

Indian equities start Samvat 2078 on a good note; Cement and PSU Banks stocks rally..

- 1) The key benchmark indices were up on Monday led by consistent buying in select financial and IT shares. The BSE benchmark index, the Sensex made a high of 60,609 and finally ended 478 points higher at 60,546.
- 2) The NSE Nifty moved in a range of 252 points, the index from a low of 17,836 surged to a high of 18,088 before settling with a gain of 152 points at 18,069.
- 3) Titan and Bajaj Finserv rallied over 4 per cent each and were the major gainers among the Sensex 30 stocks. UltraTech Cement surged 5 per cent to a record high at Rs 8,267 on the back of strong demand outlook. The stock finally ended 4 per cent higher at Rs 8,208.
- 4) Tech Mahindra, Kotak Bank, HDFC, NTPC, PowerGrid Corporation and Bajaj Finance were the other major gainers, up 2-4 per cent each. Infosys, Bharti Airtel, ITC and Tata Steel also finished with notable gains. On the other hand, IndusInd Bank fell by 10.5 per cent to Rs 1,065.
- 5) The broader markets too were positive. The BSE Midcap index rallied by 1.3 per cent, while the Smallcap index was up by 0.9 per cent.
- 6) India VIX was down 1.4 per cent at 17.18.

Index	Today's Close	Prev. close	Change	% change	Open	High	Low
Sensex	60,545.61	60,067.62	477.99	0.80	60,385.76	60,609.16	59,779.19
Nifty	18,068.55	17,916.80	258.00	1.46	18,040.20	18,087.80	17,836.10

Sectors and stocks

- 1) Shares of Shares of Canara Bank hit an over two-year high of Rs 242.60 after they rallied 6 per cent on the BSE in Monday's intra-day trade after rating agency ICRA upgraded the rating of Bank's Basel III Tier II Bonds to "ICRA AAA (Stable)" from "ICRA AA+(hyb) (Stable)". The rating agency has also upgraded its ratings on the Basel III Additional Tier I Bonds to "ICRA AA+ (Stable)" from "ICRA AA (hyb) (Stable)". The stock of the public sector bank was trading at its highest level since July 2019. In the past one month, Canara Bank has outperformed the market by surging 37 per cent, as compared to less than 1 per cent rise in the S&P BSE Sensex. It has rallied by 62 per cent against qualified institutional placement (QIP) price of Rs. 149.35 per share. In August, Canara Bank had raised Rs 2,500 crore through QIP by issuing 167.39 million equity shares to qualified institutional buyers (QIB). The Bank had said it intended to utilize the net proceeds towards augmenting the Bank's Tier I capital to support growth plans and to enhance the business of the Bank. ICRA in rating rational said the rating upgrade factors in the improvement in the solvency profile of Canara Bank which is expected to sustain going forward. An improved capital position has supported the bank's solvency profile, which is expected to get a further boost from improving profitability metrics and expectations of steady internal capital accruals. "Though the slippages could remain high in FY2022 due to declining provisions for legacy stressed assets, ICRA expects the credit provisions to moderate as the bank is likely to significantly absorb the credit provisions from its operating profits. As a result, the bank's profitability is expected to improve with a return on assets (RoA) of over 0.2-0.3 per cent in FY2022 and over 0.3-0.5 per cent in FY2023," it said. The Stable outlook on the ratings factor in the expectations of an improving solvency profile, internal capital generation and the strong liability profile of the bank, apart from its sovereign ownership, ICRA said.
- 2) Shares of UltraTech Cement hit a record high of Rs 8,219.95, up 4 per cent on the BSE in Monday's intra-day trade on strong demand outlook in an otherwise subdued market. The stock of Aditya Birla Group Company surpassed its previous high of Rs 8,070.60 touched on September 4, 2021. In past two weeks, the stock has rallied 15 per cent from a level of Rs 7,147 on October 25. UltraTech Cement is witnessing strong demand from various infrastructure constructions such as highway construction, railways, metro rail, irrigation projects, airports and urban housing market in the Tier 2 and Tier 3 markets. "Recovery in rural housing, higher MSP (minimum support price) for kharif

corp; improved food grain production in rabi harvest; a third consecutive normal monsoon and pick-up in infrastructure-led construction activity are likely to drive cement demand off-take", UltraTech Cement said while announcing September quarter results on October 18. However, continuous increases input costs like coal, pet coke and diesel pose a challenge for the industry. "UltraTech is confident of weathering the storm of increase in input costs, with its sustainable efficiency improvement programs, accompanied by increase in selling price to absorb the increase in costs," the company said.

Global markets

- 1) Globally, there are concerns like US-China tensions, increase in COVID-19 cases in China, Russia, UK and European countries. Rising crude oil prices and increasing US bond yields would also affect investor sentiments.
- 2) China's economy hit its slowest pace of growth in a year in the third quarter, hurt by power shortages, supply chain bottlenecks and major wobbles in the property market and raising pressure on policymakers to do more to prop up the faltering recovery. Data released on Monday showed gross domestic product (GDP) grew 4.9% in July-September from a earlier, the weakest clip since the third quarter of 2020 and missing forecasts. The world's second-largest economy is facing several major challenges, including the China Evergrande Group debt crisis, ongoing supply chain delays and a critical electricity crunch, which sent factory output to its weakest since early 2020, when heavy COVID-19 curbs were in place. "The domestic economic recovery is still unstable and uneven," said National Bureau of Statistics (NBS) spokesperson Fu Linghui at a briefing in Beijing on Monday.
- 3) China is facing power crisis which is triggering blackouts for households and forcing factories to cut production, threatening to slow the country's vast economy and place even more strain on global supply chains. Earlier, Factory-gate price inflation in China remained high in August, rising to the highest level in 13 years, data released on Thursday showed. The producer price index (PPI), which reflects the prices that factories charge wholesalers for their products, rose by 9.5 per cent in August from a year earlier, from a gain of 9 per cent in July, the National Bureau of Statistics (NBS) said.
- 4) Inflation in the euro area accelerated more than expected to the highest level in 13 years. Consumer prices rose 3.4 percent in September, compared with an estimate for a 3.3 percent gain, according to figures released by Eurostat on Friday. A measure stripping out volatile components such as food and energy climbed to 1.9 percent, a rate not seen since 2008. Price growth is driven mainly by effects related to the pandemic and the reopening of economies after long stretches of virus shutdowns. The European Central Bank expects a peak only later this year, before a slowdown in 2022.

Key recent major domestic developments..

- 1) Gross Goods and Services Tax (GST) revenue collections in October witnessed a rise of 23.7 per cent year-on-year to Rs. 1,30,127 crore. This is the second-highest revenue collection under GST ever since its rollout in July 2017, coming on the back of a pickup in economic activity and several compliance measures taken by tax authorities to curb evasion. GST collections at Rs 1,41,384 crore in April this year, accounting for year-end sales, are the highest collections so far in the indirect tax regime. The Finance Ministry said that this growth in collections is "very much in line with the trend in economic recovery". "The GST revenues for October have been the second-highest ever since the introduction of GST, second only to that in April 2021, which related to year-end revenues. This is very much in line with the trend in economic recovery. This is also evident from the trend in the e-way bills generated every month since the second wave. The revenues would have still been higher if the sales of cars and other products had not been affected on account of disruption in supply of semiconductors," it said.
- 2) India Manufacturing Purchasing Managers' Index (PMI) was in expansion territory, at 55.9 in October, for the fourth month in a row. Moreover, rising from 53.7 in September, the latest figure pointed to the strongest improvement in overall operating conditions since February.
- 3) The Union cabinet on last Thursday cleared the PM Gati Shakti - National Master Plan for multi-modal connectivity to economic zones. "The PM GatiShakti NMP is intended to break Departmental Silos and bring in more holistic and integrated planning and execution of projects with a view to address the issues of Multi Modal connectivity and last mile connectivity," the cabinet said in a statement. "This will help in bringing down the logistics cost. This will translate into enormous economic gains to consumers, farmers, youth as well as those engaged in businesses," it added. Prime Minister Narendra Modi had on October 13 launched the PM Gati Shakti National Master Plan for multi-modal connectivity to expedite and bring infrastructure development on a common path. The Rs 100 lakh-crore Gati Shakti plan envisages a centralised portal comprising all existing and planned infrastructure initiatives of

as many as 16 central ministries and departments for integrated planning and coordinated implementation of infra connectivity projects.

- 4) Domestic air passenger traffic witnessed a growth of 5.45 percent in September on month on month basis with the easing of lockdown restrictions following the decline in Covid-19 cases. The total passenger load in September stood at 70.66 lakh compared to 67.01 lakh in August, 50.07 lakh in July and 31.13 lakh in June. The passenger traffic in September 2021 was 79 percent higher when compared to the same month in the past year, the aviation sector regulator said. In September last year, the number of passengers carried by domestic airlines stood at 39.43 lakhs. Domestic airlines were allowed to operate at 60 percent capacity utilization in September 2020 compared to the 85 percent capacity utilization allowed in September 2021.
- 5) Passenger vehicle wholesales in India witnessed a decline of 41 per cent year-on year in September as automobile manufacturers struggled to produce adequate units owing to semiconductor shortage, auto industry body SIAM said on Thursday. Passenger vehicle sales last month stood at 1,60,070 units as compared with 2,72,027 units in the year-ago period. As per the latest data by Society of Indian Automobile Manufacturers (SIAM), two-wheeler dispatches to dealers also witnessed a dip of 17 per cent at 15,28,472 units, compared to 18,49,546 in September 2020. Motorcycle dispatches declined 22 per cent last month to 9,48,161 units as against 12,24,117 in the year-ago period. Scooter sales were also down 7 per cent at 5,17,239 units from 5,56,205 units a year ago. Vehicle sales across categories last month declined year-on-year by 20 per cent to 17,17,728 units from 21,40,549 units. Indian automobile industry continues to face new challenges. While on one hand, we are seeing a revival in vehicle demand, on the other hand, shortage of semiconductor chips is causing a major concern for the industry. Many members have curtailed their production plans," SIAM President Kenichi Ayukawa said. Coupled with the festive season demand, this has led to long waiting time for the customers on popular models of some segments, he added. "High raw material prices also continue to be a challenge. The industry is taking all possible measures to mitigate the impact of such supply chain issues and optimise production," Ayukawa noted.
- 6) India's industrial production in India continued to stabilise in August, expanded by 11.9 percent year-on-year (YoY) in August, rising slightly from 11.4 percent in July. The growth was due to a low-base effect and good performance by manufacturing, mining and power sectors that surpassed the pre-COVID level. The manufacturing sector, which constitutes 77.63 percent of the Index of Industrial Production (IIP), grew 9.7 percent in August, according to the data released by the National Statistical Office (NSO) on Tuesday. The mining sector output rose 23.6 percent in August, while power generation increased 16 percent.
- 7) India's retail inflation eased again in September, falling to a five-month low led by moderating food prices that offset a surge in the cost of crude oil and fuel, government data showed on Tuesday. Consumer price inflation fell sharply to 4.35% in September from 5.3% in August. This marks the third consecutive month within the Reserve Bank of India's (RBI) tolerance band of 2%-6%. The Consumer Price Index-based (CPI) inflation was at 7.27% in September 2020.

As per the data released by the National Statistical Office (NSO), the inflation in food basket eased to 0.68% in September 2021, significantly down from 3.11% in the preceding month. The Reserve Bank of India (RBI), which mainly factors in CPI-based inflation while arriving at its bi-monthly monetary policy, has been tasked by the government to keep it at 4%, with a tolerance band of 2% on either side.

- 8) The International Monetary Fund (IMF) has retained its projection for India's economic growth in the current financial year at 9.5 per cent, even as it has moderately scaled down its forecast for the world economy during 2021 by 10 basis points to 5.9 per cent in view of worsening Covid dynamics and supply disruptions. In its World Economic Outlook (WEO), the IMF has maintained India's gross domestic product (GDP) estimates for next financial year at 8.5 per cent, unchanged from its July projections. The WEO, titled 'Recovery During a Pandemic Health Concerns, Supply Disruptions, and Price Pressures', has forecast world economic growth at 4.9 per cent for 2022, the same as earlier.

Meanwhile, the IMF has cut its China GDP growth projections for 2021 and 2022 by 10 basis points each – to eight and 5.6 per cent, respectively. With this, India will again get the tag of the fastest-growing large economy in the world, both in FY22 and FY23. In 2020, China's was the only major economy that had registered growth. While it had grown 2.3 per cent last year, India's had contracted by 7.3 per cent.

- 9) Earlier, RBI kept repo and reverse repo rates unchanged at 4 per cent and 3.35 per cent, respectively. The central bank also retained the GDP growth forecast at 9.5 per cent for the on-going fiscal year and revised CPI inflation projection downward to 5.3 per cent for the whole fiscal (from 5.7 per cent). The RBI Governor said "With the worst of the second wave behind us and substantial pick-up in COVID19 vaccination giving greater

confidence to open up and normalise economic activity, the recovery of the Indian economy is gaining traction. While vaccine reach is the real fault line in the current global recovery, India is in a much better place today than at the time of the last MPC meeting. Growth impulses seem to be strengthening and we derive comfort from the fact that the inflation trajectory is turning out to be more favourable than anticipated. In spite of global headwinds, we hope to emerge from the storm and sail towards normal times, steered by the underlying resilience of the macro-economic fundamentals of the Indian economy. Core inflation, however, remains sticky. Elevated global crude oil and other commodity prices, combined with acute shortage of key industrial components and high logistics costs, are adding to input cost pressures. Pass-through to output prices has, however, been restrained by weak demand conditions. The evolving situation requires close vigilance."

He added "Overall, aggregate demand is improving but slack still remains; output is still below pre-pandemic level and the recovery remains uneven and dependent upon continued policy support. Contact intensive services, which contribute about 40 percent of economic activity in India, are still lagging. Supply side and cost push pressures are impinging upon inflation and these are expected to ameliorate with the ongoing normalisation of supply chains. Efforts to contain cost-push pressures through a calibrated reversal of the indirect taxes on fuel could contribute to a more sustained lowering of inflation and an anchoring of inflation expectations."

He further said "Recovery in aggregate demand gathered pace in August-September. This is reflected in high-frequency indicators – railway freight traffic; port cargo; cement production; electricity demand; e-way bills; GST and toll collections. The ebbing of infections, together with improving consumer confidence, has been supporting private consumption. The pent-up demand and the festival season should give further fillip to urban demand in the second half of the financial year. Rural demand is expected to get impetus from continued resilience of the agricultural sector and record production of kharif foodgrains in 2021-22 as per the first advance estimates. The improved level in reservoirs and early announcement of the minimum support prices for rabi crops boost the prospects for rabi production. The support to aggregate demand from government consumption is also gathering pace."

- 10) The gross GST revenue collected in the month of September 2021 stood at Rs. 1,17,010 crore, which is 23 percent higher than the GST revenues in the same month last year. During the month, revenues from import of goods was 30 percent higher and the revenues from domestic transaction (including import of services) are 20 percent higher than the revenues from these sources during the same month last year. The revenue for September 2020 was, in itself at a growth of 4 percent over the revenue of September 2019 of Rs. 91,916 crore. For this September, CGST collections were Rs. 20,578 crore, SGST Rs. 26,767 crore, IGST Rs. 60,911 crore (including Rs. 29,555 crore collected on import of goods) and cess Rs. 8,754 crore (including Rs. 623 crore collected on import of goods). The average monthly gross GST collection for the second quarter of the current year has been Rs. 1.15 lakh crore, which is 5 percent higher than the average monthly collection of Rs. 1.10 lakh crore in the first quarter of the year. "This clearly indicates that the economy is recovering at a fast pace. Coupled with economic growth, anti-evasion activities, especially action against fake billers have also been contributing to the enhanced GST collections. It is expected that the positive trend in the revenues will continue and the second half of the year will post higher revenues," the government said.
- 11) The Manufacturing Purchasing Managers' Index, compiled by IHS Markit, rose to 53.7 in September from 52.3 in August, staying above the 50-level separating growth from contraction for the third straight month. "Indian manufacturers lifted production to a greater extent in September as they geared up for improvements in demand and the replenishment of stocks," noted Pollyanna De Lima, economics associate director at IHS Markit. "There was a substantial pick-up in intakes of new work, with some contribution from international markets." Improvements in both domestic and overseas demand saw new orders expand at a quicker pace in September and factories raised output at a significantly faster rate compared to August. However, that failed to encourage factories to hire more workers - a much needed step to boost weak labour market conditions - and instead they reduced their workforce at the sharpest pace in four months. "Companies continued to purchase extra inputs in September, but jobs were little changed over the month. In some instances, survey participants indicated that government guidelines surrounding shift work prevented hiring," added De Lima.

Ajcon Global's observations and view

- 1) Indian equities were up and started Samvat 2078 on a good note. The sentiments got uplifted by good manufacturing PMI data and strong October 2021 GST collections.
- 2) However, recent RBI measures to gradually reduce liquidity can remain an overhang.
- 3) Overall, the sentiments have been strong led by good start to Q2FY22 earnings season, good economic activity witnessed in the festive season of Navratri and Diwali, 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. RBI's dovish stance good, faster economic recovery witnessed, strong demand outlook in the ongoing festive season. However, rising crude oil prices, increasing US Bond yields may act as headwinds. Bulls will have an edge led by strong vaccination drive, good economic activity, Production Linked Incentive Schemes announced in various sectors, good GST collection in September 2021. The big bang reforms in Telecom sector has already uplifted investor sentiments for telecom related companies. In addition to liquidity provided by FPIs in equities, there is good spike in retail participation from Tier II and Tier III cities as people have become more financial literate in COVID-19 crisis. In addition, the country has geared up and taking all the measures to prepare itself in case of a third COVID-19 wave.

- 4) Going ahead, investors will continue take cues from the ongoing Q2FY22 earnings season and management commentary,, eye on COVID-19 cases especially in the Metros and vaccination drive, movement in crude oil prices and metals. Globally, investors will keep a watch on US Treasury yields and developments in China.
- 5) There is a strong line up of IPOs which reminds of IPO pipeline in the month of August 2021. We suggest investors to be careful about the forthcoming IPOs and understand the fundamentals before riding the boom based on risk reward profile. Subdued listing of IPOs in August 2021 suggested irrational exuberance earlier. However, IPOs of sectors in limelight like E-Commerce, 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 and not get carried away. It is advisable for investors to look out for stock specific opportunities at decent valuations considering growth outlook and management pedigree. Always remember, corrections in a bull market will keep markets healthy.



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For research related queries contact:

Mr. Akash Jain – Vice President (Research) at, research@ajcon.net, akash@ajcon.net

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Website: www.ajcononline.com

Registered and Corporate office

408 - (4th Floor), Express Zone, "A" Wing, Cello – Sonal Realty, Near Oberoi Mall and Patel's, Western Express Highway, Goregaon (East), Mumbai – 400063. Tel: 91-22-67160400, Fax: 022-28722062