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YOUR FRIENDLY FINANCIAL ADVISORS

Market wrap **June 21, 2021**

Domestic bourses bounce back strongly after initial fall; select PSU Banks rally on privatisation buzz..

1) Early steep losses were covered by the bulls by broad-based buying. Barring the auto and IT pack, investors bought stocks from across sectors as bond yields in the US fell to 1.35 per cent while US stock futures indicated at a healthy session on Wall Street later in the day.

2) The benchmark S&P BSE Sensex and the Nifty50 indices hit the day's low of 51,740 and 15,506, respectively in early morning trade owing to weak global cues. However, buying at lower levels helped in smart recovery of losses. By close, the Sensex index was at 52,574 levels, up 230 points or 0.44 per cent. On the NSE, the Nifty50 index was at 15,746 levels, up 63 points or 0.4 per cent.

3) Nifty PSU Bank index rallied by nearly 4 per cent at 2,472.75 on the NSE, as compared to 0.21 per cent rise in the Nifty50 index.

Index	Today's Close	Prev. close	Change	% change	Open	High	Low
Sensex	52,574.46	52,344.45	**230.01**	**0.44**	51,887.55	**52,629.18**	51,740.19
Nifty	15,746.50	15,683.35	**63.15**	**0.40**	15,525.85	**15,765.15**	15,505.65

Sectors and stocks

1) Shares of Hindustan Unilever hit a fresh 52-week high of Rs. 2,522.25, up nearly 2 per cent on the BSE, in intra-day trade on Monday after the management said the outlook from June'21 onwards is likely to stay positive, barring the emergence of a third Covid-19 wave. The stock of the fast moving consumer goods (FMCG) giant, which was trading higher for the fifth straight day, surpassed its previous high of Rs 2,504.30, touched on April 13, 2021. It had hit a record high of Rs 2,614 on April 8, 2020. In the past one week, it has gained 6 per cent as compared to a per cent decline in the S&P BSE Sensex.

2) Shares of Central Bank of India and Indian Overseas Bank (IOB) were locked in 20 per cent upper circuit on the National Stock Exchange (NSE) on Monday on the back of heavy volumes amid media reports that the two financial institutions might be privatised. The stock of he Mumbai-based Central Bank was locked in upper circuit at Rs. 24.30 on the back of over two-fold jump in trading volumes. Shares of Chennai-based IOB hit a 52-week high of Rs. 23.60 on the NSE. The privatisation plan was announced in the Union budget for 2021-22 as a part of the government's broader divestment goals for FY22. It includes privatisation of several other non-financial state-owned entities and listing of the wholly-owned Life Insurance Corporation of India. Meanwhile, Jammu & Kashmir (J&K) Bank and Punjab & Sind Bank from the index rallied 20 per cent and 18 per cent, respectively. Bank of Maharashtra, Union Bank of India, Bank of India and Uco Bank were up in the range of 6 per cent to 8 per cent.

3) Shares of Centrum Capital rallied by 16 per cent and hit a 52-week high of Rs. 58.50 on the BSE in intra-day trade on Monday after Centrum Financial Services Limited (CFSL) received an "in-principle" approval from the Reserve Bank of India (RBI) to set up a Small Finance Bank (SFB). CFSL is step down subsidiary of Centrum Capital. Centrum Group, on Friday, said it has also received approval from the RBI to take over the troubled cooperative lender Punjab and Maharashtra Co-operative Bank Limited (PMC Bank). "The Reserve Bank of India (RBI) has today decided to grant "in-principle" approval to Centrum Financial Services Limited (the applicant) to set up a small finance bank under general "Guidelines for 'on tap' Licensing of Small Finance Banks in the Private Sector" dated December 5, 2019," RBI said in a press release on dated June 18, 2021. The RBI would consider granting a licence for commencement of banking business under Section 22 (1) of the Banking Regulation Act, 1949, on being satisfied that the applicant has complied with the requisite conditions laid down by RBI as part of "inprinciple" approval, RBI said. Centrum Capital, the holding entity for CFSL, and its partner BharatPe, a payments system company, will infuse Rs. 1,800 crore into the small finance bank and will get 120 days to commence operations. The consortium of Centrum and BharatPe had expressed an interest in taking over PMC Bank. Meanwhile, Centrum Capital said its board will meet on Tuesday, June 22, 2021, to consider a proposal for obtaining an enabling approval from the shareholders of the company, regarding the proposal of raising of funds through issue of

securities either by way of rights issue or by way of a private placement (including but not limited through a qualified institutional placement).

4) Shares of United Breweries were up by 6 per cent and hit a 52-week high of Rs. 1,455 on the BSE in intra-day trade on Monday on the back of heavy volumes. The stock of the breweries & distilleries company surpassed its previous high of Rs. 1,432.85, touched on June 8, 2021. In Q4FY21, United Breweries volumes grew across markets, excluding Telangana, Odisha and Delhi. North/West/East grew in double-digits, whereas growth in South was largely impacted by the steep decline in Telangana on higher Covid taxes. During the financial year 2020-21 (FY21), the United Breweries said it witnessed strong progressive demand recovery quarter by quarter. The various measures taken by management resulted in recovery of market shares in the second half of the year, improved underlying profitability and strong free operating cash flow results. With the onset of a second Covid wave at the start of FY21-22, the beer industry is again negatively impacted, and the outlook is volatile. Although the trajectory of Covid is unknown, confidence is derived from the trends after the first Covid wave, whereby consumer behavior towards beer consumption remained intact, the company said in FY21 annual report.

Key recent major developments..

1) More than 69 lakh vaccine doses were administered across the country till Monday evening on the first day of the revised guidelines for COVID-19 vaccination coming into effect, the Union Health Ministry said. It is the highest number of doses administered in a day since the vaccination drive started on January 16. India's cumulative COVID-19 vaccination coverage is now nearly 28.7 crore."Central Government is beginning the 'Free Vaccination For All campaign' for every Indian from today. The biggest beneficiary of this phase of India's vaccination drive shall be the poor, the middle class and the youth of the country. All of us should pledge to get ourselves vaccinated. Together we will defeat COVID-19," Prime Minister Narendra Modi said.

2) 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.

3) 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 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.

4) 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.

5) 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.

6) 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.

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

8) 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.

9) 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.

10) 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.

11) 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.

12) 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.

13) 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).

14) 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) Dow Jones Futures were up over 200 points, or 0.6 per cent, suggesting a positive start on Wall Street after sharp decline in the past week. The S&P 500 Futures and Nasdaq Futures, too, were up 21 points and 81 points, respectively.

2) The pan-European STOXX 600 index erased early losses to trade flat on the day while Britain's FTSE 100 was off 0.05 per cent in Euro zone.

3) In Asia, Japan's Nikkei led declines with a 3.6 per cent drop and dipped below 28,000 for the first time in a month, and MSCI's broadest index of Asia-Pacific shares outside Japan fell 1.4 per cent. Chinese blue chips lost 0.7 per cent.

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 overall sentiments were good after initial fall led by Asian counterparts being under pressure. Today, more than 69 lakh vaccine doses were administered across the country till Monday evening on the first day of the revised guidelines for COVID-19 vaccination coming into effect which lifted investor sentiments. Last week, there were concerns about Fed's rate hike talks that had put some pressure on Sensex and Nifty. In the preceding four weeks of US Fed meet, the Indian indices had rallied about 8 per cent.

2) 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 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.

3) 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 around 28.00 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.

4) 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.

5) It is advisable for investors to look out for stock specific opportunities. Investors will track global cues, ongoing monsoon, vaccination drive and economic activity and COVID-19 cases in Unlock phase.

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