

Indian benchmark indices end in red led by hawkish tone of US Fed; liquor stocks rally..

- 1) Profit booking continued on Thursday owing to a hawkish tone by the US Federal Reserve -- where it guided for two potential rate hikes in 2023 -- crushed equities across the globe on Thursday as investors feared global central banks may hike rates sooner than expected. US Treasury yields gained overnight and dollar strengthened against the rupee to its highest level in six weeks, hammering equity prices on Dalal Street. This comes on the day of weekly F&O expiry, adding to the overall volatility.
- 2) The S&P BSE Sensex fell by 484 points from the day's high and hit a low of 52,040. However, it ended at 52,323 levels, down 179 points or 0.34 per cent. On the NSE, the Nifty50 index breached below its immediate support of 15,650 and hit a low of 15,616. It recovered marginally to end at 15,691 levels, down 76 points or 0.48 per cent.
- 3) In the broader markets, the BSE MidCap index fell by 1.3 per cent while the BSE SmallCap index slipped 0.58 per cent.
- 4) Sectorally, the Nifty Metal index slipped 2 per cent, followed by the Nifty Realty index (1.6 per cent) and the Nifty PSB and Auto indices (around 1.5 per cent each). The Nifty FMCG and IT indices, on the other hand, gained 0.14 per cent and 0.57 per cent, respectively.
- 5) Shares of breweries and distilleries were on euphoric mode, with Globus Spirits, Radico Khaitan and Associated Alcohols & Breweries hitting their respective highs. The stocks rallied up to 20 per cent on the BSE in intra-day trade on Thursday, in an otherwise weak market, on the back of strong earnings and expectation of rising demand for premium and high-price alcohol. United Breweries, United Spirits, Pioneer Distilleries and Som Distilleries & Breweries were trading higher in the range of 1 per cent to 3 per cent

Index	Today's Close	Prev. close	Change	% change	Open	High	Low
Sensex	52,323.33	52,501.98	178.65	0.34	52,122.25	52,523.88	52,040.51
Nifty	15,691.40	15,767.55	76.15	0.48	15,648.30	15,769.35	15,616.75

Sectors and stocks

- 1) Shares of Gujarat Gas Company continued its rally, hitting a new high of Rs. 674.80 after they advanced 6 per cent on the BSE in intra-day trade on Thursday. In the past four weeks, the stock of the integrated oil and gas firm has rallied 32 per cent after the company reported a strong set of numbers for the quarter ended March (Q4FY21). In comparison, the S&P BSE Sensex is up 5.6 per cent during the same period. The company's gas sales volume has shown a robust growth trajectory during the quarter under review. The management said the restrictions imposed to curb the outbreak of recent Covid-19 wave had an impact in the natural gas demand mainly from CNG, industrial and commercial categories. As restrictions are being lifted gradually in many of company's operating areas, natural gas demand is likely to improve. The company's gas sales volume till date in the FY22 stands close to 10 mmscmd as against average gas sales of 9.39 mmscmd in FY21, it said.
- 2) Shares of Globus Spirits hit a new high of Rs 531, and shares were locked in the 20 per cent upper circuit on the BSE. In the past four days, the stock has rallied 36 per cent after reporting an over two-fold jump in consolidated profit after tax (PAT) at Rs 50.63 crore in the March quarter (Q4FY21), on the back of strong revenue. It had posted a PAT of Rs 19.35 crore in the year-ago quarter. Ebitda margin grew by over 1,140 bps YoY to 24.9 per cent in Q4FY21 from 13.5 per cent in Q4FY20 on account of a higher share of consumer business and better realisations on ENA (Extra Neutral Alcohol) and ethanol. The company said higher Ebitda margin coupled with lower finance cost drove profitability at PBT level. Globus Spirits is the largest grain-based ENA manufacturer in India with a capacity of 160 million litres. The company has a presence in Rajasthan, Haryana, Bihar and West Bengal. Meanwhile, in the past two days, Franklin Strategic Emerging Markets Fund IV has sold 799,000 shares, representing a 2.7 per cent stake, of Globus Spirits through a bulk deal on the National Stock Exchange (NSE). The name of the buyers could not be ascertained immediately.



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- 3) Shares of Radico Khaitan rallied by 10 per cent to Rs. 803, having surged 48 per cent in the past one month. In Q4FY21, the company reported a strong volume performance, led by a 15 per cent growth in the Prestige and Above category during the quarter. Net revenue from operations grew by 18.7 per cent YoY at Rs 695 crore during the quarter. Ebitda margin expanded by 107 bps from 13.6 per cent to 14.8 per cent in Q4FY21. PAT jumped 91 per cent YoY to Rs 73.55 crore during the quarter under review. The company is on the course of its plan for the launch of more brands in the premium brown spirits space during FY2022.
- 4) Shares of Associated Alcohols & Breweries (AABL) too rallied 10 per cent to Rs 498, hitting a record high in intra-day trade. AABL has diversified business segments, from manufacturing and supply of ENA to contract manufacturing for Diageo -USL, to manufacturing and marketing of licensed brands, as well as IMIL and 6 IMFL brands.

Key recent major developments..

- 1) The direct tax collections for FY22, as on June 15, 2021 show that net collections are at Rs. 1.85 trillion as compared to Rs. 92,762 crore over the corresponding period of the preceding year, representing an increase of 100.4% over the collections of the preceding year. The net direct tax collections include Corporation Tax (CIT) at Rs. 74,356 crore (net of refund) and Personal Income Tax (PIT) including Security Transaction Tax (STT) at Rs. 1.11 trillion (net of refund), said Ministry of Finance on Wednesday. The gross collection of direct taxes (before adjusting for refunds) for FY22 stands at Rs. 2.16 trillion as compared to Rs. 1.37 trillion in the corresponding period of the preceding year. This includes Corporation Tax (CIT) at Rs. 96,923 crore and Personal Income Tax (PIT), including Security Transaction Tax (STT), at Rs. 1.19 trillion. Minor head wise collection comprises Advance Tax of Rs 28,780 crore, Tax Deducted at Source of Rs 1.56 trillion, Self-Assessment Tax of Rs. 15,343 crore; regular assessment tax of Rs 14,079 crore; dividend distribution tax of Rs 1,086 crore and tax under other minor heads of Rs. 491 crore. "Despite extremely challenging initial months of the new fiscal, the Advance Tax collections for the first quarter of the FY22 stand at Rs. 28,780 crore as against advance tax collections of Rs. 11,714 crore for the corresponding period of the immediately preceding financial year, showing a growth of approximately 146%. This comprises Corporation Tax (CIT) at Rs. 18,358 crore and Personal Income Tax (PIT) at Rs. 10,422 crore. This amount is expected to increase as further information is received from banks," the ministry said.
- 2) The Union Cabinet on Wednesday approved a Rs. 700 per bag hike in subsidy for DAP fertiliser and the increase will result in an additional cost of Rs. 14,775 crore to the exchequer. The hike is part of the government's effort to ensure that farmers get the key soil nutrient at old rates despite rise in global prices. After urea, Di-ammonium Phosphate (DAP) fertiliser is the most widely one in the country. Last month, the Centre decided to increase subsidy on DAP fertiliser by 140 per cent. The decision was taken at a high-level meeting chaired by Prime Minister Narendra Modi. Briefing the media, Minister of State for Chemicals and Fertilisers Mansukh Mandaviya on Wednesday said the Cabinet has approved increasing the subsidy amount for DAP fertiliser for the benefits of farmers.
- 3) 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.
- 4) 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.
- 5) 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.
- 6) 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



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(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.

- 7) 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.
- 8) 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.
- 9) 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.
- 10) 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.
- 11) 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.
- 12) 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).
- 13) 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 were under pressure on Thursday after the Federal Reserve indicated it might ease off economic stimulus earlier than previously thought.
- 2) In Asia, the Nikkei 225 was down by 0.9 per cent, South Korea's Kospi slipped by 0.4 per cent. China's Shanghai Composite Index, on the contrary, rose 0.2 per cent while Hong Kong's Hang Seng added 0.4 per cent.
- 3) In Europe, too, the pan-European STOXX 600 index was down 0.3 per cent, the UK's FTSE 100 lost 0.3 per cent, and Frankfurt's DAX was off less than 0.1 per cent. The CAC 40 in Paris also retreated 0.1 per cent.
- 4) On Wall Street, futures for the benchmark S&P 500 index and the Dow Jones Industrial Average were down 0.3 per cent. 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, profit booking continued led by hawkish tone in US Fed meet. Metal and interest rate sensitive stocks came under pressure. Metal stocks are under pressure as a report earlier said that China may release State reserves for Copper, Aluminum, and Zinc. 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 26.19 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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