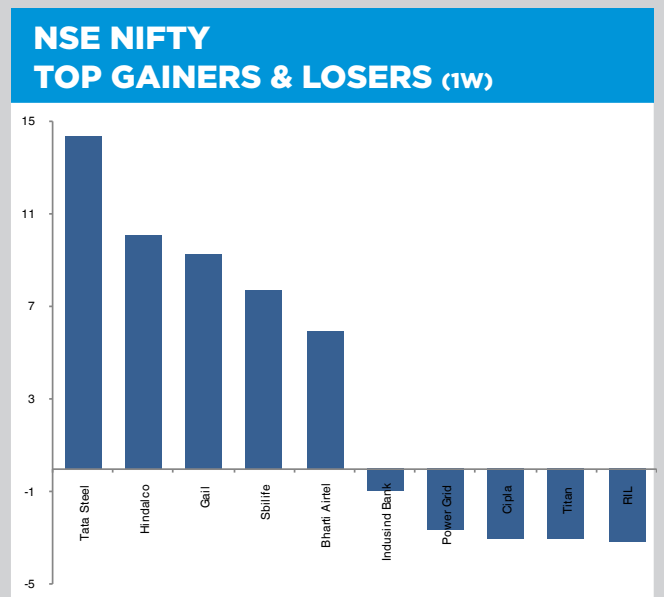
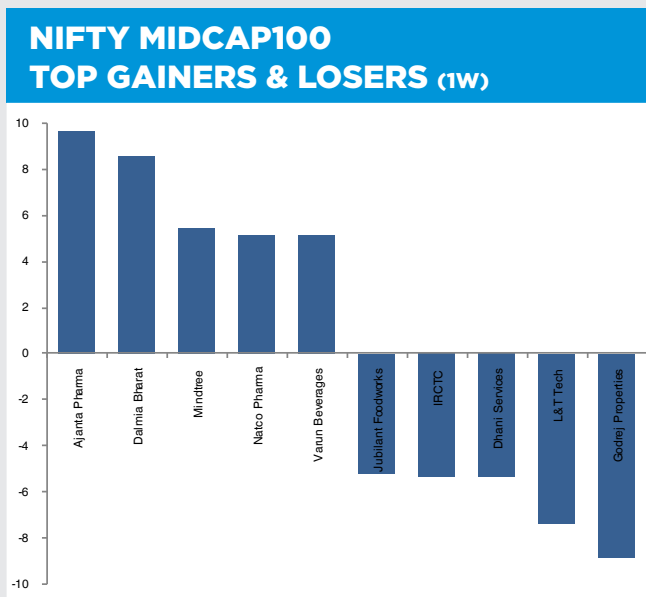
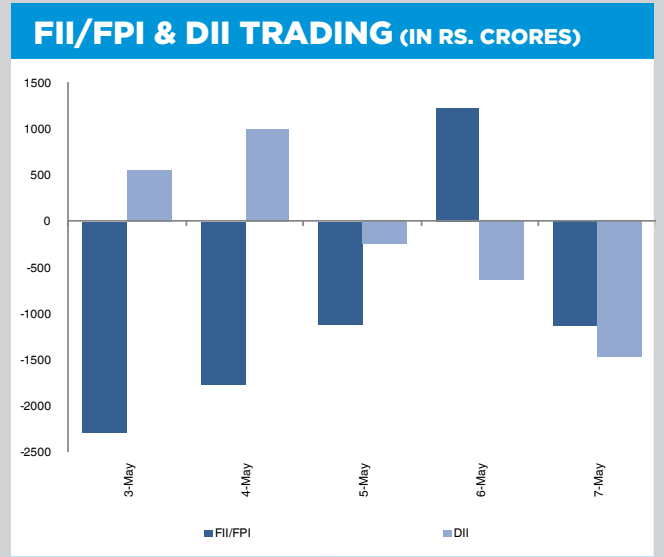
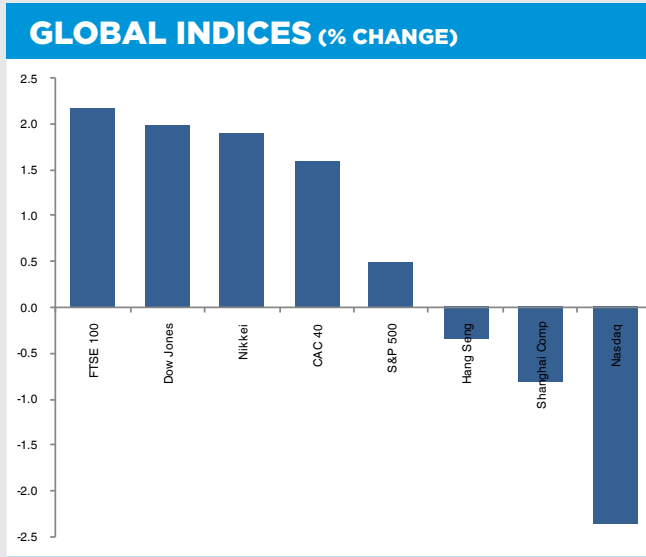
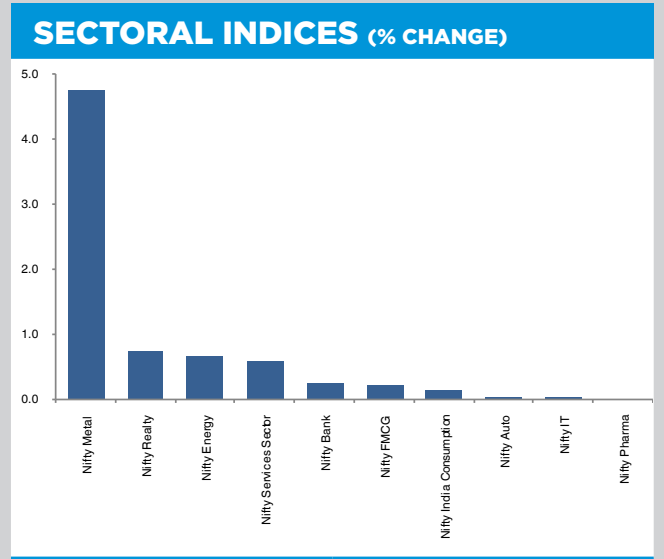
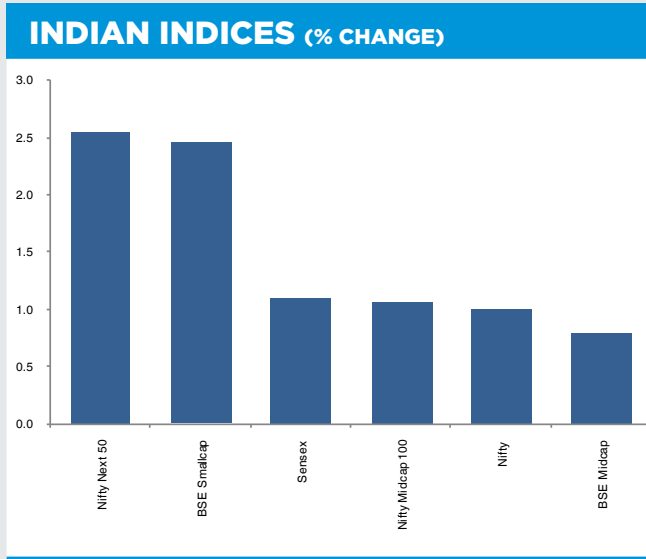
- TCS: TCS launches a new consulting framework to help enterprises drive transformation and growth. TCS Enterprise Navigator - TCS's integrated, consulting-led transformation framework guides C-suite leaders through the transformation journey and accelerates the time to value.
- Coforge Q4FY21: Net profit up 17.1% at Rs. 133 Cr Vs Rs. 113.6 Cr (YoY) and Revenue up 13.7% at Rs. 1261.5 Cr Vs Rs. 1109.3 Cr (YoY).

### NBFC

- IIFL Finance Q4FY21: Net profit at Rs. 247.62 Cr Vs Rs. 58.74 Cr (YoY) and Revenue up 22.4% at Rs. 1598.49 Cr Vs Rs. 1306.24 Cr (YoY).
- CreditAccess Grameen Q4FY21: Net profit at Rs. 76.87 Cr Vs Rs. 28.84 Cr (YoY) and Revenue up 50.3% at Rs. 723.91 Cr Vs Rs. 481.71 Cr (YoY).

### POWER

- Adani Power Q4FY21: Net profit at Rs. 13.13 Cr Vs loss of Rs. -1312.86 Cr (YoY) and Revenue up 3.3% at Rs. 6373.6 Cr Vs Rs. 6172.43 Cr (YoY).
- Adani Transmission Q4FY21: Net profit at Rs. 238.42 Cr Vs Rs. 94.3 Cr (YoY) and Revenue down -14.4% at Rs. 2726.61 Cr Vs Rs. 3186.96 Cr (YoY).



Source: Karvy Research

## ADANI PORTS & SPECIAL ECONOMIC ZONE LTD



STOCK	ADANIPTS
CMP	765
ACTION	BUY
ENTRY	758-760
AVERAGE	715
STOP LOSS	657
TARGET 1	870
TARGET 2	900

On the technical front, ADANIPTS 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 885 levels, the stock has witnessed a correction to the current levels. At the current juncture, the stock has formed a base of around 657 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 715 levels. This may trigger a fresh round of buying which may take the stock towards 870 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 715 levels may be utilized to average the positions.

## HOUSING DEVELOPMENT FINANCE CORP LTD



STOCK	HDFC
CMP	2491
ACTION	BUY
ENTRY	2470-2475
AVERAGE	2380
STOP LOSS	2179
TARGET 1	2800
TARGET 2	2900

On the technical front, HDFC 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 2896 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 2179 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 2800 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 2900 levels in the short term. Any correction towards the recent support levels of 2179 levels may be utilized to average the positions.



**NIFTY (14823.15):** Indian equity benchmark index Nifty 50 closed higher by 1.31% 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. Asia-Pacific markets traded mixed Friday, with some indexes shedding gains, ahead of the US jobs report due later in the day that might provide some indication on what the Fed could do next. European stocks closed higher Friday as investors digested a fresh batch of quarterly earnings reports and economic data. German exports grew 1.2% in March to notch an 11th consecutive month of expansion, new data from the country's Statistics Office revealed Friday, while industrial output in Europe's largest economy grew 2.5% month-on-month. French industrial output grew 0.8% in March. US stocks jumped to record levels on Friday even after disappointing April jobs report as the weak number made investors believe easy monetary policies that powered the market's historic rebound will stay in place for longer. Some investors also dismissed the report as a one-time blip that doesn't signal any slowdown in the economic recovery. The US Labor Department said nonfarm payrolls increased by just 266,000 in April, far less than the 1 million total economists were expecting, according to Dow Jones. The unemployment rate rose to 6.1% last month amid an escalating shortage of available workers, higher than an expectation of 5.8%. Meanwhile, March's originally estimated total of 916,000 was revised down to 770,00. Domestically, for the week, on the data front, investors may focus on the CPI (YoY) (Apr) releasing on May 12th and WPI Inflation (YoY) (Apr) on May 14th. 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 15100 levels may act as resistance.



**NIFTY BANK** has underperformed Nifty this week as Bank Nifty ended flat vs Nifty's gains of 1%. Nifty Bank started the week on a negative note but bounced back after taking support at 31900 and bounced back strongly. Nifty made higher highs and higher lows during the 5 trading sessions during the week. While the index lost -1.6% in the first two trading sessions of the week, Bank nifty gained 1.6% on the day RBI announced relief measures and liquidity support to deal with the covid's second wave. The index has been trading with a negative set up as concerns have been looming over spike in NPAs as the nation looks to be bracing for another lockdown amid surging covid cases and a stretched healthcare infrastructure. During the week, Nifty Bank has breached 25 DMA but made a failed attempt to breach 100 DMA but closed below it. During the week, RBI announced relief measures and liquidity support to lenders and borrowers proactively to minimise the adverse impact at the grassroot level due to trickledown effect. It announced liquidity support to healthcare sector and small finance banks and MFIs, who lend to small borrowers, small firms and MSMEs. RBI has also announced restructuring 2.0 to support genuine small borrowers who were the worst hit during the lockdown previous year. RBI has also allowed banks to use countercyclical and floating provision buffer to provide for additional stress. RBI has also announced second round of bond auction under G-SAP to put a check on yields. All these measures will likely help PSBs, small finance banks and banks with high exposure to MSMEs. However, concerns over spike in NPAs ruled over optimism over the relief measures and the Bank Nifty has ended the week on a flattish note without any major gains. During the week PSBs including PNB and BoB were top performers with gains more than 5% and Bandhan Bank was worst performer which ended down-9%. The index may face resistance at 34300 followed by 36470. Nifty Bank may take support at 32000-31900, followed by 30500.