

Indian benchmark indices end flat amidst volatility; Realty, PSU and IT stocks fall..

- 1) Domestic bourses witnessed volatility and finally ended flat. Profit booking was witnessed after significant rally recently.
- 2) The BSE Sensex fell marginally by 17 points to end at level of 58,280. Meanwhile, Nifty was down by 21 points to end at levels of 17,356. Both indices snapped their three-day winning streaks but did manage to hit new highs in intra-day deals (Sensex at 58,553 and Nifty at 17,437).
- 3) In the 30-pack Sensex, 12 stocks ended in the green and 18 in the red. Bharti Airtel, HDFC, IndusInd Bank and ITC, up between 1-3 per cent, were the top gainers. Tech Mahindra, Sun Pharma, Axis Bank and HCL Tech on the other hand were the worst losers.
- 4) Broader markets too were under pressure. The BSE Midcap index fell by 0.23 per cent and BSE Smallcap index declined by 0.42 per cent after recent strong rally.
- 5) In terms of sectoral performance, Nifty FMCG, Media and Financial Services sectors were the gainers. Nifty Realty was the worst performing index, down 2.33 per cent. Nifty PSU Bank and IT lost over 1 per cent each. Volatility index or India VIX also eased 1 per cent to 14.9.

Index	Today's Close	Prev. close	Change	% change	Open	High	Low
Sensex	58,279.48	58,296.91	17.43	0.03	58,418.69	58,553.07	58,005.07
Nifty	17,362.10	17,377.80	15.70	0.09	17,401.55	17,436.50	17,287.00

Sectors and stocks

- 1) Shares of Indian Railway Catering and Tourism Corporation (IRCTC) continued their northward journey as the stock rallied another 9 per cent to register a new high at Rs. 3,285 in Tuesday's intra-day session. On Monday, the stock had broken into the elite Top-100 most valuable listed companies' club, and in today's session, the market capitalisation (market cap) of the transport support service provider crossed Rs. 50,000 crore mark for the first time ever. In the past two trading days, the stock has rallied by 14 per cent on the BSE, and gained as much as 32 per cent in the last one-month, as against a 8 per cent rise in the S&P BSE Sensex. With market capitalisation of Rs. 52,416 crore, IRCTC stood at number 88th position in the overall market cap ranking on the BSE, the exchange data shows. 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.
- 2) Shares of Voltas hit a new high at Rs. 1,199.95, up by 7 per cent on the BSE in intra-day trade on Tuesday. The stock of Tata Group company was quoting higher for the eight straight day and has rallied 25 per cent during this period on expectation of demand recovery ahead of the festive season and short summer in West India. Voltas, with its proud Tata legacy, is India's undisputed leader in cooling products and the No. 1 room air conditioner (RAC) brand. The company is also an engineering solutions provider and a project specialist. The Indian government's decision to make India a global manufacturing hub for ACs under its 'Atmanirbhar Bharat' initiative coupled with the much-awaited production-linked incentive (PLI) scheme for white goods are the two definite positive catalysts for the stock. In the April-June 2021 quarter (Q1FY22), the group's operations and financial results were impacted due to outbreak of the second wave of COVID-19 pandemic during the peak season, with lockdowns and restricted operational hours post easing of state-wide lockdowns.

- 3) Shares of VST Tillers Tractors rallied 9 per cent to Rs. 2,875.65 on the BSE in intra-day trade on Tuesday, in an otherwise weak market, after the company launched the VST range of tractors and power tillers in Southern Africa. "The company has entered into an agreement with ETG (Export Trading Group), for distribution of its tractors, power tillers, power reapers and diesel engines in the Southern African markets, including South Africa, Namibia, Botswana, Zimbabwe, Swaziland, and Zambia," VST Tillers Tractors said in a BSE filing. The company further said the objective behind the distribution model of VST Tillers Tractors in ETGL's portfolio is to expand its offering in the industry. The launch introduces the complete range of VST's tractors and power tillers into the Southern African market. ETGL, a global conglomerate with expertise across various industries, operates an established automotive and farm equipment distribution business in the Southern African region. VST Tillers is the largest Indian manufacturer of tillers, 4WD compact tractors and amongst the leading producers of the other category tractors, engines, transmission, power reaper and precision components. It has also entered into strategic alliances with Pubert from France for power weeders and zetor from the Czech Republic for tractors.

Key recent major developments..

- 1) India Ratings and Research (Ind-Ra) has maintained a stable outlook on the overall banking sector for the rest of FY22, supported by the continuing systemic support. This support has helped manage the system-wide Coronavirus (Covid-19) pandemic linked stress. The rating agency has kept its FY22 credit growth estimates unchanged at 8.9 per cent for FY22, supported by a pick-up in economic activity post Q1FY22, higher government spending, especially on infrastructure and a revival in demand for retail loans. The agency estimates Gross Non-performing Assets (GNPAs) at 8.6 per cent for FY22, up from 7.7 per cent in FY21. The stressed assets at 10.3 per cent for FY22 from 8.6 per cent in FY21. The agency in a statement said banks also continue to strengthen financials by raising capital and adding to provision buffers which have already seen a sharp increase in the last three to four years. The agency expects provisioning cost to increase to 1.9 per cent from its earlier estimate of 1.5 per cent for FY22. The sector's profitability is expected to improve in FY22 driven by enhancement in the financial profile of public sector banks.
- 2) Services PMI data came above expectation. Remember, services sector forms major part of India's economy. The sector grew for the first time in four months to a one and a half- year high in August as vaccine access improved and consumer footfall rose following reopening of several establishments, showed IHS Markit Purchasing Managers' Index (PMI) survey. However, companies continued to reduce their workforce, though at a slower pace than earlier. The index rose to 56.7 in August from 45.4 in the previous month. A reading above 50 shows expansion and one below that means contraction. Apart from re-opening of many establishments and increase in footfall, companies also attributed the rise in activities to successful advertising. If the trend persists in September, it may give further boost to services growth in the country in Q2FY22. Services grew 11.4 per cent in the first quarter of the current financial year in the gross domestic product (GDP) data on a low base of 21.5 per cent contraction in the corresponding period of the previous financial year. However, there is a difference in the methodology of GDP computation and PMI survey. PMI gauges month-on-month activities, while GDP calculates year-on-year.
- 3) GST revenue remained above Rs. 1 trillion-mark for the second straight month in August at over Rs 1.12 trillion, 30 per cent higher than the collection in the year-ago period, the finance ministry said on Wednesday. However, GST collections of August 2021 is lower than Rs. 1.16 trillion collected in July 2021. "The gross GST revenue collected in the month of August 2021 is Rs 1,12,020 crore of which Central GST is Rs 20,522 crore, State GST is Rs. 26,605 crore, Integrated GST is Rs. 56,247 crore (including Rs 26,884 crore collected on import of goods) and Cess is Rs. 8,646 crore (including Rs. 646 crore collected on import of goods)," the finance ministry said in a statement. "GST collection, after posting above Rs. 1 lakh crore mark for nine months in a row, dropped below Rs. 1 trillion in June 2021 due to the second wave of covid. With the easing out of Covid restrictions, GST collection for July and August 2021 have again crossed Rs. 1 trillion, which clearly indicates that the economy is recovering at a fast pace. Coupled with economic growth, anti-evasion activities, especially action against fake billers, have also been contributing to the enhanced GST collections. The robust GST revenues are likely to continue in the coming months too," said the ministry.
- 4) India's GDP growth touched a record high on low base in Q1FY22 led by a rebound in consumer spending, and improved manufacturing in spite of a devastating COVID-19 second wave, government data showed on Tuesday. Gross domestic product rose 20.1% in the three-month period, compared with a record contraction of 24.4% in the same quarter a year earlier. "GDP at Constant (2011-12) Prices in Q1 of 2021-22 is estimated at Rs. 32.38 lakh crore, as against Rs. 26.95 lakh crore in Q1 of 2020-21, showing a growth of 20.1 percent as compared to contraction of 24.4% in Q1 2020-21. Quarterly GVA at Basic Price at Constant (2011-12) Prices for Q1 of 2021-22 is estimated at Rs. 30.48 lakh crore, as against Rs. 25.66 lakh crore in Q1 of 2020-21, showing a growth of 18.8%," said Ministry of Statistics & Programme Implementation in a statement. Manufacturing, which fell 36 percent in April-June last year, bounced back to grow by 49.6 percent. Trade, hotels, transport, communication and services related to broadcasting, which tanked 48.1 percent in April-June last year, grew by 34.3 percent in Q1FY22,



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indicating that touch services sectors like hotels, hospitality and tourism continue to be affected by the Covid-19 pandemic and will take time to recover. Agriculture, the only sector which showed growth in Q1FY21 at 3.5 percent, grew by 4.5 percent in the first quarter of FY 22.

- 5) India's fiscal deficit in April-July, the first four months of the fiscal year, stood at Rs 3.21 trillion (\$43.98 billion), or 21.3% of the budgeted target for the whole year, government data showed on Tuesday. Net tax receipts were Rs 5.21 trillion while total expenditure was Rs 10.04 trillion, the data showed.
- 6) The foreign direct investment (FDI) into the country rose more than two folds to \$17.57 billion during April-June this fiscal on account of measures such as policy reforms and ease of doing business, an official statement said on August 28. Total FDI inflow rose to \$22.53 billion during the first three months of 2021-22 as against \$11.84 billion in the same period last year, it said. Total FDI comprises equity inflows, reinvested earnings and other capital. FDI equity inflow grew by 168 per cent in the first three months of 2021-22 (\$17.57 billion) compared to the year-ago period (\$6.56 billion), it said.
- 7) India could get the license for the bad bank very soon, Debashish Panda, the secretary of the Department of Financial Services said on last Wednesday. The registration of the debt management company is also under process, he added. The IBA had filed an application in June with the Registrar of the Companies at the Ministry of Corporate Affairs (MCA) to incorporate both the asset reconstruction company and its debt management Company.
- 8) Finance Minister Nirmala Sitharaman on August 25, 2021 addressed a press conference after her two-day visit to Mumbai. She interacted with top officials of the Confederation of Indian Industry (CII) and launched the EASE 4.0 Index - a reform agenda for 2021-22 for public sector banks (PSBs). She met heads of PSBs to review annual financial performance of the lenders. Finance Minister Nirmala Sitharaman said "Banks have been directed to interact regularly with Federation of Indian Exporters Organisation so the exporters don't have to shuttle between various bankers." She added "Lot of sunrise sectors require a lot of funding, need to facilitate that. Banks should take the benefit of technology. Have asked banks to look at the area of fintech." She said that "Banks have expressed concerns on CASA deposits piling up in eastern areas. Credit flow need to be better promoted in Eastern states of country. Credit flow is not happening in eastern states if country."
- 9) Earlier, Finance Minister Nirmala Sitharaman announced a pipeline of assets that the Centre is looking to monetise to the tune of Rs. six trillion over four years ending financial year 2024-25. This would constitute 14 per cent of the union government's outlay under the National Infrastructure Pipeline. It covers 20 asset classes spread over 12 line ministries and departments. The top three sectors by value are roads, railways and power. Announcing the plan, Sitharaman said, "the asset monetisation programme is aimed at tapping private sector investment for new infrastructure creation. This is necessary for creating employment opportunities, enabling high economic growth and seamlessly integrating the rural and semi-urban areas for overall public welfare."
- 10) According to the data released by the Ministry of Commerce and Industry, India exported goods worth US\$35.43 billion in July 2021, the highest first time ever in a month, due to recovery in key global markets and robust demand, Outbound shipments grew by nearly 50 per cent over July 2020, which can be partly attributed to a favourable base. As compared to pre-Covid level, the growth was 35 per cent from July 2019. Merchandise exports and imports had plummeted in the first few months of 2020-21, with the imposition of lockdown measures to curb the spread of Covid-19. On a sequential basis, outbound shipments grew at their fastest this fiscal year, witnessing an 9-per cent jump. The growth was led by higher demand for engineering goods, gems and jewelry, textiles and apparels, chemicals and electronic goods.
- 11) India's industrial production grew 13.6 per cent in June from the year-ago period due to the low-base effect, data released by the Ministry of Statistics and Programme Implementation showed. The impact of a low-base declined in June as compared to the last two months. In April and May, growth was 134.6 per cent and 28.6 per cent, respectively, thereby portraying an exaggerated picture of industrial activity. Factory output, measured by Index of Industrial Production (IIP), has been growing sharply since March due to a favourable base effect as industrial activity came to a virtual halt a year ago following the nationwide lockdown. In June 2020, IIP contracted 16.6 per cent. On a sequential basis, IIP grew 5.7 per cent from May, in line with the opening up of the economy, with states gradually easing restrictions after region-wise lockdown during the second wave in April-May. However, it still remained below April's level, indicating that the pace of recovery is slow.
- 12) Around 50.07 lakh domestic passengers travelled by air in July, 61 per cent higher than the 31.13 lakh who travelled in June, the country's aviation regulator said on Friday. According to the Directorate General of Civil Aviation (DGCA), 21.15 lakh people and 57.25 lakh had travelled within the country by air in May and April,

respectively. The sudden drop in domestic air traffic in May was due to the second wave of the Covid-19 pandemic that had badly hit the country and its aviation sector.

Global markets

- 1) Globally, European equities were trading in green. Asian counterparts were also positive today.
- 2) Earlier, global sentiments were upbeat after positive speech by Fed Chair Jerome Powell's at the Jackson Hole Economic Symposium. The speech suggested accommodative stance and small tapering after wait and watch approach. Earlier, the US Federal Reserve suggested tapering of the Fed's stimulus plan by late 2021. However, rampant spread of COVID-19 Delta variant in various countries and tensions in Afghanistan and its side effects would act as an overhang.
- 3) China's factory activity expanded at a slower pace in August, while the services sector slumped into contraction, as coronavirus-related restrictions and high raw material prices pressure businesses in the world's second largest economy. The official manufacturing Purchasing Manager's Index (PMI) was 50.1 in August from 50.4 in July, data from the National Bureau of Statistics (NBS) showed on Tuesday. China staged an impressive recovery from a coronavirus-battered slump, but growth has recently shown signs of losing steam due to domestic COVID-19 outbreaks, slowing exports, tighter measures to tame hot property prices and a campaign to reduce carbon emissions.
- 4) Earlier, Goldman Sachs Group Inc. downgraded its economic growth forecast for China as measures to contain the fast-expanding Covid-19 resurgence curb spending. The economists cut their projection for quarter-on-quarter growth of gross domestic product in the third quarter and also lowered their full-year GDP growth forecast to 8.3% from 8.6%.
- 5) Earlier, the US witnessed economy recovery faster than expected in the second quarter, lifting the level of gross domestic product above its pre-pandemic peak, as massive fiscal stimulus and vaccinations against COVID-19 boosted spending. Gross domestic product increased at a 6.6% annualized rate, the Commerce Department said on Thursday in its second estimate of GDP growth for the April-June quarter. That was revised up from the 6.5% pace of expansion reported in July. Consumer spending, which accounts for more than two-thirds of the US economy, also got a lift from vaccinations, which fueled demand for services like air travel, hotel accommodation, dining out as well as entertainment. But momentum appears to have slowed early in the third quarter amid a resurgence new COVID-19 infections driven by the Delta variant of the coronavirus. US consumer price inflation stood at 5.4% YoY in July, taking so. UK GDP grew by 4.8% QoQ in Q2 as activity and demand rebounded with the easing of covid restrictions. Eurozone inflation in July rose to 2.2% YoY above European Central Bank's target.
- 6) PMI survey data suggested that business activity in the euro zone grew strongly in August - although fears that new coronavirus strains may lead to renewed restrictions limited the optimism.
- 7) Earlier, Japan's economy rebounded more than expected in the second quarter after slumping in the first three months of this year, data showed, a sign consumption and capital expenditure were recovering from the Coronavirus (Covid-19) pandemic's initial hit. The world's third-largest economy grew an annualised 1.3% in April-June after a revised 3.7% slump in the first quarter, preliminary gross domestic product (GDP) data showed on Monday, beating a median market forecast for a 0.7% gain.

Ajcon Global's observations and view

- 1) After a strong recent rally, Indian equities took a breather and witnessed profit booking. The benchmark indices ended flat with a negative bias. Bulls were in command till yesterday led by good Services PMI data, strong Q1FY22 GDP numbers and GST collection in August 2021 continued to be robust.
- 2) The contest between bulls and bears is going to remain strong. However, bulls will have an edge owing to factors like good Q1FY22 earnings season so far with most of the Companies reporting good performance, strong management commentary in Q1FY22 by majority of the Companies, growth in Industrial production and ease in retail inflation expansion in Services PMI in July on a monthly basis, 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, significant decline of COVID-19 cases in the second wave with decent vaccination drive are supporting sentiments. In addition, the country gearing up and taking all the measures to prepare itself for likely third COVID-19 wave. 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) We suggest investors to be careful about the forthcoming IPOs too and understand the fundamentals before riding the boom. Subdued listing of IPOs in August 2021 suggest irrational exuberance.
- 4) It is advisable for investors to look out for stock specific opportunities. Considering the present valuations, we believe intermediate corrections will keep markets healthy. Investors will keep an eye on COVID-19 cases especially in the Metros, movement in crude oil prices and metals, vaccination drive and economic activity in the festive season.



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SEBI registration Number: INH000001170 as per SEBI (Research Analysts) Regulations, 2014.

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