

Indian benchmark indices continue to remain flat; electric utilities companies rally..

The benchmark indices ended with meagre gains on Thursday after scaling record high in the opening deals. The S&P BSE Sensex ended 15 points, or 0.03 per cent higher at 44,633 levels while NSE's Nifty settled at 13,134, up 20 points, or 0.15 per cent.

HDFC Bank (down 2 per cent) ended as the biggest loser on Sensex after the Reserve Bank of India (RBI) ordered the bank to halt digital launches and new credit cards.

On the other hand, auto major Maruti Suzuki India (MSIL) emerged as the top gainer (up over 7 per cent). The stock also hit a 52-week high of Rs 7,777 during the day, before settling at Rs 7,740 on the BSE.

The broader market continued to outperform the frontline indices. The S&P BSE MidCap index gained 0.85 per cent to 17,313 levels while the S&P BSE SmallCap index settled at 17,246, up 0.68 per cent.

Sectorally, metal, auto and realty stocks rallied. Nifty Metal index gained 2.56 per cent to 3,050 levels.

India VIX, the volatility index, dropped 4.5 per cent to 19 levels.

Key recent developments

Yesterday, UK became the first western country to approve a Covid-19 vaccine, with its regulator clearing Pfizer Inc. and BioNTech SE's shot ahead of decisions in the U.S. and European Union. The emergency authorisation clears the way for the deployment of a vaccine that's expected to play a significant role in the global effort to halt the coronavirus. Pfizer and its German partner said in November that the shot, relying on novel technology called messenger RNA, was 95% effective in a final analysis of clinical-trial data. "The government has today accepted the recommendation from the independent Medicines and Healthcare products Regulatory Agency (MHRA) to approve Pfizer-BioNTech's COVID-19 vaccine for use. This follows months of rigorous clinical trials and a thorough analysis of the data by experts at the MHRA who have concluded that the vaccine has met its strict standards of safety, quality and effectiveness," the UK government said in a statement. "The vaccine will be made available across the UK from next week. The NHS has decades of experience in delivering large scale vaccination programmes and will begin putting their extensive preparations into action to provide care and support to all those eligible for vaccination," the statement added. Britain's approval of BioNTech-Pfizer's vaccine against Covid-19 marks a "historic moment" in the battle against the pandemic, the US pharma group's chief executive said. "Today's Emergency Use Authorisation in the UK marks a historic moment in the fight against Covid-19," said Pfizer CEO Albert Bourla.

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



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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.

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 Maruti Suzuki (India) (MSIL) hit an over 11-month high of Rs. 7,510, up 4.3 per cent on the BSE on Thursday. The stock of the passenger vehicles (PV) bellwether was trading higher for the fourth straight day, rising 7 per cent during the period, even as the company's volumes in November rose at a modest pace by 1.1 per cent to 153,223 units, dragged by a 5 per cent decline in the core mini and compact portfolio. The stock was trading at its highest level since January 20, 2020. It had hit a 52-week high of Rs. 7,566 on January 17, 2020. Despite the past four days' gain, MSIL has underperformed the market in past one month by gaining 8 per cent, as compared to an 11 per cent rally in the S&P BSE Sensex

Shares of electric utilities companies were in focus with Adani Power and JSW Energy rallying by 20 per cent and 14 per cent, respectively, on the BSE on Thursday on the back of heavy volumes. CESC, NTPC, and Torrent Power were up in the range of 3 per cent to 4 per cent. The power ministry is also working on a series of major reforms, including the implementation of the Direct Benefit Transfer Scheme (DBT) across discoms and has also drafted a Standard Bidding Document (SBD) for the privatisation of state discoms, which will be the guiding document for states that want to offer their discoms to private companies. Accordingly, states such as Rajasthan, MP, Kerala, and AP are working on the guidelines for implementing the proposed measures, which we believe will help in lowering discoms' losses and improve their cash-flow situation, it said. Among individual stocks, Adani Power was locked in the upper circuit of 20 per cent at Rs. 54.15 on the back of a four-fold jump in trading volumes. The stock rallied 41 per cent in the past three trading days, from Rs. 38.50 on Friday, November 27, 2020.

Tata Power was up 2 per cent at Rs. 69.65 after Coastal Gujarat Power Limited (CGPL), a wholly-owned subsidiary of the company, repaid Rs 1,500 crore of bank loans on Wednesday, December 2, 2020. With this repayment and the earlier repayment of Rs. 2,650 crore of bank loans made in October 2020, the entire bank loans of CGPL aggregating to Rs. 4,150 crore, have been fully repaid. After this repayment, CGPL's long term debt comprises only Rs. 3,940 crore of bonds and debentures. This action is in line with the company's stated objective of repaying debt in CGPL to reduce the periodic debt servicing obligations of CGPL and thus make its operations more self-sustainable, it said.

Shares of Steel Authority of India (SAIL) hit a fresh 52-week high of Rs. 53.60, up 4 per cent on the BSE on Thursday, gaining 55 per cent in the past one month, on expectation of strong demand outlook. In comparison, the S&P BSE Sensex has gained 11 per cent during the same period. For July-September quarter (Q2FY21), SAIL had reported a consolidated net profit of Rs. 437 crore on back of strong operational performance. The state-owned company had posted a net loss of Rs. 286 crore in the same quarter of previous fiscal and a loss of Rs. 1,226 crore in June quarter (Q1FY21). The company's consolidated revenue from operations grew 20 per cent to Rs. 16,925 crore from Rs. 14,128 crore in the year-ago quarter. The Covid-19 pandemic outbreak and measures to curtail it has caused significant disturbances and slow down of economic activities. Consequently, the company's manufacturing operations had to be scaled down during Q1FY21. Following the resumption of operations during the later part of the first quarter, the company has operated at normal capacity in Q2FY21. With the strategic focus on enhancing the saleable steel production, the company registered the best ever saleable steel Q2 production of 3.752 MT in Q2FY21 surpassing the previous best of 3.658 MT achieved during Q2FY18. The management said the company is determined to perform better in future and is geared up to take all necessary actions to remain a world-class domestic steel producer towards building an Atmanirbhar Bharat.

Global markets

Chinese equities were in red on Thursday after the US House of Representatives passed a bill that threatened to delist Chinese companies off US stock exchanges, a move likely to further ratchet up tensions between Washington and Beijing.

In Europe, shares made lacklustre moves in the early deals, awaiting more signals from Brexit negotiators, while tracking progress in stimulus measures and vaccines as economies still reeled from the fallout of the Covid-19 pandemic.

Earlier, 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

With COVID-19 vaccine coming in UK; sentiments have improved globally.

Domestically, broader markets continued to witnessing buying which is a good sign for retail investors. Strong up move is being registered in 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 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.

Sectorally, PSU bank stocks rallied in the trade with the Nifty PSU Bank index surging nearly 5 per cent to 1,673 levels. SBI ended around 4 per cent higher at Rs 256.40 on the NSE.

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.

Nifty valuations look expensive led by significant spike of FPI liquidity in the month of November 2020. Hence we are cautious on Large caps and advise partial profit booking. The news on COVID-19 vaccine coming in UK has already led to rerating of sectors that were hammered in COVID-19 crisis. Further fall in domestic bourses, will make markets healthy for fresh entry.

Going ahead, all eyes will be on the outcome of the MPC meeting on December 4, 2020. We expect the RBI could keep rates unchanged but may increase growth forecast for the upcoming quarters.

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