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# STREET



**RULE THE MARKET**

ISSUE: 154



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## From The Desk Of Research Head

### Chip Shortage – How bad can it get?

Indian auto OEMs which got disrupted because of pandemic induced lockdown have put up a brave face and recovered sharply once the lockdown impact has subdued. But the resilience of the auto industry is under threat. The industry has been staring a severe supply side glitch in the form of global semi conductor shortage. So far the impact of semi conductor chip shortage has been visible in case of global auto OEMs. But with no improvement in the scenario, Indian auto OEMs are facing the heat and are forced to voice concerns explicitly. Companies like M&M, Tata Motors and Bharat Forge issued profit warnings in the coming quarters, attributing to shortage of the chips.

The adverse impact of chip shortage is felt in case of electronics and white goods manufacturers too. Several manufacturers are limiting to or in some cases halting production. Industry watchers and managements are raising concerns that the shortage situation might hinder the surge in overall demand. Companies are concerned that they will not be able to meet their deliveries ahead of the much important festive season. It is important to know how integral such a tiny component to the growth prospects of two of the important industries and where we are placed.

It is interesting to know about the factors that triggered the shortage of chips. The pandemic break out during early 2020 in China triggered a supply side shortage for chips due to lockdown. With lockdowns announced across the globe and the culture of work from home (WFH) picked up demand for lap tops and other electronics shot up widening the demand-supply gap for chips. As the first wave subsided and lockdown restrictions eased, preference for personal mobility in the wake of social distancing and pent up demand fuelled demand for four-wheelers, more so for entry level models. This double whammy led to severe shortage of semiconductor chips, which is coming to hit back the so far resilient auto industry.

With the rise in demand for EVs, the situation is expected to get even worse. The tiny semi conductor chip finds its use in modern cars everywhere right from power steering, brake sensors, entertainment systems, parking cameras and what not. As cars are increasingly becoming power houses of technological advancements and are increasingly moving towards automation of various aspects of driving and important functions of car, the dependence on chips is more. In case of EVs, these chips are used in designing battery management algorithms. In case of passenger vehicles, where Indian manufacturers have started getting worried of late the semiconductor chips are used pretty much in all of the electronic components like airbag deployment, lane change assistance and so on. According to an estimate, there are nearly 1000 semiconductors that go into manufacturing a passenger car.

Indian car makers were not vocal about the shortage till now, thanks to high inventory levels at both dealer level and OEM level due to dealer shutdown due to lockdown during April and May and voluntary halting of operations during June by OEMs. Since 80% of passenger vehicles sold in India are below Rs. 1 Mn mark, manufacturers of mass models are worst hit. Companies like M&M, Maruti and Tata Motors are feeling the pinch with waiting period for some of their models running into almost a year. M&M's much coveted model Thar has a waiting period of almost a year – highest ever in the market at present. The situation is far worse globally. GM announced that it would shut down three of its plants due to chip shortage as early as February. According to Korean times, Hyundai is not expecting normalcy at least till 2022. Several industry experts are of the view that the situation will not reach normalcy at least until end of 2023. This would mean prolonged waiting period for Indian cars is going to be the norm for some months to come.

**- DR. RAVI SINGH**

Vice President & Head of Research

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## NEWS

### AUTO

- Eicher Motors Q1FY22: Net Revenue at Rs. 1974.3 Cr, +141.3% YoY and -32.9% QoQ. EBITDA at Rs. 363.0 Cr, Rs. 3.8 Cr YoY and -42.8% QoQ. EBITDA Margin at 18.4%, +1792 bps YoY, and -319 bps QoQ. Net Profit at Rs. 237.1 Cr, Rs. -55.2 Cr YoY and -54.9% QoQ.
- Hero MotoCorp Q1FY22: Net Revenue at Rs. 5502.8 Cr, +85.3% YoY and -36.7% QoQ. EBITDA at Rs. 519.7 Cr, +344% YoY and -57.6% QoQ. EBITDA Margin at 9.4%, +550 bps YoY and -467 bps QoQ. Net Profit at Rs. 256.5 Cr, +343.9% YoY and -71% QoQ.
- Ashok Leyland Q1FY22: Net Revenue at Rs. 4087.9 Cr, +175.1% YoY and -49.8% QoQ. EBITDA at Rs. 337.3 Cr, +175.9% YoY and -66.7% QoQ. EBITDA Margin at 8.3%, +2 bps YoY, and -419 bps QoQ. Net Profit at Rs. -252.2 Cr, Rs. -388.8 Cr YoY, Rs. 377.1 Cr QoQ.
- Bharat Forge Q1FY22: Net Revenue at Rs. 2107.7 Cr, +82.6% YoY and +1.2% QoQ. EBITDA at Rs. 450.3 Cr, + Rs. -14.1 Cr YoY and +5.8% QoQ. EBITDA Margin at 21.4%, +2259 bps YoY and +92 bps QoQ. Net Profit at Rs. 152.8 Cr, Rs. -127.3 Cr YoY and -28% QoQ.
- PV makers: Passenger vehicle wholesales in India increased by 45% to 2,64,442 units in July against 1,82,779 units in the same month last year, auto industry body SIAM said today.

### CONSUMPTION

- Page Industries Q1FY22: Net Revenue at Rs. 501.5 Cr, +76.1% YoY and -43.1% QoQ. EBITDA at Rs. 34.2 Cr, Rs. -34.7 Cr YoY, Rs. 169.8 Cr QoQ. Net Profit at Rs. 11.0 Cr, Rs. -39.6 Cr YoY, Rs. 115.6 Cr QoQ.
- Trident Q1FY22: Net Revenue at Rs. 1482.4 Cr, +109.2% YoY and +10.2% QoQ. EBITDA at Rs. 384.2 Cr, +239.5% YoY and +62% QoQ. EBITDA Margin at 25.9%, +994 bps YoY and +828 bps QoQ. Net Profit at Rs. 206.8 Cr, Rs. 10.1 Cr YoY and +170.5% QoQ.
- Finolex Cables Q1FY22: Net Revenue at Rs. 675.4 Cr, +79.1% YoY and -26.7% QoQ. EBITDA at Rs. 70.3 Cr, +103.6% YoY and -48% QoQ. EBITDA Margin at 10.4%, +125 bps YoY and -426 bps QoQ. Net Profit at Rs. 86.9 Cr, +95.3% YoY and -48.1% QoQ.
- ITC: The business conglomerate on Thursday said it plans to invest around \$ 2 billion (around Rs. 14,851 Cr) as part of its 'ITC Next' strategy, under which it will explore opportunities to craft "disruptive business models".
- Future group: The group's promoters, including Kishore Biyani and several group holding companies, have approached the Supreme Court against an order passed by the Delhi High Court directing to enforce the order of the Singapore-based Emergency Arbitrator.

### INFRA

- HCC: The company reported a consolidated net profit of Rs. 179.9 Cr in Q1FY22, against loss of Rs. 409.3 Cr in Q1FY21. Revenue was at Rs. 2,503.3 Cr against Rs. 1,689.8 Cr, YoY.

### IT

- Indian Railway Catering and Tourism Corporation Q1FY22: Net Revenue at Rs. 243.4 Cr, +85.3% YoY and -28.2% QoQ. EBITDA at Rs. 111.5 Cr, Rs. -43.9 Cr YoY and -23.1% QoQ. EBITDA Margin at 45.8%, +7922 bps YoY and +300 bps QoQ. Net Profit at Rs. 82.5 Cr, Rs. -24.6 Cr YoY and -20.5% QoQ.
- Redington (India) Q1FY22: Net Revenue at Rs. 13454.1 Cr, +25.8% YoY and -13.2% QoQ. EBITDA at Rs. 344.3 Cr, +67.7% YoY and -19% QoQ. EBITDA Margin at 2.6%, +64 bps YoY and -18 bps QoQ. Net Profit at Rs. 239.2 Cr, +141.7% YoY and -21.2% QoQ.

### METAL & MINING

- Tata Steel: The company's Q1 net profit at Rs. 9,768.3 Cr versus a loss of Rs. 4,648.1 Cr and revenue was at Rs. 53,371.8 Cr versus Rs. 25,474.5 Cr, YoY.

## FORTHCOMING EVENTS

COMPANY NAME	EVENT	EX-DATE
BF Investment Limited	Financial Results	20-Aug-21
BF Utilities Limited	Financial Results	20-Aug-21
ARSS Infrastructure Projects Limited	Financial Results	21-Aug-21

## GLOBAL NEWS

- China's port shutdown raises fears of closures worldwide. The shutdown at Ningbo-Zhoushan is raising fears that ports around the world will soon face the same kind of outbreaks and Covid restrictions that slowed the flows of everything from perishable food to electronics last year as the pandemic took hold.
- US lawmakers introduce bill to rein in Apple, Google app stores. Democratic Senators Richard Blumenthal and Amy Klobuchar teamed up with Republican Senator Marsha Blackburn to sponsor the bill, which would bar Apple and Google app stores from requiring app providers to use their payment systems.

### NBFC

- Power Finance Corporation Q1FY22: NII at Rs. 7652.1 Cr, +26.6% YoY and +10.8% QoQ. Net Profit at Rs. 4555.0 Cr, +28.2% YoY and +16.9% QoQ.
- Housing & Urban Development Corporation Q1FY22: NII at Rs. 645.6 Cr, +12.3% YoY and +7.4% QoQ. Net Profit at Rs. 404.6 Cr, +98.9% YoY and -23.1% QoQ.

### OIL & GAS

- Bharat Petroleum Corporation Q1FY22: Net Revenue at Rs. 89712.3 Cr, +76.2% YoY and -10% QoQ. EBITDA at Rs. 3125.0 Cr, -26.7% YoY and -50.4% QoQ. EBITDA Margin at 3.5%, -490 bps YoY and -283 bps QoQ. Net Profit at Rs. 2872.8 Cr, +31.3% YoY and -73% QoQ.
- Oil India Q1FY22: Net Revenue at Rs. 6205.2 Cr, +47.9% YoY and -4.6% QoQ. EBITDA at Rs. 2161.0 Cr, +177.7% YoY and
- +14.5% QoQ. EBITDA Margin at 34.8%, +1627 bps YoY and +582 bps QoQ. Net Profit at Rs. 1214.7 Cr, +221.7% YoY and +6.3% QoQ.

### PHARMA & HEALTHCARE

- Aurobindo Pharma Q1FY22: Net Revenue at Rs. 5702.0 Cr, -3.8% YoY and -5% QoQ. EBITDA at Rs. 1209.4 Cr, -3.8% YoY and -5.1% QoQ. EBITDA Margin at 21.2%, -1 bps YoY and -3 bps QoQ. Net Profit at Rs. 770.0 Cr, -1.7% YoY and -3.9% QoQ.
- 3M India Q1FY22: Net Revenue at Rs. 743.9 Cr, +114.9% YoY and -10.1% QoQ. EBITDA at Rs. 47.9 Cr, Rs. -48.4 Cr YoY and -53.3% QoQ. EBITDA Margin at 6.4%, +2041 bps YoY and -595 bps QoQ. Net Profit at Rs. 30.1 Cr, Rs. -42.5 Cr YoY and -57.3% QoQ.
- Natco Pharma Q1FY22: Net Revenue at Rs. 410.3 Cr, -27.2% YoY and +23.8% QoQ. EBITDA at Rs. 109.8 Cr, -35.8% YoY and +44.1% QoQ. EBITDA Margin at 26.8%, -361 bps YoY and +376 bps QoQ. Net Profit at Rs. 75.0 Cr, -38.6% YoY and +41.5% QoQ.
- JB Chemicals & Pharmaceuticals Q1FY22: Net Revenue at Rs. 606.0 Cr, +16% YoY and +14.7% QoQ. EBITDA at Rs. 163.7 Cr, +5.3% YoY and +32.1% QoQ. EBITDA Margin at 27%, -275 bps YoY and +357 bps QoQ. Net Profit at Rs. 119.1 Cr, -0.4% YoY and +18.1% QoQ.

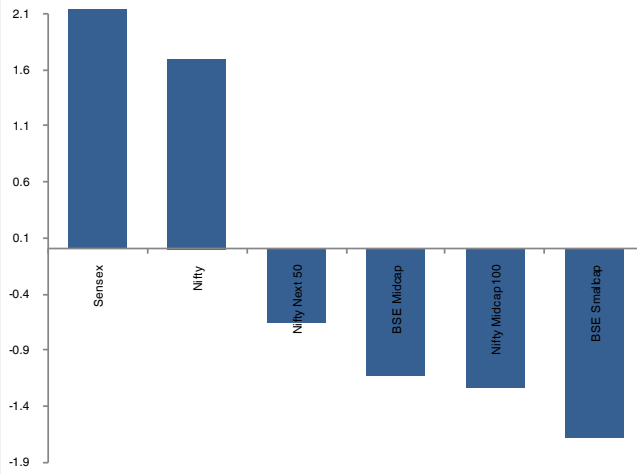
### POWER

- HPL Electric & Power: The company appoints Manoj Dugar as the chief financial officer.

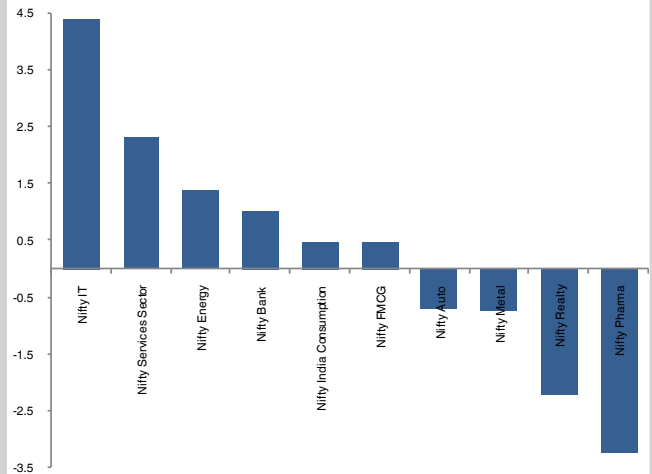
### TELECOM & MEDIA

- Bharti Airtel: OneWeb, the Low Earth Orbit (LEO) satellite communications company backed by billionaire Sunil Mittal-run Bharti Group, has secured a \$ 300 million equity investment by Hanwha Systems - a South Korean technology and manufacturing company.

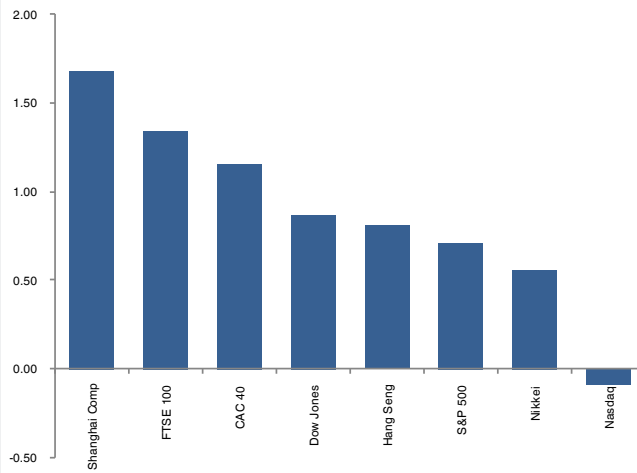
## INDIAN INDICES (% CHANGE)



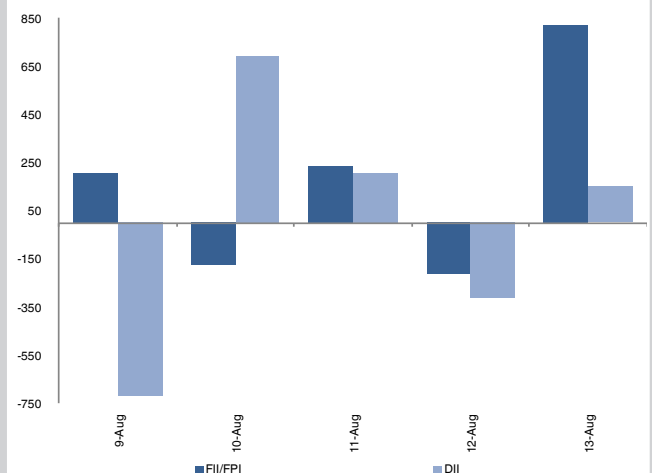
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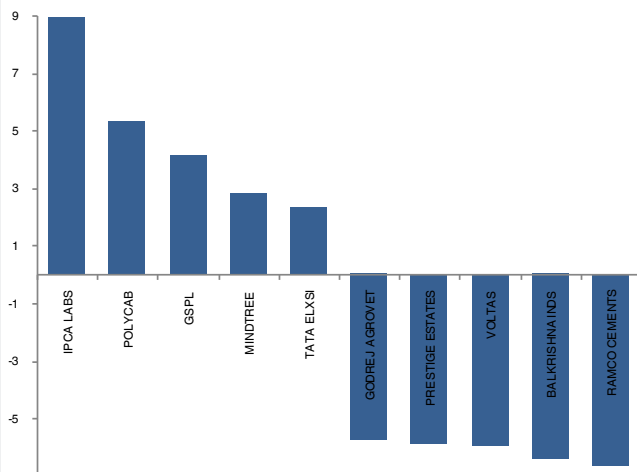
## GLOBAL INDICES (% CHANGE)



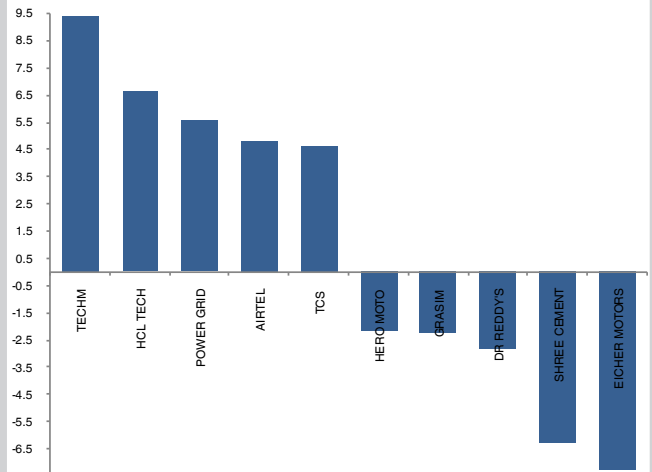
## FII/FPI & DII TRADING (IN RS. CRORES)



## NIFTY MIDCAP100 TOP GAINERS & LOSERS (1W)



## NSE NIFTY TOP GAINERS & LOSERS (1W)



Source: Karvy Research

## ADANI PORTS & SPECIAL ECONOMIC ZONE LTD



STOCK	ADANIPTS
CMP	704
ACTION	BUY
ENTRY	700-705
AVERAGE	680
STOP LOSS	638
TARGET 1	775
TARGET 2	800

On the technical front, ADANIPTS 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 901 levels, the stock has witnessed a correction to the current levels. At the current juncture, the stock has formed a base of around 640 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 680 levels. This may trigger a fresh round of buying which may take the stock 775 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 680 levels may be utilized to average the positions.

## RELIANCE INDUSTRIES LTD



STOCK	RELIANCE
CMP	2143
ACTION	BUY
ENTRY	2125-2130
AVERAGE	2075
STOP LOSS	2015
TARGET 1	2250
TARGET 2	2300

On the technical front, RELIANCE 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 2275 levels, the stock has witnessed a correction to the 2016 levels. At the current juncture, the stock has formed a base around 2020 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 2075 levels. This may trigger a fresh round of buying which may take the stock 2250 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 2300 levels in the medium term. Any correction towards the recent support levels of 2075 levels may be utilized to average the positions.



**NIFTY (16529.10):** Indian equity benchmark index Nifty 50 closed higher by 1.79% 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 15925 levels in future sessions. On the global front, South Korean and Taiwanese stocks led losses among major Asia-Pacific markets in Friday trade, with shares of firms related to conglomerate Samsung falling. Those losses came after Samsung Electronics Vice Chairman Jay Y. Lee was released from prison on Friday. South Korea's justice ministry announced earlier this week that he had qualified for parole. European markets were muted on Friday, as investors assessed global economic indicators and rising Covid-19 cases in the search for direction. US Weekly jobless claims came in on par with expectations at 375,000, a third consecutive decline, while producer prices rose 0.9% in July against a forecast of 0.5%, calling into question whether inflation has peaked. Futures contracts linked to the S&P 500 and Dow Jones Industrial Average edged higher Friday morning as both major indexes looked to end a winning week at records. Domestically, for the week, on the data front, investors may focus on the WPI Inflation (YoY) (Jul) releasing on August 16th. On the derivatives front, open interest data suggests that the Nifty index may find its supports around 16500 followed by 16400 levels while on the higher side, 16600 and 16700 levels may act as resistance.



**NIFTY BANK** underperformed Nifty this week as Nifty Bank gained around 1% as opposed to Nifty's gains of 1.8%. Bank Nifty started the week in consolidation mode. The index spent the entire week consolidating at the upper end of the consolidation zone around the near term high of 36200-36300 levels. The index didn't show any enthusiasm even as broader indices hit series of fresh record highs during the week. The index has been trading above all the near-term moving averages – 25DMA, 50 DMA and 100 DMA. During the week the index made desperate attempts to breach 36300 in vain. However, the downside was limited to 36000 as the index bounced intra-day whenever it hit 36000. The index ended in positive territory during 3 of the 5 trading days, with ending one session flat and one session in negative territory. During the week the index did not have any major cues during the week with RBI policy meet being a non-event and all major banks announced their Q1FY22 results. The RBI policy meet did not show any surprises – positive or negative and was in line with expectations. The recently concluded Q1FY22 earnings for the industry saw many banks swing to profitability as loan loss provisions softened. However, a contrasting trend between public and private banks is noticed regarding NPA provisions. Large private sector banks led by HDFC Bank and Kotak Bank sharply increased their provisions. Index components performed mixed during the week. Large private sector banks took the burden of supporting the index at lower levels as stocks like Axis Bank and HDFC Bank saw some buying interest at lower levels. PSBs, especially those announced Q1FY22 earnings saw big cut during the week. PNB lost 5% after announcing Q1FY22 results. IDFC First Bank is this week's worst performer, which ended down nearly 8%. AU Small Finance Bank is this week's top performer which ended up 5%. HDFC Bank and Axis Bank gained over 2% during the week. Nifty Bank may face resistance at 36000 followed by 37000. Nifty Bank may take support at 34500-34000 support zone, followed by 32000.