

Indian benchmark indices ended in positive terrain; broader markets were under pressure..

Index	Today's Close	Prev. close	Change	% change	Open	High	Low
Sensex	57,260.58	57,107.15	153.43	0.27	57,028.04	57,626.51	56,382.93
Nifty	17,053.95	17,026.45	27.50	0.16	17,055.80	17,160.70	16,782.40

- 1) Indian benchmark indices ended in green today after being under pressure on Friday.
- 2) The Sensex was up by 153.43 points or 0.27 percent to end at levels of 57,260.58. The Nifty was up by 27.50 points or 0.16 percent to end at levels of 17,053.95. Among the Sensex 30 stocks, Kotak Bank was the top gainer while Reliance Industries, HCL Technologies, Titan, TCS, Bajaj Finserv and Bajaj Finance were the other prominent gainers. On the other hand, Sun Pharma, Axis Bank and NTPC fell by around 2 per cent each. PowerGrid Corporation, Nestle India, Bajaj Auto, Dr.Reddy's, ITC and HDFC were the other notable losers.
- 3) However, the broader markets were under pressure. The BSE Midcap index was down by 0.90 percent and Smallcap index was down by 1.9 percent.
- 4) In terms of sectoral performance, BSE Power index fell by 2 percent, the Realty and Oil & Gas indices fell by 1.6 percent each. The IT index, however, was up 0.7 per cent.

Sectors and stocks

- 1) Shares of Raymond continued the northbound journey, hitting a fresh 52-week high of Rs. 673, on rallying 13 per cent on the BSE in Monday's intra-day trade. In the past one week, the stock has zoomed 33 per cent, as compared to 1.7 per cent decline in the S&P BSE Sensex. On Wednesday, November 24, 2021, Raymond informed the stock exchanges that it convened shareholders meeting on December 27, 2021 to approve the scheme of arrangement of Raymond Apparel (demerged company) and Raymond (resulting company) their respective shareholders. The board of directors of Raymond at its meeting held on November 7, 2019 had approved the composite scheme of arrangement which comprise of amalgamation of Raymond Apparel (wholly owned subsidiary of the company) and Scissors Engineering Products Limited (wholly owned subsidiary of the Company) with the Company and then demerger of the lifestyle business undertaking into Raymond Lifestyle on a going concern basis. The demerger is expected to be completed by end-FY22. Raymond Lifestyle is expected to be a listed entity and will have a mirror shareholding of Raymond. Raymond Apparel is a wholly owned subsidiary of Raymond, one of the leading players of the worsted suiting business. It is the flagship company of Raymond Group, a diversified conglomerate with business in textiles, apparel retailing, real estate, engineering files, engineering tools and auto components. Raymond has some of the leading brands within its portfolio ' -Raymond Ready to Wear', 'Park Avenue', 'ColorPlus', 'Parx', 'Raymond Made to Measure 'amongst others. The company's branded textiles segment accounted 47 per cent of total revenue. In July-September quarter (Q2FY22), the segment reported strong growth of 214 per cent year on year to Rs 722 crore, driven due to improvement in both primary sales as well as secondary sales. The segment posted healthy EBITDA margin of 16.8 per cent mainly driven by operational efficiencies.

"The consumer facing businesses are witnessing strong resurgence of demand and we witnessed an uptick on a week on week basis during the quarter. With the onset of festive and wedding season, the consumer sentiment is upbeat primarily due to large scale vaccination drive across the country. With the opening up of global economy, there is an impetus on our Garmenting export business that continues to perform well with a healthy order book," Gautam Hari Singhania, Chairman & Managing Director, Raymond said while announcing Q2 results on October 27, 2021.

- 2) Shares of Vodafone Idea hit a fresh nine-month high of Rs. 12.39, rallying 14 per cent on the BSE in Monday's intra-day trade on back of heavy volumes. In the past six trading days, the stock of telecom services provider has rallied 24 per cent after the company increased its prepaid tariff by 20-25 per cent from November 25, 2021. The stock was trading at its highest level since February 12, 2021. It had hit a 52-week high of Rs 13.80 on January 15, 2021. On November 23, Vodafone Idea hiked its prepaid tariff plans by 20-22 per cent across the board and 25 per

cent in base entry level voice (2G plan), similar to Airtel. The company said the new plans will start the process of average revenue per unit (ARPU) improvement and help address the financial stress faced by the industry.

- 3) Shares of Indigo Paints hit a record low of Rs. 2,137, down 4 per cent on the BSE in Monday's intra-day trade on concerns of weak operational performance. With today's decline, the stock has corrected 36 per cent from its high of Rs 3,348 touched on February 3, 2021. It was trading at its lowest level since its market debut on February 2, 2021. Indigo Paints had raised funds by issuing shares at price of Rs 1,490. Indigo Paints is the fifth-largest company in the Indian decorative paint industry in terms of revenue from operations for fiscal 2020 and the fastest growing amongst the top five paint companies in India. The company manufactures a complete range of decorative paints including emulsions, enamels, wood coatings, distempers, primers, putties and cement paints.

In the past one month, the stock underperformed the market by falling 11 per cent, after Indigo Paints reported a disappointing set of numbers for quarter ended September 2021 (Q2FY22) mainly in margin front. In comparison, the S&P BSE Sensex was down nearly 4 per cent. In past three months, the stock has slipped 17 per cent, as against a 2 per cent rise in the benchmark index.

Key recent major developments..

- 1) Today, the foreign institutional investors (FIIs) were net sellers of equities worth Rs. 3,332.21 crore thus taking the total net selling to nearly Rs. 34,456.67 crore so far this month in the cash segment. This is following Rs. 25,572 crore worth selling in October 2021.
- 2) The Omicron coronavirus variant is likely to spread internationally, posing a "very high" global risk of infection surges that could have "severe consequences" some areas, the World Health Organisation (WHO) said on Monday. The U.N. agency urged its 194 member states to accelerate vaccination of high-priority groups and, in anticipation of increased case numbers, to "ensure mitigation plans are in place" to maintain essential health services. "Omicron has an unprecedented number of spike mutations, some of which are concerning for their potential impact on the trajectory of the pandemic," the WHO said.
- 3) Last week, a new COVID-19 variant B.1.1.529 - termed as "Omicron" was detected in countries like South Africa and Botswana on Thursday. The variant is a big concern because of its high number of mutations. As a result some countries have imposed travel restrictions on South Africa. The UK has imposed a temporary ban on flights from six African countries, while Singapore has announced restrictions on people who have been to South Africa and nearby countries in the last fortnight. India has tightened the screening of incoming visitors from South Africa, Botswana and Hong Kong. The surge in COVID cases in South Africa has been attributed to the new variant.
- 4) The Indian rupee dropped to its lowest level in three weeks and bond yields fell on last Friday as concerns over a new COVID variant spooked markets across the globe. Shares and currencies in Asia's emerging markets fell sharply as investors fled riskier assets after the detection of the significant new mutation, which in-turn strengthened safe-haven assets like the dollar.
- 5) Benefiting from strong consumer demand and high commodity prices, Indian companies will show significant growth in EBITDA over next 12-18 months, according to Moody's. The rating agency, which has 22 Indian corporates under its scanner, said growing government spending on infrastructure will support the demand for steel and cement. Also, rising consumption, push for domestic manufacturing and benign funding conditions will support new investments. The effects of supply chain disruptions will ease as semiconductor supplies ramp over the next few months, it added. The steady progress in vaccinations against Coronavirus (Covid-19) will support a sustained recovery in economic activity. The economic growth will rebound strongly in India. It has pegged growth in gross domestic product at 9.3 per cent for FY22 and 7.9 per cent for FY23. While overall economic sentiment is upbeat, the rating agency did sound a word of caution. If new waves of infections were to occur, it could trigger fresh lockdowns and erode consumer sentiment. Such a scenario would dampen economic activity and consumer demand, potentially leading to subdued EBITDA growth of less than 15-20 per cent for Indian companies over the next 12-18 months.

Global markets

- 1) Today, the European markets started on a good note after being under pressure on Friday.
- 2) Asian peer indices however continued to be under pressure led by discovery of new COVID-19 variant which resulted in travel related restrictions in various countries. The COVID-19 situation in US is also matter of concern. Increasing COVID-19 cases in European countries like Germany and Austria which has led to imposition of total lockdowns has affected investor sentiments significantly.

Ajcon Global's observations and view

- 1) Indian benchmark indices were back in green after witnessing blood bath on last Friday. However, broader markets were under pressure. Investors have turned cautious led by discovery of new COVID-19 variant which some media reports suggest is vaccine resistant. In addition, there are headwinds like global inflation, valuation concerns and strengthening US dollar.
- 2) Before the correction started, the sentiments were strong led by good Q2FY22 earnings season and management commentary, good economic activity witnessed in the festive season of Navratri and Diwali, good manufacturing PMI data, strong October 2021 GST collections, 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 and good spike in retail participation from Tier II and Tier III cities as people have become more financial literate in COVID-19 crisis. However, RBI measures to gradually reduce liquidity can remain an overhang.
- 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.
- 4) With Q2FY22 earnings season behind us, investors will track global cues like inflation data across the globe, US treasury yields, COVID-19 cases especially in Europe and US, crude oil price movement and developments in China.
- 5) The discovery of new COVID-19 variant is a matter of concern. We would advise investors to have a wait and watch approach for some time to understand the risks of the new variant. 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.



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