

**Indian benchmark indices continue to remain under pressure; midcaps and smallcaps also ended in red..**

- 1) Indian benchmark indices continued to fall sharply led by fall in global equities owing to concerns of possible third wave in the US and the UK, and a spike in coronavirus cases in Japan and Australia despite lockdown-like restrictions. However, later during the day Sensex and Nifty recovered half of their intra-day losses after US stock futures suggested that US indices could be witnessing healthy session later today after its worst fall yesterday in nearly nine months.
- 2) The benchmark S&P BSE Sensex fell by 355 points to end at levels of 52,198 while the Nifty50 shut shop at 15,632-mark, down 120 points. Hindalco, IndusInd Bank, Tata Steel, NTPC, Bharti Airtel, and UPL led the losses on the frontline indices while Asian Paints, UltraTech Cement, HUL, Grasim, Maruti Suzuki, and Bajaj Auto lent support.
- 3) In the broader markets too came under pressure. The BSE MidCap and SmallCap indices fell by 1.3 per cent and 1.4 per cent, respectively.

Index	Today's Close	Prev. close	Change	% change	Open	High	Low
<b>Sensex</b>	52,198.51	52,553.40	<b>354.89</b>	<b>0.68</b>	52,432.88	<b>52,465.03</b>	52,013.51
<b>Nifty</b>	15,632.10	15,752.40	<b>120.30</b>	<b>0.76</b>	15,703.95	<b>15,728.45</b>	15,578.55

**Sectors and stocks**

- 1) Shares of Asian Paints were up by 7 per cent at Rs. 3,178, hitting a fresh record high on the BSE in the intra-day trade on Tuesday, after the company reported a better-than-expected consolidated profit after tax (PAT) of Rs. 574 crore for the quarter ended June 2021 (Q1FY21) on the back of a strong operational income. The company had posted PAT of Rs. 218.45 crore in the previous corresponding period (Q1FY20). The stock surpassed its previous high of Rs. 2,979.35, touched on June 22, 2021. Asian Paints is India's leading paint company and is ranked among the top ten decorative coatings companies in the world. The company's revenue from operations grew by 91.1 per cent to Rs 5,585 crore from Rs 2,923 crore, mainly due to a favourable base. Profit before depreciation, interest, tax and other income (PBDIT) for the group (before share in profit of associates) increased by 88.7 per cent to Rs 913.56 crore from Rs 484.25 crore. PBDIT margin, however, remained flat at 16.36 per cent. Asian Paints' management said the domestic decorative business more-than-doubled its volume and delivered stellar revenues over the lower base of last year which had suffered from the first nationwide lockdown. The industrial business and the home improvement business also doubled their revenue on last year's low base. "Steep inflation in raw material prices in the last quarter of previous financial year and again in this quarter saw gross margins impacted across all businesses despite the price increases taken to mitigate this pressure to an extent. However, all businesses showed healthy profits compared to first quarter of last year and net profit more than doubled at both, standalone and consolidated levels," the management said.
- 2) Shares of ACC hit a new high of Rs. 2,299 as it rallied by 7 per cent on the BSE in intra-day trade on Tuesday after the company reported strong operational performance for the second quarter ended June 2021 (Q2CY21). The company's Ebitda margins expanded 233 basis points (bps) quarter-on-quarter (QoQ) to 22.4 per cent due to higher realisations. On a year-on-year (YoY) basis, Ebitda margins improved by 200 bps from 20.8 per cent in Q1CY20. The company's net sales during the quarter increased 51 per cent YoY at Rs 3,810 crore over the previous year quarter. Ebitda during the quarter was up by 65 per cent YoY at Rs 869 crore. The profit after tax (PAT) more-than-doubled to Rs 569 crore from Rs 271 crore in the corresponding quarter of the previous year. The management said that with a strong focus on supply chain efficiencies and cost optimisation, the company has emerged stronger and more resilient. Waste Heat Recovery System projects at various sites are progressing well. The large cement capacity expansion project at Ametha in Madhya Pradesh has commenced. The management expects strong demand recovery. This would be led by the government's focus on large-scale infra projects and affordable housing, coupled with a revival in industrial capex, driven by the implementation of the Production-Linked Incentive scheme, it said.

### 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.
- 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) Globally, equities were under pressure with benchmark indices Japan, South Korea and Australia declined in the range of 0.35 to 0.96 per cent. In Europe, the pan-European STOXX 600 index was last up 0.58 per cent.
- 2) On Monday, The Dow Jones witnessed black Mondays since late Oct. 2020 as the COVID-19 infections surged in U.S. by 70 percent last week, fueled by the Delta variant.
- 3) 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.
- 4) 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 continued to face pressure today led by global sell off owing to rise in COVID-19 cases in various countries due to spread of new variants of COVID-19. In addition, there are inflation concerns across the globe which act as headwind. Financials in India have also reported Q1FY22 numbers which are below expectations. In July 2021 till date, FPIs have sold around Rs. 4,515 crores.
- 2) Bulls will remain in hunt due to 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, economic activity picking up at fast pace after unlock in major states, by significant decline of COVID-19 cases in the second wave with recoveries surpassing new cases by a big margin on a daily basis, decent vaccination drive 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.
- 3) 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 41.18 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.
- 4) It is advisable for investors to look out for stock specific opportunities and stay away from names which are suddenly rallying for no reason. After strong run up; some profit booking is warranted. We believe intermediate corrections like today will keep markets healthy. Investors will track global cues, crude oil prices, Q1FY22 earnings season, ongoing monsoon, vaccination drive and economic activity and COVID-19 cases for further direction.

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