



Dr. Ashok Ajmera (FCA), CMD & CEO

Dr. Ashok Ajmera's column as on November 21, 2020

Expect consolidation in Indian equities in the near term; rising COVID-19 cases post festive season can play spoilsport for sometime post stellar run..

On a weekly basis, Sensex was up by 0.5 per cent while Nifty rose by 0.68 per cent. In the broader market, S&P BSE Midcap index was up by 2.8 percent, and a 2.6 percent jump was witnessed in the S&P BSE Smallcap index. The rally can be attributed to positive developments related to COVID-19 vaccine.

Key major developments during the week..

Reserve Bank of India on November 20 released a report on the internal working group (IWG) recommendations on private bank ownership and corporate structure. Among other things, the report recommends promoter stake cap in long run - 15 years - be raised to 26 percent from 15 percent if paid-up voting equity share capital. The IWG in its recommendations had also said that non-promoter shareholding may be capped at 15 percent of paid-up voting equity share capital for all shareholders. Large Non-banking Finance Companies (NBFCs), with an asset size of Rs. 50,000 crore and above, may be considered for conversion into banks subject to completion of 10 years of operations and meeting due diligence criteria and compliance with additional conditions specified in this regard. Track record of 3 years of experience as Payments Bank may be considered as sufficient for Payments Banks intending to convert to a Small Finance Bank. Small Payments Banks and Small Finance Banks may be listed within '6 years from the date of reaching net worth equivalent to prevalent entry capital requirement prescribed for universal banks' or '10 years from the date of commencement of operations'. The minimum initial capital requirement for licensing new banks should be enhanced from Rs. 500 crore to Rs. 1000 crore for universal banks. The minimum initial capital requirement for licensing new banks should be enhanced from Rs. 200 crore to Rs. 300 crore for small finance banks.

Moody's Investors Service has revised its GDP projection for India in 2020-21 to a 10.6% contraction compared to a 11.5% drop it had estimated. The rating agency has also marginally elevated its forecast for 2021-22 GDP growth from 10.6% to 10.8%. "Consumer confidence in India remains relatively low amid a continued elevated number of daily new coronavirus cases, although this has come down from a peak in September," Moody's said in a note issued on Thursday. The latest measures aim to increase the competitiveness of India's manufacturing sector and create jobs, while supporting infrastructure investment, credit availability and stressed sectors," it said on the package estimated to be worth about \$36 billion or 1.4% of Moody's GDP forecast of this year. "The latest package follows the Rs. 467 billion [0.2% of GDP] of stimulus announced in October and close to Rs. 2 trillion (1% of GDP) of direct spending allocated in the government's first stimulus package in May. The government expects that no new borrowing will be required to fund the additional spending," it observed. Along with the wage support provided to businesses by the government in the form of new employees' EPF contributions, the push to scale up production under the Production-Linked Incentives scheme could increase employment in India's persistently soft labour market, Moody's report said.

Pfizer and BioNTech on Friday submitted to the US Food and Drug Administration for emergency use authorization for their coronavirus vaccine candidate. This is the first coronavirus vaccine to seek regulatory clearance in the United States. "It is with great pride and joy and even a little relief that I can say that our request for emergency use authorization for our Covid-19 vaccine is now in the FDA's hands," Pfizer CEO Albert Bourla said in a video shared on Friday. "This is a historic



AJCON GLOBAL
YOUR FRIENDLY FINANCIAL ADVISOR

day, a historic day for science and for all of us. It took just 248 days to get from the day we announced our plans to collaborate with BioNTech to our FDA submission day. "We have operated at extraordinary speed in our clinical development program, from concept to regulatory filing, while always maintaining our focus on safety." The vaccine, known as BNT162b2, could potentially be available for use in high-risk populations in the United States by the middle to end of December, Pfizer and BioNTech said in a statement earlier Friday. The vaccine requires two doses a few weeks apart, and protection is achieved 28 days after the first shot. The experimental COVID-19 vaccine of American pharma company Pfizer and BioNTech SE has proved to be 95 percent effective in final results from a pivotal study. It is also showing signs of being safe, key pieces of data as the companies prepare to ask health regulators to authorize use. Out of 170 adult volunteers in the nearly 44,000-subject trial who developed Covid-19 with at least one symptom, 162 received a placebo, while eight got the vaccine, Pfizer and BioNTech said. This 95 percent effectiveness rate makes the experimental candidate be on par with the likes of shingles and measles vaccines. Last week, All India Institute of Medical Sciences (AIIMS) director, Dr Randeep Guleria had said, "Pfizer vaccine has to be kept at minus 70 degrees Celsius which is a challenge for developing countries like India."

On last Monday, US biotech firm Moderna released early results from a clinical trial of its Covid-19 vaccine candidate, mRNA-1273. The vaccine candidate, Moderna said, was found to be 94.5% effective. However, in what could be a potential hurdle for India, mRNA candidates need extremely cold environment for storage and transport.

Bharat Biotech too on last Monday started phase 3 clinical trials of its vaccine candidate, COVAXIN. Phase 3 trials will involve 26,000 volunteers and will be conducted in partnership with the Indian Council of Medical Research (ICMR). This is the largest clinical trial for a Covid-19 vaccine candidate in India as well as the country's first phase 3 efficacy study of a vaccine candidate. Bharat Biotech is developing COVAXIN in collaboration with ICMR and National Institute of Virology (NIV), Pune.

Ajcon Global's view

We expect Indian equities to now consolidate amidst volatility in coming F&O expiry week post stellar run in the past few weeks. Investors, now have become stock specific in midcaps and smallcaps segment and increasing allocation in Companies which are witnessing turnaround in Unlock phase after lockdown and having cost efficiencies.

Samvat 2077 has already started on a positive note with Indian equities continue to remain buoyant. Investors confidence on economic recovery is improving day by day led by COVID-19 vaccine related developments. Earlier, in Samvat 2076, the benchmark indices index rallied by 10.68 per cent. Samvat 2076 witnessed a roller coaster ride with India entering into a nationwide lockdown from the mid-night of March 24 owing to COVID-19 pandemic. Fears of a disrupted economy made S&P BSE Sensex and the Nifty50 indices fall steeply by over 39 per cent to hit a low of 25,639 and 7,511, respectively on March 24, 2020 which was nerve testing. However, since then, the benchmarks have defied gravity and hit new highs on November 11, 2020 as hopes of potential Covid-19 vaccine.

Domestically, investors sentiments have improved led by strong earnings performance in majority of the Companies which has surpassed our expectations as well. Clearly, there are visible signs of economic recovering fast. After significant rally witnessed in Largecaps space since the announcement of initial Lockdown to control COVID-19 pandemic, investors have become stock specific in midcaps and smallcaps. Investors are increasing allocation in Companies which are witnessing turnaround in Q2FY21, Unlock phase and having cost efficiencies. In addition, greenshoots like improved Auto sales numbers, improved occupancy in airlines, normal monsoons, economic activity catching up in some sectors to Pre-COVID19 levels is cherished by street participants.

With Diwali season coming to an end, COVID-19 cases have started increasing in top cities in India. Several states have announced night curfew to stop the virus spread which may be dampener for investor sentiments. Globally, all eyes would be now on rising cases in US and Europe especially in the winter season as Christmas and New Year is approaching.

Globally, investor sentiments are dependent as to which party gets the majority in the US senate.

We are cautious on Large caps at present valuations as we believe their valuations are expensive led by high FPI liquidity and advise partial profit booking. However, there is opportunity in select midcaps and smallcaps for investors with a two year horizon. Correction will make the markets healthy for fresh entry as Indian equities were in overbought zone for quite some time.

Dr. Ashok Ajmera (FCA), CMD & CEO

Disclaimer

Ajcon Global Services Ltd. is a fully integrated investment banking, merchant banking, corporate advisory, stock broking, commodity and currency broking. Ajcon Global Services Ltd. 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 Ltd. 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 Ltd. 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 Ltd. 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 Ltd. 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 Ltd. While we would endeavour to update the information herein on a reasonable basis, Ajcon Global Services Ltd. 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 Ltd. 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 Ltd. 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 Ltd. 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 Ltd. 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 Ltd. encourages independence in research report preparation and strives to minimize conflict in preparation of research report. Ajcon Global Services Ltd. 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 Ltd. nor Research Analysts have any material conflict of interest at the time of publication of this report.

It is confirmed that Dr. Ashok Ajmera 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 Ltd. 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.



It is confirmed that Dr. Ashok Ajmera 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 Ltd. 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 Ltd. 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 Ltd. by any Regulatory Authority impacting Equity Research Analysis activities.

Analyst Certification

I, Dr. Ashok Ajmera, 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