

Benchmark indices remain flat; stock specific action witnessed...

- 1) Benchmark indices were flat today amidst volatility on Tuesday as investor preferred to book profits after seven straight sessions of gains. That apart, a cut in GDP growth forecast by global agency Moody's and a downtick in manufacturing activity kept market participants on the sidelines. The volumes remained thin as the 75 per cent peak margins norms come into effect from today.
- 2) Against this backdrop, the benchmark S&P BSE Sensex settled at 51,934 levels, down 2.5 points. The NSE's Nifty50, on the other hand, ended at 15,575 levels, down 8 points or 0.05 per cent. Earlier in the day, the 50-share index hit a fresh record peak of 15,660.75.
- 3) ONGC, Adani Ports, Bajaj Finance, SBI, Bajaj Auto, HUL, Tech M, and HDFC were the top gainers on the index today, up between 1 per cent and 4 per cent while JSW Steel, Tata Steel, ICICI Bank, Grasim, UltraTech Cement, SBI Life, Hero MotoCorp, and Infosys were the top laggards, down up to 2.3 per cent.
- 4) Participation in the broader market space also remained muted on Tuesday. The S&P BSE MidCap closed 0.01 per cent higher while the SmallCap index slipped 0.3 per cent.
- 5) Sectorally, barring the Nifty Media, Pharma, and IT indices, all other indices settled the day in the red. The Nifty Private Bank index was the top loser, down 1 per cent, while the Nifty IT index gained 0.11 per cent.

Index	Today's Close	Prev. close	Change	% change	Open	High	Low
Sensex	51,934	51,937	-2.56	-	52,067.51	52,228.65	51,808.88
Nifty	15,574.85	15,582.80	-7.95	0.05	15,629.65	15,660.75	15,528.30

Sectors and stocks

- 6) Shares of State Bank of India (SBI) hit a new record high of Rs. 433.80 on the BSE, after they rallied 2 per cent in Tuesday's intra-day trade, surpassing its previous high of Rs 433.60 hit on May 28, 2021. The stock of the state-owned lender has outperformed the market in the past one month by surging 21 per cent after it reported another strong quarterly performance and showed further sequential improvement in assets quality and a rise in profitability in the March quarter (Q4FY21). In comparison, the S&P BSE Sensex was up 6.7 per cent during the period. Amid a sharp rally in the market price of the bank's stock, its market capitalisation is now just 4 per cent away from the momentous Rs. 4-trillion mark.
- 7) Shares of defence equipment manufacturers ruled at the bourses on Tuesday, a day after the Ministry of Defence (MoD) announced a "Positive Indigenisation List" of 108 items of defence equipment that must be compulsorily procured from indigenous sources. Individually, Bharat Electronics was up by 5.6 per cent on the BSE, followed by Hindustan Aeronautics and Garden Reach Shipbuilders that rallied 5 per cent each. Bharat Dynamics, Astra Microwave Products, BEML, Bharat Forge, Mishra Dhatu Nigam, and Mazagon Dock Shipbuilders advanced between 1 per cent and 4.4 per cent.
- 8) Shares of Rupa & Company were up by 20 per cent to Rs. 474.75 on the BSE, also its 52-week high level, in Tuesday's intraday trade after the company reported a strong set of numbers for the quarter ended March 2021 (Q4FY21). The apparel manufacturer returned to the black in the fourth quarter of FY21 as it posted a consolidated net profit of Rs. 65.96 crore compared with a loss of Rs. 4.28 crore in the corresponding quarter in the previous fiscal. The company's revenue from operations jumped 153 per cent year-on-year (YoY) to Rs. 453.99 crore from Rs. 179.30 crore posted in the same quarter year ago. On a quarter-on-quarter (QoQ) basis, the figure grew 31.3 per cent. The EBITDA was up by 1,050 per cent to 90.6 crore in Q4FY21 from Rs. 7.9 crore posted in Q4FY20. The EBITDA margins came in at 20 per cent during the quarter under review. The figure stood at 4 per cent in the corresponding quarter last year. The Board of Directors also recommended a total Dividend of Rs 5 per equity share of the face value of Re 1 each for the financial year ended 31st March 2021. For the full financial year 2021, the company logged its highest-ever revenues and profits at Rs 1,312.7 crore and Rs 175.3 crore, respectively. Commenting on the March quarter performance, Dinesh Kumar Lodha, CEO said, "Despite the challenges faced due to the



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pandemic, Rupa & Company recorded its highest-ever revenues and profits in FY2021. This was possible due to increased sales volumes, changes in product mix, improved operating efficiencies and cost reduction strategies." The company's focus is to increase share in premium and super-premium category, improve focus on women, casual, and thermal wear, and foray into newer markets with higher penetration in the existing markets, Lodha said in a post result presentation. He cautioned against the disruptions arising from the second Covid-19 wave amid restrictions imposed by states but said that he expects business to start gaining traction in June 2021 and log higher than industry growth for the coming year.

Key recent major developments..

- 1) 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.
- 2) Moreover, 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.
- 3) 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.
- 4) 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.
- 5) 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).
- 6) India's economy has not moderated to the extent it did during the first wave but uncertainties can act as a deterrent in the short term, the Reserve Bank of India said. In its annual report, the central bank said the country's growth prospects now essentially depend on how fast India can arrest the second wave of COVID-19 infections. "The recovery of the economy from the COVID-19 will critically depend on the robust revival of private demand that may be led by the consumption in the short-run but will require acceleration of investment to sustain the recovery," the central bank said in its annual report. It also added that reform measures in various areas were likely to improve India's growth potential on a sustainable basis.
- 7) India's wholesale inflation accelerated to 10.49 per cent in April on account of a surge in the prices of fuel and manufactured products, data released by the commerce and industry ministry showed. Wholesale inflation rate, measured by WPI, has been rising continuously since December. It soared to an eight-year high in March to 7.39 per cent. The latest price data released by the government on Monday showed that food prices rose to 4.92 per cent in April, along with a massive price surge in manufacturing products at 9.01 per cent. Fuel and power inflation stood at nearly 21 per cent led by higher petrol and diesel prices.
- 8) India's retail inflation, measured by the Consumer Price Index (CPI), eased to 4.29 per cent in the month of April on decline in food prices. Separately, the country's factory output, measured in terms of the Index of Industrial Production (IIP), witnessed a 22.4 per cent growth in March on low base effect, two separate data released by the Ministry of Statistics & Programme Implementation (MoSPI).
- 9) The gross Goods and Services Tax (GST) revenue collection for the month of April 2021 touched a record high of Rs. 1,41,384 crore, of which CGST was Rs. 27,837 crore, SGST Rs. 35,621, and IGST Rs. 68,481 crore. GST collections have consistently crossed Rs. 1 trillion mark for the last seven months. "Despite the second wave of coronavi-



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rus pandemic affecting several parts of the country, Indian businesses have once again shown remarkable resilience by not only complying with the return filing requirements but also paying their GST dues in a timely manner during the month," the government said in an official statement. During April, the revenues from domestic transaction (including import of services) are 21 per cent higher than the revenues from these sources during the last month. "These are clear indicators of sustained economic recovery during this period. Closer monitoring against fake-billing, deep data analytics using data from multiple sources including GST, Income-tax and Customs IT systems and effective tax administration have also contributed to the steady increase in tax revenue," the government said.

Crude oil

- 1) Brent Crude futures were up by 2 per cent on Tuesday, nearing \$71 per barrel-mark, ahead of the OPEC+ meeting scheduled later in the day.

Global markets

- 1) European equities hit fresh record highs on Tuesday, as strong metal and oil prices boosted shares of big commodity companies, while data showed euro zone manufacturing activity expanded at a record pace of 63.1 levels in May.
- 2) The pan-European STOXX 600 index gained 0.9 per cent in the first trading session of June, with the UK's blue-chip index rising 1.1 per cent. The German DAX was up by 1.3 per cent to a new record high, while France's CAC 40 added 0.7 per cent.
- 3) That apart, MSCI's index of EM stocks rose 0.7 per cent, while those in Turkey, South Africa and Russia gained between 0.2 per cent and 1.3 per cent.
- 4) In Asia, Japan's Nikkei slipped 0.2 per cent, South Korea's Kospi gained 0.5 per cent, China's Shanghai Composite added 0.26 per cent, and Australia's ASX200 fell 0.3 per cent.

Ajcon Global's observations and view

- 1) Indian benchmark indices were flat today. Stock specific action was witnessed throughout the day. Sentiments are good in market led by declining COVID-19 cases with recoveries surpassing new cases, 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.
- 2) In addition, Indian companies continue to report strong Q4FY21 result with good management commentary for the future despite second wave of COVID-19. No doubt, the second wave of COVID-19 has forced the nation to be on war footing to save the lives of COVID-19 patients; however, there is silver lining as well. There is some sigh of relief as the country is witnessed significant decline in COVID-19 cases across major states with good fall witnessed in the state of Maharashtra especially in the city of Mumbai which were hotspots at the start of COVID-19 second wave. However, there are concerns on slow start to vaccination drive for adults in the age group of 18-45 years owing to shortage in certain states. India has given the first dose of covid antidote to 21.60 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.
- 3) Going ahead, investors will keep a watch on COVID-19 cases number on daily basis amidst significant spike and vaccination drive, Q4FY21 earnings season, movement of US bond yields and FPI liquidity. No doubt the country is facing the second wave of COVID-19 crisis on war footing; there are still positives that the Country has to offer. 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, good stimulus package in US and reduced unemployment rate in US will also support bulls. The Nifty valuations are trading in the range of 35x-40x.
- 4) 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.
- 5) Going ahead, investors will keep an eye on the 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



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for stock specific opportunities. Investors will continue to track ongoing Q4FY21 earnings season and management commentary on future scenario.



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For research related queries contact:

Mr. Akash Jain – Vice President (Research) at, research@ajcon.net

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Website: www.ajcononline.com

Registered and Corporate office

408 - (4th Floor), Express Zone, "A" Wing, Cello – Sonal Realty, Near Oberoi Mall and Patel's, Western Express Highway, Goregaon (East), Mumbai – 400063. Tel: 91-22-67160400, Fax: 022-28722062