

Bulls comeback after profit booking in last two days; stock specific action continues ..

- 1) Indian equities comeback in green after being red for last two straight days. broad-based buying was witnessed today. The S&P BSE Sensex was up by 359 points or 0.69 percent to end at levels of 52,300. The Nifty50 closed the session at 15,738-mark, up 102 points, or 0.65 per cent.
- 2) Bajaj Finance, Bajaj Finserv, State Bank of India, IndusInd Bank, and ITC were the top Sensex gainers. On the other hand, Bajaj Auto, Maruti Suzuki, and PowerGrid were the top laggards.
- 3) Meanwhile, the broader market's extended their outperformance, and the S&P BSE MidCap and SmallCap indices ended the session 1.26 per cent and 1.73 per cent higher, respectively.
- 4) Among other individual stocks, shares of Bata India surged 6 per cent to Rs 1,657.50 on the BSE in intra-day trade on Thursday and almost hit the 52-week high of Rs 1,705. The stock ended the session marginally lower at Rs. 1,635, up 5 per cent on the day. Besides, shares of the recently listed Easy Trip Planners hit a new high of Rs 430.35 after surging 10 per cent today. The stock ended the session at the day's high.
- 5) All the Nifty sectoral indices, except Nifty Auto index, closed in the green, with Nifty Realty index and Nifty PSU Bank index ending 3 per cent and 2 per cent higher, respectively.

Index	Today's Close	Prev. close	Change	% change	Open	High	Low
Sensex	52,300.47	51,941.64	358.83	0.69	52,143.90	52,346.35	51,957.92
Nifty	15,737.75	15,635.35	102.40	0.65	15,692.10	15,751.25	15,648.50

Sectors and stocks

- 1) Shares of Ion Exchange (India) rallied 10 per cent in intra-day trade to hit a new high of Rs 2,248.60 on the BSE on Thursday, after the company said it received orders worth Rs. 1,000 crore. In past two trading days, the stock has rallied 33 per cent. "The company has received letter of award and contract from State Water Supply and Sanitation Mission, Namami Gange and Rural Water Supply Department under Jal Jeevan Mission for two EPC projects, for survey, design, preparation of Detailed Project Report (DPR), supply, construction and commissioning of water treatment plant and O&M for 10 years for rural drinking water supply to 1000 villages in two districts of Uttar Pradesh i.e. Varanasi and Aligarh," Ion Exchange said in an exchange filing. The value of these two projects is expected to be approximately Rs 1,000 crore, specific value will be determined after approval of DPR. The project is to be constructed and commissioned within 21 months from the date of signing of the contract, the company said. Ion Exchange (India) a leader in Indian water treatment Industry offers total water management solutions. It is one of the very few companies in the world with a range of technologies products and services that cover the entire spectrum of water and waste-water treatment.
- 2) Shares of IRB Infrastructure rallied by 7 per cent and hit a 52-week high of Rs. 139.40, on the National Stock Exchange (NSE) in intra-day trade on Thursday, extending its upward movement after the HDFC Mutual Fund acquired more than 1 per cent stake in the company via open market. In the past eight trading days, the stock of the road & highways construction company has soared 31 per cent from the level of Rs 106.25, hit on May 28, 2021. On May 31, 2021, HDFC Mutual Fund bought 2.48 million shares, representing 0.71 per cent of the total equity of IRB Infra, at price of Rs 111 per cent via bulk deal on the NSE, the exchange data shows. The mutual funds, further on June 1, 2021, purchased additional 2.46 million shares, or 0.70 per cent stake in the company, at the price of Rs 111.34 per share, the bulk deal data shows. On May 31, IRB Infra announced that the Udaipur BOT (Build, Operate & Transfer) project implemented by Udaipur Tollway (SPV) which is now part of IRB Infrastructure Trust - Private InvIT, has been issued a completion certificate by the competent authority. Consequently, toll rates for the SPV would be increased by around 55 per cent and the SPV will collect toll at revised toll rates on this project, the company said in the filing.

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 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 abso-



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lute 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 falls.

Global markets

- 1) Global equities continue to trade near a record high and the dollar also held steady on Thursday, eyeing US inflation data for any sign the Federal Reserve could start tapering its massive stimulus.
- 2) In early European trades, the pan-regional STOXX Europe 600 index rose 0.1 per cent following gains overnight in Asia, where MSCI's broadest index of Asia-Pacific shares outside Japan rose 0.5 per cent. Tokyo's Nikkei rose 0.3 per cent, and the Kospi in South Korea picked up 0.3 per cent as well. In Hong Kong, the Hang Seng added 0.2 per cent.
- 3) US stock futures pointed to a flat open on Wall Street. Investors' eyes are on U.S. inflation data for any sign the Federal Reserve could start tapering its massive stimulus.
- 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, bulls came back after profit booking witnessed in last two days. 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 to liquidity provided by FPIs in equities, there is good spike in retail participation from Tier II and Tier III cities as people have become more financially literate in COVID-19 crisis.
- 2) Investors are also 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 29.18 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) 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.
- 4) 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 final end of the result season. Investors will continue to track ongoing Q4FY21 earnings season and management commentary on future scenario.



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