AJCONGLOBAL
YOUR FRIENDLY FINANCIAL ADVISORS

Market wrap **Nov. 10, 2021**

Domestic bourses remain under pressure; metal and realty stocks fall..

1) The benchmark indices ended in negative terrain. The BSE Sensex was down by 80.63 points to end at levels of 60,352.82. At the start, the Sensex was down by 138 points lower and also made a low of 59,967. Later on losses were erased led by buying in select index heavyweights like Bharti Airtel, Reliance Industries and ITC.

2) On the other hand, Nifty was down by 27.05 points to end at levels of 18,017.20.

3) In terms of sectoral performance, the Metal index was down by 2 per cent, and the Realty index was down by 1.6 per cent. On the positive side, the Telecom index was up by 2 per cent, and the Energy index was up a per cent.

4) The broader markets ended in red as well. The BSE Midcap index fell by 0.60 per cent, while the Smallcap index ended flat.

Index	Today's Close	Prev. close	Change	% change	Open	High	Low
Sensex	60,352.82	60,433.45	**-80.63**	**-0.13**	60,385.76	**60,609.16**	59,779.19
Nifty	18,017.20	18,044.25	**-27.05**	**-0.15**	18,040.20	**18,087.80**	17,836.10

Sectors and stocks

1) Shares of KPIT Technologies rallied 9 per cent to hit a new high of Rs. 409.80 on the BSE in Wednesday's intra-day trade amid heavy volumes on strong outlook. The stock of the information technology (IT) consulting & software company surpassed its previous high of Rs. 385, touched on August 16, 2021. In the past six trading days, the market price of KPIT Technologies has rallied by 32 per cent after the company raised outlook for revenue and profit for the financial year 2021-22 (FY22). The company said, for FY22, revenue growth outlook has been increased to 18 to 20 per cent, while earnings before interest, tax, depreciation and amortization (Ebitda) margin outlook has been revised to 17.5+ per cent. The management said the company is witnessing a robust demand environment resulting in strong order inflow and pipeline. With improved business visibility, the company has increased its revenue and profit outlook for the year.

2) Shares of graphite electrode manufacturers were upbeat today, with HEG ralling as much as 13 per cent to Rs. 2,316.65 on the BSE in Tuesday's intra-day trade after the company reported a consolidated net profit of Rs. 131.52 crore for September quarter (Q2FY22), on healthy revenue growth. It had posted a consolidated net loss of Rs. 15.36 crore in Q2FY21 and a profit of Rs 56.77 crore in Q1FY22. The company's revenue from operations grew 60 per cent year on year (YoY) to Rs 517.56 crore from Rs. 322.88 crore in the corresponding quarter of previous fiscal. It posted Ebitda of Rs. 167.28 crore against loss of Rs. 25.46 crore in a year ago quarter.

Key recent major domestic developments..

1) The Finance Ministry's latest economic report has said India's economic recovery has continued to trend upwards even as global economic recovery remains hamstrung. The festive season saw record high sales of Rs 1.3 lakh crore, according to Confederation of All India Traders (CAIT). As fresh COVID-19 cases have seen a massive dip and by October end over 85 percent of adults had received at least one vaccine dose, with 38 percent of the eligible population being fully vaccinated, the economy is on the path to recovery. The festive season also saw the second-highest level of goods and service tax (GST) collections. Improving COVID-19 situation amid high business and consumer spirits delivered sustained economic recovery in October 2021 as well. The global economic recovery however continues to be impacted by prolonged supply constraints and input cost inflation, it said. Revenue collection is expected to remain in an upside movement as economic activity and tax administration are strengthened. The report concluded that "Armed with necessary macro and micro growth drivers, the stage is set for India's investment cycle to kickstart and catalyse its recovery towards becoming the fastest growing economy in the world!"

2) Gross Goods and Services Tax (GST) revenue collections in October witnessed a rise of 23.7 per cent year-on-year to Rs. 1,30,127 crore. This is the second-highest revenue collection under GST ever since its rollout in July 2017, coming on the back of a pickup in economic activity and several compliance measures taken by tax authorities to curb evasion. GST collections at Rs 1,41,384 crore in April this year, accounting for year-end sales, are the highest collections so far in the indirect tax regime. The Finance Ministry said that this growth in collections is "very much in line with the trend in economic recovery". "The GST revenues for October have been the second-highest ever since the introduction of GST, second only to that in April 2021, which related to year-end revenues. This is very much in line with the trend in economic recovery. This is also evident from the trend in the e-way bills generated every month since the second wave. The revenues would have still been higher if the sales of cars and other products had not been affected on account of disruption in supply of semiconductors," it said.

3) India Manufacturing Purchasing Managers' Index (PMI) was in expansion territory, at 55.9 in October, for the fourth month in a row. Moreover, rising from 53.7 in September, the latest figure pointed to the strongest improvement in overall operating conditions since February.

4) The Union cabinet earlier cleared the PM Gati Shakti - National Master Plan for multi-modal connectivity to economic zones. "The PM GatiShakti NMP is intended to break Departmental Silos and bring in more holistic and integrated planning and execution of projects with a view to address the issues of Multi Modal connectivity and last mile connectivity," the cabinet said in a statement. "This will help in bringing down the logistics cost. This will translate into enormous economic gains to consumers, farmers, youth as well as those engaged in businesses," it added. Prime Minister Narendra Modi had on October 13 launched the PM Gati Shakti National Master Plan for multi-modal connectivity to expedite and bring infrastructure development on a common path. The Rs 100 lakh-crore Gati Shakti plan envisages a centralised portal comprising all existing and planned infrastructure initiatives of as many as 16 central ministries and departments for integrated planning and coordinated implementation of infra connectivity projects.

5) Domestic air passenger traffic witnessed a growth of 5.45 percent in September on month on month basis with the easing of lockdown restrictions following the decline in Covid-19 cases. The total passenger load in September stood at 70.66 lakh compared to 67.01 lakh in August, 50.07 lakh in July and 31.13 lakh in June. The passenger traffic in September 2021 was 79 percent higher when compared to the same month in the past year, the aviation sector regulator said. In September last year, the number of passengers carried by domestic airlines stood at 39.43 lakhs. Domestic airlines were allowed to operate at 60 percent capacity utilization in September 2020 compared to the 85 percent capacity utilization allowed in September 2021.

6) Passenger vehicle wholesales in India witnessed a decline of 41 per cent year-on year in September as automobile manufacturers struggled to produce adequate units owing to semiconductor shortage, auto industry body SIAM said on Thursday. Passenger vehicle sales last month stood at 1,60,070 units as compared with 2,72,027 units in the year-ago period. As per the latest data by Society of Indian Automobile Manufacturers (SIAM), two-wheeler dispatches to dealers also witnessed a dip of 17 per cent at 15,28,472 units, compared to 18,49,546 in September 2020. Motorcycle dispatches declined 22 per cent last month to 9,48,161 units as against 12,24,117 in the year-ago period. Scooter sales were also down 7 per cent at 5,17,239 units from 5,56,205 units a year ago. Vehicle sales across categories last month declined year-on-year by 20 per cent to 17,17,728 units from 21,40,549 units. Indian automobile industry continues to face new challenges. While on one hand, we are seeing a revival in vehicle demand, on the other hand, shortage of semiconductor chips is causing a major concern for the industry. Many members have curtailed their production plans," SIAM President Kenichi Ayukawa said. Coupled with the festive season demand, this has led to long waiting time for the customers on popular models of some segments, he added. "High raw material prices also continue to be a challenge. The industry is taking all possible measures to mitigate the impact of such supply chain issues and optimise production," Ayukawa noted.

7) India's industrial production in India continued to stabilise in August, expanded by 11.9 percent year-on-year (YoY) in August, rising slightly from 11.4 percent in July. The growth was due to a low-base effect and good performance by manufacturing, mining and power sectors that surpassed the pre-COVID level. The manufacturing sector, which constitutes 77.63 percent of the Index of Industrial Production (IIP), grew 9.7 percent in August, according to the data released by the National Statistical Office (NSO) on Tuesday. The mining sector output rose 23.6 percent in August, while power generation increased 16 percent.

8) India's retail inflation eased again in September, falling to a five-month low led by moderating food prices that offset a surge in the cost of crude oil and fuel, government data showed on Tuesday. Consumer price inflation fell sharply to 4.35% in September from 5.3% in August. This marks the third consecutive month within the Reserve

Bank of India's (RBI) tolerance band of 2%-6%. The Consumer Price Index-based (CPI) inflation was at 7.27% in September 2020.

As per the data released by the National Statistical Office (NSO), the inflation in food basket eased to 0.68% in September 2021, significantly down from 3.11% in the preceding month. The Reserve Bank of India (RBI), which mainly factors in CPI-based inflation while arriving at its bi-monthly monetary policy, has been tasked by the government to keep it at 4%, with a tolerance band of 2% on either side.

9) The International Monetary Fund (IMF) has retained its projection for India's economic growth in the current financial year at 9.5 per cent, even as it has moderately scaled down its forecast for the world economy during 2021 by 10 basis points to 5.9 per cent in view of worsening Covid dynamics and supply disruptions. In its World Economic Outlook (WEO), the IMF has maintained India's gross domestic product (GDP) estimates for next financial year at 8.5 per cent, unchanged from its July projections. The WEO, titled 'Recovery During a Pandemic Health Concerns, Supply Disruptions, and Price Pressures', has forecast world economic growth at 4.9 per cent for 2022, the same as earlier.

   Meanwhile, the IMF has cut its China GDP growth projections for 2021 and 2022 by 10 basis points each – to eight and 5.6 per cent, respectively. With this, India will again get the tag of the fastest-growing large economy in the world, both in FY22 and FY23. In 2020, China's was the only major economy that had registered growth. While it had grown 2.3 per cent last year, India's had contracted by 7.3 per cent.

10) Earlier, RBI kept repo and reverse repo rates unchanged at 4 per cent and 3.35 per cent, respectively. The central bank also retained the GDP growth forecast at 9.5 per cent for the on-going fiscal year and revised CPI inflation projection downward to 5.3 per cent for the whole fiscal (from 5.7 per cent). The RBI Governor said "With the worst of the second wave behind us and substantial pick-up in COVID19 vaccination giving greater confidence to open up and normalise economic activity, the recovery of the Indian economy is gaining traction. While vaccine reach is the real fault line in the current global recovery, India is in a much better place today than at the time of the last MPC meeting. Growth impulses seem to be strengthening and we derive comfort from the fact that the inflation trajectory is turning out to be more favourable than anticipated. In spite of global headwinds, we hope to emerge from the storm and sail towards normal times, steered by the underlying resilience of the macro-economic fundamentals of the Indian economy. Core inflation, however, remains sticky. Elevated global crude oil and other commodity prices, combined with acute shortage of key industrial components and high logistics costs, are adding to input cost pressures. Pass-through to output prices has, however, been restrained by weak demand conditions. The evolving situation requires close vigilance."

    He added "Overall, aggregate demand is improving but slack still remains; output is still below pre-pandemic level and the recovery remains uneven and dependent upon continued policy support. Contact intensive services, which contribute about 40 percent of economic activity in India, are still lagging. Supply side and cost push pressures are impinging upon inflation and these are expected to ameliorate with the ongoing normalisation of supply chains. Efforts to contain cost-push pressures through a calibrated reversal of the indirect taxes on fuel could contribute to a more sustained lowering of inflation and an anchoring of inflation expectations."

    He further said "Recovery in aggregate demand gathered pace in August-September. This is reflected in high-frequency indicators – railway freight traffic; port cargo; cement production; electricity demand; e-way bills; GST and toll collections. The ebbing of infections, together with improving consumer confidence, has been supporting private consumption. The pent-up demand and the festival season should give further fillip to urban demand in the second half of the financial year. Rural demand is expected to get impetus from continued resilience of the agricultural sector and record production of kharif foodgrains in 2021-22 as per the first advance estimates. The improved level in reservoirs and early announcement of the minimum support prices for rabi crops boost the prospects for rabi production. The support to aggregate demand from government consumption is also gathering pace."

11) The gross GST revenue collected in the month of September 2021 stood at Rs. 1,17,010 crore, which is 23 percent higher than the GST revenues in the same month last year. During the month, revenues from import of goods was 30 percent higher and the revenues from domestic transaction (including import of services) are 20 percent higher than the revenues from these sources during the same month last year. The revenue for September 2020 was, in itself at a growth of 4 percent over the revenue of September 2019 of Rs. 91,916 crore. For this September, CGST collections were Rs. 20,578 crore, SGST Rs. 26,767 crore, IGST Rs. 60,911 crore (including Rs. 29,555 crore collected on import of goods) and cess Rs. 8,754 crore (including Rs. 623 crore collected on import of goods). The average monthly gross GST collection for the second quarter of the current year has been Rs. 1.15 lakh crore, which is 5 percent higher than the average monthly collection of Rs. 1.10 lakh crore in the first quarter of the year. "This 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. It is expected that the positive trend in the revenues will continue and the second half of the year will post higher revenues," the government said.

12) The Manufacturing Purchasing Managers' Index, compiled by IHS Markit, rose to 53.7 in September from 52.3 in August, staying above the 50-level separating growth from contraction for the third straight month. "Indian manufacturers lifted production to a greater extent in September as they geared up for improvements in demand and the replenishment of stocks," noted Pollyanna De Lima, economics associate director at IHS Markit. "There was a substantial pick-up in intakes of new work, with some contribution from international markets." Improvements in both domestic and overseas demand saw new orders expand at a quicker pace in September and factories raised output at a significantly faster rate compared to August. However, that failed to encourage factories to hire more workers - a much needed step to boost weak labour market conditions - and instead they reduced their workforce at the sharpest pace in four months. "Companies continued to purchase extra inputs in September, but jobs were little changed over the month. In some instances, survey participants indicated that government guidelines surrounding shift work prevented hiring," added De Lima.

Global markets

1) Asian equity indices were under pressure today. European equities were also subdued today. Globally, there are concerns like US-China tensions, increase in COVID-19 cases in China, Russia, UK and European countries. Rising crude oil prices and increasing US bond yields would also affect investor sentiments.

2) In US, the passage of U.S. $1 trillion infrastructure bill has improved investor sentiments. However, investors will keep an eye on U.S. inflation number as higher inflation can trigger monetary policy tightening by Federal Reserve.

3) China's economy hit its slowest pace of growth in a year in the third quarter, hurt by power shortages, supply chain bottlenecks and major wobbles in the property market and raising pressure on policymakers to do more to prop up the faltering recovery. Data released on Monday showed gross domestic product (GDP) grew 4.9% in July-September from a earlier, the weakest clip since the third quarter of 2020 and missing forecasts. The world's second-largest economy is facing several major challenges, including the China Evergrande Group debt crisis, ongoing supply chain delays and a critical electricity crunch, which sent factory output to its weakest since early 2020, when heavy COVID-19 curbs were in place.

4) China is facing power crisis which is triggering blackouts for households and forcing factories to cut production, threatening to slow the country's vast economy and place even more strain on global supply chains. Earlier, Factory-gate price inflation in China remained high in August, rising to the highest level in 13 years, data released on Thursday showed. The producer price index (PPI), which reflects the prices that factories charge wholesalers for their products, rose by 9.5 per cent in August from a year earlier, from a gain of 9 per cent in July, the National Bureau of Statistics (NBS) said.

Ajcon Global's observations and view

1) Indian equities ended in red led by weak global cues and selling by FPIs.

2) Before the correction started, the sentiments have been strong led by good Q2FY22 earnings season, good economic activity witnessed in the festive seaason of Navratri and Diwali, good manufacturing PMI data and strong October 2021 GST collections, good IIP data and IMF's forecast of India's GDP growth at 9.5 per cent in 2021 and at 8.5 per cent in 2022. RBI's dovish stance good, faster economic recovery witnessed, strong demand outlook in the ongoing festive season. However, rising crude oil prices, increasing US Bond yields may act as headwinds. Bulls will have an edge led by strong vaccination drive, good economic activity, Production Linked Incentive Schemes announced in various sectors, good GST collection in September 2021. The big bang reforms in Telecom sector has already uplifted investor sentiments for telecom related companies. 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, recent RBI measures to gradually reduce liquidity can remain an overhang.

3) Going ahead, investors will continue take cues from the ongoing Q2FY22 earnings season and management commentary, eye on COVID-19 cases especially after the festive season and vaccination drive, movement in crude oil prices and metals. Globally, investors will keep a watch on US Treasury yields and developments in China.

4) There is a strong line up of IPOs which reminds of IPO pipeline in the month of August 2021. We suggest investors to be careful about the forthcoming IPOs and understand the fundamentals before riding the boom based on risk

reward profile. Subdued listing of IPOs in August 2021 suggested irrational exuberance earlier. However, IPOs of sectors in limelight like E-Commerce, Digital, Speciality chemicals, Companies business model suited to new age, companies having business model which caters to the demands of Electric Vehicles would always gain maximum attention. However, investors have to be careful with expensive IPOs.

5) It is advisable to stay away from companies which have ran ahead of fundamentals and valued beyond logic. It would be prudent to stay with quality names at decent valuations and not get carried away. It is advisable for investors to look out for stock specific opportunities at decent valuations considering growth outlook and management pedigree. Always remember, corrections in a bull market will keep markets healthy.

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