

Bulls continue to roar; midcaps and smallcaps outperform..

- 1) Market bulls rode the global momentum on Dalal Street on Friday, hitting new lifetime highs on the way. Bond yields in the US and Euro zone fell, with German 10-year yields set for their biggest fall this year, as investors bet on ultra-loose monetary policy to stay in place.
- 2) The frontline S&P BSE Sensex hit an all-time-high of 52,641.5 while the broader Nifty50 index claimed 15,835.5-mark in morning deals. In the broader markets, the BSE MidCap and SmallCap indices, too, touched new peaks of 23,045 and 25,249 levels, respectively.
- 3) That said, a fag-end weakness in banking, realty, and FMCG counters dragged the markets off highs. By close, the BSE barometer was at 52,475 levels, up 174 points or 0.33 per cent while the 50-share Nifty index ended at 15,799 levels, up 62 points or 0.39 per cent.
- 4) The BSE MidCap index, on the other hand, closed 0.14 per cent up while the BSE SmallCap index ended 0.4 per cent higher.
- 5) Sectorally, the Nifty Metal index rallied by nearly 3 per cent on the NSE, followed by the Nifty IT and Pharma indices, up over 1 per cent higher each. On the downside, the Nifty Realty and PSU Bank indices slipped up to 1 per cent.

Index	Today's Close	Prev. close	Change	% change	Open	High	Low
Sensex	52,474.76	52,300.47	174.29	0.33	52,477.19	52,641.53	52,388.95
Nifty	15,799.35	15,737.75	61.60	0.39	15,796.45	15,835.55	15,749.80

Sectors and stocks

- 1) Shares of Bajaj Finance continued their upward movement for the second straight day on Friday, and hit a new high of Rs 6,228.60, up 2 per cent on the BSE. The stock of the non-banking finance company has rallied 10 per cent in the past two days on hopes that B2B and auto finance businesses will do much better with the reopening of the economy. The stock of Bajaj Finance had corrected 6 per cent in the four days prior to Thursday as it slipped from its previous high of Rs 6,009 on June 4, 2021, to Rs 5,674 on June 9, after the consumer financier voiced concerns over asset quality issues due to localised lockdowns following the second wave of Covid-19. After reporting a healthy performance in Q4FY21, management of Bajaj Finance in a mid-quarter update indicated some adverse impact of Covid-19-related fresh lockdowns on business during the April-June quarter (Q1FY22). The company indicated that its B2B and auto finance businesses were most affected due to strict lockdowns in the majority of states. "The company estimates an impact of Rs. 4,000-5,000 crore to its AUM growth plan for FY2022 on account of the disruption caused by the second wave. However, Q1FY2022 will see a higher impact on assets under management (AUM) due to lower volumes in B2B businesses. The company has taken several actions to reduce its operating expenses and cost of funds to partially mitigate the financial impact caused by lower AUM growth," Bajaj Finance said in a mid-quarter update on Friday, June 4, after market hours. B2B and auto finance businesses were most affected due to strict lockdowns in the majority of states. These businesses delivered 70 per cent of their planned volumes in April 2021 as multiple states started imposing lockdowns from the middle of that month. Their volumes dropped to 40 per cent in May 2021. Most states have indicated continued lockdown till 7th or 15th June. With the expected reopening, June should be much better, the company said.
- 2) Shares of eClerx Services were locked in 20 per cent upper circuit at Rs. 1,617.35 on the BSE on Friday after the company reported healthy March quarter numbers (Q4FY21) with revenues up 19.3 per cent quarter on quarter (QoQ) in constant currency terms and 19.7 per cent QoQ in reported terms. The stock had hit a record high of Rs. 1,775, in August 2016. In Q4FY21, the company's profit after tax grew 39 per cent QoQ at Rs 98.8 crore. EBIT (earnings before interest and tax) margins improved 295 basis points (bps) to 27.6 per cent mainly led by lower sales & development expenses and higher gross margins. The company said total delivery headcount as of March 31, 2021 stands at 11,831 – an increase of 40 per cent year on year. eClerx provides business process management, automation and analytics services to a number of Fortune 2000 enterprises, including some of the



AJCONGLOBAL
YOUR FRIENDLY FINANCIAL ADVISORS

world's leading financial services, communications, retail, fashion, media & entertainment, manufacturing, travel & leisure and technology companies.

- 3) Shares of pharmaceutical companies continued their upward journey at the bourses, with the Nifty Pharma index hitting a new high for the third straight day on Friday, amid strong gain in Aurobindo Phamra, Dr Reddy's Laboratories and Cadila Healthcare, which rallied up to 5 per cent, each, on the National Stock Exchange (NSE). Nifty Pharma index rallied 3 per cent to 14,530.95 on the NSE in intra-day trade today. On Wednesday, it had surpassed its previous high of 14,282.90, touched on May 11, 2021. Marksans Pharma and Novartis India from the S&P BSE Healthcare index rallied by 20 per cent, each. While, Necter Lifesciences, and RPG Lifesciences were up between 5 per cent and 10 per cent. Among individual stocks, Marksans Pharma shares were locked in 20 per cent upper circuit at Rs. 83.70, also its 52-week high, on the BSE, after the company announced that its board would meet on Tuesday, June 15, 2021 to consider issuance of convertible warrants on preferential basis.
- 4) Shares of Coal India hit a 52-week high of Rs. 164.45 as they rallied 5 per cent on the BSE in intra-day trade on Friday amid expectations of improvement in earnings going forward. The stock of the state-owned company surpassed its previous high of Rs. 162.95, touched on February 26, 2021. In the past two weeks, the stock has outperformed the market by gaining 12 per cent as compared to a 2.2 per cent rise in the S&P BSE Sensex. A sharp rally in the stock price has helped Coal India regain the market capitalisation of Rs 1 trillion. Coal India reported a strong offtake in dispatches, with volumes at 55.1mt, registering a 37.6 per cent year-on-year (YoY) increase in May 2021. For the first two months of FY22, Coal's offtake remains higher by 38 per cent YoY at 109.1mt. Offtake growth in May 2021 comes on the back of a 15 per cent rise in coal-based generation (based on initial data from POSOCO) amid a 7 per cent rise in overall power demand, and re-stocking of inventory at power plants (up 5mt MoM).
- 5) Shares of Gayatri Projects declined by 18 per cent to Rs. 31 on the BSE in intra-day trade on Friday, amid heavy volumes, after the National Highways Authority of India (NHAI) declared the company a non-performer and prohibited from participating in the ongoing and future bids for the road projects till defects and deficiencies in one of the company's projects were rectified. On clarification on the recent NHAI announcement, Gayatri Projects informed the stock exchanges that NHAI officials had found some deficiencies in the Varanasi Sultanpur 4-laning project in UP, where Gayatri is one of the contractors. "The above project was awarded in January 2016. Out of the total 138Km section, 4-laning has been completed for 129Km, almost 93 per cent of the project, This project has been beset by the continued delay in handing over of the land by NHAI. In addition, the land handover has been done in bits and pieces, resulting in overall project delay. Apart from pending land handover, certain works have been halted due to pending approvals and payments to be released by NHAI," Gayatri Projects said. The company further said it requested for extension of completion time till October 2021 in anticipation of handing over of balance land and clearing of all pending approvals and payments. Approval of extension of time is under active consideration at NHAI, it added. "The rectification of deficiencies identified has been delayed on account of the second wave of the Covid-19 pandemic. However, the company is engaged in active discussions with the relevant authorities and has raised their objections citing certain technical difficulties at the site. The company will work closely with the authorities to rectify the deficiencies at the earliest and expects the issue to be resolved in the next 2-3 months," it said.

Key recent major developments..

- 1) Industrial production grew by as much as 134.4 per cent in the month of April, mainly on account of a low base from last year, government data released on Friday showed. The government has held back the release of complete data of the Index of Industrial Production (IIP) for April, as was done for the same month last year due to the coronavirus lockdown. Factory output, as measured by the Index of Industrial Production (IIP), rose 22.4 per cent in March 2021 and had contracted by a massive 57.3 per cent in the April month last year as a coronavirus-induced lockdown froze economic activity. The Centre had on March 25, 2020 enforced a nationwide lockdown to curb the spread of coronavirus. However, industrial growth was flat in April if we compare the IIP to that in the same month of 2019. This indicates that the nascent economic recovery has been impacted by the second wave of the pandemic. Manufacturing sector output, which accounts for more than three-fourths of the entire index, registered a growth of 197.1 per cent as against a de-growth of (-) 66 per cent in the year-ago period.
- 2) 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



AJCONGLOBAL

YOUR FRIENDLY FINANCIAL ADVISORS

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.

- 3) 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.
- 4) 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.
- 5) 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.
- 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 falls.

Global markets

- 1) Data published on Thursday showed that the US consumer price index swelled the most in a month since August 2008 at 5 per cent, following a 4.2 per cent rise in April. Yet global stocks hit record peaks as investors believed the Federal Reserve would continue to keep interest rates low to maintain the recovery pace.



AJCONGLOBAL

YOUR FRIENDLY FINANCIAL ADVISORS

- 2) Moreover, the European Central Bank's statement that a policy tightening at this stage would be premature and would pose a risk to the ongoing economic recovery further lent support to the bullish sentiment on the Street.
- 3) The third factor adding to global rally was data from the UK which showed that Britain's economic output grew by 2.3 cent on a monthly basis in April, marking the fastest growth since July last year.
- 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) 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 financial 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 fag end of the result season. Investors will continue to track ongoing Q4FY21 earnings. season and management commentary on future scenario.



Disclaimer

Ajcon Global Services Limited is a fully integrated investment banking, merchant banking, corporate advisory, stock broking, commodity and currency broking. Ajcon Global Services Limited research analysts responsible for the preparation of the research report may interact with trading desk personnel, sales personnel and other parties for gathering, applying and interpreting information.

Ajcon Global Services Limited is a SEBI registered Research Analyst entity bearing registration Number INH000001170 under SEBI (Research Analysts) Regulations, 2014.

Individuals employed as research analyst by Ajcon Global Services Limited or their associates are not allowed to deal or trade in securities that the research analyst recommends within thirty days before and within five days after the publication of a research report as prescribed under SEBI Research Analyst Regulations.

Subject to the restrictions mentioned in above paragraph, We and our affiliates, officers, directors, employees and their relative may: (a) from time to time, have long or short positions acting as a principal in, and buy or sell the securities or derivatives thereof, of Company mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage.

Ajcon Global Services Limited or its associates may have commercial transactions with the Company mentioned in the research report with respect to advisory services.

The information and opinions in this report have been prepared by Ajcon Global Services Limited and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of Ajcon Global Services Limited. While we would endeavour to update the information herein on a reasonable basis, Ajcon Global Services Limited is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent Ajcon Global Services Limited from doing so. This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. Ajcon Global Services Limited will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. Ajcon Global Services Limited accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice. Ajcon Global Services Limited or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

Ajcon Global Services Limited encourages independence in research report preparation and strives to minimize conflict in preparation of research report. Ajcon Global Services Limited or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither Ajcon Global Services Limited nor Research Analysts have any material conflict of interest at the time of publication of this report.

It is confirmed that Akash Jain – MBA (Financial Markets) or any other Research Analysts of this report has not received any compensation from the company mentioned in the report in the preceding twelve months. Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

Ajcon Global Services Limited or its subsidiaries collectively or Directors including their relatives, Research Analysts, do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.



It is confirmed that Akash Jain – MBA (Financial Markets) research analyst or any other Research Analysts of Ajcon Global do not serve as an officer, director or employee of the companies mentioned in the report.

Ajcon Global Services Limited may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Neither the Research Analysts nor Ajcon Global Services Limited have been engaged in market making activity for the companies mentioned in the report.

We submit that no material disciplinary action has been taken on Ajcon Global Services Limited by any Regulatory Authority impacting Equity Research Analysis activities.

Analyst Certification

I, Akash Jain MBA (Financial Markets), research analyst, author and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. I also certify that no part of compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view (s) in this report.

For research related queries contact:

Mr. Akash Jain – Vice President (Research) at, research@ajcon.net

CIN:L74140MH1986PLC041941

SEBI registration Number: INH000001170 as per SEBI (Research Analysts) Regulations, 2014.

Website: www.ajcononline.com

Registered and Corporate office

408 - (4th Floor), Express Zone, "A" Wing, Cello – Sonal Realty, Near Oberoi Mall and Patel's, Western Express Highway, Goregaon (East), Mumbai – 400063. Tel: 91-22-67160400, Fax: 022-28722062