

Indian equities end in green with smallcaps continue to rally; all eyes on Q3FY21 earnings season and Union Budget..

- 1) The S&P BSE Sensex was up by 259 points, or 0.55 per cent, to close at 47,613, a fresh closing high. The index hit an intra-day high and low of 47,715 and 47,362, respectively. The broader Nifty50 ended the day at 13,933, up 59 points, or 0.43 per cent.
- 2) IndusInd Bank (up 5%) was the top Sensex gainer, followed by Tech Mahindra and Axis Bank (both up 2%). On the other hand, Nestle India and NTPC slipped 1 per cent each while Reliance Industries also settled half a per cent lower. Out of the 30 Sensex constituents, 15 ended the day in the green.
- 3) The Nifty sectoral indices were mixed, with Nifty Bank index (up 1.4%) offsetting the losses in Nifty Metal index (up 1%).
- 4) Broader markets, meanwhile, underperformed their peers, with S&P BSE SmallCap index ending 0.16 per cent higher while the MidCap index slipped 0.07 per cent. Bouyancy was witnessed in smallcap companies on Tuesday with the S&P BSE Smallcap index hitting 31-month high after domestic mutual funds and insurance company acquired select companies' share from open market. SORIL Infra Resources, Paisalo Digital, Fineotex Chemical, Rupa & Company, Borosil Renewables, Nava Bharat Ventures and Hindustan Foods were up between 10 per cent and 20 per cent on the BSE in intra-day trade. The S&P BSE Smallcap index hit an intra-day high of 18,089, its highest level since May 10, 2018. The index surpassed its previous high of 17,967, touched on December 17, 2020.

Sectors and stocks

- 1) Shares of Snowman Logistics were up by 13 per cent to Rs. 67 on the National Stock Exchange (NSE) on Tuesday after over 20 per cent of the company's total equity changed hands. The stock was trading close to its 52-week high level of Rs. 70, touched on December 11. Meanwhile, the board of directors of Snowman Logistics at its meeting held on December 21 approved to raise funds up to Rs. 250 crore through qualified institutions placement (QIP) issue. With the company's focus on capacity expansion (an addition of 12,000 pallets over the next one year), setting up of dedicated facilities for e-commerce players such as Amazon and increasing focus on margin-accretive segments such as pharmaceuticals, India Ratings and Research (Ind-Ra) expects Snowman Logistics' business profile to improve and financial profile to remain strong in the medium term.
- 2) Adani Logistics, a wholly owned subsidiary of Adani Ports and SEZ, has been offloading its stake in the Snowman Logistics via open market after the signing of a settlement agreement in July 2020. So far in December, Adani Logistics has sold 20.57 million equity shares, representing 12.31 per cent of total equity, of Snowman Logistics via bulk deals on the NSE till Monday, December 28, the exchange data showed. The names of the buyers were not ascertained immediately. As of September, Adani Logistics held 26 per cent stake or 43.4 million equity shares of Snowman Logistics, the shareholding pattern data showed.
- 3) Shares of IFB Industries hit a fresh 52-week high of Rs. 1,218 on the BSE after it rallied 10 per cent in intraday trade on Tuesday on expectations of strong growth outlook. In the past one month, the stock has rallied by 57 per cent, as compared to a 8 per cent rise in the S&P BSE Sensex. IFB Industries' operations consist of three divisions -- fine blanking, appliances and motor. The company continues being a market leader in the domestic front load washing machines as well as the dishwasher market, with a share of 40 per cent each. The demand for dishwashers, microwaves and dryers was strong even during the Covid-19 led lockdown. IFB is in the final stages of concluding talks with original equipment manufacturers, and the company expects to manufacture 50,000 units per month during the peak season of January to June 2021. India Ratings and Research (Ind-Ra) recently affirmed IFB Industries' long-term issuer rating at 'IND AA-' with a stable outlook. Ind-Ra expects the company to achieve relatively higher revenue in the second half (October-March) of the financial year 2020-21 (2HFY21) than the April-September period (1HFY21). However, it sees overall FY21 revenue to decline by 6-8 per cent year on year (YoY). The decline is likely to be majorly on account of loss in revenue during the April-June quarter (1QFY21) due to lockdown. However, Ind-Ra expects it to be partially offset by increasing demand for dishwasher and washing machines and an import ban on ACs, which is likely to boost sales October-December (3QFY21) onwards. The improved realisation for the appliances division and demand revival for the two-wheeler segment would improve revenue from the fine blanking division. IFB's revenue grew at a CAGR of 14 per cent over FY17-FY20. Ind-Ra expects EBITDA margins to increase above 5 per cent in FY21-FY22 owing to lower import duty as a result of localisation of AC production, economies of scale that would enable lower raw material costs, improved realisation

and cost-saving measures adopted by the company. Better acceptance of its top load washing machines and ramp-up in AC volumes will also enable the company to rationalise its selling costs in the medium term.

- 4) Shares of Rossari Biotech were up by 11 per cent to Rs. 1,019 on the BSE in intraday trade on Tuesday to scale its highest level since listing on the bourses on July 23 this year. The stock of specialty chemicals company rallied by 140 per cent against its issue price of Rs. 425 per share. In the past one month alone, the stock has outperformed the market by gaining 25 per cent, as compared to a 7.5 per cent rise in the S&P BSE Sensex. Rossari Biotech is a key specialty chemicals manufacturer operating in home and personal care, textiles, animal health and nutrition segments in India. During the July-September quarter, the company successfully commissioned the first phase of the Greenfield manufacturing facility at Dahej, Gujarat and was on track to fully operationalise the plant by March 2021. The operationalisation of the plant will further provide a strong impetus to volumes, going forward, the management said.

Key recent developments

- 1) According to rating agency ICRA, asset quality pressure on banks in India is likely to moderate with net non-performing assets (NPAs) declining to 2.5 per cent by March 2022 (FY22) from an estimated 3.1 per cent in March 2021. The loan restructuring volume is likely to be lower at 2.5-4.5 per cent of advances than initial estimates of 5-8 per cent of advances, it added. Icra said in a statement that moratorium on loan repayments is over, though the Supreme Court directive on asset classification is awaited. In this backdrop, the Gross NPAs are likely to rise to 10.1-10.6 per cent by March 2021 from 7.9 per cent in September 2020. The Net NPAs would also move up to 3.1-3.2 respectively by March 2021 from 2.2 per cent as of September 2020 on elevated credit provisions during H2FY21 as well. However, Net NPAs and credit provisions will subsequently trend lower in FY22 as the banks have reported strong collections on loan portfolio. Most banks reporting collections of over 90 per cent. The loan restructuring requests much lower than previously estimated due to sharper than expected improvement in economic activities and liquidity support through emergency credit line guarantee scheme.
- 2) Last week, the Union Cabinet approved revision in guidelines for providing direct to home (DTH) services in the country under which licenses would be issued for 20 years, Union minister Prakash Javadekar said. He said the change in guidelines would also allow 100 per cent FDI in the DTH sector. While the Commerce Ministry had spoken of 100 per cent FDI in the DTH sector, the guidelines of the Information and Broadcasting Ministry needed to be changed. Changes have been approved for 100 per cent foreign direct investment in the sector. Till now, the FDI was limited to 49 per cent, Javadekar told a media briefing. The TRAI was consulted in this regard, he added.
- 3) Earlier, Prime Minister Narendra Modi (PM Modi) 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.
- 4) President Donald Trump earlier 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.
- 5) 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.
- 6) 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.
- 7) 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.

- 8) 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.
- 9) 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.
- 10) 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.
- 11) 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.
- 12) 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.
- 13) 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.
- 14) 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) Global equities rose for the fourth straight day on Tuesday and oil followed suit as hopes of fresh U.S. stimulus teed up a strong end to the year for riskier assets. The MSCI World Index was up 0.3 per cent, extending recent gains



AJCON GLOBAL
YOUR FRIENDLY FINANCIAL ADVISOR

after gains in Asia, where Japanese stocks hit a 30-year high. MSCI's broadest index of Asia-Pacific shares outside Japan rose 0.45 per cent.

- 2) Early gains in Europe were broad-based, with all major indexes rising, led by Britain's blue-chip shares. They rose on their first day of trading since the Christmas Eve agreement of a trade deal with the European Union. The FTSE 100 rose 1.5 per cent in early deals, on course for its fourth straight day of gains, led by drugmaker AstraZeneca on news its Covid-19 vaccine is set to be granted emergency use approval within a few days.

Ajcon Global's view

- 1) Domestically, all eyes would be on Q3FY21 earnings season which is expected to be good. Union Budget and budget related stocks will remain focus in 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 New Year, equities would consolidate amidst high volatility for some time.
- 2) Globally, sentiments have improved after the United Kingdom's historic trade deal with the European Union and US President Donald Trump signed into law a \$2.3 trillion pandemic aid and spending package. 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.
- 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. However, there is still value in midcaps and smallcaps space.

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