

### Benchmark indices hit new record high; Banking stocks and smallcaps come under pressure..

- 1) The benchmark indices settled at fresh closing peaks on Thursday, amidst buying in FMCG and IT stocks, and supported by firm global trends.
- 2) The BSE Sensex was up by 123 points or 0.23 percent to end at levels of 54,493, while the NSE's Nifty50 index closed at 16,295-mark, up 36 points or 0.22 per cent. Earlier today, the Sensex and the Nifty claimed new lifetime high of 54,717 and 16,349, respectively.
- 3) The broader markets, meanwhile, ended mixed. The BSE MidCap was marginally up by 0.10 per cent while the BSE SmallCap index fell by 0.43 per cent.

Index	Today's Close	Prev. close	Change	% change	Open	High	Low
<b>Sensex</b>	54,492.84	54,369.77	<b>123.07</b>	<b>0.23</b>	54,576.64	<b>54,717.24</b>	54,230.89
<b>Nifty</b>	16,294.60	16,258.80	<b>35.80</b>	<b>0.22</b>	16,288.95	<b>16,349.45</b>	16,210.30

### Sectors and stocks

- 1) Shares of Bharti Airtel hit an over six-month high of Rs. 614 as they rallied 7 per cent on the BSE in intra-day trade on Thursday, in an otherwise range-bound market, as street participants believe the favourable industry structure of two players is a good enough kicker for an eventual hike in tariff as well as superior digital play in the medium to long term. In the past three weeks, the stock has rallied by 17 per cent, as compared to a 2.3 per cent rise in the S&P BSE Sensex. Last month, the Supreme Court (SC) dismissed the application of telecom companies that sought recomputation Adjusted Gross Revenue (AGR) dues demanded by the Department of Telecommunication (DoT). Bharti Airtel is India's second-largest telecom operator, with a revenue market share of 35 per cent as of Q4FY21. The company has 321 million wireless customers in India and 121 million subscribers across operations in 14 African countries. It enjoys industry-leading ARPU (average revenue per user) and margins in the wireless business.
- 2) Shares of SBI Life Insurance Company hit a record high of Rs. 1,174, up 3 per cent on the BSE in intra-day trade on Thursday after US private equity fund CA Emerald Investments, an affiliate of Carlyle Asia Partners, offloaded its entire 1.9 per cent stake in the company via multiple block deals. The stock of the life insurer surpassed its previous high of Rs. 1,147.95 touched on July 29, 2021. In the past one month, the stock of SBI Life has outperformed the market by gaining 15 per cent, as compared to a 2.7 per cent rise in the S&P BSE Sensex. For the April-June 2021 quarter (Q1FY22), SBI Life reported healthy growth in value of new business (VNB), up 45 per cent year-on-year (YoY) (down 61 per cent quarter-on-quarter) to Rs. 340 crore. Annualized premium equivalent (APE) grew 27 per cent YoY to Rs. 1,620 crore. AUM growth was also healthy at 32 per cent YoY to Rs. 2.3 trillion. In NBP, SBI Life maintained leadership among private players with an 18.9 per cent market share.
- 3) Shares of Nava Bharat Ventures fell by 15 per cent to Rs. 107.20 on the BSE in the intra-day trade after the company reported a sharp 60 per cent year on year (YoY) drop in consolidated profit after tax (PAT) of Rs. 38.45 crore for the quarter ended June 2021 (Q1FY22). It had posted a profit of Rs. 95.43 crore in a year ago quarter. Revenue for the quarter was down 6.9 per cent YoY at Rs 557.93 crore, while Ebitda declined 26.2 per cent YoY at Rs. 231.69 crore for the quarter. Ebitda margin contracted 1190 basis points (bps) at 37.9 per cent from 49.8 per cent in Q1FY21. Nava Bharat Ventures said financial performance of the quarter, relative to previous periods, was marked by buoyant ferro alloy operations and resurgent coal mining on the positive side while continued outage under major overhaul of one power unit in Zambia coupled with weakening merchant power market in India impacted it on the negative side. The company further said unforeseen outage in one of the manganese smelters, accentuated by industrial oxygen shortage during the second wave of the pandemic resulting in lower production limited the gains from ferro alloy operations though average realisations jumped by 8.3 per cent for Q1 (QoQ). "The major overhaul of one unit of the power plant which started in Jan 2021 is taking longer with a deformation observed in turbine's diaphragms and carrier, repairs to which was not possible. Maamba Collieries Limited (MCL) had to get a new set of diaphragms manufactured, as these are not off-the-shelf items. Post operational of this unit, the major overhaul of another unit will be taken up during the financial year 2021-22 (FY22). With the prolonged



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major overhaul, the plant availability will be significantly lower for FY22 impacting the revenues and profitability," Nava Bharat Ventures said in FY21 annual report.

#### **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.
- 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 earlier 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.

## **Global markets**

- 1) European equities were flat on Thursday as earnings season was mixed. Investors are keep an eye on monetary policy of Bank of England.
- 2) Eurozone inflation in July rose to 2.2% YoY above European Central Bank's target.
- 3) Fed Vice Chair Richard Clarida, a major architect of the Fed's new policy strategy, said on Wednesday he felt the conditions for raising interest rates could be met by the end of 2022, raising expectations the central bank could scale back its bond-buying programme soon.
- 4) Earlier, 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.



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- 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 48.93 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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