

Benchmark indices end in red; Private Banking stocks come under pressure..

- 1) Indian domestic bourses ended in negative terrain led by fall in select financials.
- 2) The BSE Sensex had touched a high of 61,577 in morning deals, but slipped to a low of 60,989 at the fag end of the day. The Sensex finally ended with a loss of 207 points at 61,143.
- 3) Axis Bank fell by 6.5 percent, Bajaj Finance declined by 4.8 per cent. Bajaj Finserv, IndusInd Bank, Tata Steel, Reliance Industries, NTPC, Nestle India, Kotak Bank and Mahindra & Mahindra were the other major Sensex losers, down 1-2 per cent each. On the other hand, Asian Paints rallied by 4.4 per cent. Sun Pharma, Infosys, SBI, UltraTech Cement and ITC were the other prominent gainers.
- 4) Nifty ended down by 57 points to end at levels of 18,211.
- 5) In terms of sectoral performance, the Bank Nifty declined by 1.1 per cent to 40,786. The PSU Bank index was up 1.8 per cent, while the Private Bank index fell by 1.6 per cent. The Nifty Media and Metal indices were down nearly 2 per cent each.
- 6) The broader markets were up marginally. The BSE Midcap index was up marginally, while the Smallcap index was up by 0.3 per cent.

Index	Today's Close	Prev. close	Change	% change	Open	High	Low
Sensex	61,143.33	61,350.26	206.93	0.34	61,499.70	61,576.85	60,989.39
Nifty	18,210.95	18,268.40	57.45	0.31	18,295.85	18,342.05	18,167.90

Sectors and stocks

- 1) Shares of Shares of paint companies rallied up to 6 per cent on the BSE in Wednesday's intra-day trade in an otherwise range-bound market on media reports of price hike. Asian Paints rallied by 6 per cent to Rs. 3,145.60, while Berger Paints India rallied by 5 per cent at Rs. 767.80, followed by Shalimar Paints (5 per cent at Rs. 95.75), Kansai Nerolac Paints (4 per cent to Rs. 592), Indigo Paints (3.5 per cent at Rs. 2,470) and Akzo Nobel India (3 per cent at Rs. 2,148) on the BSE in intra-day trade. These stocks had fallen by up to 15 per cent from their respective 52-week highs on reporting disappointing margins for the quarter ended September 2021 (Q2FY22).
- 2) Shares of TTK Prestige rallied by 15 per cent to hit a record high of Rs. 11,137 on the BSE in Wednesday's intra-day trade after the company reported a strong set of numbers for the quarter ended September 2021 (Q2FY22). Further, the company's board also approved sub-division/split of equity shares from face value of Rs 10 each to Re 1 each. TTK Prestige said the rationale behind the stock split is to facilitate larger shareholder base, to increase the liquidity and to make the shares more affordable to investors. The stock of houseware company surpassed its previous high of Rs 10,586 touched on October 19, 2021. TTK Prestige has reported 58 per cent year-on-year (YoY) jump in its consolidated net profit at Rs 103.53 crore for Q2FY22, on back of healthy operational performance. The company's revenue from operations grew 34.8 per cent at Rs 859 crore on YoY basis.
- 3) Shares of CG Power and Industrial Solutions were locked in 5 per cent upper circuit for the second straight day, at Rs. 157.65 on the BSE on Wednesday. The stock was trading at its multi-year high level. In the past four trading days, it has gained 15 per cent after the company reported an all round improvement in performance during July-September quarter (Q2FY22). In the past 11 weeks, the stock has rallied 110 per cent from a level of Rs 75.20 touched on August 11, 2021. In comparison, the S&P BSE Sensex was up 12.8 per cent during the same period. Further, it has rallied 3,261 per cent from its March 2020 low of Rs. 4.69 on the BSE. CG Power is a Murugappa Group company. Tube Investments of India, the promoter of CG Power, held 52.65 per cent stake in the company as on September 30, 2021. CG Power is primarily a B2B company which operates across two major lines of businesses i.e. Power Systems Business Unit and the Industrial Systems Business Unit. For Q2FY22, CG Power

reported standalone sales of Rs 1,352 crore, highest in the last ten quarters, and a standalone profit before tax (PBT) of Rs. 137 crore, highest recorded in the last 20 quarters. In Q2FY21, the company had posted sales of Rs 565 crore and loss before tax of Rs. 40 crore. The company said it had the benefit of uninterrupted working in Q2 and all the businesses have performed satisfactorily, improving capacity utilisation. "On sequential basis, sales increased by 42 per cent and PBT by 88 per cent, signalling a recovery in business performance. The free cash flow generation for the quarter stands at Rs. 111 crore during the quarter," the company said. On consolidated basis, the company reported 119 per cent year-on-year (YoY) jumped in sales at Rs 1,454 crore in Q2FY22. It posted consolidated PBT of Rs 144 crore against loss of Rs 37 crore in a year ago quarter. At the end of Q2FY22, the company's industrial systems segment have Unexecuted order book of Rs 1,585 crore and power systems of Rs 1,259 crore.

Key recent major developments..

- 1) The Union cabinet on last Thursday cleared the PM Gati Shakti - National Master Plan for multi-modal connectivity to economic zones. "The PM GatiShakti NMP is intended to break Departmental Silos and bring in more holistic and integrated planning and execution of projects with a view to address the issues of Multi Modal connectivity and last mile connectivity," the cabinet said in a statement. "This will help in bringing down the logistics cost. This will translate into enormous economic gains to consumers, farmers, youth as well as those engaged in businesses," it added. Prime Minister Narendra Modi had on October 13 launched the PM Gati Shakti National Master Plan for multi-modal connectivity to expedite and bring infrastructure development on a common path. The Rs 100 lakh-crore Gati Shakti plan envisages a centralised portal comprising all existing and planned infrastructure initiatives of as many as 16 central ministries and departments for integrated planning and coordinated implementation of infra connectivity projects.
- 2) Domestic air passenger traffic witnessed a growth of 5.45 percent in September on month on month basis with the easing of lockdown restrictions following the decline in Covid-19 cases. The total passenger load in September stood at 70.66 lakh compared to 67.01 lakh in August, 50.07 lakh in July and 31.13 lakh in June. The passenger traffic in September 2021 was 79 percent higher when compared to the same month in the past year, the aviation sector regulator said. In September last year, the number of passengers carried by domestic airlines stood at 39.43 lakhs. Domestic airlines were allowed to operate at 60 percent capacity utilization in September 2020 compared to the 85 percent capacity utilization allowed in September 2021.
- 3) Passenger vehicle wholesales in India witnessed a decline of 41 per cent year-on year in September as automobile manufacturers struggled to produce adequate units owing to semiconductor shortage, auto industry body SIAM said on Thursday. Passenger vehicle sales last month stood at 1,60,070 units as compared with 2,72,027 units in the year-ago period. As per the latest data by Society of Indian Automobile Manufacturers (SIAM), two-wheeler dispatches to dealers also witnessed a dip of 17 per cent at 15,28,472 units, compared to 18,49,546 in September 2020. Motorcycle dispatches declined 22 per cent last month to 9,48,161 units as against 12,24,117 in the year-ago period. Scooter sales were also down 7 per cent at 5,17,239 units from 5,56,205 units a year ago. Vehicle sales across categories last month declined year-on-year by 20 per cent to 17,17,728 units from 21,40,549 units. Indian automobile industry continues to face new challenges. While on one hand, we are seeing a revival in vehicle demand, on the other hand, shortage of semiconductor chips is causing a major concern for the industry. Many members have curtailed their production plans," SIAM President Kenichi Ayukawa said. Coupled with the festive season demand, this has led to long waiting time for the customers on popular models of some segments, he added. "High raw material prices also continue to be a challenge. The industry is taking all possible measures to mitigate the impact of such supply chain issues and optimise production," Ayukawa noted.
- 4) India's industrial production in India continued to stabilise in August, expanded by 11.9 percent year-on-year (YoY) in August, rising slightly from 11.4 percent in July. The growth was due to a low-base effect and good performance by manufacturing, mining and power sectors that surpassed the pre-COVID level. The manufacturing sector, which constitutes 77.63 percent of the Index of Industrial Production (IIP), grew 9.7 percent in August, according to the data released by the National Statistical Office (NSO) on Tuesday. The mining sector output rose 23.6 percent in August, while power generation increased 16 percent.
- 5) India's retail inflation eased again in September, falling to a five-month low led by moderating food prices that offset a surge in the cost of crude oil and fuel, government data showed on Tuesday. Consumer price inflation fell sharply to 4.35% in September from 5.3% in August. This marks the third consecutive month within the Reserve Bank of India's (RBI) tolerance band of 2%-6%. The Consumer Price Index-based (CPI) inflation was at 7.27% in September 2020.

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

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

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

- 7) In a major key development, the government on last Friday announced Tata Group as the winning bidder for Air India, clearing the way for the Company to be privatised and going back to the founder exactly 68 years after India had nationalised its private airlines in 1953. The Tata's wholly-owned subsidiary Talace Pvt Ltd put an enterprise value (EV) bid at Rs. 18,000 crore with debt to be retained at Rs. 15,300 crore and cash component of Rs. 2,700 crore.

The patriarch of the Tata group, Ratan Tata welcomed the return of Air India to the Tata fold and said the Tata group's winning bid is great news. "While admittedly it will take considerable effort to rebuild Air India, it will hopefully provide a very strong market opportunity to the Tata group's presence in the aviation industry," Tata said. Tata said on an emotional note, Air India under the leadership of JRD Tata had, at one time, gained the reputation of being one of the most prestigious airlines in the world. "The Tatas will have the opportunity of regaining the image and reputation it enjoyed in earlier years. JRD Tata would have been overjoyed if he was in our midst today," Tata said. Tata added, "We need to recognise and thank the government for its recent policy of opening select industries to the private sector."

Reacting to the government's announcement, N. Chandrasekaran, Chairman, Tata Sons said the Tata group is delighted to be declared as the winner of the bid for Air India. "This is a historic moment, and it will be a rare privilege for our Group to own and operate the country's flag bearer airline. It will be our endeavour to build a world-class airline which makes every Indian proud. On this occasion, I would like to pay tribute to J.R.D. Tata, pioneer of Indian aviation, whose memory we cherish," Chandrasekaran said.

RBI kept repo and reverse repo rates unchanged at 4 per cent and 3.35 per cent, respectively. The central bank also retained the GDP growth forecast at 9.5 per cent for the on-going fiscal year and revised CPI inflation projection downward to 5.3 per cent for the whole fiscal (from 5.7 per cent). The RBI Governor said "With the worst of the second wave behind us and substantial pick-up in COVID19 vaccination giving greater confidence to open up and normalise economic activity, the recovery of the Indian economy is gaining traction. While vaccine reach is the real fault line in the current global recovery, India is in a much better place today than at the time of the last MPC meeting. Growth impulses seem to be strengthening and we derive comfort from the fact that the inflation trajectory is turning out to be more favourable than anticipated. In spite of global headwinds, we hope to emerge from the storm and sail towards normal times, steered by the underlying resilience of the macro-economic fundamentals of the Indian economy. Core inflation, however, remains sticky. Elevated global crude oil and other commodity prices, combined with acute shortage of key industrial components and high logistics costs, are adding to input cost pressures. Pass-through to output prices has, however, been restrained by weak demand conditions. The evolving situation requires close vigilance."

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

He further said "Recovery in aggregate demand gathered pace in August-September. This is reflected in high-frequency indicators – railway freight traffic; port cargo; cement production; electricity demand; e-way bills; GST

and toll collections. The ebbing of infections, together with improving consumer confidence, has been supporting private consumption. The pent-up demand and the festival season should give further fillip to urban demand in the second half of the financial year. Rural demand is expected to get impetus from continued resilience of the agricultural sector and record production of kharif foodgrains in 2021-22 as per the first advance estimates. The improved level in reservoirs and early announcement of the minimum support prices for rabi crops boost the prospects for rabi production. The support to aggregate demand from government consumption is also gathering pace."

- 8) The gross GST revenue collected in the month of September 2021 stood at Rs. 1,17,010 crore, which is 23 percent higher than the GST revenues in the same month last year. During the month, revenues from import of goods was 30 percent higher and the revenues from domestic transaction (including import of services) are 20 percent higher than the revenues from these sources during the same month last year. The revenue for September 2020 was, in itself at a growth of 4 percent over the revenue of September 2019 of Rs. 91,916 crore. For this September, CGST collections were Rs. 20,578 crore, SGST Rs. 26,767 crore, IGST Rs. 60,911 crore (including Rs. 29,555 crore collected on import of goods) and cess Rs. 8,754 crore (including Rs. 623 crore collected on import of goods). The average monthly gross GST collection for the second quarter of the current year has been Rs. 1.15 lakh crore, which is 5 percent higher than the average monthly collection of Rs. 1.10 lakh crore in the first quarter of the year. "This clearly indicates that the economy is recovering at a fast pace. Coupled with economic growth, anti-evasion activities, especially action against fake billers have also been contributing to the enhanced GST collections. It is expected that the positive trend in the revenues will continue and the second half of the year will post higher revenues," the government said.
- 9) The Manufacturing Purchasing Managers' Index, compiled by IHS Markit, rose to 53.7 in September from 52.3 in August, staying above the 50-level separating growth from contraction for the third straight month. "Indian manufacturers lifted production to a greater extent in September as they geared up for improvements in demand and the replenishment of stocks," noted Pollyanna De Lima, economics associate director at IHS Markit. "There was a substantial pick-up in intakes of new work, with some contribution from international markets." Improvements in both domestic and overseas demand saw new orders expand at a quicker pace in September and factories raised output at a significantly faster rate compared to August. However, that failed to encourage factories to hire more workers - a much needed step to boost weak labour market conditions - and instead they reduced their workforce at the sharpest pace in four months. "Companies continued to purchase extra inputs in September, but jobs were little changed over the month. In some instances, survey participants indicated that government guidelines surrounding shift work prevented hiring," added De Lima.
- 10) The centre's fiscal deficit for April-August came in at Rs. 4.7 lakh crore, or 31 percent of the full year budget estimate, official data showed on September 30. Finance Minister Nirmala Sitharaman had budgeted a fiscal deficit target of Rs. 15.07 lakh crore, or 6.8 percent of nominal gross domestic product, for FY22. The fiscal deficit for FY21 was revised to Rs. 18.49 lakh crore, or 9.5 percent of GDP, from a budget target of 7.96 lakh crore, or 3.5 percent of GDP.
- 11) Net direct tax collection grew 74.4 per cent to Rs. 5.70 lakh crore between April 1 to September 22 this fiscal, the Finance Ministry said on Friday. The net direct tax collection of Rs. 5,70,568 crore after adjusting for refunds includes Corporation Tax (CIT) at Rs. 3.02 lakh crore and Personal Income Tax (PIT) at Rs 2.67 lakh crore. The net collection (April 1 to September 22) in FY 2021-22 has registered a growth of 27 per cent over 2019-20 fiscal when the net collection was over Rs 4.48 lakh crore. In the previous fiscal (2020-21), the net collection was over Rs 3.27 lakh crore. The gross direct tax collection for 2021-22 fiscal stands at over Rs 6.45 lakh crore, compared to Rs 4.39 lakh crore in the corresponding period of the preceding financial year, registering a growth of 47 per cent over last fiscal. The gross collection was 16.75 per cent higher than Rs 5.53 lakh crore collected in 2019-20 fiscal (April-September 22). The Gross CIT mop-up was Rs. 3.58 lakh crore and PIT was over Rs. 2.86 lakh crore. Refunds amounting to Rs. 75,111 crore have also been issued so far this fiscal.
- 12) India's GDP growth touched a record high on low base in Q1FY22 led by a rebound in consumer spending, and improved manufacturing in spite of a devastating COVID-19 second wave, government data showed on Tuesday. Gross domestic product rose 20.1% in the three-month period, compared with a record contraction of 24.4% in the same quarter a year earlier. "GDP at Constant (2011-12) Prices in Q1 of 2021-22 is estimated at Rs. 32.38 lakh crore, as against Rs. 26.95 lakh crore in Q1 of 2020-21, showing a growth of 20.1 percent as compared to contraction of 24.4% in Q1 2020-21. Quarterly GVA at Basic Price at Constant (2011-12) Prices for Q1 of 2021-22 is estimated at Rs. 30.48 lakh crore, as against Rs. 25.66 lakh crore in Q1 of 2020-21, showing a growth of 18.8%," said Ministry of Statistics & Programme Implementation in a statement. Manufacturing, which fell 36 percent in April-June last year, bounced back to grow by 49.6 percent. Trade, hotels, transport, communication and services related to broadcasting, which tanked 48.1 percent in April-June last year, grew by 34.3 percent in Q1FY22, indicating that touch services sectors like hotels, hospitality and tourism continue to be affected by the Covid-19

pandemic and will take time to recover. Agriculture, the only sector which showed growth in Q1FY21 at 3.5 percent, grew by 4.5 percent in the first quarter of FY 22.

Global markets

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

Ajcon Global's observations and view

- 1) Indian equities came under pressure led by fall in Financials especially private banking stocks and select NBFCs.
- 2) Before today's fall, the sentiments have been strong led by good start to Q2FY22 earnings season, good IIP data and IMF's forecast of India's GDP growth at 9.5 per cent in 2021 and at 8.5 per cent in 2022. RBI's dovish stance good, faster economic recovery witnessed, strong demand outlook in the ongoing festive season. However, rising crude oil prices, increasing US Bond yields may act as headwinds. Bulls will have an edge led by strong vaccination drive, good economic activity, Production Linked Incentive Schemes announced in various sectors, good GST collection in September 2021. The big bang reforms in Telecom sector has already uplifted investor sentiments for telecom related companies. In addition to liquidity provided by FPIs in equities, there is good spike in retail participation from Tier II and Tier III cities as people have become more financial literate in COVID-19 crisis. In addition, the country has geared up and taking all the measures to prepare itself in case of a third COVID-19 wave.
- 3) Going ahead, investors will take cues from the ongoing Q2FY22 earnings season and management commentary, economic activity in the festive season of Diwali, eye on COVID-19 cases especially in the Metros and vaccination drive, movement in crude oil prices and metals. Globally, investors will keep a watch on US Treasury yields and developments in China.
- 4) We suggest investors to be careful about the forthcoming IPOs and understand the fundamentals before riding the boom. Subdued listing of IPOs in August 2021 suggested irrational exuberance. However, IPOs of sectors in limelight like E-Commerce, 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.
- 5) It is advisable to stay away from companies which have ran ahead of fundamentals and valued beyond logic. It would be prudent to stay with quality names at decent valuations and not get carried away. It is advisable for investors to look out for stock specific opportunities at decent valuations considering growth outlook and management pedigree. Always remember, corrections in a bull market will keep markets healthy.



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