



**Dr. Ashok Ajmera (FCA), CMD & CEO**

Dr. Ashok Ajmera's column as on Nov. 20, 2021

**Indian equities remain under pressure; stock specific approach warranted ..**

- 1) India's benchmark indices were under pressure last week led by weak global cues, valuation concerns and FPI selling.
- 2) The Sensex witnessed a fall of 1.83 percent or 1,111.41 points to close at levels of 59,575.28. On the other hand, Nifty was up by 337.95 points or 1.86 percent to end at levels of 17,764.8. The fall can be attributed to strong FPI selling and weak global cues.
- 3) In terms of sectoral performance, selling was witnessed in sectors like metals, energy, realty and PSU banks.
- 4) The broader markets too were under stress. The BSE Midcap index was down by 1.7 percent and BSE Smallcap index fell by 1.5 percent in the week gone by.

**Key recent major developments..**

- 1) The government has raised the goods and services tax (GST) on finished goods such as garments, textiles, and footwear from 5% to 12% with effect from January 2022. The Central Board of Indirect Taxes and Customs (CBIC) announced this on November 18. From January 2022, the GST rate on fabrics will be raised to 12 percent from 5 percent, and the GST rate on garments of any value has been raised to 12 percent, compared to the previous rate of 5 percent on items priced up to Rs. 1,000. Textiles (including woven fabrics, synthetic yarn, pile fabrics, blankets, tents, accessories such as tablecloths or serviettes, rugs and tapestries) have also seen their rates raised from 5% to 12%, while footwear of any value has seen its rate raised from 5% (up to Rs 1,000/pair) to 12%.
- 2) Prime Minister Narendra Modi on November 19 announced that the government would repeal the Farm Laws enacted by Parliament in September 2020. Although they were passed in Parliament, the laws were not implemented due to the protests in states like Punjab and Haryana at the Delhi borders.
- 3) The Department of Investment and Public Asset Management (DIPAM) has invited bids to sell six assets of Bharat Sanchar Nigam Ltd (BSNL) and Mahanagar Telephone Nigam Ltd (MTNL) through its new asset monetisation portal. "Non core asset monetisation commences with the first set of six properties of BSNL/ MTNL bid out on the MSTC portal," DIPAM Secretary Tuhin Kanta Pandey tweeted. The government is planning to sell land parcels worth over Rs 600 crore in the first phase through the new online bidding platform. This will be the first sale of assets through the new e-bidding platform developed by state-run MSTC. created for monetisation by the NITI Aayog. The idea is to put idle land parcels of state-owned entities to use, and realise their value. The effort is on the lines of the National Monetisation Pipeline (NMP) -where the government aims to monetise underutilised assets, but would only include non-core assets. Unlike the NMP, in case of PSUs' land sale, the ownership of assets will be transferred.

Sale of non-core assets such as land parcels or real estate of over Rs. 100 crore is being managed by DIPAM, and is similar to the pipeline of core assets.

- 4) Vehicle registration in October including all segments fell 5.33 per cent year-on-year. The fall was a sharper 26.63 per cent when compared to October 2019, Federation of Automobile Dealers Association said in a statement on Thursday. A total of 1,364,526 units were retailed during the month compared to 1,441,299 units in October 2020. The fall in the YoY sales widens the gap with the October 19 volumes when 1,860,098 units were sold. Alluding to the 42-day festive period (October 7 to November 17), the dealer body said, it was the worst festive season for the automobile market in a decade with overall retail sales dropping by 20 per cent YoY and 20.82 per cent compared to 2019. "We have witnessed the worst festive season in the last decade. Semiconductor shortage which was already a full blown crisis showed its true colours when in spite of an above healthy demand, we could not cater to customer's needs," said Vinkesh Gulati, president, Federation of Automobile Dealers Association (FADA). While SUVs and luxury cars saw a huge shortage, demand for the entry level cars was subdued as customers in this segment are wary of spending and are prioritizing saving for emergencies.
- 5) Merchandise exports grew for the eleventh straight month to \$35.65 billion, up 43 per cent on year during October, as external demand continued to remain robust. Preliminary data released by the commerce and industry ministry showed the growth was driven by higher demand for items, primarily engineering goods, petroleum products, gems and jewellery as well as organic and inorganic chemicals, among other items. Compared with the pre-Covid level of October 2019, the growth in the value of goods exported was up nearly 36 per cent. Exports have been on an upward trajectory for close to a year now, with the value of exports hovering around \$30 billion over the last eight months, amid gradual recovery in key Western markets.

#### **Global markets**

- 1) Globally, there are concerns over rising COVID-19 cases in Europe, US, surge in crude oil prices and increasing US bond yields.
- 2) Earlier, investors took confidence from the discussion between US president Joe Biden and his Chinese counterpart Xi Jinping. In a virtual meeting, Biden urged Xi not to allow competition between the two economic powers and closely linked trading partners to escalate into a conflict.
- 3) US consumer inflation rose last month at the fastest annual pace since 1990. The consumer price index increased 6.2% from October 2020, according to Labor Department data released Wednesday. Yield on the 10-year Treasury also jumped and the dollar also strengthened.
- 4) In US, the passage of U.S. \$1 trillion infrastructure bill has improved investor sentiments to some extent.
- 5) China Evergrande Group said on Thursday its unit will sell its entire share stake in HengTen Network Holdings for HK\$2.13 billion (\$273.47 million). Evergrande, the world's most indebted developer, has been stumbling from deadline to deadline in recent weeks as it grapples with more than \$300 billion in liabilities, \$19 billion of which are international market bonds. The property developer's unit entered into an agreement with Allied Resources Investment Holdings Ltd to sell 1.66 billion HengTen shares at HK\$1.28 per share, at a discount of 24% to its closing price on Wednesday.

#### **Ajcon Global's observations and view..**

- 1) Indian domestic bourses were significant pressure last week led by weak global cues, valuation concerns and FPI selling.
- 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, rising crude oil prices, increasing US Bond yields may act as headwinds. In addition, RBI measures to gradually reduce liquidity can remain an overhang.
- 3) There is a strong line up of IPOs which reminds of IPO pipeline in the month of August 2021. 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, 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) 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 and not get carried away. It is advisable for investors to look out for stock specific opportunities at decent valuations 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, developments in China.

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