

**Indian benchmark indices come under pressure; Smallcaps were upbeat today..**

Index	Today's Close	Prev. close	Change	% change	Open	High	Low
<b>Sensex</b>	57,064.87	57,260.58	<b>195.71</b>	<b>0.34</b>	57,272.08	<b>58,183.77</b>	56,867.51
<b>Nifty</b>	16,983.20	17,053.95	<b>70.75</b>	<b>0.16</b>	17,051.15	<b>17,324.65</b>	16,931.40

- 1) Indian benchmark indices ended in red today after US pharma major Moderna warned that Covid-19 shots seemed less effective against Omicron variant.
- 2) The Sensex was down by 195.71 points or 0.34 percent to end at levels of 57,064.87. The Nifty fell by 70.75 points or 0.16 percent to end at levels of 16,983.20.
- 3) However, the broader markets were up today. The BSE Midcap index was up by 0.30 percent and Smallcap index was up by 1.5 percent.
- 4) In terms of sectoral performance, BSE Metal index fell by 2.3 percent, the Bankex and Energy index was down by 1 percent each and the telecom index fell by 0.7 percent. The Consumer durables index was up by 2.3 per cent.

**Sectors and stocks**

- 1) Shares of Go Fashion (India) have made a stellar market debut, with stock listed at Rs. 1,316, a 91 per cent premium over its issue price of Rs. 690 per share on the BSE on Tuesday. On the National Stock Exchange (NSE), the stock opened at Rs. 1,310, 90 per cent higher as against its issue price. Go Fashions is the first company to launch a brand exclusively dedicated to the women's bottom-wear category. It is a play on the unorganised to the modern retail shift. The company is a one stop shop for women's bottom-wear under the brand 'Go Colors'. The initial public offering (IPO) of Go Fashion had got strong response from all types of investors with issue was subscribed a staggering 135 times. The institutional portion was subscribed 101 times, the wealthy investor portion by 262 times and the retail portion by 50 times, data shows.
- 2) Shares of TeamLease Services rallied by 11 per cent to Rs. 4,355 on the BSE in Tuesday's intra-day trade after the company said hiring intent has touched its zenith mark during the October-December quarter (Q3FY22) with 41 per cent, a 3 per cent gain over July-September quarter (Q2FY22). TeamLease Services is one of India's leading human resource (HR) companies offering a range of solutions to 3500+ employers for their hiring, productivity and scale challenges. The findings from the TeamLease Services platform reflect the positive economic sentiment and consumer confidence, while also corroborating India Inc's pent-up talent acquisition requirements, the company said in a press release. "Although the corporate workforce demand hasn't touched the pre-pandemic mark, the continuous quarter-on-quarter increase in hiring intent, as mapped by TeamLease Services, points to significant business realignment to adjust to digital transformation needs. The workforce number is expected to expand by 430 million approximately by Dec 2021," it added.
- 3) Shares of Macrotech Developers (Lodha) rallied 6 per cent to Rs. 1,516, hitting a new high on the BSE in Tuesday's intra-day trade, on strong growth plans. The stock of the real estate developer has surpassed its previous high of Rs. 1,461.75, touched on November 17, 2021. In the past one month, it has rallied by 44 per cent as compared to a 2-per cent decline in the S&P BSE Sensex. Macrotech Developers plans to nearly double its pre-sales to Rs. 14,000 crore by financial year 2023-24 (FY24) and further grow to Rs. 20,000 crore by FY26. Lodha intends to grow in under-represented micro markets of Mumbai Metropolitan Region (MMR) and Pune in a capital efficient manner. The company is also exploring plans to enter into the Bangalore market to cater to the needs of even better quality development in a city which is seeing significant creation of technology jobs and wealth creation. Earlier this month, the company raised Rs. 4,000 crore through qualified institutional placement (QIP) and had received overwhelming response from the existing and new as well as global and domestic investors. The book was oversubscribed by more than 3 times and witnessed traction from diversified set of investors such as, sovereign fund, pension fund, mutual funds, insurers etc. "The Institutional placement saw new marquee investors like GIC, Oppenheimer, Universities Superannuation Scheme (USS), Amundi, Tata Mutual Fund etc. endorsing the growth potential of the housing

industry and Lodha's leadership position therein," the company said in statement. The management said the company sees that all the structural factors are in place for significant growth in volumes in housing, especially in the middle income and affordable segments, which is a focus area for the company. "With this fund raise; we are well on course of achieving dual target of deleveraging and capital light expansion through JDA model. Our debt to equity now stands at 0.75x. We are seeing a very robust pipeline of JDA (joint developer agreement) deals and plan to invest nearly Rs. 3,000 crore over the course of next 6 quarters through these JDAs and add about Rs. 40,000 crore worth of GDV (gross development value) to our portfolio," said Abhishek Lodha, Managing Director, Macrotech Developers.

#### **Key recent major developments..**

- 1) India's GDP (gross domestic product) growth rate for the second-quarter for the financial year 2021-22 came in at 8.4%, as against a contraction of 7.4% in the corresponding period of the previous fiscal year, government data showed on Tuesday. Economic recovery strengthened in the July-September quarter, helped by a pick-up in consumer spending, though the spread of the Omicron coronavirus variant raises fears for the future. "GDP at Constant (2011-12) Prices in Q2 2021-22 is estimated at Rs 35.73 lakh crore, as against Rs 32.97 lakh crore in Q2 2020-21, showing a growth of 8.4 percent as compared to 7.4 percent contraction in Q2 2020-21. Quarterly GVA at Basic Prices at Constant (2011-12) Prices in Q2 2021-22 is estimated at Rs 32.89 lakh crore, as against Rs 30.32 lakh crore in Q2 2020-21, showing a growth of 8.5 percent," said Ministry of Statistics & Programme Implementation.
- 2) The fiscal deficit for 2020-21 was 9.3 per cent of the Gross Domestic Product (GDP), better than 9.5 per cent projected in the revised estimates in the Budget in February. The central government's fiscal deficit at end-October worked out to be 36.3 per cent of the annual budget target for 2021-22 due to an improvement in the revenue collection, according to official data released on Tuesday. Fiscal deficit or the gap between expenditure and revenue was 119.7 per cent of the budget estimate of 2020-21 during the corresponding period last year. In actual terms, the deficit was Rs. 5,47,026 crore at end-October, 2021 against the annual estimate of Rs. 15.06 trillion, while total expenditure was Rs. 18.27 trillion, said the data released by the Controller General of Accounts (CGA).
- 3) 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.
- 4) 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.
- 5) 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.
- 6) 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 subdued note. The Dow Jones futures were also under pressure.
- 2) Asian peer indices too were under pressure led by concerns 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 under pressure. However, broader markets were in green. 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) 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.
- 5) 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.
- 6) Domestically, going ahead, investors will keep an eye on monthly auto sales numbers and will take cue from the GDP data and Fiscal deficit data released today.



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