

K ₹ STREET

RULE THE MARKET

ISSUE: 144



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From The Desk Of Research Head

RBI maintains status quo

RBI's Monetary Policy Committee (MPC) has concluded its three-day meeting on June 4 and decided to maintain status quo. RBI left key policy rates unchanged at record low levels. The policy announcement is the first after announcing intermediate relief measures on May 5 2021, amid serious economic disruptions caused by the second wave of the pandemic. The MPC has also decided to continue with the accommodative stance as long as necessary to revive and sustain growth on a sustainable basis while ensuring that inflation remains within target range.

The RBI has taken an optimistic note of future economic outlook. However, it has revised the economic growth projection downwards from 10.5% to 9.5%. A strong rural economy, sustained by expected normal south-west monsoon bodes well for sustained buoyancy of economic growth going forward. However, RBI sees some downside risks to the rural economy by increased spread of virus cases in rural areas. While second wave has dented the urban growth, RBI believes that adoption of covid-compatible occupational models by businesses that are not contact-intensive should cushion the dent to economic activity. This coupled with strengthening global recovery should support export economy. Additionally, factors like loose monetary and fiscal policy and pick up of vaccination roll out in coming months should expedite the normalization of economic activity in the coming months. Based on these factors RBI has projected Indian economy to grow at 9.5% in FY22, consisting of 18.5%, 7.9%, 7.2% and 6.6%, across four quarters respectively.

Regarding Inflation, RBI has revised its projections upside across the quarters. In doing so, RBI has taken into account factors like, rising global commodity prices, higher logistics costs and supply side disruptions caused by localised lockdowns. RBI has once again highlighted the necessity for coordination between state and central governments to adjust excise duties, cess and taxes to avoid second round inflation caused by rising petrol and diesel prices. Based on these factors, RBI projects CPI inflation to be at 5.1% during FY22 – 5.2%, 5.4%, 4.7% and 5.3% across four quarters of FY22, with risks broadly balanced.

In continuation of the relief measures announced on May 5, RBI has announced further measures to provide liquidity support to worst affected sectors and segments of borrowers. To mitigate the adverse impact of certain contact-intensive sectors, RBI has announced a special on-tap liquidity window of Rs. 15,000 Cr. Priced at RBI's repo rate, this window is open till March 31, 2022 and comes with a tenor of three years. This window covers sectors including various segments of travel and hospitality industry, aviation ancillary services like ground handling, private bus operators, car repair and rental services, event organizers and various grooming and beauty enhancement services.

RBI has expanded the scope of Resolution Framework 2.0 announced on May 5 2021 by increasing the threshold limits from Rs. 25 Cr to 50 Cr for MSME, non-MSME small businesses and loans to individuals under business purposes. In addition to Rs. 15000 Cr support to SIDBI announced on April 7 2021, RBI has announced liquidity support of Rs. 16,000 Cr to support MSMEs present in credit deficient and aspirational districts.

Encouraged by the success of G-SAP 1.0 in anchoring bond yields around 6%, RBI has announced GOSAP 2.0 to purchase securities worth Rs. 1.2 Tn (20% more than G-SAP 1.0). Further, RBI has announced purchase of securities worth Rs. 40,000 Cr on June 17, 2021 as part of G-SAP 1.0 to complete the earmarked Rs. 1Tn purchase of government securities under G-SAP 1.0.

RBI continues to think out of the box in an effort to achieve a sustainable recovery and durable growth phase. The measures announced in this policy meet in conjunction with the measures announced so far are expected to reclaim the growth trajectory witnessed during pre-pandemic times.

- DR. RAVI SINGH

Vice President & Head of Research

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NEWS

AUTO & AVIATION

- Aviation stocks: Domestic air traffic nosedived to 19.20 lakh passengers in May from around 57.3 lakh in April, registering a sharp 65-67 percent month-on-month contraction on account of the second wave of the pandemic.
- Tata Motors: The Homegrown auto major said its wholly-owned arm, TML Holdings Pte Ltd (TMLH) has raised \$ 425 million (over Rs. 3,100 Cr) in unsecured notes, the proceeds of which will be used for refinancing loan and for other general corporate purposes.
- Motherson Sumi Systems Q4FY21: Net Revenue at Rs. 16972 Cr, up 17.6% YoY. PAT at Rs. 713.6 Cr up 289% YoY. EBITDA margin expanded 190 bps YoY to 11.2% from 9.3%. The board recommended a dividend of Rs. 1.5 per share.

BANKING

- IDBI Bank: The lender has secured a \$ 239 million judgment in the commercial division of the High Court of London against a Cypriot subsidiary of India-based Essar Shipping Group, among one of the largest debt judgments obtained by an Indian bank in the English courts.
- State Bank of India: Consortium of lenders to Vijay Mallya, led by SBI can now sell Vijay Mallya's personal assets including several floors of the UB City Mall in Bengaluru and his investments in UB and United Spirits after a court lifted the claim of ED on assets it had seized.

CAPITAL GOODS & ENG.

- ABB: The engineering major said it has strengthened its commitment to reduce carbon emissions. On its way to reaching its ambitious science-based targets, the company commits to electrifying its vehicle fleet by 2030, sourcing 100 percent renewable electricity by 2030, and establishing energy efficiency targets.
- NRB Bearings Q4FY21: The company's net profit rose 488.15% in the March quarter to Rs. 29.29 Cr, from Rs. 4.98 Cr in the previous quarter. The companies EBITDA stood at Rs. 44.37 Cr in March compared to Rs. 19 Cr in the previous quarter.
- MTAR Technologies Q4FY21: The company said its profit after tax was up by 47% to Rs. 46.1 Cr in FY21 against Rs. 31.3 Cr in the year-ago period. In a press release, the company said its revenue from operations stood at Rs. 246.40 Cr in FY21 as against Rs. 213.80 Cr in FY20, up by 15%.

CONSUMPTION

- Arvind Fashions Q4FY21: The textile producers' consolidated net loss has narrowed to Rs. 99.45 Cr for the quarter ended March 2021, helped by higher revenue from operations. The company had reported a net loss of Rs. 208.12 Cr in the January-March quarter a year ago.
- Britannia Industries: The FMCG major said its board has approved a proposal to raise Rs. 698.51 Cr by issuing bonus debentures to eligible equity shareholders.
- Ruchi Soya Industries: To launch 10 products under the nutraceuticals & wellness segment. The company will market these products under Patanjali and Nutrela branding in the medical, sports, and general nutrition categories. The Board of Directors has also approved the execution of the breakfast cereals and noodles assignment agreement between PAL and the company for a consideration of Rs 3.50 Cr.
- Tata Consumer Products: Tata Consumer products Ltd (TCPL), which sells pulses, tea, coffee, and spices, has launched a premium roasted and ground coffee under the Sonnets brand targeting urban and increasingly discerning coffee drinkers in India. The move marks the company's entry into the direct-to-consumer market.

INFRA

- BEML: The company has started manufacturing 960 LPM medical oxygen plants at its KGF complex in record time under a ToT agreement with Defence Bio-Engineering & Electro Medical Laboratory (DEBEL), Bengaluru under DRDO.
- Power Mech Projects: HDFC Mutual Fund bought 1.3 lakh equity shares in Power Mech at Rs. 633 per share on the NSE, the bulk deals data showed.
- Reliance Infrastructure: The company's board will meet on June 6 to consider long-term fund-raising through the issue of equity shares.

IT

- Wipro: The IT company touched Rs. 3 trillion in market capitalization for the first time, and became the third Indian IT firm to achieve this milestone.

LOGISTICS

- Snowman Logistics: The company has entered into a strategic partnership with Hyderabad-based Dr. Reddy's to provide temperature-controlled end-to-end logistics solutions for the delivery of the two-dose Sputnik Covid-19 vaccine across India, it said in a regulatory filing.

FORTHCOMING EVENTS

COMPANY NAME	EVENT	EX-DATE
MRF Limited	Financial Results	07-Jun-21
Union Bank of India	Financial Results	07-Jun-21
Engineers India Limited	Financial Results	08-Jun-21
Max Financial Services Limited	Financial Results	08-Jun-21
Petronet LNG Limited	Financial Results	08-Jun-21
Bata India Limited	Financial Results	09-Jun-21
GAIL (India) Limited	Financial Results	09-Jun-21
NHPC Limited	Financial Results	10-Jun-21
BEML Limited	Financial Results	11-Jun-21
Sun TV Network Limited	Financial Results	11-Jun-21

GLOBAL NEWS

- Joe Biden to overhaul Donald Trump's China investment blacklist: Report. Donald Trump prohibited Americans from buying stakes in 31 Chinese companies that were deemed to be supplying or supporting China's military and security apparatus. The list included major telecoms, construction, and technology firms such as China Mobile, China Telecom, video surveillance firms.
- World food price index surges in May to highest level since 2011: FAO. FAO also issued its first forecast for world cereal production in 2021, predicting output of nearly 2.821 billion tonnes - a new record and 1.9 per cent up on 2020 levels.

OIL & GAS

- Reliance Industries: The company's stock surged around 15% in the seven trading sessions amid optimism about its future performance. The company's market valuation crossed the Rs. 14 lakh Cr mark in early trade.

PHARMA & HEALTHCARE

- Lupin: The company's board of directors has approved the company's entry into the digital healthcare space with a focus to provide a digital therapeutics platform for doctors and patients in India. The company recently incorporated a new entity in the name of Lupin Digital Health Ltd, as a wholly-owned subsidiary, which will undertake this.
- Orchid Pharma: A shortage of shares has helped drive a surge of almost 7,700% in Orchid Pharma Ltd. over the past seven months. And now it looks poised to end. New owners have to divest part of their stake of about 98% in the firm, which re-listed in Mumbai in early November after emerging from bankruptcy. That's to comply with an Indian regulation that requires the new owners-in this case Dhanuka Laboratories Ltd to boost the minimum public float to 10% over the next few months.
- Panacea Biotech: The company reported a net loss of Rs. 168.27 Cr in March 2021, up 34.23% from Rs. 125.36 Cr a year ago. The company reported a net loss of Rs. 54.14 Cr in March compared to Rs. 69.70 in the previous quarter.

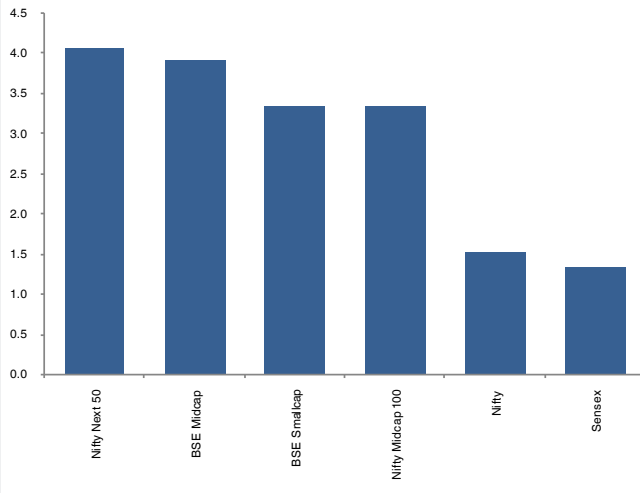
POWER

- ABB Power Products and Systems India: The company has resumed operations at its manufacturing facility in Bengaluru from May 28.

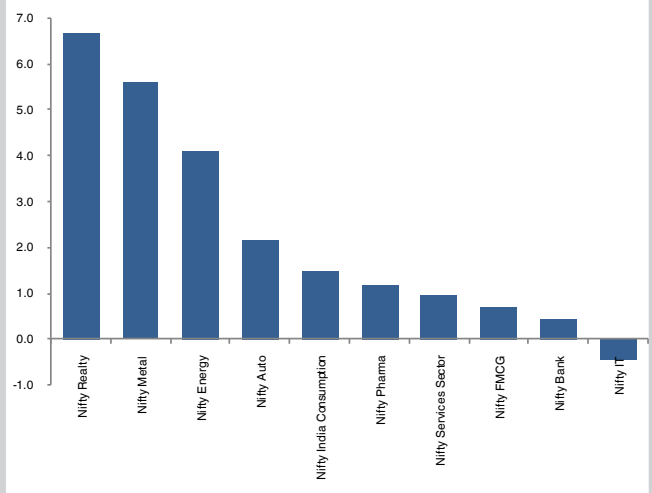
TELECOM & MEDIA

- Reliance Industries: Reliance Industries may launch its affordable smartphone before Diwali, people familiar with the matter said, as the Covid-19 situation improves and demand likely peaks by then.
- HFCL: Telecom gear maker Nokia and HFCL will participate in the Rs. 12,195-Cr telecom PLI scheme, for which registration will begin on Friday, company officials said.

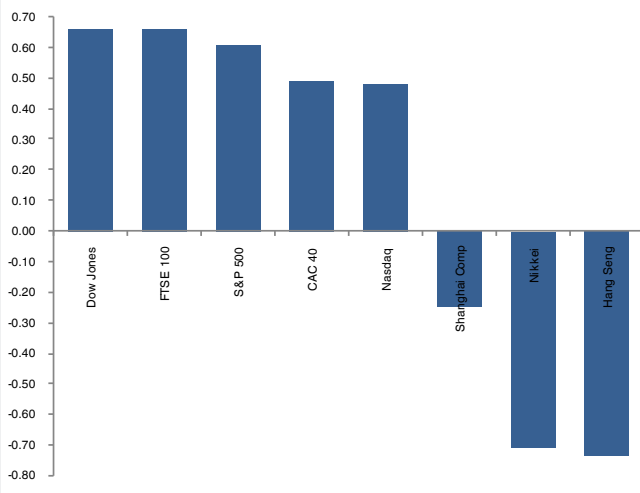
INDIAN INDICES (% CHANGE)



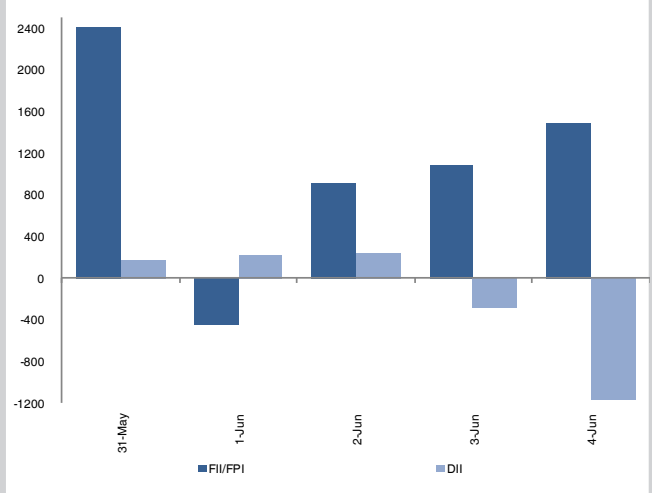
SECTORAL INDICES (% CHANGE)



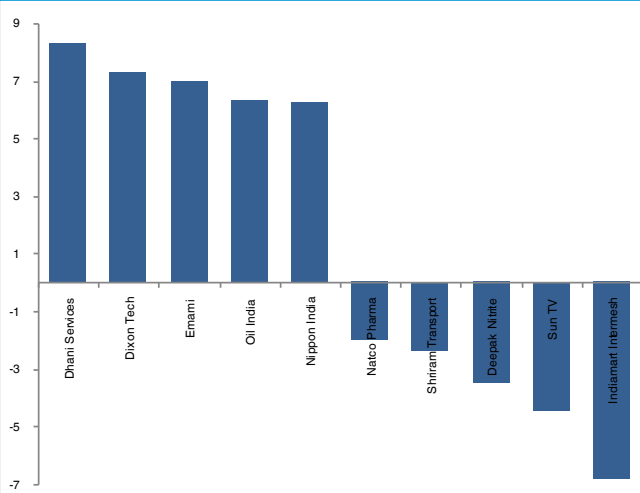
GLOBAL INDICES (% CHANGE)



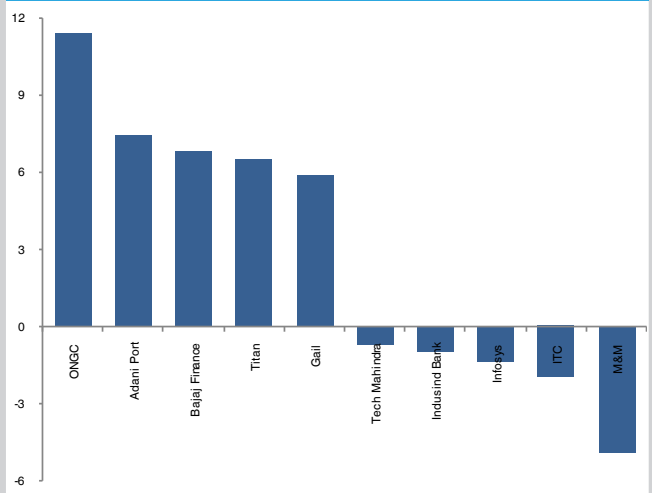
FII/FPI & DII TRADING (IN RS. CRORES)



NIFTY MIDCAP100 TOP GAINERS & LOSERS (1W)



NSE NIFTY TOP GAINERS & LOSERS (1W)



Source: Karvy Research

POWER GRID CORPORATION OF INDIA LTD



STOCK	POWERGRID
CMP	226
ACTION	BUY
ENTRY	224-225
AVERAGE	215
STOP LOSS	208
TARGET 1	245
TARGET 2	250

On the technical front, POWERGRID 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 239 levels, the stock has witnessed a correction to the current levels. At the current juncture, the stock has formed a base of around 208 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 215 levels. This may trigger a fresh round of buying which may take the stock towards 245 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 250 levels in the medium term. Any correction towards the recent support levels of 215 levels may be utilized to average the positions.

TATA CONSULTANCY SERVICES LTD



STOCK	TCS
CMP	3139
ACTION	BUY
ENTRY	3110-3120
AVERAGE	3035
STOP LOSS	2880
TARGET 1	3400
TARGET 2	3500

On the technical front, TCS 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 3354 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 2880 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 3400 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 3500 levels in the short term. Any correction towards the recent support levels of 3035 levels may be utilized to average the positions.



NIFTY (15670.25): Indian equity benchmark index Nifty 50 closed higher by 1.52% during the week. Over a 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. Shares in Asia-Pacific were mixed on Friday, as the Reserve Bank of India held steady on interest rates. European stocks closed higher on Friday as investors digested a key US jobs report. Traders, weighing up the link between inflation pressures and the reopening of US businesses, were focused on the US jobs report Friday. Job creation disappointed again in May, with nonfarm payrolls up by what normally would be considered a solid 559,000, but still short of lofty expectations. US stocks climbed on Friday as the key May jobs report showed solid gains, boosting confidence in the economic comeback. The US economy added 559,000 jobs in May, the Labor Department said on Friday. The number came in slightly lower than an estimate of 671,000 from economists surveyed by Dow Jones, but still showed a healthy rebound in the labor market. It's an improvement from the upwardly revised 278,000 payrolls added in April. The unemployment rate fell to 5.8% from 6.1%, which was better than the estimate of 5.9%. Many believe the jobs report, while solid, is not strong enough to trigger the Federal Reserve to dial back its bond-buying program. The 10-year Treasury yield dipped slightly following the jobs report. Bond yields had jumped higher in recent months amid rising inflation expectations. Domestically, for the week, on the data front, investors may focus on the Manufacturing Output (MoM) (Apr) and Industrial Production (YoY) (Apr) releasing on June 11th. On the derivatives front, open interest data suggests that the Nifty index may find its supports around 15500 followed by 15000 levels while on the higher side, 15700 and 16000 levels may act as resistance.



NIFTY BANK underperformed Nifty this week as it closed flat when compared to 2% gains posted by Nifty. The index opened the week on a weak note after ending flat during previous week. Nifty Bank appears to be consolidating around key level of 35300 during the week as it corrected sharply after every attempt to breach 35700. While Bank Nifty chart looks to be a bit flattening around important technical levels, as investors keenly awaited RBI's policy outcome. RBI's monetary policy was in line with expectations without any positive surprises as some sections of investors expected some big bang announcements as the policy comes amidst faltering economic indicators disrupted by the rapid rise in covid cases and the consequent announcement of localised lockdowns. In its policy meet, RBI extended the on-tap liquidity support to other worst affected contact-intensive sectors including, travel and hospitality and grooming and beauty enhancement services. Further, RBI has announced G-SAP 2.0 to purchase G-secs worth Rs. 1.2 Tn (20% more than G-SAP 1.0). This coupled with other OMOs being implemented by RBI should keep a check on G-sec yields, which have been moving around 6% in recent past. This should bode well for PSBs. To further expand the scope of eligible borrowers to be benefitted from RBI's Resolution Framework 2.0, RBI expanded the applicable threshold limit on ticket size from Rs. 25 Cr to Rs. 50 Cr. RBI has also announced additional liquidity facility of Rs. 16000 Cr to SIDBI to meet the credit needs of MSMEs present in credit deficient and aspirational towns through co-partnership and other innovative channels. This should benefit all MSMEs, non-MSME small businesses and individual owners of small businesses. On the NPA resolution front, banks look to be expediting the ground work operationalising national bad bank as the banks are set to finalise the capital structure and have already lined up NPAs worth Rs. 82500 Cr for bad bank. These developments are expected to set positive tone for bank stocks in the coming week. Nifty Bank may face resistance at 35700 followed by 37000. Nifty Bank may take support at 34300, followed by 32000.