

Bulls remain in control; cyclical stocks rally led by good growth prospects in coming months..

- 1) Buoyancy was witnessed in Indian equities on Monday after the Indian government approved two COVID-19 vaccines -Serum Institute of India's Covidshield, and Bharat Biotech's Covaxin -- for restricted use in an emergency situation pushed indices to record high levels yet again on Monday. In addition, manufacturing PMI, that remained in the expansion zone for fifth straight month and stood at 56.4 in December added fuel to rally.
- 2) The benchmarks ended a little lower than record highs but at fresh closing peaks nonetheless. S&P BSE Sensex settled the day 308 points, or 0.6 per cent, higher at 48,177 levels on the BSE, after hitting fresh lifetime peak of 48,220.4 in the intra-day deals. Its NSE counterpart, Nifty50, ended above the 14,100-mark for the first time, at 14,133 levels, up 114 points or 0.8 per cent. In the intra-day trade, the index hit a record peak of 14,148.
- 3) Tech stocks such as TCS, HCL Tech, and Infosys (up between 2 per cent and 4 per cent) settled the day as top gainers on the Sensex while steel stocks including Tata Steel and Hindalco (up over 8 per cent and 7 per cent, respectively) were the top performers on the Nifty. At the lower end of the spectrum, Bajaj Finance, Asian Paints, HDFC Bank, and Hero MotoCorp were the top losers.
- 4) On the sectoral front, Nifty Metal index jumped 5 per cent on the NSE today. Among individual stocks, Tata Steel, SAIL, Hindalco, and JSPL ended the day up to 7 per cent higher.
- 5) On the downside, Nifty Bank, Nifty Private Bank, and Nifty Financial Services indices ended the day in the red.
- 6) In the broader market, the S&P BSE Midcap index hit a record high of 18,435.14 in intra-day session today, surpassing previous high of 18,321, touched on January 9, 2018. It ended 1.4 per cent higher at 18,421.5 level. The S&P BSE SmallCap index, on the other hand, ended 1.37 per cent higher at 18,511 level.

Sectors and stocks

- 1) Shares of BEML Limited rallied by 8 per cent to Rs. 1,050 on the BSE on Monday after the government invited bids for strategic divestment in the defence and engineering company. The stock was trading close to at its 52-week high level of Rs. 1,080 on January 16, 2020. The government will sell 26 per cent out of the total 54.03 per cent stake it holds in the company along with transfer of management control, according to the preliminary information memorandum released by the Centre. "The Government of India (GoI) currently holds 54.03 per cent of the total equity share capital of the Company. GoI has decided to disinvest 26 per cent of the total equity share capital of the Company through strategic disinvestment with transfer of management control," BEML said in exchange filing. GoI has appointed SBI Capital Markets Limited (SBICAP) as its transaction advisor to advise and manage the strategic disinvestment process. The aforesaid disinvestment process is to be implemented through open competitive bidding route, it said. The sale could fetch the government Rs. 1,055 crore, according to the company's share closing price on Friday. The government, in December 2016, had approved a plan to divest 26 per cent stake in the state-owned entity. Expressions of interest (EoIs), that will have to be submitted by March 1, 2021, would be vetted based on the eligibility criteria specified in the first stage. Interested parties will be allowed to send their queries from Monday, and will have to submit their EoIs by March 1 electronically, and a physical copy by March 16.
- 2) Shares of Tata Motors were up by 4 per cent to hit an over 11-month high of Rs. 193 on the BSE in Monday's early morning trade after the company reported a 21 per cent increase in total vehicle sales in the domestic market to 53,430 units in December. The stock of commercial vehicles was trading close to its 52-week high of Rs 201.80 touched on January 15, 2020. In the past one week, Tata Motors has gained 9 per cent, as compared to a 2.4 per cent rise in the S&P BSE Sensex. In three months, it has rallied 43 per cent against 24 per cent gain in the benchmark index. Tata Motors' commercial vehicle (CV) domestic sales in the October-December quarter (Q3FY21) stood at 82,155 units, up 48 per cent against the previous quarter, the company said in an exchange filing, post market hours on Friday. The sales were broadly in line with the figure posted in Q3FY20 (- 3.5 per cent). M&HCVs and ILCVs led the recovery, growing by 10 per cent and 7 per cent, respectively over Q3FY20 with higher demand in infrastructure, including road construction, mining and e-commerce segments. The offtake continued to be higher than retail to support sequential month on month growth in retail while ensuring healthy inventory levels in the pipeline, the company said in a press release. The passenger vehicle (PV) industry continued to grow robustly in Q3FY21, owing to pent up demand, strong festive season and shift towards personal mobility. Tata Motors PV business has been witnessing strong response for its 'New Forever' range, which is being supported by the continuous ramp-up of supplies.

In Q3FY21, PV business posted a growth of 89 per cent as compared to Q3FY20, its highest ever sales in the last 33 quarters. With the growing popularity of Nexon EV, the company also posted an impressive sale in EVs with highest-ever quarterly wholesale of 1,253 units in Q3FY21 and 418 units in December 2020, it said.

- 3) Shares of midcap companies were on a roll on Monday with the S&P BSE Midcap index hitting a record high on the back of a strong rally in metals, financials and public sector undertaking (PSU) stocks.
- 4) Jindal Steel and Power and Steel Authority of India (SAIL) from the metal pack rallied 6 per cent and 5 per cent, respectively. Steel stocks were in demand amid expectations of further improvement in performance due to the realisation of uptick in the domestic market and progressively lower proportion of exports.
- 5) Bharat Heavy Electricals (BHEL), Bharat Electronics (BEL), NHPC, Hindustan Aeronautics and Oil India from the PSU pack were up in the range of 3 per cent to 5 per cent. Vodafone Idea, Cholamandalam Investment and Finance Company, Oracle Finance Services Company, Federal Bank, Muthoot Finance and Mahindra & Mahindra Financial Services gained between 3 per cent and 4 per cent.
- 6) Shares of Revathi Equipment were locked in 20 per cent upper circuit limit at Rs 565.65, also its 52-week high, on the BSE in Monday's session after the company's promoters came up with a proposal to voluntarily delist the firm. The company informed the stock exchanges that it has received a letter dated January 3 from the promoters and promoter group of the company with a proposal to voluntarily delist the equity shares of the company from BSE and National Stock Exchange (NSE) in accordance with the SEBI regulations. Pursuant to the aforesaid letter, the board of directors of Revathi Equipment are scheduled to meet on Thursday, January 7, to consider the proposal for voluntary delisting of equity shares of the company. The main objective of the delisting proposal is for the promoter and promoter group to obtain full ownership of the company which will, in turn, provide increased operational flexibility to support the company's business and financing needs. The delisting will also help in cost-saving, and allow the management to dedicate more time to and focus on the company's business on reduction in time and requirement of resources dedicated to listing compliances. The delisting proposal will also provide the public shareholders an opportunity to realise immediate and certain value for their equity shares at a time of elevated market volatility, the promoters said in a letter to the board of directors of the company. As on January 03, members of the promoter and promoter group, Renaissance Advanced Consultancy (57.68 per cent) and Renaissance Stocks (14.90 per cent) collectively held 2.26 million equity shares, representing 72.58 per cent of the total share capital of the company and the public shareholders held 840,990 equity shares, representing 27.42 per cent of the total share capital. Revathi Equipment operates in two business segments: construction and mining and power. The construction and mining segment consists of manufacturing and sale of blast hole drills, water well drills, trac drills, batching plant concrete, pump transit mixture and their spares, trading of spares and annual maintenance of the equipment. The power segment is engaged in the generation and sale of power.

Key recent developments

- 1) The Indian government approved two COVID-19 vaccines - Serum Institute of India's Covidshield, and Bharat Biotech's Covaxin -- for restricted use in an emergency situation.
- 2) 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.
- 3) Goods and Services Tax collections for December rose to Rs. 1.15 lakh crore, the highest ever since the implementation of the nationwide tax in July 2017, the Finance Ministry said in a statement on January 1. The previous monthly GST collection record was just short of Rs. 1.14 lakh crore in April 2019. This is the fourth consecutive month this year that GST collections have outperformed comparable months from 2019, a clear sign of strong recovery as the Indian economy slowly came out of its biggest ever contraction in the April-June quarter.
- 4) The country's exports declined marginally by 0.8 per cent to USD 26.89 billion in December 2020, due to contraction in sectors like petroleum, leather and marine products, according to preliminary data released by the commerce ministry on Saturday. The trade deficit in December widened to USD 15.71 billion, as imports grew by

7.6 per cent to USD 42.6 billion, the data showed. Exports in December 2019 was USD 27.11 billion, while imports stood at USD 39.5 billion. In November 2020, the exports were down by 8.74 per cent. In April-December 2020-21, the country's merchandise exports contracted by 15.8 per cent to USD 200.55 billion, as compared to USD 238.27 billion in the same period of 2019-20. Imports during the nine months of the current fiscal declined by 29.08 per cent to USD 258.29 billion, as against USD 364.18 billion in April-December 2019-20. "India is thus a net importer in December 2020, with a trade deficit of USD 15.71 billion, as compared to a trade deficit of USD 12.49 billion, widened by 25.78 per cent," the ministry said in a statement.

Global equities

- 1) Global indices hit record highs on Monday, the first trading day of the new year, as investors hoped the rollout of vaccines would ultimately lift a global economy decimated by the Covid-19 pandemic.
- 2) European stocks opened higher, with Britain's FTSE 100 gaining 1.75 per cent, Germany's DAX up 1.1 per cent, Spain's IBEX up 1.3 per cent and Italy's FTSE MIB rising 0.7 per cent. MSCI's All-Country World Index, which tracks stocks across 49 countries, hit a record high and was up nearly half a per cent.
- 3) Asian stock markets also gained, although Japan's Nikkei 225 index shed early gains, falling 0.4 per cent after the government said it was considering a state of emergency for Tokyo and three surrounding prefectures amid coronavirus concerns.

Ajcon Global's view

- 1) 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 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.
- 2) Domestically, all eyes would be on Q3FY21 earnings season which is expected to be good. Union Budget and budget related stocks will remain focus in January 2021 ahead of Union Budget to be announced in February 2021. Investors would remain stock specific in coming weeks. As we are heading to New Year, equities would consolidate amidst high volatility for some time.
- 3) Globally, all eyes would be on two US Senate races in Georgia next week that will determine control of the chamber and influence Democratic President-elect Joe Biden's ability to enact his agenda. 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. Investors will keep an eye on the progress of COVID-19 vaccine roll out and its efficacy in various countries after these new developments.
- 4) Nifty valuations are expensive led by significant spike of FPI liquidity in the last two months. Hence we advise, partial profit booking. However, there is still value in midcaps and smallcaps space.

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