

Benchmark indices hit new high; Large caps rally..

- 1) Benchmark indices were buoyant on Friday led by rise in industrial production by 13.6 percent on yoy basis owing to good performance by manufacturing, mining and power sectors.
- 2) The S&P BSE Sensex hit a new milestone of 55,488 in the intra-day trade. Meanwhile, the broader 50-share index on the NSE surpassed the 16,450-mark and rallied ahead to hit an all-time high of 16,543.6. By close, both the indices were quoting at 55,437 and 16,529 levels, up 593 and 165 points, respectively.
Today's rally in benchmark indices was led by large caps. Tata Consumer Products (up 4 per cent) emerged as the top gainer, followed by TCS, LT, HCL Tech, Tata Steel, HDFC Bank, Bharti Airtel, Infosys, Wipro, HDFC, RIL, and ITC.
- 3) On the contrary, broader indices underperformed and ended mildly lower. The MidCap and SmallCap indices slipped 0.06 per cent and 0.01 per cent, respectively.

Index	Today's Close	Prev. close	Change	% change	Open	High	Low
Sensex	55,437.29	54,843.98	593.31	1.08	54,911.95	55,487.79	54,905.49
Nifty	16,529.10	16,364.40	164.70	1.01	16,385.70	16,543.60	16,376.30

Sectors and stocks

- 1) Shares of Larsen & Toubro (L&T) hit a record high of Rs. 1,648.40, up 1.6 per cent on the BSE in intra-day trade on Friday, after the company's heavy engineering arm won an order for Oxidation Reactor from Technip Energies-India. However, the company has not yet disclosed order size. The stock surpassed its previous high of Rs. 1,647 hit on July 22, 2021. The order, according to the company, is for the technologically critical Titanium Clad Reactor is for a public sector petrochemical project for purified Terephthalic Acid plant. The scope of supply involves design, material procurement, fabrication, inspection and testing of reactor meeting the licensors stringent quality requirements. Meanwhile, in the past two trading days, the stock of construction & engineering company has gained 4 per cent after the it announced divestment of 100 per cent stake in its 99 MW hydro power plant located in Uttarakhand to Renew Power for the sale consideration of Rs 985 crore. This is in line with the declared L&T focus of divesting non-core assets and improving shareholder value, the company said.
- 2) Shares of Wockhardt were up by 5 percent as the Company has entered into an agreement with Russian Direct Investment Fund (RDIF) arm Enso Healthcare to make 620 million doses of the Sputnik V and Sputnik Light vaccines over the next two years.
- 3) Shares of Aurobindo Pharma fell by 5 per cent at Rs. 781 on the BSE in the intra-day trade on Friday after the company reported a disappointing operational performance in June 2021 quarter (Q1FY22), amid decline across US market & antiretroviral (ARVs). In Q1FY22, the company's profit after tax (PAT) was down 1.7 per cent year on year (YoY) and 4 per cent quarter on quarter (QoQ) at Rs. 770 crore. Revenue, meanwhile, de-grew by 3.8 per cent YoY and 5.0 per cent QoQ to Rs 5,702 crore. US revenue in Q1FY22 declined by 1.5 per cent YoY to Rs. 2,681 crore, accounting 47 per cent of consolidated revenue. ARV business revenue for the quarter was at Rs 296 crore, down 30.3 per cent YoY, and accounted for 5.1 per cent of revenue. Ebitda margins remained flat at 21.2 per cent. Separately, Aurobindo Pharma said the company has entered into definitive agreements under which the Company will subscribe to fresh equity shares in Cronus Pharma Specialities India Private Limited (Cronus) amounting to Rs. 420 crore. Cronus is a Hyderabad based generic veterinary pharmaceutical products company engaged in development, manufacturing and sale of veterinary pharmaceutical products, Subsequent to this investment, the Company will own 51 per cent of the equity share capital of Cronus, Aurobindo Pharma said.

Key recent major developments..

- 1) According to the data released by the Ministry of Commerce and Industry on Friday, 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.
- 2) 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.
- 3) 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.
- 4) 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.
- 5) 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.
- 6) 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.
- 7) 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.
- 8) 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



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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.

- 9) 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.
- 10) 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.
- 11) 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 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 improved sentiments owing to good growth in Industrial production and ease in retail inflation. Large caps were upbeat today. 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.



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- 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 52.95 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, vaccination drive and economic activity and COVID-19 cases in India. We suggest looking at fundamentally strong midcaps and small caps backed by good management after decent fall.



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