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RULE THE MARKET

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

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From The Desk Of Research Head

Auto sales to slow down in the coming months

May 2021 was a washout month for Indian OEMs, which reported a sequential double digit de-growth in their volumes. However, it is noteworthy that MoM comparison is not meaningful during difficult circumstances induced by the pandemic. May 2021 was marked with a confluence of factors which resulted in dismal performance. Sharp spike in covid cases resulted in localised lockdowns. This coupled with shortage of oxygen and health risks to employees prompted many OEMs to prepone annual maintenance shutdowns to May, because of which OEMs remained shut for most of May 2021. Additionally, supply chain challenges including global shortage of semi-conductor and shut down of more than two-thirds of dealer network resulted in steep double digit decline in volume growth across players and segments.

After reporting sustained acceleration of growth throughout the recovery phase of the first wave of the pandemic, PV sales have nosedived mostly due to supply chain factors. Maruti Suzuki reported a sequential decline of 71% driven by an equally sharp decline in core segments including mini and compact and UV segments. M&M's volumes declined 56%. Tata Motors looks to be least affected among three largest listed PV makers. Tata Motors reported a sequential decline of 40%. Clear picture on demand for PVs would be out when retail volumes are reported. Large inventory at dealer level, which have remained shut for most of May 2021 might indicate that June 2021 would also be lacklustre month for wholesale volumes of PVs.

In two-wheelers (2W) segment, market leader Hero MotoCorp reported sequential decline of 51%, led by sharp fall in scooters volumes. Bajaj Auto reported a sequential decline of 31%. While Bajaj Auto's domestic volumes suffered in line with other players, strong exports growth saved the day for the company. Eicher Motors reported a decline of 49%, even as high-end models continued to show improvement. Three-wheeler volumes continued to remain weak. Slight improvement in 3W export volumes was reported by Bajaj

Tractors outperformed rest of the segments where the adverse impact is much lower than other segments. While M&M reported a decline of 12%, Escorts' volumes declined 8%. VST Tillers outshined other players and is the only player to report month-on-month growth of 22% in tractors. CV's performance continued to remain sluggish as was the case even before second wave.

It cannot be ruled out as a one off phenomena disrupted by the pandemic. We expect the auto bandwagon to slowdown in the near future. Retail sales numbers released by the Federation of Automobile Dealers Association (FADA) for the month of May 2021 confirms the same. Sales of all categories of vehicles fell by a huge degree when compared to April 2021 and May 2019. Of all the segments 3W was the worst hit with a contraction of 90% when compared to May 2019 and 76% MoM. All the remaining categories reported a fall of more than 70% over May 2019, with PVs sales being an exception which reported a decline of 64% for the same period. Overall vehicle sales (across the categories) were down -71%.

While the reasons for the dismal performance are obvious, this leaves a key take away about the future trend. Dealers are already carrying huge inventories – more than 45 days – as nearly 70% of the dealer network remained shut during April and May due to localised lockdowns. A sharp fall in wholesale dispatches in May 2021 is a blessing in disguise for these dealers to clear their inventory. But now that all OEMs have restarted their operations, they would be aggressive in pushing their volumes to make for the loss suffered during May. This should take at least two months for dealers to correct the excessive inventories being carried by them. But anyway with phase-wise relaxations and due to pent up demand, auto sales should pick up from mid-July or August 2021.

- DR. RAVI SINGH

Vice President & Head of Research

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NEWS

AUTO

- Auto stocks: Total vehicle registrations in May 2021 fell 54.79% to 5,35,855 units as against 11,85,374 units in April 2021, according to data released by the Federation of Automobile Dealers Associations (Fada) on Thursday. The sales were 70.69% lower when compared to 18,22,566 units sold in May 2019.
- Munjal Auto Industries Q4FY21: Net Revenue at Rs. 622.1 Cr, Rs. 342.1 Cr YoY, Rs. 644.6 Cr QoQ (+81.9% YoY, -3.5% QoQ). EBITDA at Rs. 40.1 Cr, Rs. 10.9 Cr YoY, Rs. 24.1 Cr QoQ (+268.1% YoY, +66.1% QoQ). EBITDA Margin at 6.4%.
- +326 bps YoY and +270 bps QoQ. Net Profit at Rs. 19.5 Cr, Rs. -1.4 Cr YoY, Rs. 5.7 Cr QoQ (+242.6% QoQ)

BANKING

- Yes Bank: The lender's board has approved the raising of funds worth Rs. 10,000 Cr by the issue of debt securities including but not limited to non-convertible debentures, bonds, Medium Term Note (MTN).

CEMENT

- Star Cement: The company's net sales rose at 9.69% to Rs. 602.62 Cr in March 2021 from Rs. 549.38 Cr a year ago. The company's quarterly net profit fell 0.62% to Rs. 85.30 Cr in March 2021 down from Rs. 85.83 Cr for the same period a year ago.

CONSUMPTION

- Bata India Q4FY21: Net Revenue at Rs. 589.9 Cr, Rs. 620.6 Cr YoY, Rs. 615.6 Cr QoQ (-4.9% YoY, -4.2% QoQ). EBITDA at Rs. 112.1 Cr, Rs. 139.7 Cr YoY, Rs. 117.8 Cr QoQ (-19.7% YoY, -4.8% QoQ). EBITDA Margin at 19%, -350 bps YoY and -12 bps QoQ. Net Profit at Rs. 29.5 Cr, Rs. 38.4 Cr YoY, Rs. 26.4 Cr QoQ (-23.3% YoY, +11.6% QoQ).
- Crompton Greaves Consumer Electricals: Private equity firm Advent International Corp divested its entire 5.36 percent stake in household appliances firm for a little over Rs. 1,348 Cr through multiple open market transactions.

INFRA

- Jaypee Infratech: The company's financial creditors have decided to put the bids of NBCC and Suraksha group to vote after both parties submitted final offers for the debt-laden company. The winning bidder will acquire Jaypee Infratech Ltd (JIL), which went into insolvency nearly four years ago, as well as complete more than 20,000 pending flats across various projects in Delhi-NCR. The voting process is likely to start from Monday next week and continue till 23 June.
- Gayatri Projects: The National Highways Authority of India (NHAI) has declared the company as a non-performer and has prohibited it from participating in the ongoing and future bids of NHAI till the defects on the current project are not completely rectified as per contract requirement.
- Adani Enterprises: The company is preparing to raise nearly \$1 billion in 2021 through an initial public offering (IPO) by Adani Wilmer, sources said. The Adani Group has begun preliminary talks to separate its airport business from holding entity Adani Enterprises as a first step toward listing the unit, according to sources.

INSURANCE & FINANCIAL SERVICES

- PTC India Financial Services Q4FY21: Net Revenue at Rs. 274.3 Cr, Rs. 332.8 Cr YoY, Rs. 269.3 Cr QoQ (-17.6% YoY, +1.8% QoQ). Net Profit at Rs. -53.7 Cr, Rs. 7.1 Cr YoY, Rs. 20.8 Cr QoQ (-860.8% YoY, -357.4% QoQ).
- Bajaj Allianz Life Insurance: The insurer has declared bonuses worth Rs. 1,156 Cr to its policyholders, including a special one-time bonus of Rs. 315 Cr, over and above the regular bonus.

IT

- TCS: The software company said that it has paid Rs. 33,873 Cr through dividend and buyback in FY21. TCS paid Rs. 16,000 Cr alone via a buyback. It returned 95% of free cash flow to the shareholders in the last financial year.
- Wipro Ltd: The IT services major said that its step-down subsidiary, Wipro IT Services, has approved a proposal for issuing US dollar-denominated notes of up to \$ 750 million. The net proceeds of the notes, which are proposed to be listed on the Singapore Stock Exchange, are intended to be utilized for refinancing existing debt and general corporate purposes, a regulatory filing said.
- eClerx Q4FY21: eClerx reported a growth of 8.8% in Q4FY21 Revenue to Rs. 1564.5 Cr; Revenue in \$ terms was up 5.5% YoY. EBIT was up 34.1% YoY, PAT was up 35.1%.

METAL

- JSW Steel: The company said that its crude steel production in May 2021 was up 10% to 13.67 lakh tonnes from 12.48 lakh tonnes a year ago. The average capacity utilization was 91% as liquid oxygen supplies for medical purposes increased to 30,000 tonnes in May from 20,000 in April.

FORTHCOMING EVENTS

COMPANY NAME	EVENT	EX-DATE
Coal India Limited	Financial Results	14-Jun-21
IDFC Limited	Financial Results	14-Jun-21
Jubilant Foodworks Limited	Financial Results	15-Jun-21
LIC Housing Finance Limited	Financial Results	15-Jun-21
Power Finance Corporation Limited	Financial Results	15-Jun-21
CESC Limited	Financial Results	16-Jun-21
D.B.Corp Limited	Financial Results	17-Jun-21
Natco Pharma Limited	Financial Results	17-Jun-21

GLOBAL NEWS

- UK economy posts record annual jump in April, up 27.6 percent. In April alone, output rose by 2.3%, marking the fastest growth since July, the Office for National Statistics (ONS) said, and compared with the Reuters poll consensus for a 2.2% increase. But British economic output is still 3.7% lower than in February 2020, before the pandemic led to lockdown measures.
- America may be 'back' at G7, but allies' doubts about US democracy linger. Biden faces lingering doubts about America's reliability as a partner. Leaders from the Group of Seven advanced economies, NATO and the European Union are worried about the pendulum of US politics swinging yet again, and are looking for concrete action, not words after the shock of the Trump years.

NBFC

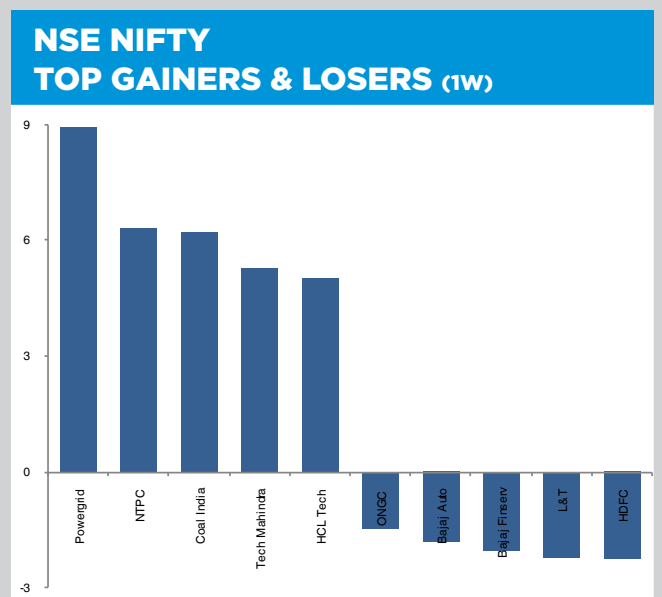
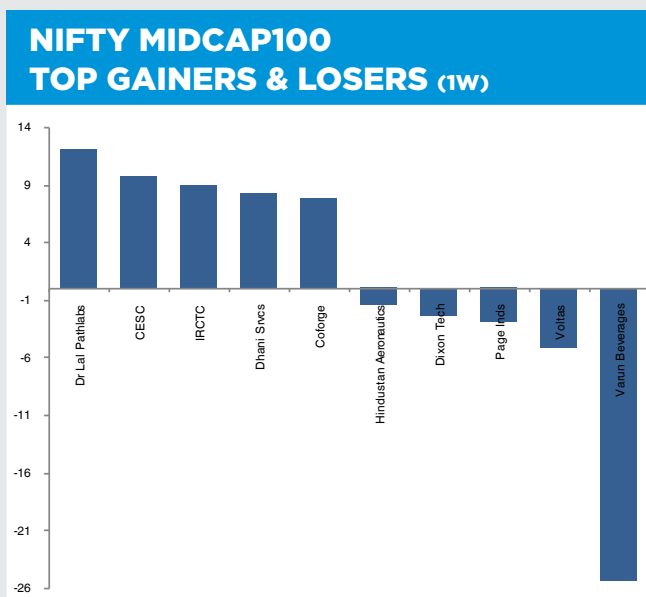
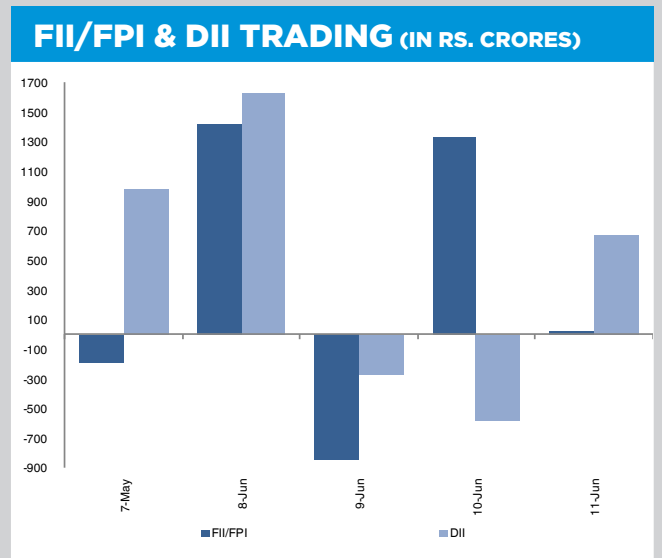
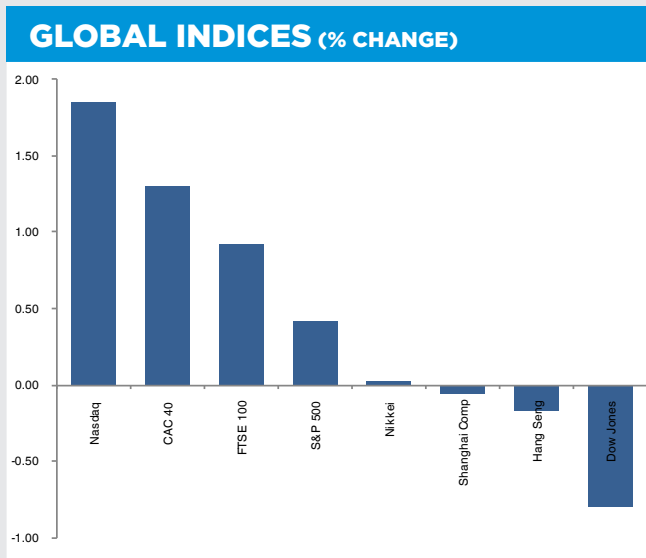
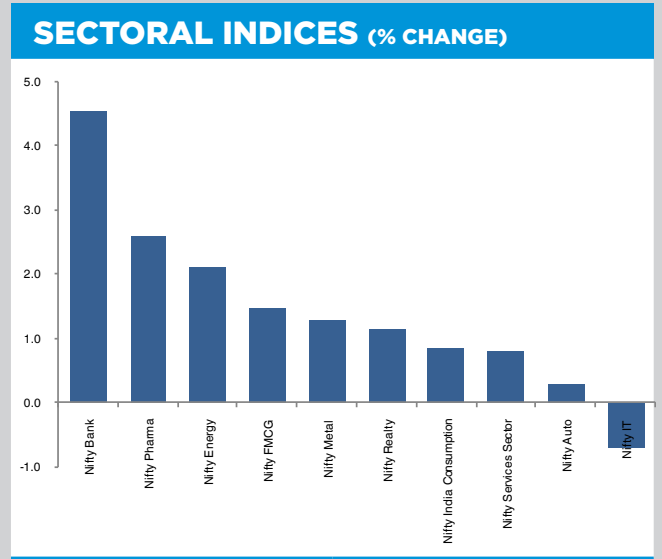
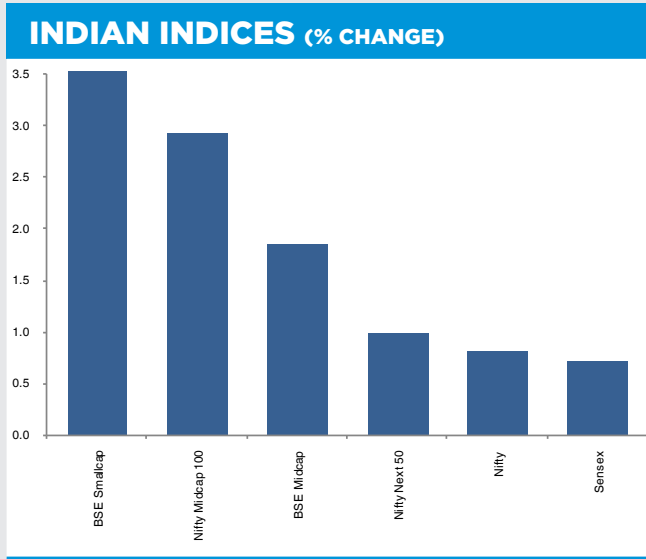
- Dewan Housing Finance Corporation Ltd: The company has reported a consolidated net profit of Rs. 96.75 Cr for the quarter ended March 31, 2021. The housing finance company had posted a consolidated loss of Rs. 7,507.01 Cr in the corresponding quarter of the previous fiscal.
- LIC Housing Finance: The company's board of directors is scheduled for 15 June to consider fundraising by the issue of equity shares and/or other securities by way of preferential issue or through any other permissible modes, subject to such approvals as may be required under applicable law.

POWER

- NHPC Limited: Consolidated Q4 net profit at Rs. 464.60 Cr against Rs. 258.83 Cr, YoY. The company board approved at the meeting held on June 10 the proposal for raising of debt up to Rs. 4300 Cr during the financial year 2021-22 through the issuance of bonds on a private placement basis.
- Tata Power Co. Ltd: The company's unit Coastal Gujarat Power Ltd has issued and allotted unsecured, rated, listed, taxable, guaranteed, redeemable non-convertible debentures (NCDs) worth Rs. 570 Cr on a private placement basis for a tenor of three years.
- PowerGrid Corporation of India: The company's board will consider a proposal to issue bonus shares to its shareholders in a meeting scheduled on June 17.
- GE T&D India: The company posted a net profit of Rs. 16.11 Cr in Q4FY21 as against a loss of Rs. 187.13 Cr, YoY. Total income rose to Rs. 934.23 Cr from Rs. 698.47 Cr, YoY.

REALTY

- Godrej Properties: Godrej Projects Development, a wholly-owned subsidiary of the company has acquired 20 percent issued and paid-up share capital of Vagishwari Land Developers.
- Puravankara: The company completed the transaction of sale of shares of its 100 percent subsidiary- Vagishwari Land Developers and received a sum of Rs. 150 Cr from GBTC II (Asset A) PTE. Ltd. and Godrej Projects Development Ltd.



Source: Karvy Research

HINDALCO INDUSTRIES LTD



STOCK	HINDALCO
CMP	393
ACTION	BUY
ENTRY	390-391
AVERAGE	380-381
STOP LOSS	345
TARGET 1	440
TARGET 2	450

On the technical front, HINDALCO 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 427 levels, the stock has witnessed a correction to the current levels. At the current juncture, the stock has formed a base of around 345 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 380-381 levels. This may trigger a fresh round of buying which may take the stock towards 440 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 450 levels in the medium term. Any correction towards the recent support levels of 380-381 levels may be utilized to average the positions.

SUN PHARMACEUTICAL INDUSTRIES LTD



STOCK	SUNPHARMA
CMP	681
ACTION	BUY
ENTRY	675-677
AVERAGE	660
STOP LOSS	630
TARGET 1	730
TARGET 2	750

On the technical front, SUNPHARMA 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 721 levels, the stock has witnessed a round of profit booking which dragged the counter towards the short-term moving average of 21- EMA on the daily charts. At the current juncture, the stock is forming a base around 630 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 730 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 750 levels in the short term. Any correction towards the recent support levels of 660 levels may be utilized to average the positions.



NIFTY (15799.35): Indian equity benchmark index Nifty 50 closed higher by 0.82% during the week. During the last four months, the index witnessed a bounce towards the current levels after correcting from 15431 levels towards the low of 14151 levels. Technically, from April 2021, 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 15310 levels in future sessions. Shares in Asia-Pacific were mixed in Friday trade, with the BSE Sensex in India touching a record high. European markets climbed to record highs on Friday as traders shrugged off a sharp rise in the US inflation, with many strategists believing it to be transitory. G-7 leaders met on Friday in Cornwall, UK, where they are expected to publicly endorse a global minimum corporate tax of at least 15% on Friday, part of a broader agreement to update international tax laws for a globalized, digital economy. The Office for UK National Statistics said GDP remains 3.7% below its February 2020 pre-pandemic level, but is now 1.2% above its initial recovery peak in October 2020. Industrial, manufacturing, and construction outputs for April came in considerably lower than expected, however. US stocks rose slightly on Friday with the S&P 500 adding to its new record, as Wall Street wrapped up the week on a high note. The US market built on Thursday's gain as investors shrugged off a report showing inflation rising at its fastest pace since 2008. The Consumer Price Index jumped 5% in May from a year earlier, at a slightly higher pace than expected. Domestically, for the week, on the data front, investors may focus on the WPI Inflation (YoY) (May) and CPI (YoY) (May) releasing on June 14th. On the derivatives front, open interest data suggests that the Nifty index may find its supports around 15800 followed by 15700 levels while on the higher side, 16000 and 16200 levels may act as resistance.



NIFTY BANK underperformed Nifty this week as it closed down -1% when compared to 1% gains posted by Nifty. The index opened the week on a weak note and lost nearly 2% on the first two trading days of the week. However, it bounced back 1% only to end the last trading of the week with modest losses. As noted by us in our previous commentaries, the chart of Nifty Bank was flattening and looked ripe for a mini correction which was visible during the week. While the index took support at 34600 and bounced back, the index pattern still looks weak. However, the index is still trading above all near term moving averages, which is a positive sign. Fundamentally, there were quite a few positive developments, especially in the context of stressed asset resolution. The sector identified bad assets worth Rs. 89000 Cr to be transferred to newly formed National Asset Reconstruction Company (NARC). Apart from this, resolution of sticky NPAs like Jaypee Infratech, DHFL, Videocon and Vijaymallya have neared resolution much to the relief of the banks. However, rise in covid cases and localised lockdowns have dented not just credit growth of banks during May and April but also severely affected their recoveries. The stress on the books was visible in sharp jump in check bounces, which is the first indication of stress. However, things might change once lockdown restrictions are completely lifted and business operations reach normalcy. This anyway depends on the effectiveness of vaccine rollout and future trend of fresh covid cases. While the chart is flattening, there will be comfort from an economic recovery perspective only if the curve starts falling on a sustained basis. Given this backdrop, investors appear to be curious and nervous about the June quarter results by the banks. In this context, banking stocks might consolidate for a while as valuations appear stretched in some cases. There is no surprise that the sector has lost leadership in the market rally. Nifty Bank may face resistance at 35700 followed by 37000. Nifty Bank may take support at 34600, followed by 32000.