

**Bulls outperform; Sugar stocks and select PSU Banks rally..**

- 1) Bulls continue to roar at Dalal Street as a little over 100,000 new Covid-19 infections across India in the past 24 hours were reported with recoveries surpassing new cases. In addition, partial unlocking in key states like Maharashtra and Delhi uplifted investor sentiments.
- 2) The frontline S&P BSE Sensex hit the day's high of 52,379 while the Nifty50 touched record peak of 15,773. While the indices came off highs mildly, they still managed to end about 0.4 per cent higher. By close, the Sensex index was at 52,328.5 levels, up 228 points and the Nifty50 was at 15,751.6 levels, up 81 points.
- 3) In the broader markets, the BSE MidCap index hit fresh record peak of 22,739 in intra-day trade but closed at 22,690 levels, up 0.8 per cent. The BSE SmallCap index, on the other hand, hit record peak of 24,618 earlier today but ended at 24,609 levels, up 1.4 per cent.
- 4) Individually, shares of Bajaj Finance (BAF) ended 4.4 per cent to Rs 5,728 apiece on the BSE on Monday as the consumer financier voiced concerns over asset quality issues due to localised lockdowns following a second wave of Covid-19.
- 5) On the upside, shares of sugar companies were on a roll as Dalmia Bharat Sugar and Industries, Avadh Sugar & Energy, Triveni Engineering & Industries, Uttam Sugar Mills and Dwarikesh Sugar Industries rallied between 10 per cent and 19 per cent on the BSE in intra-day trade on Monday on the back of heavy volumes. Shree Renuka Sugars, Dhampur Sugar Mills and Balarampur Chini Mills also gained in the range of 8 per cent to 10 per cent.
- 6) Sectorally, the Nifty IT, Media, and Private Bank indices ended the session as top gainers, up around 1 per cent each, while the Nifty Metal index was the top loser, down 0.5 per cent.

Index	Today's Close	Prev. close	Change	% change	Open	High	Low
<b>Sensex</b>	52,328.51	52,100.05	<b>228.46</b>	<b>0.44</b>	52,231.38	<b>52,378.69</b>	52,054.76
<b>Nifty</b>	15,751.65	15,670.25	<b>81.40</b>	<b>0.52</b>	15,725.10	<b>15,773.45</b>	15,678.10

**Sectors and stocks**

- 1) Shares of sugar companies were on a roll as Dalmia Bharat Sugar and Industries, Avadh Sugar & Energy, Triveni Engineering & Industries, Uttam Sugar Mills and Dwarikesh Sugar Industries rallied between 10 per cent and 19 per cent on the BSE in intra-day trade on Monday on the back of heavy volumes. Shree Renuka Sugars, Dhampur Sugar Mills and Balarampur Chini Mills were up in the range of 8 per cent to 10 per cent. On World Environment Day (June 5), Prime Minister Narendra Modi announced that the target of 20 per cent ethanol-blended petrol has been advanced by five years to 2025 to cut pollution and reduce import dependence. Ethanol extracted from sugarcane as well as damaged food grains such as wheat and broken rice and agriculture waste is less polluting and its use also provides farmers with an alternate source of income. As per the Indian Sugar Mills Association (ISMA) as of June 1, 2021, 145.38 crore litres of ethanol has been supplied out of 346.52 crore litres of contracted ethanol. Of the total ethanol supplied, about 77 per cent of ethanol is made from sugarcane juice/B-heavy molasses. On average, India has achieved a blending percentage of 7.56 per cent, the industry body said. Meanwhile, the oil marketing companies (OMCs) have on May 25, 2021, floated their fourth cycle of Expression of Interest (EOI), inviting further bids from ethanol producers for another about 26 crore litres of ethanol in the current year 2020-21, for supplies from 1st June to 30th November 2021. In sugar season (SS) 2020, sugar inventory was lower at 10.7 M Mt as against 14.5 M Mt for SS'19 mainly due to exports. The figure is expected to further go down in ensuing SS to 9.2 M Mt, mainly on account of the higher diversion of sugar to ethanol and exports. "Sugar industry is well poised to benefit both from global and domestic factors. A tight global demand-supply situation, favourable government policies and push for higher ethanol blending in India will keep the inventory under control. In light of the above the short to the medium-term outlook of the industry remains promising," Dalmia Bharat Sugar said on the outlook of the sugar industry.



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- 2) Shares of Piramal Enterprises were trading higher for the second straight day, up 7 per cent at Rs 2,053.70 on the BSE in intra-day trade on Monday. Piramal Enterprises has diversified business interests in financial Services and pharmaceuticals. In Financial Services, the company offers a wide range of financial products and solutions, with exposure across both wholesale and retail financing. The wholesale lending business provides financing to real estate developers, as well as corporate clients in non-real estate sectors. Within retail lending, the company offers housing loans to individual customers and is building a multi-product retail lending platform. India Resurgence Fund (IndiaRF), the distressed asset investing platform in partnership with Bain Capital Credit, invests in equity and/or debt across non-real estate sectors. The company has long-standing partnerships with leading institutional investors that include - CPPIB, APG, Bain Capital Credit, CDPQ, and Ivanhoé Cambridge. PEL also has equity investments in the Shriram Group, a leading financial conglomerate in India.
- 3) Shares of PNB Housing Finance were locked in upper circuit for the sixth straight day, up 5 per cent at Rs. 880.65 on the BSE on Monday, with only buyers seen on the counter. The stock of housing finance company has rallied by 101 per cent post its announcement that its board approved a capital raise of upto Rs. 4,000 crore, led by entities affiliated to Carlyle Group. The stock hit a three-year high and was trading at its highest level since June 2017. "The key objective of raising capital is to augment capital adequacy, reduce gearing and accelerate growth with a focus on retail housing including self-employed and affordable housing loans such as the Unnati segment, the company added. Assuming full capital infusion (including warrants) and no other change to the March 31, 2021 financials, the capital adequacy ratio of the company as of March 31, 2021, would increase from 18.7 per cent to over 28 per cent and gearing as of March 31, 2021, will decline from 6.7x to less than 5x," PNB Housing Finance had said in a press release dated May 31, 2021. Along with Carlyle Group, Aditya Puri, former managing director of HDFC Bank, will also infuse capital into PNB Housing Finance through family investment firm Salisbury Investments. He will be Carlyle's nominee director in due course.
- 4) Shares of Varroc Engineering declined by 11 per cent to Rs. 387.30 on the BSE in intra-day trade on Monday after the company reported a weak set of number for the March quarter of FY21 with a consolidated loss of Rs. 144 crore, due to weak operational performance of the Global Lighting Business (VLS). The auto ancillary company had posted loss of Rs. 137 crore in Q4FY20. The company's reported revenue from operations grew 32 per cent year on year (YoY) to Rs. 3,619 crore against Rs. 2,745 crore in the corresponding quarter of previous fiscal. EBITDA margin contracted 70 basis points (bps) at 3.5 per cent from 4.2 per cent in the year-ago quarter. "Consolidated EBITDA for the quarter at Rs. 127.5 crore increased by 11 per cent YoY; India EBITDA margins improved by 360 bps while VLS EBITDA margins were adversely impacted mainly by Semi-conductor shortages and poor revenue mix," Varroc Engineering said. The company further said it launched Project RACE (Rapid Achievement of Competitive Edge) to bring VLS EBIT level in line with industry benchmarks with the support of a global consulting firm. The benefits of this project are expected to be visible over the next 12-18 months. The management said the company has seen a strong recovery in Two-wheeler and Passenger Vehicle volumes across in India in Q4FY21. The global (Ex China) passenger vehicle volumes in Q4FY21 declined mainly due to severe semi-conductor shortages. As the current demand for chips is continuing to outstrip supply, suppliers are adding capacities. This additional capacity is expected to help meet auto sector demand starting end of Q2 FY22, it said. The group designs, manufactures and supplies exterior lighting systems, plastic and polymer components, electricals-electronics components, and precision metallic components to passenger car, commercial vehicle, two-wheeler, three-wheeler and off-highway vehicle OEMs directly worldwide.

#### **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



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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 falls.

### Global markets

- 1) Global equities were range bound on Monday as markets digested Friday's disappointing US jobs report and a global tax deal between the G7 group of countries, while also looking ahead to inflation data due this week. 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%.
- 2) MSCI's broadest index of Asia-Pacific shares outside Japan slipped 0.05 per cent, Japan's Nikkei edged up 0.3 per cent, while Taiwan stocks lost 0.4 per cent. Chinese blue chips were also off 0.1 per cent
- 3) In Europe, the pan-European STOXX 600 index was flat in early deals.

### **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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