

Indian equities continue to be in red; stock picking witnessed at lower levels..

- 1) Indian equities end in red with stock picking activity being witnessed at intra-day lows.
- 2) The S&P BSE Sensex and the Nifty50 indices had declined to 51,802 and 15,513 levels, respectively earlier today as investors had turned cautious ahead of the verdict of the US Federal Reserve's policy meeting. In addition, the impact of a regulatory crackdown by the Chinese government was also felt by the markets.
- 3) The BSE Sensex was down by 135.05 points or 0.26 percent to end at levels of 52,443.71 while Nifty50 was down 37 points or 0.24 per cent at 15,709.40.
- 4) Among Sensex pack of stocks, Bharti Airtel was the best performer (up 5 per cent), followed by Tata Steel (up 3 per cent) and IndusInd Bank (up 1 per cent). Kotak Bank, DRL, M&M and PowerGrid were the top losers.
- 5) In the broader markets, the BSE SmallCap index fell by 0.45 per cent. Meanwhile, BSE Midcap ended unchanged.
- 6) Sectorally, all but the Nifty Metal (up 1.12 per cent) and IT (up 0.21 per cent) indices ended in the red with the Nifty PSB Index sliding nearly 2 per cent. Nifty Auto too witnessed heavy selling and was down nearly 1 per cent.

Index	Today's Close	Prev. close	Change	% change	Open	High	Low
Sensex	52,443.71	52,578.76	135.05	0.26	52,673.69	52,673.69	51,802.73
Nifty	15,709.40	15,746.45	37.05	0.24	15,761.55	15,767.50	15,513.45

Sectors and stocks

- 1) Shares of UTI Asset Management Company (AMC) hit a new high of Rs. 994 as they rallied 8 per cent on the BSE in intra-day trade on Wednesday, in an otherwise weak market, on expectations of good earnings. The stock of the AMC surpassed its previous high of Rs. 947.20 touched on July 23, 2021. It traded at its highest level since its stock market debut on October 12, 2020. In the past one week, the stock has outperformed the market by surging nearly 15 per cent compared with a flat performance by the benchmark index. Following the recent run-up, the market price of the company has more than doubled or risen 111 per cent from its 52-week low of Rs. 471 touched on October 12, 2020. The stock has appreciated by 79 per cent from its initial public offer issue price of Rs. 554 per share. In the past three months, UTI AMC has rallied by 63 per cent after the company reported a return to profit during the quarter ended March 2021 (Q4FY21) by posting a consolidated net profit of Rs 133.62 crore. It had posted a loss of Rs 27.58 crore in the corresponding period a year ago. The revenue from operations for Q4FY21 came in at Rs 289.24 crore, up 112 per cent compared with Rs 136.32 crore posted in the year-ago quarter. SIP AUM had increased by Rs 5,930 crore or 75.4 per cent from Rs 7,861 crore as of March 31, 2020 to Rs 13,791 crore as of March 31, 2021.
- 2) Shares of APL Apollo Tubes and Apollo Tricoat Tubes rallied up to 7 per cent on the BSE to hit their respective new highs in intra-day trade on Wednesday after the companies announced bonus issue plans. "The board of directors of the company is scheduled to meet on August 6, 2021, to consider and approve the proposal for issue of bonus shares on the equity shares of the company," the firms announced in separate regulatory filings on Tuesday. Their boards will also consider un-audited financial results for the first quarter ended June 30, 2021 (Q1FY22). Among individual stocks, APL Apollo Tubes hit a new high of Rs. 1,837.70, up 5 per cent in intra-day trade today, rising 14 per cent in the past two trading days. Meanwhile APL Tricoat Tubes too hit new high of Rs. 1,669 after it rallied 7 per cent in intra-day deal today, gaining 12 per cent in two days. APL Apollo Tubes is India's leading structural steel tube manufacturer. The Company operates 10 manufacturing facilities with a total capacity of 2.6 million tons. APL Apollo's multi-product offerings include over 1,500 varieties for multiple building material structural steel applications. APL Apollo serves as a 'one-stop shop' for a wide spectrum of products, catering to an array of industry applications such as urban infrastructure and real estate, rural housing, commercial construction, greenhouse structures and engineering applications. Apollo Tricoat's main products include varieties of the home improvement range. The Company operates two manufacturing facilities at Malur, Karnataka and Dujana, Uttar Pradesh.

- 3) Shares of Dr. Reddy's Laboratories extended their decline into second straight day, falling 14 per cent in two days, after the company reported the disappointing results for the quarter ended June 2021 (Q1FY22). The stock hit a three-month low of Rs. 4,667, down 4 per cent on the BSE in the intra-day trade on Wednesday, and was trading at its lowest level since April 9, 2021. With the two days' decline, it has declined by 17 per cent from its 52-week high level of Rs. 5,614, touched on July 7, 2021. Dr Reddy's reported a weak result on the margins front while revenues were in-line with street estimates supported by strong growth in domestic formulations (DF). Profitability, meanwhile, was impacted due to below par margins.

Key recent major developments..

- 1) The Cabinet has approved changes to the Deposit Insurance and Credit Guarantee Corporation (DICGC) Act that will allow depositors to withdraw up to Rs. 5 lakh in 90 days. The announcement will cover 98.3 per cent of all deposit accounts and 50.9 per cent of the deposit value, Finance Minister Nirmala Sitharaman said. This compares with global deposit insurance coverage of 80 per cent for all accounts, and 20-30 per cent coverage by deposit value.
- 2) The International Monetary Fund (IMF) has sharply scaled down India's economic growth projection by 300 basis points to 9.5 per cent for the current financial year from 12.5 per cent estimated earlier in April. IMF said the downward revision is owing to "lack of access to vaccines" and possibility of renewed waves of coronavirus. "Growth prospects in India have been downgraded following the severe second Covid wave during March-May and expected slow recovery in confidence from that setback," IMF said in the latest edition of its flagship World Economic Outlook (WEO) report, released on Tuesday.
- 3) Earlier, The Hon. Supreme Court (SC) dismissed the application of telecom companies that sought recomputation Adjusted Gross Revenue (AGR) dues demanded by the Department of Telecommunication (DoT). The rejection of telcos' pleas seeking re-calculation of AGR related dues does not bode well for a recovery in the sector and is likely to protract the same given the backdrop of high debt levels and low tariffs, Icra said on Friday. Icra said to meet high commitment towards debt repayments and the DoT payment obligations, the industry participants will need to explore avenues of fundraising or asset monetisation, besides concentrating on improving the ARPU levels, substantially.
- 4) The Union cabinet chaired by Prime Minister Narendra Modi on last 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 specialty 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. "Specialty 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/specialty 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 Rs. 30,000 crore," the statement added. "It is expected that the specialty steel production will become 42 MT by the end of 2026-27. This will ensure that approximately 2.5 lakh crore worth of specialty 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 Rs. 33,000 crore," the statement added.
- 5) 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.
- 6) 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.
- 7) Index of Industrial Production (IIP) or the factory output, grew by 29.27 per cent on yoy basis in May 2021 .



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- 8) 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.
- 9) 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.

Global markets

- 1) Asian counterparts especially benchmark indices in China and Hong Kong witnessed some sigh of relief after recovering to some extent after being under pressure for last few days.
- 2) European markets started on a positive note.
- 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) Globally, investors will keep an eye on the outcome Fed meeting amidst high inflation.

Ajcon Global's observations and view

- 1) Indian benchmark indices continue to remain under pressure on the third consecutive day led by weak global cues. 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 most of the Companies reporting good performance, strong management commentary in Q1FY22 by majority of the Companies, 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 around 44.19 crores beneficiaries in the nationwide vaccination. According to a government



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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) We believe the upcoming monthly expiry of derivatives contracts will keep markets volatile.
- 5) 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 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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