

Bulls come back strongly; sentiments were upbeat..

- 1) Benchmark indices witnessed sharpest intra-day gains since May 21 as better-than-expected June quarter performance by India Inc restored investor confidence in faster-than-expected economic recovery. Amid a steep rally, investors got richer by Rs. 2.37 trillion, BSE data showed.
- 2) Sensex was up by 937 points in the intra-day deals and hit a record high level of 53,888 on the BSE, led by Titan Company (up 4 per cent), HDFC, IndusInd Bank, Sun Pharma, SBI, and Nestle India. It pared gains marginally and ended at 53,823 levels, up 873 points or 1.65 per cent.
- 3) Nifty50 hit a new peak of 16,147 on the NSE. It ended with 246 points, or 1.55 per cent, gains at 16,131 levels.
- 4) The broader indices - BSE MidCap and SmallCap - also hit their respective record high peaks of 23,443 and 27,232 levels in the intra-day deals. They, however, ended up to 0.2 per cent higher each.

Index	Today's Close	Prev. close	Change	% change	Open	High	Low
Sensex	53,823.26	52,950.63	872.73	1.65	53,125.97	53,887.98	53,088.35
Nifty	16,130.75	15,721.50	245.60	1.55	15,951.55	16,146.90	15,914.35

Sectors and stocks

- 1) Infosys on Tuesday joined the elite club of companies with Rs. 7-trillion market capitalization (m-cap) on the BSE after its share price hit a new high of Rs. 1,646.40 in the intra-day deals. The stock of the information technology (IT) consulting & services company has outperformed the market in the past two weeks, by gaining 7 per cent, after Infosys raised its revenue growth guidance for financial year 2021-22 (FY22) buoyed by a robust deal pipeline. In comparison, the S&P BSE Sensex was up 1.5 per cent during the same period.
- 2) Shares of Balaji Amines rallied 9 per cent to hit a new high of Rs. 3,619 on the National Stock Exchange (NSE) in intra-day trade on Tuesday after the company reported robust numbers for the quarter ended June 2021 (Q1FY22), as consolidated profit after tax (PAT) more-than-doubled at Rs. 97.40 crore. The company had posted a profit of Rs. 31.58 crore in Q1FY21. In the past six months, the stock has rallied by nearly 200 per cent, as against a 5.6 per cent rise in the S&P BSE Sensex. Balaji Amines is the leading manufacturer of aliphatic amines in India, specialized in manufacturing methyl amines, ethyl amines, derivatives of amines and specialty chemicals. The company's consolidated total income during the quarter under review grew 102 per cent year-on-year (YoY) at Rs 451.94 crore against Rs 224.19 crore in the corresponding quarter of the previous fiscal. Ebitda margin improved to 31.93 per cent from 24.31 per cent in the year-ago quarter. The stock performance during the quarter was led by robust demand for the company's products from end-user industries. The management said the improvement in revenue was on account of an additional income stream coming online with the commencement of 16,500 tons Ethylamines plant under Phase 1 of 90-acre Greenfield project (Unit IV) and improved capacity utilisation. The company's Ethylamines plant has achieved capacity utilization of over 90 per cent in Q1FY22 itself, the management said. The company has decided to undertake capex of approximately Rs 70 to Rs 80 crore for additional Acetonitrile plant, having a capacity of 50 TPD (tonnes per day) at its 90-acre Greenfield Project (Unit IV). This plant is likely to get commissioned during FY23, the company said. "We shall continue to witness improved demand across our product portfolio as the dependability on Indian pharma and agrochemicals industry increases on account of 'China Plus One' business strategy being adopted by western companies. Our thrust remains to expand our portfolio of key derivative products alongside entering newer specialty chemicals to gain from both vertical integration and operating efficiencies," D. Ram Reddy, Managing Director of Balaji Amines said.
- 3) Shares of Ashok Leyland hit an over two-year high of Rs. 143.25 as it rallied by 6 per cent in intra-day trade on Tuesday after the company reported an 81 per cent year-on-year (YoY) jump in total sales to 8,650 units in July 2021. It had sold 4,776 units in the same month last year. On a sequential basis, Ashok Leyland's total sales surged 34.15 per cent during the month from 6,448 units sold in June 2021. The stock of Hinduja Group company was trading higher for the fourth straight day, having rallied 18 per cent during the period. The market price of



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commercial vehicle (CV) manufacturer had hit a record high of Rs 168 on May 8, 2018. In July 2021, the company's total domestic medium and heavy commercial vehicle (M&HCV) sales jumped 132 per cent YoY to 3,473 units, while total domestic light commercial vehicle (LCV) sales were up 67 per cent YoY to 4,656 units over July 2020. Switch Mobility, the Electrified Commercial Vehicles company and a subsidiary of Ashok Leyland on July 30 announced a strategic agreement with Dana Incorporated (Dana), the global leader in drivetrain and e-propulsion systems, to make a minority investment in Switch. Switch Mobility will spearhead all future efforts in e-mobility in both global and domestic markets. Ashok Leyland has invested USD 130 million so far, and further investments of USD 150-200 million are anticipated in the next 2-3 years, to be mostly raised from strategic and financial investors. Meanwhile, Ashok Leyland returned to profit after four quarters of loss, with a reported profit after tax of Rs. 241 crore. The recovery in FY22 has been pushed out due to the impact of the second Covid wave, particularly for the passenger bus segment (which accounts for 20 per cent of aggregate demand).

- 4) Shares of Orient Cement hit an over three-year high of Rs. 169.90, up 5 per cent on the BSE in intra-day trade on Tuesday after the company reported good operational performance for the quarter ended June 2021. Its Ebitda margins improved 250 basis points (bps) sequentially at 27.25 per cent in Q1FY22. The stock of CK Birla group company was trading at its highest level since January 2018. Orient Cements' operating revenue declined 17 per cent quarter-on-quarter (QoQ) to Rs. 690 crore from Rs. 832 crore in the previous quarter. However, Ebitda declined only 8.5 per cent QoQ to Rs. 185 crore. The company reported a profit after tax (PAT) at Rs. 88.6 crore, down 10 per cent QoQ. On year on year (YoY) basis, the company's PAT more-than-doubled from Rs. 25.61 crore in Q1FY21. Orient Cement said during the previous quarter, the company had reclassified mining expenditure incurred for limestone extraction from other expenses to cost of raw materials consumed for better presentation taking into consideration the nature of underlying expenditure. During the quarter, the company has made a payment towards subscription and acquisition of 26 per cent stake in the share capital of AMP Solar Systems Private Limited through a combination of equity shares and compulsory convertible debentures (CCD), with the total cost of acquisition of Rs 4.05 crore approximately. The purpose of such acquisition is to set up a solar power plant in Maharashtra under captive scheme for the company's grinding unit at Jalgaon. Orient Cement is a mid-sized (8.0 MT) cost-efficient player in the cement space. The company derives revenues largely from Maharashtra (50 per cent), Telangana, Karnataka and MP. A revival in these markets would help the company improve its performance. Key factors driving demand over FY21- 23E are strong rural demand, irrigation projects, housing projects in AP/Telangana and infrastructure projects like metro in Mumbai-Pune, Mumbai-Nagpur Expressway, etc. "The cement industry is expected to witness a volume growth due to demand revival in infrastructure and urban housing segments, driven from a low base. However, the industry's need to improve operating leverage with a focus on improving capacity utilisation is likely to limit price improvement. Concurrently, the recent increase in power and fuel prices may lead to margin compression, although higher volume is likely to support higher absolute profitability and debt reduction," Orient Cement said in the financial year 2020-21 annual report.
- 5) Shares of Titan Company hit a new high of Rs. 1,854.60 after it rallied by 5 per cent on the BSE in the intra-day trade on Tuesday, ahead of the company's April-June quarter (Q1FY22) results on Wednesday, August 4. The stock of the Tata Group company surpassed its previous high of Rs. 1,800, touched on June 25, 2021. Titan saw good sales momentum during the first couple of weeks of Q1FY22. However, with the rising second wave of Covid-19, stores were gradually closed down by end-April with some unlocking in a few states in June, 2021. Despite this, Titan Company highlighted that Q1FY22 saw good traction in new customers, recovery in the mix of buyers to pre-pandemic levels and growth in Golden Harvest enrolments year on year (YoY). Though the expansion got delayed due to lockdowns, Titan added 5 new stores with a space addition of ~20k sqft in Q1. Titan Company had also said, in its quarterly business update, that it recorded revenue growth of around 117 per cent (excluding bullion sales) in Q1FY22, with revenue contribution of approximately 50 per cent, 10 per cent and 40 per cent coming from April, May and June months, respectively.

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.



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- 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.
- 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 buoyant today led by across the board buying with buying witnessed in Auto, FMCG, IT, banking 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) India has given the first dose covid antidote to around 47.85 crores beneficiaries in the nationwide vaccination. 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.
- 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, 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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