

Financials, Pharma and auto ancillary companies rally; COVID-19 related developments will drive market direction..

Indian benchmark indices were up by around 0.5 per cent higher on Monday led by buying in Reliance Industries (RIL), and information technology counters such as Infosys, and Tata Consultancy Services (TCS).

The S&P BSE Sensex moved up by 195 points, or 0.44 per cent to settle at 44,077 levels while NSE's Nifty ended above 12,900 level at 12,926, up 67 points, or 0.52 per cent. During the day, the index hit a record high of 12,969 levels.

The broader market outperformed the headline indices. The S&P BSE MidCap index gained 1.25 per cent to 16,642 levels while the S&P BSE SmallCap index settled at 16,405, up 1.37 per cent.

Among sectoral indices, Nifty IT gained the most - up nearly 3 per cent to 22,007 levels. Nifty Bank, on the other hand, slipped 0.72 per cent to 29,024 levels while Nifty Financial Service index fell over 1 per cent to 14,059 levels.

Volatility index, India VIX, gained over 6 per cent to 20.8 levels.

Key recent developments

AstraZeneca said on Monday that 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.

Reserve Bank of India on November 20 released a report on the internal working group (IWG) recommendations on private bank ownership and corporate structure. Among other things, the report recommends promoter stake cap in long run - 15 years - be raised to 26 percent from 15 percent if paid-up voting equity share capital. The IWG in its recommendations had also said that non-promoter shareholding may be capped at 15 percent of paid-up voting equity share capital for all shareholders. Large Non-banking Finance Companies (NBFCs), with an asset size of Rs. 50,000 crore and above, may be considered for conversion into banks subject to completion of 10 years of operations and meeting due diligence criteria and compliance with additional conditions specified in this regard. Track record of 3 years of experience as Payments Bank may be considered as sufficient for Payments Banks intending to convert to a Small Finance Bank. Small Payments Banks and Small Finance Banks may be listed within '6 years from the date of reaching net worth equivalent to prevalent entry capital requirement prescribed for universal banks' or '10 years from the date of commencement of operations'. The minimum initial capital requirement for licensing new banks should be enhanced from Rs. 500 crore to Rs. 1000 crore for universal banks. The minimum initial capital requirement for licensing new banks should be enhanced from Rs. 200 crore to Rs. 300 crore for small finance banks.

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."

Last week, US biotech firm Moderna released early results from a clinical trial of its Covid-19 vaccine candidate, mRNA-1273. The vaccine candidate, Moderna said, was found to be 94.5% effective. However, in what could be a potential hurdle for India, mRNA candidates need extremely cold environment for storage and transport.

Bharat Biotech too last week started phase 3 clinical trials of its vaccine candidate, COVAXIN. Phase 3 trials will involve 26,000 volunteers and will be conducted in partnership with the Indian Council of Medical Research (ICMR). This is the largest clinical trial for a Covid-19 vaccine candidate in India as well as the country's first phase 3 efficacy study of a vaccine candidate. Bharat Biotech is developing COVAXIN in collaboration with ICMR and National Institute of Virology (NIV), Pune.

India is seeing a “strong recovery” taking root in the economy, as seen by increased goods and service tax collections and other metrics, Finance Minister Nirmala Sitharaman said on Thursday. Sitharaman announced a new set of stimulus measures to boost employment under Atmanirbhar Bharat Rozgar Yojna to incentivise the creation of new employment opportunities. The new announcements aim at benefiting companies and individuals, who lost their jobs due to Covid-19 induced lockdown. Under the scheme, if companies bring in employees who had lost their jobs between March 1, 2020 and September 30 or new employees who get registered in EPFO they will be entitled to benefits under the new announcement. To avail of benefits under this scheme, the organisations with fewer than 50 employees will have to hire at least two employees, and those with more than 50 employees will have to hire 5 or more.

Here are highlights from her press conference:

- a) Government to give Rs. 900-crore support for R&D to help develop a Covid-19 vaccine; funds to be given to the biotech department
- b) I-T relief for home buyers: For residential units worth up to Rs. 2 crore, differential allowed between agreement value and circle rate has been increased from 10% to 20% till June 30, 2021.
- c) Infusion of equity in NIFB debt platform: Rs. 6,000 crore of equity to be provided to the debt platform. By 2025, they will have to fund projects worth Rs 1,10,000 crore
- d) PM Awas yojana (Urban): Rs. 18,000 crore to be provided over and above the Budget announcement to help 1.2 million houses be grounded and 1.8 million houses be completed
- e) To give relief to contractors in the construction and infra sectors, performance security deposit reduced to 3% till Dec 31, 2021, for projects without any dispute.
- f) Extension of Rs. 3 trillion Emergency Credit Line Guarantee Scheme till March 31, 2020
- g) Announcement of ECLGS 2.0 for 26 stressed sectors identified by Kamath Committee
- h) Govt to provide Rs. 65,000-crore fertiliser subsidy to farmers, move to benefit 14 million farmers
- i) To give relief to contractors in the construction and infra sectors, performance security deposit reduced to 3% till Dec 31, 2021, for projects without any dispute.
- m) Job Guarantee Scheme
 - Central government to give subsidy on new employment
 - Employee and employer contribution of 12% each to be borne by government, for next two years; aimed at easing financial burden on companies for creating jobs
 - 95% of all (organised sector) establishments estimated to be covered under this scheme will have employees up to 1,000
 - Rs. 10,200-cr additional Budget outlay to promote industries and create industrial infra under Aatmanirbhar Bharat
 - Beneficiaries under this new scheme will include: new employees joining employment in EPFO-registered establishments on monthly wages less than Rs 15,000, and EPF members drawing monthly wage of less than Rs. 15,000 who exited employment during March-September, and employed on or after October 1
- j) Emergency Credit Line Guarantee Scheme (ECLGS) extended till March 31, 2021 (collateral-free, fully guaranteed loan)
 - MSMEs, business enterprises, individual loans for business purposes, MUDRA borrowers eligible for this scheme
 - Rs 2.05 trillion already sanctioned to 61 lakh borrowers under this scheme, Rs 1.52 trillion disbursed, as of November 12
 - ECLGS 2.0 – for supporting stressed sectors - to be utilized for 100% guaranteed collateral free additional credit at capped interest rate

The new announcements comes a day after the government approved a Rs 1.45-trillion package by extending the production-linked incentive (PLI) scheme to 10 more sectors. The latest approval is in addition to the already announced Rs 51,311-crore PLI for three sectors. With this, the total incentives under the PLI schemes come to Rs 2 trillion.

Domestically, Steel companies have increased prices by around Rs. 1,000 a tonne effective November, bringing it closer to peak levels of 2018. In November 2018, prices of hot rolled coil (HRC) – a benchmark for flat steel – were at Rs. 46,250 a



AJCON GLOBAL
YOUR FRIENDLY FINANCIAL ADVISOR

tonne. Subsequently, however, prices were reduced the following month. Prices of HRC were around Rs. 44,500 a tonne after the current increase. While HRC prices were increased by around Rs. 1,000 a tonne, the increase in prices of galvanized and colour coated products were higher but widely varying. JSPL managing director, V R Sharma, said, that the company had increased prices by Rs. 1,000-1,200 a tonne. Sharma said, JSPL's exports were now at 15-17 per cent of total produce. He added that the company had decided not to export semi-finished steel and would be exporting finished steel as realisations were higher. The Covid-19 pandemic saw a record export of semi-finished steel from India, most of which were headed for China. During April to September, exports of semis were at 4.439 million tonnes compared to 1.095 million tonnes in the year ago period. On a cumulative basis, steel mills have increased HRC steel prices by Rs 8,000-8,500 since July. The increase in prices reflected a recovery in domestic demand. Senior vice president at Icria, Jayanta Roy, said, domestic steel (HRC) prices have been through a roller coaster ride in the last two years. "While steel prices ruled at Rs. 46,500 per tonne the beginning of November 2018, they dropped sharply to the recent low of Rs. 32,250 per tonne in the next one year till November 2019. Prices however took a u-turn thereafter, reaching the current level of close to Rs 44,500 per tonne. At current levels, domestic prices are aligned with international steel prices," he added.

India's factory activity expanded at its fastest pace in over a decade in October as demand and output continued to recover strongly from coronavirus-related disruptions, but firms cut more jobs, a private survey showed. Asia's third-largest economy is healing after shrinking a record 23.9 per cent in the April-June quarter. The Indian government has removed most restrictions imposed to control the spread of the virus, though infections continue to climb and now number over 8 million people. The Nikkei Manufacturing Purchasing Managers' Index, compiled by IHS Markit, rose to 58.9 in October from September's 56.8. The reading was the highest since May 2010 and above the 50-level separating growth from contraction for the third straight month. "Levels of new orders and output at Indian manufacturers continued to recover from the Covid-19 induced contractions seen earlier in the year," said Pollyanna De Lima, economics associate director at IHS Markit. "Companies were convinced that the resurgence in sales will be sustained in coming months, as indicated by a strong upturn in input buying amid restocking efforts." Both output and new orders, which tracks overall demand, grew at their sharpest rates in more than 12 years and foreign demand expanded at its quickest pace since December 2014. Earlier, Finance Minister Nirmala Sitharaman said that there were visible signs of revival in the economy but the GDP growth may be in negative zone or near zero in the current fiscal. This is primarily because of a huge 23.9 per cent contraction in the economy in the first quarter of current fiscal (April-June). The focus for the government is on public spending to boost economic activity, Nirmala Sitharaman added.

Earlier at the onset of the festive season, the Government had provided relief to the borrowers. It had announced waiver of interest on interest for loans up to Rs. 2 crore irrespective of whether moratorium was availed or not. The Department of Financial Services came out with operational guidelines in the backdrop of Supreme Court's direction to implement the interest waiver scheme, which is likely to cost the exchequer Rs. 6,500 crore. The apex court on October 14 directed the Centre to implement "as soon as possible" interest waiver on loans of up to Rs. 2 crore under the RBI moratorium scheme in view of the COVID-19 pandemic saying the common man's Diwali is in the government's hands. As per the guidelines, the scheme can be availed by borrowers in specified loan accounts for a period from March 1 to August 31, 2020. "Borrowers who have loan accounts having sanctioned limits and outstanding amount of not exceeding Rs. 2 crore (aggregate of all facilities with lending institutions) as on February 29 shall be eligible for the scheme," it said. As per the eligibility criteria mentioned in the guidelines, the accounts should be standard as on February 29 which means that it should not be Non-Performing Asset (NPA). Housing loan, education loans, credit card dues, auto loans, MSME loans, consumer durable loans and consumption loans are covered under the scheme. As per the scheme, the lending institutions shall credit the difference between compound interest and simple interest with regard to the eligible borrowers in respective accounts for the said period irrespective of whether the borrower fully or partially availed the moratorium on repayment of loan announced by the RBI on March 27, 2020. The scheme is also applicable on those who have not availed the moratorium scheme and continued with the repayment of loans.

Sectors and stocks

Shares of financials including, banks, non-banking finance companies (NBFCs) and microfinance institutions (MFIs) were in focus amid up to 20 per cent rally on the BSE in the early morning trade on Monday as the Reserve Bank of India's (RBI's) internal working group, which reviewed ownership guidelines, proposed sweeping changes in the corporate structure of Indian private sector banks. Key recommendations that have been suggested include raising of cap on promoters stake to 26 per cent from 15 per cent currently, considering NBFCs with asset size of over Rs 50,000 crore and large industrial houses to apply for banking license, clarity on Non operating financial holding company (NOFHC) structure providing exit for financials without group entities. Comments on the report are to be submitted by January 15. Among the individual stocks, Equitas Holdings and IDFC were locked in the 20 per cent upper circuit at Rs 63.40 and Rs 40.10, respectively on the BSE. Ujjivan Financial Services, Ujjivan Small Finance Bank, IDFC First Bank, AAVAS Financiers, Shriram City Union Finance, Bajaj Holdings & Investments and IndusInd Bank were up between 5 per cent and 16 per cent on the BSE.

Shares of auto ancillary companies were in focus on Monday with MRF, Balkrishna Industries, Amara Raja Batteries and Jamna Auto hitting their respective 52-week highs on the expectation of strong revenue growth. The July-September quarter (Q2FY21) was marked by a sharp rebound for the auto sector from the washout Q1FY21 performance. Demand outstripped supply for major players as production, distribution levels climbed to successively higher levels throughout.

Dispatches picked up sharply in September in the run-up to the festive period. Balkrishna Industries hit a fresh record high of Rs. 1,690, up 5 per cent on the BSE in the intra-day trade on Monday. In the past month, the stock has outperformed the market by gaining 23 per cent against a 9 per cent rise in the S&P BSE Sensex. The company had reported the highest ever quarterly sales volume in Q2FY21. EBITDA expanded to 34.0 per cent from 27.9 per cent in Q2FY20. The demand continues to be strong in the agriculture segment across geographies. In other segments, demand continues to remain stable, the company said.

MRF hit a fresh 52-week high of Rs 81,000, up 2.4 per cent on the BSE, thus gaining 26 per cent in the past month. The stock of the tyre major was trading close to its record high of Rs 81,423 touched on April 30, 2018.

Shares of Amara Raja Batteries touched a fresh 52-week high of Rs. 878, up 2 per cent on the BSE. The robust replacement demand, coupled with a pick-up in OEM/industrial segments, is expected to support revenue performance going ahead.

Shares of pharmaceutical companies were trading actively on Monday with the newly listed Gland Pharma freezing in the 20 per cent upper circuit while Divi's Laboratories hit a record high on the BSE on investors' renewed buying interest. Dishman Carbogen Amcis, Ipca Laboratories, Sun Pharma Advanced Research Company (SPARC), Caplin Point Laboratories, Dr. Lal PathLabs and Granules India from the S&P BSE Healthcare index were up in the range of 4 per cent to 5 per cent on the BSE. Recently listed Gland Pharma was locked in the 20 per cent upper circuit at Rs. 2,184, extending its 21 per cent surge on Friday, the first day of its listing at the bourses. With today's rally, the stock of the pharma company is up 46 per cent as against its issue price of Rs. 1,500 per share. The Fosun (China based)-promoted firm's initial public offer (IPO) had managed to sail through on the back of institutional investor support even as retail and high networth individual (HNI) investors shunned the issue.

Shares of Wockhardt, on the other hand, hit a 52-week high of Rs. 433, up 10 per cent in the intra-day trade, rallying 32 per cent in the past two trading days on back of heavy volumes. The company, on August 3, 2020 entered into an agreement with the UK Government to finish Covid-19 vaccines for which manufacturing will be undertaken at CP Pharmaceuticals, a subsidiary of Wockhardt based in Wrexham, North Wales. "As per the terms of the agreement, the company has reserved manufacturing capacity to allow for the supply of multiple vaccines to the UK Government in its fight against Covid-19, including AZD1222, the vaccine co-invented by the University of Oxford and its spin-out company, Vaccitech, and licensed by AstraZeneca," the company had said in a statement.

Global markets

Global equities were up on Monday while the dollar fell as investors pinned hopes for economic revival on coronavirus vaccines, even as the world contended with surging case numbers and delays to fresh US stimulus.

The STOXX index of Europe's 600 largest shares rose 0.5 per cent to its highest since February after AstraZeneca become the latest major drugmaker to say its vaccine for the virus could be around 90 per cent effective.

Crude oil and gold

Crude oil prices were up by more than 1 per cent, extending last week's gains as traders eyed a recovery in demand due to successful coronavirus vaccine trials.

Ajcon Global's view

Today, rally was witnessed in index heavy weights like Reliance Industries, TCS and Infosys. Midcaps and smallcaps too were up on improved demand outlook and economy recovering at fast pace.

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.

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.

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



AJCON GLOBAL
YOUR FRIENDLY FINANCIAL ADVISOR

turnaround in Q2FY21, Unlock phase and having cost efficiencies. In addition, greenshoots 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.

We are cautious on Large caps at present steep valuations led by high FPI liquidity and advise partial profit booking. Any news on COVID-19 vaccine coming will led to rerating of sectors that were hammered in COVID-19 crisis. Further fall will make markets healthy for fresh entry as Indian equities were in overbought zone for quite some time.

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.



AJCON GLOBAL
YOUR FRIENDLY FINANCIAL ADVISOR

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