

Market wrap

January 01, 2021

Indian equities start CY2021 on a good note; all eyes on Q3FY21 earnings season..

- 1) Indian equities recorded fresh record highs in the intra-day session on Friday amidst low volumes. The S&P BSE Sensex nearly touched the 48,000-mark when it hit a fresh lifetime high of 47,980 levels. Its NSE counterpart, Nifty50, on the other hand touched a new peak of 14,050.
- 2) The indices, however, climbed-off record highs and settled the day around 0.2 per cent higher. The Sensex ended the day at 47,869 levels, up 118 points or 0.25 per cent. ITC (up 2.3 per cent), TCS, M&M, and State Bank of India (SBI) were the top index gainers, while ICICI Bank (down 1.3 per cent), HDFC Bank, and Titan were the top drags on the index.
- 3) The broader Nifty50 closed the day at fresh closing high, above the 14,000-mark, at 14,018.5 levels, up 37 points or 0.26 per cent.
- 4) Auto stocks were in focus on Friday as firms reported their December sales. Maruti Suzuki ended the day 0.5 per cent higher after it reported a 20 per cent YoY rise in December sales. Meanwhile, M&M's total sales slipped 10 per cent; Escorts total sales grew 88 per cent YoY; and Ashok Leyland's total sales improved by 14 per cent on a yearly basis. All the stocks settled higher in the range of 2.5 per cent to 3.5 per cent.
- 5) Sectorally, largely all the NSE indices ended the day in the green barring Nifty Bank, Nifty Private Bank, and Nifty Financial Services index. On the upside, Nifty PSB index ended over 3 per cent higher.
- 6) In the broader market, the S&P BSE MidCap and S&P BSE SmallCap index ended the day 1.24 per cent and 0.9 per cent higher, respectively.
- 7) Investors comforted from Prime Minister Narendra Modi's declaration that India will begin its Covid-19 vaccination programme in 2021.

Sectors and stocks

- 1) Shares of Antony Waste Handling Cell debuted at the bourses at Rs. 430 apiece, commanding a 36 per cent premium against the issue price of Rs 315. At close, the stock erased gains and settled 5 per cent lower than the listing price, at Rs 408 per share. It was, however, still up around 30 per cent compared to the issue price.
- 2) Shares of Escorts were trading 4 per cent higher at Rs. 1,310 on the BSE in early morning trade on Friday after the company registered a strong 88 per cent year-on-year (YoY) growth in tractor sales at 7,733 units for the month of December. The tractor sales during the month were the company's highest-ever for the month of December. "Agri Machinery Segment (EAM) in December 2020 sold 7,733 tractors, our highest ever December sales and registered a growth of 88 per cent against 4,114 tractors sold in December 2019," Escorts said in an exchange filing. The domestic tractor sales for December 2020 were at 7,230 units, registering a growth of 90 per cent, against 3,806 tractors sold in December 2019. The export tractor sales during the month grew 63 per cent YoY at 503 tractors against 308 tractors sold in the same month of the previous year, it said. Post lockdown, this is the first month where the company could supply as per the demand of customers, some of whom waited long to get their preferred tractor brand. The management said going forward all macroeconomic factors remain in favour of continued growth and it does not expect any significant supply-demand gaps. Rising Inflation, however, continues to be a worry, it added.
- 3) Shares of Chemcon Speciality Chemicals moved higher by 7 per cent to Rs. 536 on the National Stock Exchange (NSE) on Friday, surging 29 per cent in the past three days, after Plutus Wealth Management acquired 1 million shares of the company via open market. On Wednesday, December 30, 2020, Plutus Wealth Management LLP purchased 1 million equity shares, representing 2.7 per cent stake of Chemcon Speciality Chemicals, for Rs 43 crore on the NSE via bulk deal, the data shows. Plutus Wealth Management bought shares at price of Rs 428.52 per share. The names of the sellers were not ascertained immediately. Chemcon Speciality Chemicals, the company engaged in speciality chemicals business, debuted at the stock market on October 1, 2020. It was listed at Rs. 731, a 115 per cent premium against the issue price of Rs. 340 per share. The stock hit a 52-week low of Rs. 398 on October 29. The management said it foresees business momentum to continue led by the company's recent capacity expansion of P2&P7 Plant, new product launch, land acquisition and product approval from government authorities for 44 products which includes 9 current products. "Being a global leading manufacturer of pharmaceutical

chemicals and a leading manufacturer in India of oilwell completion chemicals, the company is in a strong position to encapsulate the upcoming opportunities buoyed by long standing relationship with customers," it said while announcing September quarter results on November 9, 2020. Chemcon Speciality Chemicals is a manufacturer of specialised chemicals, such as HMDS (hexamethyldisilazane) and CMIC (chloromethyl isopropyl carbonate), which are predominantly used in the pharmaceuticals industry. Further, the company also manufactures inorganic bromides namely Calcium Bromide, Zinc Bromide and Sodium Bromide, which are predominantly used as completion fluids in the oilfields industry. It is the only manufacturer of HMDS in India and was the third-largest manufacturer of HMDS worldwide in terms of production.

- 4) Shares of Rain Industries were up by 15 per cent on Friday to hit a 52-week high of Rs. 146 on the BSE after the company announced that its arm had completed sale of non-strategic subsidiaries for Rs. 637 crore. The company said the consideration received from the sale of two subsidiaries will be utilized for repayment of debt and other general corporate needs. "Rain CII Carbon LLC., a wholly owned step down subsidiary of the Company has completed the sale of its wholly owned subsidiaries namely RUTGERS Polymers Limited, Canada and Handy Chemicals (U.S.A.) Limited for an aggregate cash consideration of Rs 637.4 crore," Rain Industries said in exchange filing. The Company has decided to divest the stake in these two non-strategic subsidiary companies, as a part of its strategy to achieve sustainable growth, create value for all stakeholders and reduce debt. These companies are engaged in manufacturing and distribution of polynaphthalene sulfonates, under product-group naphthalene derivatives, in advanced materials business segment, it said.

Key recent developments

- 1) Prime Minister Narendra Modi said "Preparations are in the last stages for the vaccination programme against Covid-19. People will get vaccines manufactured in India,". Applications by Serum Institute of India (SII) and Bharat Biotech for emergency use approval of their vaccines were taken up by a government appointed expert panel on Wednesday. The panel is slated to meet again on Friday for another round of discussions on the same. India has the second highest number of infections in the world after the US. The SII manufactured vaccine which can be safely stored at 2 to 8 degree Celsius offers India the best chance at a successful vaccination drive. Prime Minister Narendra Modi on Thursday laid the foundation stone for All India Institute of Medical Sciences (AIIMS) at Rajkot in Gujarat where he said that people should exhibit caution and strictly abide by coronavirus preventive norms even after vaccines are administered.
- 2) The Health and Family Welfare Ministry has directed all states and union territories to hold a dry-run for the vaccine rollout on January 2, 2021 to ensure that they are well prepared and test their abilities in management of vaccine supply, storage and logistics including cold chain management. The government has trained 96,000 vaccinators for the world's largest immunisation exercise so far. The idea of the dry-run is to assess the feasibility of using the Co-WIN application on field and also test linkages between planning and implementation of the vaccination drive. The states are expected to identify the challenges and fix the gaps before the actual vaccine is made available. The exercise is also being taken up to give confidence to programme managers at various levels. All state capitals will hold the dry run on Saturday at three session sites, some of which might be in difficult terrain with poor logistical support. According to health ministry estimates, 29,000 cold chain points, 240 walk-in coolers, 70 walk-in freezers, 45,000 ice-lined refrigerators, 41,000 deep freezers and 300 solar refrigerators would be required as the vaccine is rolled out across the country. Of the total 239,000 vaccinators consisting of auxiliary nurses and midwives who provide vaccination under the universal immunisation programme, 154,000 will be used for Covid vaccination, health ministry had said earlier.
- 3) UK on Wednesday became the first country in the world to approve a coronavirus vaccine developed by Oxford University and AstraZeneca as it battles a major winter surge driven by a new, highly contagious variant of the virus. AstraZeneca said the authorisation was for a two dose regime, and that the vaccine had been approved for use for emergency supply. Britain has ordered 100 million doses of the vaccine. "The government has today accepted the recommendation from the Medicines and Healthcare products Regulatory Agency (MHRA) to authorise Oxford University/AstraZeneca's COVID-19 vaccine for use," the health ministry said. The pandemic has already killed 1.7 million people around the world, sown chaos through the global economy and upended normal life for billions since it began in Wuhan, China, a year ago. UK and South Africa in particular are grappling with new variants of the coronavirus, which the government and scientists say are more contagious; many countries have responded by banning passenger flights and blocking trade.
- 4) The Union Cabinet on Wednesday approved an interest subvention of Rs. 4,573 crore for new distilleries producing ethanol, which can be used for doping in petrol, Oil Minister Dharmendra Pradhan said. India will need about 1,000 crore litre of ethanol for doping in petrol by 2030 with a view to cut dependency on imports for meeting oil needs, he said adding that the nation currently has a capacity of 684 crore litres. He added that the Cabinet approved a

modified scheme to enhance ethanol distillation capacity in the country for producing first-generation ethanol from feed stocks such as cereals (rice, wheat, barley, corn and sorghum), sugarcane and sugar beet.

- 5) According to rating agency ICRA, asset quality pressure on banks in India is likely to moderate with net non-performing assets (NPAs) declining to 2.5 per cent by March 2022 (FY22) from an estimated 3.1 per cent in March 2021. The loan restructuring volume is likely to be lower at 2.5-4.5 per cent of advances than initial estimates of 5-8 per cent of advances, it added. Icra said in a statement that moratorium on loan repayments is over, though the Supreme Court directive on asset classification is awaited. In this backdrop, the Gross NPAs are likely to rise to 10.1-10.6 per cent by March 2021 from 7.9 per cent in September 2020. The Net NPAs would also move up to 3.1-3.2 respectively by March 2021 from 2.2 per cent as of September 2020 on elevated credit provisions during H2FY21 as well. However, Net NPAs and credit provisions will subsequently trend lower in FY22 as the banks have reported strong collections on loan portfolio. Most banks reporting collections of over 90 per cent. The loan restructuring requests much lower than previously estimated due to sharper than expected improvement in economic activities and liquidity support through emergency credit line guarantee scheme.
- 6) Earlier, Prime Minister Narendra Modi (PM Modi) addressed the Foundation Week of the Board of Commerce and Industry of India (ASSOCHAM) through video conferencing and appealed to the industrialists, full strength for Aatma Nirbhar Bharat in the coming years. PM Modi said, during this period of COVID-19 pandemic, there has been a record FDI in India. He said, we have a special focus on manufacturing to achieve the goal of self-reliant India. The PM said that we are constantly doing reforms to encourage manufacturing. The country today stands with Enterprise and Wealth Creators giving opportunities to millions of youth.
- 7) S&P Global Ratings earlier raised India's growth projection for the current fiscal to (-) 7.7 per cent from (-) 9 per cent estimated earlier on rising demand and falling COVID infection rates. "Rising demand and falling infection rates have tempered our expectation of COVID's hit on the Indian economy. S&P Global Ratings has revised real GDP growth to negative 7.7 per cent for the year ending March 2021, from negative 9 per cent previously," S&P said in a statement. The US-based rating agency said its revision in growth forecast reflects a faster-than-expected recovery in the quarter through September. For the next fiscal, it projected India's growth to rebound to 10 per cent. India's gross domestic product fell 7.5 per cent in the July-September quarter, against a contraction of 23.9 per cent in the April-June quarter. S&P said India is learning to live with the virus, even though the pandemic is far from defeated and reported cases have fallen by more than half from peak levels, to about 40,000 per day. The feared resurgence following the recent holiday season has yet to materialise. "It is no surprise that India is following the path of most economies across Asia-Pacific in experiencing a faster-than-expected recovery in manufacturing production," S&P Global Ratings Asia-Pacific chief economist Shaun Roache said. Manufacturing output was about 3.5 per cent higher in October 2020, compared to the year-ago period, while the output of consumer durables rose by almost 18 per cent. "This recovery underscores one of the more striking aspects of the COVID-19 shock -- the resilience of manufacturing supply chains. Again, as with demand, some slowing of output momentum has emerged more recently," S&P said.
- 8) The Wholesale Price Index (WPI) based inflation rose to 1.55 percent in November - a nine month high, as manufactured products turned costlier, while food prices eased. WPI inflation in October 2020 was at an eight-month high of 1.48 percent as manufactured products turned costlier. November 2019 WPI inflation was at 0.58 percent, due to increase in prices of food articles. Food inflation for November 2020 is at 4.27 percent compared to 5.78 percent in October 2020. Primary articles inflation is at 2.72 percent, down 0.8 percent month-on-month (MoM) from 4.74 percent in October 2020. Manufactured products inflation is at 2.97 percent, up 0.8 percent MoM compared to 2.12 percent in October 2020, and all commodities index is up 0.3 percent MoM. Fuel and power inflation stood at -9.87 percent, up by 0.2 percent MoM, compared to -10.95 percent in October 2020.
- 9) India's retail inflation for November stood at 6.93 percent against 7.61 percent in October. Vegetables inflation for November came in at 15.63 percent, oils and fat at 17.86 percent, meat and fish at 16.67 percent, and pulses and products at 16.67 percent.
- 10) Industrial production rose 3.6 per cent in October, mainly due to better performance of manufacturing and electricity generation sectors, official data showed on Friday. According to the Index of Industrial Production (IIP) data, manufacturing and electricity generation sectors registered a growth of 3.5 per cent and 11.2 per cent, respectively. The mining sector witnessed a contraction of 1.5 per cent in October. The IIP had contracted by 6.6 per cent in October 2019.
- 11) Earlier, The Reserve Bank of India (RBI) revised its forecast of economic growth for the current fiscal year (2020-21) to minus 7.5 per cent compared to its earlier forecast of minus 9.5 per cent. RBI governor Shaktikanta Das said the change in forecast has been prompted by a surge in demand in both rural as well as urban areas. The second

half of the fiscal year is expected to show positive growth despite disruptions caused by coronavirus pandemic, he added.

- 12) Goods and service tax (GST) collections for November 2020 stood at Rs. 1.04 lakh crore, marginally lower than Rs 1.05 lakh crore collected in October this year, but higher than Rs. 1.03 lakh crore collected in the same month last year. Economic recovery is clearly evident from improved GST collections data. GST Collections crossed the Rs. 1 lakh crore mark for the second time since April, after last month's Rs. 1.05 lakh crore.

Ajcon Global's view

- 1) CY20 would always be remembered in the history of Indian Capital markets. The S&P BSE Sensex and Nifty50 rallied by 16 per cent and 15 per cent, respectively, in 2020 (CY20) despite COVID-19 crisis (Lockdown to contain the virus, brought the economy activity to a standstill for nearly three months which affected India's GDP significantly). Indian benchmark indices declined significantly by around 40 percent during February-March from its peak in January but after hitting a four-year low on March 24, 2020. Both the indices have rallied by nearly 87 per cent from March 24, 2020 low. However, the broader index, S&P BSE500, which gained 17 per cent in CY20 has recorded its best performance in the past three years. The S&P BSE Midcap and S&P BSE Small-cap index have rallied 20 per cent and 32 per cent respectively in CY20, after registering negative returns in the past two consecutive calendar years - 2018 and 2019. The rally was led by strong liquidity from foreign portfolio investors who pumped in \$22.4 billion (Rs 1.66 trillion) in equities during the year. The flows in November and December are one of the highest ever seen in Indian equities. In the last two months alone, FIIs have poured almost Rs 1.18-trillion in Indian equities, data show.
- 2) Domestically, all eyes would be on Q3FY21 earnings season which is expected to be good. Union Budget and budget related stocks will remain focus in January 2021 ahead of Union Budget to be announced in February 2021. Investors would remain stock specific in coming weeks. As we are heading to New Year, equities would consolidate amidst high volatility for some time.
- 3) Globally, sentiments have improved after the United Kingdom's historic trade deal with the European Union and US President Donald Trump signed into law a \$2.3 trillion pandemic aid and spending package. All eyes would be on the new strain of coronavirus developments in other parts of the world after its emergence in Europe. Investors will keep an eye on the progress of COVID-19 vaccine roll out and its efficacy in various countries after these new developments.
- 4) Nifty valuations are expensive led by significant spike of FPI liquidity in the past few months especially in last 2 months. Hence we advise, partial profit booking. However, there is still value in midcaps and smallcaps space.

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For research related queries contact:

Mr. Akash Jain – Vice President (Research) at, 022-67160431 (D)

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Website: www.ajcononline.com

Registered and Corporate office

408 - (4th Floor), Express Zone, "A" Wing, Cello – Sonal Realty, Near Oberoi Mall and Patel's, Western Express Highway, Goregaon (East), Mumbai – 400063. Tel: 91-22-67160400, Fax: 022-28722062