

Indian equities remain upbeat; Telecom stocks rally..

Index	Today's Close	Prev. close	Change	% change	Open	High	Low
Sensex	61,150.04	60,616.89	533.15	0.88	61,014.37	61,218.19	60,850.93
Nifty	18,212.35	18,055.75	156.60	0.87	18,170.40	18,227.95	18,128.80

- 1) Indian benchmark indices continued to remain upbeat today led by rally in index heavyweights and investors discounting likely strong Q3FY22 earnings season. Rally was witnessed in Telecom and Realty stocks.
- 2) In addition, the sentiments have been upbeat as in third wave of COVID-19 led by Omicron variant rates been lower so far as compared to devastating Delta variant. Despite significant spike in COVID-19 cases on daily basis, the hospitalisation rates are also lower. The restrictions imposed too by various states so far are not a major dampener to economic activity.
- 3) The Sensex ended up by 533.15 points or 0.88 percent to end at levels of 61,150.04. Today, Nifty was up by 156.60 points or 0.87 percent to end at levels of 18,212.35.
- 4) Among the Sensex 30 stocks, Mahindra & Mahindra was the top gainer and was up by 4.7 percent. Bharti Airtel was up by 4 percent. IndusInd Bank and Reliance gained 2.6 per cent each. ICICI Bank, Tata Steel, NTPC, Bajaj Finance, Kotak Bank and HDFC were the other prominent gainers. On the other hand, Titan fell by 1.5 per cent. Tech Mahindra and HDFC Bank were the other notable losers.
- 5) The broader markets were upbeat today. The BSE Midcap index was up by one percent and BSE Smallcap index was up by 0.7 percent.
- 6) In terms of sectoral performance, the BSE Telecom index had rallied by 2.7 per cent, the Realty and Energy indices had surged 1.8 per cent each. The Auto, Power and Metal indices were also up around a per cent each.

Sectors and stocks

- 1) Infosys continued to maintain its growth trajectory as it met street expectations even as the company revised its revenue guidance for the fiscal year 2022 to 19.5 per cent to 20 per cent. The company had raised its guidance for FY22 in Q2 to a growth of 16.5 per cent to 17.5 per cent. For the quarter, the company reported net profit of Rs. 5,809 crore up 11.8 per cent year on year and grew 7 per cent on sequential basis. Revenue for the quarter grew by almost 23 per cent at Rs 31,867 crore and sequentially was up 7.6 per cent. In US dollar terms the company's revenue growth was 7 per cent in constant currency basis. "Our strong performance stems from four years of sustained strategic focus on areas of relevance for our clients in digital and cloud, continued re-skilling of our people, and deep relationships of trust that our clients have with us. This is reflected in an upgrade in our revenue guidance to 19.5%-20.0% for FY22. We expect the healthy technology spend to continue with large enterprises progressing on their digital transformations", said Salil Parekh, CEO and MD.

"Despite the cost escalations driven primarily by supply side challenges, we delivered another quarter of healthy margins, with improved cost optimization, continued operating leverage and a stable pricing environment", said Nilanjan Roy, Chief Financial Officer. "We continue to prioritize investments in talent acquisition and development and have further increased our global graduate hiring program to over 55,000 for FY22 to support our growth ambitions", he added. Digital revenues grew 42.6 per cent in constant currency on a YoY basis. It is now 58.5 per cent of the total revenues.

- 2) Shares of Vodafone Idea (VI) rallied by 9 per cent to Rs. 12.85 on heavy volumes after the company's chief executive officer today said that the government has no desire to run the company or in appointing a board member. Yesterday, Vodafone Idea fell by 22.5 per cent to Rs 11.5 on the BSE in intraday trade after the company's board approved conversion of adjusted gross revenue (AGR) and spectrum liabilities into equity.

- 3) Shares of Adani Green Energy (AGEL) hit a new high of Rs. 1,666, up 6 per cent on Wednesday's intra-day trade, rallying as much as 16 per cent in the past two days on the BSE after the company announced a provisional operational update for the third quarter ended December 2021 (Q3FY22). The stock of the renewable energy arm of the diversified Adani Group quoted higher for the ninth straight trading session and has rallied 27 per cent during the period. In Q3, AGEL said sale of energy increased by 97 per cent year on year (YoY) at 2,504 million units in Q3FY22, backed by robust performance in both Solar and Wind portfolios. In Q3FY21, sale of energy stood 1,273 million units. Total operational capacity increases by 84 per cent YoY to 5,410 MW. Solar portfolio capacity utilization factor (CUF) at 21.9 per cent with 110 bps improvement YoY backed by around 100 per cent plant availability, while wind portfolio CUF at 18.6 per cent with 10 bps improvement YoY backed by around 97 per cent plant availability, AGEL said. AGEL has one of the world's largest renewable portfolios, with locked-in growth of 20.3 GW across operational, under-construction, awarded and acquired assets, catering to investment-grade counterparties. The company develops, builds, owns, operates and maintains utility-scale grid-connected solar and wind farm projects. Key customers of AGEL include Solar Energy Corporation of India (SECI), National Thermal Power Corporation (NTPC) and various State Discoms.
- 4) Shares of Tata Teleservices (Maharashtra) (TTML) were locked at the 5 per cent lower circuit at Rs. 276.50 on the BSE in Wednesday's trade after the company decided to convert interest related to adjusted gross revenue (AGR) dues of Rs. 850 Crore into equity. The government will hold approx. 9.5 per cent stake as per company's estimates. In October, the company had decided to opt for deferment of these dues. In the past three months, the stock of Tata group telecom services provider had rallied by over 536 per cent, as compared to 1.5 per cent rise in the S&P BSE Sensex till January 11. The stock had hit a record high of Rs. 291 on Tuesday, January 11, 2021. In a filing to the BSE, TTML said Net Present Value or NPV of interest is expected to be nearly Rs. 850 Crore as per the company's estimates, subject to confirmation by the Department of Telecom (DoT). The average price of the company's shares at the relevant date of August 14, 2021 as per the calculation method provided in the DoT Communication works out to be around Rs. 41.50 per share, subject to final confirmation by the DoT.
- 5) D-Mart ended with a loss of nearly 6 per cent in trades on Wednesday, and had slipped over 12 per cent in the last three trading sessions, after the company reported a mixed bag of results for the quarter ended December 2021, with margins reportedly below street estimates.

Key recent major developments..

- 1) As many as 300 districts in India are reporting weekly case positivity of more than 5 per cent with Maharashtra, West Bengal, Delhi, Tamil Nadu, Karnataka, Uttar Pradesh, Kerala and Gujarat emerging as states of concern, the Union government said on Wednesday.
- 2) The World Bank on Tuesday retained its FY22 growth forecast for India at 8.3 per cent but upgraded it to 8.7 per cent for FY23, from 7.5 per cent estimated earlier, citing improving growth prospects, especially a reviving private capex cycle.
- 3) India's retail inflation rate rose to a five month high in December and growth in factory output decelerated to a nine month low in November. Data released by the statistics department showed retail inflation rate as measured by the consumer price index rose to 5.59 per cent in December from 4.91 per cent a month ago. Growth in factory output as measured by the Index of industrial production (IIP), on the other hand, dipped to 1.4 per cent in November compared to 4 per cent in the preceding month.
- 4) Emerging economies must prepare for US interest rate hikes, the International Monetary Fund said, warning that faster than expected Federal Reserve moves could rattle financial markets and trigger capital outflows and currency depreciation abroad. In a blog published Monday, the IMF said it expected robust US growth to continue, with inflation likely to moderate later in the year. The global lender is due to release fresh global economic forecasts on Jan. 25. It said a gradual, well-telegraphed tightening of U.S.monetary policy would likely have little impact on emerging markets, with foreign demand offsetting the impact of rising financing costs. It said emerging markets with high public and private debt, foreign exchange exposures, and lower current-account balances had already seen larger movements of their currencies relative to the US dollar. The fund said emerging markets with stronger inflation pressures or weaker institutions should act swiftly to let currencies depreciate and raise benchmark interest rates.
- 5) The US Federal Reserve's minutes suggested that Fed officials thinking about faster rate hikes and gradual reduction of its balance sheet.



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- 6) The US Labor Department said on last Friday that the nation's unemployment rate fell to a healthy 3.9 percent from 4.2 percent in November.
- 7) 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.
- 8) 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.
- 9) 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.
- 10) 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.
- 11) 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.

Ajcon Global's observations and view

- 1) Indian benchmark indices ended in green. However, there are some concerns of increasing COVID-19 cases domestically. Delhi and Mumbai has already witnessed significant spike in COVID-19 cases.
- 2) The sentiments have been upbeat led by RBI's accommodative stance in its Monetary Policy, good GDP data, robust GST collections, strong manufacturing PMI, expectations of strong Q3FY22 earnings season, 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. However, there are concerns like hawkish stance of global central banks, headwinds like global inflation and valuation concerns.
- 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) 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.
- 5) 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.
- 6) 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 sectors, reforms in Direct Taxes, thrust on renewables sector, Ethanol blending, scrapping policy etc. India today has emerged as a potential destination for investment.
- 7) Market participants will keenly track Q3FY22 earnings season, economic activity in 3rd wave of COVID-19 and state level restrictions, eye 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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