

**Benchmark indices touch new lifetime high; profit booking witnessed in midcaps and smallcaps..**

- 1) Benchmark indices continued to rally and hit new lifetime high on Wednesday as highest-ever quarterly net profit by India's largest state-owned bank State Bank of India, at Rs. 6,504 crore, fuelled rally in other financial stocks. Besides, expansion in Services PMI in July on a monthly basis, which suggests strengthening of economic activity, uplifted investor sentiments. In addition, as better-than-expected June quarter performance by India Inc restored investor confidence in faster-than-expected economic recovery
- 2) HDFC (up 4.6 per cent), Kotak Bank, ICICI Bank, SBI, HDFC Bank, and Axis Bank were the gainers on the Sensex, giving it a 546-point (1 per cent) lift. The index settled at 54,370 levels on the BSE. It's NSE counterpart, meanwhile, rose 128 points to end at 16,259 levels.
- 3) Both the indices hit new lifetime highs of 54,465.9 and 16,290.2, respectively in intra-day deals.
- 4) The broader market, however, saw profit booking as, both, the BSE Mid and SmallCap indices declined 1 per cent each.

Index	Today's Close	Prev. close	Change	% change	Open	High	Low
<b>Sensex</b>	54,369.77	53,823.26	<b>546.41</b>	<b>1.02</b>	54,071.22	<b>54,465.91</b>	54,034.31
<b>Nifty</b>	16,258.80	16,130.75	<b>128.05</b>	<b>0.79</b>	16,195.25	<b>16,290.20</b>	16,176.15

**Sectors and stocks**

- 1) SBI has registered its highest quarterly Net Profit of Rs. 6,504 Crores in Q1FY22. This represents increase of 55.25% YoY. Sequentially, the Bank's profit increased just 0.8 per cent from Rs. 6,450.7 crore registered in Q4FY21. The Operating Profit increased by 5.06% to Rs. 18,975 Crores in Q1FY22 from Rs.18,061 Crores in Q1FY21. The operating profit excluding exceptional item increased by 14.85%. Net Interest Income for Q1FY22 increased by 3.74% YoY. Domestic NIM for Q1FY22 stood at 3.15%, has declined by 9 bps YoY. Non-Interest Income for Q1FY22 at Rs.11,803 Crores grew by 24.28% YoY. Total Deposits grew at 8.82% YoY. Current Account Deposits grew by 11.75% YoY and Saving Bank Deposits grew by 10.55% YoY. Domestic Credit Growth stood at 5.64% YoY, mainly driven by Retail (Personal) Advances (16.47% YoY), Agri Advances (2.48% YoY) and SME (2.01% YoY). Including the growth in Corporate Bonds / CPs at Rs.23,346 crores, the loan book has grown by 6.27% YoY. Home loan, which constitutes 23% of Bank's domestic advances, has grown by 10.98% YoY. Net NPA ratio at 1.77% is down 9 bps YoY. Net NPA stood at Rs. 43,153 crores. Gross NPA ratio at 5.32% is down 12 bps YoY.

The Bank is well provided for Stressed Book, PCR (incl. AUCA) at 85.93%. Slippage Ratio for Q1FY22 is at 2.47% from 0.60% as at the end of Q1FY21. The Bank has proactively made an additional provision towards the possible impact of Covid-19 pandemic, on the basis of the evaluation and regular assessment. The total provision for Covid-19 uncertainty as on June 30, 2021 is Rs 9,065 crore

Slippages stood at Rs. 15,666 crores of which significant amount already pulled back in July 2021. Credit Cost as at the end of Q1FY22 has declined 77 bps YoY to 0.79%. Cost to Income Ratio has declined by 261 bps sequentially from 54.50% in Q4FY21 to 51.89% in Q1FY22, while it has increased by 187 bps YoY. Capital Adequacy Ratio (CAR) has improved by 26 bps YoY to 13.66% as on June 2021 – without including Q1FY22 Profit. Return on Assets (RoA) increased by 15 bps YoY to 0.57% in Q1FY22 against 0.42% in Q1FY21. Return on Equity (RoE) increased by 357 bps YoY to 12.12% in Q1FY22 against 8.55% in Q1FY21.

- 2) Shares of IIFL Wealth Management rallied by 14 per cent to Rs. 1,580, also its 52-week high, on the BSE in the intra-day trade on Wednesday after the company reported a good set of numbers for the quarter ended June 2021 (Q1FY22). Its consolidated profit after tax (PAT) jumped 42 per cent year on year (YoY) at Rs. 119 crore on back of strong operational performance, while sequentially, PAT grew 16 per cent. The company announced a special dividend of Rs. 35 per share. Its revenue from operations, meanwhile, stood at Rs. 283 crore, up 7 per cent quarter



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on quarter (QoQ) and 43 per cent YoY. Total assets under management (AUM) grew 15 per cent QoQ to Rs. 2.82 trillion. The beat on profitability was driven by a 12 per cent beat on net revenues owing to both annual recurring revenue (ARR) and transactional/brokerage revenue (TBR), better operating efficiency, and a lower tax rate of 22.6 per cent. The quarter witnessed strong net inflows of Rs. 14,300 crore (including corporate treasury inflows of Rs. 5,200 crore), of which Rs. 9,700 crore belonged to ARR and Rs. 4,600 to TBR. The quarter also witnessed an increase in the share of high yielding DPMS assets within IIFL ONE assets.

- 3) Shares of Housing Development Finance Corporation (HDFC) were up 4 per cent at Rs. 2,649.75 on the BSE in intra-day trade on Wednesday, gaining 9 per cent in the past three trading days after the housing finance company (HFC) reported a steady performance for the quarter ended June 2021 (Q1FY22). The stock was trading higher for the fourth straight day. India's biggest mortgage lender HDFC on Monday reported a 1.6 per cent year-on-year (YoY) decrease in standalone net profit at Rs. 3,001 crore for the April-June quarter of FY22 (Q1FY22) on the back of lower other income and higher tax and employee expenses. In the year-ago period, the profit stood at Rs. 3,051 crore. Sequentially, the profit declined 5.6 per cent from Rs. 3,180 crore. On the revenue front, the lender's net interest income (NII) came in at Rs. 4,147 crore for the quarter under review, up 22.2 per cent compared with the previous year's NII of Rs. 3,392 crore. On a quarterly basis, the income increased marginally by 2 per cent from Rs. 4,064.8 crore reported in Q4FY21. HDFC said its gross non-performing loans as at June 30, 2021, stood at Rs. 11,120 crore, equivalent to 2.24 per cent of the loan portfolio. The GNPA ratio in Q4FY21 stood at 1.98 per cent.

### **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



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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.



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- 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 hit new record high today. Expansion in Services PMI in July on a monthly basis and better-than-expected Q1FY22 results announced by Company till date improved investor sentiments. However, 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 48.52 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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