

K ₹ STREET

RULE THE MARKET

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From The Desk Of Research Head

Higher than expected IIP and flat CPI gives confidence

CPI-based retail inflation for the month of June 2021 came in flat at 6.26, which is below Bloomberg consensus expectation of 6.6%. Price data for June is more reliable and broad based when compared price data for May 2021 as the data was collected from 80% of markets when compared to 68% in May as lockdown restrictions eased in several states during last month. Among the components, food inflation slightly inched up to 5.2% vs 5.0% during May 2021. Fuel inflation rose to 12.7% from 11.9% due to rising global crude oil prices. While inflation in miscellaneous items came in flat at 7.3%, Clothing & Footwear rose to 6.2% from 5.3%.

Core inflation slightly inched up to 6.3% from 6.2% reported in May 2021, which is worrisome. Inflation in core items – clothing and footwear, miscellaneous items and housing – with a weightage of 44.9% inched up to 6.3% from 6.2% led by rise in inflation of education, household goods and services. This impact was negated by lower YoY inflation in health, recreation and amusements, transport and communication and personal care and effects. Experts believe that that retail inflation has peaked out. However there are some upside risks in the form of elevated crude prices, risk of third wave, in which case, likely supply side shocks due to lockdown restrictions.

On the other hand IIP for the month of May 2021 grew at 29.3% as opposed to 134.6% in April 2021 and a contraction of 33.4% in May 2020. The sharp jump in IIP can be partially attributed to low base during previous period and positive effect of partial relaxation of lockdown restriction in some states. Notably, IIP numbers for February 2021 and May 2021 were revised upwards. Manufacturing activity with a weightage of 78% in IIP was up 34.5% YoY, led by growth pick up in mining activity and power generation. All the three components benefitted due to favourable base effect as the industrial activity came to a complete halt due to lockdown during previous year.

All the use-case categories have benefitted from a low base. According to the use-based classification, capital goods production grew 85.3% YoY in May'21 (vs. decline of 65.9% YoY in May'20). Infrastructure and construction activity was also up 46.8% YoY in May'21 (vis-à-vis a contraction of 39% YoY in May'20). Similarly, primary, consumer, and intermediate goods surged in May'21 on account of a favourable base.

To sum it up, experts believe that CPI has peaked out. If CPI indeed has peaked out then it is good news for overall markets, specifically for bond markets as it makes RBI's task easier and leaves room for manoeuvring with liquidity or interest rates in the event it requires RBI action. Even otherwise it may prompt RBI to stay on the current course of accommodative policy for longer duration than was earlier feared. Coming to IIP, the growth should largely come in at around current levels for June 2021 and July 2021 mainly benefitting from favourable base effect. The numbers would be more comparable from August and September as the activity picked up fast during these months in previous year due to combination of opening up of the economy and increase in consumption due to pent up demand. Overall this should bode well from Q1FY22 GDP growth perspective.

- DR. RAVI SINGH

Vice President & Head of Research

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NEWS

BANKING

- Banking stocks: India's decision to ban Mastercard Inc in India for non-compliance with data storage rules has unsettled the country's financial sector as it would disrupt banks' credit offerings, consumption, card offerings, revenues, payments, and banking services.

CAPITAL GOODS & ENGG.

- Craftsman Automation: The company has terminated joint venture agreements signed in 2007 with Mitsubishi Corporation, Tokyo, MC Machinery Systems, USA, Mitsubishi Corporation India, and Mitsubishi Corporation Technos, Japan. The joint venture was for selling electric discharge machines and laser cutting machines. Craftsman said the termination was to focus on the increasing needs of the primary business and it won't have any impact on the company.

CEMENT

- Grasim Industries, Century Textiles & Industries: The companies have incorporated a joint venture named 'Birla Advanced Knits Pvt Ltd' for undertaking Knits manufacturing business.

CONSUMPTION

- Stylam Industries Q1FY22: Net Revenue at Rs. 130.8 Cr, +86.1% YoY and -21.4% QoQ. EBITDA at Rs. 26.2 Cr, +80.4% YoY and -15.1% QoQ. EBITDA Margin at 20%, -63 bps YoY and +150 bps QoQ. Net Profit at Rs. 13.8 Cr, +155.1% YoY and -40.7% QoQ.
- ITC: India's leading cigarette manufacturer and which sells consumer staples and groceries under brands such as Ashirvad, Bingo chips, YIPPeel! Noodles, Sunfeast Feast and Savlon said that their sales through e-commerce platforms have doubled in FY21.
- Marico: Home-grown FMCG firm Marico has acquired a 60 percent stake in Apcos Naturals, the owner of the Ayurvedic beauty brand 'Just Herbs'. The stake will be acquired over a period of two years through primary infusion and secondary buy-outs, a joint statement said without disclosing the deal size.

INFRA

- Adani Enterprises: The company has received a three-month extension to takeover Jaipur, Trivandrum and Guwahati airports. CNBCTV18 reported citing people with knowledge of the matter. The company can now take over the airports by October, according to the report.

INSURANCE & FINANCIAL SERVICES

- Angel Broking Q1FY22: Net Revenue at Rs. 462.7 Cr, +94.1% YoY and +13.2% QoQ. EBITDA at Rs. 170.9 Cr, +145.5% YoY and +16.4% QoQ. EBITDA Margin at 36.9%, +775 bps YoY and +99 bps QoQ. Net Profit at Rs. 121.4 Cr, +151.6% YoY and +19.1% QoQ.
- 5Paisa Capital Q1FY22: The company reported Q1 profit after tax at Rs. 7.2 Cr, up 156 percent YoY while the revenue jumped 44 percent YoY to Rs. 60.9 Cr.

IT

- Wipro Q1FY22: Net Revenue at Rs. 18467.4 Cr, +23.8% YoY and +13.7% QoQ. EBITDA at Rs. 4195.0 Cr, +31.6% YoY and +4.2% QoQ. EBITDA Margin at 22.7%, +135 bps YoY and -208 bps QoQ. Net Profit at Rs. 3248.0 Cr, +34.7% YoY and +9.2% QoQ.
- Larsen & Toubro Infotech Q1FY22: Net Revenue at Rs. 3462.5 Cr, +17.4% YoY and +5.9% QoQ. EBITDA at Rs. 647.7 Cr, +9.4% YoY and -9.5% QoQ. EBITDA Margin at 18.7%, -137 bps YoY and -318 bps QoQ. Net Profit at Rs. 496.8 Cr, +19.3% YoY and -9% QoQ.
- Tata Elxsi Q1FY22: Net Revenue at Rs. 558.3 Cr, +39.4% YoY and +7.7% QoQ. EBITDA at Rs. 150.0 Cr, +61.8% YoY and -10.7% QoQ. EBITDA Margin at 26.9%, +372 bps YoY and -555 bps QoQ. Net Profit at Rs. 113.4 Cr, +64.6% YoY and -1.6% QoQ.
- Cyient Q1FY22: Net Revenue at Rs. 1058.2 Cr, +6.7% YoY and -3.2% QoQ. EBITDA at Rs. 186.4 Cr, +89% YoY and +20.6% QoQ. EBITDA Margin at 17.6%, +767 bps YoY and +347 bps QoQ. Net Profit at Rs. 115.0 Cr, +41.3% YoY and +11.5% QoQ.
- Just Dial: According to media reports, the company is reportedly in talks in Reliance Industries for potential acquisition. Just Dial was also in potential talks with Tata Digital. The company has called for a meeting today to discuss potential offers.
- L&T Technology Services Q1FY22: L&T Technology Services (LTTS) reported an 84 percent YoY jump in its June quarter net at Rs. 216.2 Cr, largely on widening margins. Its overall revenue increased by 19.42 percent YoY to Rs. 1,562.6 Cr for the reporting quarter.
- Tata Consultancy Services: The company announced plans to expand its operations in Arizona, by investing over \$ 300 million by 2026 and hiring more than 220 employees by 2023.
- Aptech: Ace investor Rakesh Jhunjhunwala, his wife Rekha Jhunjhunwala, and eight other individuals on Wednesday settled a case related to insider trading in the shares of Aptech Ltd after paying more than Rs. 37 Cr.

METAL & MINING

- Tata Steel Long Products: The company reported consolidated profit at Rs. 331.61 Cr in Q1FY22 against loss of Rs. 131.31 Cr in Q1FY21, revenue jumped to Rs. 1,687.64 Cr from Rs. 653.1 Cr YoY.

FORTHCOMING EVENTS

COMPANY NAME	EVENT	EX-DATE
ACC Limited	Financial Results	19-Jul-21
HDFC Life Insurance Company Limited	Financial Results	19-Jul-21
HCL Technologies Limited	Financial Results	19-Jul-21
Asian Paints Limited	Financial Results	20-Jul-21
Bajaj Finance Limited	Financial Results	20-Jul-21
Bajaj Finserv Limited	Financial Results	21-Jul-21
Bajaj Auto Limited	Financial Results	22-Jul-21
Biocon Limited	Financial Results	22-Jul-21
Hindustan Unilever Limited	Financial Results	22-Jul-21
UltraTech Cement Limited	Financial Results	22-Jul-21
JSW Steel Limited	Financial Results	23-Jul-21
United Spirits Limited	Financial Results	23-Jul-21
ITC Limited	Financial Results	24-Jul-21
ICICI Bank Limited	Financial Results	24-Jul-21

GLOBAL NEWS

- \$10 million rewards bolster White House's anti-ransomware bid. The Biden administration is also launching the website stopransomware.gov to offer the public resources for countering the threat and building more resilience into networks, a senior administration official told reporters.
- China's economy grows more slowly than expected in Q2. Growth slowed significantly from a record 18.3% expansion in the January-March period, when the year-on-year growth rate was heavily skewed by the COVID-induced slump in the first quarter of 2020.

NBFC

- Microfinance Stocks: Rating agency India Ratings and Research on Thursday revised upwards its credit card estimates for India's microfinance institutions from 5%-10% to 3%-6% earlier. The rating agency further noted that large players would be able to absorb higher credit costs caused due to pandemics through income statements with an impact on equity.

OIL & GAS

- Reliance Industries: RIL in its FY21 annual reported that it has added 499 units and affiliates in the past four years from 88 Indian units and 47 foreign units in 2016-17 as the refiner and chemicals maker expanded into new businesses.

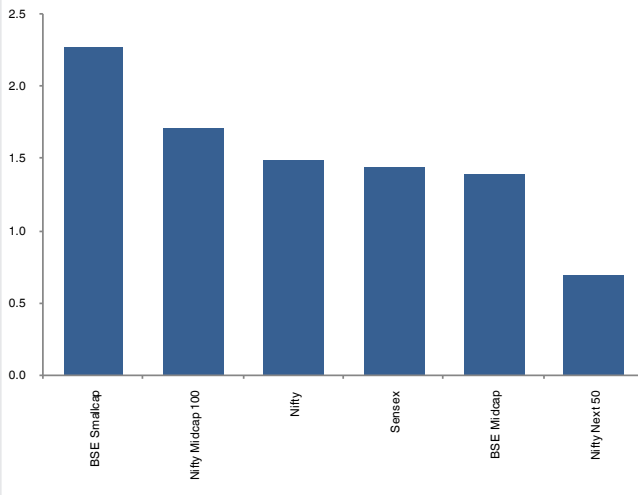
PHARMA & HEALTHCARE

- Venus Remedies: The pharma company yesterday has announced setting up a dedicated consumer healthcare division, foraying into Rs.30000 Cr consumer healthcare market.
- SeQuent Scientific: The company received approval from EUGMP for its tablets dosage manufacturing line in Turkey. The approval was further complimented by the successful renewal of the EUGMP license for 8 other manufacturing lines for various dosage forms including beta-lactam, non-beta lactam, terminal sterilization, mastitis, powder beta-lactam, aerosol, pesticide, and solids in Turkey.

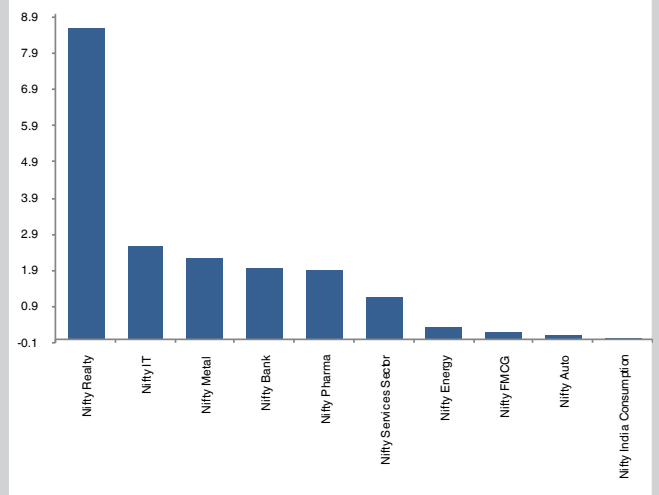
POWER

- BGR Energy Systems: CARE revised its long-term credit rating on the company's bank facilities to BB+/Stable, from BBB/Negative.
- Reliance Power: The company has allotted 59.50 crore equity shares and 73 crore convertible warrants to Reliance Infrastructure.
- Power stocks: Power consumption grew nearly 17% in the first fortnight of July to 59.36 billion units (BU) and returned to pre-pandemic level mainly due to easing of lockdown curbs and delayed monsoon, according to power ministry data. Power consumption during July 1-14 last year was 50.79 BU.

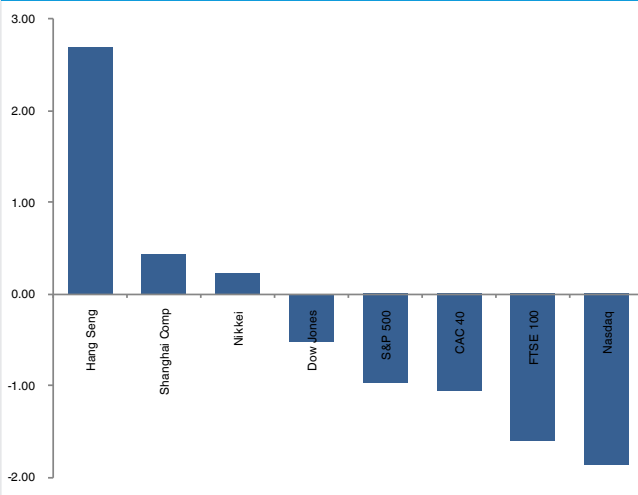
INDIAN INDICES (% CHANGE)



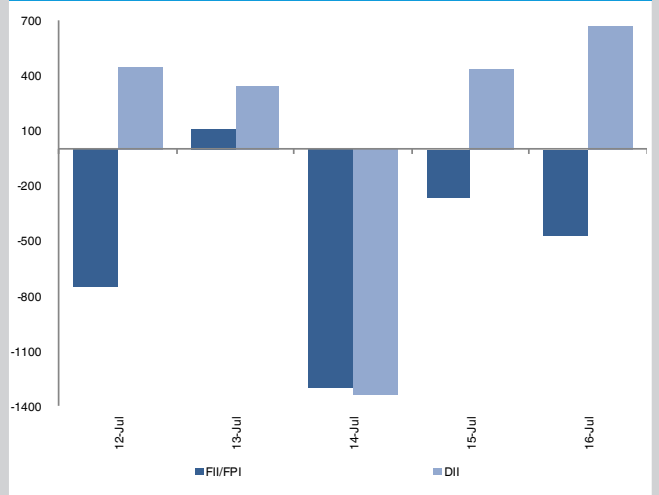
SECTORAL INDICES (% CHANGE)



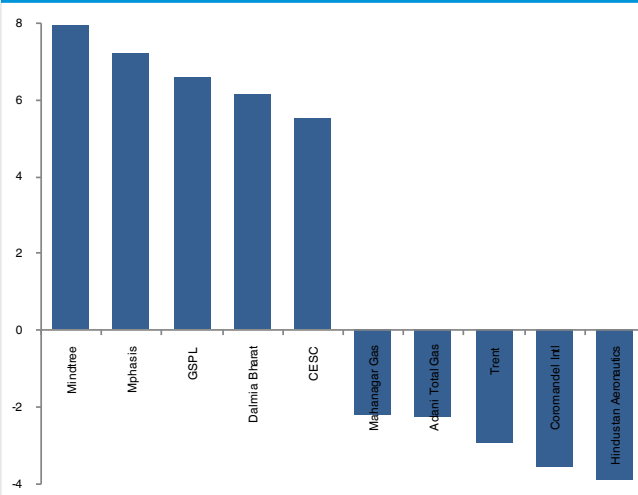
GLOBAL INDICES (% CHANGE)



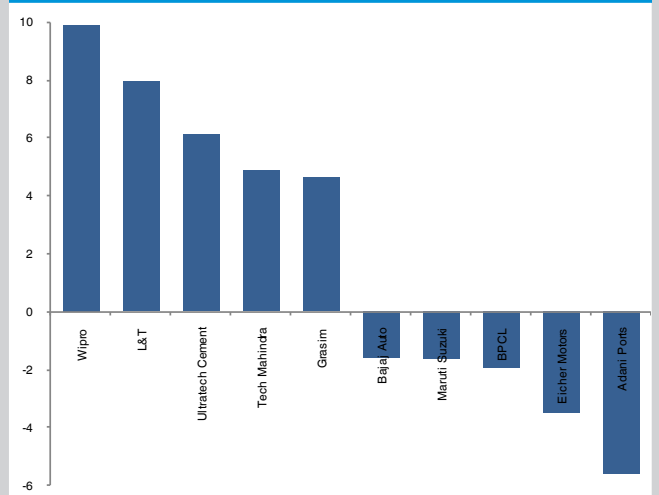
FII/FPI & DII TRADING (IN RS. CRORES)



NIFTY MIDCAP100 TOP GAINERS & LOSERS (1W)



NSE NIFTY TOP GAINERS & LOSERS (1W)



Source: Karvy Research

BHARTI AIRTEL LTD



STOCK	BHARTIARTL
CMP	541
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 is 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.

POWER GRID CORPORATION OF INDIA LTD



STOCK	POWERGRID
CMP	234
ACTION	BUY
ENTRY	230-232
AVERAGE	225
STOP LOSS	213
TARGET 1	255
TARGET 2	260

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 251 levels, the stock has witnessed a correction to the current levels. At the current juncture, the stock has formed a base of around 213 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 225 levels. This may trigger a fresh round of buying which may take the stock towards 255 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 is 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 260 levels in the medium term. Any correction towards the recent support levels of 225 levels may be utilized to average the positions.



NIFTY (15923.40): Indian equity benchmark index Nifty 50 closed higher by 1.49% 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 on Friday as the Bank of Japan held steady on monetary policy. Japan's central bank downgraded its real GDP forecast for 2021 to 3.8% growth, as compared with the 4% growth forecast made in April. The Bank of Japan also kept its yield curve control target at -0.1% for short-term interest rates and 0% for 10-year Japanese government bond yields. Yield curve control is a policy to stimulate the country's economy and entails keeping the 10-year Japanese government bond yield at zero. European stocks struggled for direction on Friday as investors monitored economic data, corporate earnings, and the spread of the delta Covid-19 variant. Eurozone inflation slowed in June with consumer prices rising 1.9% annually after a 2% climb in May, marking the first slowdown since September 2020. A surge in Covid-19 cases across the continent caused by the highly transmissible delta variant continues to weigh on investor sentiment, with several major European countries forced to reimplement social restrictions, while the UK will take the gamble of removing its last layer of safeguards from Monday. On the derivatives front, open interest data suggests that the Nifty index may find its supports around 15900 followed by 15800 levels while on the higher side, 16000 and 16200 levels may act as resistance.



NIFTY BANK outperformed Nifty this week as Nifty Bank gained around 2% as opposed to Nifty's gains of 1.5%. Bank Nifty started the week on a positive note and gained momentum as the week progressed due to general buoyancy in the market mood. As indicated by us in our last week's note, Nifty Bank bounced strongly from lower end of the support zone to hit near-time high of 35985 yesterday. After facing resistance above 35800 on the closing day of the week the index corrected and ended below 35800 at 35750. The index looks to be in a strong momentum and is trading all near term moving averages. However, now that the index is at the top end of the range, the direction of the index next week will be decided by index heavy weight HDFC Bank's Q1FY22 earnings. The bank is expected to report a stable set of earnings performance for the quarter. But analysts are eagerly waiting to listen to management commentary on credit cards business on when will RBI lift the embargo and status on finding a long-term solution for the frequent technical glitches the bank is facing. Bank's performance in relation to credit costs and NPAs are also keenly monitored. If HDFC Bank reports better than expected performance with upbeat outlook, the index may decisively breach 35800 and zoom into uncharted territory. Indian government has banned Master Card Inc for non-compliance with local data storage rules. Industry experts are of the opinion that this would disrupt the sector's credit offerings, consumption, card offerings, revenues, payments and banking services. However, from stock market perspective, the stocks have shrugged off the news in today's trading session. Among the index components, it was a broad-based performance during the week. Heavy weights CICI Bank and Axis Bank are the top performers of the week with gains of more than 3%. Bandhan Bank is this week's worst performer which ended down -2.4%. Nifty Bank may face resistance at 35800 followed by 37000. Nifty Bank may take support at 34500-34000 support zone, followed by 32000.