

Bulls rule today's show; select PSU Banks, sugar stocks smallcaps continue to rally..

- 1) Benchmark indices witnessed a good show on Thursday on firm global cues, a consistent fall in daily Covid-19 cases, and a stronger rupee kept market mood upbeat. The benchmark S&P BSE Sensex stayed within a band of 331 points while the Nifty see-sawed between 15,705 and 15,611 levels.
- 2) The gains came even as activity in India's dominant services industry contracted in May for the first time in eight months. The Nikkei/IHS Markit Services PMI fell to a nine-month low of 46.4 in May from 54.0 in April, sliding below the 50-level that separates growth from contraction, for the first time in eight months.
- 3) On the upside, Titan clocked a massive rally of 7 per cent to end the day as top gainer, followed by ONGC, Kotak Bank, Bajaj Finance, Axis Bank, HDFC Bank, and L&T.
- 4) On the NSE, the 50-share index added 114 points, or 0.73 per cent, to settle the day near record peak levels of 15,705 at 15,690.
- 5) Investors pulled out funds from the Pharma stocks as the index ended as the sole loser in a firm market, down 0.26 per cent. On the upside, the Nifty Realty index jumped 4 per cent, where Oberoi Realty, Phoenix and Prestige Estates surged between 6 per cent and 10 per cent on the BSE while Indiabulls Real Estate, Sunteck Realty, Sobha, DLF and Godrej Properties gained in the range of 2 per cent to 5 per cent.
- 6) The broader markets, meanwhile, outperformed the headline indices and hit new record highs for second consecutive day. The BSE MidCap and SmallCap indices ended 1 per cent higher each after hitting a record peak of 22,395 and 24,138 levels, respectively.

Index	Today's Close	Prev. close	Change	% change	Open	High	Low
Sensex	52,232.43	51,849.48	382.95	0.74	52,121.58	52,273.23	51,942.20
Nifty	15,690	15,576.20	114.20	0.73	15,655.55	15,705.10	15,611.00

Sectors and stocks

- 1) Shares of sugar companies rallied up to 8 per cent on the BSE in intra-day trade on Thursday after the government brought forward the target date for achieving 20 per cent ethanol-blending with petrol by two years to 2023 to help reduce India's dependence on costly oil imports. Balrampur Chini Mills rallied 8 per cent to Rs 325.85 on the BSE in intra-day trade today. At 09:27 am, the stock was up 5 per cent, as compared to 0.62 per cent rise in the S&P BSE Sensex. Triveni Engineering & Industries, EID Parry (India), Dhampur Sugar Mills, Dwarikesh Sugar Industries and Avadh Sugar & Energy were up in the range of 3 per cent to 4 per cent. In the current year, ethanol blending level has reached 7.2 per cent with oil marketing companies (OMCs) contracted to procure 300 crore litre of ethanol. The target of 20 per cent ethanol blending would be difficult to achieve by 2023 given lack of capacities & requirement of changes in engines by auto OEMs. However, this depicts the seriousness of government to achieve blending levels of 10 per cent & 20 per cent quickly.
- 2) Shares of Reliance Industries (RIL) continued their northward movement to hit an over seven-month high of Rs 2,250, up 2.2 per cent, on the BSE in intra-day trade on Thursday amid expectations of a good operational performance going forward. The stock was quoting higher for the seventh straight trading day. It has rallied 15 per cent during this period. The scrip was quoting at its highest level since October 15, 2020. It had hit a record high of Rs 2,368.80 on September 16, 2020. RIL is India's one of the largest conglomerate with its foray in oil refining & marketing, oil & gas exploration, petrochemicals, organised retail, media and digital services (Jio) making it a well-diversified business entity.

Key recent major developments..

- 1) 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.



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- 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) 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.
- 4) 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).
- 5) 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.

Ajcon Global's observations and view

- 1) 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 21.85 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) 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.
- 4) 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



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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.

- 5) **Going ahead, investors will keep an eye RBI's Monetary policy especially on GDP estimate, 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. Investors will continue to track ongoing Q4FY21 earnings season and management commentary on future scenario.**



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