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Market wrap June 24, 2021

Indian equities end in green on F&O expiry day; IT and sugar stocks rally..

1) Indian equities came back strongly on June futures & options (F&O) expiry day. Rally in IT stocks helped benchmark indices to end over half a percent.

2) The S&P BSE Sensex was up by 393 points, or 0.75 per cent, to close at 52,699, while the broader Nifty50 index ended the session at 15,790, up 103 points, or 0.66 per cent. Infosys, TCS, and Tech Mahindra were the top Sensex gainers, while apart from RIL, Bharti Airtel and PowerGrid were the top laggards.

3) Reliance Industries, was the top Sensex laggard, falling 2.35 per cent even though the company's chairman Mukesh Ambani made a slew of announcements at the firm's 44th annual general meeting (AGM). In some major announcements, Ambani said that Yasir Al-Rumayyan, Chairman of Saudi Aramco and Governor of PIF, will join the Board of Reliance Industries as Independent Director. Besides, he said that Reliance Industries will invest Rs. 75,000 crore in new energy business over the next three years.

4) The Nifty sectoral indices were mixed, with the Nifty IT index, up 2.79 per cent, leading the gainers, while the Nifty PSU Bank index, down 1.4 per cent, bled the most.

5) The broader markets, meanwhile, underperformed their benchmark peers, with the S&P BSE MidCap and SmallCap indices ending 0.51 and 0.22 per cent lower, respectively.

Index	Today's Close	Prev. close	Change	% change	Open	High	Low
Sensex	52,699	52,306.08	**392.92**	**0.75**	52,514.57	**52,830.68**	52,385.05
Nifty	15,790.45	15,686.95	**103.50**	**0.66**	15,737.30	**15,821.40**	15,702.70

Sectors and stocks

1) Shyam Metalics and Energy (SMEL) made a strong debut on the bourses, with the stock listing at Rs. 380, a 24 per cent premium over its issue price of Rs. 306 per share, on the National Stock Exchange (NSE) on Thursday. On the BSE, the stock listed at Rs. 367, a 20 per cent premium over the issue price. However, it surged to Rs. 399, a 30 per cent premium against its issue price in intra-day deals. The Rs 909 crore initial public offering (IPO) had witnessed robust demand from investors as the issue was subscribed 121.4 times. The metal producer has fixed the price band of Rs 303-306 for the IPO. The issue saw stellar demand from most investor group. Qualified institutional buyers and non-institutional investors were the biggest subscribers to the issue as their portions were subscribed 156 times and 340 times, respectively. The portion kept aside for retail investors was also subscribed 11.6 times. SMEL is a long steel products and ferro alloy company based in Kolkata, with manufacturing plants at Sambalpur in Odisha, and Jamuria and Mangalpur in West Bengal. Of the net proceeds, Rs 470 crore will be utilized to repay or prepayment of debt availed by the company. Residual funds will be used for general corporate purposes," the company said in its draft red herring prospectus (DRHP).

2) Shares of sugar companies rallied up to 7 per cent on the BSE in intra-day trade on the back of a strong earnings outlook. Balrampur Chini Mills, Dhampur Sugar Mills, Avadh Sugar & Energy, Uttam Sugar Mills and Dalmia Bharat Sugar and Industries rallied more than 5 per cent each on the BSE. Dwarikesh Sugar Industries, Shree Renuka Sugars, Triveni Engineering & Industries and Bajaj Hindusthan Sugar, on the other hand, were up between 2 per cent and 5 per cent. Sugar industry is expected to benefit from, both, global and domestic factors. Tight global demand supply situation, favourable government policies and push for higher ethanol blending in India will keep the inventory under control. As more sugar mills sacrifice the production of sugar and graduate to the manufacture of ethanol, there is a possibility of the country's sugar production declining with consumption and production being evenly matched in three years, hardening sugar realisations. "The outlook for the distillery business appears positive. There is a greater government focus in increasing the blending of ethanol with automotive fuel, increasing to in excess 7.23 per cent today and likely to increase further following Brazil's example of 48 per cent," the management of Dwarikesh Sugar Industries said in its annual report for financial year 2020-21 (FY21).

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Key recent major developments..

1) Reliance Industries Chairman Mr. Mukesh Ambani on Thursday at its Annual General Meeting (AGM) announced a Rs. 75,000 crore investment in setting up four 'Giga' factories to make solar photovoltaic cells, green hydrogen, batteries and fuel cells over the next three years. Addressing the company's annual shareholder meeting, he said Reliance will set up 100 GW of solar power generating capacity, mostly through rooftop installations and de-centralised operations in villages. Indian government plans to expand its renewable energy capacity nearly five-fold to 450 gigawatts by 2030, as the nation aims to reduce its dependence on coal. India wants green energy sources to make up 40% of electricity generated by the end of this decade. Reliance will build solar manufacturing units, a battery factory for energy storage, a fuel cell-making factory and an electrolyser unit to produce green hydrogen as a part of the business. "We plan to build four Giga Factories to manufacture and integrate all critical components of new energy ecosystem solar photovoltaic module factory, energy storage battery factory, electrolyser factory, fuel cell factory," Ambani said. These four factories will involve an investment of Rs 60,000 crore. "We will invest an additional Rs 15,000 crore in the value chain, partnerships and future technologies, including upstream and downstream industries. Thus, our overall investment in the new energy business will be Rs 75,000 crore in 3 years," he said. "The age of fossil fuels, which powered economic growth globally for nearly three centuries, cannot continue much longer," he said.

2) 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.

3) 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.

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) 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.

11) 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).

Global markets

1) European equities were up on Thursday as investors focused on a steady economic rebound against the backdrop of fears of a tapering in global monetary stimulus, while technology stocks jumped following an overnight rally in their U.S. peers.

2) The pan-European STOXX 600 was up 0.6 per cent. German equities were up 0.5 per cent as data showed the business climate index rose again in June after hitting a two-year high last month, while nervousness over a Bank of England policy meeting on Thursday weighed on the FTSE 100.

3) 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) Indian equities came back strongly on F&O expiry day after being under pressure yesterday as Moody's slashed India growth forecast for 2021 to 9.6 percent from 13.9 percent earlier. Bulls have been in charge so far 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 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 30.16 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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