AJCON GLOBAL
YOUR FRIENDLY FINANCIAL ADVISOR

Market wrap **December 22, 2020**

Bounce back witnessed after significant fall yesterday; IT stocks rally..

1) Indian equities made a comeback on Tuesday after the chief executive of BioNTech said the German pharmaceutical company is confident that its coronavirus vaccine would work against the UK variant, but needed further studies to be completely sure. Sentiment was also positive after the US Congress on Monday approved an $892 billion coronavirus aid package, throwing a lifeline to the nation's pandemic-battered economy. That apart, official data released on Tuesday showed that Britain's economy recovered quicker than previously thought in the third quarter. Gross domestic product grew by a record 16 per cent from July to September, revised up from a previous estimate of 15.5 per cent.

2) The benchmark S&P BSE Sensex rebounded 895 points from day's low and settled 453 points, or 0.99 per cent, higher at 46,007 levels on the BSE. The index had earlier hit an intra-day low of 45,112. HCL Tech, Tech Mahindra, Infosys, and PowerGrid were the top gainers on the 30-share index while HDFC, Bajaj Finance, and IndusInd Bank ended the day as top laggards.

3) The broader Nifty50, on the other hand, clawed back above the 13,400-mark and closed at 13,466 level, up 138 points or 1.03 per cent. From the day's low of 13,192, the index settled 274 points higher.

4) On the sectoral front, all the key indices ended the day in the green. IT stocks outperformed the markets with the Nifty IT index and Infosys hitting their respective record highs on the National Stock Exchange. At close, the Nifty IT index was 3.3 per cent higher at 23,612 on the NSE. It hit a fresh record high of 23,681 in the intra-day trade. Among individudal stocks, Infosys, HCL Technologies, Tech Mahindra, Larsen & Toubro Infotech, Coforge and Mindtree surged up to 6 per cent on the NSE.

5) The other outperforming sectoral index on the NSE was the Nifty Pharma index that settled 2 per cent higher.

6) The broader markets snapped their 3-day losing streak with the S&P BSE MidCap index and S&P BSE SmallCap indices settling 1 per cent higher each at 17,252 and 17,118, respectively.

7) More than 100 stocks, including Infosys, HCL Tech, Larsen & Toubro Infotech, Persistent Systems, Birlasoft, Kansai Nerolac Paints etc. hit fresh 52-week highs on BSE.

Sectors and stocks

1) L&T Technology Services (LTTS) rallied 7 per cent to Rs. 2,315 on the BSE in intra-day trade today. The stock hit a record high of Rs 2,343 on Friday, December 18, 2020. LTTS is a listed subsidiary of L&T focused on Engineering and R&D (ER&D) services. The company offer consultancy, design, development and testing services across the product and process development life cycle. In the past one week, LTTS has outperformed the market by surging 25 per cent, against 1.5 per cent decline in the S&P BSE Sensex. The trigger for the recent rally has been the multiple deals that the company has won in the ongoing December quarter, and expectations of a recovery in the ER&D segment. Among the few deals announced recently was the five-year deal of over $100 million to provide engineering services to a global oil and gas major for its two integrated refining and chemicals facilities in the US. The company was also selected by Swiss firm Schindler, which makes elevators and escalators, in a multi-year deal for digitisation and connectivity solutions.

2) L&T Infotech (LTI), a global technology consulting and digital solutions Company rose 6 per cent to Rs. 3,615, surpassing its previous high of Rs. 3,515, touched on October 12, 2020. For the July-September quarter (Q2FY21), LTI reported strong revenue growth numbers and healthy margin expansion. LTI's constant currency dollar revenues increased 2.3 per cent quarter on quarter (QoQ), higher than analyst estimate of 1.1 per cent to 1.5 per cent. Better pricing, utilization, and off-shore mix drove robust improvement of 250 basis points (bp) QoQ / 440bp YoY in the EBIT (earnings before interest tax) margin to 19.9 per cent.

3) Shares of IDBI Bank declined by 19 per cent to Rs. 30.80 on the BSE in early morning trade on Tuesday after listing 371.8 million equity shares allotted to qualified institutional buyers (QIBs) pursuant to qualified institutional placement (QIP). The stock was trading lower for the fourth straight day, down 27 per cent during the period. The Committee, at its meeting held on Saturday i.e. December 19, 2020, approved the issue and allotment of 371.8 million equity shares to the 44 eligible QIBs at the issue price of Rs. 38.60 per equity share, aggregating to Rs. 1,435.18 crore. The bank allotted shares after offering about 5 per cent discount on the floor price of Rs. 40.63 per equity share. The bank had targeted raising Rs 2,000 crore (base size Rs 1,000 crore with a green-shoe option of Rs

1,000 crore) through the QIP issue that had opened on December 15 and closed on December 18. Among the investors who were allotted more than 5 per cent of shares in the QIP issue were Punjab National Bank (20.9 per cent subscription); Bank of Baroda (13.9 per cent); State Bank of India (13.9 per cent); Indian Bank (6.97 per cent); Canara Bank (6.97 per cent) and Societe Generale-ODI (5.66 per cent), the bank said. In another development, the lender said on Monday it had an option to draw Rs. 1,500 crore as equity capital from its promoter Life Insurance Corporation of India (LIC). Rakesh Sharma, MD and CEO, said the shareholding of LIC had come down (fell below 51 per cent) after QIP, so the bank could take up to Rs. 1,500 crore capital from LIC.

4) Shares of multiplex operators PVR and Inox Leisure slipped up to 16 per cent in the past two trading days amid fears over new Covid-19 strain that shut down much of Britain. Shares of PVR fell 9 per cent to Rs 1,212 on the BSE in intra-day trade on Tuesday, down 16 per cent in the past two sessions. Meanwhile, the stock of Inox Leisure was down 5 per cent at Rs 253 on the BSE today, declining 10 per cent from Friday's close. Over the weekend, the UK said it had identified a new strain of Covid-19 which spreads more quickly than previous variants. Following that announcement, other European nations said they would be temporarily restricting travel from the UK in efforts to prevent the new strain from entering their borders Meanwhile, the stock of PVR dipped 19 per cent from its recent high of Rs 1,505 touched on December 19, 2020. The company on Friday said its board of directors have approved the issue of equity shares of the company for an aggregate amount not exceeding Rs 800 crore. The company will look to raise the capital through qualified institutional placement (QIP) offering or a preferential allotment, the filing said. On December 7, CRISIL reaffirmed its rating on the long-term bank facilities and debt programmes of PVR at 'CRISIL AA/Negative'. The negative outlook reflects CRISIL's expectation of the potential weakening of the credit profile over the next 2-3 months if occupancy remains muted despite the resumption of operations. A lower-than-expected ramp-up in occupancy, resulting in continued high cash losses, would remain a key rating sensitivity factor, the rating agency said.

Key recent developments

1) India will suspend flights from and to the UK from Tuesday midnight till December 31, joining others in announcing travel bans over a new strain of the coronavirus in the European country. Europe and regions from Canada to Hong Kong suspended travel links to the UK, as a full lockdown came into force in London and southeast England to contain a mutation to the coronavirus.

2) Prime Minister Narendra Modi (PM Modi) on Saturday addressed the Foundation Week of the Board of Commerce and Industry of India (ASSOCHAM) through video conferencing and appealed to the industrialists, full strength for Aatma Nirbhar Bharat in the coming years. PM Modi said, during this period of COVID-19 pandemic, there has been a record FDI in India. He said, we have a special focus on manufacturing to achieve the goal of self-reliant India. The PM said that we are constantly doing reforms to encourage manufacturing. The country today stands with Enterprise and Wealth Creators giving opportunities to millions of youth.

3) President Donald Trump on Friday signed legislation that could kick Chinese companies off of U.S. exchanges unless American regulators can review their financial audits, a move likely to further escalate tensions between the two countries. The President has long railed against China for what he calls unfair trading practices, and slapped tariffs on billions of dollars in imports.

4) China said it has already administered more than 1 million coronavirus vaccines since July and plans a phased rollout going forward that will initially target workers at higher risk of infection, as the country seeks to be at the vanguard of the global Covid-19 immunization effort. Vaccines developed by Sinovac Biotech Ltd. and the state-owned China National Biotec Group Co. have been dispensed in the country since they were granted emergency-use authorization in July.

5) Serum Institute of India will seek approval for a two full-dose regimen from the Indian drug regulator after its partner, Oxford University, cited data from early trials and said following such a regimen showed a better immune response. After phase 3 trials, Oxford, which is developing the Covid-19 vaccine Covishield with AstraZeneca, had said a full dose followed by a half-dose regimen showed 90 per cent efficacy, while a full two-dose regimen showed 62 per cent efficacy. However, it had said more work needed to be done to affirm that result.

6) Reliance Industries (RIL) and BP earlier announced the start of production from the R Cluster, ultra-deep-water gas field in block KG D6 off the east coast of India. RIL and BP are developing three deepwater gas projects in block KG D6 – R Cluster, Satellites Cluster and MJ – which together are expected to meet ~15% of India's gas demand by 2023. These projects will utilise the existing hub infrastructure in KG D6 block. RIL is the operator of KG D6 with a 66.67% participating interest and BP holds a 33.33% participating interest.

7) S&P Global Ratings earlier raised India's growth projection for the current fiscal to (-) 7.7 per cent from (-) 9 per cent estimated earlier on rising demand and falling COVID infection rates. "Rising demand and falling infection rates have tempered our expectation of COVID's hit on the Indian economy. S&P Global Ratings has revised real GDP

growth to negative 7.7 per cent for the year ending March 2021, from negative 9 per cent previously," S&P said in a statement. The US-based rating agency said its revision in growth forecast reflects a faster-than-expected recovery in the quarter through September. For the next fiscal, it projected India's growth to rebound to 10 per cent. India's gross domestic product fell 7.5 per cent in the July-September quarter, against a contraction of 23.9 per cent in the April-June quarter. S&P said India is learning to live with the virus, even though the pandemic is far from defeated and reported cases have fallen by more than half from peak levels, to about 40,000 per day. The feared resurgence following the recent holiday season has yet to materialise. "It is no surprise that India is following the path of most economies across Asia-Pacific in experiencing a faster-than-expected recovery in manufacturing production," S&P Global Ratings Asia-Pacific chief economist Shaun Roache said. Manufacturing output was about 3.5 per cent higher in October 2020, compared to the year-ago period, while the output of consumer durables rose by almost 18 per cent. "This recovery underscores one of the more striking aspects of the COVID-19 shock -- the resilience of manufacturing supply chains. Again, as with demand, some slowing of output momentum has emerged more recently," S&P said.

8) The Wholesale Price Index (WPI) based inflation rose to 1.55 percent in November - a nine month high, as manufactured products turned costlier, while food prices eased. WPI inflation in October 2020 was at an eight-month high of 1.48 percent as manufactured products turned costlier. November 2019 WPI inflation was at 0.58 percent, due to increase in prices of food articles. Food inflation for November 2020 is at 4.27 percent compared to 5.78 percent in October 2020. Primary articles inflation is at 2.72 percent, down 0.8 percent month-on-month (MoM) from 4.74 percent in October 2020. Manufactured products inflation is at 2.97 percent, up 0.8 percent MoM compared to 2.12 percent in October 2020, and all commodities index is up 0.3 percent MoM. Fuel and power inflation stood at -9.87 percent, up by 0.2 percent MoM, compared to -10.95 percent in October 2020.

9) India's retail inflation for November stood at 6.93 percent against 7.61 percent in October. Vegetables inflation for November came in at 15.63 percent, oils and fat at 17.86 percent, meat and fish at 16.67 percent, and pulses and products at 16.67 percent.

10) Industrial production rose 3.6 per cent in October, mainly due to better performance of manufacturing and electricity generation sectors, official data showed on Friday. According to the Index of Industrial Production (IIP) data, manufacturing and electricity generation sectors registered a growth of 3.5 per cent and 11.2 per cent, respectively. The mining sector witnessed a contraction of 1.5 per cent in October. The IIP had contracted by 6.6 per cent in October 2019.

11) Earlier, The Reserve Bank of India (RBI) 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.

12) 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.

13) 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.

14) 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.

15) Prime Minister Narendra Modi earlier 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.

16) 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.

Global markets

1) European stocks steadied on Tuesday, after a big fall on Monday led by fears over a highly infectious new strain of Covid-19.

2) The broad Euro STOXX 600 gained 1.2%, on course for its biggest one-day jump in over five weeks. German and French indexes both added 1.3%. London’s blue chips turned positive, too, recovering early losses.

3) Earlier, MSCI's gauge of Asia Pacific stocks outside Japan fell 0.8%, dragged down by Hong Kong’s Hang Seng Index and China's benchmark CSI300 Index.

Ajcon Global’s view

1) Globally, all eyes would be on the new strain of coronavirus developments in other parts of the world after its emergence in Europe. Investors will keep an eye on the progress of COVID-19 vaccine roll out and its efficacy in various countries after these new developments.

2) Domestically, all eyes would be on Union Budget and budget related stocks will remain focus in coming weeks and January 2021 ahead of Union Budget to be announced in February 2021. Investors would remain stock specific in coming weeks. As we are heading to Christmas and New Year, equities would consolidate amidst high volatility for some time.

3) Nifty valuations are expensive led by significant spike of FPI liquidity in the past few months especially in last 2 months. Hence we advise, partial profit booking.

Disclaimer

Ajcon Global Services Limited is a fully integrated investment banking, merchant banking, corporate advisory, stock broking, commodity and currency broking. Ajcon Global Services Limited research analysts responsible for the preparation of the research report may interact with trading desk personnel, sales personnel and other parties for gathering, applying and interpreting information.

Ajcon Global Services Limited is a SEBI registered Research Analyst entity bearing registration Number INH000001170 under SEBI (Research Analysts) Regulations, 2014.

Individuals employed as research analyst by Ajcon Global Services Limited or their associates are not allowed to deal or trade in securities that the research analyst recommends within thirty days before and within five days after the publication of a research report as prescribed under SEBI Research Analyst Regulations.

Subject to the restrictions mentioned in above paragraph, We and our affiliates, officers, directors, employees and their relative may: (a) from time to time, have long or short positions acting as a principal in, and buy or sell the securities or derivatives thereof, of Company mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage.

Ajcon Global Services Limited or its associates may have commercial transactions with the Company mentioned in the research report with respect to advisory services.

The information and opinions in this report have been prepared by Ajcon Global Services Limited and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of Ajcon Global Services Limited While we would endeavour to update the information herein on a reasonable basis, Ajcon Global Services Limited is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent Ajcon Global Services Limited from doing so. This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. Ajcon Global Services Limited will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. Ajcon Global Services Limited accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice. Ajcon Global Services Limited or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

Ajcon Global Services Limited encourages independence in research report preparation and strives to minimize conflict in preparation of research report. Ajcon Global Services Limited or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither Ajcon Global Services Limited nor Research Analysts have any material conflict of interest at the time of publication of this report.

It is confirmed that Akash Jain – MBA (Financial Markets) or any other Research Analysts of this report has not received any compensation from the company mentioned in the report in the preceding twelve months. Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

Ajcon Global Services Limited or its subsidiaries collectively or Directors including their relatives, Research Analysts, do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

It is confirmed that Akash Jain – MBA (Financial Markets) research analyst or any other Research Analysts of Ajcon Global do not serve as an officer, director or employee of the companies mentioned in the report.

Ajcon Global Services Limited may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Neither the Research Analysts nor Ajcon Global Services Limited have been engaged in market making activity for the companies mentioned in the report.

We submit that no material disciplinary action has been taken on Ajcon Global Services Limited by any Regulatory Authority impacting Equity Research Analysis activities.

Analyst Certification

I, Akash Jain MBA (Financial Markets), research analyst, author and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. I also certify that no part of compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view (s) in this report.

For research related queries contact:

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

CIN:L74140MH1986PLC041941

SEBI registration Number: INH000001170 as per SEBI (Research Analysts) Regulations, 2014.

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