

Buoyancy continues in midcaps and smallcaps; benchmark indices end in green..

- 1) Benchmark indices were up marginally and ended in green. The uptick was led by upmove in select IT and private bank stocks. However, profit booking was witnessed at higher levels amidst mixed global cues. The Sensex was up by 69 points to end at levels of 58,247.09. Meanwhile, Nifty50 was up by 25 points to end at levels of 17,380.
- 2) Broader markets were positive too. The BSE Midcap index was up by 1.09 per cent and the BSE Smallcap index closed up by 0.63 per cent.
- 3) The strong rally in Zee Entertainment led Nifty Media index emerge as the best performing index on NSE today, with a gain of over 14 per cent. Nifty Private Bank, IT and Auto were among top sectoral performers. Nifty Metal declined the most, down 0.5 per cent.

Index	Today's Close	Prev. close	Change	% change	Open	High	Low
Sensex	58,247.09	58,177.76	69.33	0.12	58,482.62	58,482.62	58,214.29
Nifty	17,380.00	17,355.30	24.70	0.14	17,420.35	17,438.55	17,367.05

Sectors and stocks

- 1) Shares of state-owned travel support services company Indian Railway Catering and Tourism Corporation (IRCTC) continued at their upward movement as the scrip rallied 9 per cent to hit a new high of Rs. 3,746 in intra-day trade on Tuesday. The stock was quoting higher for the eighth straight trading day, having rallied 37 per cent during the period. IRCTC had made its stock market debut on October 14, 2019 and its issue price was Rs. 320 per share. In the past four months, the stock has zoomed 114 per cent, as compared to a 19.6 per cent rise in the S&P BSE Sensex. Currently, IRCTC stands at number 82 position in the overall market capitalisation ranking, the BSE 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 Nazara Technologies hit a record high of Rs. 2,076 as they rallied 8 per cent on the BSE in intra-day trade on Tuesday, up 16 per cent in the past two trading days. In the process, the stock of information technology (IT) software products company surpassed its previous high of Rs 2,026.90 touched on debut day i.e. March 30, 2021. Nazara Technologies is primarily engaged in providing subscription/ download of games/ other content through consumer base in India and worldwide and digital support services to group companies. In the past three weeks, the stock has outperformed the market by gaining 30 per cent, as compared to a 4.4 per cent rise in the S&P BSE Sensex. The stock has witnessed good amount of buying post listing, and now commands 89 per cent premium to its issue price of Rs. 1,101 per share. The gaming market is witnessing an accelerated growth worldwide and the industry too has evolved immensely. With the increase in the number of players in India, a convenient gaming culture is to set in.
- 3) Zee Entertainment posted its biggest one-day gain as it ended 39.99 per cent higher at Rs. 261.50. Other Zee group stocks also rallied - Zee Learn up 20 per cent and Zee Media up 5 per cent.

Key recent major developments..

- 1) India's wholesale inflation rose to 11.39 per cent in August, data released by the Ministry of Commerce & Industry showed. The wholesale price index (WPI) grew 11.16 per cent during the month of July, while the WPI for June was 12.07 per cent, the data showed. "The high rate of inflation in August 2021 is primarily due to rise in prices of non-food articles, mineral oils; crude petroleum & natural gas; manufactured products like basic metals; food products; textiles; chemicals and chemical products etc as compared the corresponding month of the previous year," the ministry statement said.

- 2) India's retail inflation in August marginally eased to 5.3 percent, staying within Reserve Bank of India's comfort zone for a second month, government data showed on Monday. The retail inflation based on the Consumer Price Index (CPI) was 5.59 percent in July and 6.69 percent in August 2020. As per the data released by the National Statistical Office (NSO), inflation in the food basket was 3.11 percent in August compared to 3.96 percent in the preceding month.
- 3) Industrial production was up by 11.5 percent in July mainly due to a low-base effect and good performance by manufacturing, mining and power sectors but the output remained slightly below the pre-pandemic level. The manufacturing sector, which constitutes 77.63% of the Index of Industrial Production (IIP), grew 10.5% in July, according to the data released by the National Statistical Office (NSO).
- 4) Last week, the cabinet approved the production-linked incentive (PLI) scheme worth Rs. 10,683 crore for textiles sector with an aim to boost domestic manufacturing and exports, Union Minister Anurag Thakur said on Wednesday. The decision was taken in a meeting which was chaired by Prime Minister Narendra Modi here. The cabinet has approved the PLI scheme for textiles for MMF (man-made fibre) apparel, MMF fabrics and ten segments/products of technical textiles with a budgetary outlay of Rs. 10,683 crore. PLI scheme for textiles is part of the overall announcement of the scheme for 13 sectors made earlier during the Union Budget 2021-22, with an outlay of Rs 1.97 lakh crore. Incentives worth Rs. 10,683 crore will be provided over 5 years, said Thakur. The government expects investments of more than Rs. 19,000 crore into the sector during the five-year period. Commerce and Industry Minister Piyush Goyal said that fabric and garments made from these fibres would be a focus of the scheme so that world class facilities are built in the country. He also said that the government was also working on free trade agreements (FTAs) with advanced economies such as the UK, the US, EU that will help the country both ways to get requisition imports as well boost exports. FTA would also help the textile sector, the minister said, in getting a level playing field that faced unequal duties in some of these markets."So far, we have primarily focused on cotton textile. But 2/3 share of the international textile market is of man-made and technical textile. This PLI scheme has been approved so that India can also contribute to the production of man-made fibers.
- 5) 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.
- 6) 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.
- 7) 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



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contributing to the enhanced GST collections. The robust GST revenues are likely to continue in the coming months too," said the ministry.

- 8) 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, 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.
- 9) 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.
- 10) 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.
- 11) India could get the license for the bad bank very soon, Debashish Panda, the secretary of the Department of Financial Services had said. 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.
- 12) 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."
- 13) 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."

Global markets

- 1) Globally, European equities started on a weak note while Asian equities were mixed in today's trading session. Rampant spread of COVID-19 Delta variant in various countries, concerns of likely reduction in asset purchases in US, regulatory crackdown in China and tensions in Afghanistan and its side effects would act as an overhang.
- 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.



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- 3) 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.
- 4) 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. 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) Indian benchmark indices were up marginally today amidst mixed global cues. However, strong action was witnessed in midcaps and smallcaps space. Bulls have been in command led by strong vaccination drive, good economic activity, recent Services PMI data was also good, 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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