

Investors book profits at higher levels; it is advisable to remain stock specific..

- 1) Benchmark indices snapped their three-day winning streak and ended half a per cent lower on Wednesday as investors booked profits led by a cut in India's CY21 growth forecast by rating agency Moody's. Moody's Investors Service on Wednesday slashed India's growth projection to 9.6 per cent for calendar year 2021, from its earlier estimate of 13.9 per cent, and said faster vaccination progress will be paramount in restricting economic losses to June quarter.
- 2) The S&P BSE Sensex index fell by 282.6 points or 0.54 percent to end at levels of 52,306 while the Nifty50 index ended at 15,687 levels, down 86 points or 0.54 per cent.
- 3) Maruti Suzuki, Titan Company, Bajaj Finserv, M&M, Ultratech Cement, Hero MotoCorp, and ONGC were the top gainers in the large-cap space while Adani Ports, Wipro, JSW Steel, Divis Labs, Shree Cement, L&T, Kotak Bank, and TCS were the top laggards.
- 4) Barring the auto segment, all other sectoral indices settled the session in the red with the Nifty Metal (1 per cent) and IT (0.87 per cent) indices nursing the steepest losses.
- 5) The broader markets came under pressure. BSE MidCap and SmallCap indices fell by 0.26 per cent and 0.43 per cent respectively led by fall in PNB Housing Finance, Central Bank of India, Indian Overseas Bank, Dhanlaxmi Bank, PNB Gilts, United Breweries and Adani Enterprises.

Index	Today's Close	Prev. close	Change	% change	Open	High	Low
Sensex	52,306.08	52,588.71	282.63	0.54	52,912.35	52,912.35	52,264.12
Nifty	15,686.95	15,772.75	85.80	0.54	15,862.80	15,862.95	15,673.95

Sectors and stocks

- 1) Shares of Godrej Agrovet hit a fresh 52-week high of Rs. 622.10 as they rallied 8 per cent on the BSE in Wednesday's intra-day trade after promoter Group, Godrej Industries, bought nearly 1 million shares of the company via open market purchases. With today's gain, stock of the agricultural products company has surpassed its previous high of Rs. 596, touched on May 12, 2021. On Tuesday, June 22, 2021, Godrej Industries purchased 976,047 shares, representing 0.51 per cent of total equity of Godrej Agrovet, worth of Rs 55.63 crore. The promoter bought these shares at price of Rs 570 per share via bulk deal on the BSE, exchange data shows.
- 2) Shares of Bharat Electronics (BEL) hit over three-year high of Rs. 166.45 after rallying 10 per cent on the BSE in intra-day trade on Wednesday after the company reported a strong set of numbers for the quarter ended March 2021 (Q4FY21). The stock of the state-owned defence company was trading at its highest level since February 2018. In Q4FY21, BEL reported 30.7 per cent year on year (YoY) jump in profit after tax (PAT) at Rs. 1,352 crore on the back of healthy revenue growth and operational performance. Revenues grew 19 per cent YoY at Rs. 6,908 crore, on the back of normalising supply chain and execution business operations. EBITDA witnessed YoY growth of 32.9 percent to Rs. 1,971 crore. Ebitda margin came in better than estimated at 28.5 per cent, improving around 300 basis points (bps) YoY. The company said it has a healthy order book position of Rs 53,434 crore as on April 1, 2021. We had recommended Bharat Electronics at Rs. 111.4 on December 08, 2020. The stock has seen a good rally of 49.54 percent from our recommended price.
- 3) Shares of Khadim India continued its rally in Wednesday's session and hit a fresh 52-week high of Rs. 286.50, up 19 per cent on the BSE in intra-day trade on expectation of improved earnings. The stock of the footwear company was trading at its highest level since September 2019. In the past one week, it has rallied by 51 per cent, as compared to a 0.14 per cent rise in the S&P BSE Sensex. The stock had hit an all-time low of Rs. 60.20 on March 20, 2020. In the January-March quarter (Q4FY21), the company's EBITDA and profit after tax (PAT) turned positive at Rs. 14.09 crore and Rs. 11.52 crore, respectively compared with losses in the corresponding quarter last year. Revenue from operations grew 70.7 per cent year-on-year (YoY) to Rs. 270 crore as against Rs. 158 crore in the



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year-ago quarter. Khadim India is the second largest footwear retailer in India and has the largest presence in East India. In Q4, the company focused on reducing inventory in retail and distribution business while also clearing dues of debtors. The retail business saw a healthy growth during the quarter. The company is expected to get back to its growth trajectory provided there is no further lockdown. The company said the distribution business continued its growth momentum. The gross margins for the quarter improved substantially in both retail and distribution verticals. The company has bagged an institutional order from the Education Department of Uttar Pradesh, worth Rs. 128 crore for supply of school bags.

Key recent major developments..

- 1) Moody's Investors Service on Wednesday slashed India's growth projection to 9.6 per cent for 2021 calendar year, from its earlier estimate of 13.9 per cent, and said faster vaccination progress will be paramount in restricting economic losses to June quarter. In its report titled 'Macroeconomics India: Economic shocks from second COVID wave will not be as severe as last year's', Moody's said high-frequency economic indicators show that the second wave of COVID-19 infections hit India's economy in April and May. With states now easing restrictions, economic activity in May is likely to signify the trough. "The virus resurgence adds uncertainty to India's growth forecast for 2021; however, it is likely that the economic damage will remain restricted to the April-June quarter. We currently expect India's real GDP to grow at 9.6 per cent in 2021 and 7 per cent in 2022," Moody's 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) 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 (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-



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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) 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).

Global markets

- 1) European equities were trading below record highs on Wednesday as inflation worries overshadowed data showing a rise in June business activity. The pan-European STOXX 600 slipped by 0.2 per cent, France's CAC 40 fell by 0.56 per cent, and Germany's DAX declined by 0.64 per cent.
- 2) Mood in the Asian market, however, was mixed where Japan's Nikkei closed 0.03 per cent down but South Korea's Kospi and China's Shanghai index gained 0.38 per cent and 0.25 per cent, respectively.
- 3) As regards the US market, Futures of all three main Wall Street indices were up in the range of 0.06 per cent to 0.16 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) Profit booking was witnessed at higher levels after Moody's cuts India growth forecast for 2021 to 9.6 percent from 13.9 percent earlier. Bulls have been in charge so far before today's profit booking led by positive factors like Unlock in major states led by significant decline of COVID-19 cases in the second wave with recoveries surpassing new



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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.

- 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 around 29.46 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) 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. Investors will track global cues, ongoing monsoon, vaccination drive and economic activity and COVID-19 cases in Unlock phase for further direction.



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