

Benchmark indices end in positive terrain; Realty, IT and Auto stocks rally..

- 1) Indian equities were in green on Monday led by buying in realty, IT, auto, and select PSU bank stocks. Besides, a stable global mood further cemented position of market bulls.
- 2) The S&P BSE Sensex was up by 364 points, or 0.69 per cent, to close at 52,951 levels while the broader Nifty50 shut shop at 15,885-mark, up 122 points.
- 3) In the broader markets, both, the BSE MidCap and SmallCap indices hit record highs of 23,342 and 27,106, respectively earlier in the trade. They ended at 23,331 and 27,072, up 1 per cent each. Sectorally, all the indices ended in the green, led by the Nifty Realty index (up 5 per cent), and the Nifty Auto index, up 1.4 per cent.

Index	Today's Close	Prev. close	Change	% change	Open	High	Low
Sensex	52,950.63	52,586.84	363.79	0.69	52,901.28	52,986.77	52,804.08
Nifty	15,885.15	15,763.05	122.10	0.77	15,874.90	15,892.90	15,834.65

Sectors and stocks

- 1) Shares of real estate companies were in demand in Monday's session, pushing Nifty Realty and the S&P BSE Realty to their respective multi-year highs on expectations of improved outlook. In the past three months, realty indices have rallied by 35 per cent compared with an 8.4 per cent gain in the benchmark indices. Oberoi Realty, Prestige Estates Projects, Indiabulls Real Estate and Sobha were up 5-7 per cent each while Brigade Enterprises, Godrej Properties, Sunteck Realty and DLF were up between 2 per cent to 4 per cent on the BSE in intra-day trade.
- 2) Oberoi Realty, was the top gainer, was up 7 per cent and hit a new high of Rs. 720.45 after it reported sales volume of 0.9 lakh sq ft (up 6.5x YoY on washout base of Q1FY21 but down 91 per cent QoQ) largely due to the second wave impact and high base of Q4FY21, which had a couple of launches including a big launch at Goregaon. The sales value was up 5.9x YoY, down 91 per cent QoQ at Rs. 170 crore. On the financial front, reported revenues grew 141 per cent YoY but were down 64 per cent to Rs. 284.3 crore. Margins at 43.9 per cent were down 334 basis points (bps) QoQ. The management said the real estate sector is undergoing major consolidation as very few developers have the financial stability to undertake large capital-intensive projects. Therefore, the market share of reputed brands with strong execution capabilities will continue to grow, it said.
- 3) Shares of Indian Railway Catering and Tourism Corporation (IRCTC) hit a new high of Rs. 2,490 on the BSE as it rallied by 7 per cent in the intra-day trade on Monday after the company announced stock split plan. The stock surpassed its previous high of Rs. 2,479.45, touched on July 20, 2021. "The board of directors of the Company is scheduled to meet on August 12, 2021 to recommend the proposal for sub-division of Company's equity shares of face value of Rs 10 each and matters related thereto, subject to the approval of Ministry of Railways, Government of India and shareholders," IRCTC said in an exchange filing on Friday, post market hours. The company further said the board will also consider and approve the unaudited financial results of the Company for the quarter ended on June 30, 2021 (Q1FY22). A stock split is generally done to make the stock more affordable for the small retail investors and increase liquidity. It refers to splitting the face value of the shares of companies, where in the number of shares of that company increases but the market cap remains the same. Existing shares split, but the underlying value remains the same. As the number of shares increases, the price per share goes down. In the past three months, the stock of the travel support services company has outperformed the market and has rallied nearly 40 per cent as compared to a 8.5 per cent rise in the S&P BSE Sensex. Besides, it has rallied by 93 per cent from its 52-week low of Rs. 1,291, touched on November 4, 2020. IRCTC is the only entity authorised by the Indian Railways to provide catering services to railways, online railway tickets and packaged drinking water at railway stations and trains in India. It has a dominant position in online rail bookings and packaged drinking water with around 73 per cent and 45 per cent market share, respectively.
- 4) Shares of Cholamandalam Investment and Finance Company (CIFIC) moved higher by 11 per cent to Rs. 529 on the BSE in the intra-day trade on Monday on the back of heavy volumes after the non-banking finance company (NBFC) reported a good set of numbers for the quarter ended June 2021 (Q1FY22). In Q1FY22, CIFIC reported profit after



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tax (PAT) of Rs. 330 crore, up 34 per cent on quarter on quarter (QoQ) and down 24 per cent year on year (YoY). This was on account of a strong control over opex and despite elevated credit costs, which were up 10 per cent QoQ. Total asset under management (AUM), meanwhile, grew 7 per cent YoY at Rs 75,763 crore. Disbursements were up 1 per cent YoY at Rs. 3,589 crore during the quarter as purchase of vehicles were predominantly deferred. Collections also suffered, resulting in increase in Stage 3 assets from 3.96 per cent to 6.79 per cent. "Many of the borrowers and the staff of CIFCL were impacted by the pandemic in the second Covid wave, whereby the priority shifted from business to protecting the well-being of the affected persons. This resulted in a setback in performance in Q1 on the disbursements and collections front," the company said. That said, it has witnessed a recovery in disbursements and collections during the latter part of June 2021, post relaxation of state wise lockdowns. The company expects a gradual revival in subsequent quarters in FY 22 with normalization and rollbacks of accounts which moved to higher buckets.

Key recent major developments..

- 1) Merchandise exports grew 48 per cent YoY in July to \$35.17 billion on account of a rise in global orders in shipments of petroleum products, engineering products, gems and jewellery segments, preliminary data released by the commerce and industry ministry showed. On a sequential basis, outbound shipments witnessed an 8 per cent jump and grew over 34 per cent as compared to July 2019. Exports during April-July 2021 were \$130.56 billion, up by 73.86 per cent over the same period a year ago and up by 21.85 per cent over the same period of 2019. During the first four months of the fiscal, India's exports have covered close to a third of its annual exports target of \$400 billion. On the other hand, merchandise imports widened to \$46.4 billion in July, resulting in a trade deficit of \$11.23 billion. "Aatmanirbhar Bharat Powering Indian Economy: The Indian Merchandise Exports Upwards arrow by 22% in April-July'21 over the same period of 2019. India's exports have covered 32.64% of its annual target of \$400 billion," commerce and industry minister Piyush Goyal said in a tweet.
- 2) The output of eight core sectors grew 8.9 per cent in June, mainly due to a low base effect and uptick in production of natural gas, steel, coal and electricity, official data showed on Friday. The eight infrastructure sectors of coal, crude oil, natural gas, refinery products, fertilisers, steel, cement and electricity had contracted by 12.4 per cent in June 2020 due to the lockdown restrictions imposed to control the spread of coronavirus infections. According to the commerce and industry ministry data, production of coal, natural gas, refinery products, steel, cement and electricity jumped by 7.4 per cent, 20.6 per cent, 2.4 per cent, 25 per cent, 4.3 per cent and 7.2 per cent, respectively, in June 2021, as against (-) 15.5 per cent, (-) 12 per cent, (-) 8.9 per cent, (-) 23.2 per cent, (-) 6.8 per cent and (-) 10 per cent in the same month last year. Crude oil output contracted by 1.8 per cent during the month under review as against a negative growth of 6 per cent in June 2020. Fertiliser segment recorded a growth of 2 per cent in June. During April-June period this fiscal, the eight sectors grew by 25.3 per cent against a contraction of 23.8 per cent in the same period last year.
- 3) Non-food bank credit growth stood at 5.9 per cent in June compared to 6 per cent in the year-ago period, according to RBI data released on Friday. Credit to agriculture and allied activities continued to perform well, registering an accelerated growth of 11.4 per cent in the reporting month compared to 2.4 per cent in the same month of the previous year, as per RBI data on Sectoral Deployment of Bank Credit June 2021. Growth in credit to micro and small industries accelerated to 6.4 per cent in June whereas it was a contraction of 2.9 per cent a year ago. Credit to large industries contracted 3.4 per cent in June 2021. In the year-ago period, there was a growth of 3.6 per cent. Growth in loans to the services sector decelerated to 2.9 per cent in the reporting month from 10.7 per cent in June 2020, mainly due to contraction/deceleration in credit growth to commercial real estate, NBFCs and tourism, hotels and restaurants. "However, credit to trade segment continued to perform well, registering an accelerated growth of 11.1 per cent in June 2021 as compared to 8.1 per cent a year ago," the data showed. Personal loans registered an accelerated growth of 11.9 per cent in June 2021 as compared to 10.4 per cent a year ago, primarily due to accelerated growth in loans against gold jewellery and vehicle loans, the central bank data showed.
- 4) ArcelorMittal SA boosted its guidance for global steel demand after a record-breaking price rally yielded the company's best quarter since 2008. Steel has surged over the past 12 months, joining a wider commodities boom as producers struggled to meet an unexpectedly strong rebound in demand from the construction and manufacturing industries. After a decade of plant shutdowns and job cuts in Europe's steel industry, demand from the infrastructure and renewable energy sectors is creating optimism about the future, said ArcelorMittal Chief Executive Officer Aditya Mittal. "Looking forward, we see the demand outlook further improving into the second half and have therefore upgraded our steel consumption forecasts for the year," Mittal said Thursday in a statement. The biggest steelmaker outside of China now expects 2021 steel demand -- a key barometer of economic growth -- to increase by 7.5% to 8.5% from last year. In May, the company projected demand to be at or above the upper end of its initial 4.5% to 5.5% forecast, following a contraction in 2020.



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- 5) The Cabinet has approved changes to the Deposit Insurance and Credit Guarantee Corporation (DICGC) Act that will allow depositors to withdraw up to Rs. 5 lakh in 90 days. The announcement will cover 98.3 per cent of all deposit accounts and 50.9 per cent of the deposit value, Finance Minister Nirmala Sitharaman said. This compares with global deposit insurance coverage of 80 per cent for all accounts, and 20-30 per cent coverage by deposit value.
- 6) The International Monetary Fund (IMF) has sharply scaled down India's economic growth projection by 300 basis points to 9.5 per cent for the current financial year from 12.5 per cent estimated earlier in April. IMF said the downward revision is owing to "lack of access to vaccines" and possibility of renewed waves of coronavirus. "Growth prospects in India have been downgraded following the severe second Covid wave during March-May and expected slow recovery in confidence from that setback," IMF said in the latest edition of its flagship World Economic Outlook (WEO) report, released on Tuesday.
- 7) Earlier, The Hon. Supreme Court (SC) dismissed the application of telecom companies that sought recomputation Adjusted Gross Revenue (AGR) dues demanded by the Department of Telecommunication (DoT). The rejection of telcos' pleas seeking re-calculation of AGR related dues does not bode well for a recovery in the sector and is likely to protract the same given the backdrop of high debt levels and low tariffs, Icria said on Friday. Icria said to meet high commitment towards debt repayments and the DoT payment obligations, the industry participants will need to explore avenues of fundraising or asset monetisation, besides concentrating on improving the ARPU levels, substantially.
- 8) The Union cabinet chaired by Prime Minister Narendra Modi on last Thursday approved the Rs. 6,322 crore production-linked Incentive (PLI) scheme for specialty steel sector. The decision is part of India's playbook of creating global manufacturing champions in India and bring the country at par with global steel making majors such as South Korea and Japan. "The duration of the scheme will be five years from 2023-24 to 2027-28. With a budgetary outlay of Rs. 6,322 crore, the scheme is expected to bring in investment of approximately Rs. 40,000 crore and capacity addition of 25 MT for speciality steel. The scheme will give employment to about 5,25,000 people of which 68,000 will be direct employment," the government said in a statement. "Speciality steel has been chosen as the target segment because out of the production of 102 million tonnes (MT) steel in India in 2020-21, only 18 MT value added steel/speciality steel was produced in the country. Apart from this out of 6.7 million tonnes of imports in the same year, approximately 4 million tonnes import was of specialty steel alone resulting in forex outgo of approximately Rs. 30,000 crore," the statement added. "It is expected that the speciality steel production will become 42 MT by the end of 2026-27. This will ensure that approximately 2.5 lakh crore worth of speciality steel will be produced and consumed in the country which would otherwise have been imported. Similarly, the export of specialty steel will become around 5.5 million tonnes as against the current 1.7 MT of specialty steel getting forex of Rs. 33,000 crore," the statement added.
- 9) Earlier, Global rating agency Standard and Poor's affirmed India's sovereign rating at "BBB-" and maintained a stable outlook on the gradual recovery in the economy. India's recovery will gain pace through the second half of fiscal 2022 and into the following year, helping stabilise the country's overall credit profile, S&P said in a statement. But it warned that the country's fiscal settings are weak, and deficits will remain elevated ahead even as the government undertakes some consolidation. The country's strong external settings help buffer the risks associated with the government's high deficits and debt stock. India's economy is gradually recovering from a deep contraction in fiscal 2021 (year ended March 31, 2021) and a subsequent severe second wave of Covid-19. "We expect real GDP growth to rebound to 9.5% in fiscal 2022 on continued normalization of activity and progressively higher vaccination rates," the rating agency said.
- 10) The Consumer Price Index (CPI) or retail inflation slightly eased to 6.26 per cent in June which was above RBI's tolerance level. The retail inflation during the month of May stood at 6.30 per cent.

Global markets

- 1) Eurozone inflation in July rose to 2.2% YoY above European Central Bank's target.
- 2) Earlier, US Federal Reserve Chair Jerome Powell kept interest rates unchanged and said the US central bank wishes to see "some strong job numbers" in coming months before tapering the bond buying programme.
- 3) US had witnessed a big spike in inflation and registered highest spike in 13 years (since August 2008) to 5.4 percent. Earlier, US added a solid 850,000 jobs as economy extends its gains. The report from the Labor Department was the latest sign that the reopening of the economy is propelling a powerful rebound from the pandemic recession. Restaurant traffic across the country is nearly back to pre-pandemic levels, and more people are shopping, traveling and attending sports and entertainment events. The number of people flying each day has regained about 80 percent of its pre-COVID-19 levels.

Ajcon Global's observations and view

- 1) Indian benchmark indices were back in green led by strong buying in Realty, IT and Auto stocks. There are concerns like rise in COVID-19 cases in various countries due to spread of new variants of COVID-19. In addition, there are inflation concerns across the globe which act as headwind.
- 2) Bulls will remain in hunt due to factors like good start to Q1FY22 earnings season with most of the Companies reporting good performance, strong management commentary in Q1FY22 by majority of the Companies, better than expected China's economic data, positive US employment data and other positive US economic indicators, rally in commodities, economic activity picking up at fast pace after unlock in major states, by significant decline of COVID-19 cases in the second wave with recoveries surpassing new cases by a big margin on a daily basis, decent vaccination drive are supporting sentiments. In addition to liquidity provided by FPIs in equities, there is good spike in retail participation from Tier II and Tier III cities as people have become more financial literate in COVID-19 crisis.
- 3) Investors are also hopeful that vaccine shortages will be resolved in some months as vaccine manufacturers' ramp up supplies. The entry of new vaccines is also expected to ease the supply crunch. India has given the first dose covid antidote to around 47.22 crores beneficiaries in the nationwide vaccination.
- 4) It is advisable for investors to look out for stock specific opportunities and stay away from names which are suddenly rallying for no reason. We believe intermediate corrections will keep markets healthy. Investors will track RBI's MPC meeting, monthly auto sales numbers, PMI numbers, global cues especially on spread of COVID-19 variants and key developments in China, movement in crude oil prices and metals, ongoing Q1FY22 earnings season, ongoing monsoon, vaccination drive and economic activity and COVID-19 cases in India.



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