



**Indian equities end in red led by profit booking; Hotel stocks and select PSU Banks rally..**

- 1) Indian Benchmark indices witnessed profit booking after a stellar run in the past one month. Broader market continued to witness strong buying after the RBI announced a special, Rs 15,000 crore-liquidity window for sectors like travel and tourism, tour operators, hotels, restaurants, aviation and related companies, spa clinics and beauty parlours.
- 2) The S&P BSE Sensex declined by 436 points from the day's high and hit a low of 51,953. However, at the end it recovered major losses to close at 52,100 levels, down 132 points or 0.25 per cent.
- 3) On the NSE, the Nifty fell by 64 points from the record high level of 15,734, touched earlier in the day, to close at 15,670 levels.
- 4) The benchmark indices were dragged down largely by banking and FMCG counters such as Nestle India, SBI, ICICI Bank, HDFC Bank, HUL, Axis Bank, and Titan.
- 5) Overall, the Nifty Bank index was under pressure and ended 1 per cent lower, followed by the Nifty Private Bank and FMCG indices, down 0.8 per cent and 0.4 per cent, respectively. On the upside, the Nifty Metal and Realty indices clocked gains up to 1.6 per cent.
- 6) The BSE MidCap index moved up by 0.63 per cent while the BSE SmallCap index added 0.78 per cent. Both the indices hit record peak levels of 22,540 and 24,280, respectively in intra-day trade.

| Index         | Today's Close | Prev. close | Change         | % change     | Open      | High             | Low       |
|---------------|---------------|-------------|----------------|--------------|-----------|------------------|-----------|
| <b>Sensex</b> | 52,100.05     | 52,232.43   | <b>-132.38</b> | <b>-0.25</b> | 52,121.58 | <b>52,273.23</b> | 51,942.20 |
| <b>Nifty</b>  | 15,670.25     | 15,690.00   | <b>-20.10</b>  | <b>-0.13</b> | 15,712.50 | <b>15,733.60</b> | 15,622.35 |

**Sectors and stocks**

- 1) Shares of hotels, restaurants and its related business companies rallied up to 10 per cent on the BSE in intra-day trade on Friday after the Reserve Bank of India (RBI) announced a separate liquidity window of Rs. 15,000 crore, to be opened till March 31, 2022, for contact-intensive sectors. "In order to mitigate the adverse impact of the second wave of the pandemic on certain contact-intensive sectors, a separate liquidity window of Rs. 15,000 crore is being opened till March 31, 2022 with tenors of up to three years at the repo rate," RBI Governor Shaktikanta Das said in the monetary policy statement. "Under the scheme, banks can provide fresh lending support to hotels and restaurants; tourism – travel agents, tour operators and adventure/heritage facilities; aviation ancillary services – ground handling and supply chain; and other services that include private bus operators, car repair services, rent-a-car service providers, event/conference organizers, spa clinics, and beauty parlours/saloons," the statement said. Following the announcements, the stock of Indian Hotels hit a fresh 52-week high of Rs. 143.75, up 6 per cent on the BSE on the back of nearly two-fold jump in trading volumes. Royal Orchid Hotels surged 10 per cent to Rs. 92.70, followed by Taj GVK Hotels & Resorts (8 per cent to Rs 147.20), EIH (up 7 per cent to Rs 118.50) and Lemon Tree Hotels (up 5 per cent to Rs 45).
- 2) Shares of Power Mech Projects were up by 16 per cent to Rs. 725, also its 52-week high, on the National Stock Exchange (NSE) in Friday's intra-day trade after HDFC Mutual Fund (MF) bought nearly 1 per cent stake in the construction and engineering company via open market. HDFC MF, on June 3, purchased 130,000 shares, representing 0.88 per cent stake, in Power Mech Projects for Rs 8.22 crore. The mutual fund had bought these shares at price of Rs. 633 per share via block deals on the NSE, exchange data shows. The names of the sellers, however, could not be ascertained immediately. Power Mech Projects Limited (PMPL) is primarily engaged in business of providing engineering and construction services with focus on power and infrastructure industries. PMPL provides various services which primarily include erection, testing & commissioning of coal based power projects complete with boilers, turbines and generators (ETC-BTG) and balance of plant (BOP) for sub-critical, super-critical and ultra-mega power



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plants (UMPPs), civil work and operations & maintenance of power plants. However, since FY17, PMPL has expanded its service offerings to non-power segments such as railways, transmission & distribution, development of industrial buildings, etc. PMPL has executed major projects across India for various clients such as Bharat Heavy Electricals Limited (BHEL), NTPC Limited, independent power producers (IPPs) and state generation utilities. The company also has presence in Middle East, South Asia and Africa via subsidiaries and Joint Ventures.

- 3) Shares of Larsen & Toubro (L&T) were up 2 per cent at Rs. 1,538 on the BSE in intra-day trade on Friday in an otherwise range-bound market. The stock of the construction & engineering major was trading at its highest level since March 12, 2021. It was hovering close to its all-time high level of Rs. 1,593 touched on February 2, 2021. L&T has outperformed the market by surging 15 per cent in the past one month on expectations of healthy orders from both domestic and international markets. In comparison, the benchmark index was up 7.3 per cent during the same period. While announcing its March quarter results on May 14, L&T management said it is witnessing good ordering traction from segments such as Metro, Railways, Roads, Expressways, Water, Renewables and Power T&D. It guided for low to mid-teen growth in revenues and order inflow for FY22. The management indicated that the tender pipeline remains strong at Rs 9.6 trillion for FY22, comprising of domestic orders worth Rs 6.6 trillion and international orders of Rs 3 trillion. L&T has improved its Balance Sheet strength over growth during the second COVID wave. While COVID 2.0 has brought on similar challenges as last year, construction activity has been ongoing unlike last year and hence, the impact should be lower than last time.
- 4) Shares of Bharat Forge were up by 8 per cent to Rs. 749, also its 52-week high on the BSE in intra-day trade on Friday after the company reported a consolidated profit after tax of Rs. 212 crore for the March quarter (Q4FY21), on healthy sales income. The auto ancillary company had posted a loss of Rs. 68.6 crore in Q4FY20. The stock had hit a record high of Rs 800 on March 1, 2018. The company's revenue from operations grew 19.6 per cent to Rs. 2,083 crore in Q4FY21, as against Rs. 1,742 crore in the year-ago quarter. Despite cost inflationary pressures, EBITDA has increased by 310 basis points, the company said. "During the quarter, the company has been declared as the successful bidder for Sanghvi Forgings based in Vadodara. This enhances the company's footprint in India and builds upon our industrial product manufacturing capabilities. The company recently also secured an order from the government for development and supply of components and products and the same shall be executed by end of September 2021," the firm said. The company's management expects robust demand to continue in major segment in the export business. The lockdown in India to curtail the spread of Covid has clearly had an impact on demand and production in the automotive sector, it said. However, the management is optimistic that this weakness is temporary in nature and will witness growth in India as business activities normalize. "The balance sheet at end of the financial year 2020-21 (FY21), continues to be robust with a significant level of liquidity. Operating cash flows were strong in FY21 and will improve further in FY22. Return ratio will normalize towards the 20 per cent range with improvement in asset utilisation in the coming years," B.N. Kalyani, chairman & managing director of Bharat Forge said.

### **Key recent major developments..**

- 1) 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.
- 2) 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.
- 3) 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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- 4) 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.
- 5) 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.
- 6) 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).
- 7) 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 falls.

### **Ajcon Global's observations and view**

- 1) Today, profit booking was witnessed after a stellar run in the past one month. 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 22.41 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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