

PSU Banks rally significantly; volatility witnessed throughout the day..

- 1) The Indian benchmark indices ended in green amidst volatility led by buying in counters such as Reliance Industries (RIL), TCS, Infosys, and UltraTech Cement.
- 2) The S&P BSE Sensex gained 182 points, or 0.4 per cent to settle at a fresh closing peak of 45,609 levels while NSE's Nifty, too, ended at a record closing peak of 13,393, up 37 points, or 0.28 per cent. During the day, the index breached 13,400 level to hit a high of 13,435.45 points.
- 3) On the sectoral front, PSU bank stocks rallied the most. The Nifty PSU Bank index surged over 7 per cent to 1,858 levels with all the 12 constituents advancing.
- 4) In the broader market, the S&P BSE MidCap index slipped 0.16 per cent to 17,525 levels and the S&P BSE SmallCap index settled at 17,492, down 51 points, or 0.29 per cent.
- 5) Volatility index, India VIX, rose over 3 per cent to 18.6 levels.

Key recent developments

- 1) Three firms, within days of each other, applied for emergency use authorisation (EUA) of their respective COVID-19 vaccine candidates in the country. While America's Pfizer Inc was the first to apply on December 4, Pune-based Serum Institute of India (SII) and Hyderabad-based Bharat Biotech International Limited applied on December 6 and 7 respectively. Earlier in the day SII CEO Adar Poonawalla tweeted stating: "As promised, before the end of 2020, SII has applied for emergency use authorisation for the first made-in-India vaccine, Covishield." The Pune-based vaccine manufacturer has collaborated with Oxford University and pharmaceutical giant AstraZeneca for making the vaccine and its trials at select sites. SII has now sought emergency use authorisation, citing unmet medical needs due to the pandemic and in the interest of the public at large. The SII which is the world's largest vaccine producer by volume, has become the second company to apply for the emergency authorisation after Pfizer, India. Pfizer India had applied for emergency-use authorisation for its COVID-19 vaccine, after the company's parent received clearance for the treatment from Britain and Bahrain.
- 2) Last week The Reserve Bank of India (RBI) on Friday revised its forecast of economic growth for the current fiscal year (2020-21) to minus 7.5 per cent compared to its earlier forecast of minus 9.5 per cent. RBI governor Shaktikanta Das said the change in forecast has been prompted by a surge in demand in both rural as well as urban areas. The second half of the fiscal year is expected to show positive growth despite disruptions caused by coronavirus pandemic, he added.
- 3) The RBI kept the policy repo rate unchanged at 4 per cent amidst high inflation. CPI inflation rose sharply to 7.3 per cent in September and further to 7.6 per cent in October 2020, with some evidence that price pressures are spreading. Food inflation surged to double digits in October across protein-rich items including pulses, edible oils, vegetables and spices on multiple supply shocks. Core inflation, i.e., CPI excluding food and fuel, also picked up from 5.4 per cent in September to 5.8 per cent in October. Both three months and one year ahead inflation expectations of households have eased modestly in anticipation of the seasonal moderation of food prices in the winter and easing of supply chain disruptions. The RBI governor said inflation is likely to remain elevated with some relief in the winter months. "CPI inflation is seen at 6.8 percent for Q3FY21 and projected CPI inflation is at 5.8 percent for Q4FY21. For H1FY22, projected CPI inflation is seen at 5.2-4.6 percent with risks broadly balanced," said Das. Consequently, the reverse repo rate under the LAF remains unchanged at 3.35 per cent and the marginal standing facility (MSF) rate and the Bank Rate at 4.25 per cent. The Monetary Policy Committee (MPC) also decided to continue with the accommodative stance as long as necessary – at least during the current financial year and into the next financial year – to revive growth on a durable basis and mitigate the impact of COVID-19 on the economy, while ensuring that inflation remains within the target going forward. These decisions are in consonance with the objective of achieving the medium-term target for consumer price index (CPI) inflation of 4 per cent within a band of +/- 2 per cent, while supporting growth.
- 4) 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.



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- 5) Turning to the growth outlook, the recovery in rural demand is expected to strengthen further, while urban demand is also gaining momentum as unlocking spurs activity and employment, especially of labour displaced by COVID-19. Fiscal stimulus is increasingly moving beyond being supportive of consumption and liquidity to supporting growth-generating investment. On the other hand, private investment is still slack and capacity utilisation has not fully recovered, RBI Governor Shaktikanta Das said in Monetary Policy Statement.
- 6) Prime Minister Narendra Modi on Friday said that experts believe that the wait for a COVID-19 vaccine will not be long and it may be ready in a few weeks, asserting the vaccination drive in India will begin as soon as scientists give the nod. In his remarks here at an all-party meeting held virtually, he said healthcare workers involved in treating COVID-19 patients, frontline workers, who include police personnel and municipal staff, and old people suffering from serious conditions would be inoculated on priority. Noting that there have been questions about the price of the COVID-19 vaccine, the prime minister said it is natural to have such queries and asserted that public health will be accorded top priority in the matter and states will be fully involved. In his concluding address at the meeting called by the Union government to discuss the pandemic situation, Modi sought to address most burning aspects of the issue, ranging from India's vaccine readiness to its pricing, and reiterated that the country has done better than even some developed countries and those with better health infrastructure in tackling the pandemic.
- 7) Earlier Prime Minister Narendra Modi in a meeting with chief ministers on Tuesday said that, India's priority is to make a coronavirus vaccine "safe on all scientific standards" available to all its citizens. 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.
- 8) Earlier, 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.
- 9) 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.
- 10) 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.
- 11) Hyderabad-based Hetero Labs would be working with the Russian Direct Investment Fund (RDIF) to produce 100 mn doses 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



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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.

- 12) 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.
- 13) Earlier, 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.
- 14) 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."

Sectors and stocks

- 1) Shares of public sector undertaking (PSU) banks were in focus at the bourses on Tuesday, with the Nifty PSU Bank index gaining over 7 per cent, on the back of strong gain in Canara Bank, Punjab National Bank (PNB), and Indian Bank, which rallied up to 19 per cent on the National Stock Exchange (NSE). Bank of India, Bank of Baroda, Union Bank of India, and Central Bank of India were up in the range of 5 per cent to 10 per cent, while UCO Bank, Indian Overseas Bank, and State Bank of India (SBI) gained between 1 per cent and 6 per cent on the NSE.

Shares of Canara Bank rallied nearly 19 per cent to Rs 139.55 after the bank on Monday said it has launched qualified institutional placement (QIP) to raise funds from institutional investors. The lender set the floor price for its QIP to raise up to Rs. 2,000 crore.

PNB on Saturday said it will hold a roadshow for the proposed Rs 7,000 crore QIP issue. The bank will be participating again in the non-deal roadshow and meeting prospective investors on December 7-8, 2020, PNB said in a regulatory filing. In the past month, the stock has gained 40 per cent, against a 9 per cent rise in the Nifty50 index. On November 20, ICRA Ratings had upgraded the ratings of Bonds issued by the Bank and reaffirmed the rating of Certificate of Deposits. The rating upgrade is based on the recent improvement in solvency profile and capital position, which is likely to sustain on the back of lower-than-previous estimated Covid-19 induced asset quality stress for the bank. Accordingly, the credit provisions and consequently the capital requirements for bank are estimated to be manageable for the bank, ICRA said in rating rationale. Since the last rating update, the

Government of India (GoI) has also announced a capital infusion of Rs 20,000 crore for public sector banks (PSBs) for FY2021, a part of which could also be allocated to PNB. In addition, the ability of PSBs (including PNB) to raise Additional Tier I (AT-I) bonds has also improved after they have proposed to set-off their accumulated losses against their share premium account, which could improve the bank's ability to improve its Tier I capital position, it said.

The Nifty PSU Bank index, the top gainer among sectoral indices, ended over 7 per cent higher at 1,857.55 levels, as compared to 0.3 per cent gain in the Nifty50 index. Since November, the Nifty PSU Bank index has outperformed the market by surging over 44 per cent, against a 15 per cent rise in the Nifty50 index. The PSU Bank index traded at its highest level since March 6, 2020.

- 2) Shares Reliance Industries were up by nearly 3 per cent to Rs. 2,014 on the BSE in the intra-day deals on Tuesday after the chairman of the oil-to-telecom conglomerate said the company plans to launch 5G services in the second half of 2021. Speaking at India Mobile Congress 2020, Ambani said policy steps are needed to accelerate an early rollout of 5G, and to make it affordable and available everywhere. "I assure you that Jio will pioneer the 5G Revolution in India in the second half of 2021. It will be powered by indigenous-developed network, hardware and technology components. Jio's 5G service will be a testimony to your inspiring vision of Aatmanirbhar Bharat," he said. "We believe we can design an entry-level 4G or even 5G smartphone for a fraction of its current cost. To power such a value-engineered smartphone, we also need an equally value-engineered operating system, and such an operating system must be designed from grounds-up," Ambani had said at the company's 43rd Annual General Meeting this year.
- 3) Shares of Avenue Supermarts, which runs the DMart chain of stores in the country, hit an all-time high of Rs. 2,643, up 5 per cent on the BSE in intra-day trade on Tuesday. The stock surpassed its previous high of Rs. 2,559, touched on February 13, 2020. During the six trading days of December, the stock has rallied 16 per cent, as compared to a 3 per cent gain in the S&P BSE Sensex. Avenue Supermarts, focussed on value retailing, offers a wide range of fast-moving consumer (food and non-food) products, general merchandise, and apparel. The operating performance of the company is impacted during the current fiscal because of restrictions during the lockdown on store operations, sale of non-food products, and lower footfalls. The revenue growth is likely to recover in the remainder of the year supported by relaxation of all constraints, new store additions. While announcing the September quarter (Q2FY21) results on October 17, the company's management said that month-on-month sales have improved during this quarter – August was better than July and September was better than August. The management said that the progress of the Covid pandemic and its impact on consumer spending during the festival period will determine the company's financial performance for the next quarter. "Strong procurement abilities, lower-priced products along with strong cost control have led to strong footfalls in past. This leads to high inventory turnover and revenue per sq ft and translates into industry-leading retail store productivity. Aggregate revenue per square foot at about Rs 32,970 in fiscal 2020, is significantly higher than most retailers in the same segment. The operating profitability of the company had seen improvement over the years though fell to 7.6 per cent in fiscal 2020 due to impact on operations in March 2020 due to Covid," Crisil said in a rating rationale. The rating agency believes strong track record of outpacing its peers in growth, its strong merchandising and compelling value proposition, the benefit of economies of scale will help strengthen Avenue Supermart's market share in the organised food and grocery retail in India in the medium term. Going forward, the impact of consolidation in the industry and intensity of competition mainly from online retailers will remain key monitorable, it said.
- 4) Shares of Goodyear India rallied by 18 per cent to Rs. 1,179 on the BSE on Tuesday after the company announced interim dividend of Rs. 80/share for the financial year 2020-21 (FY21). The auto tyres & rubber products maker has fixed December 15, 2020 as record date for ascertaining shareholders for entitlement of interim dividend. With today's rally, the stock of Goodyear India has now rallied 41 per cent in the past seven trading days, as compared to 3 per cent rise in the S&P BSE Sensex. It was trading close to its 52-week high level of Rs. 1,187, touched on February 2, 2020. It hit a record high of Rs. 1,299 on April 30, 2018. For the July-September quarter (Q2FY21), Goodyear India had reported 28 per cent year-on-year (YoY) jumped in its standalone net profit at Rs. 48.56 crore against Rs. 37.79 crore in a year ago quarter. The company posted a net loss of Rs. 4.66 crore for June quarter. The Company manufactures automotive tyres viz. farm tyres and commercial truck tyres at its Ballabgarh plant. The Company also trades in "Goodyear" passenger car tyres (Radial) for Consumer business which are manufactured by Goodyear South Asia Tyres Private Limited ('GSATPL'), Aurangabad. Other products which the Company markets and sells include tubes and flaps. After a turbulent year in the tractor industry, the company is again seeing short to mid-term headwinds in demand for financial year 2020- 21 (FY21) and industry is expected to be de-grow by 8-10 per cent in 2020-21. The passenger tyre industry is expected to continue witnessing headwinds in 2020 due to the Covid-19 pandemic. However, the long term outlook is expected to be positive based on the demographic profile supported by robust GDP growth. The growing vehicle car parc is also expected to drive replacement demand in the future, Goodyear India said in FY20 annual report.

Global markets

- 1) Asian equities came under pressure on Tuesday as investors struggled to balance hopes for more economic stimulus and vaccines with fresh concerns about a surge in Covid-19 infections.
- 2) In Europe, shares were little changed as hopes of a Brexit trade deal faded amid a last-ditch attempt to find a solution, while rising coronavirus cases spurred talks of stricter curbs that could cause more economic pain.

Ajcon Global's view

- 1) Rally was witnessed in PSU Banks which was on cards as worst is over for them especially legacy issues and were trading at depressed valuations for last few years.'
- 2) Overall investor sentiments have improved significantly with RBI's forecast of positive GDP growth. Additionally, Prime Minister Narendra Modi on Friday said that experts believe that the wait for a COVID-19 vaccine will not be long and it may be ready in a few weeks, asserting the vaccination drive in India will begin as soon as scientists give the nod also aided in improvement of sentiments.
- 3) With COVID-19 vaccine coming in UK; sentiments of global investors have already improved.
- 4) Domestically, broader markets continued to witness 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.
- 5) 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.
- 6) 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.
- 7) 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, green shoots 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.
- 8) At present levels, 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.

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For research related queries contact:

Mr. Akash Jain – Vice President (Research) at, 022-67160431 (D)

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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