

Bulls take control at Dalal Street; Financials, Cement, IT and Pharma counters rally..

Indian benchmark indices ended over 1 per cent higher on Tuesday led by strong global cues, FPI buying and improved GST collection data. Healthy buying was witnessed in financial, information technology (IT), and pharma counters. The S&P BSE Sensex rallied 506 points, or 1.15 per cent to settle at 44,655 levels while NSE's Nifty ended above 13,100 level at 13,109, up 140 points, or 1.08 per cent.

Infosys, ICICI Bank, HDFC, and Reliance Industries (RIL) were the major contributors to the Sensex's gain while HDFC Bank, and Bajaj Finance were among the top drags. Sun Pharma (up 5.5 per cent) was the top gainer on Sensex.

Broader market, too, rallied in the trade. The S&P BSE MidCap index gained 0.94 per cent to 17,073 levels while the S&P BSE SmallCap index ended at 17,013, up 0.82 per cent.

Among sectoral indices on the NSE, Nifty Realty gained the most - up 3.3 per cent to 269.90 levels while Nifty PSU Bank index surged 2.88 per cent to 1,603 points. Nifty FMCG was the only index that ended in the red - down 0.04 per cent.

India VIX slipped 0.23 per cent to 19.7 levels.

Key recent developments

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.

India's manufacturing sector activity lost momentum and fell to a three-month low in November amid slower increases in factory orders, exports and buying levels, a monthly survey said on Tuesday. The seasonally adjusted IHS Markit India Manufacturing Purchasing Managers' Index (PMI) fell from 58.9 in October to a three-month low of 56.3 in November, indicating that the manufacturing sector growth remained strong, despite losing traction. In PMI parlance, a print above 50 means expansion, while a score below that denotes contraction. "The Indian manufacturing sector remained on the right path to recovery, with strong growth of new orders and output sustained during November," Pollyanna De Lima, economics associate director at IHS Markit, said.

Real GDP for the September quarter contracted 7.5 per cent year-on-year, on the back of the steep contraction in manufacturing, construction, and services, data released by the National Statistical Office showed on November 27. The real GDP for April-June 2020 had contracted 23.9 per cent, the steepest fall ever (and the first contraction in 40 years). The July-September 2019 quarter had witnessed a GDP growth of 4.4 per cent.

The Serum Institute of India (SII) will seek emergency use authorisation for the AstraZeneca Covid-19 vaccine in about two weeks. Adar Poonawalla, Founder and CEO, SII said on Saturday that SII is in the process of submitting the data for the clinical trials to the DCGI and will seek emergency use authorisation. Poonawalla said the vaccine will first be distributed in India before it starts dispatching to "Covax countries" in Africa. PM Modi, as part of Covid-19 vaccine review tour in Ahmedabad, Hyderabad and Pune, visited SII on Saturday evening to discuss the manufacturing and supply of Covishield, the vaccine developed against coronavirus by the institute.

Hyderabad-based Hetero Labs would be working with the Russian Direct Investment Fund (RDIF) to produce 100 mn doses per year of the Sputnik V vaccine. The parties intend to start the production of Sputnik V in the beginning of 2021, the statement said. Earlier this week Kirill Dimitriev, CEO of RDIF, Russia's sovereign wealth fund, said that the fund was planning to supply 1 bn doses of Sputnik V across the globe in 2021 and had forged partnerships in India, China, Brazil, Korea, Hungary and some other locations. Requests for more than 1.2 billion doses of Sputnik V vaccine came from more than 50 countries, RDIF claimed. Dr Reddy's Laboratories (DRL) is RDIF's partner in India for conducting clinical trials and distribution of the vaccine. It had indicated this month that the process of technology transfer had begun at its partner site (for manufacturing) in India. The first batch of Sputnik V vaccines have also arrived for clinical trial purposes. "We are delighted to announce the agreement between RDIF and Hetero that will pave the way for production of the safe and highly effective Sputnik V vaccine on Indian soil. The vaccine's interim clinical trial results show 95% efficacy on the 42nd day after the first dose. I am confident that Sputnik V should become an integral part of the national vaccine portfolio of every country willing to protect its population from the coronavirus. Thanks to our co-operation with Hetero, we will be able to significantly increase production capacity and provide people of India with an efficient solution in this challenging period of the pandemic," Dimitriev said. B Murali Krishna Reddy, director – International Marketing, Hetero Labs, said that manufacturing the product locally is crucial to enable swift access to patients. The Sputnik V vaccine has been priced at \$10 per dose. It is a two-dose course.



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Reserve Bank of India (RBI) Governor Shaktikanta Das on Thursday said the country's economy had recovered stronger than expected from the initial impact of the Covid-19 pandemic, but there is a need to be watchful of demand sustainability after the end of festivities. The governor also assured the financial markets that the regulator will continue to work in a nimble-footed manner to ensure orderly functioning of the markets. "The Reserve Bank remains committed to fostering orderly functioning of financial markets and will continue to evaluate incoming information having a bearing on the financial markets and act, as needed, to mitigate any downside risks," he said. "Today, the capital account is convertible to a great extent," he said. "Inward FDI is allowed in most sectors and outbound FDI by Indian incorporated entities is allowed as a multiple of their net worth. The external commercial borrowing framework has also been significantly liberalised to include more eligible borrowers, even as maturity requirements have been reduced and end-use restrictions have been relaxed."

US biotech company Moderna said it is having discussions with a number of countries and parties about rolling out its vaccine candidate against COVID-19. The company didn't specify whether India is among the countries it is having discussions with. Moderna hinted about the possibility of joining Covax and said the discussions are ongoing. Covax is a World Health Organization-backed facility, which aims to supply low and middle-income countries (LMICs), with proven COVID-19 vaccines, while ensuring equitable global access. "We are seeing enormous interest and are having discussions with a number of countries about Moderna's vaccine candidate against COVID-19," a Moderna spokesperson said in an email to queries about its plans for India. On partnerships with Indian drug companies or hospital chains for distribution of the vaccine in India, Moderna said it is holding discussions, but has no new specific agreements to announce at this point of time.

India's priority is to make a coronavirus vaccine "safe on all scientific standards" available to all its citizens, said Prime Minister Narendra Modi in a meeting with chief ministers on Tuesday. The central government and states have to "work together" in controlling the coronavirus pandemic and "no one can impose any view", PM Modi told the chief ministers of eight states worst affected in the pandemic. Modi held two meetings through video with Chief Ministers and Lieutenant Governors to discuss the coronavirus situation in the states and preparations for vaccine delivery.

Last week, AstraZeneca said that the late-stage trials showed its coronavirus vaccine was up to 90 per cent effective, giving public health officials hope they may soon have access to a vaccine that is easier to distribute than some of its rivals. The results are based on interim analysis of trials in the UK and Brazil of a vaccine developed by Oxford University and manufactured by AstraZeneca. No hospitalisations or severe cases of Covid-19 were reported in those receiving the vaccine. "These findings show that we have an effective vaccine that will save many lives," Oxford University Professor Andrew Pollard, chief investigator for the trial, said in a statement. "Excitingly, we've found that one of our dosing regimens may be around 90% effective." AstraZeneca is the third major drug company to report late-stage results for its potential Covid-19 vaccine as the world anxiously waits for vaccines that will end the pandemic that has killed almost 1.4 million people. Pfizer and Moderna last week reported preliminary results from late-stage trials showing their vaccines were almost 95 per cent effective. Unlike the Pfizer and Moderna vaccines, the Oxford-AstraZeneca candidate doesn't have to be stored at ultra-cold temperatures, making it easier to distribute, especially in developing countries. All three vaccines must be approved by regulators before they can be widely distributed.

Reserve Bank of India on November 20 released a report on the internal working group (IWG) recommendations on private bank ownership and corporate structure. Among other things, the report recommends promoter stake cap in long run - 15 years - be raised to 26 percent from 15 percent if paid-up voting equity share capital. The IWG in its recommendations had also said that non-promoter shareholding may be capped at 15 percent of paid-up voting equity share capital for all shareholders. Large Non-banking Finance Companies (NBFCs), with an asset size of Rs. 50,000 crore and above, may be considered for conversion into banks subject to completion of 10 years of operations and meeting due diligence criteria and compliance with additional conditions specified in this regard. Track record of 3 years of experience as Payments Bank may be considered as sufficient for Payments Banks intending to convert to a Small Finance Bank. Small Payments Banks and Small Finance Banks may be listed within '6 years from the date of reaching net worth equivalent to prevalent entry capital requirement prescribed for universal banks' or '10 years from the date of commencement of operations'. The minimum initial capital requirement for licensing new banks should be enhanced from Rs. 500 crore to Rs. 1000 crore for universal banks. The minimum initial capital requirement for licensing new banks should be enhanced from Rs. 200 crore to Rs. 300 crore for small finance banks.

The experimental COVID-19 vaccine of American pharma company Pfizer and BioNTech SE has proved to be 95 percent effective in final results from a pivotal study. It is also showing signs of being safe, key pieces of data as the companies prepare to ask health regulators to authorize use. Out of 170 adult volunteers in the nearly 44,000-subject trial who developed Covid-19 with at least one symptom, 162 received a placebo, while eight got the vaccine, Pfizer and BioNTech said. This 95 percent effectiveness rate makes the experimental candidate be on par with the likes of shingles and measles vaccines. Last week, All India Institute of Medical Sciences (AIIMS) director, Dr Randeep Guleria had said, "Pfizer vaccine has to be kept at minus 70 degrees Celsius which is a challenge for developing countries like India."

India is seeing a "strong recovery" taking root in the economy, as seen by increased goods and service tax collections and other metrics, Finance Minister Nirmala Sitharaman had said earlier. Sitharaman announced a new set of stimulus measures to boost employment under Atmanirbhar Bharat Rozgar Yojna to incentivise the creation of new employment opportunities. The new announcements aim at benefiting companies and individuals, who lost their jobs due to Covid-19 induced

lockdown. The new announcements came after the government approved a Rs 1.45-trillion package by extending the production-linked incentive (PLI) scheme to 10 more sectors. The latest approval is in addition to the already announced Rs. 51,311-crore PLI for three sectors. With this, the total incentives under the PLI schemes come to Rs 2 trillion.

Sectors and stocks

Shares of ABB Power Products and Systems India rose 13 per cent to Rs. 1,296, also its new high on the BSE on Tuesday. In the past three days, the stock rallied by 33 per cent after Hitachi ABB Power Grids in India, listed on the stock exchanges as 'ABB Power Products and Systems India Ltd.', has signed a Memorandum of Understanding (MoU) with Ashok Leyland and the Indian Institute of Technology Madras (IITM) for an e-mobility pilot. The triumvirate will run an electric bus (e-bus) pilot for in-campus commuting by IITM's students and staff. "The development of India's e-mobility charging infrastructure and increased deployment of e-buses is key to meeting the demand for sustainable transport solutions across India's rural and urban areas," said Prof. Bhaskar Ramamurthi, Director, IIT Madras. Smart e-mobility is at a nascent stage in India. While India's government is striving to scale up electrical vehicle (EV) adoption to 30 percent by 2030, the mass public transport segment is largely untouched. Hitachi ABB Power Grids' innovative flash-charging system quickly tops up the battery while passengers get on and off the bus. On arterial roads, an e-bus with this solution can reduce the need to take the vehicle out of service for recharging every few hours or having a replacement bus ready. This helps minimize the size of the fleet while increasing passenger carrying capacity, the company said. Meanwhile, in the July-September quarter (Q3CY20), the company said the orders was up 56.9 per cent quarter-on-quarter (QoQ) at Rs. 890 crore, despite restricted business activity. As of September 30, 2020, order backlog was Rs. 5,175 crore, providing visibility of future revenue. The company further said the operational EBITA margin returns to pre-pandemic range on improved capacity utilization and product mix.

Shares of Sun Pharmaceutical Industries were up by 6 per cent to Rs. 540 on the BSE on Tuesday on the back of heavy volumes. The stock of the pharmaceutical company was trading at its highest level since August 31, 2020. It was near its 52-week high level of Rs. 564.90, touched on August 28, 2020.

Shares of Tech Mahindra hit a new high of Rs. 909, up 4 per cent, on the BSE on Tuesday on expectation that growth could accelerated going forward based on large deal pipeline and 5G opportunities. The stock surpassed its previous high of Rs. 890, touched on November 24, 2020. In the virtual analyst meet, Tech Mahindra highlighted that it is expecting an acceleration in growth based on large deal pipeline (73 large deal potential), healthy pipeline (20 per cent pipeline growth in six months), acceleration in digital technologies and 5G opportunities. The management believes there is a large multi-billion dollar opportunity in 5G network services (christened Network Services 3.0), and expects the segment to grow at a faster pace than the overall Communications vertical.

Shares of cement manufacturers continued their upward movement on Tuesday as cement spreads (price minus power and fuel and freight costs) are expected to remain strong in October-March period (H2FY21) on expected pricing strength even as variable costs rise. Among individual stocks, Shree Cement, JK Cement and Ramco Cement hit their respective life-time highs, while ACC, Dalmia Bharat and Grasim Industries touched their respective 52-week highs on the BSE. In July-September quarter (Q2FY21), cement sales volume recovered sharply leading to sales volumes of 50.5 MT (up 5.6 per cent YoY, 35.7 per cent QoQ) for the quarter.

Global markets

Global equities were trading below record peaks on Tuesday after robust China data boosted expectations of a recovery from the Covid-19 downturn and as drugmakers seek fast approval for their vaccines and authorities look set to keep stimulus support.

In Asia, Japan's Nikkei rose 1.3 per cent while Australia's S&P/ASX 200 gained 1.1 per cent after Australia's central bank said the country's economy would need fiscal and monetary support "for some time."

Globally sentiments have improved as the formal go-ahead for US President-elect Joe Biden to begin his transition added to an already brighter mood from progress made on Covid-19 vaccines and the prospects for a speedy global economic revival.

US President Donald Trump has virtually conceded defeat to Joe Biden agreeing to begin the transition to the Democrat's administration while also making claims that he will be the ultimate winner of the November 3 election. In a Monday evening tweet, Trump said that he was asking General Services Administration head Emily Murphy to cooperate with Biden to facilitate his transition to become the 46th President of the United States. The announcement came 16 tension-filled days after the media had declared Biden winner of the election, while Trump has refused to concede citing the vote-counting that is still going on.

Ajcon Global's view

Broader markets are witnessing buying which is a good sign for retail investors. Strong up move is being registered in midcaps and smallcaps space which will bring much needed relief who were caught at the peak of 2018. Real GDP for September quarter contracted by 7.5 percent, but according to us, the Q2 GDP data indicates signs of economic revival



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from a standstill scenario (owing to nationwide lockdown in April, May, and June 2020). The numbers could have been a disaster had it not been for a gradual recovery of economy during various phases of Unlock. Selective PSU Banks continued to rally on Tuesday too (were trading higher for six straight day at the bourses in an otherwise range-bound market on Friday) as valuations were very cheap considering decent performance in Q2FY21, on improvement in solvency profile and capital position and rally in all major sectors in Unlock phase.

Samvat 2077 has already started on a positive note with Indian equities continue to remain buoyant. Investors confidence on economic recovery is improving day by day led by COVID-19 vaccine related developments. Earlier, in Samvat 2076, the benchmark indices index rallied by 10.68 per cent. Samvat 2076 witnessed a roller coaster ride with India entering into a nationwide lockdown from the mid-night of March 24 owing to COVID-19 pandemic. Fears of a disrupted economy made S&P BSE Sensex and the Nifty50 indices fall steeply by over 39 per cent to hit a low of 25,639 and 7,511, respectively on March 24, 2020 which was nerve testing. However, since then, the benchmarks have defied gravity and hit new highs on November 11, 2020 as hopes of potential Covid-19 vaccine and reduction of COVID-19 cases domestically from its peak calmed the nerve of investors.

Globally, investor sentiments have improved on expectations of better global trade ties and more monetary stimulus under US President-elect Joe Biden supported risk appetite.

Domestically, investors sentiments have improved led by strong earnings performance in majority of the Companies which has surpassed our expectations as well. Clearly, there are visible signs of economic recovering fast. After significant rally witnessed in Largecaps space since the announcement of initial Lockdown to control COVID-19 pandemic, investors have become stock specific in midcaps and smallcaps. Investors are increasing allocation in Companies which are witnessing turnaround in Q2FY21, Unlock phase and having cost efficiencies. In addition, greenshoots like improved Auto sales numbers, improved occupancy in airlines, normal monsoons, economic activity catching up in some sectors to Pre-COVID19 levels is cherished by street participants.

We are cautious on Large caps at present steep valuations led by high FPI liquidity and advise partial profit booking. Any news on COVID-19 vaccine coming will led to rerating of sectors that were hammered in COVID-19 crisis. Further fall will make markets healthy for fresh entry as Indian equities were in overbought zone for quite some time.

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