

It was a Black Friday for Dalal Street; IT stocks buck the trend and hold the fort..

Index	Today's Close	Prev. close	Change	% change	Open	High	Low
Sensex	57,011.74	57,901.14	889.40	1.54	58,021.63	58,062.28	56,950.98
Nifty	16,985.20	17,248.40	263.20	1.53	17,276.00	17,298.15	16,966.45

- 1) Indian benchmark indices were under significant pressure today led by weak global cues.
- 2) The Sesex was down by 889.40 points or 1.54 percent to end at levels of 57,011.74. Among the Sensex 30 stocks, index heavy weight Reliance Industries fell by 2.6 per cent. IndusInd Bank was the biggest biggest loser - down 4.7 per cent. It was followed by Kotak Bank, Hindustan Unilever, Titan, Bajaj Finserv and HDFC - all down over 3 per cent each.
- 3) The Nifty was down by 263.20 points or 1.53 percent to end at levels of 16,985.20.
- 4) The broader markets continued to be under pressure today. The BSE Midcap index fell by 2.4 percent while the BSE Smallcap index was down by 2.1 percent.
- 5) In terms of sectoral performance, the BSE Realty index fell by 4 per cent. The Energy, Bankex, Auto and Oil & Gas indices were down over 2.5 per cent each. However, the IT index was up by more than a per cent higher.

Sectors and stocks

- 1) RateGain Travel Technologies (RTTL) made a weak debut in Indian bourses, with its shares listed at Rs. 360, a 15 per cent discount to its issue price of Rs. 425 per share on the National Stock Exchange (NSE). The stock opened at Rs. 364.80, a 14 per cent lower from its issue price on the BSE. The stock finally ended lower by 20 percent. The Rs. 1,336 crore initial public offer (IPO) of RTTL had received a good response from the investors. The issue was subscribed 17.4 times. The qualified institutional buyers (QIBs) portion of the issue was subscribed 8.42 times, while those of non institutional investors was subscribed 42.04 times and that of retail individual investors (RIIs) was subscribed 8.08 times, the data showed. RTTL is among the leading distribution technology companies globally and is the largest Software as a Service ("SaaS") company in the hospitality and travel industry in India, which is expected to benefit thrust on technology spending in the space. It operates through three business units of DaaS, Distribution and MarTech. The clients include some of the leading global airlines, hotel chains, cruises, car rental companies etc.
- 2) Shares of information technologies (IT) companies were in demand with Nifty IT index gaining over a per cent in an otherwise weak market after Accenture reported strong results for the quarter ended November (Q1FY22) and also gave a strong FY22 outlook. Accenture follows July to August as financial year. Infosys, Wipro, Mphasis, HCL Technologies, Mindtree, Tech Mahindra, Larsen & Toubro Infotech and Tata Consultancy Services (TCS) from the index were up in the range of 1 per cent to 3 per cent on the National Stock Exchange (NSE). Persistent Systems, Sasken Technologies, Zensar Technologies, Mastek and Birlasoft, the non-index stocks were up between 2 per cent and 3 per cent.
- 3) Shares of Kopran were locked at the 5 per cent upper circuit for a second straight day, at Rs. 318.95 on the BSE in Friday's trade, in an otherwise weak market. In the past 21 months, the market price of Kopran has rallied 1,874 per cent from a level of Rs 20.50 hit on March 17, 2020. In the past one month, the stock has outperformed the market by surging 32 per cent after the company announced fund raising plan via preferential issue. In comparison, the S&P BSE Sensex was down 4.4 per cent during the period. Kopran is an integrated pharmaceutical company, committed to supply International Quality Formulations and Active Pharmaceutical Ingredients (APIs) globally. APIsvertical is being operated under Kopran Research Laboratories (KRLL), a wholly-owned subsidiary of Kopran. The Company emphasises on increasing its participation throughout the regulated market in the US, Europe, and

China. It has filed 7 DMFs in the US, and plans on launching more DMF products there. In terms of product development, Kopran is developing a comprehensive range of blockbuster products under Carbapenem, Antithrombosis, and Anti-diabetic class, which will help it strengthen its position in the API segment, Kopran said in its FY21 annual report.

- 4) Shares of Go Fashion (India) fell by 8 per cent to Rs. 1,051.25 on the BSE in Friday's intra-day trade. The stock of the company, which owns women's wear brand Go Colors, was trading lower for the fifth straight day, having fallen 13 per cent during the period. In comparison, the S&P BSE Sensex was down 2.7 per cent during the week. Shares of Go Fashion had made a solid market debut, with stock getting listed at Rs 1,316, a 91 per cent premium over its issue price of Rs 690 per share on the BSE. Currently, the stock is 52 per cent higher against its issue price.

Key recent major developments..

- 1) FIIs sold equities worth Rs. 2,069.90 Crore on 17th Dec. 2021. Month till date, FIIs have sold equities worth Rs. 26,687.46 Crore against selling of Rs. 39,901.92 Crore in November 2021.
- 2) The Union Cabinet on Wednesday approved a production linked incentive (PLI) scheme for semiconductor and display board production in the country, I&B Minister Anurag Thakur said. The scheme envisages investment of Rs. 76,000 Crore in semiconductor production over the next 5-6 years, he said.

The programme aims to provide attractive incentive support to companies/consortia that are engaged in Silicon Semiconductor Fabs, Display Fabs, Compound Semiconductors/Silicon Photonics/Sensors (including MEMS) Fabs, Semiconductor Packaging (ATMP / OSAT), Semiconductor Design. The programme will usher in a new era in electronics manufacturing by providing a globally competitive incentive package to companies in semiconductors and display manufacturing as well as design, said government while adding that semiconductors and displays are the foundation of modern electronics driving the next phase of digital transformation under Industry 4.0.

- 3) The Indian economy "continues to forge ahead, emerging out of shackles of pandemic," but the rise of the Omicron variant has emerged as the biggest risk factor, said the state of the economy report released with the December bulletin of the Reserve Bank of India (RBI) on Wednesday. The Indian economy bounced back strongly in the second quarter, as the gross domestic product (GDP) surpassed its pre-pandemic levels, and inflation broadly remained under the 6 per cent range, the upper band of the tolerance range of the RBI. The RBI's medium-term target is to keep retail inflation at 4 per cent. In November, the retail inflation came at 4.91 per cent, but wholesale price index (WPI), which it no longer targets, came at a 12 year high of 14.23 per cent.

"A host of incoming high frequency indicators are looking upbeat and consumer confidence is gradually returning. Aggregate demand conditions point to sustained recovery, albeit, with some signs of sequential moderation," the report said.

- 4) Wholesale inflation, based on the Wholesale Price Index (WPI), in November rose 14.23 per cent from 12.54 per cent a month ago, mainly on rise in food prices, especially of vegetables, and minerals and petroleum products, Commerce & Industry Ministry data showed on Tuesday. This is the highest level of wholesale inflation in the 2011-12 series and eighth consecutive month in which it has stayed at a double-digit level. The wide gap between WPI and CPI inflation reflects the price pressures on the inputs side, which are expected to pass through to the retail level in the coming months. The WPI grew 12.54 per cent during October, while the WPI for September was revised to 11.80 per cent from 10.66 per cent. The WPI inflation rate in November 2020 was at 2.29 per cent. Both core and manufacturing inflation stayed over 11 per cent for the fifth straight month at wholesale level.
- 5) India's retail inflation in the month of November marginally rose to 4.91 percent, accelerating towards the upper limit of Reserve Bank of India's target range as fruit and vegetable prices climbed, the government data showed on Monday. The Consumer Price Index (CPI) based retail inflation was 4.48 percent in October 2021 and 6.93 percent in November 2020. As per the data released by the National Statistical Office (NSO), food inflation was at 1.87 percent in November this year compared to 0.85 percent in the preceding month. Retail fuel prices rose 13.35 percent in November year-on-year compared to 14.35 percent in the previous month, the data showed.
- 6) The Index of Industrial Production (IIP) witnessed a growth of 3.2 percent in October 2021, compared to the corresponding period previous year, as per the data released by the government on December 10. The IIP growth rate has marginally slowed down as compared to September 2021, when a 3.3 percent surge was recorded as per the revised estimates. In October, a high production was recorded by the manufacturing and electricity

sectors. In terms of use-based classification, the indices stood strong for intermediate goods and infrastructure/construction goods. "For the month of October 2021, the quick estimates of IIP with base 2011-12 stands at 133.7. The indices of industrial production for the mining, manufacturing and electricity sectors for the month of October 2021 stand at 109.7, 134.7 and 167.3, respectively," the Ministry of Statistics & Programme Implementation said in a statement. The indices stood at 128.5 for primary goods, 90.3 for capital goods, 143.7 for intermediate goods and 151.8 for infrastructure/construction goods during the month, the ministry said.

- 7) Passenger vehicle sales in the country declined by 19 percent in November as the shortage of semiconductors continued to impact vehicle production and subsequent deliveries to dealers, auto industry body SIAM said on Friday. Passenger vehicle (PV) dispatches to dealers last month stood at 2,15,626 units, down 19 per cent from 2,64,898 units in November 2020. Similarly, total two-wheeler sales declined sharply by 34 per cent to 10,50,616 units in November, from 16,00,379 units in the year-ago period. Motorcycle dispatches dropped to 6,99,949 units in November, as compared to 10,26,705 units in the same month last year. Scooter dispatches stood at 3,06,899 units last month, as against 5,02,561 units in the same period last year. Total three-wheeler dispatches stood at 22,471 units, down 7 per cent from 24,071 units in November 2020. Total automobile sales across categories dropped to 12,88,759 units last month, as against 18,89,348 units in the year-ago period. "Industry continues to face headwinds due to global semiconductor shortage. In the festive season, industry was hoping to make up for the lost ground, but the sales in the month of November 2021, were the lowest in seven years for passenger vehicles, the lowest in 11 years for two-wheelers and the lowest in 19 years for three-wheelers," Society of Indian Automobile Manufacturers (SIAM) Director General Rajesh Menon said in a statement.

Global markets

- 1) Asian peer indices too were under pressure. The European markets started on a weak note. US benchmark index - Nasdaq was down by 1.27 percent as Fed Chair Jerome Powell comments on rate hike has dented investor sentiments.
- 2) The Federal Reserve said on Wednesday it would end its pandemic-era bond purchases in March and pave the way for three quarter-percentage-point interest rate hikes by the end of 2022 as the economy nears full employment and the U.S. central bank copes with a surge of inflation. "The economy no longer needs increasing amounts of policy support," Fed Chair Jerome Powell said in a news conference in which he contrasted the near-depression conditions at the onset of the coronavirus pandemic in 2020 with today's environment of rising prices and wages and rapid improvement in the job market. The pace of inflation is uncomfortably high, he said after the end of the Fed's latest two-day policy meeting, and "in my view, we are making rapid progress toward maximum employment," a combination of circumstances that has now convinced all Fed officials, even the most dovish, that it is time to exit more fully the pandemic policies put in place two years ago.
- 3) US consumer prices rose last month at the fastest annual pace in nearly 40 years as the consumer price index increased 6.8 percent in November 2021 from November 2020, according to Labor Department data released Friday. Fast increase in inflation and persistent inflation will erode the value of money which pressurise the Federal Reserve to tighten policy. The widely followed inflation gauge rose 0.8% from October, exceeding forecasts and extending a trend of sizable increases that began earlier this year.

Ajcon Global's observations and view

- 1) Indian benchmark indices were under tremendous pressure led by selling in index heavyweights. Midcaps and smallcaps too were not spared from bleeding.
- 2) Before last few days correction, 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 and Diwali and good spike in retail participation from Tier II and Tier III cities as people have become more financially literate in COVID-19 crisis. However, RBI measures to gradually reduce liquidity can remain an overhang. In addition, there are headwinds like global inflation, valuation concerns and strengthening of US dollar.
- 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.



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- 4) 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.
- 5) Investors will continue to track Finance Minister Nirmala Sitharaman's pre-budget consultations for Budget 2022-23 with different stakeholder groups which has begun from today, 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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