

**Profit booking witnessed today after stellar run; Power stocks rally..**

- 1) The Indian benchmark indices fell over half a per cent lower on Wednesday. Selling was witnessed in public sector banks and auto stocks. The S&P BSE Sensex was down by 334 points to end at levels of 51,942 or 0.64 per cent, while the Nifty50 closed the session at 15,635-mark, down 105 points, or 0.67 per cent.
- 2) Larsen & Turbo, Reliance Industries, Bajaj Finserv, and IndusInd Bank (down over 1 per cent, each) were the top Sensex laggards while PowerGrid (up 3.8 per cent) and NTPC (up over 1%) were the top gainers.
- 3) In the broader market space, the S&P BSE MidCap and SmallCap indices ended the session 0.71 per cent and 0.95 per cent lower, respectively.
- 4) Individually, shares of Tata Motors hit an over three-year high of Rs 358.25, up 1.5 per cent, on the BSE in intra-day trade on Wednesday on the back of heavy volumes. However, the stock erased gains in the second half and ended the session 2.72 per cent lower at Rs 343.25.
- 5) All the Nifty sectoral ended today's session in the red, with Nifty Auto, Nifty PSU Bank, and Nifty Realty indexes falling over 1 per cent, each.

Index	Today's Close	Prev. close	Change	% change	Open	High	Low
<b>Sensex</b>	51,941.64	52,275.57	<b>333.93</b>	<b>0.64</b>	52,401.41	<b>52,446.92</b>	51,717.07
<b>Nifty</b>	15,635.35	15,740.10	<b>104.75</b>	<b>0.67</b>	15,766.30	<b>15,800.45</b>	15,566.90

**Sectors and stocks**

- 1) Shares of Tata Motors hit an over three-year high of Rs. 358.25, up 1.5 per cent, on the BSE in intra-day trade on Wednesday on the back of heavy volumes. The stock of the Tata Group commercial vehicles company was trading higher for the sixth straight day, having rallied 13 per cent during the same period. It surpassed its previous high of Rs. 357 touched on March 3, 2021, and was trading at its highest level since April 2018. Tata Motors on Tuesday informed stock exchanges that a new wholly-owned subsidiary named 'TML CV Mobility Solutions Limited' has been incorporated by the company. TML CV Mobility Solutions was incorporated to provide end to end services of operating, repair and maintenance including annual maintenance contracts (AMC) and Fleet Management Services (FMS) for the automotive including electric mobility/electric vehicles, electric buses, fuel cell buses, all types of commercial vehicles etc, the company said. Tata Motors is India's largest commercial vehicle company and fourth-largest passenger vehicle (PV) player. In PV, the company has products in the compact and mid-size cars and utility vehicle segments. Through subsidiaries and associates, the company has operations in the UK, South Korea, Thailand and Spain. The key among them is Jaguar Land Rover, the business comprising two iconic British brands – Jaguar and Land Rover (JLR). TTMT markets cars, buses and trucks in several countries across Europe, Africa, the Middle East, south-east Asia and South America. Last month, the rating agency Moodys had upgraded the outlook on Tata Motors from 'negative' to 'stable' due to continued recovery in the firm's consolidated revenue and profitability. JLR's restructuring efforts and its solid growth in China, as well as the recovery in other key markets such as Europe and North America over the coming quarters, will improve its profits and leverage, believes Moody's.
- 2) Shares of power generation and distribution companies continued their upward movement, with Adani Power, Torrent Power, JSW Energy and Power Grid Corporation hitting their respective all-time highs on the BSE in intra-day trade on Wednesday amid strong demand. Tata Power Company, CESC, Bharat Heavy Electricals (BHEL) and NTPC were quoting at their respective 52-week high levels. Among individual stocks, Tata Power soared 13 per cent to Rs 132.50 on the back of over a 5-fold jump in trading volumes. India's power consumption grew 12.6 per cent billion units (BU) to 25.36 BU in the first week of June. Power consumption for the same period a year ago was 22.53 BU. This was, however, 3.35 per cent lower on a monthly basis from 26.24 BU, consumed in the first week of May this year. Peak power demand was recorded at 168.72 GW on June 7, up 15 per cent from last year's 146.5 GW. Meanwhile, the Ministry of Power (MoP) released a discussion paper on the implementation of Market-Based Economic Dispatch (MBED) which argues for redesigning of day-ahead scheduling of electricity markets in the



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country on a market based or integrated approach in order to realise the 'One Nation, One Grid, One Frequency, One Price' framework.

- 3) Shares of TeamLease Services rallied by 17 per cent to hit a record high of Rs. 4,064.95 on the BSE in intra-day trade on Wednesday after the company reported a consolidated net profit at Rs. 19.6 crore for the March quarter (Q4FY21) on the back of healthy operational performance. The company, one of India's largest staffing companies, had posted a loss of Rs. 29.4 crore in the year- ago quarter. The stock surpassed its previous high of Rs. 3,884, touched on April 6, 2021. Total revenue remained flat at Rs. 1,350 crore against Rs. 1,345 crore in the corresponding quarter of the previous year. The company's Ebitda margin improved 40 basis points (bps) at 1.9 per cent from 1.5 per cent. The company said that its billable headcount has gone up by 8 per cent sequentially and 4 per cent year on year. General Staffing is back to pre-Covid levels of headcount and has surpassed pre-Covid revenue run rate. Staffing FTE productivity has improved to 352 as of March 31, 2021, from 334 in Q3FY21 and 264 in Q4FY20. The specialized staffing continues to improve on profitability driven by cost optimization and product mix. HR services have grown 33 per cent in revenues QoQ, the company said. The management said, "The pandemic has given us an opportunity to strengthen digitalization strategy and accelerate client partnership initiatives on productivity enhancement. While the 2nd wave of Covid can marginally impact growth in the current quarter, the company continues to play to the market opportunities in the long run,".
- 4) Birlasoft shares rallied by 12 per cent to hit a new high of Rs. 421 on the BSE in intra-day trade on Wednesday after the CK Birla Group company partnered with 'Regulativ.ai', to co-develop a new AI/ML-based cyber-regulatory reporting platform. The stock erased majority of the gains and closed the session 0.52 per cent higher at Rs. 377.95.
- 5) Shares of Petronet LNG declined by 7 per cent to Rs. 229.55 on the BSE in intra-day trade on Wednesday after the firm reported a disappointing set of numbers for the March quarter (Q4FY21). The stock had hit a 52-week low of Rs. 207 on October 14, 2020. The state-owned oil marketing and distribution company reported an 11.6 per cent year-on-year (YoY) decline in consolidated revenue from operations at Rs 7,575 crore and total volumes were flattish YoY (down 7.2 per cent QoQ) at 218 tbtu. The company's reported profit after tax was up 73.6 per cent YoY at Rs 623.4 crore. Blended margins were at Rs 59.3/mmbtu and EBITDA was at Rs 1091.1, up 56.4 per cent YoY, due to higher opex in Q4FY20. Petronet LNG was formed as a joint venture by the government to import LNG and set up LNG terminals in the country, involving India's leading oil and natural gas industry players like GAIL (India), Oil & Natural Gas Corporation (ONGC), Indian Oil Corporation (IOCL) and Bharat Petroleum Corporation (BPCL). Each company held a 12.50 per cent stake in Petronet as of 31 March 2021.

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

- 1) A Finance Ministry report has said that faster vaccine coverage and frontloading of fiscal measures announced in this year's budget would be the major factors in boosting the investment and consumption cycles and, in turn, reviving the economy. The Monthly Economic Review for May, released by the Department of Economic Affairs (DEA) on Wednesday, noted that in the fourth quarter of FY21 growth in capex generated positive spillovers for consumption, including in the contact-sensitive sectors, these steps would facilitate recovery post the second wave. Further, a healthy monsoon forecasts bodes well for continued momentum in agricultural growth, it said. With state-level lockdown restrictions being more adaptive to learnings from the first wave, manufacturing and construction are expected to experience a softer economic shock in the current quarter, it said. "As we cautiously recuperate from the second wave, rapid vaccination and frontloading of the fiscal measures planned in the Union Budget hold key to invigorating the investment, and thereby consumption, cycle in the coming quarters," it said. It added that quickening the pace and coverage of vaccination is critical to help India heal and regain the momentum of economic recovery. The DEA noted that provisional GDP estimates available for January-March quarter (Q4) of FY 2020-21 confirm a V-shaped recovery in India's economic prospects in the second half of the year, after an unprecedented Covid-19 induced contraction.
- 2) 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.
- 3) 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



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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.

- 4) 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.
- 5) 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.
- 6) 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.
- 7) 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.
- 8) 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).
- 9) 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.

### Global markets

- 1) European equities consolidated near record highs on Wednesday, with investors holding off on taking big bets ahead of a policy decision from the European Central Bank and U.S. inflation reading later this week.
- 2) The pan-European STOXX 600 index slipped 0.1% in morning trade, but stayed just short of a record high of 455.66 hit in the previous session. Other main regional bourses including Germany's DAX and France's CAC 40 were trading flat.
- 3) In Asia, the MSCI's broadest index of Asia-Pacific shares outside Japan were marginally down by 0.15 percent and Japan's Nikkei average shed 0.25 per cent.
- 4) 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) Today, some profit booking was witnessed after a stellar run. 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



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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 23.90 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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