

K ₹ STREET

RULE THE MARKET

ISSUE: 156



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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 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 is 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 increases. But since research indicated that existing vaccines efficiently handles 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

- Auto Stocks: Revenue Secretary Tarun Bajaj on Wednesday said that the government is open to discussing a change in GDT rates on automobiles amid several remarks from automakers about high GST rates on automakers and calls from across the country to lower tax rates. The current GST rate on cars stands at 28% on top of it several taxes are imposed by state governments.

BANKING

- IDFC First Bank: RBI has approved the appointment of Mr. Sanjeeb Chaudhuri as part-time Chairman of the bank for a period of three years with effect from August 25.
- HDFC Bank: The lender became the first Indian bank to list its \$1 Bn foreign currency Additional Tier-1(AT-1) bonds priced at 3.7% on the International Financial Services Centre of the GIFT City, Gujarat.
- Axis Bank: According to media reports, Axis Bank is considering raising \$1 Bn by issuing AT-1 (Additional Tier 1) bonds in overseas markets.
- PSU Banks: Finance Minister Nirmala Sitharaman announced the launch of EASE 4.0 - with the main focus being on institutionalizing clean and smart banking of PSU banks. Under this, bank employees' pension payout has been hiked to 30% of last-drawn salary and employer contribution to pension corpus has been raised to 14% from 10%. Top PSU banks according to market cap: SBI, PNB, Bank of Baroda.
- Yes Bank: SEBI has ordered defreezing of bank accounts as well as share and mutual fund holdings of Rana Kapoor, former MD, and CEO of Yes Bank.
- Bank of India: Bank of India on Wednesday approved the launch of QIP aimed at raising Rs. 3000 Cr equity capital to fund business growth and meet regulatory compliance.

CAPITAL GOODS & ENGG.

- BHEL: BHEL has signed MoU with Russia's JSC Rosoboronexport to co-operate and implement possible joint projects and activities for joint production of spare parts and components for Russian-origin equipment installed on-board the Indian Navy Aircraft Carrier Vikramaditya.

CEMENT

- JK Lakshmi Cement: Shareholders approved the reappointment of Vinita Singhanian as Managing Director of the company for a period of five years effective August 1.

INFRA

- Capacite Infra project: Think India Opportunities Master Fund LP sold 6,16,553 equity shares (0.9 percent) in the company at Rs. 144.61 per share on the NSE, the bulk deals data showed.
- Thermax: Thermax Group won Rs. 293 Cr order for refinery and petrochemical complex in Western India.

IT

- Wipro: The company has partnered with DataRobot to deliver Augmented Intelligence at scale, to help customers become AI-driven enterprises, and accelerate their business impact.
- Infosys: Infosys Public Services Inc, a subsidiary of the company, has been awarded a contract by Manitoba Public Insurance to digitize driver licensing, vehicle registration, and international Registration Plan services for over 900,000 Manitobans.

METAL & MINING

- NLC India: Allotted 10,000 Commercial Papers of the face value of Rs. 5 lakh each aggregating to Rs. 500 Cr on August 25.
- Jindal Stainless (Hisar): Promoter JSL Overseas bought 1.50 lakh shares on August 25.
- BKM Industries: The company has sold 13,83,103 equity shares in BKM Industries via open market transaction, reducing shareholding to 5.29 percent from 7.4 percent earlier.

FORTHCOMING EVENTS

COMPANY NAME	EVENT	EX-DATE
Mohit Industries Limited	Voluntary Delisting	30-Aug-21
Opto Circuits (India) Limited	Financial Results	31-Aug-21
SRF Limited	Bonus	31-Aug-21
Mittal Life Style Limited	Bonus	03-Sep-21
Steel Strips Wheels Limited	Stock Split	03-Sep-21

GLOBAL NEWS

- China's industrial profits in July grow at a slower rate of 16.4% y/y. The July growth rate compared with a 20% gain in the previous month. The pace of growth has been slowing for five consecutive months. For the January-July period, industrial firms' profits rose 57.3% year-on-year to 4.92 trillion yuan, slowing from a 66.9% increase in the first half of 2021.
- Japan suspends 1.6 million doses of Moderna shot days after contamination reports. A Health Ministry official said Takeda first found out about the contaminated shots on Aug. 16 and reported the issue to the government on Wednesday. The delay was because Takeda needed time to gather information on which vials were affected and where they were in the country, the official said.

OIL & GAS

- BPCL: Global oil major may be teaming up investment funds that are already in the race to acquire BPCL according to a document detailing steps needed to complete India's biggest privatization. Vedanta Group along with two US funds - Apollo Global and Squared Capital - had last year submitted bids to buy out the government's entire stake of 52.98%.

PHARMA & HEALTHCARE

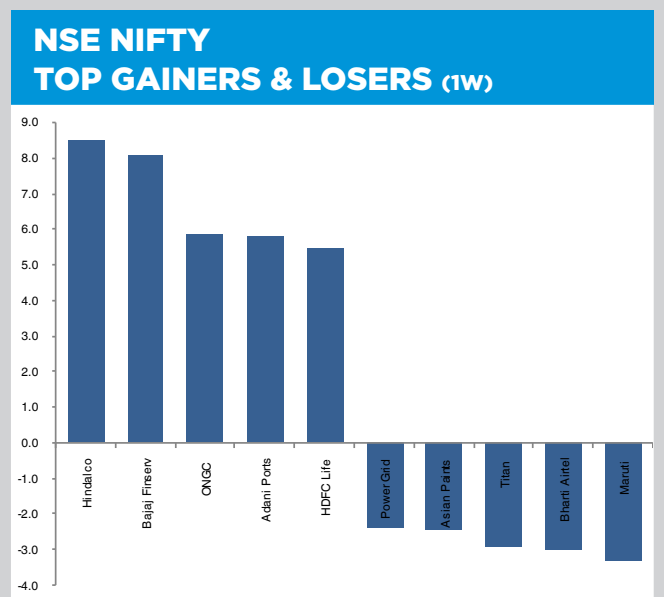
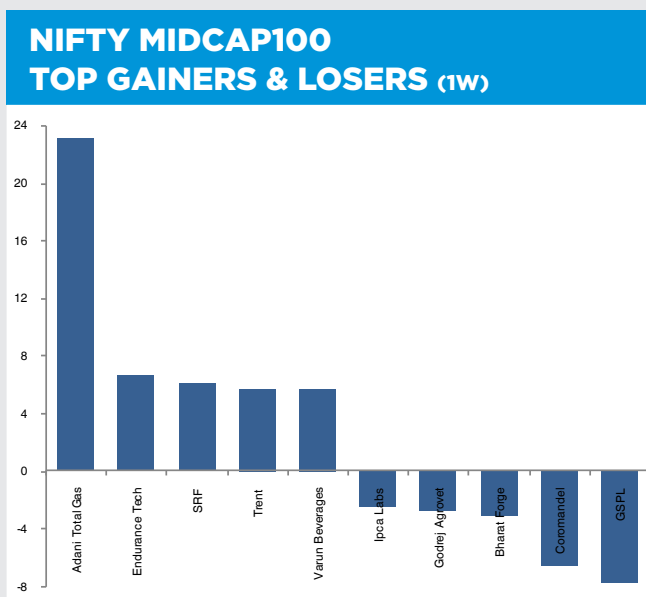
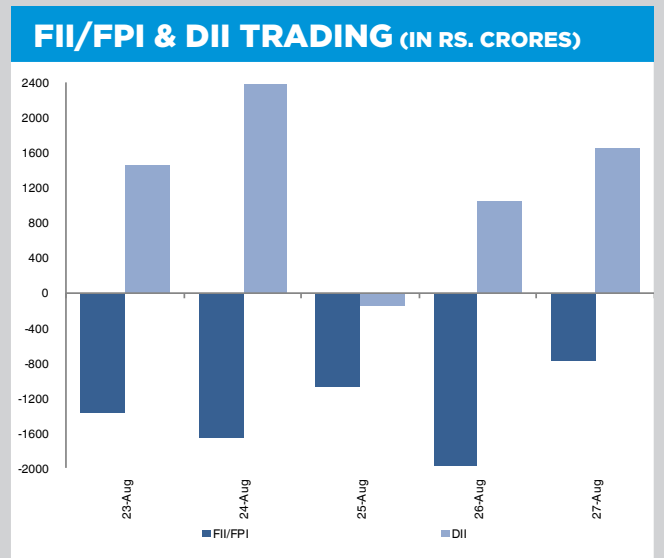
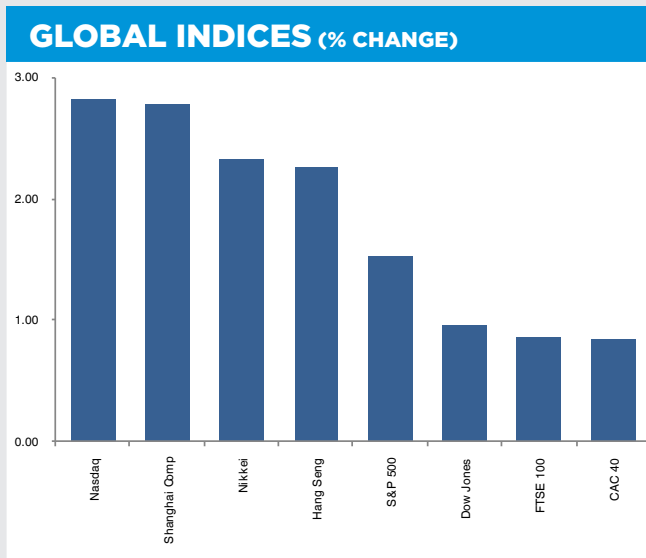
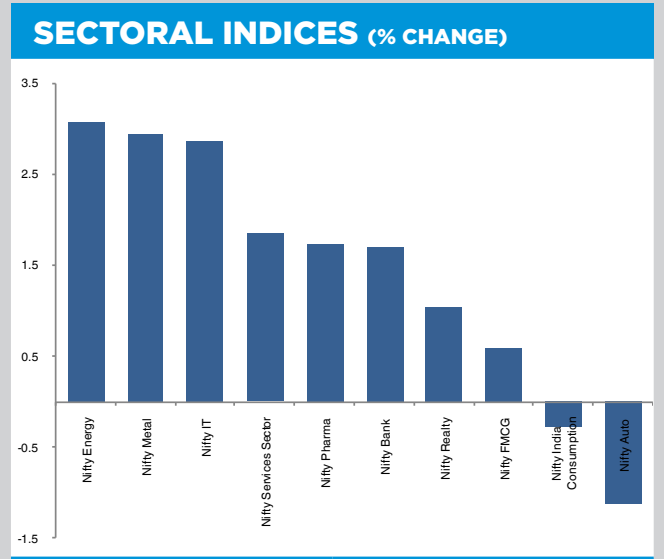
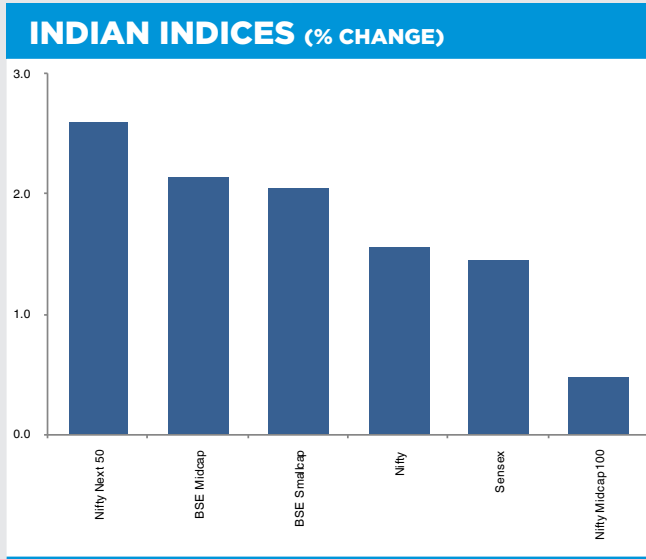
- Cadila Healthcare: A health ministry official said that Cadila Healthcare will supply vaccines for children aged between 12 and 17, including prioritizing those with health complications, which will be announced before the Zyklus Cadila vaccine is rolled out in October.
- Lupin: Lupin's UK subsidiary has launched Luforbec 100/6 dose pressurized metered-dose inhaler in the UK market. It is used for the treatment of adult asthma and severe chronic obstructive pulmonary disease.
- Cipla: The drugmaker has announced a JV with Kemwell Biopharma Pvt Ltd, a biopharmaceutical contract development and manufacturing organization to develop manufacture, and commercialize biosimilars for global markets. The JV will aim to enter into manufacturing respiratory biosimilars space.

POWER

- Adani Green Energy: To raise up to \$ 750 million via bond sale overseas. The company approved issuing US dollar-denominated foreign currency bonds which may be issued in one or more tranches overseas. The bonds may be listed in any one or more stock exchanges in India or overseas. The company will use proceeds from the bond sale for onward lending to subsidiaries, including step-down subsidiaries.
- Kalpataru Power Transmission: Promoter Kalpataru Constructions revoked the pledge of 1.29 lakh shares on August 23. Promoter Kalpataru Properties created a pledge of 1.29 lakh shares on August 24.
- Hind Rectifiers: Cassini Partners LP bought 98,612 equity shares in the company (0.59 percent) at Rs. 181.9 per share on the NSE, the bulk deals data showed.

TELECOM & MEDIA

- Bharti Airtel: In a stock exchange notification, Bharti Airtel notified that its board is scheduled to meet on August 29 2021 to consider various fundraising options.



Source: Karvy Research

AXIS BANK LTD



STOCK	AXISBANK
CMP	752
ACTION	BUY
ENTRY	Above 757
AVERAGE	715
STOP LOSS	681
TARGET 1	850
TARGET 2	875

On the technical front, AXISBANK 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 800 levels, the stock has witnessed a correction to the current levels. At the current juncture, the stock has formed a base of around 681 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 715 levels. This may trigger a fresh round of buying which may take the stock towards 850 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 875 levels in the medium term. Any correction towards the recent support levels of 715 levels may be utilized to average the positions.

CIPLA LTD



STOCK	CIPLA
CMP	922
ACTION	BUY
ENTRY	915-917
AVERAGE	890
STOP LOSS	868
TARGET 1	970
TARGET 2	1000

On the technical front, CIPLA 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 997 levels, the stock has witnessed a correction to the 872 levels. At the current juncture, the stock has formed a base around 868 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 890 levels. This may trigger a fresh round of buying which may take the stock 970 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 1000 levels in the medium term. Any correction towards the recent support levels of 890 levels may be utilized to average the positions.



NIFTY (16705.20): Indian equity benchmark index Nifty 50 closed higher by 1.55% 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. Asia-Pacific markets traded mixed on Friday as investors remained cautious ahead of the Federal Reserve's annual Jackson Hole symposium where Fed Chair Jerome Powell is due to speak. Major indexes in India also rose in afternoon trade while those in Singapore and Indonesia struggled. India's central bank governor told that the Reserve Bank of India will not surprise markets with a sudden rate hike. The RBI's repo rate, the rate at which it lends to commercial banks, is at a record low of 4%. European markets closed higher on Friday after Federal Reserve Chairman Jerome Powell indicated the central bank was likely to begin withdrawing some of its easy-money policies before year-end. Stateside, stocks rose on Friday heading for a winning week as Federal Reserve Chairman Jerome Powell prepared the markets for the central bank to pull back on some of its monetary stimulus, saying it's likely to start tapering its \$120 billion in monthly bond purchases this year. The 10-year Treasury yield, which ran up this week into the Powell speech, eased slightly after the Fed chief's remarks as he made clear that interest rate hikes would not immediately follow after tapering was over. Domestically, for the week, on the data front, investors may focus on the GDP Quarterly (YoY) (Q1) releasing on August 31st. On the derivatives front, open interest data suggests that the Nifty index may find its supports around 16600 followed by 16500 levels while on the higher side, 16800 and 17000 levels may act as resistance.



NIFTY BANK outperformed Nifty this week as Nifty Bank gained around 1.7% as opposed to Nifty's gains of 1.5%. Bank Nifty started the week on a positive note but consolidated around crucial level of 35800 - 36000. After initial up move during the week to hit 35800, Nifty Bank did not make any concrete move in either direction. As indicated by us in previous week's commentary, Nifty Bank took support at 50 DMA and stabilized around 35500 - 35900 levels. The index faced resistance around 35800 and could not sustain above those levels. Nifty Bank made repeated attempts during the week to stay above 35800 but was pushed below those levels. The index made a considerable up move only on one out of five trading sessions by gaining around 1.6%. On the remaining days, the index either made flattish closing or ended up with modest up moves. Among the index components, the index was supported by modest gains of around 2% to 3% by large banks. ICICI Bank is this week's top performer with gains of 2.8%, it was followed by HDFC Bank with gains of 2.2%. Federal Bank is this week's worst performer, which lost nearly 2.4%. With the results season ending and no major fundamental triggers, we expect Nifty Bank to consolidate around current levels without major move in either direction. This is visible from the fact that the index did not make any directional up move even as Nifty was making fresh intra-day highs. This proves the fact that the momentum seen in the broader markets currently is not broad-based and chances of trend reversal are high. The indecisiveness is visible from the fact that Nifty Bank is trading in between 25 DMA and 50 DMA. The longer-period DMA - 100 DMA is far below the CMP. In this backdrop, we expect Nifty Bank to trade in between the consolidation zone of 35000 and 36000. Nifty Bank may face resistance at 36000 followed by 37000. Nifty Bank may take support at 34500-34000 support zone, followed by 32000.