

Bulls come back strongly; IT and metal stocks rally..

- 1) Benchmark indices came back strongly after being under pressure in previous three trading days. The positive upmove was led by rebound in global equities and good start to Q1FY22 earnings season.
- 2) The S&P BSE Sensex was up by 638.70 points or 1.22 percent to end at levels of 52,837 while the Nifty was up by 193 points to end at levels of 15,825. The broader markets, on the other hand, outperformed and rallied over 1.5 per cent higher each.
- 3) Sectorally, the Nifty Metal index was up by over 3 per cent on the NSE, trailed by the Nifty IT and Realty indices, up around 2 per cent each.
- 4) India VIX declined to levels of 11.8 from 13.20 which is a good sign for the bulls.
- 5) The rupee appreciated against the US dollar for the second straight session on Thursday, closing 15 paise higher at 74.46 (provisional) amid a rally in the domestic stocks.

Index	Today's Close	Prev. close	Change	% change	Open	High	Low
Sensex	52,837.21	52,198.51	638.70	1.22	52,494.56	52,867.26	52,471.23
Nifty	15,824.05	15,632.10	191.95	1.23	15,736.60	15,834.80	15,726.40

Sectors and stocks

- 1) Shares of ICICI Prudential Life Insurance (ICICI Pru) hit a new high of Rs. 660.95 as they rallied 9 per cent on the BSE in intra-day trade on Thursday after reporting strong earnings for the quarter ended June 2021 (Q1FY22). The APE (annualised premium equivalent) grew by 7 per cent and the company delivered a significant beat on VNB (value of the new business) margins (+637 bps), driven by a higher share of protection and annuity. The stock of the life insurance company surpassed its previous high of Rs. 635.40 touched on July 7, 2021. In the past three months, it beat the market by rallying 31 per cent, as compared to a 10 per cent rise in the S&P BSE Sensex. The VNB, which is a measure of the profitability of the company, grew by 78 per cent year-on-year (YoY) to Rs. 358 crore for Q1FY22. The VNB margin expanded from 24.4 per cent in Q1FY21 to 29.4 per cent in Q1FY22. The growth in VNB has been driven by a resilient business model, innovative product offerings and diversified distribution and product mix, ICICI Pru said.
- 2) Shares of IDFC rallied by 19 per cent to its 52-week high of Rs. 62.60 on the BSE in intra-day trade on Thursday after the company said the Reserve Bank of India (RBI) has allowed it to exit as the promoter of IDFC First Bank as the five-year lock-in period expires. The stock of the non-banking finance company surpassed its previous high of Rs 60.25 touched on May 25, 2021. IDFC currently owns a 100 per cent stake in IDFC Financial Holding Company, which, in turn, holds 100 per cent in IDFC Asset Management and 36.6 per cent in IDFC First Bank. In a regulatory filing made to the BSE, IDFC said the RBI on July 20 clarified that "after the expiry of lock-in period of 5 years, IDFC Limited can exit as the promoter of IDFC First Bank Limited". Accordingly, the company can now exit as the promoter of IDFC First Bank as the five year lock-in period has ended. The IDFC Bank was created by the demerger of the infrastructure lending business of IDFC to IDFC Bank in 2015.
- 3) Shares of Jubilant FoodWorks (JFL) hit a new record high of Rs. 3,348 as it rallied by 9 per cent on the BSE in intra-day trade on Thursday on a strong growth outlook. The stock of the country's largest foodservice company surpassed its previous high of Rs. 3,331.85 touched on June 16, 2021. The Company's Domino's Pizza franchise extends across a network of 1,380 restaurants in 298 cities. The company has exclusive rights to develop and operate Domino's Pizza brand in India, Sri Lanka, Bangladesh and Nepal. It also enjoys exclusive rights to develop and operate Dunkin' Donuts restaurants in India. JFL has ventured into the Chinese cuisine segment with its first owned restaurant brand 'Hong's Kitchen'. For the April-June quarter (Q1FY21), JFL reported a consolidated net profit of Rs 69.06 crore in the first quarter ended June 30, aided by higher revenues despite the second wave of Covid-19 disrupting operations. It had posted a consolidated net loss of Rs 74.47 crore in the same quarter last fiscal. Its revenue from operations in the first quarter stood at Rs 893.19 crore as compared to Rs 388.41 crore in the



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corresponding period last year when operations were also disrupted by the outbreak of the pandemic. "This was driven by Domino's Like-for-like (LFL) sales growth of 120.4 per cent and Same-Store Growth (SSG) of 114.2 per cent. The growth in Delivery channel, which grew by 123.7 per cent, mitigated the impact on account of Dine-in channel being shut for a long time and mobility restrictions impacting the takeaway channel," the management said. With vaccinations well underway, we believe that the worst is behind us and we are confident of delivering strong, sustained growth in the periods ahead, the management said.

Key recent major developments..

- 1) The Union cabinet chaired by Prime Minister Narendra Modi on Thursday approved the Rs. 6,322 crore production-linked Incentive (PLI) scheme for specialty steel sector. The decision is part of India's playbook of creating global manufacturing champions in India and bring the country at par with global steel making majors such as South Korea and Japan. "The duration of the scheme will be five years from 2023-24 to 2027-28. With a budgetary outlay of Rs. 6,322 crore, the scheme is expected to bring in investment of approximately Rs. 40,000 crore and capacity addition of 25 MT for speciality steel. The scheme will give employment to about 5,25,000 people of which 68,000 will be direct employment," the government said in a statement. "Speciality steel has been chosen as the target segment because out of the production of 102 million tonnes (MT) steel in India in 2020-21, only 18 MT value added steel/speciality steel was produced in the country. Apart from this out of 6.7 million tonnes of imports in the same year, approximately 4 million tonnes import was of specialty steel alone resulting in forex outgo of approximately ₹ 30,000 crore," the statement added. "It is expected that the speciality steel production will become 42 MT by the end of 2026-27. This will ensure that approximately 2.5 lakh crore worth of speciality steel will be produced and consumed in the country which would otherwise have been imported. Similarly, the export of specialty steel will become around 5.5 million tonnes as against the current 1.7 MT of specialty steel getting forex of ₹ 33,000 crore," the statement added.
- 2) Earlier, 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.
- 3) Recently, 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.
- 4) 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.
- 5) Index of Industrial Production (IIP) or the factory output, grew by 29.27 per cent on yoy basis in May 2021 .
- 6) 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



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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.

- 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) Asian equities ended in green with benchmark indices in South Korea, China, Hong Kong, Singapore were up in the range of 0.34 to 1.83 per cent. MSCI's broadest index of Asia-Pacific shares outside Japan were up by 1 percent.
- 2) European equities also started on a good note.
- 3) US equities ended in positive terrain yesterday with good start to corporate earnings season. 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.

Ajcon Global's observations and view

- 1) Indian benchmark indices came back strongly on good start to Q1FY22 earnings season and rebound in global markets. However, there are concerns like 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.
- 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 41.78 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



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corrections 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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