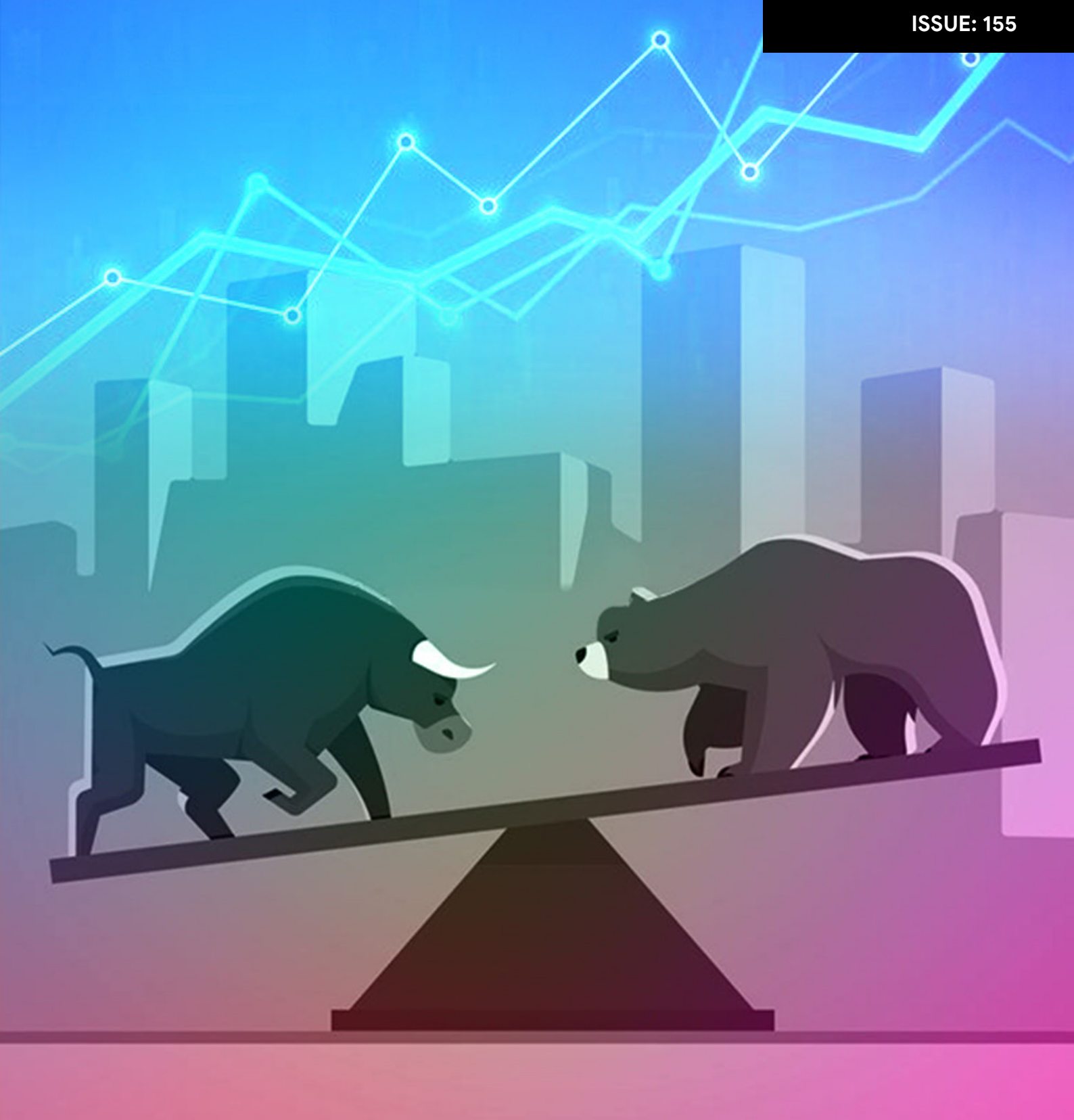


K STREET

RULE THE MARKET

ISSUE: 155



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From The Desk Of Research Head

What's behind markets' momentum?

Sensex took seven months to rally from 50000 on Jan 21 2021 to 56000 on Aug 18 2021. It rallied over 12% as it completed this journey. As the momentum in the Indian markets picked up, the pace with which Sensex captured new highs drastically came down. It took Sensex only four trading sessions to reach 56000 from 55000, the fastest 1000-point gain this year. During this period, investors' wealth soared by 22% as average market cap of BSE listed companies reached Rs. 240.86 Tn on August 18, 2021 from Rs. 196.51 Tn on January 21 2021. After hitting 54900 on August 13, 2021, Sensex fresh record high in each of the last four trading sessions.

However, what is worth noting is that the rally in Sensex has not been smooth enough. Of the duration mentioned above, Sensex did nothing on a considerable basis for the first three months. There was high volatility with marginal and incremental movements in the index. The substantial part of the rally came in just three months starting mid-May. Sensex's one-way journey upwards from 48254 to 55583 happened in just three months – a rally of 15.2%

The euphoria in the markets was first seen in small and mid caps. During the period between January 18 and August 21, while small cap index rallied 40%, mid cap index rallied 22% in comparison with Sensex's rally of 12%. However, as the rally in the markets matured, small and mid cap indices passed on the torch to large cap stocks. In the past month or so, large cap stocks rallied as the broader market saw profit booking. What is worrying is that as the rally is progressing it is getting narrower. Data on 52-week highs of the BSE-500 stocks supports the view. Not all stocks, especially mid-cap stocks, participated in the rally as profit booking is seen at every fresh high.

So what's behind the strong momentum in the markets? Lowest interest rates of 4%, is the lowest sustained rate that India has seen in its entire history. Not just RBI reverse repo rate, all kinds of rates right from home loans, vehicle loans, and personal loans are at their lowest level for a long stretch. This helped valuation in two ways – cash flows are discounted at lower WACC and positive impact on earnings yields positively. The lower interest rates have also helped India Inc to deleverage their balance sheets. Companies like DLF, Reliance Industries, Tata Steel have been in the frontline on this front. In FY21, BSE-500 companies have pre-paid debt to the tune of Rs. 1.6 Tn, the highest ever in a year in the history. Average debt-equity ratio of BSE-500 companies has fallen from 0.73x in FY20 to 0.51x in FY21.

More than fundamentals another important factor that is at play is the robust liquidity situation and the confidence that the situation would remain so in the near future. However, with sticky inflation and a sense of overheating is causing the US Fed to indulge in tapering talks. Also, investors have completely overlooked the risk of another wave of covid. This is the time for investors to get cautious. Investors should reduce weightage of small cap stocks in their portfolio and increase presence of large caps. The stretched outperformance in small and mid caps will now shift the focus to earnings growth and stock selection. The fact that now small and mid caps are trading at a premium to Nifty warrants some caution. Going forward, the returns would be driven by stock selection, irrespective of the size of their market capitalization.

- DR. RAVI SINGH

Vice President & Head of Research

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NEWS

AUTO & AVIATION

- InterGlobe Aviation: InterGlobe Aviation said it will resume flights to Dubai from early Friday morning after a brief ban by Dubai authorities. "IndiGo will recommence flight operations between India and UAE from 0130 IST (2000 UTC) tonight. We have informed all our passengers and any inconvenience caused is regretted", the airline said in a statement.

BANKING

- HDFC Bank: The bank has raised \$ 1 billion by the issuance of Additional Tier 1 bonds in the overseas markets. The AT1 bonds were dollar-denominated, Basel III compliant, and priced at 3.70 percent, 42.5 basis points lower than the initial price guidance, it said.
- Ujivan Small Finance Bank: The bank's Managing Director and CEO Nitin Chugh have tendered his resignation from his position citing personal reasons w.e.f. close of business hours on September 30, 2021.
- AU Small Finance Bank: The SFB has received shareholders' nod for raising equity and debt capital totalling up to Rs. 14,500 Cr to fund its business growth.
- Goodluck India: The Company completed the expansion of its auto tube division. The company has identified the potential of cold-drawn welded tubes in the automobile industry in domestic and overseas markets. The nearly 25% Capex amounting to 10000 MTPA is guided by strong demand overseen by overseas buyers. It also added that it has been a dominant US player.
- Spice Jet: The budget airline said that it is seeking approval through postal ballot for transferring its cargo and logistics services on a slump sale basis along with all related assets and liabilities, including know-how, trademarks, licenses, franchises, customer contracts, distribution network, to its subsidiary SpiceXpress and Logistics Pvt Ltd.

BANKING

- HDFC Bank: The Reserve Bank of India has allowed the bank to issue new credit cards, partially removing a month-long ban on the lender, a person with direct knowledge of the matter said. The central bank, however, retained the ban on banks launching new digital products.
- Canara Bank: Opened its QIP on Tuesday to raise up to Rs. 2,500 Cr and set the floor price of the issue at Rs. 155.58 per equity share. The floor price is at a premium of 1.91% to Tuesday's closing price. A meeting of the sub-committee of the board will be held on August 23 to determine the issue price for the equity shares as well as the number of shares to be allotted to qualified institutional buyers, pursuant to the QIP.
- PNB: The PSB is looking to sell KSK Mahanadi Loans of Rs. 1,719.85 Cr to ARCs, other banks, and non-bank financiers. According to a public notice issued by the bank, the sale will be done on a full cash basis, the reserve price for which has been set at Rs. 752.28 Cr.

CONSUMPTION

- Dabur India: Home-grown FMCG major Dabur India is looking at the future with "great optimism" but challenges from the pandemic is far from over, its Vice Chairman Mohit Burman said, adding the company is better prepared to deal with any eventuality.

INFRA

- Karda Constructions: Elara India Opportunities Fund bought 6.5 lakh shares of the company at Rs. 22.6 per share on the BSE.

INSURANCE & FINANCIAL SERVICES

- CDSL: Leading depository said its wholly-owned subsidiary CDSL IFSC has been recognized as the bullion depository in IFSC by the International Financial Services Centres Authority (IFSCA).
- GIC Housing Finance: The HFC said it will seek shareholders nod to raise up to Rs. 2,500 Cr in debt capital, during its AGM next month. The company's next annual general meeting (AGM) is to be held on September 27.

IT

- Zomato: The company acquired 9.16 percent shareholding in Grofers India for Rs. 518.21 Cr and 8.94 percent shareholding in Hands-on Trades for Rs. 222.83 Cr.
- Tata Elxsi: The company has partnered with DStv Media Sales, to consult and collaboratively build a vision for DStv Media Sales (DMS) that addresses current challenges while also positioning DMS for future growth.

FORTHCOMING EVENTS

| COMPANY NAME | EVENT | EX-DATE |
|--|----------------------------|-----------|
| Gillette India Ltd | Financial Results | 24-Aug-21 |
| GVK Power & Infrastructure Ltd | Financial Results | 24-Aug-21 |
| India Tourism Development Corporation Ltd | Financial Results | 24-Aug-21 |
| Kaveri Seed Company Ltd | Buyback | 25-Aug-21 |
| Procter & Gamble Hygiene and Health Care Ltd | Financial Results | 25-Aug-21 |
| The Mandhana Retail Ventures Ltd | Financial Results | 25-Aug-21 |
| The Mandhana Retail Ventures Ltd | Financial Results | 25-Aug-21 |
| Tamilnadu Telecommunication Ltd | Financial Results | 25-Aug-21 |
| McDowell Holdings Ltd | Financial Results | 26-Aug-21 |
| Procter & Gamble Health Ltd | Financial Results/Dividend | 26-Aug-21 |
| Tirupati Forge Ltd | Stock Split/Bonus Shares | 26-Aug-21 |
| IL&FS Engineering and Construction Company Ltd | Financial Results | 27-Aug-21 |
| Dharani Sugars & Chemicals Ltd | Financial Results | 28-Aug-21 |

GLOBAL NEWS

- Chip crunch forces Toyota to cut September production by 40%. Microchips are essential for the electronics systems of modern cars, and have been in short supply since the end of last year because of the coronavirus. And with the spread of the more infectious Delta variant in Southeast Asia, Toyota's procurement has been affected even more.
- Global merchandise trade continues robust recovery from pandemic shock: WTO report. "The rise in the barometer reflects both the strength of current trade expansion and the depth of the pandemic-induced shock in 2020," it said adding the latest barometer reading suggests that goods trade will see an even larger year-on-year increase in the second quarter.
- Hexaware Technologies: Private equity group Carlyle has emerged as the frontrunner to acquire Hexaware Technologies from its PE owner Baring Private Equity Asia (BPEA) with a bid of \$3 billion (Rs. 22,500 Cr), said people in the know.
- TCS: IT services major Tata Consultancy Services (TCS) said it is expanding its strategic partnership with Google Cloud with the launch of Google Garages at its TCS Pace Port co-innovation and advanced research centers in Amsterdam, New York, and Tokyo.

METAL & MINING

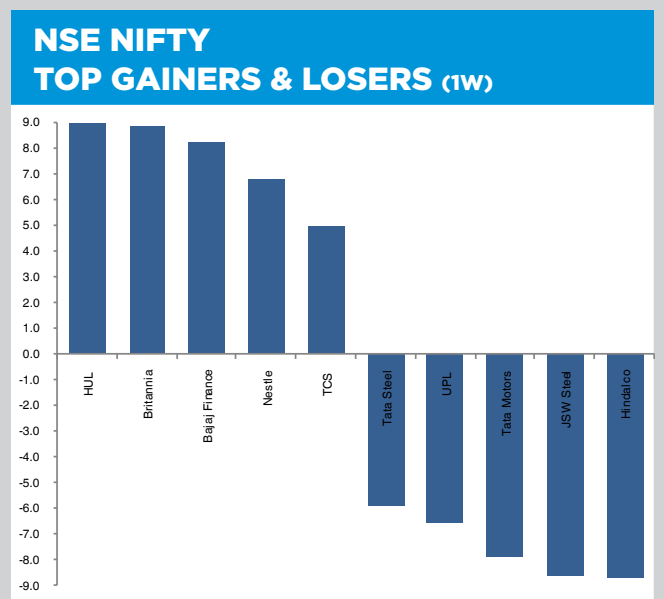
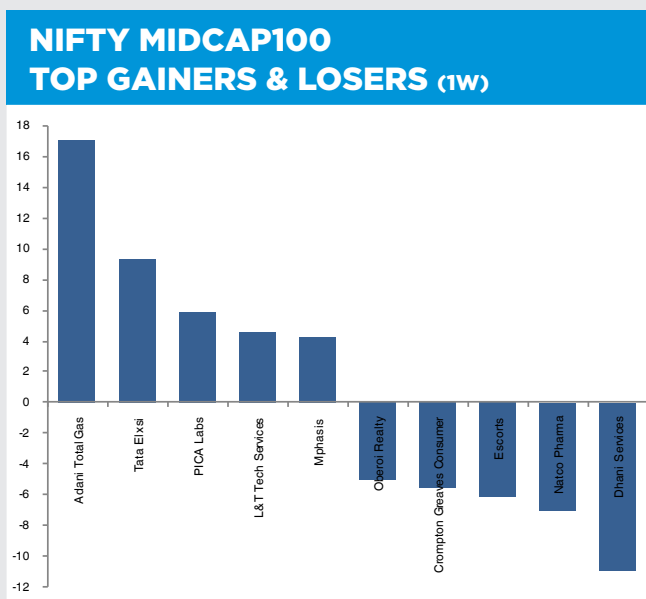
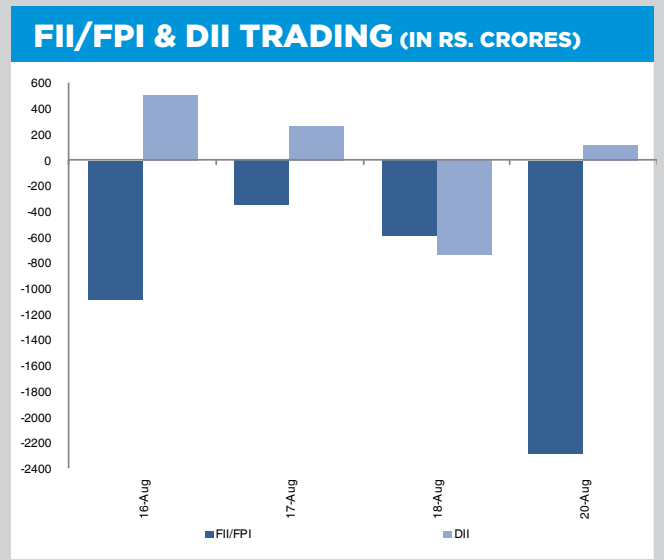
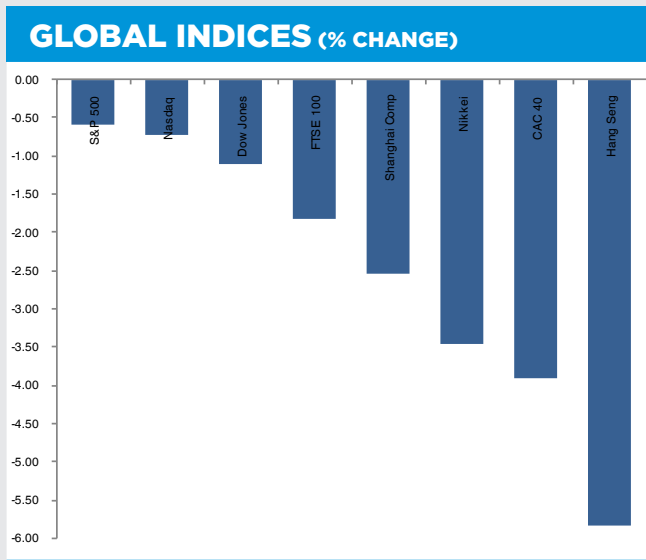
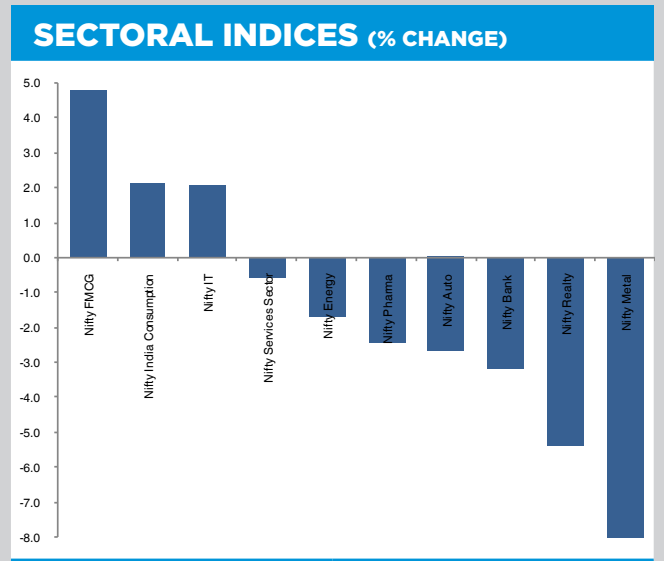
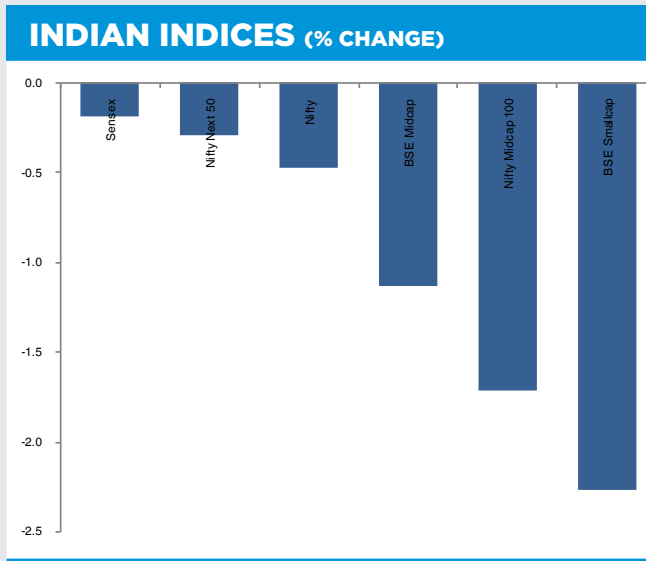
- Kennametal India: The company reported a consolidated profit of Rs. 21.6 Cr in Q1 FY22 against a loss of Rs. 9.5 Cr in Q1FY21. Revenue jumped to Rs. 211.9 Cr from Rs. 95.6 Cr YoY.
- KIOCL: Ministry of Environment, Forest and Climate Change (MOEF&CC) granted the proposal for Environmental Clearance of Devadari Iron Ore Mine with a mine capacity of 2 MTPA iron ore (ROM) and 500 TPA manganese ore with 2 MTPA wet beneficiation plant for 401.5761 hectares, located in Devadari Hill Range in favor of KIOCL.

POWER

- CG Power and Industrial Solutions: The company approved a proposal for the voluntary winding up of CG Middle East FZE, a non-operating step-down subsidiary, and CG International (Holdings) Singapore Pte Ltd, which is the wholly-owned subsidiary of the company. The company also approved the closure of one of its non-operating subsidiaries, CG Power Solutions (PSOI), under the provisions of the Insolvency and Bankruptcy Code.

TELECOM & MEDIA

- Vodafone Idea: VIL has paid its license fee dues for the first quarter of 2021-22, a company spokesperson said in a statement. A report had earlier suggested that the operator fell Rs 150 Cr short on payment of license fees.



Source: Karvy Research

MARICO LTD



| STOCK | MARICO |
|-----------|---------|
| CMP | 535 |
| ACTION | BUY |
| ENTRY | 530-532 |
| AVERAGE | 510 |
| STOP LOSS | 482 |
| TARGET 1 | 585 |
| TARGET 2 | 600 |

On the technical front, MARICO 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 553 levels, the stock has witnessed a correction to the current levels. At the current juncture, the stock has formed a base of around 482 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 510 levels. This may trigger a fresh round of buying which may take the stock 585 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 510 levels may be utilized to average the positions.

PIDILITE INDUSTRIES LTD



| STOCK | PIDILITIND |
|-----------|------------|
| CMP | 2255 |
| ACTION | BUY |
| ENTRY | 2230-2240 |
| AVERAGE | 2115 |
| STOP LOSS | 2051 |
| TARGET 1 | 2450 |
| TARGET 2 | 2500 |

On the technical front, PIDILITIND 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 2333 levels, the stock has witnessed a correction to the 2175 levels. At the current juncture, the stock has formed a base around 2051 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 2115 levels. This may trigger a fresh round of buying which may take the stock 2450 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 2500 levels in the medium term. Any correction towards the recent support levels of 2240 levels may be utilized to average the positions.



NIFTY (16450.50): Indian equity benchmark index Nifty 50 closed lower by 0.48% 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. Shares in Asia-Pacific fell on Friday as China left its benchmark lending rate unchanged. Hong Kong's Hang Seng index plunged 1.84% to close at 24,849.72, with Friday's losses leaving the index more than 20% lower from its mid-February high. China's one-year loan prime rate (LPR) and five-year LPR were both left unchanged at 3.85% and 4.65%, respectively, on Friday. That was in line with the expectations of the majority of traders and analysts in a snap poll. European stocks closed higher Friday, but sharply lower for the week, as traders monitored issues such as global monetary policy, the delta Covid variant, and China's tech crackdown. British retail sales dropped in July by 2.5% from the previous month, according to the Office for National Statistics. Economists argue that rainy weather and the global chip shortage had an impact on how British consumers behaved last month. Major US stock averages rebounded Friday but closed the week in red amid fears of the Federal Reserve pulling back its stimulus. Minutes from the Fed's July meeting released this week showed the central bank is willing to start reducing its monthly asset purchases this year. Investors sold equities and commodities this week and bought bonds on fears the move by the Fed may upend a global economy already under stress by the delta variant. August trading flows typically bring volatility with mostly lower volume, but the delta Covid variant also looms over markets. On the derivatives front, open interest data suggests that the Nifty index may find its supports around 16400 followed by 16300 levels while on the higher side, 16500 and 16700 levels may act as resistance.



NIFTY BANK underperformed Nifty this week as Nifty Bank lost around 3% as opposed to Nifty's losses of -0.5%. Bank Nifty started the week in consolidation mode. After spending last week consolidating at the upper end of the consolidation zone around the near term high of 36200-36300 levels, Nifty Bank cracked and corrected to the lower end of the consolidation zone in just two trading sessions. During the week even as broader indices like Sensex and Nifty continued to hit fresh highs each day, Bank Nifty did not participate in the rally and lacked momentum. This could be attributable to the very nature of the current rally – sector rotation and narrow rally. During the week, the index ended in red during all of the trading sessions. The weakness in the index was further visible in the fact that on its way down, Nifty Bank cracked past 25 DMA and 50 DMA in two trading sessions. Normally high volatility around peaks or near-term highs indicates weakness in the rally and the fact that the index might be ripe for a mini correction or a trend reversal for the worst. However, with index still trading above 100 DMA and the fact that 100 DMA has acted as a strong support in the recent past it remains to be seen how Nifty Bank behave around 100 DMA. Fundamentally, there were no major triggers except the fact that RBI has partially lifted the ban on credit card operations of the index heavy weight and allowed the bank to acquire new credit card customers. However, this could not cheer the stock or the index as the reaction was lacklustre and could not extend the rally. Among index components, all the stocks ended in the red. IDFC First Bank is this week's worst performer with losses of nearly 9%. HDFC Bank is this week's top performer, which ended the week with modest losses of nearly 1%. Among large banks, all stocks ended with losses of around 5%. Nifty Bank may face resistance at 36000 followed by 37000. Nifty Bank may take support at 34500-34000 support zone, followed by 32000.