

### Indian equities stay strong; good action witnessed in midcaps and smallcaps..

- 1) Benchmark indices were going strong on Thursday led by buying in IT and PSU bank stocks.
- 2) The Sensex hit a new all-time high of 54,874 levels in the intra-day trade while the Nifty hit new peak of 16,375. The indices, however, pared gains marginally and ended at fresh closing peaks of 54,844 and 16,364 levels, respectively, rising 318 points and 82 points.
- 3) The Nifty IT index was up by nearly 2 per cent on the NSE today while the PSU bank index added 1.3 per cent. All other sectoral indices, barring the Nifty Pharma index (down 1 per cent) gained up to 0.7 per cent.
- 4) The broader markets were positive after continuous sessions of decline as the BSE reduced the ambit of Add-on Price band Framework. At close, the BSE MidCap index was up by 1.07 per cent and the BSE SmallCap index was up by 1.97 per cent.

Index	Today's Close	Prev. close	Change	% change	Open	High	Low
<b>Sensex</b>	54,843.98	54,525.93	<b>318.05</b>	<b>0.58</b>	54,641.22	<b>54,874.10</b>	54,536.65
<b>Nifty</b>	16,364.40	16,282.25	<b>82.15</b>	<b>0.50</b>	16,303.65	<b>16,375.50</b>	16,286.90

### Sectors and stocks

- 1) Shares of Nelco were locked in the 10 per cent upper circuit band for the second straight day, at Rs. 470.05 on the BSE on Thursday, on the back of heavy volumes with only buyers being seen on the counter. In the past three trading days, stock of the Tata Group information technology (IT) networking services company has rallied 29 per cent on the BSE and was trading at its highest level since 1992. It hit a record high of Rs. 1,700 on March 24, 1992, the BSE data shows. Tata Power Company held 48.64 per cent stake, as on June 30, 2021. Nelco in its annual report for financial year 2020-21 (FY21) had said that the company has signed a cooperation agreement with Telesat, one of the major global satellite players launching LEO satellites. The LEO satellites can act as 'fibre-in-the-sky', providing an alternative solution to terrestrial networks. This will enable the Company to serve high bandwidth segments like cellular backhaul, village connectivity, telecom networks etc., particularly in remote locations and difficult terrains. Overall, LEO satellites are a potential disruptor for the industry and once available in India, offer the opportunity for high growth for SatCom services. The Company further said it has established itself as a leading player in both Aero IFC and Maritime communication services in India. The Company has partnered with multiple global players to enhance its offerings and reach. "The Company believes that both these sectors – Aero & Maritime have high growth potential in India, though currently subdued due to the impact of the pandemic. The IFMC services also offer opportunities to serve markets beyond India, which the Company plans to pursue in the coming years. The Company also has plans for developing newer verticals in the Enterprise market," Nelco said.
- 2) Shares of Indoco Remedies hit a record high of Rs. 529.70 after it rallied by 20 per cent on the BSE in the intra-day trade on Thursday. The company reported a strong 40.2 per cent year on year (YoY) and 26.7 per cent quarter on quarter (QoQ) growth in revenue at Rs. 386.8 crore for the quarter ended June 2021 (Q1FY22) on Wednesday on the back of a healthy growth in domestic markets due to traction for Covid portfolio during pandemic's second wave.
- 3) Shares of VIP Industries rallied by 14 per cent to Rs. 439 on the BSE in the intra-day trade on Thursday after the company posted turnaround numbers for the quarter ended June 30, 2021 (Q1FY22). VIP Industries, which is the leading manufacturer of hard and soft luggage in Asia, reported a consolidated net profit stood at Rs. 2.53 crore in Q1FY22 compared with net loss of Rs. 51.32 crore in the year-ago period. Consolidated revenue from operations, meanwhile, surged 411.43 per cent to Rs 206.21 crore as against Rs 40.32 crore in Q1FY21. The profit before tax was at Rs 1.85 crore relative to pre-tax loss of Rs 67.38 crore in Q1FY21. "The Q1FY22 revenue sequentially was impacted due to Covid-19. The revenue stood at 85 per cent of last year March quarter at Rs. 221 crore. Hard Luggage constituted 39% of total revenue for this quarter. Gross Margin was at 54 per cent during the quarter, mainly due to lower discounts and better mix in favor of higher margin products and price increase," the company said in a statement.



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- 4) Shares of Yes Bank hit a 52-week low of Rs. 11.89, down 1 per cent on the BSE in intra-day trade on Thursday in an otherwise firm market. The stock of the private sector lender was trading at its lowest level since August 3, 2020. Thus far in the calendar year 2021, the market price of Yes Bank has declined by 33 per cent, compared to a 14.6 per cent rally in the S&P BSE Sensex. It had hit a 52-week high of Rs. 20.83 on December 11, 2020. After a heavy loss in the January-March quarter of the financial year 2020-21 (Q4FY21), Yes Bank returned to profitability in the April-June quarter of the financial year 2021-22 (Q1FY22) with a profit of Rs. 210 crore, mainly led by higher other income and lower provisions. Gross non-performing assets (NPA) ratio was up 20 basis points quarter-on-quarter (QoQ) at 15.6 per cent as the bank resorted to heavy restructuring (Rs 5,000 crore; 3 per cent of loans vs. 0.7 per cent in Q4). Its net interest income (NII) fell by 26.5 per cent in Q1FY22 to Rs. 1,402 crore from Rs. 1,908 crore in Q1FY21. In April-June 2021, the moratorium was in force and bank booked interest income, which was reversed in the fourth quarter (Q4FY21). Sequentially, NII was up by 42.1 per cent from Rs. 987 crore in Q4FY21. Net interest margin (NIM) for the reporting quarter declined to 2.1 per cent for Q1FY22 from three per cent for Q1FY21. However, sequentially, NIM rose from 1.6 per cent in Q4FY21.

#### **Key recent major developments..**

- 1) Finance Minister Nirmala Sitharaman on Thursday assured India Inc that the government is ready to do everything required to revive and support economic growth. There are indicators which suggest that the economy is buoyant and recovery is taking place post lifting of COVID-19 restrictions by states, she said while addressing the CII Annual Meeting 2021. She further said foreign direct investment has seen a growth of 37 per cent so far this fiscal, while forex reserves increased to \$620 billion as of July. She also exhorted the industry to come forward and invest in the economy. Indian economy has not reached the level where Reserve Bank of India can begin pulling back liquidity as Asia's third largest economy is still recovering from the shock of two major waves of coronavirus, Finance Minister Nirmala Sitharaman said on Thursday.
- 2) India's retail inflation eased to a three-month low in July, back within the Reserve Bank's tolerance level (2 per cent-6 per cent) after staying above the upper band for two straight months, government data released on Thursday showed. The consumer price index (CPI) based inflation cooled to 5.59 per cent in the last month from 6.26 per cent in June. Food inflation fell substantially to 3.96 per cent in July from 5.15 per cent in June.
- 3) The RBI in latest monetary policy review has kept the rates and stance unchanged and pledged to remain accommodative in the near future, while raising its inflation forecast to 5.7 per cent during 2021-22. RBI projected 5.9 per cent in the second quarter, 5.3 per cent in third, and 5.8 per cent in the fourth quarter of the fiscal, with risks broadly balanced. CPI inflation for Q1FY23 is projected at 5.1 per cent. Meanwhile, Industrial output for the month of June rose 13.6 per cent, in a sign that the low base effect of the last year is waning.
- 4) The government is working on a Rs. 6 trillion asset monetisation plan that will include a range of assets including pipelines of Power Grid Corporation of India (PGCIL) and national highways, among others, DIPAM Secretary Tuhin Kanta Pandey said. "National monetisation plan will have a range of assets from Power Grid pipeline to national highways, toll operate transfer (TOTs)," Department of Investment and Public Asset Management (DIPAM) Secretary Pandey said. The Infrastructure Investment Trust (InvIT) of Power Grid Corporation of India (PGCIL) was successfully done which has led to putting regulatory systems in place. This entailed streamlining a host of regulations and procedures. The second InvIT by GAIL is expected soon, which is also in the pipeline, Pandey said at the annual session of industry body CII. Tenders for public private partnerships (PPP) in railway stations have also been announced, and the model has been successful in managing airports. "There is a big asset monetisation pipeline where private sector participation is anticipated," Pandey said. The government has also developed an asset monetisation dashboard for monitoring real-time progress of its asset monetisation pipeline, and providing visibility to investors.
- 5) 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.
- 6) 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



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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.

- 7) 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.
- 8) 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.
- 9) 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.
- 10) 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.

### Global markets

- 1) 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.
- 2) 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%, according to a report released late Sunday.
- 3) Eurozone inflation in July rose to 2.2% YoY above European Central Bank's target.
- 4) 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



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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 strong today led by good buying across the board. Globally, there are concerns over an early withdrawal of asset purchase programs by the Federal Reserve, COVID-19 cases in various countries due to spread of new variants of COVID-19 and inflation concerns.
- 2) 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.
- 3) India has given the first dose covid antidote to around 52.36 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. 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, ongoing monsoon, vaccination drive and economic activity and COVID-19 cases in India. In the near term, markets will remain rangebound for some time with a negative bias. We suggest looking at fundamentally strong midcaps and small caps backed by good management after decent fall.



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