

K STREET

RULE THE MARKET

ISSUE: 148



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From The Desk Of Research Head

Will the economy recover?

As we complete Q2FY22 and the second wave of covid appears to be pacifying, the battle on the macroeconomic front continues. While the damage to the public life was controlled last year by timely announcement of lockdown, the economy suffered with all leading macroeconomic indicators hitting all-time lows. But once the first wave started subsiding, economy bounced back sharply due to pent-up demand. But towards the end of fiscal 2021, as the second wave of surge in covid cases picked up, the grim state of India's healthcare infrastructure came to the fore. Given the risks to the economy, government cannot afford for another full-fledged nation-wide lockdown as was done during last fiscal. It remains to be seen how economy fares in FY22 amid rising covid cases and deaths and announcement of fresh small lockdowns in various locations.

Analysis of high-frequency indicators released till now remained resilient. But future may not be the same for the economy. With each state government relaxing lockdown restrictions phase-wise, things are looking up. However the risk of third wave remains. Automobile industry, which is generally the first industry to show signs of weakness during lean times, is reeling on the hopes of pent up demand. Now that companies have restarted operations we expect the auto industry to pick up the pace in the coming quarters. We expect that the pent up demand will consume the piled up inventory at dealer level and expectations of better monsoons and economic recovery should help auto volumes going forward.

With daily cases tally coming down significantly, coupled with improvement in vaccination roll out reduction of death toll and availability of more number of vaccine options, the covid risk appears to be under control. However, ever-mutating nature of the virus poses a big downside risk. Cases of delta variant are slowly increasing. But since research indicated that existing vaccines efficiently handle the new variant. While the recovery rate and availability of prevention and cure of the disease is comforting, shortage of vaccines and oxygen are hindering the pace of vaccine roll out and recovery rate. However, government needs to make sure that vaccines are made available sufficiently to vaccination centres, as some states are still complaining of non-availability of vaccines. Government should address this issue as soon as possible and make sure that entire nation across age-groups are vaccinated before end of this calendar year. If not, there is a risk of the sharp increase of virus cases in rural India which is hard to control.

While the government is maintaining ultra-loose monetary and fiscal policy, the moment pace of vaccine roll out picks up and second wave peaks out before June (as per estimates), economic growth should start picking up once again from H2FY22. With the onset of monsoon, coupled with fall in daily case tally, pent up demand should kick in and help revival in economy. This coupled with government's fiscal and demand boosting measures like expansion of PLI scheme to include other sectors, vehicle scrappage policy, infra capex and easy availability of finance to boost private capex and continued support to MSME sector, which is backbone of the economy, things should start looking up for the economy by the end of fiscal 2022.

- DR. RAVI SINGH

Vice President & Head of Research

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NEWS

AUTO & AVIATION

- Auto sector stocks: Factory dispatches of passenger vehicles surged sequentially in June, as states continued to ease lockdown curbs, imposed in the wake of the devastating second wave of the coronavirus pandemic. With the most reopening, automakers raise production to replenish inventory.
- IndiGo: The airline's operator, Interglobe Aviation Ltd has narrowed down on Citi, JP Morgan, Morgan Stanley, and BNP Paribas for an Rs. 3,000 Cr qualified institutional placement to be made around August, media reports said citing people familiar with the matter.
- Jet Airways: The Mumbai bench of the NCLT in an released on Wednesday said the new promoters of Jet Airways (India) Ltd cannot claim historicity to obtain airport slots belonging to the airline as it didn't have any operating slots on the day of the commencement of the insolvency process. Last week, the NCLT approved the resolution plan of a consortium consisting of Kalrock Capital and UAE-based entrepreneur Murarilal Jalan, the new promoters of Jet Airways.
- Tata Motors: India's largest commercial vehicle player and leading bus manufacturer has won a tender of 15 hydrogen-based proton exchange membrane (PEM) fuel cell buses from the Indian Oil Corporation Ltd (IOCL). All 15 buses will be delivered within 144 weeks from the date of signing of the Memorandum of Understanding (MOU).

BANKING

- Banking stocks: Gross non-performing assets (GNPAs) of banks may rise to 9.8% by March 2022 under a baseline scenario, from 7.48% in March 2021, according to the Financial Stability Report (FSR) released by the Reserve Bank of India. Under a severe stress scenario, the GNPA of banks may increase to 11.22%, it added.
- Banking stocks: Stressed assets of Indian banks will remain elevated at 11-12% in fiscal 2022, S&P Global Ratings said on Wednesday. The agency expects non-performing loans plus restructured assets to increase to 11.5% in the current fiscal from 8.7% a year ago. It also expects banks' performance to be affected in the first half of the fiscal due to the impact of the second wave.
- HDFC Bank: The RBI's ban on selling new credit cards has impacted market share on an incremental basis, HDFC Bank said on Wednesday, promising to get back to the market "with a bang" once the "temporal" embargo is lifted and recoup the losses. The bank's head of consumer finance, digital banking and information technology, Parag Rao, said that it has used the last six months to "introspect, re-engineer and innovate" about the cards business, where it has 15.5 million customers.

INFRA

- Capacite Infraprojects: ICICI Prudential Asset Management Company sold 98,537 equity shares (or 0.15 percent of the total paid-up equity) via an open market transaction on June 29, reducing stake to 2.95 percent from 3.09 percent earlier.
- Karda Constructions: Promoter Laxman Jagumal Karda & PACs sold 7 lakh equity shares (or 1.14 percent of the total paid-up equity), reducing stake to 58.24 percent from 59.38 percent earlier.
- NCC: The Company received five new orders totaling Rs. 2,149 Cr in June. Out of the total orders, two orders valuing Rs. 1,254 Cr pertain to water & environment division and one order valuing Rs. 729 Cr pertains to buildings division and one order valuing Rs. 166 Cr pertains to the mining division.

IT

- Redington India and Dixon Technologies: Centre approves 14 applicants including Dell, Foxconn under PLI scheme for hardware products. The target segments under this PLI scheme include laptops, tablets, all-in-one personal computers (PCs), and servers. The scheme will generate additional direct employment opportunities of more than 36,000 in the next 4 years. The PLI Scheme for IT Hardware extends an incentive of 4% to 2% on net incremental sales over the base years of FY20. Primary beneficiaries include stocks like Dixon Technologies and Redington India.
- Coforge: The company's board of directors will meet on July 6 to consider raising funds in one or more tranches by the issuance of equity shares and/or depository receipts and/or other eligible securities.
- Tata Consultancy Services: The company partnered with John Wiley & Sons, an American multinational publishing company, to modernize its e-commerce platform with SAP Commerce, creating a unified, seamless customer experience.

FORTHCOMING EVENTS

COMPANY NAME	EVENT	EX-DATE
Simplex Projects Limited	Financial Results	05-Jul-21
kwality limited	Financial Results	06-Jul-21
Setco Automotive Limited	Financial Results	07-Jul-21
Libas Consumer Products Limited	Financial Results	08-Jul-21
Shyam Metalics and Energy Limited	Financial Results	08-Jul-21
Tata Consultancy Services Limited	Financial Results	08-Jul-21
Excel Realty N Infra Limited	Financial Results	09-Jul-21
Pil Italica Lifestyle Limited	Financial Results	09-Jul-21

GLOBAL NEWS

- Sri Lanka's largest banks most susceptible to heightened sovereign risk, warns Fitch Ratings. Domestic banks have significant direct exposure to the sovereign, largely via government-security holdings, as well as to the wider domestic economy and local financial markets, Fitch said.
- Countries back global minimum corporate tax of 15%. "A detailed implementation plan together with remaining issues will be finalized by October 2021," read a statement signed by 130 out of 139 countries and jurisdictions involved in the negotiations.

MINING

- NMDC: The company sold 3.18 million tonnes of iron ore in June 2021, higher from 2.48 million tonnes of iron ore sold in June 2020. The production of iron ore stood at 2.98 million tonnes against 2.52 million tonnes in the same period last year.
- Coal India: Coal production increased 2 percent to 40 million tonnes in June 2021 YoY, and offtake jumped 23 percent to 51.3 million tonnes in the same period.

NBFC

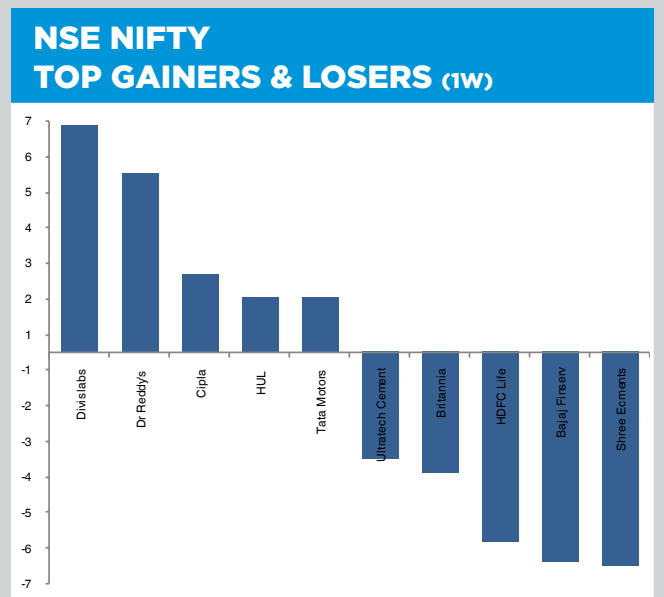
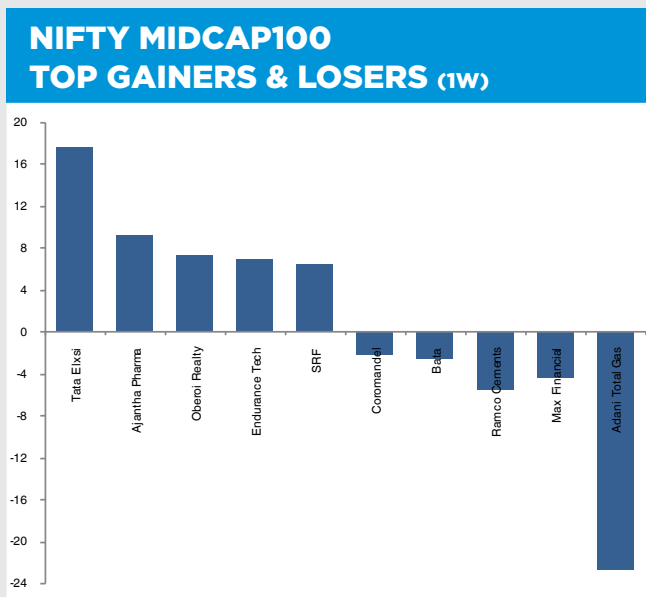
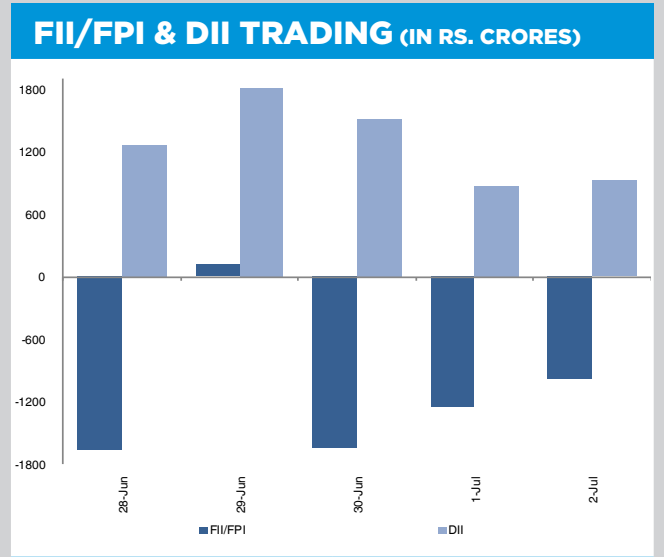
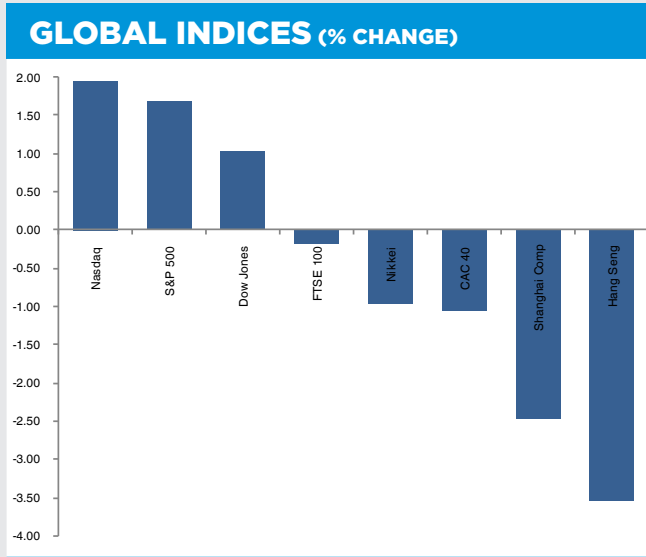
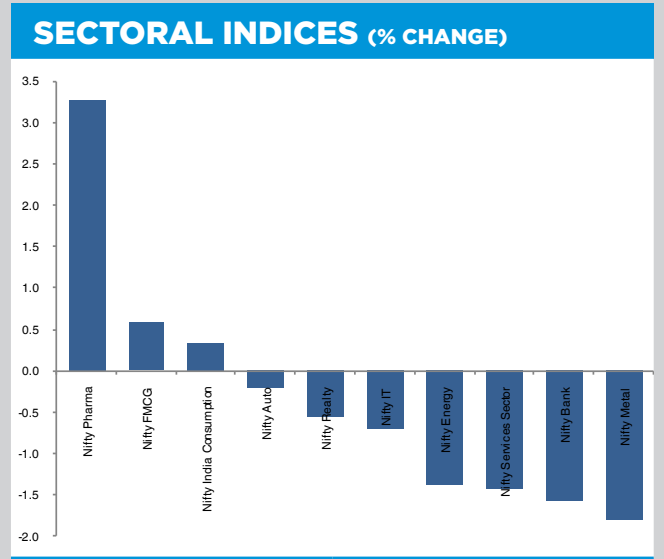
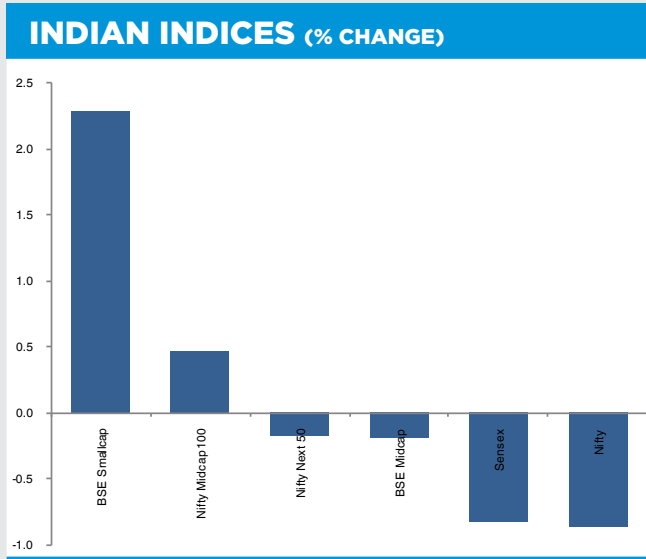
- Srei Infrastructure Finance: The Reserve Bank of India (RBI) has identified probable related-party lending activity by the Srei group during 2019-20, the non-bank lender said in a regulatory disclosure on Thursday. Srei Infra said that the total exposure to such loans was at Rs. 8,576 Cr in the last fiscal year. The company is planning to raise Rs. 2,500 Cr through one or more instruments via different modes. SEFL also received a term sheet from Makara Capital Partners for an investment of Rs. 2,200 Cr, besides Rs. 2,000 Cr from Arena Investors LP.

PHARMA & HEALTHCARE

- Alembic Pharma: Drug firm Alembic Pharmaceuticals on Thursday said it has received approval from the US health regulator for its generic Nitrofurantoin capsules indicated for the treatment of urinary tract infections. The company has received final approval from the US Food & Drug Administration (USFDA) for its abbreviated new drug application (ANDA) for Nitrofurantoin capsules. The product is a generic version of Alvogen Malta Operations Ltd's Macrochantin capsules in the same strengths, it added.
- Cadila Healthcare: The Ahmedabad-based pharmaceutical firm Zydus Cadila has applied for Emergency Use Authorization (EUA) for ZyCoV-D-its Plasmid DNA vaccine against covid-19 to the Drug Controller General of India (DCGI), the company announced on Thursday. If approved, the drugmaker further said, it is ready to roll out the world's first Plasmid DNA shot in 45-60 days.
- Dr. Reddy's Laboratories: The Hyderabad-based pharma major said that the single-dose Sputnik Light vaccine can submit Russian safety data for approval in India. Sputnik Light is a one-shot Covid-19 vaccine from the makers of Sputnik V and is yet to be approved in the country.

POWER

- Tata Power Company: The board has decided to withdraw the amalgamation of Tata Power Solar Systems with the company and accordingly approved the amendment to the Composite Scheme.



Source: Karvy Research

HINDUSTAN UNILEVER LTD



STOCK	HINDUNILVR
CMP	2485
ACTION	BUY
ENTRY	2465-2470
AVERAGE	2385
STOP LOSS	2300
TARGET 1	2650
TARGET 2	2700

On the technical front, HINDUNILVR 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 2533 levels, the stock has witnessed a correction to the current levels. At the current juncture, the stock has formed a base of around 2300 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 2385 levels. This may trigger a fresh round of buying which may take the stock towards 2650 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 2700 levels in the medium term. Any correction towards the recent support levels of 2385 levels may be utilized to average the positions.

ICICI BANK LTD



STOCK	ICICIBANK
CMP	640
ACTION	BUY
ENTRY	634-636
AVERAGE	610
STOP LOSS	584
TARGET 1	700
TARGET 2	725

On the technical front, ICICIBANK 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 665 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 584 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 700 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 725 levels in the short term. Any correction towards the recent support levels of 610 levels may be utilized to average the positions.



NIFTY (15722.20): Indian equity benchmark index Nifty 50 closed lower by 0.58% 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. Asia-Pacific stocks were mixed on Friday as investors looked ahead to a closely-watched US jobs report set to be released later. European stocks closed slightly higher on Friday as investors digested a better-than-expected US jobs report. The tepid trade in Europe follows a mixed session in Asia-Pacific, where mainland Chinese and Hong Kong stocks pulled back sharply while other major markets made modest gains. Eurozone producer prices gathered pace in May on the back of rising energy prices, Eurostat revealed on Friday. Factory gate prices across the 19-member common currency bloc rose 1.3% month-on-month and 9.6% year-on-year. US stocks rose on Friday and the S&P 500 hit another record high after the June jobs report showed an accelerating recovery for the US labor market. The economy added 850,000 jobs last month, according to the Bureau of Labor Statistics. Economists surveyed by Dow Jones were expecting an addition of 706,000. In addition to the job gains, average hourly wages rose 0.3% for the month and are up 3.6% year over year, matching expectations. The S&P 500 has now risen in five of the past six weeks, while the Nasdaq has gained in six of the past seven weeks. Domestically, for the week, on the data front, investors may focus on the Nikkei Services PMI (Jun) releasing on July 5th. On the derivatives front, open interest data suggests that the Nifty index may find its supports around 15700 followed by 15000 levels while on the higher side, 15800 and 16000 levels may act as resistance.



NIFTY BANK underperformed Nifty this week as Nifty Bank lost nearly -1.6% as opposed to Nifty's losses of nearly -1%. After ending the previous week with upward bias, the index this week lost all the gains and ended in the support zone. During the week Nifty Bank ended in red during all four of the five trading sessions with all the index components ending in red. The index still trades above 50 DMA and 100 DMA, but faced resistance at 25 DMA and corrected. Since near term DMA (25 DMA) is trading above both the longer term DMAs (50 DMA and 100 DMA), technically it is considered as a negative trade set up. The index appears to be trading in a range or consolidating in a tight range between 35700-35800 at the upper end and 34500-34600 at the lower end. Now that the index has hit the lower end of the trading range, there are chances that the index might bounce during the next week. Among the index components, all stocks ended in red with the exception of AU Small Finance Bank, which ended flat. IDFC First Bank is this week's worst performer, which ended down -7.5%. Among large banks, all the top five banks - SBI, HDFC Bank, ICICI Bank, and Kotak Bank ended the week with losses ranging from -1% to -3.5%. Fundamentally, RBI released its latest Financial Stability Report yesterday. RBI toned down its harsh outlook seen in previous report, which should be sentimentally positive for the banking stocks. RBI noted that banks are better placed to handle shocks than when compared to six months ago. It further noted that banking sector's GNPA are expected to increase to 11.22% in worst case scenario, toning it down from previous estimate of 14.8% by end of FY22. With Q1FY22 results season about to start, we expect investors to shift focus to results and most likely the index would consolidate around these levels till large banks start declaring results, when investors are expected to regain confidence. Nifty Bank may face resistance at 35700 followed by 37000. Nifty Bank may take support at 34500-34000 support zone, followed by 32000.