



Dr. Ashok Ajmera (FCA), CMD & CEO

Dr. Ashok Ajmera's column as on June 05, 2021

Sentiments continue to remain buoyant with Unlock happening in various states; remain stock specific..

- 1) Indian bourses ended the week in green amidst significant decline of COVID-19 cases in the second wave and recoveries surpassing fresh addition of cases. The rally during the week can be attributed to positive Q4FY21 GDP data, RBI keeping rates unchanged with accommodative stance, liquidity support by RBI for Covid-19 hit hospitality sector, strong global cues especially in US with Biden administration talking about US\$ 6 trillion stimulus package.
- 2) On a weekly basis, S&P BSE Sensex was up by 1.13 percent while the Nifty50 was up by 1.5 percent for the week. Sensex touched a fresh record high of 52,516.76 in the last week while Nifty also scaled fresh record high 15,733.60 during the week.
- 3) Sectorally, Nifty PSU Bank continued to roar by rallying over 18 percent on strong Q4FY21 results by majority of the PSU Banks till date and privatisation buzz, followed by Nifty Media (up 16.7 percent) and Nifty Metal (up 15 percent). The S&P BSE Realty index was up by 6.6 percent in a week. This was led by approval the Model Tenancy Act by the Cabinet for circulation to the States/Union Territories for adoption.
- 4) Smallcaps and midcaps were buoyant during the week. S&P BSE Midcap index jumped by 3.9 percent and S&P BSE Smallcap index rallied by 3.3 percent. Companies like PNB Housing Finance, Indostar Capital Finance, Bank of Maharashtra, Suzlon Energy, Future Retail, Gujarat Gas, Adani Enterprises, Adani Gas , Adani Power, Muthoot Finance were up in the range of 15-91 percent.
- 5) In the week gone by, FIIs bought equities worth Rs. 5,462.20 crore, while DIIs sold equities worth of Rs. 801.95 crore.
- 6) The Indian rupee depreciated against the US Dollar by 57 paise at 73 against its May 28, 2021 closing of 72.43.

Key recent major developments..

- 1) Goods and Services Tax (GST) collections at over Rs 1.02 lakh crore in the month of May 2021. The monthly collection is 27 percent lower as compared to April 2021, when the GST revenue had peaked to a record-high of Rs 1.41 lakh crore. The gross revenue for the month of May, stated as Rs 1,02,709 crore, includes a collection of Rs 17,592 crore in form of CGST, Rs. 22,653 crore SGST and Rs. 53,199 crore IGST (including Rs. 26,002 crore collected on import of goods), said a statement issued by the Finance Ministry. The revenue collected through cess is Rs. 9,265 crore (including Rs. 868 crore collected on import of goods). "The above figure includes GST collection from domestic transactions till 4th of June since taxpayers were given various relief measures in the form of waiver/reduction in interest on delayed return filing for 15 days for the return filing month May'21 in the wake of Covid pandemic second wave," the government said.

- 2) The Reserve Bank of India (RBI) kept repo rate unchanged for the sixth consecutive time at 4 per cent and maintained the policy stance as Accommodative. The six-member monetary policy committee (MPC), however, revised the growth projection downward to 9.5 per cent from 10.5 per cent for the current financial year and revised the inflation projection upward to 5.1 per cent. "The MPC also decided unanimously to continue with the accommodative stance as long as necessary to revive and sustain growth on a durable basis and continue to mitigate the impact of COVID-19 on the economy, while ensuring that inflation remains within the target going forward," said RBI governor Shaktikanta Das while announcing the policy review decision.
- 3) Furthermore, RBI announced the third tranche of bond buying worth Rs. 40,000 crore under G-SAP 1.0. It also announced G-SAP 2.0, under which it will buy bonds worth Rs 1.2 trillion. The central bank will also buy bonds issued by state governments, unlike G-SAP 1.0 that was only for central government securities. Post the announcement, 10-year government bond yields hardened by 0.4 per cent to top 6 per cent-mark while the equity markets gave up their gains.
- 4) Government think tank Niti Aayog has submitted to the Core Group of Secretaries on Disinvestment the finalised names of PSU banks to be privatised in the current fiscal as part of the disinvestment process, a senior government official said. Niti Aayog has been entrusted with the task of selection of names of two public sector banks and one general insurance company for the privatisation as announced in the Budget 2021-22. "We have submitted the names (of PSU banks) to the Core Group of Secretaries on Disinvestment," the official said.
- 5) Moody's said it expects the damage to the economy from the second wave of Covid-19 and the ensuing lockdowns to be restricted to the April-June 2021 quarter. Taking the slowdown into account, it now expects India's GDP in the fiscal year ending March 2022 to grow at 9.3 per cent and at 7.9 per cent in FY23. According to global rating agency Fitch Solutions, the impact of the second Covid-19 wave on rated Indian firms is expected to be manageable, as most companies' credit profiles are supported by their strong market positions, adequate balance sheets, liquidity and diversified operations.
- 6) India's gross domestic product (GDP) grew at 1.6 per cent in the January-March quarter of fiscal year 2020-21, but witnessed a contraction of 7.3 per cent for the entire fiscal year, showed government data on Monday. This is the first full-year contraction in the Indian economy in the last four decades since 1979-80, when GDP had shrunk by 5.2 per cent. However, this is also the second straight quarter of expansion amidst COVID-19 crisis. India's GDP figures showed the growth at 3 per cent in Q4 of FY20, while growth for FY20 came at 4 per cent, an 11-year low. According to the National Statistical Office data, gross value added (GVA) growth in the manufacturing sector accelerated to 6.9 per cent in the fourth quarter of 2020-21 compared to a contraction 4.2 per cent a year ago.
- 7) The Centre's fiscal deficit for the financial year 2020-21 settled at 9.2 per cent of the gross domestic product, marginally below the government's revised target of 9.5 per cent. This was on the back of better-than-expected revenue receipts with expenditure staying broadly at the level targeted in the revised estimates of the Budget. In absolute terms, India's fiscal deficit was Rs. 18.21 trillion, about Rs. 27,194 crore lower than the projected Rs. 18.48 trillion, as per the provisional estimates released by Controller General of Accounts. The fiscal deficit of 9.2 per cent has been estimated based on provisional estimates for FY21 GDP of Rs 197.46 trillion. The Centre had revised its fiscal deficit target in the Budget from 3.5 per cent to 9.5 per cent due to increased expenditure on various schemes announced by the government to tide over the Covid-19 pandemic, and a sharp shortfall in revenue receipts (both tax and non-tax).
- 8) Data released by IHS Markit showed that domestic factory orders and production slowed to a 10-month low in May as most states restricted businesses amid localised lockdowns. The Manufacturing PMI slipped to 50.8 in May against 55.5 in April, making it one of the steepest fall.
- 9) Globally, The U.S. economy added 559,000 jobs in May, vs estimate of 671,000 and revised 278,000 payrolls added in April. The unemployment rate fell to 5.8% from 6.1%, which was better than the estimate of 5.9%.

Ajcon Global's observations and view..

- 1) The sentiments continue to remain good in market led by declining COVID-19 cases in the second wave with recoveries surpassing new cases on a daily basis, positive GDP figure, talks of US\$6 trillion stimulus package by Biden administration and strong Q4FY21 result by majority of the Companies so far with good management commentary for the future. In addition, investors are 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 22.78 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.

- 2) Key domestic factors like record GST collections in April 2021, positive GDP data, good proposals presented in Union Budget 2021-22 will always keep bulls in the hunt for long term. Improved US GDP data, talks about US\$6 trillion package in US, and reduced unemployment rate in US will also support bulls. The Nifty valuations are trading in the range of 35x-40x. Q4FY21 results season has been good so far led by SBI, Asian Paints, Reliance Industries, L&T, Hindustan Unilever, Bajaj Finserv, Bajaj Finance, Shriram Transport Finance, SAIL, Tata Steel, Tata Elxsi, Tata Coffee, UPL, Siemens, Bosch, Borosil Renewables, Orient Electric, Godrej Consumer Products, HDFC Life, SBI Cards, Castrol, Marico, Torrent Pharma, Birla Corp, Container Corporation of India, DCB Bank, Bank of Maharashtra, Dr. Lal Path Labs, Lux Industries, Indoco Remedies, Angel Broking, TCI, TCI Express, Shakti Pumps etc. No doubt Q4FY21 results have been strong and encouraging but the second wave of COVID-19 would impact Q1FY22 results to some extent.
- 3) Going ahead, investors will keep an eye on announcements by various states with regards to Unlock and relaxations on COVID-19 restrictions which will propel economic activity. We recommend investors to look out for stock specific opportunities. We are in the fag end of the result season. Investors will continue to track ongoing Q4FY21 earnings. season and management commentary on future scenario.

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