

Bulls roar hard after a bold and reformist budget makes investors happy; re-rating takes place in various sectors..

- 1) Domestic bourses extended their historic Budget-day rally into second day on Tuesday and ended nearly 2.5 per cent higher with financials and realty counters topping the charts. Indian equities continued to witness stellar rally post an extraordinary Union Budget presented by Finance Minister Nirmala Sitharaman to meet challenging demands of extraordinary times owing to COVID-19.
- 2) Among the headline indices, the S&P BSE Sensex rallied by 1,197 points, or 2.46 per cent, to settle the day at 49,797.7 levels. The index reclaimed the 50,000 level in intra-day deals and hit a high of 50,154 before paring some of the gains. The broader Nifty50 index, meanwhile, topped the 14,600-mark and closed at 14,648 levels, up 367 points or 2.57 per cent. Shares of State Bank of Bank (SBI), ITC, Larsen & Toubro (L&T), UltraTech Cement, HDFC Bank, ICICI Bank, Bajaj Auto, and Bajaj Finserv were among the eight stocks from the 30-share S&P BSE Sensex hitting their respective 52-week highs on Tuesday, as the Indian markets extended their historic Budget-day rally
- 3) UltraTech Cement, SBI, HDFC Bank, and L&T surged between 5 per cent and 7 per cent on the BSE and remained the top gainers on the Sensex index. Shree Cement, Tata Motors, and Hindalco, up between 6 per cent and 15 per cent, were the other top gainers on the Nifty50.
- 4) The broader markets rallied as well, but, once again, underperformed their benchmark peers. The S&P BSE MidCap and SmallCap indices ended 2.26 per cent and 1.56 per cent higher, respectively.
- 5) The Nifty sectoral indices were painted green, with Nifty Auto and the Nifty Realty indices, up 4 per cent each. Meanwhile, the Nifty Bank index surged over 1,179 points to end at fresh closing high of 34,268. The index hit a life time high of 34,652 in the intra-day trade today.

Index	Today's Close	Prev. close	Change	% change	Open	High	Low
Sensex	49,797.72	48,600.61	+1197.11	2.46	49,193.26	50,154.48	49,193.26
Nifty	14,647.85	14,281.20	+366.65	2.57	14,481.10	14,731.70	14,469.15

Sectors and stocks

- 1) Shares of Indigo Paints made a handsome debut on the bourses on Tuesday, listing at Rs. 2,607.50, a 75 per cent premium against issue price of Rs. 1,490 on the National Stock Exchange (NSE) and BSE. The stock surged to Rs. 3,129, up 110 per cent against issue price on the BSE and NSE, exchange data shows. At close, Indigo Paints was at Rs. 3,118.6, up 109 per cent against issue price on the BSE. The initial public offering (IPO) of Indigo Paints had garnered 117 times subscription, generating bids worth Rs. 96,222 crore. The qualified institutional buyer (QIB) portion of the issue was subscribed 190 times, while the high networth individual or HNI segment was subscribed 263 times. The retail and employee portions were subscribed 16 times and 2.5 times, respectively. Pune-based Indigo Paints is the country's fifth-largest decorative paints company. The company generates nearly half its sales from southern India, and is ranked third in terms of market share in Kerala. The firm plans to use bulk of the issue proceeds to meet its expansion goals.
- 2) Shares of Tata Motors rallied 15 per cent to Rs. 322 on the NSE on Tuesday after the company retained positive momentum and reported a 15 per cent month-on-month (MoM) and 94 per cent year-on-year (YoY) growth in domestic passenger vehicles (PV) sales at 26,978 units during the month January 2021. The stock of Tata group commercial vehicles (CVs) company was trading at its highest level since June 2018. Total CVs sales during the month remained flat at 32,909 units on MoM basis while declined 3 per cent on a YoY basis. Tata Motors total sales in the domestic & international market for January 2021 stood at 59,959 units, compared with 47,862 units during January 2020, the company said in a press release. PV segment demand was healthy amid preference for personal mobility. Tata Motor's outperformance continues amid strong consumer response to its new forever series (Nexon, Altroz among others). In the past one month, Tata Motors has outperformed the market as its shares zoomed 67



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per cent on improved operational performance. In comparison, the S&P BSE Sensex was up 3 per cent during the same period. For the October-December quarter, Tata Motors posted a sharp 67 per cent YoY growth in net profit at Rs 2,906 crore. The company, which owns Jaguar Land Rover (JLR), returned to net profit after three consecutive quarters of loss. The better-than-expected net profit was led by strong operational performance both at the standalone and JLR businesses. Consolidated revenue for the said quarter came in at Rs. 75,654 which was higher than consensus estimates that had pegged the same at Rs 72,292 crore. The operating profit margins expanded by 540 basis points to nearly 15 per cent on higher operating leverage, improving product mix, geographic markets and lower other expenses.

- 3) Shares of cement manufacturers were on a roll in Tuesday's session with sector giants UltraTech Cement, Shree Cement, Ambuja Cements, Grasim Industries and ACC rising up to 8 per cent on the BSE as the Union Budget
- 4) focussed on growth with a sharp increase in capital expenditure (capex) allocation. The huge thrust on infrastructure spending by the government in the Budget 2021–22 bodes well for construction materials such as cement and steel. A higher allocation towards capital expenditure with a focus on roads, infra and railways can give a significant growth impetus to the economy.
- 5) Shares of L&T hit a fresh 52-week high of Rs. 1,593 and finally closed at Rs. 1,520.20 up by 4.92 per cent. The stock has rallied 15 per cent in the past two trading days. The stock of the construction & engineering major is trading close to its record high level of Rs 1,607, touched on May 28, 2019.
- 6) Shares of Isgec Heavy Engineering rallied by 11.39 per cent to Rs. 410.65, on the NSE on Tuesday, after the company said it has recently received two orders – one for a Cement Waste Heat Recovery Boiler (CWHRB), and another for conducting Remnant Life Assessment (RLA) study. The company did not disclose the size of the orders. The order for CWHRB is from a leading cement manufacturer for their plant site in Meghalaya. The company said it is committed towards the utilization of waste energy and supporting the cement Industry to generate clean or green power. The second order is for conducting the RLA study has been received from a steel major in Jharkhand for their 3 Boilers. Indian Boiler Regulations 1950 have set certain guidelines under rule 391A, which not only help users to ensure the health of their Boilers, but also ensure safe operation of the Plant. Isgec is certified by the Central Boiler Board to conduct RLA studies under these norms, the company said in exchange filing. Last month, Isgec had received an order for wet flue gas desulphurisation system package for the 2x660 MW Khurja Thermal Power Project in Uttar Pradesh from L&T MHI Power Boilers Pvt. Ltd. (formerly L&T MHPS Boilers Pvt. Ltd.). The end user for this project is THDC India Ltd. and the Consultant is NTPC, the company said. Isgec's EPC portfolio includes turnkey projects for setting up air pollution control equipment, boilers, power plants, sugar plants, distilleries, factories, industrial water treatment facilities, and bulk material handling facilities. The company has a number of joint ventures as well as strategic technology partnerships with leading global firms.
- 7) Shares of Finolex Industries rallied 16 per cent to Rs. 674, also its fresh 52-week high, on the BSE on Tuesday after reporting more-than-doubled net profit at Rs. 256 crore in the December quarter (Q3FY21), on back of strong revenue growth. The plastic products company had posted profit of Rs. 93 crore in the year-ago quarter. Total income from operations increased 52.5 per cent year on year (YoY) at Rs. 1,067 crore, against Rs. 699 crore in Q3FY20. Ebitda jumped 150 per cent YoY at Rs. 347 crore, while margins improved to 32.52 per cent from 19.88 per cent in previous year quarter. The management said a decent monsoon and the subsequent increase in area under Rabi crop sowing are encouraging signs to expect higher demand on the Agri side. The management believes that some of the key initiatives announced by the Government such as boost to the housing sector by extension of tax holiday, higher impetus on Jal Jeevan Mission, enhancement of agricultural credit and increased provision for rural infra development fund will go a long way in revival and sustainability of PVC pipes sector. Meanwhile, Finolex Industries, on Monday, announced that its board had approved the splitting of each equity share into five. This is the first time the company has gone for a share split. "The board has approved the sub-division (split) of one equity share of the bank having a face value of Rs 10 into five equity shares of face value of Rs 2 each," the company said in a statement. The company said that the rationale behind the stock split is to improve the liquidity of the company's shares on the stock market and also to make the same available to small investors.

Key recent major developments..

- 1) The Supreme Court on Tuesday directed Franklin Templeton Mutual Fund to disburse Rs. 9,122 crore to unitholders of its six shut debt schemes. The money has to be distributed to unitholders in 20 days and the parties are at liberty to move applications in case of difficulties arising out of the process. The six schemes have received total cash flows of Rs. 14,391 crore till January 29, 2021 from maturities, coupons and prepayments. The total number of cash positive schemes stands at five. These schemes have Rs. 9,770 crore cash available to return to unitholders, subject to fund running expenses. The balance Rs. 4,621 crore has been used to repay borrowings and interest thereon of the six schemes. Individually, Franklin India Low Duration Fund, Franklin India Ultra Short Bond Fund, Franklin India



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Dynamic Accrual Fund, Franklin India Credit Risk Fund and Franklin India Short Term Income Plan have 65 per cent, 53 per cent, 41 per cent, 27 per cent and 11 per cent of their respective AUM in cash. The asset manager had shut six debt schemes on April 23, 2020 citing redemption pressures and lack of liquidity in the debt market.

- 2) On Monday, The FM announced capital expenditure of Rs. 5.54 trillion for FY22 (sharp increase of 34.5%) over last year's Rs. 4.39 trillion for FY21. Further, she announced the FY22 disinvestment target at Rs 1.75 trillion. Life Insurance Corporation of India (LIC) will go for an initial public offering (IPO) in FY22 as well. Further, allocation of Rs. 20,000 crore toward setting up a development financial institution (DFI) to have lending portfolio of Rs. 5 trillion over the next three year with the aim to mobilise funding required fulfilling National Infrastructure Plan (NIP).
- 3) FY21 fiscal deficit was pegged at 9.5 per cent of GDP. The optimism despite higher borrowing and a wider fiscal deficit, was on account of the positive measures to revive the Covid-19 hit economy. That said, while the fiscal deficit number and the gross borrowing estimates are a tad higher-than-expected, the money is being put to good use. The government plans to borrow around Rs. 12 trillion in FY22 and has pegged fiscal deficit at 6.8 per cent of the gross domestic product (GDP). Sitharaman said the government will be borrowing an additional Rs. 80,000 crore in this fiscal to meet its deficit for 2020-21, pegged at 9.5 per cent of the GDP. Therefore, the total gross borrowing this fiscal would be Rs. 14 trillion.
- 4) As per the budget proposals, the government plans to start the process of privatisation for two more public sector banks, other than IDBI Bank, and two insurance companies in fiscal 2021-22. Remember, privatisation of banks has been promised long by successive governments but there has not been much of a progress. The present government has taken a bold step. PSU stocks have rallied post the announcements as investors cheered the proposal. Privatisation of PSBs has not been taken by governments also because this is a politically sensitive decision.
- 5) Stressed Asset Resolution: Asset Reconstruction Company Limited and Asset Management Company to be set up. This entity, called as a 'bad bank', will give a big reprieve to NPA-ridden banks by absorbing the toxic assets and freeing them to pursue fresh lending. A bad bank will act as an aggregator of all stressed assets in the system. It is set up to buy the bad loans and other illiquid holdings of another financial institution. Once toxic assets are transferred to this entity, attempts for an early resolution by experts begins while originating banks can focus on their business. The bad bank idea has been supported by senior bankers and other financial sector experts citing that the idea will help for quicker bad asset resolution. The recovery through debt recovery tribunals and Insolvency and bankruptcy code (IBC) mechanism has been limited to only a few large cases. A bad bank could help in better bad loan resolution through an ARC model. In May 2020, when the IBA submitted its proposal to a government but the concept didn't take off at that point.
- 6) The extension of tax exemption schemes in Affordable Housing will have a strong positive effect on various sectors related to it.
- 7) The Government provided benefits to sectors which focus "Aatmanirbhar Bharat" or a self-reliant India in difficult times of COVID-19. The Budget would encourage industries to be 'vocal for local' for a future-ready India.
- 8) To make India future ready for any pandemic crisis in future, Healthcare sector got benefits with increased allocation and more specific allocation of Rs. 35,000 crores towards COVID-19 vaccination drive.
- 9) GST collections surged to an all-time high of about Rs. 1.20 lakh crore in January, 2021 as economic activities picked up after the withdrawal of stringent lockdown restrictions. Mop-up from the Goods and Services Tax (GST), which is levied when a consumable item is sold or a service such as travel booking rendered, in January was 8 per cent higher than such receipts in the same month of 2020. In a statement, the Finance Ministry said the January collections were the highest ever since the implementation of the nationwide tax in July 2017. The previous best was in December 2020 when Rs 1,15,174 crore was collected. This is the fourth straight month of over Rs 1 lakh crore tax collections, a sign of strong recovery.
- 10) India forecast robust economic growth of 11% for the fiscal year beginning on April 1 in its annual economic survey on last Friday, on the back of the beginning of a nationwide coronavirus vaccination drive and a rebound in consumer demand. The Indian economy, which the International Monetary Fund singled out as a global bright spot only a few years ago, is set to contract 7.7% in this fiscal year, to March 31, the deepest contraction in four decades, the government said in the survey. But the government predicts the rollout of vaccines against COVID-19 will re-energise Asia's third-largest economy with 11% growth next year, putting it on track to post the strongest growth since India liberalised its economy in 1991. The survey's projections form the basis for key figures in the budget, due to be delivered on Monday by Finance Minister Nirmala Sitharaman. While the survey forecast a "V-



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shaped" economic recovery, it also cautioned that it would take at least two years to revert to pre-pandemic gross domestic levels. "With the economy's returning to normalcy brought closer by the initiation of a mega vaccination drive, hopes of a robust recovery in services sector, consumption, and investment have been rekindled," said the survey.

- 11) India provides a "predictable environment" for doing business and its commitment to economic self-reliance will strengthen globalization, said Prime Minister Narendra Modi on last Thursday as he addressed World Economic Forum's online Davos Agenda Summit. PM Modi said India's Atmanirbhar Abhiyan is committed towards global good and supply chain, adding that the country has the capacity, capability and reliability to strengthen the global supply chain. "Indian government has taken major steps to spur manufacturing. corporate tax was brought down to 15 per cent for new manufacturing units, GST rates have been reduced. Tax structure has been simplified Through GST and faceless assessment and Labour laws have been reformed," said Modi at the virtual summit where more than 400 CEOs from across the globe were in attendance. Hailing India's pandemic response, Modi said the country has transformed fight against coronavirus into people's movement. "Today India is among most successful in saving lives." "Many around the world thought India would be worst-affected country by Covid-19 and face tsunami of corona infections," he said, indicating the country has lined up more vaccines for the disease after using two for its nationwide inoculation. "Right now there are two made in India vaccines. World Economic Forum will be relieved to know that in the time to come many more vaccines will come from India," he said. "India also ensuring a global responsibility; we sent essential drugs to over 150 countries, we're sending Covid vaccines abroad too," PM Modi said.
- 12) India has given the first dose of covid antidote to 39,50,156 beneficiaries in the nation-wide vaccination drive. India has flattened its COVID-19 graph and 146 districts have reported no new case of the viral disease in the last seven days, 18 in 14 days, six in 21 days and 21 districts in the last 28 days, Union Health Minister Harsh Vardhan said on last Thursday. This has been achieved due to pro-active testing with more than 19.5 crore COVID-19 tests conducted in the country so far, Vardhan, who chaired the 23rd meeting of the high-level Group of Ministers (GoM) on COVID-19 through a video-conference, said, according to a statement issued by the health ministry.
- 13) The Ministry of Road Transport and Highways on Monday approved a proposal to levy 'Green Tax' on old vehicles which are polluting the environment. It is estimated that commercial vehicles, which constitute about 5% of the total vehicle fleet, contribute about 65-70% of total vehicular pollution. The older fleet, typically manufactured before the year 2000 constitute less than 1 % of the total fleet but contributes around 15% of total vehicular pollution. These older vehicles pollute 10-25 times more than modern vehicles, the ministry added. The proposal will now go to the states for consultation before it is formally notified, said Union Minister for Road Transport and Highways Shri. Nitin Gadkari. Along with that, the minister also approved the policy of deregistration and scrapping of vehicles owned by government department and PSU, which are above 15 years in age. Prasad also said that it would come into effect from 1st April, 2022. The main principles to be followed while levying the Green Tax are:
 - a) Transport vehicles older than 8 years could be charged Green Tax at the time of renewal of fitness certificate, at the rate of 10 to 25 % of road tax;
 - b) Personal vehicles to be charged Green Tax at the time of renewal of Registration Certification after 15 years;
 - c) Public transport vehicles, such as city buses, to be charged lower Green tax;
 - d) Higher Green tax (50% of Road Tax) for vehicles being registered in highly polluted cities
 - e) Differential tax, depending on fuel (petrol/diesel) and type of vehicle;
 - f) Vehicles like strong hybrids, electric vehicles and alternate fuels like CNG, ethanol, LPG etc to be exempted;
 - g) Vehicles used in farming, such as tractor, harvester, tiller etc to be exempted;
 - h) Revenue collected from the Green Tax to be kept in a separate account and used for tackling pollution, and for States to set up state-of-art facilities for emission monitoring
- 15) India's non-banking finance companies (NBFC) need tighter regulation through creation of a multilayer model, said a discussion paper by the Reserve Bank of India on Friday. The paper proposed a structure to categorise NBFCs, or shadow banks, depending on their size and interconnectedness with the system. NBFCs in the lower layer will be known as NBFC-Base Layer (NBFC-BL). NBFCs in the middle layer will be known as NBFC-Middle Layer (NBFC-ML). An NBFC in the Upper Layer will be known as NBFC-Upper Layer (NBFC-UL) and will invite a new regulatory superstructure. It proposed a NBFC non-performing classification norm of 180 days be "harmonised" to 90 days. "In view of the recent stress in the sector, it has become imperative to reexamine the suitability of this regulatory approach, especially when failure of an extremely large NBFC can precipitate systemic risks," said the paper.
- 16) State-owned telecom companies BSNL and MTNL turned EBITDA positive in the first half of financial year 2020-21, DoT said on Monday. The Department of Telecom (DoT) also said that the process for spectrum allocation for 4G services to Bharat Sanchar Nigam Ltd (BSNL) on pan-India basis, including Delhi and Mumbai, has been initiated and funds have been provisioned in FY2020-21. Summing up the developments in the sector in its year-end review for 2020, the DoT in a release said that overall 92,956 employees of both the public sector companies (PSUs) who



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opted for Voluntary Retirement Scheme (VRS) have retired on January 31, 2020. "The salary expenditure in BSNL and MTNL (Mahanagar Telephone Nigam Ltd) has reduced by around 50 per cent (about Rs. 600 crore per month) and 75 per cent (about Rs 140 crore per month), respectively. EBIDTA (Earnings before Interest, Taxes, Depreciation and Amortisation) have become positive in first half of FY 2020-21 in both BSNL and MTNL," it said.

- 17) Manufacturing sector activities showed a marginal improvement in December compared to the previous month even as employment generation remained low, showed the widely-tracked IHS Markit purchasing managers' index (PMI) survey. PMI inched up to 56.4 in December compared to 56.3 in November. However, it remained lower than 58.9 in October and 56.8 in September, the two months during which the economy saw a gradual lifting of lockdowns. A reading above 50 shows growth, while the print below 50 means contraction. While firms were able to lift input stocks, and did so at the quickest rate in nearly a decade, holdings of finished goods decreased sharply due to the ongoing increase in new work. Output growth eased to a four-month low, but remains strong. Manufacturing, in the Index of Industrial Production (IIP) rose by 3.5 per cent in October, according to the latest figures. However, it might come down going forward in line with PMI results, warned Pollyanna De Lima, Economics Associate Director at IHS Markit.

Global markets

- 1) Global equities too were up for a second day on Tuesday led by increased optimism about economic stimulus and global recovery.
- 2) Positive momentum from Asia carried through to Europe, with the pan-European STOXX 600 edging up 0.9 per cent.
- 3) MSCI's world equity index, which tracks shares in 49 countries, was 0.4 per cent firmer after posting its strongest day in three months on Monday.
- 4) MSCI's gauge of Asia Pacific stocks outside Japan rose 1.5 per cent, with China's benchmark CSI300 Index climbing 1.5 per cent, helped by easing concerns about tight liquidity and falling cases of new coronavirus infections. Japan's Nikkei 225 added 1 per cent.

Ajcon Global's view

- 1) Investors continued their enthusiasm into second day on Tuesday after one of its kind of Budget presented with significant outlay for investment led spending across infrastructure building like roads, power, railways, airports, ports, shipping, waterways etc. and with no changes in capital gains taxes or securities transaction tax (STT) or any form of Covid-19 pandemic-related tax which brought happiness at Dalal Street. Sentiments were buoyant as Government chose to revive growth which is the need of the hour owing to unprecedented crisis of COVID-19 and let fiscal prudence take a backseat (allowed fiscal deficit to remain high). Overall, the FM presented a reformist budget and good measures for the banking sector in 2021 especially with respect to the privatisation agenda. We rate this Union Budget as 8.5/10 and will be remembered for a long time.
- 2) FPIs too cheered Budget announcements and were on a buying spree on Tuesday after selling heavily in the last week. Previous week's significant fall was covered in yesterday's trading session.
- 3) The Nifty valuations are trading around 35x which looks expensive but with recent budget proposals one will need to watch out the effect on corporate earnings. Q3FY21 earnings season has been good for majority of the players till date and re-rating is likely to happen.
- 4) Domestically, all eyes would be on ongoing Q3FY21 earnings season after strong result by Companies like TCS, Hindustan Unilever, Maruti, Tata Motors, Colgate, HDFC Bank, Avenue Supermarts (Dmart), Tata Elxsi, Bajaj Auto, Ceat, JK Tyre, Bajaj Auto, ICICI Bank etc.
- 5) CY20 would always be remembered in the history of Indian Capital markets. The S&P BSE Sensex and Nifty50 rallied by 16 per cent and 15 per cent, respectively, in 2020 (CY20) despite COVID-19 crisis (Lockdown to contain the virus, brought the economy activity to a standstill for nearly three months which affected India's GDP significantly). Indian benchmark indices declined significantly by around 40 percent during February-March from its peak in January but after hitting a four-year low on March 24, 2020. Both the indices have rallied by nearly 87 per cent from March 24, 2020 low. However, the broader index, S&P BSE500, which gained 17 per cent in CY20 has recorded its best performance in the past three years. The S&P BSE Midcap and S&P BSE Small-cap index have rallied 20 per cent and 32 per cent respectively in CY20, after registering negative returns in the past two consecutive calendar years - 2018 and 2019. The rally was led by strong liquidity from foreign portfolio investors who pumped in \$22.4 billion (Rs 1.66 trillion) in equities during the year. The flows in November and December are



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one of the highest ever seen in Indian equities. In the last two months alone, FIIs have poured almost Rs 1.18-trillion in Indian equities, data show.

- 6) Globally, sentiments have improved after the United Kingdom's historic trade deal with the European Union and US President Donald Trump signed into law a \$2.3 trillion pandemic aid and spending package. All eyes would be on the new strain of coronavirus developments in other parts of the world after its emergence in UK and Europe. China is also witnessing rise of COVID-19 cases after nearly 10 months. Investors will keep an eye on the progress of COVID-19 vaccine roll out and its efficacy in India and various countries after these new developments. Any negative news especially on the new strain of COVID-19 will play spoilsport after the massive rally.
- 7) With Union Budget 2021-22 presented; all eyes would be on Q3FY21 earnings season and FPI liquidity.



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