

Indian equities end on a positive note in CY20 despite COVID-19 crisis led by FPI liquidity; PM Modi's speech on COVID-19 vaccination drive instills confidence for a better 2021..

- 1) Indian benchmark indices ended on a flat note on the last day of CY20. The S&P BSE Sensex settled 5 points, or 0.01 per cent, higher at 47,751 levels. The BSE barometer of 30 shares hit a record high of 47,897 earlier in the day, witnessing significant gain of 87 per cent from their March lows of 25,639.
- 2) The NSE's Nifty50, on the other hand, closed unchanged at 13,982 level. The index scaled mount 14,000-mark in the intra-day session and extended gains to hit record high of 14,010 levels. The index is now up 86.5 per cent from March lows.
- 3) Investors comforted from Prime Minister Narendra Modi's declaration that India will begin its Covid-19 vaccination programme in 2021.
- 4) In the broader market, the S&P BSE MidCap and SmalCap indices outrun frontline indices and settled 0.2 per cent and 0.36 per cent higher, respectively.
- 5) On the sectoral front, Nifty FMCG index ended as top loser on the NSE, down 0.4 per cent, while Nifty Realty index closed over 1 per cent higher.

Sectors and stocks

- 1) Shares of APL Apollo Tubes rose 2 per cent to hit a new high of Rs. 853 on the BSE in Thursday's early trade. The stock has gained 4 per cent in the past two days after CARE Ratings revised the long-term ratings assigned to the bank facilities of the company with a stable outlook. The stock was trading higher for the seventh straight day and has rallied 18 per cent during the period. During the calendar year 2020, it has logged 128 per cent gains, as compared to a 16-per cent rise in the S&P BSE Sensex. The rating agency said the revision in rating factors is on the improvement in the operating performance characterised by steady growth in the sales volume – including successful operationalisation of the recently acquired Apollo Tricoat facility – and healthy PBILDT (profit before interest, lease, depreciation and tax) per-tonne. APL has a strong pan India distribution network and it has been increasing its market share in the structural tubes segment leading to cost efficiencies which coupled with an increasing contribution from value-added products has resulted in strong growth in profits and cash accruals, it said. Further, notwithstanding the persistence of the Covid-19 pandemic, the company reported strong consolidated PBILDT per tonne of Rs 3,528 during H1FY21 (H1FY20: Rs. 2738 per tonne) and sales volume of 7.19 lakh MT on back of recovery of demand in Q2FY21 and the company's established ability to continue gaining market share from smaller players due to its cost efficiencies, a wide product portfolio and strong marketing network. The company reported healthy cash accruals of Rs 177.31 crores during H1FY21 (H1FY20: Rs. 127.82 crore), the rating agency said.
- 2) Shares of Isgec Heavy Engineering rallied 12 per cent to Rs. 344 on the BSE in intra-day trade on Thursday on the back of heavy volumes. In the month of December, the stock rallied 34 per cent, against 8 per cent rise in the S&P BSE Sensex. On December 17, Isgec Heavy Engineering announced that it has secured a new order valued at Rs. 431 crore. The company said the said order is from KPR Sugar & Apparels Limited to set up a 10,000 TCD sulphurless sugar plant, 40 MW CoGeneration plant, 60 TPH incineration boiler and 7.5 MW power plant for zero liquid discharge system for client's distillery plant on EPC basis. Earlier, in a separate exchange filing, on December 12, the company announced that it has signed a technology license agreement with BHI FW Corporation of the United States (BHI FW) for combustion system modifications of tangentially fired boilers. This license agreement will enable Isgec to utilize within India the proven foster wheeler technology for engineering, designing, manufacturing, supplying and erecting tangential low NOx (TLN) equipment in order to modify combustion systems of tangential fired boilers. The company said there is increased interest for this technology by its clients in order to comply with the latest NOx emission norms as published by the Ministry of Environment, Forest and Climate Change in India. Isgec manufactures among other process equipment, presses, iron & steel castings, and boiler pressure parts. Isgec's portfolio includes turnkey projects for setting up air pollution control equipment, boilers, power plants, sugar plants, distilleries, factories, industrial water treatment facilities and material handling facilities.
- 3) Shares of Greenpanel Industries were locked in the 5 per cent upper limit band at Rs. 128, also their new high, on the BSE in Thursday's session after the company's board approved capital expenditure (capex) of Rs. 55 crore at its medium-density fibreboard (MDF) plants for better productivity and cost-efficiency. "The board approved the capital



AJCON GLOBAL
YOUR FRIENDLY FINANCIAL ADVISOR

expenditure at its MDF plants situated at Rudrapur (Uttarakhand) and Chittoor (Andhra Pradesh) for better productivity and cost-efficiency," Greenpanel said in a BSE filing. The company said it will spend Rs. 29 crore for installation of mat heating system and Rs. 26 crore on the installation of a wax emulsion system. The capital expenditure shall be funded through a mix of internal accruals and debts, it added. In the past three months, the stock has rallied 160 per cent as compared to a 25-per cent rise in the S&P BSE Sensex. The company said its business has improved considerably in the July-September quarter (Q2FY2021). MDF volumes have grown by 31.3 per cent year-on-year (YoY) and operating margins have improved by 220 basis points (bps) to 21.8 per cent. The company had a small volume de-growth of 4 per cent in plywood segment, however, operating margins have increased by 430 bps to 16.4 per cent. Overall EBITDA margins were up by 320 bps YoY at 20.5 per cent due to wastage reduction and cost optimisation in both plywood and MDF segments. The management is hopeful that the government's focus on reduction in cost of finance for the rural and economically weak Indians could benefit the company as a decline in the cost of home financing can strengthen the offtake of the company's products. "Our emphasis on widening the distribution reaches and focus on small towns and cities is yielding results both on volumes and reduction in working capital investment. We are optimistic on sustainable growth in future quarters," said Shobhan Mittal, Managing Director and CEO, Greenpanel Industries, while announcing Q2FY21 results on October 30.

Key recent developments

- 1) Prime Minister Narendra Modi said "Preparations are in the last stages for the vaccination programme against Covid-19. People will get vaccines manufactured in India,". Applications by Serum Institute of India (SII) and Bharat Biotech for emergency use approval of their vaccines were taken up by a government appointed expert panel on Wednesday. The panel is slated to meet again on Friday for another round of discussions on the same. India has the second highest number of infections in the world after the US. The SII manufactured vaccine which can be safely stored at 2 to 8 degree Celsius offers India the best chance at a successful vaccination drive. Prime Minister Narendra Modi on Thursday laid the foundation stone for All India Institute of Medical Sciences (AIIMS) at Rajkot in Gujarat where he said that people should exhibit caution and strictly abide by coronavirus preventive norms even after vaccines are administered.
- 2) The Health and Family Welfare Ministry has directed all states and union territories to hold a dry-run for the vaccine rollout on January 2, 2021 to ensure that they are well prepared and test their abilities in management of vaccine supply, storage and logistics including cold chain management. The government has trained 96,000 vaccinators for the world's largest immunisation exercise so far. The idea of the dry-run is to assess the feasibility of using the Co-WIN application on field and also test linkages between planning and implementation of the vaccination drive. The states are expected to identify the challenges and fix the gaps before the actual vaccine is made available. The exercise is also being taken up to give confidence to programme managers at various levels. All state capitals will hold the dry run on Saturday at three session sites, some of which might be in difficult terrain with poor logistical support. According to health ministry estimates, 29,000 cold chain points, 240 walk-in coolers, 70 walk-in freezers, 45,000 ice-lined refrigerators, 41,000 deep freezers and 300 solar refrigerators would be required as the vaccine is rolled out across the country. Of the total 239,000 vaccinators consisting of auxiliary nurses and midwives who provide vaccination under the universal immunisation programme, 154,000 will be used for Covid vaccination, health ministry had said earlier.
- 3) UK on Wednesday became the first country in the world to approve a coronavirus vaccine developed by Oxford University and AstraZeneca as it battles a major winter surge driven by a new, highly contagious variant of the virus. AstraZeneca said the authorisation was for a two dose regime, and that the vaccine had been approved for use for emergency supply. Britain has ordered 100 million doses of the vaccine. "The government has today accepted the recommendation from the Medicines and Healthcare products Regulatory Agency (MHRA) to authorise Oxford University/AstraZeneca's COVID-19 vaccine for use," the health ministry said. The pandemic has already killed 1.7 million people around the world, sown chaos through the global economy and upended normal life for billions since it began in Wuhan, China, a year ago. UK and South Africa in particular are grappling with new variants of the coronavirus, which the government and scientists say are more contagious; many countries have responded by banning passenger flights and blocking trade.
- 4) The Union Cabinet on Wednesday approved an interest subvention of Rs. 4,573 crore for new distilleries producing ethanol, which can be used for doping in petrol, Oil Minister Dharmendra Pradhan said. India will need about 1,000 crore litre of ethanol for doping in petrol by 2030 with a view to cut dependency on imports for meeting oil needs, he said adding that the nation currently has a capacity of 684 crore litres. He added that the Cabinet approved a modified scheme to enhance ethanol distillation capacity in the country for producing first-generation ethanol from feed stocks such as cereals (rice, wheat, barley, corn and sorghum), sugarcane and sugar beet.



AJCON GLOBAL
YOUR FRIENDLY FINANCIAL ADVISOR

- 5) 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.
- 6) 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.
- 7) 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.
- 8) 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.
- 9) 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.
- 10) 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.
- 11) 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.
- 12) 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) Asian equities were in green on Thursday and ended 2020 at record highs. MSCI's gauge of Asia-Pacific shares excluding Japan rose 0.17 per cent heading towards its latest closing peak. Asian gains were led by Chinese blue chips which rose 1.76 per cent on Thursday after the announcement of a trade deal with the EU overnight. The Hong Kong benchmark rose 0.31 per cent.
- 2) However, European stocks retreated on Thursday as investors squared positions on the last trading day of the year. In light trading, UK's FTSE 100 fell 1.5% and France's CAC 40 dropped 0.7%.

Ajcon Global's view

- 1) CY20 would always be remembered in the history of Indian Capital markets. The S&P BSE Sensex and Nifty50 rallied by 16 per cent and 15 per cent, respectively, in 2020 (CY20) despite COVID-19 crisis (Lockdown to contain the virus, brought the economy activity to a standstill for nearly three months which affected India's GDP significantly). Indian benchmark indices declined significantly by around 40 percent during February-March from its peak in January but after hitting a four-year low on March 24, 2020. Both the indices have rallied by nearly 87 per cent from March 24, 2020 low. However, the broader index, S&P BSE500, which gained 17 per cent in CY20 has recorded its best performance in the past three years. The S&P BSE Midcap and S&P BSE Small-cap index have rallied 20 per cent and 32 per cent respectively in CY20, after registering negative returns in the past two consecutive calendar years - 2018 and 2019. The rally was led by strong liquidity from foreign portfolio investors who pumped in \$22.4 billion (Rs 1.66 trillion) in equities during the year. The flows in November and December are one of the highest ever seen in Indian equities. In the last two months alone, FIIs have poured almost Rs 1.18-trillion in Indian equities, data show.
- 2) 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 specific in coming weeks. As we are heading to New Year, equities would consolidate amidst high volatility for some time.
- 3) 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.
- 4) 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