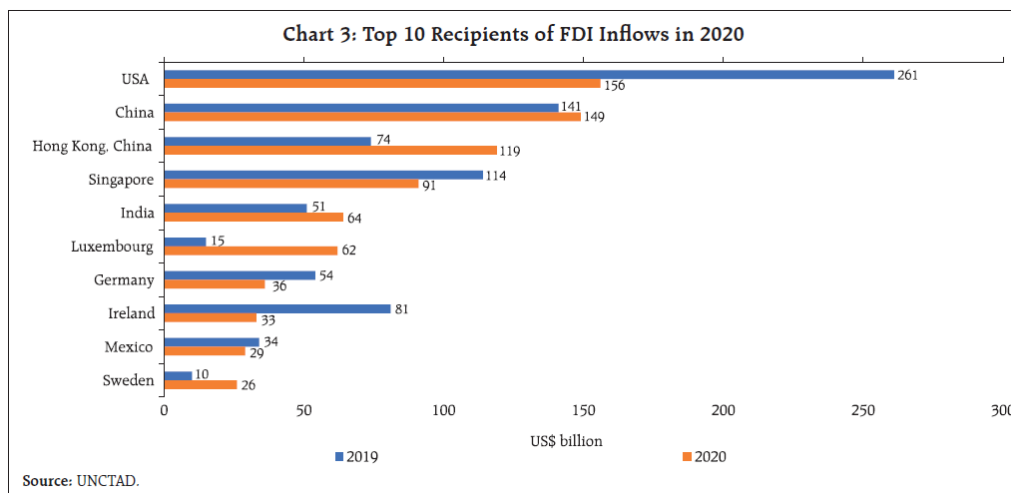


Globally and in India the recovery has been very robust, visible from improved PMI's, well above expansionary mode and improved jobs data, most of the high frequency data - viz: power consumption, e-way bills, GST collections and oil consumption - also point to improvements at the ground level for most businesses.

The Indian equity markets were range-bound during the month with no major global cues and the world grappling with the uncertainties of COVID & macro-economic issues emanating out of it and a two paced recovery across the developed economies and emerging economies, resulting in higher (transitory) inflation. Some of the central banks have already responded to higher inflation and raised rates while the rout developing in and from China could be the first case where they stop tip toing the footsteps of the Fed.

India will in all probabilities be the fastest economy over the next decade while the impact of QE re- balancing, as and when it starts, will need to be assessed, there remains no doubt regarding the attractiveness of India as a preferred investment destination for Global funds.

United Nations Conference on Trade and Development's (UNCTAD) World Investment Report 2021 (WIR) revealed that India became the fifth largest recipient of FDI inflows in the world in 2020. According to the UNCTAD, global FDI is set to recover some lost ground in 2021, with the Asian region expected to be the major recipient. India is marked as a significant beneficiary, with the PLI scheme identified as a game changer in attracting export-oriented investments that will underpin a rebound of FDI into Indian manufacturing. Already, gross FDI inflows have amounted to US\$ 32.0 billion in first five months of 2021 (January to May), close to 37% of the entire inflows in 2020.



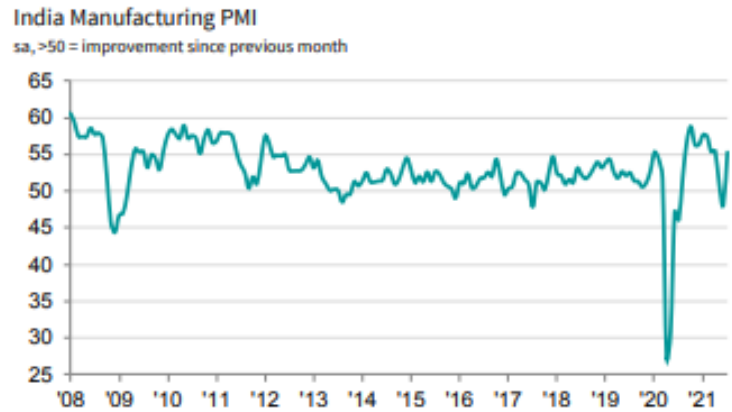
As we battle through, probably, the last wave of COVID, that may have the capacity to disrupt normal livelihood, we might be entering a very promising phase for the Indian economy, as the single source supply shock, unearthed by COVID, has created the need for having a duopoly in almost all major global supply chains and that should benefit India across many sectors and lay the foundation for playing catch-up with China with much better foundation and policies.

PMI- Sharp upturn

After slipping into contraction for the first time in 11 months during June, the seasonally adjusted IHS Markit India Manufacturing Purchasing Managers' Index (PMI) moved back above the critical 50.0 threshold in July. The headline figure was up from 48.1 to 55.3, pointing to the strongest rate of growth in three months. Factory orders rose amid reports of improved demand and the easing of some local COVID-19 restrictions.

The upturn was sharp and compared with a marked decline in June. Strengthening international demand contributed to the uptick in total order books. New export orders expanded markedly in July, following a moderate contraction in June.

Rising sales supported a recovery in output, which increased in July after falling for the first time in 11 months during June. The rate of production growth was sharp and outpaced its long-run average.



Source: IHS Markit.

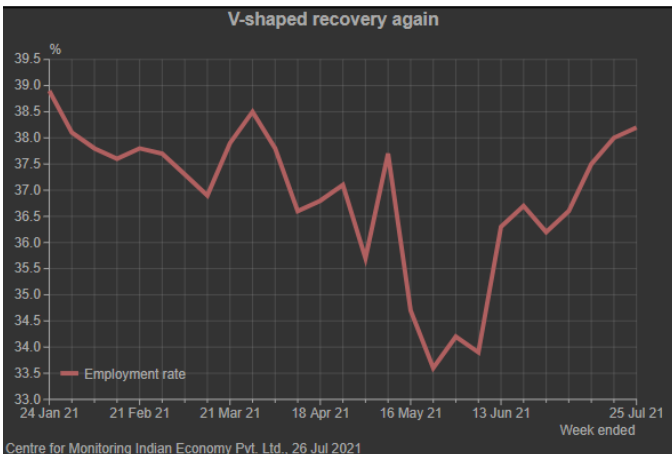
Jobless Rate drops to a 4-mnth Low

India's jobless rate fell to the lowest level in four months in July, adding to signs of a nascent recovery in

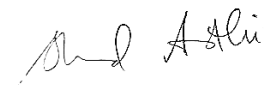
the economy where sales tax collections and demand for some commodities have signalled a rebound.

The unemployment rate dropped to 6.95% last month from 9.17% the previous month, according to latest data from private research firm CMIE. While the rural jobless rate slid to 6.3%, urban unemployment stayed above 8%.

The financial stability report released by the RBI has also suggested that most Indian banks even in case of severe stress would be able to maintain capital adequacy over the threshold levels and liquidity in the system has also eased.



Given the backdrop of uncertainties created by a possible mutant 3rd COVID wave, rising inflation and possible QE reversals and the after effects thereof, caution should be exercised and sticking to well researched quality largecap and midcap companies with strong businesses, managements and fundamentals is advisable. The job is best left to professionals, more so in these times, as investors face maximum capital erosion in such periods, where investors get trapped into unworthy stocks (falling for fast returns).



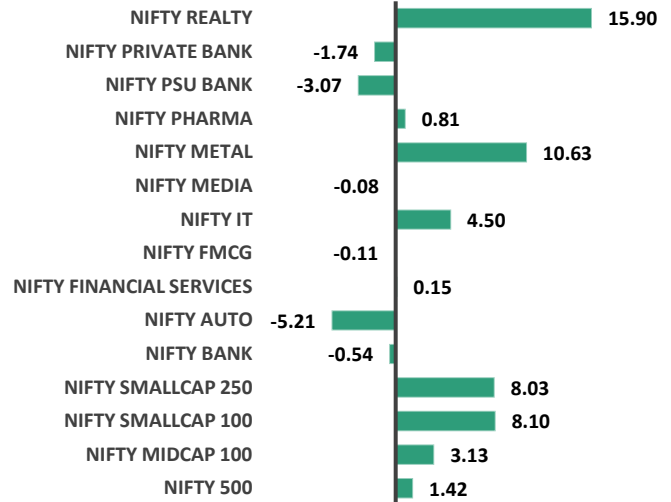
Sharad Avasthi
Vice President – PCG, SMIFS Ltd.

Equity Markets

The equity markets have been on a stellar run riding on the COVID induced liquidity. July 2021 was a month of consolidation as fears of the Delta+ variants and inflation started to create a risk-off environment while valuation have been high for some time now. The clout calling for a massive correction seems to be getting bigger but barring some pockets most equity markets and commodities (on the back of supply bottlenecks) have not budged.

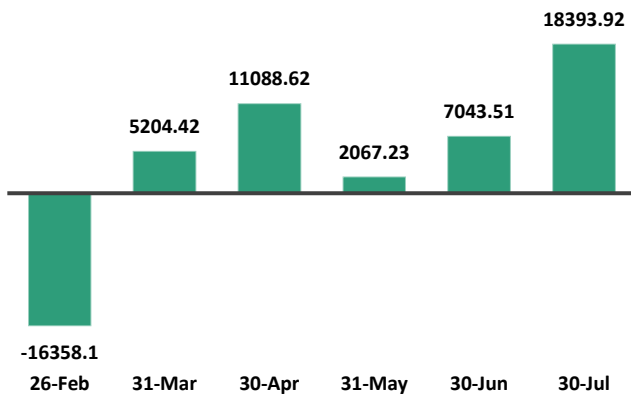
The smallcaps index outperformed and within the sectoral indices, Realty was the star for the month as demand for residential properties continued to be robust, followed by metal sector.

1 Month

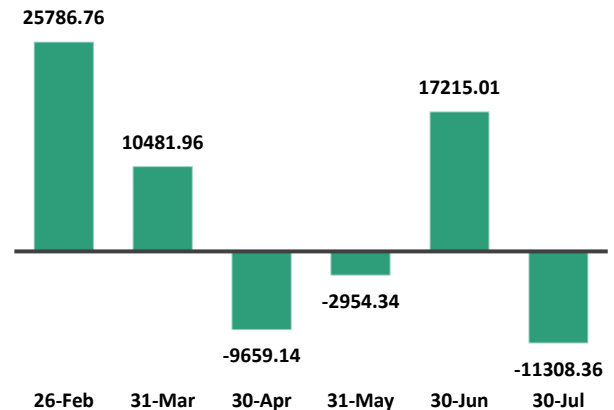


Fund flows- Equities

DII Investment (Rs.Cr)



FII Investment (Rs.Cr)



Global Markets

Nikkei and Hangseng have been weak for some-time now, since the February 2021 highs. The US markets continue to be on a song, hitting lifetime highs intermittently. The European markets seem to be in some sort of consolidation mode with a negative bias.

Whether the taper or talk of it derails the US economy needs to be seen, as back in 2013 even though the market saw some knee jerk reactions to the taper, the follow through rally extended till 2020. Hence many other factors like interest rates, inflation and growth rates clocked by developed and developing world will also need to be looked at to deduce how the taper will effect economies this time around and the long term impact COVID will have (beyond the supply shocks) on global economics.

US Housing Boom – How far can it go?

A combination of government support, recession-induced low interest rates, and eager homebuyers set off a housing boom. Since the onset of the crisis, median home prices are up a staggering 24%.

But much of that government aid and support is about to go away. The foreclosure moratorium, which prevents foreclosures of federally-backed mortgages, ends on July 31. Then on Sept. 30, the mortgage forbearance program, which allows some borrowers to pause their payments, will lapse.

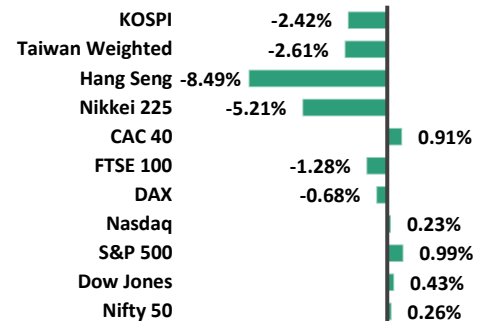
Commodities & Precious Metals

Base metals continue to rally due to supply bottlenecks the sustainability of which beyond a COVID infected world is highly doubtful.

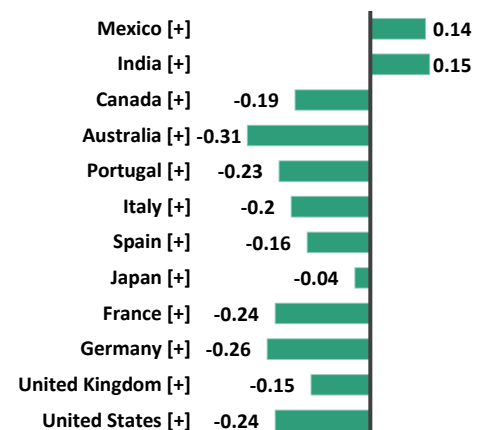
Natural gas prices have also rallied in spite of this not being the peak season in the US and European markets. Precious metals had a muted month though failing to maintain the recovery momentum.

Floods in China have lent another push to the base metal rally.

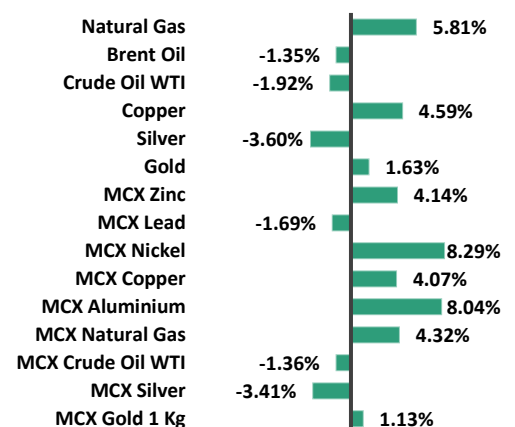
1 Month



10y 1 Month BPS change



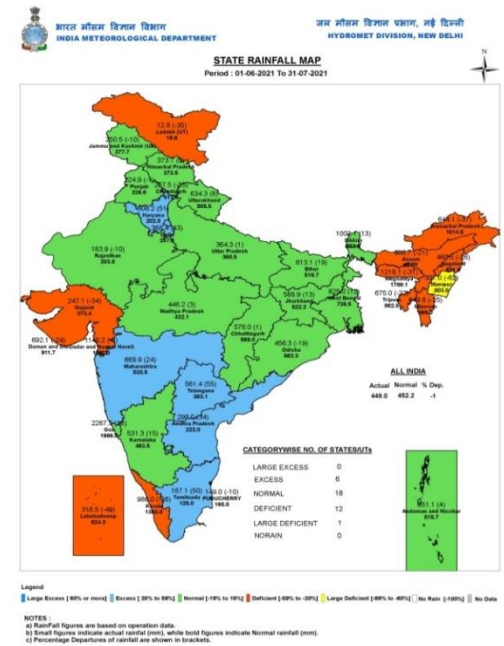
1 Month



June July 2021 District Wise SW Monsoon Rainfall in India

In the just concluded month of July 2021, India received 266.1 mm rainfall, that is 6.73% below normal July rainfall of 285.3 mm, as per India Meteorological Department (IMD). This is in contrast with June 2021 rainfall, that was almost 11% surplus over Normal rainfall. Not only that surplus has been wiped out by the July 2021 deficit, the overall June July 2021 rainfall now is 449 mm, or about 0.7% below normal rainfall of 452.2 mm, as per IMD.

This pattern of (18%) surplus June Rainfall followed by (10%) deficit July rainfall wiping out that surplus is almost exactly same as what happened in June July 2020 monsoon.

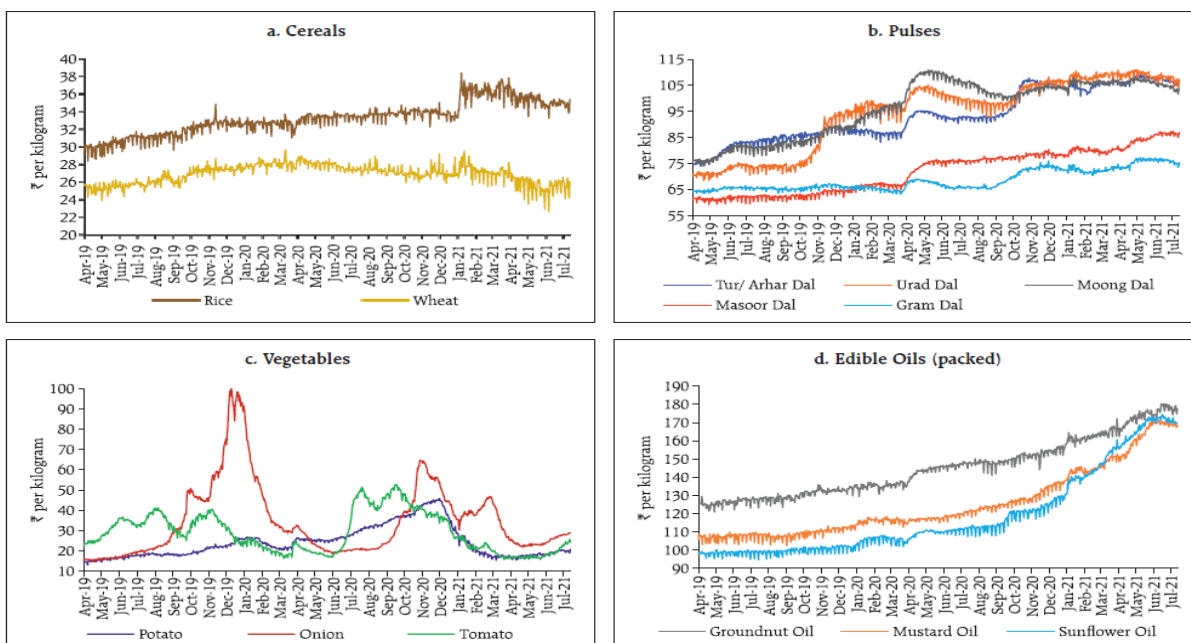


Inflation – remains sticky

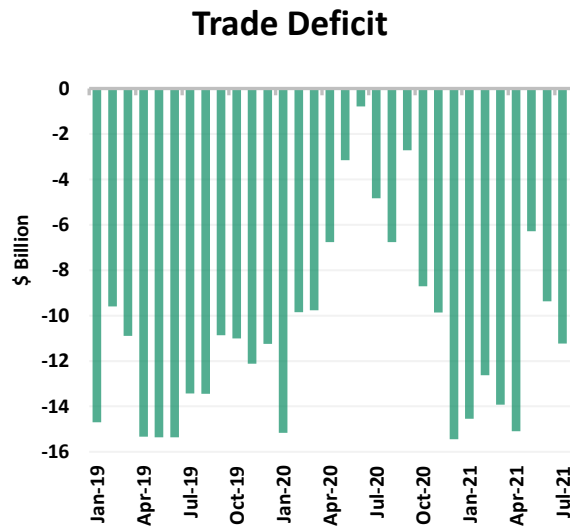
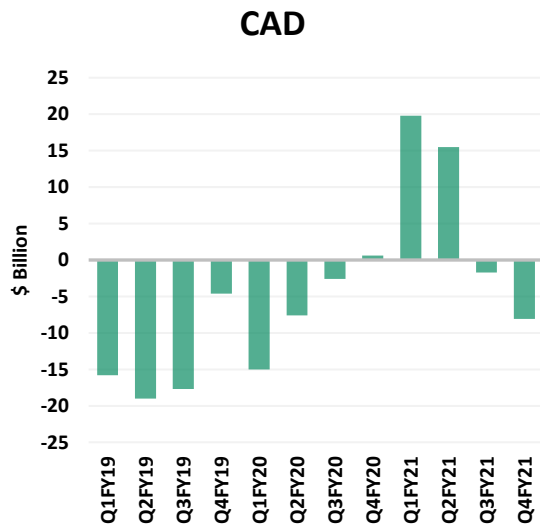
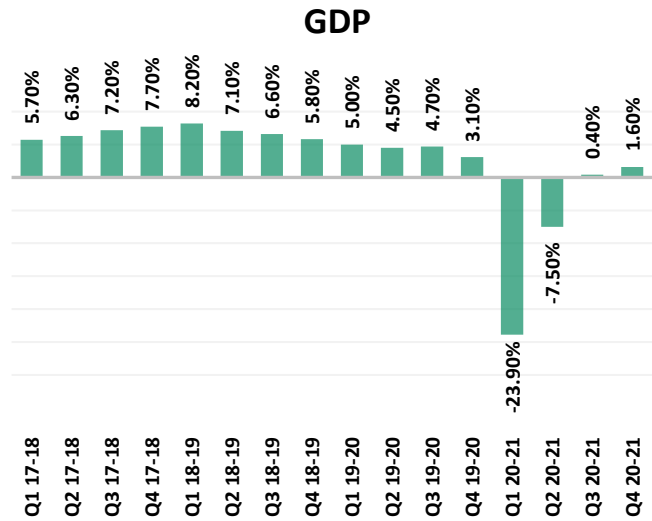
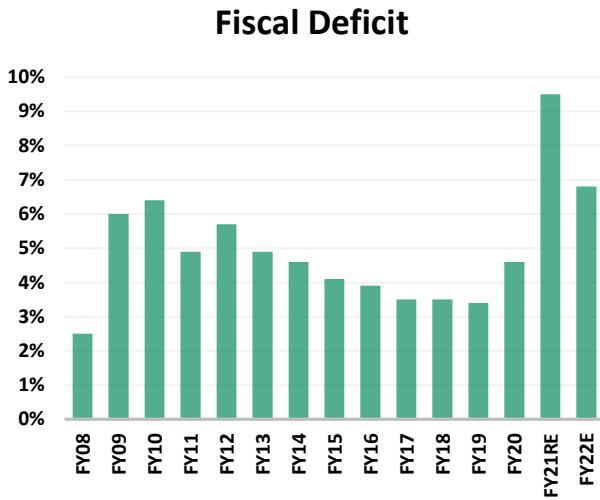
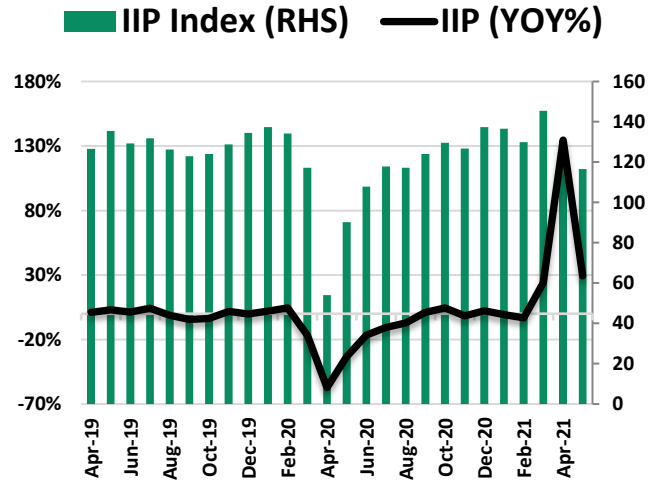
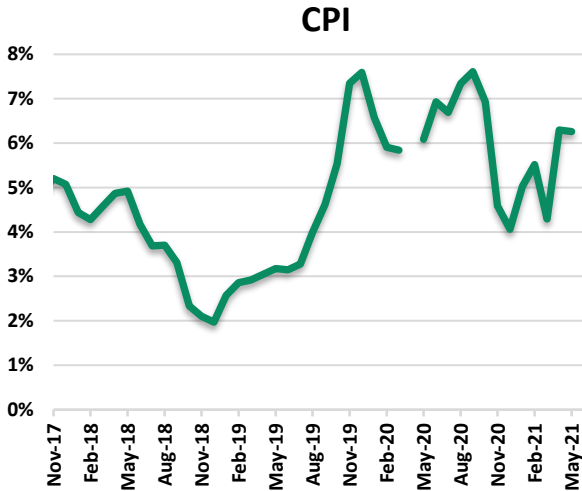
Inflation ruled above the tolerance band during June-November 2020 and has again moved above the upper tolerance threshold in May and June 2021. The sense is that inflation will persist at these elevated levels for some months before easing in the third quarter of 2021-22 when the kharif harvest arrives in markets.

Headline CPI inflation printed at 6.3% in June 2021, unchanged sequentially after the surge of 2.1 percentage points in May. A positive price momentum (month-on-month change in prices in the current month) of around 60 bps from food and fuel was completely offset by a favourable base effect (month-on-month change in prices a year ago) of 60 bps, keeping headline inflation unchanged. Among CPI groups, CPI food and beverages inflation increased to 5.6% in June from 5.2% in May.

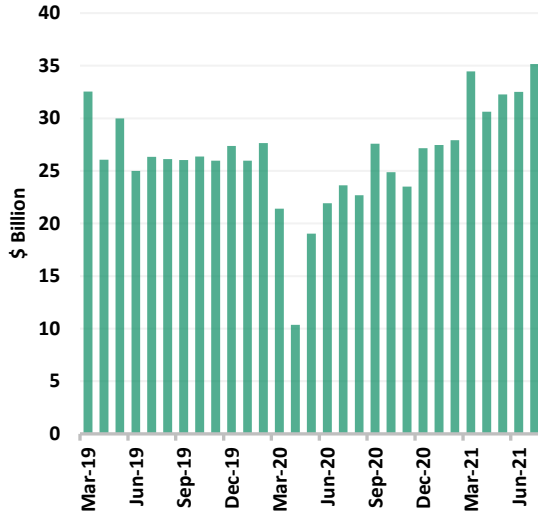
Essential Commodity Prices



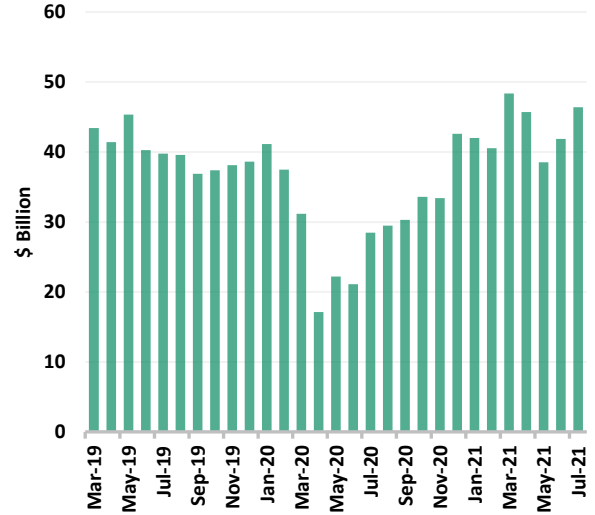
Macro Data – India



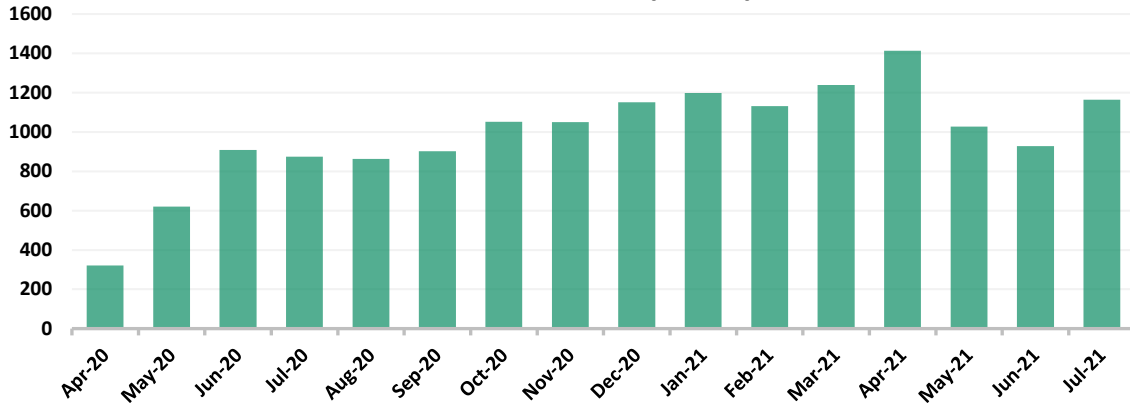
Exports



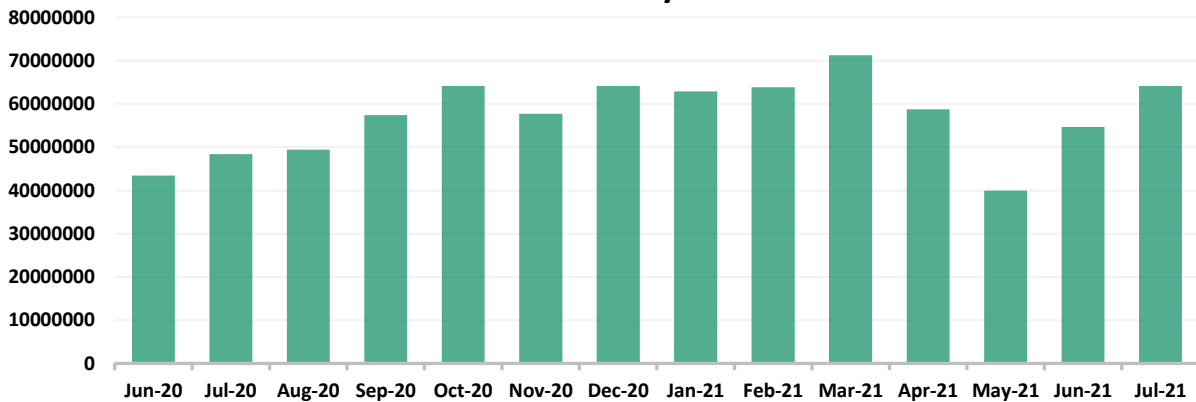
Imports



GST Collection (Rs Bn)



E Way Bill



Portfolio Management Services



EVERGREEN

Investment Objective

SMIFS EVERGREEN	
Investment Philosophy	To invest in companies with Growth at Reasonable Price
Risk Appetite	Minimal
Strategy	Invest in fundamentally strong companies available at affordable valuation in large, mid and small caps
Investment timeframe	2-3 years
Sectoral Bias	Across the spectrum with no particular bias
Maximum Weightage	Stock 15% and Sector 25%

Details

Investment Committee & Members	: Mr. Rahul Kayan Mr. Ashwini Kumar Tripathi
Strategy Type	: Open ended
Date of Inception	: 1st April 2015
Benchmark	: Nifty Midcap 100

Market Capitalization

	% Allocation
Largecap	31.1
Midcap	50.2
Smallcap	9.8

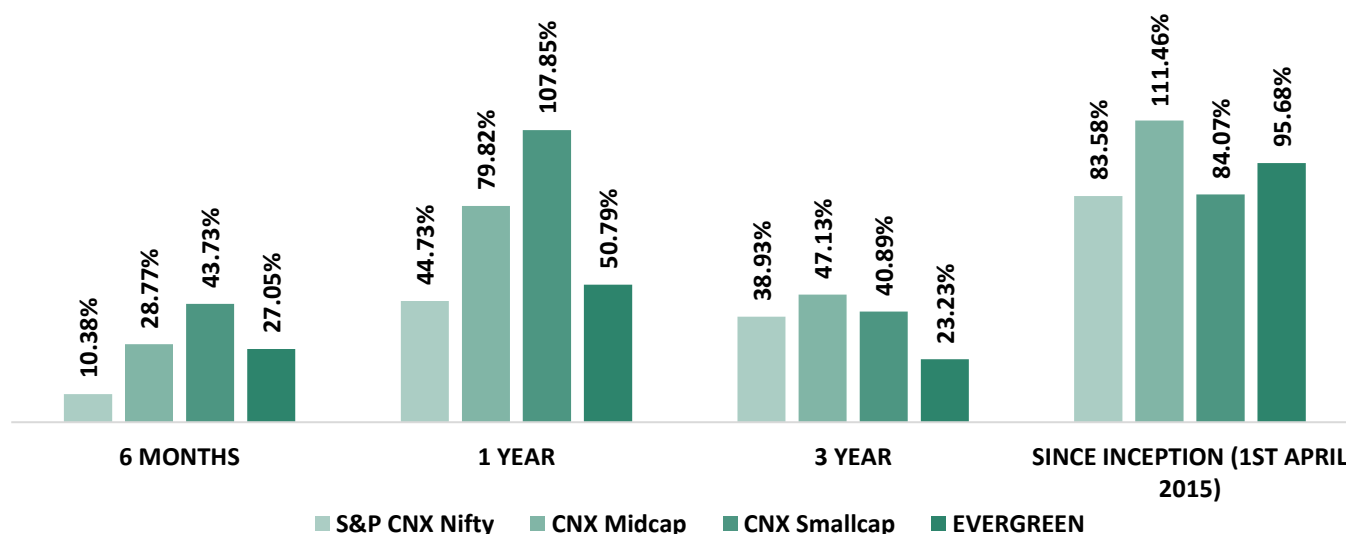
Top 10 Holdings

Companies	% Allocation
Vaibhav Global Ltd.	7.1
AIA Engineering Ltd.	7.0
Larsen & Toubro Ltd.	6.9
HCL Technologies Ltd.	6.8
Solar Industries India Ltd.	6.5
Aarti Industries Ltd.	6.4
Bharti Airtel Ltd.	6.4
Nazara Technologies Limited	6.2
Oracle Financial Services Software Ltd.	5.9
Coromandel International Ltd.	5.6

Top 3 Sectors

Sector	% Allocation
IT	18.8
Chem & Fert	12.0
Capital Goods	11.9

Absolute Return %



Portfolio Management Services



HARVEST

Investment Objective

SMIFS HARVEST	
Investment Philosophy	To invest in companies considering calculated risk to achieve significant growth
Risk Appetite	Moderate
Strategy	Invest in identifiable growth stocks in mid and micro caps at an early stage so as to ride the surge in value at the right time
Investment timeframe	Medium to long term, from 6-18 months. Expect some churn arising out of investment review
Sectoral Bias	Focus on high growth sectors in India
Maximum Weightage	Stock 20% and Sector 30%

Details

Investment Committee & Members	: Mr. Rahul Kayan Mr. Ashwini Kumar Tripathi
Strategy Type	: Open ended
Date of Inception	: 1st April 2015
Benchmark	: Nifty Smallcap 100

Market Capitalization

	% Allocation
Largecap	Null
Midcap	46.8
Smallcap	44.0

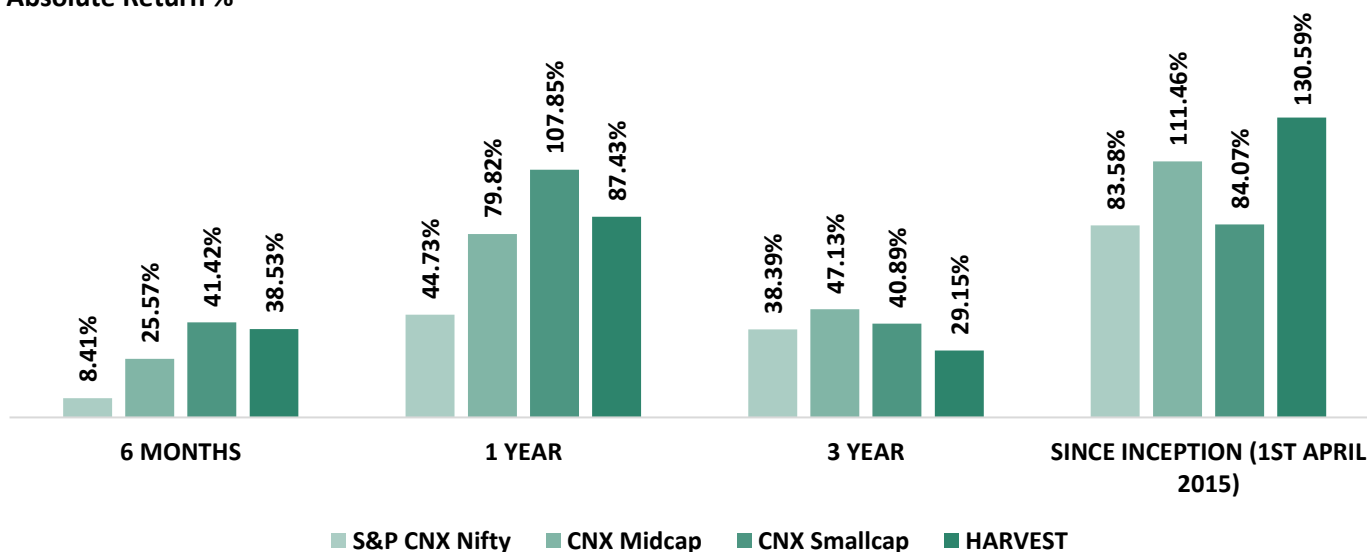
Top 10 Holdings

Companies	% Allocation
Olectra Greentech Ltd.	5.7
Hester Biosciences Ltd.	5.4
Pennar Industries Ltd.	4.9
Power Mech Projects Ltd.	4.9
Allsec Technologies Ltd.	4.9
Deepak Fertilizers & Petrochemicals Ltd.	4.8
Laxmi Organic Industries Limited	4.6
KSB Ltd.	4.6
CESC Ltd.	4.4
Parag Milk Foods Ltd.	4.4

Top 3 Sectors

Sector	% Allocation
Chem & Fert	13.8
Healthcare	9.7
E comm	7.8

Absolute Return %



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