

Metals and PSBs stocks fall with underperformance in broader markets as well..

- 1) The benchmark S&P BSE Sensex was up by 125 points or 0.23 percent to end at levels of 54,402 while the Nifty was up by 20 points or 0.12 percent to end at levels of 16,258.
- 2) Sectorally, the Nifty Metal index fell by 2 per cent, followed by the Nifty PSU Bank index (down 1.6 per cent). On the contrary, the Nifty Bank and IT indices added 0.4 per cent each.

Index	Today's Close	Prev. close	Change	% change	Open	High	Low
Sensex	54,402.85	54,277.72	125.13	0.23	54,385.71	54,584.73	54,124.27
Nifty	16,258.25	16,238.20	20.05	0.12	16,281.35	16,320.75	16,179.05

Sectors and stocks

- 1) Shares of Piramal Enterprises hit an over two-year high of Rs. 2,856.80 after they rallied 7 per cent on the BSE in the intra-day trade on Monday on strong June quarter results. The company reported consolidated profit after tax of Rs. 534 crore, up 8 per cent year on year (YoY), despite consolidated revenues coming in flat at Rs. 2,909 crore YoY. The bottomline was aided by decline interest expenses by 11 per cent YoY – on the back of meaningful decline in debt on the balance sheet and progressively lower cost of borrowings. The stock was trading at its highest level since September 2018. It had touched a record high of Rs. 3,224 on August 31, 2018. In Q1FY22, the company's pharma segment delivered robust revenue growth of 31 per cent YoY, led by the Complex Hospital Generics (CHG) and India Consumer Products (ICP) businesses. The Contract Development and Manufacturing Organization (CDMO) business also saw healthy momentum on the back of favorable demand in the API / Sterile Fill-Finish space. Pharma segment reported 200 basis points improvement in Ebitda margin to 12.5 per cent from 10.5 per cent in Q1FY21. Ebitda expansion were driven by better capacity utilization as the business is normalizing, second Covid wave impacted less severe as compared with first wave and backward integration of raw materials. Over the past two years, Piramal Enterprises has strengthened its balance sheet by running down its wholesale loan book, reduced the top 10 exposures, brought equity capital into the company through multiple means, improved the texture of its borrowings by reducing commercial papers, and fortified itself against contingencies, with ECL (expected credit loss) provisions at 5.8 per cent of AUM.
- 2) Shares of specialty chemicals company BASF India hit a new high of Rs. 3,795.45 as they rallied 12 per cent in Monday's session, gaining 33 per cent in the past two trading days on reporting a net profit of Rs. 197.28 crore for the quarter ended June 2021 (Q1FY22) on the back of strong operational performance. It had posted a net loss of Rs. 31.18 crore in Q1FY21 and a profit of Rs. 55.81 crore in Q4FY22. The company's revenue from operations grew 69 per cent year-on-year (YoY) and 7.4 per cent quarter-on-quarter (QoQ) at Rs. 3,012.90 crore during the quarter under review, on account of higher volumes and better price realisation. Most business segments of the company including agricultural solutions, segments focused on the automotive industry as well as the industrial solutions and surface technologies delivered profitable growth. BASF India, a 73.33 per cent subsidiary of BASF SE, is the flagship company of the BASF group in India. The portfolio of BASF SE is organised under six segments: Chemicals, Materials, Industrial Solutions, Surface Technologies, Nutrition & Care and Agricultural Solutions. The company receives strong operational as well as product support from BASF SE, one of the leading chemical companies in the world. A high level of integration between the parent and the Indian arm reflects synergies arising from similar businesses. CRISIL Ratings believes the parent will extend timely, need-based financial support in case of pressure on cash flows, and also support financing of any large capex, if undertaken. The company received external commercial borrowings (ECBs) to fund its Dahej expansion in the past, and the parent also rearranged the repayment terms when cash generation was impacted. Entire ECBs have now been repaid. The company's products cater to various end-user industries, including automotive, personal and home care, agriculture, petrochemicals, and refining. As seen in fiscal 2021, wherein the agricultural solutions and nutrition and care segments were less affected by the pandemic and outperformed other segments, the diversified revenue streams mitigate the impact of cyclicity and competitive pressures in any particular business segment, CRSIL Rating said. On July 27, 2021, the rating agency CRISIL revised the outlook on the non-convertible debenture programme of BASF India to 'Stable' from 'Negative'. It reaffirmed the rating on the non-convertible debentures at 'CRISIL AAA'. The ratings on the fixed deposits and commercial paper also reaffirmed at 'FAAA/Stable' and 'CRISIL A1+', respectively.

Key recent major developments..

- 1) Equity mutual funds (MFs) registered one of their highest monthly inflows in July 2021 owing to the success of new fund offers (NFOs) launched to tap into the positive investor sentiment towards the equity market which are hovering around lifetime highs. Equity-oriented schemes saw net inflows of Rs. 22,583 crores, most since at least August 2017 when inflows were Rs. 20,362 crores
- 2) Domestically, the RBI's - The Monetary Policy Committee (MPC) maintained status quo and kept interest rates unchanged. Currently, the repo rate is 4 percent and reverse repo rate is 3.35 percent. Reserve Bank of India (RBI) Governor Shaktikanta Das said the policy stance continues to be "accommodative". The MPC has retained its GDP growth projection of 9.5 percent for FY22. The RBI's policy decision was along expected lines, the 5:1 vote on maintaining accommodative stance and rise in CPI projection for FY22 to 5.7 per cent from 5.1 per cent affected investor sentiments on Friday indicating that debate on inflation is gaining centre stage.
- 3) 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.
- 4) 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.
- 5) 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.
- 6) 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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- 7) 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.
- 8) 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) Asian equities were mixed. 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%, according to a report released late Sunday.
- 2) Eurozone inflation in July rose to 2.2% YoY above European Central Bank's target.
- 3) Earlier, Fed Vice Chair Richard Clarida, a major architect of the Fed's new policy strategy, said that 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. 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 marginally up. However, profit booking was witnessed in midcaps and smallcaps. Bulls will remain in hunt due 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, 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. 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) India has given the first dose covid antidote to around 50.86 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.
- 3) 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. With Monthly Auto sales numbers and RBI's Monetary policy out, investors will track 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, Industrial production data for June and CPI inflation numbers for August, ongoing monsoon, vaccination drive and economic activity and COVID-19 cases in India.
- 4) In the near term, markets will remain rangebound for some time with a negative bias. There is a strong line up of IPOs. Investors will keep busy in the upcoming IPOs as the listing gains have been phenomenal in the recent IPOs.



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It is recommended to ride the IPO boom; mainly for listing gains. We suggest looking at fundamentally strong midcaps and small caps rather than expensive large caps.



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