

Benchmark indices reach new peaks; IT, FMCG and Pharma stocks rally..

- 1) Benchmark indices were upbeat today with strong upmove witnessed in the last hour of trade on Tuesday amidst strong rally in IT heavyweights, FMCGs, and HDFC stock.
- 2) Sensex rallied by 210 points, or 0.4 per cent, to end at levels of 55,792 levels while the Nifty closed at 16,615-mark, up 52 points or 0.3 per cent.
- 3) In the intra-day deals, both the indices scaled new peaks of 55,855 and 16,628.5 levels, respectively.
- 4) In the broader markets, the BSE MidCap index outperformed its small-cap and large-cap peers and was up by 0.7 per cent. The BSE SmallCap index, meanwhile, was up 0.3 per cent.
- 5) Sectorally, the Nifty IT index hit a new lifetime high of 33,487 in the intra-day. It ended 2.6 per cent higher at 33,415. However, the Nifty Metal index fell by 2.5 per cent.

Index	Today's Close	Prev. close	Change	% change	Open	High	Low
Sensex	55,792.27	55,582.58	209.69	0.38	55,565.64	55,854.88	55,386.49
Nifty	16,614.60	16,563.05	51.55	0.31	16,545.25	16,628.55	16,495.40

Sectors and stocks

- 1) Shares of information technology (IT) were buoyant with many of them trading at their respective fresh record highs level on expectations that strong order book should support healthy growth momentum going ahead. Infosys raised its revenue growth guidance for the financial year 2021-22 (FY22) buoyed by a robust deal pipeline. Meanwhile, HCL Technologies expects double-digit revenue growth in constant currency (CC) terms for FY22 in view of the positive demand environment and robust deal pipeline. Today, the S&P BSE IT index and Nifty IT index, were up nearly 2 per cent each, hitting their respective new highs on the bourses. In the past four weeks, the BSE IT index has outperformed the market by surging 12 per cent, as compared to a 6.4 per cent rise in the S&P BSE Sensex. KPIT Technologies, Nelco and Tech Mahindra from the BSE IT index rallied between 28 per cent and 34 per cent. Zensar Technologies, Mphasis, NIIT, Oracle Financial Services, L&T Infotech, HCL Technologies and Persistent Systems soared in the range of 14 per cent to 20 per cent on the BSE.
- 2) Tech Mahindra, the top gainer among the Nifty IT index, was up 4 per cent at Rs. 1,424 today, having rallied 28 per cent in the past one month. The outperformance for Tech Mahindra was on account of better-than-expected June quarter (Q1FY22) performance with growth across key markets and verticals, robust deal wins and guidance of double-digit growth rates for FY22. The company reported a 39.17 per cent year-on-year (YoY) jump in its consolidated net profit at Rs. 1,353 crore for Q1FY22 as against Rs. 972 crore profit posted in the corresponding quarter last year. On a quarter-on-quarter (QoQ) basis, the profit rose by 25.13 per cent. The management remains fairly confident of delivering double-digit revenue growth in FY22 with some upside, given broad-based demand across verticals, recovery in CME, robust deal wins and the highest-ever deal pipeline.
- 3) Shares of Fiem Industries hit a 52-week high of Rs. 951.80 as they rallied 20 per cent on the BSE in intra-day trade on Tuesday after the company said it is the sole supplier of headlamps, tail lamps, indicators, rear fender assemblies and mirrors for Ola Electric's newly launched scooters S1 and S1 Pro. In addition to other existing Electric Vehicle (EV) clients, this is a landmark client addition for us and we are excited and fully prepared to cater all demands of Ola Electric in the future, the company said in an exchange filing. The company further added that it sees a huge potential in the Indian 2-Wheeler EV segment and going forward, it is hopeful of capturing greater market share in this segment. Fiem Industries is engaged in the business of manufacturing and supply of auto components comprising of automotive lighting and signalling equipments, rear view mirrors, plastic molded parts and sheet metal components for motorized vehicles, and LED luminaries for indoor and outdoor applications and integrated passenger information systems with LED Display etc. Meanwhile, the company reported a 57 per cent



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quarter-on-quarter (QoQ) decline in its consolidated net profit at Rs. 11.32 crore for the quarter ended June 2021 (Q1FY22). The company had posted profit of Rs. 26.58 crore in the March 2021 (Q4FY21) quarter and consolidated loss of Rs. 23.82 crore in the year-ago quarter (Q1FY21). The company's consolidated net sales during the quarter under review declined by 34 per cent QoQ to Rs. 272.25 from Rs. 414.97 crore in the previous quarter. During the quarter, the company's operations were adversely impacted by the outbreak of the Covid-19 pandemic and consequent regional lockdowns announced by the various state governments, Fiem Industries said in a statement.

- 4) Shares of Aurobindo Pharma hit a fresh 52-week low of Rs. 728.50 as they fell 3.4 per cent on the BSE in intra-day trade on Tuesday. The stock of the pharmaceutical company has declined 12 per cent in the past three trading days after the company reported a disappointing operational performance in the June 2021 quarter (Q1FY22), amid a decline across the US market and antiretroviral (ARVs). The stock of the pharmaceutical company was trading at its lowest level since June 2020. In the past one month, it has lost 25 per cent, as compared to a 4.4 per cent rise in the S&P BSE Sensex. 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 3.8 per cent YoY and 5 per cent QoQ to Rs. 5,702 crore.

Key recent major developments..

- 1) Finance Minister Nirmala Sitharaman on Monday said that she expects inflation to remain in the prescribed range during the current fiscal. The RBI has been mandated to keep inflation at 4 per cent, with tolerance level of 2 per cent on either side. She expressed confidence that the revenue would be buoyant in the coming months. Both Goods and Services Tax (GST) and direct taxes have improved in the past few months, the minister said. On the demand pick up, she said there is enough liquidity in the market and credit growth is expected to pick up in the coming festive season.
- 2) 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.
- 3) 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.
- 4) 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.
- 5) 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.
- 6) 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



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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.

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

Global markets

- 1) Asian counterparts were under pressure today. European markets also trading on a weak note.
- 2) China's action on the nation's internet giants helped trigger a fifth consecutive day of selling in the nation's bellwether technology stocks. The Hang Seng Tech Index fell by 3.1%, after the market regulator issued draft rules banning unfair competition among the nation's online platform operators. Losses accelerated in afternoon trade as China issued separate rules to protect key network facilities and information systems, effective next month.
- 3) 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.
- 4) 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.
- 5) 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.

- 6) Eurozone inflation in July rose to 2.2% YoY above European Central Bank's target.
- 7) 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 continued to be in green led by buying in stocks of defensive sectors. Globally, there are concerns over an early withdrawal of asset purchase programs by the Federal Reserve, increasing COVID-19 cases in various countries due to spread of new variants of COVID-19, inflation concerns and tensions in Afghanistan.
- 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, 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) India has given the covid antidote to around 55.47 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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