

Metal stocks rally on positive demand outlook; Indian equities bounceback strongly after being under pressure..

- 1) The S&P BSE Sensex was up by 209 points, or 0.4 per cent, to end at 52,653 levels, led by Tata Steel (up 6.8 per cent), Bajaj twins, SBI, HCL Tech, and Sun Pharma.
- 2) On the other hand, Nifty was up by 0.44 percent or 69 points to end at levels of 15,779. The BSE Mid- and SmallCap indices, too, added 0.39 per cent and 0.90 per cent, respectively.

Index	Today's Close	Prev. close	Change	% change	Open	High	Low
Sensex	52,653.07	52,443.71	0.40	209.36	52,693.53	52,777.18	52,561.39
Nifty	15,778.45	15,709.40	0.44	69.05	15,762.70	15,817.35	15,737.80

Sectors and stocks

- 1) Tatva Chintan Pharma Chem made a stellar debut, with its shares getting listed at a whopping 95 per cent premium over its issue price of Rs. 1,083 per share on the National Stock Exchange (at Rs 2,111.85) and BSE (at Rs 2,111.80). The stock of the specialty chemicals rallied by 133 per cent at Rs. 2,534.20 within a few seconds of its listing on the NSE. On the BSE, the stock hit an intra-day high of Rs 2,486.30 post its listing. Tatva Chintan is a specialty chemicals manufacturing company engaged in the manufacture of a diverse portfolio of structure directing agents (SDAs), phase transfer catalysts (PTCs), electrolyte salts for super capacitor batteries and pharmaceutical and agrochemical intermediates and other specialty chemicals (PASC). Apart from customers in India, the company also exports products to over 25 countries, including the US, China, Germany, Japan, South Africa, and the UK. As on March 31, 2021, it manufactured over 154 products. Tatva Chintan Pharma Chem's initial public offer (IPO) had received robust response from the investors. It had garnered 180 times subscription, making it the second-most subscribed offering of the year. The 3.26-million share offering garnered bids for 588 million shares, generating demand worth Rs 63,713 crore. The institutional investor portion of the IPO was subscribed 185 times, the high networth individual (HNI) portion was subscribed 512 times and the retail portion garnered 35 times subscription. The company intends to further diversify into products with prospects for increased growth and profitability. Tatva Chintan plans to continue to increase offerings in current business segments as well as diversify into new products by tapping into segments, which in the view of the management, have attractive growth prospects.
- 2) Shares of metal companies were in focus as they rallied by up to 10 per cent on the bourses on expectation of higher demand and amidst reports that China may soon impose export duties on steel products. Hindalco (up 10 per cent at Rs 456.45) and Tata Steel (up 6 per cent at Rs 1,451.55) have hit their respective record highs on the BSE in the intra-day trade. Vedanta, Steel Authority of India (SAIL), NMDC, Jindal Steel and Power and JSW Steel, meanwhile, were up in the range of 4 per cent to 6 per cent. The stock of Tata Steel was quoting higher for the sixth straight trading session and has rallied 18 per cent during the period.
- 3) Shares of State Bank India (SBI) were up by 3 per cent to Rs 438.60 on the BSE in intra-day trade on Thursday on the back of heavy volumes. The stock inched towards its record high ahead of its April-June quarter (Q1FY22) results next week.

Key recent major developments..

- 1) ArcelorMittal SA boosted its guidance for global steel demand after a record-breaking price rally yielded the company's best quarter since 2008. Steel has surged over the past 12 months, joining a wider commodities boom as producers struggled to meet an unexpectedly strong rebound in demand from the construction and manufacturing industries. After a decade of plant shutdowns and job cuts in Europe's steel industry, demand from the infrastructure and renewable energy sectors is creating optimism about the future, said ArcelorMittal Chief Executive Officer Aditya Mittal. "Looking forward, we see the demand outlook further improving into the second half and have therefore upgraded our steel consumption forecasts for the year," Mittal said Thursday in a statement. The biggest steelmaker outside of China now expects 2021 steel demand -- a key barometer of economic growth -- to

increase by 7.5% to 8.5% from last year. In May, the company projected demand to be at or above the upper end of its initial 4.5% to 5.5% forecast, following a contraction in 2020.

- 2) 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.
- 3) 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.
- 4) 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, Icria said on Friday. Icria 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.
- 5) 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. "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 Rs. 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 Rs. 33,000 crore," the statement added.
- 6) 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.
- 7) 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.
- 8) Index of Industrial Production (IIP) or the factory output, grew by 29.27 per cent on yoy basis in May 2021 .
- 9) 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



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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.

- 10) 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 markets ended higher, led by Hong Kong's Hang Seng (up 3 per cent), while European stocks hit fresh record highs after US Federal Reserve Chair Jerome Powell kept interest rates unchanged and said the US central bank wishes to see "some strong job numbers" in coming months before tapering the bond buying programme.
- 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.

Ajcon Global's observations and view

- 1) Indian benchmark indices made a good comeback on positive global cues after being under pressure for last three days. 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 45.07 crores beneficiaries in the nationwide vaccination.
- 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. 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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