

Indian equities rally; auto ancillary companies outperform..

- 1) Benchmark indices rallied today on positive global cues. Better-than-expected Chinese export data lifted global equities.
- 2) The S&P Sensex rallied by 397 points, or 0.76 per cent, to end at 52,770 levels. The Nifty50, on the other hand, ended above the psychological level of 15,800 at 15,812, up 120 points or 0.76 per cent. ICICI Bank, HDFC, Axis Bank, Sun Pharma, and NTPC were the top gainers on the frontline S&P BSE Sensex.
- 3) In the broader markets, the BSE MidCap index ended flat while the BSE SmallCap index was up by 0.4 per cent.

Index	Today's Close	Prev. close	Change	% change	Open	High	Low
Sensex	52,769.73	52,372.69	397.04	0.76	52,694.89	52,806.86	52,545.68
Nifty	15,812.35	15,692.60	119.75	0.76	15,794.00	15,820.80	15,744.60

Sectors and stocks

- 1) Shares of auto ancillary companies, including auto parts & equipment producers and tyre manufacturers, were in focus on the bourses on Tuesday with six stocks hitting 52-week highs while two stocks - Minda Corporation and Minda Industries -- touched their respective record highs on the BSE. Individually, Rane Brake Linings rallied by 20 per cent to Rs. 1,144 on the BSE in the intra-day trade, followed by Rane (Madras) by 14 per cent to Rs. 457, Rane Holdings (12 per cent at Rs. 743), LG Balkrishnan & Bros (10 per cent at Rs. 499) and Minda Corporation (8 per cent at Rs. 136).
- 2) Shares of SML Isuzu and Force Motors continued to rally on healthy set of sales numbers for the quarter ended June 2021 and improved demand outlook, hitting their respective fresh 52-week highs on the BSE in the intra-day trade on Tuesday. Thus far in the month of July, these stocks have witnessed rally 47 per cent and 39 per cent, respectively.
- 3) SML Isuzu rallied 15 per cent to Rs 692 in the intra-day trade today, having surged 38 per cent in the past two trading days. The company reported 39 per cent year on year (YoY) jump in its total sales at 258 units for the month of June, as compared to 186 units sold during the same month of last year. For April-June quarter (Q1FY22), total sales grew 302 per cent YoY at 812 units as against 202 units in Q1FY21. SML Isuzu is a manufacturer of commercial vehicles such as vans, lorries, over-the-road tractors for semi-trailers etc. "With enhanced focus of the government on improving the healthcare facilities across the country, demand for ambulances is likely to increase further. However, as schools & educational institutions are still closed and tourism activities not expected to pick-up soon, demand for the buses may take some more time to revive. During FY2021-22, Bus segment is expected to grow 80-85 per cent, although on a significant lower base (19,400 sales volume achieved during FY 2020-21 against 85,800 previous fiscal)," SML Isuzu said in FY2020-21 annual report.
- 4) Force Motors hit a fresh 52-week high of Rs. 1,706.25, up 4 per cent on the BSE in the intra-day trade today. The stock has rallied 27 per cent in the past three trading days. The company's total auto sales more-than-doubled or rose 124 per cent YoY to 1,925 units in June 2021. The car and utility vehicles company had sold a total of 860 units in June 2020. On a month-on-month (MoM) basis, the total sales grew 32 per cent from 1,460 units sold in May 2021. While the company's domestic sales increased 107 per cent to 1,501 units, exports sales jumped by 216 per cent to 424 units in June 2021 over the same month of the previous year. Compared with May 2021, the company's domestic sales and exports have increased by 15 per cent and 175 per cent, respectively. Force Motors is engaged in the manufacturing of light commercial vehicles and utility vehicles and engines. It is an automobile company, with a focus on design, development and manufacture of a range of automotive components, aggregates and vehicles.
- 5) Shares of SBI Life Insurance (SBIL) hit a record high of Rs 1,049.85, up 1.5 per cent on the BSE in the intra-day trade on Tuesday. The stock of the insurance company surpassed its previous high of Rs 1,040, touched on May 7, 2021. In the past three months, SBIL has beaten the market by gaining 16 per cent, as compared to an 8



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per cent rise in the S&P BSE Sensex. In January-March quarter (Q4FY21), SBIL had reported 31.1 per cent year-over-year (YoY) increase in gross premium to Rs. 15,647 crore in Q4FY21, driven by a strong growth in new business premium (NBP) as well as renewal premium. Net premium income (net of reinsurance) grew 31.1 per cent YoY to Rs 15,556 crore million in the quarter.

- 6) Kitex Garments hit 10 per cent upper circuit at Rs. 185.50 today, having rallied 63 per cent in the past four trading days, on the back of heavy volumes. The stock of Kitex Garments, one of the world's leading infant apparel manufacturers, has rallied by more than 60 per cent in four days after the company announced a Rs. 1,000 crore investment in Telangana. Kitex Garments is in the business of manufacturing and exporting garments. The company manufactures different types of garments such as hosiery shirts, pants, jackets, innerwear and outerwear. The company also exports infant and children's wear and jackets to the United States.

Key recent major developments..

- 1) Global rating agency Standard and Poor's affirmed India's sovereign rating at "BBB-" and maintained a stable outlook on the gradual recovery in the economy. India's recovery will gain pace through the second half of fiscal 2022 and into the following year, helping stabilise the country's overall credit profile, S&P said in a statement. But it warned that the country's fiscal settings are weak, and deficits will remain elevated ahead even as the government undertakes some consolidation. The country's strong external settings help buffer the risks associated with the government's high deficits and debt stock. India's economy is gradually recovering from a deep contraction in fiscal 2021 (year ended March 31, 2021) and a subsequent severe second wave of Covid-19. "We expect real GDP growth to rebound to 9.5% in fiscal 2022 on continued normalization of activity and progressively higher vaccination rates," the rating agency said.
- 2) The Consumer Price Index (CPI) or retail inflation slightly eased to 6.26 per cent in June which was above RBI's tolerance level. The retail inflation during the month of May stood at 6.30 per cent.
- 3) Index of Industrial Production (IIP) or the factory output, grew by 29.27 per cent on yoy basis in May 2021 .
- 4) Last week, the Finance Ministry said the economy has started showing signs of revival from the impact of the second wave of the COVID-19 pandemic on the back of targeted fiscal relief, monetary policy and a rapid vaccination drive. The broad-based economic relief package, extended to mitigate the second wave, amounted to Rs. 6.29 lakh crore. RBI continues with its efforts to calm the nerves of the market and revive sectors with both backward and forward linkages and multiplier effects on growth, the ministry said in its monthly economic review. To stimulate the economy and ease the financial impact of the coronavirus pandemic and lockdown, Finance Minister Nirmala Sitharaman last month announced eight economic measures amounting to Rs. 6.29 lakh crore to provide relief to individuals as well as businesses in the country. Apart from eight relief measures announced in health and other worst affected sectors, Sitharaman announced a stimulus package for the tourism industry, which included five lakh tourist visas to be issued free of charge, once the government resumes issuance. The total financial implication of the scheme will be Rs. 100 crore. Resilient tax collections of the central government in the first two months of FY21 and sustained momentum in capital expenditure, particularly in the road and rail sector, the report said, augurs well for continued economic recovery driven by capital expenditures. The report further added that the recently announced economic relief package was expected to further oil the wheels of the Capex cycle via implementation of the PLI scheme and streamlining of processes for PPP Projects and Asset Monetisation.
- 5) Earlier, Fitch Ratings cut India's growth forecast to 10 per cent for the current fiscal, from 12.8 per cent estimated earlier, due to slowing recovery post second wave of COVID-19, and said rapid vaccination could support a sustainable revival in business and consumer confidence. In a report, the global rating agency said the challenges for banking sector posed by the coronavirus pandemic have increased due to a virulent second wave in the first quarter of the financial year ending March 2022 (FY22). "Fitch Ratings revised down India's real GDP for FY22 by 280bp to 10 per cent, underlining our belief that renewed restrictions have slowed recovery efforts and left banks with a moderately worse outlook for business and revenue generation in FY22," it said. Fitch believes that rapid vaccination could support a sustainable revival in business and consumer confidence; however, without it, economic recovery would remain vulnerable to further waves and lockdowns.
- 6) Goods and services tax collections fell below the Rs. 1-trillion mark for the first time in nine month in June, 2021 to a 10-month low, as economic activity got disrupted due to the second Covid-19 wave, official data showed. However, the collections are better than expected and will provide a cushion to the government to ramp up spending, going forward. GST collection stood at Rs. 92,849 crore in June compared with Rs 1.02 trillion the previous month and a record high of Rs. 1.41 trillion in April, data released by the ministry of finance showed on Tuesday. These figures pertain to transactions done in May, but collected in June. The collections in May are 2.1 per



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cent higher than the corresponding month of last year when the national unlocking process began after two months of intense movement curbs due to the pandemic. Meanwhile, May 2021 saw localised lockdowns across the country due to the devastating second wave. The collections in June are on expected lines as e-way bill generation, which indicates supply in the economy, declining to a one year low level average of 1.2 million per day in May.

- 7) India's domestic factory orders and production contracted to an 11-month low in June as measures to contain the coronavirus put manufacturing into "reverse gear". The IHS Markit India Manufacturing Purchasing Managers' Index (PMI) slipped to 48.1 in June from 50.8 in May and 55.5 in April. This was, for the first time since July 2020, below the critical no-change mark of 50. "The intensification of the Covid-19 crisis in India had a detrimental impact on the manufacturing economy. Growth of new orders, production, exports and input purchasing was interrupted in June as containment measures aimed at bringing the pandemic under control restrained demand. In all cases, however, rates of contraction were softer than during the first lockdown," said Pollyanna De Lima, Economics Associate Director at IHS Markit.

Global markets

- 1) Asian equities continued to remain upbeat on Tuesday led by positive China's export data. Earlier, China's central bank announced Friday a 50 basis points cut in its reserve requirement ratio for all banks.
- 2) Earlier, growth in China's factory activity dipped to a four-month low in June, weighed by higher raw material costs, a global shortage of semiconductors and a resurgence of COVID-19 cases in the major export province of Guangdong. The official manufacturing Purchasing Manager's Index (PMI) eased slightly to 50.9 in June versus 51.0 in May, data from the National Bureau of Statistics showed on Wednesday. It, however, exceeded analysts' forecast for a slowdown to 50.8. It remained above the 50-point mark that separates growth from contraction on a monthly basis. The world's second-largest economy has largely recovered from disruptions caused by the COVID-19 pandemic, but Chinese manufacturers are grappling with new challenges from higher raw material costs to global supply chain bottlenecks. An outbreak of coronavirus infections in China's major export province of Guangdong has also disrupted shipments. Factory output in South Korea and Japan on Wednesday showed unexpected signs of slowdown, in part due to production disruptions in the auto sector from chip shortages.
- 3) The US Fed has given signs that it will begin to taper its asset purchases programme as soon as this year. Earlier, US added a solid 850,000 jobs as economy extends its gains. The report from the Labor Department was the latest sign that the reopening of the economy is propelling a powerful rebound from the pandemic recession. Restaurant traffic across the country is nearly back to pre-pandemic levels, and more people are shopping, traveling and attending sports and entertainment events. The number of people flying each day has regained about 80 percent of its pre-COVID-19 levels.
- 4) European Union economies are set to rebound by their highest rates in decades as coronavirus restrictions ease, but still face risks posed by COVID-19 variants and concerns over inflation, the EU's executive branch said Wednesday. The European Commission's 2021 summer forecasts predict that the economies in the 27-nation EU, and among the 19 countries using the euro single currency, are expected to expand by 4.8% this year, around half a percentage point higher than foreseen under the previous forecast. Real gross domestic product is expected to return to its pre-coronavirus crisis level in the last quarter of this year. Growth in 2022 is predicted to hit 4.5%. The commission puts its increasing optimism down to the fact that economic activity early this year has exceeded expectations, and due to the impact of coronavirus vaccine strategy, which has led to falling numbers of new infections and hospital admissions. The EU economy is set to see its fastest growth in decades this year, fuelled by strong demand both at home and globally and a swifter-than-expected reopening of services sectors since the spring, Economy Commissioner Paolo Gentiloni said. But he warned that the EU must redouble our vaccination efforts, building on the impressive progress made in recent months: the spread of the delta variant is a stark reminder that we have not yet emerged from the shadow of the pandemic.

Ajcon Global's observations and view

- 1) Indian benchmark indices were in positive terrain supported by positive global cues. Factors like positive China's export data, positive US employment data and other positive US economic indicators, rally in commodities, unlock in major states of the country led by significant decline of COVID-19 cases in the second wave with recoveries surpassing new cases by a big margin on a daily basis, vaccination drive going strongly, positive GDP figure, strong Q4FY21 result by majority of the Companies with good management commentary for the future are supporting sentiments. 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. However, concerns like spread of new variants of COVID-19 in many countries, high inflation and rising crude oil prices act as headwinds.



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- 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 38.14 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) It is advisable for investors to look out for stock specific opportunities. After strong run up in May and last few weeks; some profit booking is warranted which is being witnessed in large caps. We believe intermediate corrections will keep markets healthy. Investors will track global cues, crude oil prices, Q1FY22 earnings season, ongoing monsoon, economic data like IIP numbers and CPI, vaccination drive and economic activity and COVID-19 cases in Unlock phase for further direction.



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