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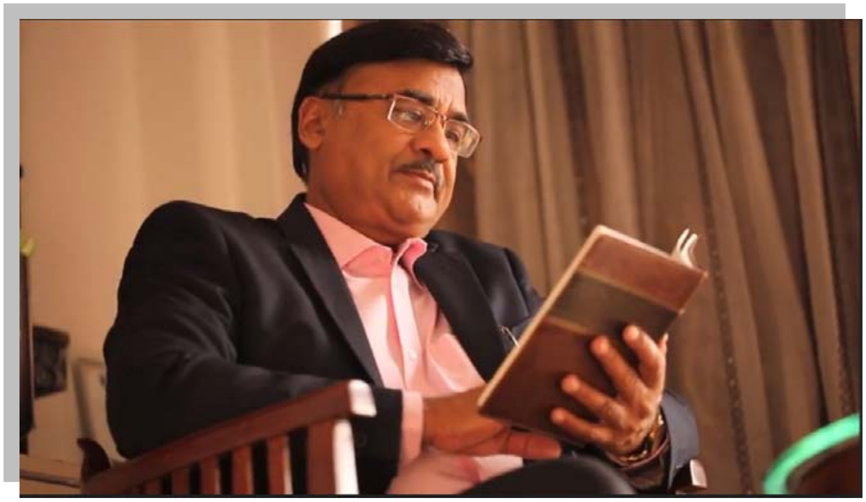

Dr. Ashok Ajmera (FCA), CMD & CEO

Dr. Ashok Ajmera's column as on Jan. 01, 2022

Indian equities end on a positive note; all eyes on Q3FY22 earnings season..

1) India's benchmark indices were upbeat last week. The Sensex was up by 1.9 percent or 1,129.51 points to close at levels of 58,253.82. On the other hand, Nifty was up by 350.25 points or 2 percent to end at levels of 17,354.

2) The broader markets too were buoyant. The BSE Midcap index rose by 2.5 percent and BSE Smallcap index was up by 4 percent in the week gone by.

3) In terms of sectoral performance, all the sectors were in green with the BSE Healthcare Index rallying by over 5 percent and Auto and Telecom indices moving up by 3 percent each.

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.

Key recent major developments..

1) During the week, FIIs sold equities worth of Rs. 2,217.1 Crore while DIIs bought equities worth of Rs. 4,273.55 Crore. Month till date, FIIs have sold equities worth Rs. 35,493.59 Crore against selling of Rs. 39,901.92 Crore in November 2021.

2) 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.

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3) The Goods and Service Tax Council, in its 46th meeting in Delhi, has 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.

4) 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.

5) 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.

6) 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.

7) In view of the rising Omicron cases across the country, All India Institute of Medical Sciences (AIIMS) Delhi Director Dr Randeep Guleria on Wednesday advised people "not to panic, but to be vigilant" while extending New Year greetings. In a video message posted by AIIMS, Delhi, Dr Guleria said, "Let me take this opportunity to wish everyone a very happy, healthy, and prosperous 2022. As we move forward, it is important for us to understand that the Coronaviorus (Covid-19) pandemic is not over, yet we are in a better position."

8) Though the economy has steadily gained momentum and remained resilient since the second quarter of the current fiscal, the Omicron variant of coronavirus remains the major challenge along with rising inflation pressures, says the Reserve Bank in its second financial stability report. In the foreword to the report released on Wednesday, RBI Governor Shaktikanta Das notes that after the destructive second wave in April-May 2021, the growth outlook has progressively improved, though there are headwinds from global developments and more recently from the Omicron virus. A stronger and sustainable recovery hinges on the revival of private investment and shoring up private consumption, which unfortunately still remain below their pre-pandemic levels, he notes.

9) India has approved Merck's Covid-19 pill and two more vaccines for emergency use as the country is witnessing possible spike in coronavirus cases due to the rapidly spreading Omicron variant. Molnupiravir will be manufactured in India by 13 companies for restricted use under emergency situation for treatment of adult patients with Covid-19, said Health Minister Mansukh Mandaviya on Tuesday. Merck's anti-viral pill molnupiravir was authorised by the United States last week for certain high-risk adult patients and has been shown to reduce hospitalisations and deaths by around 30 per cent in a clinical trial.

10) Delhi Chief Minister Arvind Kejriwal on Tuesday declared a 'yellow alert' led by spike in COVID-19 cases following the emergence of Omicron variant. As a result schools, colleges, cinemas and gyms will remain closed, shops dealing in non-essential items will open on odd-even basis, and metro trains and buses will run with 50 per cent of seating capacity in the city. In accordance with 'Level-1' alert under the graded response action plan (GRAP), there would be night curfew between 10 pm and 5 am and private offices will function with physical attendance of 50 per cent of the staff, barring essential categories. Marriages and funerals will be allowed attendance of 20 people while all other types of gathering related to social, political, cultural, religious and festival events will be prohibited under the 'yellow alert' that came into force with immediate effect. Shops of non-essential goods and services in markets and malls can open based on odd-even formula from 10 AM to 8 PM. Restaurants will be permitted with 50 per cent of capacity from 8 am to 10 pm while bars can also operate with the same capacity, but from 12 noon to 10 pm. The new restrictions follow the national capital's biggest single-day spike in infections in over six months on Monday when 331 new cases were reported with a positivity rate of 0.67 per cent.

11) The Union Home Ministry on December 27, 2021 issued guidelines for COVID-19 vaccination of children aged 15-18 years and for the administration of booster dose to healthcare, frontline workers, and senior citizens with co-morbidity. "For those Health Care Workers (HCWs) & Frontline Workers (FLWs) who have received two doses, another dose of COVID-19 vaccine would be provided from January 10," the ministry said in its guidelines. "The prioritization & sequencing of this precaution dose would be based on the completion of 9 months from the date of administration of 2nd dose reads the guidelines," it said. Based on doctor's advive, all persons aged 60 years and above with comorbidities who have received two doses of Covid vaccine will be provided with a precaution dose from January 10, 2022.

12) The Centre earlier has advised states and UTs to not let their guard down and maintain their preparedness for fighting Covid in view of the new variant Omicron. Union Health Secretary Rajesh Bhushan reviewed the public health preparedness of the states for fighting Covid and the Omicron variant along with progress of vaccination with Health Secretaries of states and UTs. He highlighted the trajectory of Covid and brought attention to emerging evidence on the Omicron variant of Covid driving the growing number of cases worldwide.

13) Union Transport Minister Nitin Gadkari said on December 27 that he has advised automobile manufacturers in India to start making Flex Fuel Vehicles (FFV) and Flex Fuel Strong Hybrid Electric Vehicles (FFV-SHEV) in compliance with BS-6 Norms in a time-bound manner within a period of six months. This move, he said, will drastically reduce greenhouse gas emissions from vehicles on a well-to-wheel basis and added that by drastically reducing greenhouse gas emissions from vehicles, this move will help India comply with its commitment made at COP26 to reduce the total projected carbon emissions by one billion tonnes by 2030.

Ajcon Global's observations and view..

1) Indian benchmark indices were upbeat on last trading week of CY21. There are fears of increasing COVID-19 cases domestically. Delhi and Mumbai have already witnessed significant spike in COVID-19 cases. Delhi and Mumbai has already imposed restrictions to curb the virus spread.

2) In addition, there are concerns like hawkish stance of global central banks, headwinds like global inflation, valuation concerns and strengthening of US dollar.

3) 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 and Diwali and good spike in retail participation from Tier II and Tier III cities as people have become more financial literate in COVID-19 crisis.

4) 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.

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. Investors will continue to track key expectations of different stakeholder groups from upcoming Budget 2022-23, global cues like COVID-19 cases led by the Omicron variant across the globe, global inflation data, oil price movement and developments in China.

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) We expect upside in Indian equities as FPIs would return post New Year Celebrations. Market participants will keenly track Q3FY22 earnings season and also keep an 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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CIN: L74140MH1986PLC041941

SEBI registration Number: INH000001170 as per SEBI (Research Analysts) Regulations, 2014.

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