

**Buoyancy continues in Indian equities despite rising COVID-19 cases; sugar stocks rally..**

Index	Today's Close	Prev. close	Change	% change	Open	High	Low
<b>Sensex</b>	59,855.93	59,183.22	<b>672.71</b>	<b>1.14</b>	58,310.09	<b>59,266.39</b>	58,306.45
<b>Nifty</b>	17,805.25	17,625.70	<b>179.55</b>	<b>1.02</b>	17,681.40	<b>17,827.60</b>	17,593.55

- 1) Indian benchmark indices continued to be strong note on the second trading day of CY22. The sentiments have been upbeat on receding concerns of Omicron variant as compared to devastating Delta variant. Despite COVID-19 cases rising, the death rates have been very low and restrictions imposed by various states are not a major dampener to economic activity.
- 2) The Sensex was up by 672.71 points or 1.14 percent to end at levels of 59,855.93. Today, Nifty was up by 179.55 points or 1.02 percent to end at levels of 17,805.25.
- 3) For the CY 2021, Sensex delivered a good return of 22 per cent or up by 10,503 points, after having touched a new life-time high of 62,245 on October 19, 2021. Growth oriented budget, devastating second wave of COVID-19 well managed, strong vaccination drive, faster than expected economic recovery in Unlock phase, PLI incentives in various sectors, strong demand witnessed post lockdown and in festive season, strong Q2FY22 earnings season contributed to the significant rally.
- 4) The broader markets were also positive. The BSE Midcap index was up by 0.05 percent and BSE Smallcap index was up by 0.4 percent.
- 5) In terms of sectoral performance, the Nifty Oil and Gas index was up by 1.4 per cent

**Sectors and stocks**

- 1) Shares of sugar companies were in demand in Tuesday's intra-day trade and had rallied up to 10 per cent amid heavy volumes on strong outlook. Triveni Engineering & Industries, rallied by 9 per cent to Rs. 244, and crossed its earlier high of Rs. 235 hit on December 28, 2021 on the BSE. Similarly, Balrampur Chini Mills rallied by 7 per cent to Rs. 399, and surpassed its previous high of Rs. 398.25 touched on October 18, 2021. Dhampur Sugar Mills, Dalmia Bharat Sugar and Industries, Avadh Sugar, Dwarikesh Sugar, EID Parry (India), Mawana Sugars and Uttam Sugar Mills were up in the range of 5 per cent to 10 per cent on the BSE. According to a CRISIL report, sugar mills are expected to see both revenue and profitability improve in the 2022 season (SS 2022; October 2021 to September 2022). Sugar prices are expected to rise 16-17 per cent this season, compared to a marginal fall in the last year, led by a pickup in industrial demand and increased exports. An increase in consumption amid stable production is expected to deplete inventories, leading to the sharp rise.
- 2) Shares of Hinduja Global Solutions (HGS) rallied by 19 per cent to hit a new high of Rs. 3,948 on the BSE in Tuesday's intra-day trade after the company announced that its board will meet on Thursday January 06, 2022 to consider a proposal for bonus issue of equity shares. The stock of the company engaged in Business Process Outsourcing (BPO)/ Knowledge Process Outsourcing (KPO) has surpassed its previous high of Rs. 3,529 touched on August 12, 2021. "A meeting of the board of directors of Hinduja Global Solutions will be held on Thursday, January 6, 2022, inter-alia, to consider declaration of interim dividend, if any, for the financial year 2021-22; and proposal for declaration of bonus issue of equity shares," the company said in an exchange filing.

## Key recent major developments..

- 1) FIIs bought equities worth Rs. 1,273.86 Crore on Jan 04, 2021 (Rs. 902.64 Crore on Jan 03, 2021). FIIs had sold equities worth Rs. 35,493.59 Crore in December 2021 against selling of Rs. 39,901.92 Crore in November 2021.
- 2) Most of Asian peer indices ended in green. European benchmark indices were trading on a positive note. However, US benchmark index - Nasdaq was down by 1.52 percent. Globally, there are concerns over Omicron in European countries and US.
- 3) India began vaccinating teens aged 15 to 18 from Monday, expanding its inoculation campaign as COVID-19 cases rise in the country.
- 4) India's manufacturing activity lost some momentum in December easing to a three month low after hitting a 10 month high in November, amid fears that the rapidly spreading third wave of the Coronavirus (Covid-19) pandemic may hit consumer sentiment and output. Data released by the analytics firm IHS Markit showed that the Purchasing Managers' Index (PMI) for manufacturing fell to 55.5 in December from 57.6 in November. A reading above 50 indicates expansion in economic activity and a number below that signals contraction. "Companies continued with their stock-building initiatives, as evidenced by another robust upturn in buying levels. Business confidence strengthened, but sentiment was again dampened by concerns surrounding supply-chain disruptions, Covid-19 and inflationary pressures," the data analytics firm said.
- 5) India's exports in December 2021 was up by 37 per cent on an annual basis to USD 37.29 billion, the highest-ever monthly figure, government data showed on Monday. Outbound shipments during April-December 2021 crossed USD 300 billion, exceeding the exports of 2020-21, as per data by the commerce ministry. Addressing a press conference, Commerce Minister Piyush Goyal said India's exports of goods will cross USD 400 billion this fiscal.
- 6) GST revenue collected in December 2021 was over Rs. 1.29 trillion, 13 per cent higher than the same month last year, the Finance Ministry said on Saturday. Though the collection was lower than Rs. 1.31 trillion mopped up in November, December is the sixth month in a row when revenue from goods sold and services rendered stood at over Rs. 1 trillion. The gross GST revenue collected in the month of December 2021 is Rs. 1.29 trillion, of which CGST is Rs. 22,578 crore, SGST is Rs. 28,658 crore, IGST is Rs. 69,155 crore (including Rs. 37,527 crore collected on import of goods) and cess is Rs. 9,389 crore (including Rs. 614 crore collected on import of goods)," the Finance Ministry said in a statement. The revenues for December 2021 are 13 per cent higher than the GST revenues in the same month last year (Rs 1.15 trillion) and 26 per cent higher than December 2019. The average monthly gross GST collection for the third quarter (October-December) of the current year has been Rs 1.30 lakh crore against the average monthly collection of Rs 1.10 trillion and Rs 1.15 trillion in the first and second quarter, respectively. "Coupled with economic recovery, anti-evasion activities, especially action against fake billers have been contributing to the enhanced GST. The improvement in revenue has also been due to various rate rationalisation measures undertaken by the Council to correct inverted duty structure," the ministry said.
- 7) The Goods and Service Tax Council, in its 46th meeting in Delhi, had decided to defer the hike in GST rate for textiles to 12 percent from 5 percent. The matter was referred to an existing Group of Ministers on GST rate rationalisation, said Finance Minister Nirmala Sitharaman on Friday. It was a brief meeting, triggered by a letter sent to me by Finance Minister of Gujarat. We will retain the status quo and not go to 12 percent from 5 percent, in the case of textile," Sitharaman said at a media briefing after the Council meeting.
- 8) Output of eight core sectors rose by 3.1 per cent in November as against a contraction of 1.1 per cent in the same month last year, according to government data released on Friday. Barring crude oil and cement, all other sectors recorded positive growth in November. In October, these core sectors' output had grown by 8.4 per cent. The growth rate of the eight infrastructure sectors - coal, crude oil, natural gas, refinery products, fertilisers, steel, cement and electricity - stood at 13.7 per cent during April-November this fiscal as against a negative growth of 11.1 per cent during the same period last fiscal.
- 9) The central government's fiscal deficit at the end of November worked out to be 46.2 per cent of the annual budget target for the financial year 2021-22 due to an improvement in the revenue collection, according to official data released on Friday. The deficit figures in the current financial year till November appear much better than the previous financial year when it had soared to 135.1 per cent of the estimates mainly on account of a jump in expenditure to deal with the COVID-19 pandemic. In actual terms, the deficit stood at Rs 6.96 trillion at the end of November 2021 against the annual estimate of Rs 15.06 trillion, according to data released by the Controller

General of Accounts (CGA). For the current financial year, the government expects the deficit at 6.8 per cent of GDP or Rs 15.06 trillion.

- 10) India's current account balance moved back into deficit in the three months from July to September, mainly due to the widening of the trade deficit, the Reserve Bank of India said Friday. The current account deficit stood at \$9.6 billion or 1.3% of GDP in the second quarter of fiscal year 2021/22 compared with a surplus of \$15.3 billion in the same quarter a year ago.
- 11) In view of the rising Omicron cases across the country, All India Institute of Medical Sciences (AIIMS) Delhi Director Dr Randeep Guleria earlier advised people "not to panic, but to be vigilant" while extending New Year greetings. In a video message posted by AIIMS, Delhi, Dr Guleria said, "Let me take this opportunity to wish everyone a very happy, healthy, and prosperous 2022. As we move forward, it is important for us to understand that the Coronavirus (Covid-19) pandemic is not over, yet we are in a better position."
- 12) Though the economy has steadily gained momentum and remained resilient since the second quarter of the current fiscal, the Omicron variant of coronavirus remains the major challenge along with rising inflation pressures, says the Reserve Bank in its second financial stability report. In the foreword to the report released on Wednesday, RBI Governor Shaktikanta Das notes that after the destructive second wave in April-May 2021, the growth outlook has progressively improved, though there are headwinds from global developments and more recently from the Omicron virus. A stronger and sustainable recovery hinges on the revival of private investment and shoring up private consumption, which unfortunately still remain below their pre-pandemic levels, he notes.
- 13) India has approved Merck's Covid-19 pill and two more vaccines for emergency use as the country is witnessing possible spike in coronavirus cases due to the rapidly spreading Omicron variant. Molnupiravir will be manufactured in India by 13 companies for restricted use under emergency situation for treatment of adult patients with Covid-19, said Health Minister Mansukh Mandaviya on Tuesday. Merck's anti-viral pill molnupiravir was authorised by the United States last week for certain high-risk adult patients and has been shown to reduce hospitalisations and deaths by around 30 per cent in a clinical trial.
- 14) The Union Home Ministry on December 27, 2021 issued guidelines for COVID-19 vaccination of children aged 15-18 years and for the administration of booster dose to healthcare, frontline workers, and senior citizens with co-morbidity. "For those Health Care Workers (HCWs) & Frontline Workers (FLWs) who have received two doses, another dose of COVID-19 vaccine would be provided from January 10," the ministry said in its guidelines. "The prioritization & sequencing of this precaution dose would be based on the completion of 9 months from the date of administration of 2nd dose reads the guidelines," it said. Based on doctor's advice, all persons aged 60 years and above with comorbidities who have received two doses of Covid vaccine will be provided with a precaution dose from January 10, 2022.

#### **Ajcon Global's observations and view**

- 1) Indian benchmark indices continued to be buoyant on second trading day of CY22 led by rally in index heavyweights like Reliance Industries, HDFC and TCS. As symptoms of Omicron variant are mild with fewer deaths reported so far, investor sentiments have been upbeat despite rising COVID-19 cases.
- 2) For the CY 2021, Sensex delivered a good return of 22 per cent or up by 10,503 points, after having touched a new life-time high of 62,245 on October 19, 2021. Nifty has delivered a return of 24.1 per cent for CY 2021. Growth oriented budget, devastating second wave of COVID-19 well managed, strong vaccination drive, faster than expected economic recovery in Unlock phase, PLI incentives in various sectors, strong demand witnessed post lockdown and in festive season, strong Q2FY22 earnings season contributed to the significant rally.
- 3) However, there are some concerns of increasing COVID-19 cases domestically. Delhi and Mumbai have already witnessed significant spike in COVID-19 cases. Today, Mumbai reported 10,860 COVID-19 cases. In addition, there are concerns like hawkish stance of global central banks, headwinds like global inflation, valuation concerns and strengthening of US dollar.
- 4) Before the significant correction earlier, the sentiments were upbeat led by RBI's accommodative stance in its Monetary Policy, recent fall in crude oil prices, good GDP data, robust GST collections, strong manufacturing PMI, good Q2FY22 earnings season and management commentary, good economic activity witnessed in the festive season of Navratri, Diwali, Christmas, New Year and good spike in retail participation from Tier II and Tier III cities as people have become more financial literate in COVID-19 crisis.



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- 5) 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.
- 6) 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.
- 7) Structurally, Indian equities are poised to do well after major reforms like thrust on digital economy after demonetisation, implementation of GST, RERA, Insolvency and Bankruptcy Code, reforms in power, one of its kind Union Budget announced last year which focussed on investment led spending to drive growth with impetus on Privatisation, thrust on Aatmanirbhar Bharat resulting into Production Linked Incentive (PLI) schemes for various sectors, reforms in Direct Taxes, thrust on renewables sector, Ethanol blending, scrapping policy etc. India today has emerged as a potential destination for investment.
- 8) We expect upside in Indian equities as FPIs have returned post New Year Celebrations. Market participants will keenly track Q3FY22 earnings season, economic activity in 3rd wave of COVID-19 and will also keep an eye on expectations from different stakeholders from the upcoming Union Budget, global cues like COVID-19 cases led by the Omicron variant across the globe, global inflation data, oil price movement and developments in China.



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