

Midcaps and smallcaps outperform; Benchmark indices hit record high and finally close in red marginally..

- 1) Benchmark indices made a see saw movement between positive and negative zone in Friday's intra-day session and finally ended in red amidst stock specific action.
- 2) The benchmark S&P BSE Sensex moderately declined by 19 points to end at levels of 53,140.06 levels while Nifty fell by 0.80 point to end at levels of 15,923.40. Both the indices hit their respective lifetime highs of 53,291 and 15,962 in intra-day session. HCL Tech (down over 3 per cent), Eicher Motors, Bajaj Finserv, Infosys, Tata Consumer Products, and Adani ports were the top drags on the benchmarks today. On the flipside, Divis Labs, Bharti Airtel, Ultratech Cement, and Tata Steel were the top gainers. The mid- and small-cap indices meanwhile, outperformed and ended over 0.4 per cent higher each.

Index	Today's Close	Prev. close	Change	% change	Open	High	Low
Sensex	53,140.06	53,158.85	18.79	0.04	53,244.40	53,290.81	52,997.09
Nifty	15,923.40	15,924.20	0.80	0.01	15,958.35	15,962.25	15,882.60

Sectors and stocks

- 1) Shares of Indian Railway Catering and Tourism Corporation (IRCTC) rallied 8 per cent to Rs 2,458 on the BSE in intra-day trade on Friday in an otherwise subdued market amid expectations of improved outlook. The stock of the travel support services company has rallied 20 per cent so far this month after the company announced resumption of two Tejas Express trains from August 7. On July 9, the company said that the Lucknow-New Delhi and Ahmadabad-Mumbai Tejas Express train service will resume from August 7 for four days a week. In comparison, the S&P BSE Sensex was up 1 per cent in past 12 trading days of July month. In past three months, the scrip has surged 50 per cent, as against a 9 per cent gain in the benchmark index. 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 Angel Broking hit a upper circuit of 20 percent and made a new high of Rs. 1,272.15 on Friday after the Company reported strong earnings for the quarter ended June 2021 (Q1FY22). The company is one of the largest retail broking houses in India, in terms of active clients on the National Stock Exchange (NSE). In the past three months, the stock has rallied by 300 per cent, as compared to a 9 per cent rise in the S&P BSE Sensex. In Q1FY22, Angel Broking's net profit more-than-doubled at Rs 121.4 crore from Rs 47.3 crore in Q1FY21. On a sequential basis, profit grew 19 per cent from Rs 101.9 crore in Q4FY21. Gross revenues grew 92 per cent year-on-year and 13 per cent quarter-on-quarter at Rs 474.50 crore. The income growth was aided by strong growth in client base and high client activity. The company clocked a strong gross client addition of 1.20 million in Q1FY22 as compared to 0.96 million clients in Q4FY21. Earnings before interest, taxes, depreciation and amortization (Ebitda) margin remained stable at 49 per cent. The management said the company is witnessing a greater acceptance of equities, as a vehicle of wealth creation, by more people from Tier 2, 3 and beyond cities. The company's growth is backed by their transformation into Digital First and Fintech business model, extensively using Artificial Intelligence and Machine Learning, to give their clients the best experience.
- 3) Shares of Datamatics Global Services hit a new high of Rs. 261.20, surging 19 per cent on the BSE in the intra-day trade on Friday. The stock has claimed its fresh record peak after a gap of nearly 17 years and has surpassed its previous high of Rs. 210, recorded in May 2004, the BSE data shows. In the past two trading days, the socks has surged 43 per cent on the back of heavy volumes. Datamatics provides intelligent solutions for data-driven businesses to increase productivity and enhance the customer experience. With a complete digital approach, Datamatics' portfolio spans across information technology services, business process management, engineering services and big data & analytics all powered by artificial intelligence. On Monday, July 12, Datamatics, announced that Aabhas Zaveri has been appointed as Senior Vice President – Sales, Intelligent Automation. Zaveri will lead the business for Datamatics Intelligent Automation products, including TruBot, TruCap+, and TruBI, the company said in a press release. For the financial year 2020-21 (FY21), Datamatics reported 4.5 per cent year on year (YoY) decline in its consolidated revenue at Rs 1,149 crore because of non-inclusion of Cignex revenue in March quarter



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(Q4FY21) and impact of pandemic in the initial quarters. Profit after tax, however, grew 25.1 per cent YoY at Rs 79.75 crore. Ebitda margin improved by 211 basis points (bps) at 12.4 per cent. The company said it witnessed healthy revenue growth in Q3 & Q4 and is back on the growth path. "For FY21, USA continues to be major contributor at 58 per cent whereas contributions from UK, Europe, India and Rest of World stood at 11 per cent, 5 per cent, 21 per cent and 5 per cent respectively. In terms of sectoral contribution to the revenue, BFSI, publishing and technology & consulting were the top three sectors contributing 27 per cent, 25 per cent and 19 per cent respectively," it added.

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) Earlier, 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) 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.



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- 7) 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) Asian and global equities were upbeat as China witnessed better than expected economic data and Fed's accommodative stance.
- 2) Earlier, 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.
- 3) 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 ended in red marginally as investors were in dilemma between strong domestic corporate earnings and mixed global cues. However, new age companies like Angel Broking, Datamatics Technologies, IRCTC, BSE, CDSL rallied significantly. Factors like good start to Q1FY22 earnings season with IT companies reporting strong performance, better than expected China's economic 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 39.53 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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CIN:L74140MH1986PLC041941

SEBI registration Number: INH000001170 as per SEBI (Research Analysts) Regulations, 2014.

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