

K STREET

RULE THE MARKET

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From The Desk Of Research Head

The battle for Future continues

Two of the world's richest men are fighting it out to buy out brick and mortar retail network of Future Group which is on the death bed. What's at stake is strategic access to a network of popular chain of retail outlets across formats, which is expected to compliment their online presence and enhance presence across major cities. The situation is such that each one of them either wants to own it or prevent other from owning it. According to Forrester Research, Flipkart and Amazon rule India's e-commerce space with a share of 31.9% and 31.2% respectively, while Mukesh Ambani is stooping to conquer the space through JioMart and a basket of related tuck in acquisitions he made in the recent past. It's not strange that Ambani is vying to grab Future Retail as it would easily place him in the top league.

It all started when RIL and Future Group announced a deal wherein RIL would buy Future Retail and other related assets as India's retail baron was looking for a way out to save his group which was severely hit by covid-induced lockdown. As a result of which, the group defaulted on interest payments. While India's retail baron Kishore Biyani felt relieved, Amazon in an attempt to fight for its rights and save its market position knocked on the doors of Singapore International Arbitration Centre (SIAC). SIAC emergency arbitrator handed over Amazon a mini-victory when it halted the deal between RIL and Future Group. However, as per unofficial sources, RIL is of the view that the deal is fully enforceable as per Indian laws.

As for Amazon, winning an interim order is not end of it as any order by international emergency arbitrator must be accompanied by an Indian court's order. If past is any indication, in all such cases Indian courts have followed the lead of orders issued by emergency arbitrators. As for the current case goes, the complex nature of FDI rules for retail sector make things hard for Amazon. The current rules prevent FDI in multi-brand outlets. Even otherwise, the agreement between Future and Amazon was fraught with operational and cultural issues. As per the deal, Future Group's retail outlets were to serve as fulfilment centres with an objective of delivering at least 1 lakh orders from Big Bazaar stores. But as per sources, it could hardly achieve 1000-15000 mark a day.

However Amazon got a breather as Delhi Court on March 18 2021 puts Reliance-Future deal on hold on the grounds that Future Retail and Future Coupons (promoter of Future Retail) have violated the Emergency Award passed against RIL-Future Group deal, which prevented Future Group to go ahead in the deal with RIL. While the promoters of Future Group are required to appear before High Court, the court imposed a penalty of Rs. 20 lakh for the same. However Future Retail appealed in the Supreme Court against the Emergency Award. It remains to be seen which turn the battle takes turn as both the parties intensify the fight.

While for Future Retail it is a do or die situation which stares at liquidation in the event RIL-Future deal fails, leading to 29000 job losses, for RIL and Amazon it is battle to save their own turf and prevent other from gaining an easy edge over other. Given Amazon's deep pockets and RIL's execution capabilities, which has fast penetrated into various Indian cities, it is definitely not a 'die for' kind of investment option. Nevertheless, Future Retail fits nicely into RIL's overall strategy as it gives RIL a readily available retail eco system, which if combined with RIL's deep pockets and execution capabilities, can create wonders. The battle is taking a turn of an 'ego-issue' between two titans who would not give up easily. As things are heating up, it might take an ugly turn before some clarity emerges even as Future Group is dying a slow death putting Rs. 26,000 Cr of lenders' exposure at risk.

- DR. RAVI SINGH

Vice President & Head of Research

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NEWS

AUTO

- Bajaj Auto Q1FY22: Net Revenue at Rs. 7386.0 Cr, +139.9% YoY and -14.1% QoQ. EBITDA at Rs. 1118.0 Cr, +173.7% YoY and -26.5% QoQ. EBITDA Margin at 15.1%, +187 bps YoY and -257 bps QoQ. Net Profit at Rs. 1170.2 Cr, +195.9% YoY and -24.6% QoQ.

BANKING

- Bank Of Maharashtra Q1FY22: NII at Rs. 1405.9 Cr, +29.2% YoY and +1.7% QoQ. Net Profit at Rs. 208.0 Cr, +105.9% YoY and +26% QoQ. GNPA at 6.35x, Vs 10.93x YoY and 7.23x QoQ. NNPA at 2.22x, Vs 4.10x YoY and 2.48x QoQ.
- CSB Bank Q1FY22: NII at Rs. 267.8 Cr, +44.5% YoY and -2.9% QoQ. Net Profit at Rs. 61.0 Cr, +13.9% YoY and +42.2% QoQ. GNPA at 4.88x, Vs 3.51x YoY and 2.68x QoQ. NNPA at 3.21x, Vs 1.74x YoY and 1.17x QoQ.
- The South Indian Bank Q1FY22: NII at Rs. 542.0 Cr, -7.6% YoY and -3.3% QoQ. Net Profit at Rs. 10.3 Cr, -87.4% YoY and +51.8% QoQ. GNPA at 8.02x, Vs 4.93x YoY and 6.97x QoQ. NNPA at 5.05x, Vs 3.09x YoY and 4.71x QoQ.

CEMENT

- Ultratech Cement: The cement company reported average realisation at Rs. 5,157/tonne rose more than 7% on a sequential basis. Its operating cost/tonne increased 2.6% sequentially and around 4.3% compared to the year ago period.

CONSUMPTION

- Hindustan Unilever Q1FY22: Net Revenue at Rs. 12194.0 Cr, +13.6% YoY and -1.9% QoQ. EBITDA at Rs. 2921.0 Cr, +8.4% YoY and -4% QoQ. EBITDA Margin at 24%, -116 bps YoY and -52 bps QoQ. Net Profit at Rs. 2100.0 Cr, +10.7% YoY and -4.2% QoQ.
- Indiamart InterMesh Q1FY22: Net Revenue at Rs. 181.6 Cr, +18.6% YoY and +1.1% QoQ. EBITDA at Rs. 88.6 Cr, +20.9% YoY and +3.7% QoQ. EBITDA Margin at 48.8%, +91 bps YoY and +126 bps QoQ. Net Profit at Rs. 87.9 Cr, +18.6% YoY and +57.8% QoQ.

INFRA

- PSP Projects: The company has secured new work orders worth Rs. 82.79 Cr till date in the financial year 2021-22 for institutional and industrial projects from various clients.
- Adani Ports & Special Economic Zone: The flagship ports operator of billionaire Gautam Adani's group, is looking to raise at least \$500 million on offshore debt through dollar bonds. The latest dollar bond issuance by Adani Ports follows a \$500 milli on issuance in January and will be used for both refinancing existing debt as well as for capex.

INSURANCE & FINANCIAL SERVICES

- ICICI Lombard General Insurance Company Q1FY22: Net Revenue at Rs. 3246.9 Cr, +18.9% YoY and -6.9% QoQ. Net Profit at Rs. 151.6 Cr, -61.9% YoY and -56.1% QoQ.
- Bajaj Holdings & Investment Q1FY22: Net Revenue at Rs. 97.7 Cr, +8.2% YoY and +5.6% QoQ. EBITDA at Rs. 69.2 Cr, +2.3% YoY and +19.1% QoQ. EBITDA Margin at 70.8%, -409 bps YoY and +802 bps QoQ. Net Profit at Rs. 779.6 Cr, +14.7% YoY and -18% QoQ.
- Indian Energy Exchange Q1FY22: Net Revenue at Rs. 91.0 Cr, +34.1% YoY and -3% QoQ. EBITDA at Rs. 74.9 Cr, +55.5% YoY and -3.3% QoQ. EBITDA Margin at 82.2%, +1133 bps YoY and -32 bps QoQ. Net Profit at Rs. 62.2 Cr, +47.6% YoY and +2.1% QoQ.

IT

- Persistent Systems Q1FY22: Net Revenue at Rs. 1229.9 Cr, +24.1% YoY and +10.5% QoQ. EBITDA at Rs. 201.5 Cr, +38.2% YoY and +7% QoQ. EBITDA Margin at 16.4%, +168 bps YoY and -53 bps QoQ. Net Profit at Rs. 151.3 Cr, +68% YoY and +9.8% QoQ.
- Tanla Platforms Q1FY22: Net Revenue at Rs. 626.4 Cr, +37.5% YoY and -3.4% QoQ. EBITDA at Rs. 134.5 Cr, +79.4% YoY and +0.4% QoQ. EBITDA Margin at 21.5%, +501 bps YoY and +81 bps QoQ. Net Profit at Rs. 104.5 Cr, +32.9% YoY and +1.9% QoQ.

METAL & MINING

- Hindustan Zinc: The Vedanta group firm reported first quarter net profit of Rs. 19.83 billion compared to Rs. 13.59 billion a year ago. Revenue from operations stood at Rs. 63.78 billion compared to Rs. 38.98 billion a year ago.

FORTHCOMING EVENTS

COMPANY NAME	EVENT	EX-DATE
Axis Bank Limited	Financial Results	26-Jul-21
DLF Limited	Financial Results	26-Jul-21
Larsen & Toubro Limited	Financial Results	26-Jul-21
SBI Life Insurance Company Limited	Financial Results	26-Jul-21
Dr. Reddy's Laboratories Limited	Financial Results	27-Jul-21
IndusInd Bank Limited	Financial Results	27-Jul-21
Maruti Suzuki India Limited	Financial Results	28-Jul-21
Tech Mahindra Limited	Financial Results	29-Jul-21
Sun Pharmaceutical Industries Limited	Financial Results	30-Jul-21
UPL Limited	Financial Results	30-Jul-21
NTPC Limited	Financial Results	31-Jul-21

GLOBAL NEWS

- Embedded as a risk, the new COVID cycle could challenge Fed, recovery. U.S. Treasury yields have tumbled in a sign investors may be losing confidence in both the U.S. growth outlook and the Fed's ability to navigate between the shoals of a resurgent pandemic that may require more help from the central bank and high inflation that may demand a more restrictive approach.
- Unilever announces profits fall as inflation bites. Profit after tax dropped five percent to 3.12 billion euros (\$3.68 billion) in the first six months of the year compared with the corresponding period in 2020, Unilever said in a statement.
- Steel industry stocks: The Union cabinet chaired by Prime Minister Narendra Modi on Thursday approved the Rs. 6,322 Cr production-linked Incentive (PLI) scheme for specialty steel that is expected to attract investments of around Rs. 40,000 Cr.

NBFC

- Can Fin Homes Q1FY22: NII at Rs. 182.8 Cr, -4.6% YoY and -5% QoQ. Net Profit at Rs. 108.9 Cr, +16.8% YoY and +6.1% QoQ.

OIL & GAS

- BPCL: Indian government has amended foreign investment norms such that 100% FDI is allowed if disinvestment is announced in a PSU. This would facilitate the divestment of BPCL.

PHARMA & HEALTHCARE

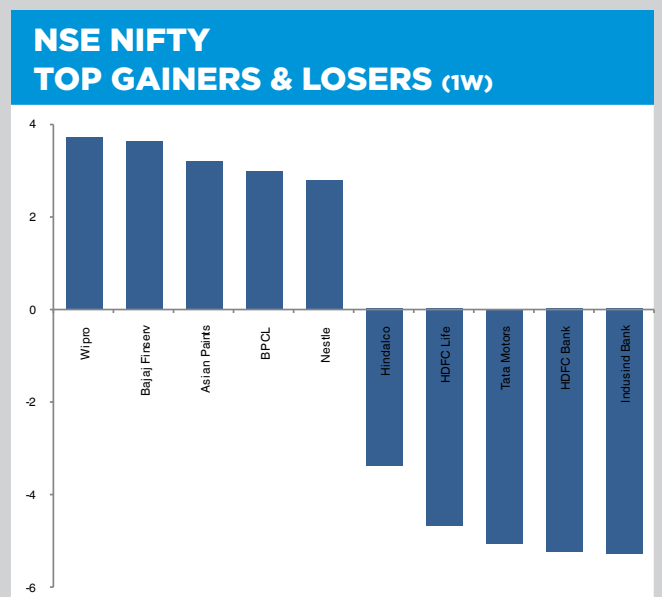
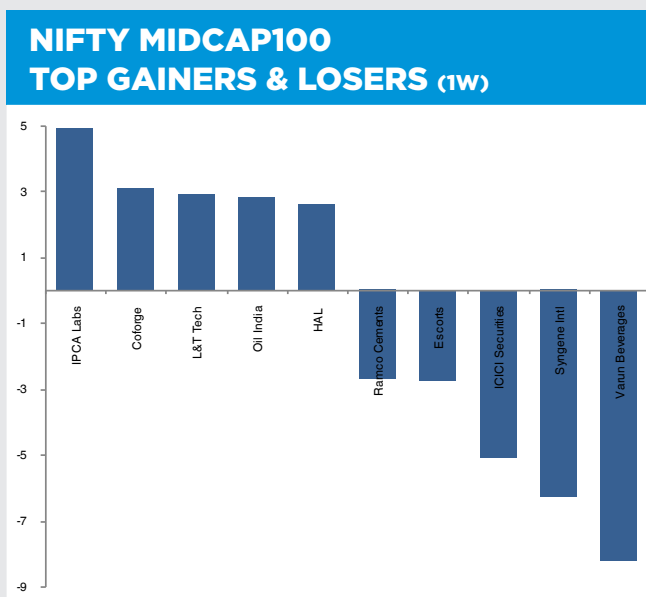
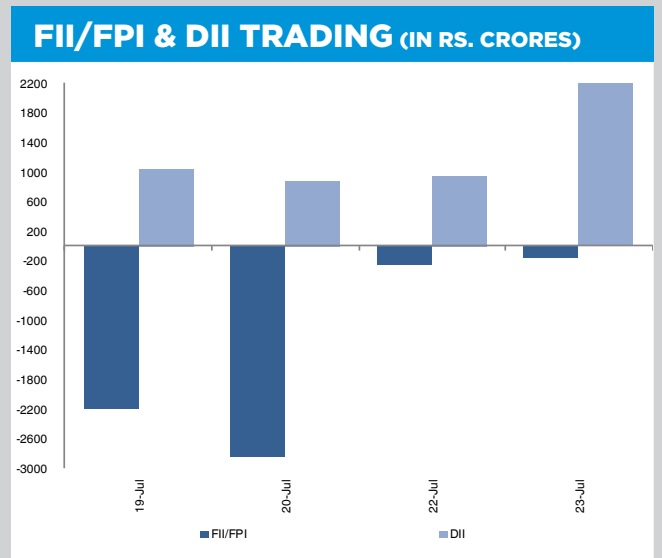
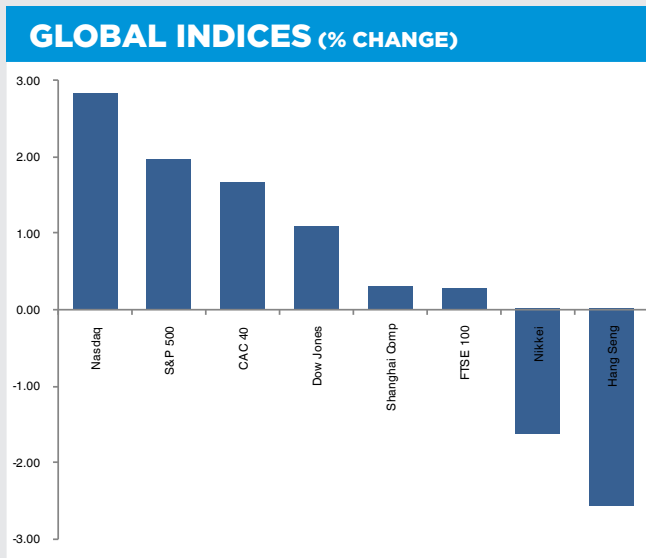
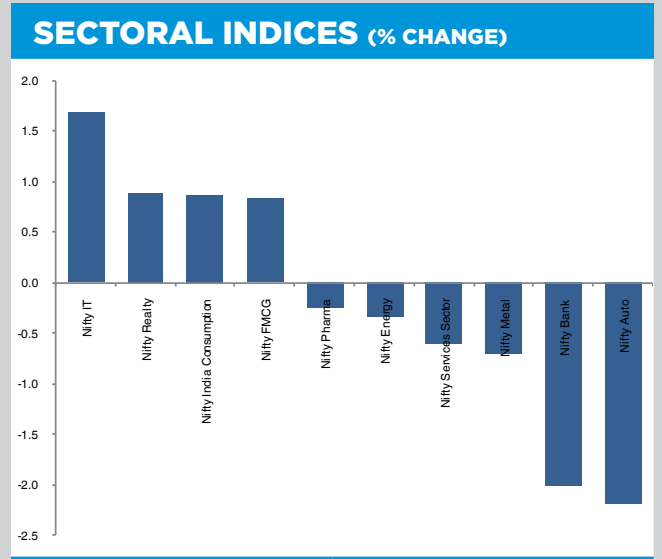
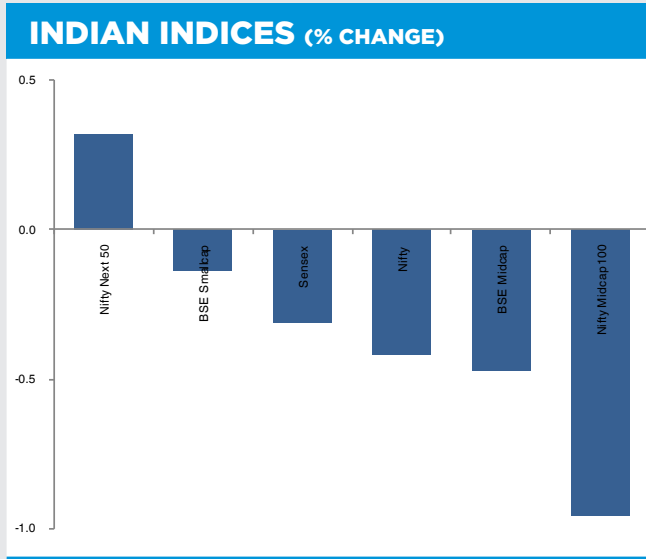
- Wockhardt Q1FY22: Net Revenue at Rs. 859.6 Cr, +43.7% YoY and +36% QoQ. EBITDA at Rs. 120.8 Cr, Rs. -72.1 Cr YoY, Rs. -80.3 Cr QoQ. Net Profit at Rs. -6.0 Cr, Rs. -225.6 Cr YoY, Rs. -106.8 Cr QoQ.

POWER

- Tata Power: The Company has signed share purchase agreement (SPA) with Tata Power International Pte., a wholly-owned subsidiary of the company, for sale of 100 percent equity shares held in Trust Energy Resources Pte, another wholly-owned subsidiary of the company for a consideration of US\$ 285.64 million.

TELECOM & MEDIA

- Sterilite Technologies Q1FY22: Net Revenue at Rs. 1309.2 Cr, +49.4% YoY and -11.2% QoQ. EBITDA at Rs. 231.9 Cr, +90.6% YoY and -9.6% QoQ. EBITDA Margin at 17.7%, +383 bps YoY and +32 bps QoQ. Net Profit at Rs. 105.7 Cr, Rs. 2.9 Cr YoY and -13.9% QoQ.
- Saregama India Q1FY22: Net Revenue at Rs. 105.0 Cr, +37.2% YoY and -15% QoQ. EBITDA at Rs. 37.0 Cr, +95.9% YoY and +7.6% QoQ. EBITDA Margin at 35.2%, +1055 bps YoY and +739 bps QoQ. Net Profit at Rs. 27.3 Cr, +73.4% YoY and -26.5% QoQ.



Source: Karvy Research

ICICI BANK LTD



STOCK	ICICIBANK
CMP	541
ACTION	BUY
ENTRY	532-534
AVERAGE	520
STOP LOSS	499
TARGET 1	575
TARGET 2	600

On the technical front, ICICIBANK 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 679 levels, the stock has witnessed a correction to the current levels. At the current juncture, the stock has formed a base of around 585 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 633 levels. This may trigger a fresh round of buying which may take the stock towards 770 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 800 levels in the medium term. Any correction towards the recent support levels of 633 levels may be utilized to average the positions.

SBI LIFE INSURANCE COMPANY LTD



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

On the technical front, SBILIFE 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 1044 levels, the stock has witnessed a correction to the 957 levels. At the current juncture, the stock has formed a base of around 957 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 1000 levels. This may trigger a fresh round of buying which may take the stock towards 1150 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 1200 levels in the medium term. Any correction towards the recent support levels of 1000 levels may be utilized to average the positions.



NIFTY (15856.05): Indian equity benchmark index Nifty 50 closed lower by 0.42% 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 investors monitored Chinese tech stocks in Hong Kong after regulatory concerns resurfaced. European stocks closed higher on Friday, as investors digested economic data and corporate earnings from across the continent. July's flash PMI (purchasing managers' index) readings on Friday showed euro zone business activity growing at its fastest pace in more than two decades, as an easing of social restrictions and expansion of vaccination programs unleashed pent-up demand. UK retail sales grew 0.5% in June after a surprise pullback in May. The European Central Bank held its monetary policy steady Thursday following a meeting of the Governing Council. The bank vowed a "persistently accommodative" stance in light of its new inflation target. US equities rose Friday with the major averages hitting new records as they overcame concerns about economic growth from earlier in the week. The stock market overall has been bolstered by a strong earnings reporting season, with nearly a quarter of the S&P 500 having already reported. Of those companies, 88% have reported a positive surprise. Domestically, for the week, on the data front, investors may focus on the Federal Fiscal Deficit (Jun) and Infrastructure Output (YoY) releasing on July 30th. On the derivatives front, open interest data suggests that the Nifty index may find its supports around 15800 followed by 15500 levels while on the higher side, 15900 and 16000 levels may act as resistance.



NIFTY BANK underperformed Nifty this week as Nifty Bank lost around -2% as opposed to Nifty's losses of -0.4%. Bank Nifty started the week on a weak note and gained momentum towards the lower end of the narrow trading range. As indicated by us in our last week's commentary, Nifty Bank faced resistance at 36000 levels and reversed sharply and hit the lower end of the trading range within three trading sessions. At the lower end of the trading range, the index made repeated failed attempts to break out of it on the lower side. But took support at 34350-34400 support range and bounced back on the last trading session of the week. Two near-term moving averages 25 DMA and 50 DMA acted as a resistance for the index during the week and the index could not break above the moving averages. As the index approached 100 DMA, it remains to be seen how the index behaves around the level. Among index components, except ICICI Bank all stocks ended in red. While ICICI Bank ended up 2.5%, IDFC First Bank is the week's worst performer which lost 5.4% for the week. Among large banks HDFC Bank and Indusind Bank remain worst performers, which ended down more than 5%. While SBI ended with modest losses of 0.3%, Kotak and Axis lost around 2%. Fundamentally, as indicated by us, HDFC Bank's Q1 results set the tone for the index during the week. HDFC Bank reported worse than expected operating performance during the quarter due to the disruption caused by the second wave. In addition to the visible stress on the asset quality, investors were worried about uncertainty on permanent solution to the technical glitches being faced by the banks' customers and lifting of embargo by RBI on the banks' credit card operations. Additionally, bank sounded cautious about its CV financing book, which got hit by surging diesel prices. In fact this factor triggered a correction in Indusind Bank as well as both the banks have high exposure to the segment. Nifty Bank may face resistance at 35800 followed by 37000. Nifty Bank may take support at 34500-34000 support zone, followed by 32000.