

Sugar stocks continue to rally; broader markets remain buoyant..

- 1) Benchmark indices ended flat amidst being in a range bound session today. Buoyancy in the broader markets with strong stock specific action. The BSE-barometer of 30 shares ended at 52,275 levels, down 53 points or 0.10 per cent while the Nifty50 shut shop at 15,740-mark, down 11.5 points or 0.07 per cent.
- 2) Tata Motors, Tech M, Bharti Airtel, Indian Oil Corporation, HCL Tech, and Infosys were the top gainers on the indices. Hindalco, Tata Steel, JSW Steel, Kotak Bank, HDFC, and SBI, meanwhile, were the top laggards.
- 3) In the broader market space, the BSE MidCap index hit a record peak for the fifth consecutive day, at 22,822.6 levels, and ended the day at 22,769.5 levels, up 0.36 per cent. The SmallCap counterpart, on the other hand, closed 0.9 per cent higher at 24,827 levels after hitting new peak of 24,868 earlier today.

Index	Today's Close	Prev. close	Change	% change	Open	High	Low
Sensex	52,275.57	52,328.51	52.94	0.10	52,428.72	52,432.43	52,135.04
Nifty	15,740.10	15,751.65	11.55	0.07	15,773.90	15,778.80	15,680.00

Sectors and stocks

- 1) Shares of sugar companies rallied for the second day in a row, with Balrampur Chini Mills, EID Parry and Triveni Engineering & Industries hitting their respective all-time highs on the BSE in intra-day trade on Tuesday on a strong outlook. Triveni Engineering hit a record high of Rs. 198 as the scrip rallied 18 per cent today, up 31 per cent in the past two trading days. The stock surpassed its previous high of Rs 196 touched in December 2007. Balrampur Chini Mills rallied by 6 per cent to Rs. 357, gaining 13 per cent in two days, while EID Parry (India) was up 5 per cent at Rs 463, adding 10 per cent in the last two sessions. Both these stocks surpassed their previous highs recorded in May 2021. Shree Renuka Sugars, Magadh Sugar & Energy, Dwarikesh Sugar Industries, Dhampur Sugar Mills and Dalmia Bharat Sugar and Industries were up between 5 per cent and 10 per cent on the BSE. 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. "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.
- 2) Shares of Piramal Enterprises rallied by 8 per cent to Rs. 2,124 on the BSE in intra-day trade on Tuesday, thus surging 15 per cent in two days after the Mumbai Bench of the National Company Law Tribunal (NCLT) approved Piramal Group's resolution plan for the beleaguered Dewan Housing Finance Ltd (DHFL). On January 22, 2021, Piramal Capital & Housing Finance Limited ('PCHFL'), wholly owned subsidiary of the Piramal Enterprises, had been declared as the successful resolution applicant in relation to the Corporate Insolvency Resolution Process ('CIRP') of DHFL under the Insolvency & Bankruptcy Code, 2016 and identified the resolution plan submitted by PCHFL, as the successful resolution plan by the administrator of DHFL. "Hon'ble National Company Law Tribunal, Mumbai Bench ('NCLT'), has today accorded its approval to the resolution plan of PCHFL in relation to the CIRP of DHFL. The certified copy of the order of the NCLT is awaited," Piramal Enterprises said in exchange filing 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



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Credit, CDPO, and Ivanhoé Cambridge. PEL also has equity investments in the Shriram Group, a leading financial conglomerate in India.

- 3) Shares of Laurus Labs continued their upward journey in Tuesday's session to hit a new high of Rs 599, up 5 per cent on the BSE, in an otherwise subdued market. The stock was quoting higher for the eighth straight trading day. Laurus Labs is a leading research-driven pharmaceutical manufacturing company in India. The company has grown to become one of the leading manufacturers of API (Active Pharmaceutical Ingredient) for anti-retroviral (ARV), oncology, cardiovascular, antidiabetics, anti-asthma, and gastroenterology. The company is thriving on growth opportunities in formulation manufacturing to service in all leading markets of North America, Europe, and Low Middle-Income Countries (LMIC). The company is driving growth opportunities in Contract Development and Manufacturing (CDM) through its synthesis business. Most of the company's manufacturing facilities are approved by major regulatory authorities, USFDA, WHO-Geneva, UK-MHRA, etc.

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 tril-



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lion, 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) European equities hit new highs on Tuesday. However, weak German industrial output data and doubts over the United Kingdom lifting restrictions later this month capped gains. The pan-European STOXX 600 index was flat after notching a record high earlier, while the UK's FTSE 100 gained 0.4 per cent.
- 2) In Asia, Japan's Nikkei ended 0.3 per cent lower, South Korea's Kospi dipped 0.13 per cent, and China's Shanghai Composite ended 0.5 per cent lower.
- 3) Meanwhile, futures of Wall Street's three main indices were mixed. Dow Jones Futures were down 0.04 per cent while Nasdaq Futures were up 0.25 per cent. Earlier, 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 23.61 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 good GST collections in May 2021 despite second wave of COVID-19, 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 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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