

Benchmark indices end in green; midcaps and smallcaps continue to rally..

1. Domestic equity indices ended in green after being range-bound throughout the day on Tuesday. Positive global mood and a steady decline in Covid-19 cases in the country supported sentiment. An across-the-board buying lifted benchmarks to new lifetime highs in early deals today where the S&P BSE Sensex touched 52,869.5 levels while the Nifty50 index surpassed the 15,900-mark to quote at 15,902.
2. The BSE Sensex was up by 221 points or 0.4 percent to end at levels of 52,773. The 50-share index, on the other hand, was at 15,869 levels, up 57 points or 0.36 per cent.
3. Asian Paints, Axis Bank, ICICI Bank, Britannia Industries, SBI Life, and Indian Oil Corporation ended the day as the top gainers, up between 1 per cent and 3 per cent. Divis Labs, Coal India, Hindalco, Bajaj Finserv, Sun Pharma, and Dr Reddy's Labs, meanwhile, were the top laggards, down up to 1.6 per cent.
4. In the broader markets, the BSE MidCap index settled the day 0.6 per cent higher amid gains in GMR Infra, Future Retail, Whirlpool of India, and Crisil. The BSE SmallCap index too gained 0.4 per cent propelled by gains in Srei Infra, Reliance Industrial Infrastructure, Insecticides, and Action Construction Equipment.
5. Sectorally, the Nifty Pharma, PSU Bank, and Metal indices were the losers on the NSE, down 0.8 per cent, 0.26 per cent, and 0.05 per cent, respectively. On the upside, the Nifty Media index (up 2 per cent) and the Nifty Realty index (up 1.3 per cent) were the top gainers.

Index	Today's Close	Prev. close	Change	% change	Open	High	Low
Sensex	52,773.05	52,551.53	221.52	0.42	52,751.83	52,869.51	52,671.29
Nifty	15,869.25	15,811.85	57.40	0.36	15,866.95	15,901.60	15,842.40

Sectors and stocks

1. Shares of CARE Ratings hit a 52-week high of Rs. 696 after they rallied 16 per cent on the BSE in intra-day trade on Tuesday. In the past three days, the scrip has surged 22 per cent after the company reported a strong set of numbers for the March quarter (Q4FY21). For the fourth quarter of the financial year 2020-21 (Q4FY21), CARE Rating's consolidated net profit rose by 69 per cent year-on-year (YoY) to Rs 26.49 crore as against Rs 15.68 crore in Q4FY21. Total income increased by 16.14 per cent YoY from Rs. 73.41 crore to Rs. 85.25 crore during the quarter under review. The company expects some scope for ratings after the Reserve Bank of India (RBI) introduced some measures in the Covid-19 relief package. "At the macro level, the RBI did introduce measures to enhance liquidity in the system through TLTROs to provide a boost to specific sectors like NBFCs and SMEs. There was also a one-time restructuring scheme (OTR) which was introduced that provided some scope for ratings," CARE Ratings said in a press release. CARE Ratings is a full-service rating company in India. The company's list of clients includes banks and other financial institutions, private sector companies, central public sector undertakings, sub-sovereign entities, small and medium enterprises (SMEs) and microfinance institutions, among others. CARE Ratings' wholly-owned subsidiaries include CARE Advisory Research & Training (CART) and CARE Risk Solutions Pvt Ltd (CRSPL). In the global arena CARE Ratings is a partner in ARC Ratings, an international credit rating agency.
2. Shares of Newgen Software Technologies rallied by 12 per cent, hitting a new high of Rs. 511.55, on the BSE in intra-day trade on Tuesday after more than 10 per cent of the company's equity changed hands on the counter. The stock of the information technology (IT) consulting & software company surpassed its previous high of Rs 464, touched on Monday. As of March 31, 2021, the promoters of Newgen Software held 65.73 per cent stake in the company. Among public shareholders, foreign portfolio investors held 14.63 per cent holding, followed by individual shareholders (9.95 per cent), mutual funds (3.74 per cent) and alternative investment funds (3.11 per cent), shareholding pattern data shows. Newgen Software Technologies is a leading provider of digital automation platform. Globally, successful financial institutions, insurance, government, and shared services organizations rely on Newgen's industry-recognized products and applications—to manage their processes (BPM), content (ECM), and communications (CCM)—for connected operations. In the past one month, the stock has surged 56 per cent after the company reported a strong 48.9 per cent sequential growth in consolidated profit after tax at Rs 52.7 crore, on back of strong revenue growth, for the March quarter of FY21. Consolidated revenue from operation grew 7.8 per



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cent at Rs. 200 crore as compared to Rs. 185.5 crore in Q3FY21. In FY'21, the company continued to witness business momentum with expanded customer engagements and addition of 67 new logos under company's umbrella. US region is now largest revenue contributor recording a growth of 16 per cent this year, with significant customers on cloud, the management said. The company accelerated performance in Banking & Financial Services, Government/PSU, and Insurance verticals with increased demand for digital transformation initiatives in these sectors. The company also said that it entered into a large transformation deal for a leading public sector bank in India during the quarter.

3. Shares of Deepak Fertilisers & Petrochemicals Corporation continued its upward journey and hit a fresh 52-week high of Rs. 474.65 after rallying 6 per cent on the BSE in intra-day trade on Tuesday. The stock of the commodity chemicals company was trading higher for the seventh straight day. In the past one week, it has rallied by 52 per cent, as compared to 0.81 per cent rise in the S&P BSE Sensex. In the past six months, it has soared nearly 190 per cent, against 14 per cent rally in the benchmark index. The stock was trading close to its record high level of Rs. 485, touched on November 3, 2017. Robust Marketing Services Private Limited, one of the promoters of Deepak Fertilisers, acquired 93,000 equity shares, or 0.09 per cent stake, of the company worth Rs 2.75 crore via open market between June 3, 2021 and June 7, 2021, the exchange data shows. For the January-March quarter (Q4FY21), Deepak Fertilisers reported five-fold jump in consolidated net profit at Rs 116 crore against Rs 23 crore in Q4FY20. The company's operating revenue grew 21.8 per cent year-on-year (YoY) at Rs 1,575 crore from Rs 1,293 crore in a year ago quarter. EBITDA (earnings before interest, taxes, depreciation, and amortisation) margins improved 809 basis points (bps) to 17.3 per cent from 9.2 per cent. The company said the demand for LDAN improved in Q4FY21 inline with the improvement seen in the demand for cement and steel related sector in the domestic market. The global specialty chemical value chains moving from China to India boosting nitric acid demand and prices in India, it said. The Government of India recently announced huge hike in fixed subsidies shall help to neutralize this increase in raw material cost. Thus, avoiding disruption in demand and smoothening of margins over a period. The management said by going forward, the available head room in capacities provides for good growth upside potential in the years ahead.

Key recent major developments..

- 1) Wholesale inflation in the country touched a significant high of 12.94 percent in May, as the constant rise in cost of fuel, including petrol, LPG and high speed diesel percolated down into the economy and a low base effect pushed up figures. Measured by the Wholesale Price Index (WPI), wholesale inflation in India began FY22 with a major rise. It had already spiked in the previous month of April when it reached 10.94 percent, up from March's 7.39 percent, and February's 4.17 per cent. The pace of inflation has now accelerated for the fifth-month in a row.
- 2) India's retail inflation shot up to six-month high of 6.3 per cent in May, after easing to a three-month low of 4.23 per cent in April, according to the government data released on Monday. Inflation, based on Consumer Price Index (CPI), has breached the Reserve Bank of India's (RBI) target range for the first time after five months.
- 3) 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.
- 4) 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



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confirm a V-shaped recovery in India's economic prospects in the second half of the year, after an unprecedented Covid-19 induced contraction.

- 5) 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.
- 6) 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.
- 7) 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.
- 8) 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.
- 9) 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.
- 10) 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).
- 11) 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) Global equities hit yet another record high on Tuesday, with European stocks poised for their longest winning streak since 2019 as investors bet likely "transitory" inflation pressures will stay the US Federal Reserve's hand from signalling a shift in policy settings.
- 2) Abating worries about inflation helped US and European shares scale new highs, with the pan-regional STOXX 600 rising 0.4 per cent. In Asia, the MSCI's broadest index of Asia-Pacific shares outside Japan trading flat. Japan's Nikkei rose 1 per cent and the Australian benchmark traded up 0.93 per cent, but Chinese blue chips fell 1.1 per cent.



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- 3) Data published on last 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.
- 4) 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.
- 5) 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.
- 6) 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, action was witnessed in midcaps and smallcaps space. The overall sentiments continue to remain good despite rise in inflation. Positive factors like significant decline of COVID-19 cases in the second wave with recoveries surpassing new cases by a big margin 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 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.
- 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 25.90 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.
- 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) We recommend investors to look out for stock specific opportunities. We are in the fag end of the result season and majority of states have Unlocked. Investors will track global cues, economic activity and COVID-19 cases in Unlock phase.



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