

Indian equities continue to remain upbeat; good domestic economic indicators outweigh COVID-19 variant Omicron concerns..

Index	Today's Close	Prev. close	Change	% change	Open	High	Low
Sensex	58,461.29	57,684.79	776.50	1.35	57,781.48	58,513.93	57,680.41
Nifty	17,401.65	17,166.90	234.75	1.37	17,183.20	17,420.35	17,149.30

- 1) Indian equities continued to be upbeat led by good GDP data, robust GST collections and good Manufacturing PMI data which lifted investor sentiments.
- 2) The Sensex was up by 776.50 points or 1.35 percent to end at levels of 58,461.29. The Nifty was up by 234.75 points or 1.37 percent to end at levels of 17,401.65.
- 3) Among the Sensex 30 stocks, HDFC was the top gainer, up by 3.92 percent followed by PowerGrid up by 3.65 percent. Tata Steel, Sun Pharma, Tech Mahindra, HCL Technologies and Bajaj Auto were the other major gainers.

The Nifty made a high of 17,420.35, and finally settled 234.74 points higher at 17,401.65.
- 4) The broader markets too were upbeat today. The BSE Midcap index was up by 1.1 percent and Smallcap index was up by 1.2 percent.

Sectors and stocks

- 1) Shares of PowerGrid Corporation hit a record high of Rs. 214.80, up 4 per cent on the BSE in Thursday as robust project pipeline provides earnings visibility for 2-3 years for the company. The stock of state-owned electric utilities company surpassed its previous high of Rs. 209.75 touched on October 18, 2021. For July-September quarter (Q2FY22), the company's standalone profit after tax (PAT) increased by 7 per cent year on year (YoY) to Rs. 3,338 crore, due to lower-than-expected surcharge income at Rs. 89 crore (versus Rs 220 crore in Q2FY21). However, consolidated Q2FY2022 asset capitalisation was strong at Rs. 7,633 crore as compared to Rs. 5,642 crore in Q1FY22 and Rs 10,709 crore in Q2FY21. In the past three weeks, PowerGrid has outperformed the market by surging 18 per cent, as compared to 1.8 per cent decline in the S&P BSE Sensex. The company commissioned entire Raigarh-Pugalur 6,000 MW HVDC System on October 25, 2021.
- 2) Shares of BEML hit a new high of Rs. 2,041, on rallying 10 per cent on the BSE in Thursday's intra-day trade amid heavy volumes after Brickwork Ratings India assigned BWR AA ratings to the company's bank loan facilities with stable outlook. In the past six trading days, the stock of state-owned commercial vehicles company has surged 31 per cent. Thus far in the calendar year 2021, the stock price of BEML has zoomed 111 per cent, as compared to 21.8 per cent rise in the S&P BSE Sensex. Brickwork Ratings (BWR) believes the strategic importance of the company's operations, government support, new business plans and strong order book position fuelled a revival in the company's business from the Covid-19 impact during FY21 and H1FY22. In July 2021, the company incorporated a Wholly owned Subsidiary (WoS) in the name and style of BEML Land Assets Limited for the demerger of surplus land and assets as a part of the disinvestment process. The company filed the scheme of arrangement for the demerger with MCA for approval in October 2021. BWR will continue to monitor the strategic disinvestment process and take appropriate rating action as and when necessary, the rating agency said in rating action/outlook. The rating outlook may be revised to Positive in the case of sustained significant growth in revenues with an improvement in the profitability and working capital management, thereby strengthening its credit risk profile. Replenishing the order book with higher margins and advance backed orders would also be a credit positive, it said. On November 23, VIL hiked its prepaid tariff plans by 20-22 per cent across the board and 25 per cent in base entry level voice (2G plan), similar to Airtel. The company said the new plans will start the process of average revenue per unit (ARPU) improvement and help address the financial stress faced by the industry.
- 3) Shares of JMC Projects (India) (JMC) rallied by 17 per cent to Rs. 106.80 on the BSE in Thursday's intra-day trade after the company announced that it has secured new domestic orders worth of Rs. 1,795 crore. The company

secured water supply projects in India worth Rs. 1,085 crore and B&F projects in India worth Rs. 710 crore. "With additional new orders, JMC's order inflows for the current financial year has crossed Rs. 9,750 crore, giving us confidence to deliver good growth in the coming quarters," the company's management said. JMC, a subsidiary of Kalpataru Power Transmission, is one of the leading civil construction and infrastructure EPC (engineering, procurement, construction) companies in India. Meanwhile, last month, credit rating agency, CARE Ratings, had reaffirmed the rating of long term bank facilities of the JMC as CARE AA- with stable outlook. Further, it had reaffirmed the rating of short term bank facilities of the Company as CARE AI+. "The ratings assigned to the bank facilities of JMC takes into account sustained growth in total operating income (TOI) for the last three quarters ended June 2021 as compared with previous quarters amidst execution challenges pertaining to Covid-19 pandemic," CARE Ratings had said in the rating rationale.

- 4) Apollo Pipes and Indian Exchange Energy (IEX) turned ex-bonus today. Apollo Pipes rallied to a high of Rs. 680, and ended with a gain of 5.7 per cent at Rs. 616. On the other hand, IEX made a low of Rs. 704 and ended almost flat at Rs. 731.

Key recent major developments..

- 1) Crude oil prices has declined significantly to around \$70 per barrel from \$86.7 a barrel levels in October which is positive as India imports around 80-85 percent of its oil requirement. The fall in oil prices is owing to fears of COVID-19 variant Omicron which has led to restrictions affecting demand. Several countries increased travel restrictions to avoid the spread of Omicron.
- 2) 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.
- 3) 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.
- 4) 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.
- 5) 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).
- 6) 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.

- 7) 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.
- 8) 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.
- 9) 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 weak note owing to fears of COVID-19 variant Omicron. However, the Asian peer indices ended on a mixed note. Kospi rallied by 1.57 per cent. Hang Seng and Taiwan were up 0.55 per cent and 0.79 per cent, respectively. While on the other hand, Nikkei fell by 0.65 per cent. Shanghai Composite and Straits Times were down 0.09 per cent and 0.20 per cent, respectively.

Ajcon Global's observations and view

- 1) Indian equities were strong today. Today's buoyancy was led by fall in crude oil prices, good GDP data, robust GST collections and strong manufacturing PMI. Globally, there are concerns led by discovery of new COVID-19 variant - Omicron. 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.
- 4) The discovery of new COVID-19 variant - Omicron 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.



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- 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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