

Indian equities bounce back strongly; good GDP data, robust GST collections, strong manufacturing PMI improve investors confidence..

Index	Today's Close	Prev. close	Change	% change	Open	High	Low
Sensex	57,684.79	57,064.87	619.92	1.09	57,365.85	57,846.45	57,346.78
Nifty	17,166.90	16,983.20	183.70	1.08	17,104.40	17,213.05	17,064.25

- 1) Indian benchmark were back in green led by good GDP data, robust GST collections and good Manufacturing PMI data which lifted investor sentiments.
- 2) The Sensex was up by 619.92 points or 1.09 percent to end at levels of 57,684.79. The Nifty was up by 183.70 points or 1.08 percent to end at levels of 17,166.90.
- 3) Among the Sensex 30 stocks, IndusInd Bank was the top gainer, up by 5.7 percent after being under pressure for quite some time. Axis Bank, SBI, Maruti, Tech Mahindra, Reliance Industries and ICICI Bank were the other major gainers, up 2-3 per cent each. On the other hand, Dr.Reddy's, UltraTech Cement and Sun Pharma were the prominent losers.
- 4) The broader markets too were upbeat today. The BSE Midcap index was up by 1 percent and Smallcap index was up by 0.30 percent.
- 5) In terms of sectoral performance, BSE Metal index was up by 2.5 percent, the Energy index was up by 2 percent, the Bankex was up by 1.8 percent and the auto index was up by 1.5 percent.

Sectors and stocks

- 1) Maruti Suzuki's total sales fell 9.16% to 139,184 units in November 2021 as against 153,223 units in November 2020. Total sales in the month include domestic sales of 113,017 units (down 18.67% YoY), sales to other OEM of 4,774 units (down 9.29% YoY) and its highest ever monthly exports of 21,393 units (up 137.59% YoY). "The shortage of electronic components had a minor impact on the production of vehicles during the month. The shortage primarily affected the production of vehicles sold in domestic market. The Company took all possible measures to minimise the impact," Maruti Suzuki India said in a statement on Wednesday. Meanwhile, the car major is expecting an adverse impact on vehicle production in Haryana and Gujarat plants in December 2021 owing to electronic components supply constraint. "Owing to a supply constraint of electronic components due to the semiconductor shortage situation, the company is expecting an adverse impact on vehicle production in the month of December 2021 in both Haryana and its contract manufacturing company, Suzuki Motor Gujarat (SMG) in Gujarat," the car major had said in a statement on Tuesday.
- 2) Bajaj Auto's overall sales in November, including exports, skidded 10 per cent year-on-year to 379,276 units, the company said in a statement. The overall volumes were dragged down by the continuing weakness in the domestic market. Amid a weak demand, Bajaj Auto curtailed dispatches to its dealers by 23 per cent and sold 144,953 units during the month. Auto companies in India count dispatches to dealers as sales. The latest numbers come on an already low base of 188,196 units, which the company dispatched in 2020. Two-wheeler sales in the world's largest market have been under pressure for the last two years as rising fuel prices and increase in the prices of two-wheelers among other factors have been dissuading buyers. Meanwhile, Bajaj Auto's commercial vehicle sales, which had taken a severe knock due to the pandemic, showed steady improvement in sales albeit on a low base. Total CV sales, including exports, rose 10 per cent year on year to 40,803 units. Of these, exports accounted for 27,001 units.
- 3) Shares of Balrampur Chini Mills, Gujarat Narmada Valley Fertilizers and Chemicals (GNFC), Supreme Industries, Hindustan Copper and NBCC (India) rallied up to 9 per cent on the National Stock Exchange (NSE) in Wednesday's intra-day trade on inclusion of these stocks in Futures & Options (F&O) segment from December 31, 2021. Rain

Industries and Tata Communications were up 4 per cent and 2 per cent, respectively, in intra-day trade today. Based on the stock selection criteria as prescribed by the market regulator Securities and Exchange Board of India (SEBI), the futures and options contracts on 7 additional securities would be available for trading w.e.f. December 31, 2021, subject to fulfilment of eligibility criteria of Quarter sigma computation cycle of December 2021, a circular dated November 30, 2021 from the National Stock Exchange (NSE) read. The move is expected to boost participation as investors and institutions can hedge underlying positions in the stock.

- 4) Shares of KEI Industries rallied 6 per cent to hit a record high of Rs 1,172.60 on the BSE in Wednesday's intra-day trade, had have surged as much as 25 per cent in past one month on the back of strong outlook. The stock surpassed its previous high of Rs 1,159 hit on November 26, 2021. In the past three months, the stock of KEI Industries has surged nearly 50 per cent, as compared to a 0.32 per cent rise in the Sensex. Moreover, in the past six months, it has rallied 85 per cent as against a 11 per cent rise in the benchmark index. Further, over the past one year, the market price of KEI Industries has rallied by 174 per cent, as compared to a 29 per cent surge in the Sensex.
- 5) Shares of Talbros Automotive Components hit a record high of Rs. 372.80 after it rallied 11 per cent on the National Stock Exchange (NSE) in Wednesday's intra-day trade. The stock of the auto parts & equipment company has rallied by 32 per cent in the past two trading days. It surpassed its previous high of Rs 356.75 touched on August 3, 2021. Talbros Automotive Components, the flagship manufacturing company of the Talbros Group, was established in the year 1956 to manufacture Automotive & Industrial Gaskets in collaboration with Coopers Payen of UK. The company has technical collaborations with Nippon Leakless Corporation – Japan and Sanwa Packaging – Japan. Few of the marquee customers includes Bajaj Auto, Tata Cummins, Volvo Eicher India, Ashok Leyland, Escorts Group, Force Motors, Hero MotoCorp, Honda, Hyundai, John Deere, Mahindra & Mahindra, Maruti Suzuki, Suzuki, TAFE, Daimler India, Tata Motors, Simpsons, Carraro, Dana, Musashi, Spicer, GE and QH Talbros besides a robust distribution network in the aftermarket.

Key recent major developments..

- 1) India's Goods and services tax (GST) collections hit Rs. 1.31 trillion in November, the second-highest in a month since the country introduced this indirect tax system in 2017. The highest monthly collection, at close to Rs. 1.40 trillion, had come in April this year. GST revenues in November were 25 per cent higher than those in the same month last year and 27 per cent more than the corresponding month in the pre-Covid year 2019-20. The collections were also 1.1 per cent higher than the Rs. 1.30 trillion collected in October this year. A finance ministry statement said the GST collection in November was second only to that in April 2021, which had got a push from year-end revenues. It was also higher than last month's collection, which had included the impact of returns required to be filed quarterly, it said. "This is very much in line with the trend in economic recovery," it said. Official data released on Tuesday showed that the economy grew 8.4 per cent during the second quarter of the current financial year. It also surpassed the corresponding pre-covid period of 2019-20 by a tad 0.3 per cent. In the previous quarter, economic growth had declined 9.2 per cent compared to the pre-covid period, even as it rose 20.1 per cent year-on-year.
- 2) IHS Markit Purchasing Managers' Index (PMI) survey fostered confidence on the manufacturing front as the index rallied up to a ten-month high in November due to high domestic demand. PMI rose to 57.6 in November from 55.9 in the previous month, the highest figure since January this year. Moreover, the headline figure was well above its long-run average of 53.6. In the PMI lexicon, a figure above 50 points to growth, while the one below this mark denotes contraction.
- 3) India's GDP (gross domestic product) growth rate for the second-quarter for the financial year 2021-22 came in at 8.4%, as against a contraction of 7.4% in the corresponding period of the previous fiscal year, government data showed on Tuesday. Economic recovery strengthened in the July-September quarter, helped by a pick-up in consumer spending, though the spread of the Omicron coronavirus variant raises fears for the future. "GDP at Constant (2011-12) Prices in Q2 2021-22 is estimated at Rs 35.73 lakh crore, as against Rs 32.97 lakh crore in Q2 2020-21, showing a growth of 8.4 percent as compared to 7.4 percent contraction in Q2 2020-21. Quarterly GVA at Basic Prices at Constant (2011-12) Prices in Q2 2021-22 is estimated at Rs 32.89 lakh crore, as against Rs 30.32 lakh crore in Q2 2020-21, showing a growth of 8.5 percent," said Ministry of Statistics & Programme Implementation.
- 4) The fiscal deficit for 2020-21 was 9.3 per cent of the Gross Domestic Product (GDP), better than 9.5 per cent projected in the revised estimates in the Budget in February. The central government's fiscal deficit at end-October worked out to be 36.3 per cent of the annual budget target for 2021-22 due to an improvement in the revenue collection, according to official data released on Tuesday. Fiscal deficit or the gap between expenditure and revenue was 119.7 per cent of the budget estimate of 2020-21 during the corresponding period last year. In actual terms,

the deficit was Rs. 5,47,026 crore at end-October, 2021 against the annual estimate of Rs. 15.06 trillion, while total expenditure was Rs. 18.27 trillion, said the data released by the Controller General of Accounts (CGA).

- 5) The Omicron coronavirus variant is likely to spread internationally, posing a "very high" global risk of infection surges that could have "severe consequences" some areas, the World Health Organisation (WHO) said on Monday. The U.N. agency urged its 194 member states to accelerate vaccination of high-priority groups and, in anticipation of increased case numbers, to "ensure mitigation plans are in place" to maintain essential health services. "Omicron has an unprecedented number of spike mutations, some of which are concerning for their potential impact on the trajectory of the pandemic," the WHO said.
- 6) Last week, a new COVID-19 variant B.1.1.529 - termed as "Omicron" was detected in countries like South Africa and Botswana on Thursday. The variant is a big concern because of its high number of mutations. As a result some countries have imposed travel restrictions on South Africa. The UK has imposed a temporary ban on flights from six African countries, while Singapore has announced restrictions on people who have been to South Africa and nearby countries in the last fortnight. India has tightened the screening of incoming visitors from South Africa, Botswana and Hong Kong. The surge in COVID cases in South Africa has been attributed to the new variant.
- 7) The Indian rupee dropped to its lowest level in three weeks and bond yields fell on last Friday as concerns over a new COVID variant spooked markets across the globe. Shares and currencies in Asia's emerging markets fell sharply as investors fled riskier assets after the detection of the significant new mutation, which in-turn strengthened safe-haven assets like the dollar.
- 8) Benefiting from strong consumer demand and high commodity prices, Indian companies will show significant growth in EBITDA over next 12-18 months, according to Moody's. The rating agency, which has 22 Indian corporates under its scanner, said growing government spending on infrastructure will support the demand for steel and cement. Also, rising consumption, push for domestic manufacturing and benign funding conditions will support new investments. The effects of supply chain disruptions will ease as semiconductor supplies ramp over the next few months, it added. The steady progress in vaccinations against Coronavirus (Covid-19) will support a sustained recovery in economic activity. The economic growth will rebound strongly in India. It has pegged growth in gross domestic product at 9.3 per cent for FY22 and 7.9 per cent for FY23. While overall economic sentiment is upbeat, the rating agency did sound a word of caution. If new waves of infections were to occur, it could trigger fresh lockdowns and erode consumer sentiment. Such a scenario would dampen economic activity and consumer demand, potentially leading to subdued EBITDA growth of less than 15-20 per cent for Indian companies over the next 12-18 months.

Global markets

- 1) Today, the European markets started on a good note. The Dow futures were also up today.
- 2) Asian peer indices too were upbeat after being under pressure earlier led by concerns of new COVID-19 variant.

Ajcon Global's observations and view

- 1) Indian equities came back strongly. Broader markets were upbeat today. The buoyancy was led by good GDP data, robust GST collections and strong manufacturing PMI. Globally, there are concerns led by discovery of new COVID-19 variant which some media reports suggest is vaccine resistant. In addition, there are headwinds like global inflation, valuation concerns and strengthening US dollar.
- 2) Before the correction started, the sentiments were strong led by good Q2FY22 earnings season and management commentary, good economic activity witnessed in the festive season of Navratri and Diwali, good manufacturing PMI data, strong October 2021 GST collections, good IIP data and IMF's forecast of India's GDP growth at 9.5 per cent in 2021 and at 8.5 per cent in 2022 and good spike in retail participation from Tier II and Tier III cities as people have become more financial literate in COVID-19 crisis. However, RBI measures to gradually reduce liquidity can remain an overhang.
- 3) There is a strong line up of IPOs. We suggest investors to be careful about the forthcoming IPOs and understand the fundamentals before riding the boom based on risk reward profile. However, IPOs of sectors in limelight like E-Commerce, Insurance, Digital, Speciality chemicals, Companies business model suited to new age, companies having business model which caters to the demands of Electric Vehicles would always gain maximum attention. However, investors have to be careful with expensive IPOs.



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- 4) The discovery of new COVID-19 variant is a matter of concern. It is advisable to stay away from companies which have ran ahead of fundamentals and valued beyond logic. It would be prudent to stay with quality names at decent valuations in uncertain times. It is advisable for investors to stick to defensives for some time and also look out for stock specific opportunities considering growth outlook and management pedigree. Always remember, corrections in a bull market will keep markets healthy.
- 5) With Q2FY22 earnings season behind us, investors will track global cues like inflation data across the globe, US treasury yields, COVID-19 cases especially in Europe and US, crude oil price movement and developments in China.
- 6) Domestically, going ahead, investors will keep an eye on monthly auto sales numbers.



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