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Market wrap **June 18, 2021**

Indian equities bounceback after significant fall earlier today; index heavyweights help in recovery of losses..

1) Indian benchmark indices declined by over 1 per cent in Friday's intra-day session but made a sharp V-shaped recovery to end the day little changed. Financials and metals exerted pressure on the bourses, even as gains in Reliance Industries, FMCG and select private bank stocks covered the initial losses in Index created by pressure in metals and financials stocks.

2) The S&P BSE Sensex fell 722 points intra-day but recovered to close 21 points, or 0.04 per cent, higher at 52,344 levels. The broader Nifty50 index, meanwhile, bounced back from the day's low of 15,451 to end at 15,683 levels, down 8 points or 0.05 per cent.

3) The correction was deeper in the broader markets where the BSE MidCap and SmallCap indices closed 0.70 per cent and 0.89 per cent down, respectively.

4) Overall, the market breadth was heavily skewed towards bears with the Advance to Decline ratio standing at 1:2. ONGC, Coal India, Power Grid, JSW Steel, UPL, NTPC, M&M, SBI, and Nestle India were the top laggards among the large-cap stocks while Mahanagar Gas, Ashok Leyland, SAIL, Canara Bank, Max Financial Services, Graphite India, HEG, Hindustan Copper, Affle India, and Wockhardt Pharma cracked in the mid-, and small-cap segments.

5) Sectorally, the Nifty PSU Bank declined nearly 2 per cent while the Nifty Auto, Metal, and Realty indices slipped up to 1 per cent each. On the upside, the Nifty FMCG index ended 0.29 per cent higher.

Index	Today's Close	Prev. close	Change	% change	Open	High	Low
Sensex	52,344.45	52,323.33	**21.12**	**0.04**	52,568.07	**52,586.41**	51,601.11
Nifty	15,683.35	15,691.40	**8.05**	**0.05**	15,756.50	**15,761.50**	15,450.90

Sectors and stocks

1) Shares of Hindustan Unilever (HUL) were up by 2 per cent to Rs. 2,457.90 on the BSE in intra-day trade on Friday, in an otherwise weak market, on a positive outlook. The stock of the fast-moving consumer goods (FMCG) company was trading close to its 52-week high level of Rs. 2,504.30, touched on April 13, 2021. It was trading higher for the fourth straight days. In the past four days, Hindustan Unilever has outperformed the market by gaining 4 per cent, as compared to a 1.2 per cent decline in the benchmark index. With various parts of India progressively opening up, the management of Hindustan Unilever believes the impact from the second COVID wave would have peaked in May 2021 and things will progressively get better. The outlook from June 2021 onwards is positive, barring the emergence of a third COVID wave. An uptick in GDP growth will likely percolate to consumer demand and accelerate penetration growth, premiumisation and shift to branded in key FMCG categories. Thus, absolute FMCG earnings growth too could accelerate in such an environment, even though relative performance appears weaker on earning growth.

2) Shares of Anil Dhirubhai Ambani Group (ADAG) company Reliance Infrastructure (RInfra) hit an over two-year high of Rs. 105.90, up 5 per cent on the BSE in intra-day trade on Friday. The stock of the electric utility company was quoting at its highest level since May 30, 2019, and crossed the Rs 100-mark after a gap of over two years. In the past one month, the stock of RInfra has rallied 105 per cent, as compared to a 1 per cent decline in the S&P BSE Sensex. In the last two months, it has rallied 221 per cent as against a 9 per cent rise in the benchmark index. The stock had hit an all-time low of Rs 8.65 in March 2020 and a record high of Rs 2,632 in January 2008. RInfra is one of the largest infrastructure companies, developing projects through various Special Purpose Vehicles (SPVs) in several high growth sectors such as power, roads and metro rail in the infrastructure space and the defence sector. On Sunday, June 13, 2021, the board of RInfra approved the subscription of preferential issue of up to 595 million equity shares and up to 730 million warrants convertible into an equivalent number of equity shares of Reliance Power, by conversion of outstanding debt including interest aggregating up to Rs 1,325 crore. Shareholding of Reliance Infra and promoter group in Reliance Power will increase to around 25 per cent after the issue of equity shares and will further increase to over 38 per cent post-conversion of warrants. Reliance Power has one of the

largest portfolios of power projects in the private sector in India, based on coal, gas and renewable energy, with an operating portfolio of 5,945 megawatts.

3) Shares of SBI Cards and Payment Services declined by 6 per cent to Rs. 984 on the National Stock Exchange (NSE) in intra-day trade on Friday after nearly 7 per cent of the company's total equity changed hands on the NSE and BSE.

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 hike in subsidy for DAP fertiliser of Rs. 700 per bag 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 gets 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) 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.

7) 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.

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 accelem rated 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 centhas been estimated based on provisional estimates for FY21 GDP of Rs 197.46 trillion. The Centre had revisedits 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 re-ceipts (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 were trading below record highs on Friday after investors becoming clueless after the US Federal Reserve's hawkish stance.

2) In Asia, MSCI's broadest index of Asia-Pacific shares outside Japan was flat after falling for four sessions. Chinese blue-chip A shares were also little changed, along with Japan's Nikkei.

3) European equities were also under pressure led by a hawkish policy outlook from the US Federal Reserve. The pan-European STOXX 600 index was down 0.2 per cent while Germany's DAX index fell 0.3 per cent.

Ajcon Global's observations and view

1) Today, Indian benchmark indices witnessed a gap down opening followed by good decline due to negative global cues after hawkish tone in US Fed m.eet. However, index heavyweights like Reliance Industries, HUL, Bharti Airtel and select private banks helped rescue the index from losses. Metal stocks continue to be under pressure since the time a report 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 26.89 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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