

Indian equities remain upbeat despite significant spike in COVID-19 cases; all eyes on Q3FY22 earnings season and management commentary..

Index	Today's Close	Prev. close	Change	% change	Open	High	Low
Sensex	59,744.65	59,601.84	142.81	0.24	59,921.98	60,332.72	59,661.38
Nifty	17,812.70	17,745.90	66.80	0.38	17,797.60	17,905.00	17,704.55

- 1) Indian benchmark indices were back in green on Friday. The sentiments have been upbeat as Omicron variant symptoms are milder and death rates been lower so far as compared to devastating Delta variant. Despite significant spike in COVID-19 cases, restrictions imposed by various states so far are not a major dampener to economic activity. India's daily COVID-19 cases crossed one lakh, according to Union Health Ministry data on Thursday morning. The figure includes over 3,000 cases of the Omicron variant of COVID-19.
- 2) The Sensex ended up by 142.81 points or 0.24 percent to end at levels of 59,744.65. Today, Nifty was up by 66.80 points or 0.38 percent to end at levels of 17,812.70.
- 3) For the week ended, Sensex and Nifty were up by 2.5 percent and 2.6 percent, respectively.
- 4) In terms of sectoral performance, the Nifty Auto and Pharma indices were down up to 0.4 per cent. On the contrary, the Nifty FMCG and the Bank indices were the top gainers (up 0.67 per cent each), followed by the Nifty Metal (up 0.5 per cent).
- 5) The broader markets were upbeat today. The BSE Midcap and BSE Smallcap indices were up by 0.5 percent higher.
- 6) For the CY 2021, Sensex delivered a good return of 22 per cent or up by 10,503 points, after having touched a new life-time high of 62,245 on October 19, 2021. Growth oriented budget, devastating second wave of COVID-19 well managed, strong vaccination drive, faster than expected economic recovery in Unlock phase, PLI incentives in various sectors, strong demand witnessed post lockdown and in festive season, strong Q2FY22 earnings season contributed to the significant rally.

Sectors and stocks

- 1) Shares of KPIT Technologies hit a new high of Rs. 749 rallying by 19 per cent on the BSE in Friday's intra-day trade, on the back of heavy volumes. In the past 14 trading days, the stock of the information technology (IT) consulting & services company has rallied by 64 per cent on strong outlook. "The company is witnessing a robust demand environment resulting in strong order inflow and pipeline. With improved business visibility, the company has increased its revenue and profit outlook for the year," the management had said. Since November 1, 2021, the stock has rallied by 141 per cent after the company raised outlook for revenue and profit for the financial year 2021-22 (FY22). The company said, for FY22, revenue growth outlook has been increased to 18 to 20 per cent, while earnings before interest, tax, depreciation and amortization (Ebitda) margin outlook have been revised to 17.5+ per cent. In comparison, the S&P BSE Sensex was down 2.6 per cent during the same period.
- 2) Shares of Gokaldas Exports were locked at the 10 per cent upper circuit, at Rs. 362.75, after hitting an over 15-year high on the BSE. The stock of the textiles company hit its highest level since May, 2006, and was close to its all-time high of Rs. 405, touched on March 16, 2006.
- 3) Tata Teleservices (Maharashtra) (TTML), the Tata Group telecom services company, has entered the list of top-100 most valued companies in terms of market capitalisation in the country on the back of a strong rally. The stock hit a fresh record high at Rs. 264 (up 5 per cent) and has rallied a whopping 567 per cent in the last three months. A sharp rally in the share price of TTML has seen the company's market capitalisation (market-cap) cross the Rs. 50,000 crore mark for the first time since its listing. From March 2020, the stock price of TTML has rallied from levels of Rs 1.80-odd levels. Tata Communications, the other Tata Group company, has a market-cap of Rs. 41,981

crore, while Vodafone Idea's market-cap stands around Rs. 44,109 crore, the data showed. Tata Teleservices (TTSL), along-with its subsidiary TTML, is a growing market leader in the Enterprise space. It offers a comprehensive portfolio of voice, data and managed services to enterprises and carriers in the country under the brand name Tata Tele Business Services (TTBS).

- 4) Shares of Hinduja Global Solutions (HGS) were locked at the 20 per cent lower circuit at Rs. 2,927.80 on the BSE on profit booking after the company announced 1:1 bonus share and an interim dividend of Rs. 150 per share.

Key recent major developments..

- 1) FIIs bought equities worth Rs. 496.27 Crore on Jan.07, 2022. Month till date, FIIs have bought equities worth Rs. 1,082.83 Crore. Remember, FIIs had sold equities worth Rs. 35,493.59 Crore in December 2021 against selling of Rs. 39,901.92 Crore in November 2021.
- 2) The US Federal Reserve's minutes suggested that Fed officials thinking about faster rate hikes and gradual reduction of its balance sheet.
- 3) The US Labor Department said Friday that the nation's unemployment rate fell to a healthy 3.9 percent from 4.2 percent in November.
- 4) Domestically, The Centre on Wednesday said the upsurge of COVID-19 cases is happening in cities and the Omicron variant is the predominant circulating strain. The government, however, said there is no need to panic and one must be alert, disciplined and prepared, adding that the country will face this phase of the pandemic as well. India reported over 6.3 times rise in Covid cases in the last eight days. There has been a sharp rise in case positivity from 0.79 per cent on December 29 to 5.03 per cent on January 5, they said. It further stated that Maharashtra, West Bengal, Delhi, Kerala, Tamil Nadu, Karnataka, Jharkhand and Gujarat are emerging as states of concern due to the surge in COVID-19 cases.
- 5) India began vaccinating teens aged 15 to 18 from Monday, expanding its inoculation campaign as COVID-19 cases rise in the country. The Centre said that 1.06 crore or 14.3 per cent of India's adolescents aged 15-18 years have been administered the first dose of Covid vaccine.
- 6) India's manufacturing activity lost some momentum in December easing to a three month low after hitting a 10 month high in November, amid fears that the rapidly spreading third wave of the Coronavirus (Covid-19) pandemic may hit consumer sentiment and output. Data released by the analytics firm IHS Markit showed that the Purchasing Managers' Index (PMI) for manufacturing fell to 55.5 in December from 57.6 in November. A reading above 50 indicates expansion in economic activity and a number below that signals contraction. "Companies continued with their stock-building initiatives, as evidenced by another robust upturn in buying levels. Business confidence strengthened, but sentiment was again dampened by concerns surrounding supply-chain disruptions, Covid-19 and inflationary pressures," the data analytics firm said.
- 7) India's exports in December 2021 was up by 37 per cent on an annual basis to USD 37.29 billion, the highest-ever monthly figure, government data showed on Monday. Outbound shipments during April-December 2021 crossed USD 300 billion, exceeding the exports of 2020-21, as per data by the commerce ministry. Addressing a press conference, Commerce Minister Piyush Goyal said India's exports of goods will cross USD 400 billion this fiscal.
- 8) GST revenue collected in December 2021 was over Rs. 1.29 trillion, 13 per cent higher than the same month last year, the Finance Ministry said on Saturday. Though the collection was lower than Rs. 1.31 trillion mopped up in November, December is the sixth month in a row when revenue from goods sold and services rendered stood at over Rs. 1 trillion. The gross GST revenue collected in the month of December 2021 is Rs. 1.29 trillion, of which CGST is Rs. 22,578 crore, SGST is Rs. 28,658 crore, IGST is Rs. 69,155 crore (including Rs. 37,527 crore collected on import of goods) and cess is Rs. 9,389 crore (including Rs. 614 crore collected on import of goods)," the Finance Ministry said in a statement. The revenues for December 2021 are 13 per cent higher than the GST revenues in the same month last year (Rs 1.15 trillion) and 26 per cent higher than December 2019. The average monthly gross GST collection for the third quarter (October-December) of the current year has been Rs 1.30 lakh crore against the average monthly collection of Rs 1.10 trillion and Rs 1.15 trillion in the first and second quarter, respectively. "Coupled with economic recovery, anti-evasion activities, especially action against fake billers have been contributing to the enhanced GST. The improvement in revenue has also been due to various rate rationalisation measures undertaken by the Council to correct inverted duty structure," the ministry said.

- 9) The Goods and Service Tax Council, in its 46th meeting in Delhi, had decided to defer the hike in GST rate for textiles to 12 percent from 5 percent. The matter was referred to an existing Group of Ministers on GST rate rationalisation, said Finance Minister Nirmala Sitharaman on Friday. It was a brief meeting, triggered by a letter sent to me by Finance Minister of Gujarat. We will retain the status quo and not go to 12 percent from 5 percent, in the case of textile," Sitharaman said at a media briefing after the Council meeting.
- 10) Output of eight core sectors rose by 3.1 per cent in November as against a contraction of 1.1 per cent in the same month last year, according to government data released on Friday. Barring crude oil and cement, all other sectors recorded positive growth in November. In October, these core sectors' output had grown by 8.4 per cent. The growth rate of the eight infrastructure sectors - coal, crude oil, natural gas, refinery products, fertilisers, steel, cement and electricity - stood at 13.7 per cent during April-November this fiscal as against a negative growth of 11.1 per cent during the same period last fiscal.
- 11) The central government's fiscal deficit at the end of November worked out to be 46.2 per cent of the annual budget target for the financial year 2021-22 due to an improvement in the revenue collection, according to official data released on Friday. The deficit figures in the current financial year till November appear much better than the previous financial year when it had soared to 135.1 per cent of the estimates mainly on account of a jump in expenditure to deal with the COVID-19 pandemic. In actual terms, the deficit stood at Rs 6.96 trillion at the end of November 2021 against the annual estimate of Rs 15.06 trillion, according to data released by the Controller General of Accounts (CGA). For the current financial year, the government expects the deficit at 6.8 per cent of GDP or Rs 15.06 trillion.
- 12) India's current account balance moved back into deficit in the three months from July to September, mainly due to the widening of the trade deficit, the Reserve Bank of India said Friday. The current account deficit stood at \$9.6 billion or 1.3% of GDP in the second quarter of fiscal year 2021/22 compared with a surplus of \$15.3 billion in the same quarter a year ago.

Ajcon Global's observations and view

- 1) Indian benchmark indices ended in green despite significant spike in COVID-19 cases.
- 2) For the CY 2021, Sensex delivered a good return of 22 per cent or up by 10,503 points, after having touched a new life-time high of 62,245 on October 19, 2021. Nifty has delivered a return of 24.1 per cent for CY 2021. Growth oriented budget, devastating second wave of COVID-19 well managed, strong vaccination drive, faster than expected economic recovery in Unlock phase, PLI incentives in various sectors, strong demand witnessed post lockdown and in festive season, strong Q2FY22 earnings season contributed to the significant rally.
- 3) However, there are some concerns of increasing COVID-19 cases domestically. Delhi and Mumbai have already witnessed significant spike in COVID-19 cases. In addition, there are concerns like hawkish stance of global central banks, headwinds like global inflation, valuation concerns and strengthening of US dollar.
- 4) Before the significant correction earlier, the sentiments were upbeat led by RBI's accommodative stance in its Monetary Policy, recent fall in crude oil prices, good GDP data, robust GST collections, strong manufacturing PMI, good Q2FY22 earnings season and management commentary, good economic activity witnessed in the festive season of Navratri, Diwali, Christmas, New Year and good spike in retail participation from Tier II and Tier III cities as people have become more financial literate in COVID-19 crisis.
- 5) 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.
- 6) 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.
- 7) Structurally, Indian equities are poised to do well after major reforms like thrust on digital economy after demonetisation, implementation of GST, RERA, Insolvency and Bankruptcy Code, reforms in power, one of its kind Union Budget announced last year which focussed on investment led spending to drive growth with impetus on Privatisation, thrust on Aatmanirbhar Bharat resulting into Production Linked Incentive (PLI) schemes for various



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sectors, reforms in Direct Taxes, thrust on renewables sector, Ethanol blending, scrapping policy etc. India today has emerged as a potential destination for investment.

- 8) We expect upside in Indian equities as FPIs have returned post New Year Celebrations. Market participants will keenly track Q3FY22 earnings season, economic activity in 3rd wave of COVID-19 and state level restrictions, on expectations from different stakeholders from the upcoming Union Budget, global cues like COVID-19 cases led by the Omicron variant across the globe, global inflation data, oil price movement and developments in China.



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