

Buoyancy continued at Dalal Street; IT stocks continue to rally..

- 1) Benchmark indices hit fresh record highs on Thursday as investors continued buying realty and IT stocks. The frontline S&P BSE Sensex index ended at new closing peak of 53,159 levels, up 255 points or 0.48 per cent while the Nifty50 index shut shop at 15,924-mark, up 74 points or 0.47 per cent. Earlier in the day, the Sensex scaled new lifetime of 53,266 and the Nifty touched 15,952. HCL Tech (up over 5 per cent), L&T, Tech M, Hindalco, Wipro, UPL, HDFC Bank, and ITC were the top gainers on the 50-share index while ONGC (down 4 per cent), Eicher Motors, Coal India, Bharti Airtel, and Grasim Industries settled as top laggards.
- 2) In the broader markets, the BSE MidCap and SmallCap indices added 0.3 per cent and 0.4 per cent, respectively. Sectorally, the Nifty Realty index was up by 4.5 per cent, followed by the Nifty IT index, up 1 per cent

Index	Today's Close	Prev. close	Change	% change	Open	High	Low
Sensex	53,158.85	52,904.05	254.80	0.48	52,968.89	53,266.12	52,948.43
Nifty	15,924.20	15,853.95	70.25	0.44	15,872.15	15,952.35	15,855.00

Sectors and stocks

- 1) Shares of information technology (IT) companies continued its rally for the second consecutive day with Nifty IT index hitting a new high on Thursday, after Mindtree and L&T Technology Services (LTTS) reported strong earnings for the quarter ended June 2021 (Q1FY22). Earlier, Infosys had also raised its revenue growth guidance for financial year 2021-22 (FY22).
- 2) Shares of L&T Technology Services (LTTS) rallied by 15 per cent to a record high of Rs. 3,345 on the BSE in intra-day trade on Thursday after the company reported better-than-expected June quarter (Q1FY22) results. The stock of the internet software and services company surpassed its previous high of Rs. 3,062.45 hit on April 9, 2021. LTTS on Wednesday reported an 84 per cent year-on-year (YoY), 11.1 per cent quarter-on-quarter (QoQ) jump in its Q1FY22 net profit at Rs 216.2 crore, largely on widening margins. In dollar terms, revenues increased 4.2 per cent and rose 4.3 per cent in constant currency (CC) terms, sequentially. Revenues from digital and leading-edge technologies were at 54 per cent during the quarter. EBIT margin increased by 70 basis points (bps) on QoQ basis to 17.3 per cent, despite a wage hike during Q1FY22, aided by efficiency improvement, better utilisation, and ongoing rightsizing of the workforce. Deal traction was healthy in the quarter with six deal wins of total contract value (TCV) of \$10 million-plus, which includes two deals with TCV of \$25 million-plus. The management said the last four consecutive quarters of operating margin improvement has been a result of a gradual portfolio shift towards more digital engineering as well as operational efficiency initiatives around hiring, cross-skilling, productivity improvement and cost optimization.
- 3) Shares of Krishna Institute of Medical Sciences (KIMS) rose for the fourth straight day, up 6 per cent at Rs 1,325 on the BSE in intra-day trade on Thursday. The stock was trading at its highest level since its listing on July 5, 2021. With a 40 per cent rally thus far in July, KIMS stock has zoomed 61 per cent from its issue price of Rs 825 as institutional investors lapped up the company's shares post listing. KIMS is one of the largest corporate healthcare groups in Andhra Pradesh and Telangana in terms of the number of patients treated and treatments offered. It operates nine multi-specialty hospitals under the 'KIMS Hospitals' brand, with an aggregate bed capacity of 3,064, including over 2,500 operational beds as of March 31, 2021. The June quarter shareholding pattern filed by KIMS reveals that institutional investors had purchased an additional 1.24 million equity shares or 1.55 per cent stake in the company via open market post listing. Following this, mutual funds' holding increased to 10.75 per cent from 8.70 per cent, and that of foreign portfolio investors (FPIs) rose to 11.57 per cent from 10.95 per cent at the time of listing. KIMS has a flagship hospital at Secunderabad, which according to Crisil, is one of the largest private hospitals in India at a single location with a capacity of 1,000 beds. At the end of FY21, its nine hospitals had recorded average revenue per operating bed of Rs 20,609 and a bed occupancy rate of 78 per cent. Most brokerages had recommended investors to subscribe to the issue for the long-term considering healthy industry growth prospects and the company's strong track record.

Key recent major developments..

- 1) The country's exports witnessed a rise of 48.34 per cent to USD 32.5 billion on account of healthy growth in shipments of petroleum products, gems and jewellery, and chemicals, leather and marine goods, according to the data released by the Commerce Ministry on Thursday. Imports in June too rose by 98.31 per cent to USD 41.87 billion, leaving a trade deficit of USD 9.37 billion as against a trade surplus of USD 0.79 billion in the same month last year. During April-June 2021, the exports increased by 85.88 per cent to USD 95.39 billion. Imports expanded to USD 126.15 billion during the first three months of the fiscal as against USD 60.44 billion in the same period last year, the data showed. Trade deficit during the quarter was aggregated at USD 30.75 billion as against USD 9.12 billion during April-June 2020.
- 2) 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.
- 3) The Consumer Price Index (CPI) or retail inflation slightly eased to 6.26 per cent in June which was above RBI's tolerance level. The retail inflation during the month of May stood at 6.30 per cent.
- 4) Index of Industrial Production (IIP) or the factory output, grew by 29.27 per cent on yoy basis in May 2021 .
- 5) Last week, the Finance Ministry said the economy has started showing signs of revival from the impact of the second wave of the COVID-19 pandemic on the back of targeted fiscal relief, monetary policy and a rapid vaccination drive. The broad-based economic relief package, extended to mitigate the second wave, amounted to Rs. 6.29 lakh crore. RBI continues with its efforts to calm the nerves of the market and revive sectors with both backward and forward linkages and multiplier effects on growth, the ministry said in its monthly economic review. To stimulate the economy and ease the financial impact of the coronavirus pandemic and lockdown, Finance Minister Nirmala Sitharaman last month announced eight economic measures amounting to Rs. 6.29 lakh crore to provide relief to individuals as well as businesses in the country. Apart from eight relief measures announced in health and other worst affected sectors, Sitharaman announced a stimulus package for the tourism industry, which included five lakh tourist visas to be issued free of charge, once the government resumes issuance. The total financial implication of the scheme will be Rs. 100 crore. Resilient tax collections of the central government in the first two months of FY21 and sustained momentum in capital expenditure, particularly in the road and rail sector, the report said, augurs well for continued economic recovery driven by capital expenditures. The report further added that the recently announced economic relief package was expected to further oil the wheels of the Capex cycle via implementation of the PLI scheme and streamlining of processes for PPP Projects and Asset Monetisation.
- 6) Earlier, Fitch Ratings cut India's growth forecast to 10 per cent for the current fiscal, from 12.8 per cent estimated earlier, due to slowing recovery post second wave of COVID-19, and said rapid vaccination could support a sustainable revival in business and consumer confidence. In a report, the global rating agency said the challenges for banking sector posed by the coronavirus pandemic have increased due to a virulent second wave in the first quarter of the financial year ending March 2022 (FY22). "Fitch Ratings revised down India's real GDP for FY22 by 280bp to 10 per cent, underlining our belief that renewed restrictions have slowed recovery efforts and left banks with a moderately worse outlook for business and revenue generation in FY22," it said. Fitch believes that rapid vaccination could support a sustainable revival in business and consumer confidence; however, without it, economic recovery would remain vulnerable to further waves and lockdowns.
- 7) Goods and services tax collections fell below the Rs. 1-trillion mark for the first time in nine month in June, 2021 to a 10-month low, as economic activity got disrupted due to the second Covid-19 wave, official data showed. However, the collections are better than expected and will provide a cushion to the government to ramp up spending, going forward. GST collection stood at Rs. 92,849 crore in June compared with Rs 1.02 trillion the previous month and a record high of Rs. 1.41 trillion in April, data released by the ministry of finance showed on Tuesday. These figures pertain to transactions done in May, but collected in June. The collections in May are 2.1 per cent higher than the corresponding month of last year when the national unlocking process began after two months of intense movement curbs due to the pandemic. Meanwhile, May 2021 saw localised lockdowns across the country

due to the devastating second wave. The collections in June are on expected lines as e-way bill generation, which indicates supply in the economy, declining to a one year low level average of 1.2 million per day in May.

- 8) India's domestic factory orders and production contracted to an 11-month low in June as measures to contain the coronavirus put manufacturing into "reverse gear". The IHS Markit India Manufacturing Purchasing Managers' Index (PMI) slipped to 48.1 in June from 50.8 in May and 55.5 in April. This was, for the first time since July 2020, below the critical no-change mark of 50. "The intensification of the Covid-19 crisis in India had a detrimental impact on the manufacturing economy. Growth of new orders, production, exports and input purchasing was interrupted in June as containment measures aimed at bringing the pandemic under control restrained demand. In all cases, however, rates of contraction were softer than during the first lockdown," said Pollyanna De Lima, Economics Associate Director at IHS Markit.

Global markets

- 1) US 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.
- 2) European Union economies are set to rebound by their highest rates in decades as coronavirus restrictions ease, but still face risks posed by COVID-19 variants and concerns over inflation, the EU's executive branch said Wednesday. The European Commission's 2021 summer forecasts predict that the economies in the 27-nation EU, and among the 19 countries using the euro single currency, are expected to expand by 4.8% this year, around half a percentage point higher than foreseen under the previous forecast. Real gross domestic product is expected to return to its pre-coronavirus crisis level in the last quarter of this year. Growth in 2022 is predicted to hit 4.5%. The commission puts its increasing optimism down to the fact that economic activity early this year has exceeded expectations, and due to the impact of coronavirus vaccine strategy, which has led to falling numbers of new infections and hospital admissions. The EU economy is set to see its fastest growth in decades this year, fuelled by strong demand both at home and globally and a swifter-than-expected reopening of services sectors since the spring, Economy Commissioner Paolo Gentiloni said. But he warned that the EU must redouble our vaccination efforts, building on the impressive progress made in recent months: the spread of the delta variant is a stark reminder that we have not yet emerged from the shadow of the pandemic.

Ajcon Global's observations and view

- 1) Indian benchmark indices witnessed buoyancy led by rally in IT stocks. Factors like positive China's export data, positive US employment data and other positive US economic indicators, rally in commodities, unlock in major states of the country led by significant decline of COVID-19 cases in the second wave with recoveries surpassing new cases by a big margin on a daily basis, vaccination drive going strongly, positive GDP figure, strong Q4FY21 result by majority of the Companies with good management commentary for the future are supporting sentiments. 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, concerns like spread of new variants of COVID-19 in many countries, high inflation globally and rising crude oil prices act as headwinds.
- 2) 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. India has given the first dose of covid antidote to 39.13 crores beneficiaries in the nationwide vaccination till date. According to a government official, two billion doses of Covid-19 vaccines will be made available in the country between August and December, enough to vaccinate the entire population.
- 3) It is advisable for investors to look out for stock specific opportunities. After strong run up in May and last few weeks; some profit booking is warranted which is being witnessed in large caps. We believe intermediate corrections will keep markets healthy. Investors will track global cues, crude oil prices, Q1FY22 earnings season, ongoing monsoon, economic data like IIP numbers and CPI, vaccination drive and economic activity and COVID-19 cases in Unlock phase for further direction.



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