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STREET



RULE THE MARKET

ISSUE: 149



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From The Desk Of Research Head

Banks stymie the recovery path

Risk averse lenders are being the biggest hurdles of economic recovery from a downturn which was hit by the pandemic. Bank credit, the lifeline of the economic growth is growing at an anaemic pace. Bank credit to individuals and industries has been growing at the rate of 5.5-6% for the past 1-1.5 years. This is nearly half of the growth rate that was seen months before the pandemic struck the economy. This hesitancy from banks is due to the fear of incurring bad loans. RBI's latest Financial Stability Report expects banks' NPA ratio to rise to 9.8% by the end of this fiscal from 7.48% a year ago.

While lockdown and drop in economic activity are a part of the reason, risk averse lenders are another reason. Banking sector is already saddled with a bad asset pile for the past 5-6 years that all their efforts are channelled to clean this mess as they rely on low risk retail loans to support their growth. Banks are really loathe to lend to corporate and other risky sectors as the financial position of India Inc is severely strained by the pandemic induced lockdown. India's largest bank SBI aspires to double its credit growth rate to more than 10% but not at the cost of asset quality. SBI's Chairman categorically said that the bank is willing to miss the target if the growth comes at the cost of asset quality.

At the other end, corporate are unwilling to make fresh investments. Wherever possible companies are delaying investments. RBI data suggests that India's capex spending is at multi-year low. Albeit companies have posted robust profitability improvement recently on the back of cost cutting measures, the surplus profits have gone into paring down bank loans. According to research from SBI, where top 15 sectors and a thousand companies were analysed, more than Rs. 1.7 trillion (\$22.8 Bn) worth of debt was pared last year. Of this companies from sectors like refineries, textiles, steel, fertilizers and mining sectors pared debt worth Rs. 1.5 Tn. Unless there is recovery in private capex spending, revival in credit growth is a daunting task.

When it comes to households, a significant part of households were affected by the lockdown induced slowdown as the unemployment rate in India shot up to nearly 27% last year and is yet to reach the pre-pandemic levels on a sustainable basis. While situation is gradually improving, households are busy in repairing their finances by rebuilding their cash holding to handle future crisis-like situation. In the process households are delaying 'good to have' kind of investments, in turn affecting consumption and corporates' propensity to spend.

The banking sector's challenges posed by the pandemic have increased due to a virulent second wave and the risk of third wave. The abrupt halt of recovery due to second wave and risk of third wave are further expected to delay the credit demand and credit growth for some more time to come. Even as some states have started to lift restrictions phase wise, they are contemplating if it is advisable at a point of time when concerns over delta variant of the virus is on the rise globally. This situation has left banks with a moderately worse outlook for credit growth in the coming months as well.

- DR. RAVI SINGH

Vice President & Head of Research

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NEWS

AUTO & AVIATION

- Auto Stocks: Retail sales have increased sharply in the month of June as dealers reopened their outlets after almost two months. The sharp increase is due to a combination of factors including favorable base effect as retail auto volumes fell sharply in April and May due to a spike in covid cases and lockdowns. Other factors included pent-up demand and preference for personal mobility.
- Tata Motors: Doing everything to mitigate chip shortage issue, said Adrian Mardell, CFO, Jaguar Land Rover. Taken strong steps to streamline our supply chain and are in touch with the chip suppliers to gain visibility. Not expecting launches to be delayed because of the chip issue, he said. JLR's total inventory is at 74,000 units at the end of June.

BANKING

- Banking Stocks: Reserve Bank of India penalized 14 banks for contravening provisions related to bank lending to NBFCs and maintaining data on large exposures. RBI in a press release said that the penalty was imposed on scrutiny of accounts of companies of a group.

CAPITAL GOODS & ENGG

- Bharat Dynamics: The Company on Thursday signed a contract worth Rs. 499 Cr with the ministry of defense for the manufacture and supply of Akash Missile for the Indian Air Force.

CONSUMPTION

- Future Group: The Supreme Court on Tuesday said that it will hear on July 20 Amazon's plea against the Delhi High Court verdict which stayed the directive by its single judge and paved the way for a multi-billion dollar deal to amalgamate Future Retail with Reliance Retail.

CEMENT

- Shree Cement: CARE reaffirmed rating of the company at A1+.

CONSUMPTION

- Kalyan Jewellers: Overall revenue for the June quarter was 55% of Q1FY20, the company said. A significant portion of the revenue for Q1FY22 was booked during the month of April. It also opened 9 showrooms in India in April, taking the total number of showrooms in India to 116. As of June 30, 92% of the company's showrooms in India were operational.

INFRA

- Texmaco Rail & Engineering: CARE reaffirmed long-term credit rating on the company at A-, but downgraded outlook to Negative from Stable.
- HG Infra Engineering: Employees Retirement System of Texas - Self Managed Portfolio bought 4,26,311 equity shares in the company at Rs. 472.23 per share on the NSE, the bulk deals data showed.
- RailTel Corporation of India: The company has received a work order amounting to Rs. 23.43 crore (excluding GST) from Sagar Cable Network towards providing of multicast drop and carry with 1.5G capacity at 66 locations for a period of 5 years.
- Adani Enterprises: Indian tycoon Gautam Adani is seeking a loan of about Rs. 7,500 Cr (\$1 billion) to refinance the existing debt of Mumbai's international airport, according to people familiar with the matter. Barclays Plc and JPMorgan Chase & Co. are among banks in discussions to provide the funds to Adani Airport Holdings Ltd, the people said. Deutsche Bank AG is also in talks to help with the financing, one of the people said.
- Reliance Infrastructure Ltd: The company's shareholders have approved Rs. 550.56 Cr fundraise by preferential allotment of up to 8.88 crore shares and/ or warrants convertible into an equivalent number of shares of the company to promoters and VFSI Holdings Pte. Ltd, an affiliate of Värde Investment Partners, LP. Shareholders have also approved fundraise via an issue of foreign currency convertible bonds (FCCB) up to 24% of the company's fully diluted share capital.

IT

- Info Edge: The IPO price band of Rs. 72-76 values Zomato at \$ 8 Bn. The pricing at the higher end is about 70% above the price of Rs. 44.8 large private investors paid in a \$600 Mn funding round a year ago. The biggest beneficiary of all is Info Edge which started investing in the firm in 2010. Its average acquisition price works out to be Rs. 1.16 per share - a return of 6500%.
- TCS Q1FY22: TCS has reported a 28% jump in its PAT amid a strong demand for IT services from financial services, retail, and healthcare clients in the US and UK. Q1FY22 Pat at Rs. 9008 Cr compared to Rs. 7008 Cr reported during a year-ago quarter. However, the PAT missed the consensus estimate of Rs. 9382.5 Cr.

FORTHCOMING EVENTS

COMPANY NAME	EVENT	EX-DATE
Infosys Limited	Financial Results	14-Jul-21
L&T Technology Services Limited	Financial Results	14-Jul-21
Cyient Limited	Financial Results	15-Jul-21
Larsen & Toubro Infotech Limited	Financial Results	15-Jul-21
Tata Elxsi Limited	Financial Results	15-Jul-21
Tata Steel Long Products Limited	Financial Results	15-Jul-21
Wipro Limited	Financial Results	15-Jul-21
HDFC Asset Management Company Limited	Financial Results	16-Jul-21
L&T Finance Holdings Limited	Financial Results	16-Jul-21
HDFC Bank Limited	Financial Results	17-Jul-21

GLOBAL NEWS

- US jobless claims unexpectedly rise. Businesses have reopened at a rapid clip, boosted by a rollback in restrictions now that more than 155 million Americans have been fully vaccinated against the coronavirus. Still, the job market rebound has been anything but steady despite recent employment gains.
- Global plan to tax multinationals goes to the G20. On the face of it, the Group of 20, the world's 19 biggest economies plus the EU, have already backed the framework for global tax reform, agreed on July 1 among members of the OECD alongside China and India.

METAL & MINING

- Tata Steel: CARE upgraded the long-term credit rating on the company to AA+ from AA and the outlook to Stable from Negative.
- Shyam Metals: The company reported a March quarter consolidated net profit after tax of Rs. 3.88 billion compared to Rs. 797.3 million a year ago. The company's consolidated revenue from operations was at Rs. 23.51 billion compared to Rs. 10.84 billion a year ago. The company's board has recommended a dividend of Rs. 2.70 per share.

OIL & GAS

- OMCs: OMCs HPCL, BPCL and IOC and GAIL are working on infrastructure investment trusts (InvITs) to monetize their stakes in their pipelines networks, according to a report in MINT.

PHARMA & HEALTHCARE

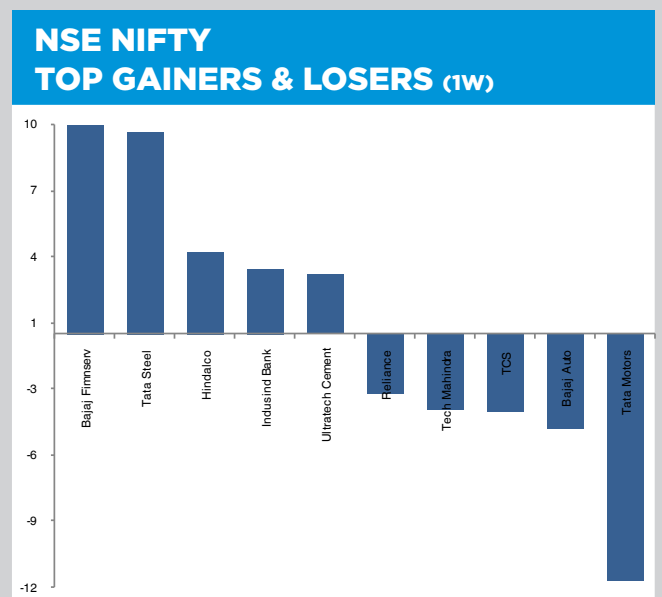
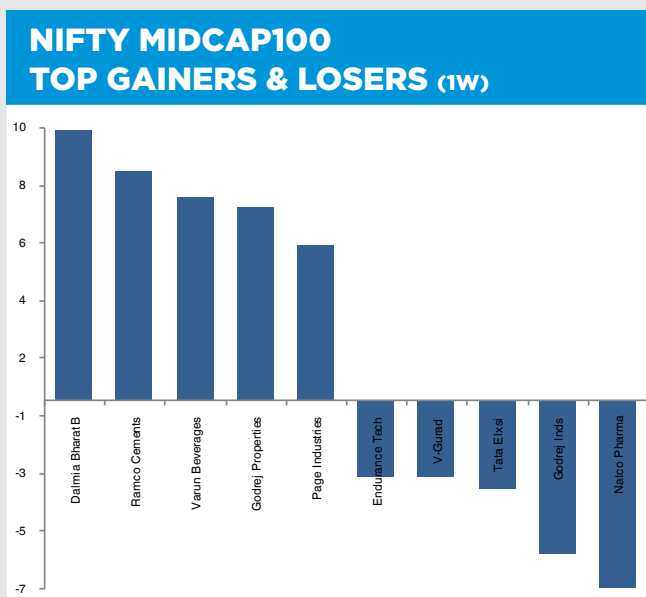
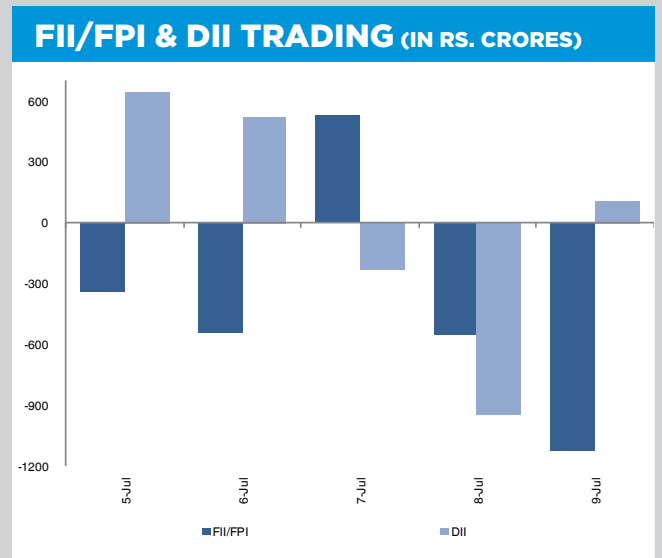
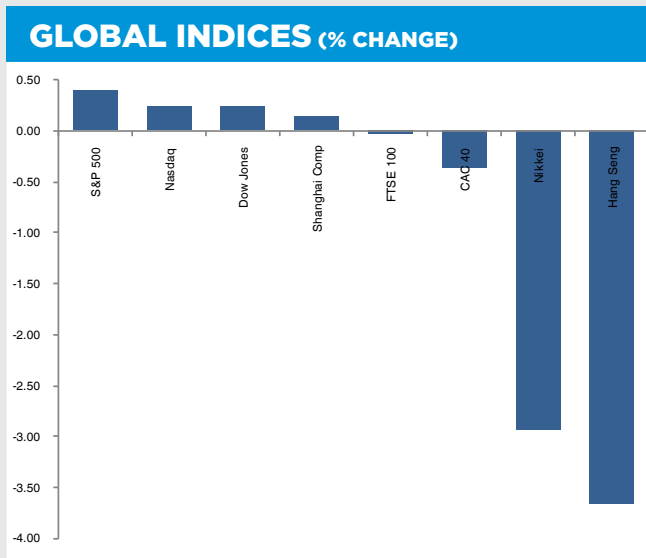
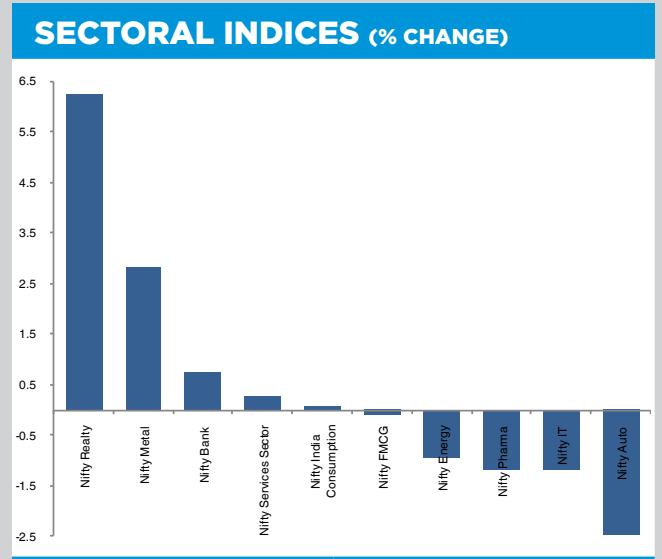
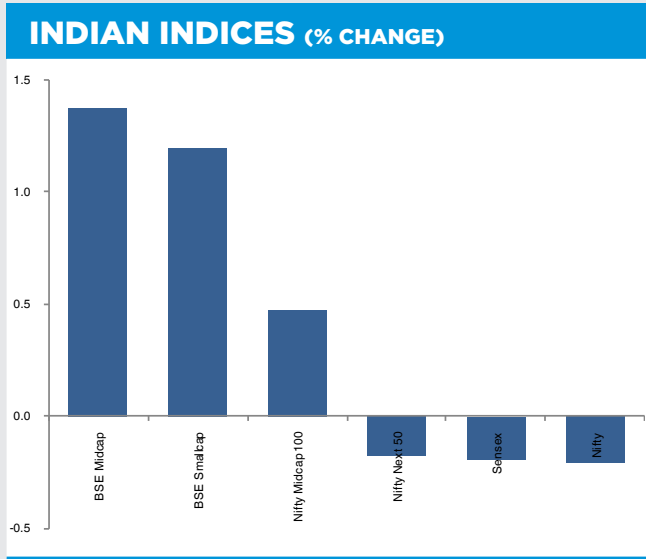
- SANOFI: French pharma giant Sanofi and Glaxo SmithKline Plc have received approval from Indian authorities for a late-stage clinical trial of their protein-based coronavirus vaccine candidate, according to Reuters.
- SPARC: The company's board has approved the allotment of 6,24,74,082 warrants on a preferential basis at an issue price of Rs. 178 apiece totaling Rs. 11.12 Bn to Dilip Shanthilal Sanghvi and other non-promoters and entities, according to a regulatory filing.

POWER

- Sangam Renewables: The company divested its entire stake in its subsidiary Waacox Energy to Aditya Birla Renewable at an enterprise value of Rs. 81,57,55,500 on the transaction. The company will use these proceeds to reduce its short-term debt by Rs. 40,32,92,379 on a standalone basis.

REALTY

- Macrotech Developers: The company clocked pre-sales of Rs. 957 Cr in Q1FY22, down 62% sequentially. However, on a year-on-year (y-o-y) basis, pre-sales were up 88%. Similarly, given the impact of a pandemic, customer collections at Rs. 1,714 Cr in the June quarter fell 18% sequentially, but rose 346% y-o-y, helped by a favorable base.



Source: Karvy Research

BHARTI AIRTEL LTD



STOCK	BHARTIARTL
CMP	537
ACTION	BUY
ENTRY	532-534
AVERAGE	520
STOP LOSS	499
TARGET 1	575
TARGET 2	600

On the technical front, BHARTIARTL 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 623 levels, the stock has witnessed a correction to the current levels. At the current juncture, the stock has formed a base of around 500 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 520 levels. This may trigger a fresh round of buying which may take the stock towards 575 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 600 levels in the medium term. Any correction towards the recent support levels of 520 levels may be utilized to average the positions.

GRASIM INDUSTRIES LTD



STOCK	GRASIM
CMP	1504
ACTION	BUY
ENTRY	1490-1495
AVERAGE	1370
STOP LOSS	1262
TARGET 1	1750
TARGET 2	1800

On the technical front, GRASIM 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 1547 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 1262 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 1750 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 1800 levels in the short term. Any correction towards the recent support levels of 1370 levels may be utilized to average the positions.

