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Market wrap **March 08, 2021**

Sugar stocks and oil and gas companies rally; Indian equities remain choppy..

1) The frontline S&P BSE Sensex ended at 50,441 levels, up 36 points or 0.07 per cent. The index hit an intra-day high and low of 50,986 and 50,318, respectively. Infosys, L&T, Reliance Industries, Axis Bank, and State Bank of India were the top contributors towards the index's gains today. Rise in Brent crude oil price, which was above the $70 per barrel-mark, and weak global cues, kept the markets choppy through the day on Monday.

2) In absolute terms, L&T, ONGC, HCL Tech, Axis Bank, NTPC, and SBI were the top gainers, up between 1.5 per cent and 3.5 per cent on the Sensex while Bajaj Finance, IndusInd Bank, UltraTech Cement, Bajaj Auto, HDFC, and HUL. down up to 2.3 per cent, were the top laggards.

3) On the NSE, the Nifty50 index closed at 14,956 levels, up 25 points or 0.12 per cent. The advance to decline ratio remained neck and neck with 27 stocks settling the day in the green, as against 23 stocks that declined on the index.

4) In the broader market, the S&P BSE MidCap and SmallCap indices closed 0.3 per cent and 0.6 per cent higher, respectively.

5) Trends among sectoral indices remained muted with the Nifty PSU Bank, Metal, and IT indices ending up to 1.5 per cent higher on the NSE. Nifty Realty, FMCG, and Auto indices, meanwhile, ended up to 1 per cent down.

6) The volatility index, India VIX, cooled-off 3.5 per cent and closed at 24.6 levels even indices traded in the range of 600 points.

7) The foreign portfolio investors (FPIs) have pulled out Rs. 5,156 crore from Indian markets in the first week of March amid profit booking and rising bond yields in the US. According to FPI statistics available with depositories, overseas investors pulled out a net of Rs. 881 crore from equities and Rs. 4,275 crore from the debt segment between March 1-5, taking the total net withdrawals to Rs. 5,156 crore. Prior to this, FPIs invested Rs. 23,663 crore in February and Rs. 14,649 crore in January.

Index	Today's Close	Prev. close	Change	% change	Open	High	Low
Sensex	50,441.07	50,405.32	**35.75**	**0.07**	50,654.02	**50,985.77**	50,318.26
Nifty	14,956.20	14,938.10	**18.10**	**0.12**	15,002.45	**15,111.15**	14,919.90

Crude oil

1) In the commodities market, the crude oil prices were at their highest levels in more than a year after Yemen's Houthi forces fired drones and missiles at the heart of Saudi Arabia's oil industry on Sunday, raising concerns about production. Brent climbed US$1.09 a barrel to US$70.45, while US crude rose US$1.08 to US$67.17 per barrel. The crude oil price also jumped on optimism about the demand outlook as the global economy recovers.

Sectors and stocks

1) Shares of sugar companies, on Monday, were in focus at the bourses, with Balrampur Chini Mills, EID Parry, Dwarikesh Sugar Industries, Dhampur Sugar Mills, and Dalmia Bharat Sugar and Industries rallying up to 7 per cent on improved sector outlook. Last week, Prime Minister Narendra Modi said the target of blending 20 per cent ethanol in petrol advanced to 2025 from 2030 earlier. Ethanol is expected to be a key driver for the sugar industry. The sugar sector has seen structural changes with rational alterations in the government’s policies, and flexibility provided, as diversion of surplus cane and B-heavy molasses is now allowed to produce ethanol that can be used for blending with petrol. In addition, differentiated pricing for ethanol (based on raw material) is quite attractive and has the potential to significantly reduce the cyclical nature of the sector because of the sustainable business model it provides for sugar mills.

2) Shares of oil & gas companies were in focus on Monday after Brent crude prices hit their highest level since January, 2020. Besides, amid improved outlook and expectation of higher crude oil prices going forward, Oil and Natural Gas Corporation (ONGC) and Gail (India) surged up to 7 per cent and hit their respective 52-week highs on the BSE in the intra-day trade.

3) Shares of BEML rallied by 13 per cent to hit a 52-week high of Rs. 1,326 on the BSE in intra-day trade on Monday amid media reports that at least six companies, including Tata Motors, Mahindra and Mahindra and Ashok Leyland, are looking to buy a 26 per cent stake in the state-run defence equipment maker. On Friday, March 5, BEML informed the stock exchanges that the board has approved the appointment of M/s Deloitte Haskins & Sells LPP, as Consultant for advising, undertaking and implementing demerger of non-core assets of the Company, pursuant to the directives of the government. The government currently holds 54.03 per cent of the total equity share capital of BEML. It has decided to disinvest 26 per cent of the total equity share capital of the company through strategic disinvestment with the transfer of management control. The government has appointed SBI Capital Markets (SBICAP) as its transaction advisor to advise and manage the strategic disinvestment process. The department of investment and public asset (Dipam) initially set March 1 as the deadline for submission of interest but later extended it to March 22, 2021. In the past three months, the stock of BEML has outperformed the market by rallying 75 per cent, as compared to 11 per cent risen in the S&P BSE Sensex.

4) Shares of Astral Poly Technik rallied by 5 per cent to Rs. 2,332 on the BSE in Monday's intra-day trade after the company said it has fixed March 19 as the record date for the 1:3 bonus share issue. The stock of the plastic products manufacture surpassed its previous high of Rs. 2,249.95 touched on March 2, 2021. “The company has fixed Friday, March 19, 2021, as the record date, for the purpose of ascertaining the eligibility of shareholders entitled for issuance of bonus equity shares in the proportion of 1 equity share of Re. 1 each for every 3 existing equity shares of Re. 1 each, subject to the approval of shareholders which is being obtained through postal ballot,” Astral Poly Technik said in an exchange filing. In the past three months, the stock has outperformed the market by surging 65 per cent as compared to an 11 per cent rise in the S&P BSE Sensex. India’s second-largest plastic pipe maker Astral Poly Technik has made its foray into plastic storage tanks. The company acquired assets of Shree Prabhu Petrochemicals (SPPL) for Rs. 51 crore. The company is planning to start tank production in Ahmedabad from April 2021 under the brand name ‘ASTRAL’. The management said the recovery in sales in pipe and adhesives segments has picked up momentum from the July-September quarter (Q2) onwards and further accelerated in the October-December quarter (Q3).

5) Shares of Natco Pharma were up by nearly 8 percent intraday on March 8 after the company's marketing partner received final approval from US FDA. The company's marketing partner, Breckenridge Pharmaceutical Inc (BPI), has received final approval for its Abbreviated New Drug Application (ANDA) for Everolimus Tablets (generic for Afinitor) from the US Food and Drug Administration (USFDA), the company said in the press release. NATCO's partner BPI plans to launch 2.5 mg, 5 mg and 7.5 mg strengths of the product shortly within the next few weeks. The launch of 10 mg strength of the product is subject to confidential terms of a settlement and license agreement entered into with the owner of the Afinitor brand. The launch date of the 10mg strength of the product will be announced at a later date. The above strengths of Everolimus are indicated in the treatment of breast cancer and a few other types of cancers. As per industry sales data, Afinitor and its therapeutic equivalents had generated annual sales of USD 712 million in USA during the twelve months ending December 2020.

Key recent major developments..

1) Last week on Friday, Prime Minister Narendra Modi said production linked incentive (PLI) scheme, which is aimed at boosting domestic manufacturing and exports, is expected to increase the country's production by US$ 520 billion in the next five years. Addressing a webinar, Modi said the government is continuously carrying out reforms to boost domestic manufacturing. In this year's Budget, about Rs. 2 lakh crore was earmarked for the PLI scheme for the next five years and "there is an expectation that the scheme would result in increasing the production by about US$ 520 billion in the next five years", he said. He added that there is also an expectation that the current workforce in the sectors, which will avail the benefits of the PLI scheme, will be doubled and job creation will also increase. The Prime Minister said the government is working to reduce compliance burden, further improve ease of doing business and cut down logistics costs for the industry. "PLI scheme would boost manufacturing in sectors from telecom to auto to pharma. PLI is aimed at expanding manufacturing and boosting exports," he said.

2) Prime Minister Narendra Modi last week said that the Central government has opened up several sectors including agriculture, space, atomic energy and Defence Research and Development Organisation (DRDO) for the talented youth of the country, adding that keeping knowledge and research within limits is an injustice to the nation. "It is an injustice to the nation to keep knowledge and research within limits. With this mindset, we are opening up several sectors such as agriculture, space, atomic energy and DRDO for our youth that is full of potential," PM Modi said while speaking at a webinar on the implementation of Union Budget 2021 in the education sector. He further added

that in this year's budget, the government has given more focus on the making of institutions and their access. "For the first time in India, we are developing a National Research Foundation, at a cost of Rs 50,000 crore," the Prime Minister said. Talking about the reforms in the technology sector, PM Modi said, "There's a new tradition of Hackathons for start-ups in India. It will strengthen both the youth as well as the industry."

3) India's services activity expanded at the fastest rate in a year during February and companies noted the sharpest rise in overall expenses, a monthly survey said on Wednesday. The seasonally adjusted India Services Business Activity Index rose from 52.8 in January to 55.3 in February, pointing to the sharpest rate of expansion in output in a year amid improved demand and more favourable market conditions.The index was above the critical 50 mark that separates growth from contraction for the fifth month in a row during February as the roll-out of Covid-19 vaccines led to an improvement in business confidence towards growth prospects. While, new work intake expanded for the fifth straight month, panellists continued to indicate that the Covid-19 pandemic and travel restrictions curbed international demand for their services. "New export orders declined for the twelfth month running, albeit at the weakest rate since last March," the survey noted. Meanwhile, Indian private sector output rose at the quickest pace in four months during February. The Composite PMI Output Index, which measures combined services and manufacturing output, increased from 55.8 in January to 57.3 in February. "Economic activity is generally expected to recover in the final quarter of fiscal year 2020/21 after coming out of technical recession in Q3, and the latest improvement in the PMI indicators points to a strong expansion in the fourth quarter, should growth momentum be sustained in March," said Pollyanna De Lima, Economics Associate Director at IHS Markit.

4) In a bid to develop the 7,500 km coastline of India, the Ministry of Port Shipping and Waterways has created a list of 400 projects which have an investment potential of US$31 billion (Rs. 2.25 trillion). Speaking at the inaugural of 'Maritime India Summit 2021' through video conferencing on Tuesday, Prime Minister Narendra Modi invited the world to come to India and be a part of the country's growth trajectory as it focuses on upgradation of infrastructure and boosting reform journey. The capacity of major ports has increased to 1,550 million tonnes at present from 870 million tonne in 2014. Indian ports now have features such as Direct port Delivery, Direct Port Entry and an upgraded Port Community System (PCS) for easy data flow. "Our ports have reduced waiting time for inbound and outbound cargo," he added. At present, mega ports with world-class infrastructure are being developed in Vadhavan, Paradip and Deendayal Port in Kandla. "Ours is a Government that is investing in waterways in a way that was never seen before. Domestic waterways are found to be cost effective and environment friendly ways of transporting freight. We aim to operationalise 23 waterways by 2030," he said. India has as many as 189 lighthouses across its vast coastline and that the government has chalked out a plan to develop some of these spots into tourist destination. "We have drawn up a programme for developing tourism in the land adjacent to 78 lighthouses. The key objective of this initiative is to enhance development of the existing lighthouses and its surrounding areas into unique maritime tourism landmarks," Modi informed. PM Modi announced that steps are also being taken to introduce urban water transport systems in key states and cities such as Kochi, Mumbai, Gujarat and Goa. The Government has recently widened the ambit of the maritime sector by renaming the Ministry of Shipping as Ministry of Ports, Shipping and Waterways so that work happens in a holistic manner.

5) India's exports marginally declined 0.25 per cent to US$27.67 billion in February while imports grew by 6.98 per cent to US$40.55 billion during the month, according to provisional data released by the commerce ministry on Tuesday. The trade deficit widened to US$12.88 billion in February as compared to US$10.16 billion in the year-ago period, the ministry said in a statement. The exports during April-February 2020-21 period stood at US$255.92 billion. In the same period a year ago, it was at US$291.87 billion, showing a negative growth of 12.32 per cent. Imports during April-February period too dipped 23 per cent to US$340.88 billion. In February 2021, Oil imports were US$8.99 billion, as compared to US$10.78 billion in February 2020, a decline by 16.63 per cent. Oil imports in April-February 2020-21 stood at US$72.08 billion, as compared to US$120.50 billion, showing a decline of 40.18 per cent.

6) India started Phase II of vaccinations last week for those above 60 years of age and within the age bracket of 45 to 59 years with specified comorbidities such as diabetes and heart ailments. India has given the first dose of covid antidote to 2.09 crores beneficiaries in the nation-wide vaccination till date. India became the fastest country in the world to reach the 6 million Covid-19 vaccination mark. About 18-19 vaccine candidates against COVID-19 are in the pipeline and in different clinical trial stages, Health Minister Harsh Vardhan had said earlier. He added, "About 18-20 vaccine candidates against COVID-19 are in the pipeline and are in preclinical, clinical and advanced stages. He further said that India will be supplying vaccines to 20-25 other countries.

7) The goods and services tax (GST) collection crossed the Rs. 1 lakh crore mark for the fifth month in a row in February. GST collection in the month stood at Rs. 1.13 lakh crore, 7 percent higher year-on-year, but lower than an all-time high of nearly Rs. 1.20 lakh crore in January, official data showed on March 1. "In line with the trend of recovery in the GST revenues over past five months, the revenues for the month of February 2021 are 7 percent higher than the GST revenues in the same month last year," the Finance Ministry said in a statement. Out of the

total for February, Central GST was Rs. 21,092 crore, State GST was Rs. 27,273 crore, Integrated GST was Rs. 55,253 crore (including Rs. 24,382 crore collected on import of goods) and compensation cess was Rs. 9,525 crore (including Rs. 660 crore collected on import of goods).

8) India's agriculture economy is ripe for a 'revolution' in post-harvesting and food-processing sectors. And, the Union Budget 2021-22 aims to achieve these goals, Prime Minister Narendra Modi said on March 1. Speaking at a webinar on the Budget's agriculture-related announcements, the Prime Minister also said the private sector should increase its participation in areas such as agriculture research and development, storage and processing, as well as soil testing. "The time is ripe for a post-harvesting and food-processing revolution in India. This should have been done two-three decades ago. We have to make up for that lost time, and have to focus on processing facilities in rural areas," PM Modi said.

9) India's gross domestic product expanded 0.4% in the three months ended December, after contracting for two consecutive quarters, according to government data released on Friday. The country's economic growth shrank 7.5% a quarter ago and grew 4.1% in the year-ago period. In its second advance estimates of national accounts, the National Statistical Office (NSO) has projected 8% contraction in 2020-21. In its first advance estimates released in January, it had projected a contraction of 7.7% for the current fiscal as against a growth of four% in 2019-20. The economy had shrunk by an unprecedented 24.4% in the first quarter this fiscal following the coronavirus pandemic and resultant lockdowns. However, in the second quarter, the GDP contraction was less at 7.5% due to an improvement in economic activities. "Significant recovery in manufacturing and construction augurs well for the support these sectors are expected to provide to growth in FY 2021-22. Real GVA in manufacturing has improved from a contraction of 35.9% in Q1 to a positive growth of 1.6% in Q3 while in construction the recovery has been from a contraction of 49.4% in Q1 to a positive growth of 6.2% in Q3.These sectors are vital to the economy to achieve a growth of 11% or more in 2021-22 as they will be impacted most by the counter cyclical fiscal policy that budgets fiscal deficit at 6.8% of GDP," said Ministry of Finance in a statement.

10) Prime Minister Narendra Modi on February 26 said that the government formulated special schemes for India's startups and Micro, Small and Medium Enterprises (MSMEs) as they would be the identity of 'Aatmanirbhar Bharat'. Addressing a webinar on implementation of the Union Budget in financial services sector, PM Modi said that around 90 lakh enterprises were given credit worth Rs. 2.4 lakh crore under these special schemes. "Atmanirbhar Bharat will be built by our MSMEs and startups. They will be the identity of Atmanirbhar Bharat. Thus, we formulated special schemes for them during the coronavirus pandemic. Around 90 lakh enterprises have received a credit worth Rs 2.4 trillion (Rs 2.4 lakh crore) under these special schemes," PM Modi said. "Supporting MSMEs and startups, and expanding credit flow to them is key. The government has reformed and opened many sectors such as agriculture, coal and space for them. Now it is the responsibility of the financial sector to identify and help these aspirations from small towns and villages, and make them Atmanirbhar Bharat's strength," PM Modi added.

11) The government has an ambitious plan to monetise around 100 government-owned assets as part of the monetisation plan, said Prime Minister Narendra Modi when he spoke about various reforms undertaken in the Union Budget. "With this the government will be aiming to achieve Rs. 2.5 trillion investment, we are going ahead with the mantra of monetise and modernise," PM Modi said. Speaking at a webinar on privatisation by the Department of Investment and Public Asset Management (DIPAM), Modi said state-owned companies in four strategic sectors will be kept at bare minimum and that the government is committed to privatising PSUs in all sectors barring four strategic ones. Further, PM Modi urged for the feedback on the privatisation and monetisation initiative for swift implementation. Outlining the government focus going forward, PM Modi said that the government is working on Rs. 111 trillion national infrastructure pipeline (NIP) fund. "The government has no business to be in business. When government monetises, that space is filled by private sector of the country. Private sector brings investment and best global practices with them," he said.

12) Earlier, the Centre lifted the embargo on grant of government business to private banks, enabling banks to participate in all developmental activities. Prime Minister Narendra Modi also made a strong case for repealing archaic laws and making it easier to do business in India, stating that the centre and states need to work closely to boost economic growth. The Prime Minister also underlined the need for reducing compliance burden and repealing obsolete laws. He asked the states to form committees to reduce regulations which are no longer relevant in the wake of technology growth. PM Modi said states should attract investment using production-linked incentive (PLI) scheme.

13) Finance minister Nirmala Sitharaman earlier asked India Inc to exhibit their animal spirits to put Indian economy on a sustainable path of recovery, now that the Budget and the earlier government moves has given clarity on policies and tax rates. She also urged credit rating agencies to grade the economies in relative sense and not as silos. "I have been waiting to see greater investments from the private sector post-the corporate tax rate cuts. Now that the policy is clear, tax rates have been brought down, policy consistency has been underlined and ease of doing

business is still going further, I would like now to see private investors and private industry in India coming forward with the so called animal spirit to show that it is possible to pull India up and keep it high as one of the fastest growing economies," she said in her address on the occasion of the foundation day of All India Management Association (AIMA).

14) The Reserve Bank of India (RBI) earlier came out with a slew of directions related to maintenance of liquidity coverage ratio, risk management, asset classification and loan-to-value ratio, among others, for HFCs. All non-deposit taking HFCs with an asset size of Rs. 10,000 crore and above, and all deposit taking HFCs irrespective of their asset size will have to achieve a minimum liquidity coverage ratio (LCR) of 50 per cent by December 1, 2021 and gradually to 100 per cent by December 1, 2025. No housing finance company shall grant housing loans to individuals up to Rs. 30 lakh with LTV ratio exceeding 90 per cent and above Rs. 30 lakh and up to Rs. 75 lakh with LTV ratio exceeding 80 per cent. The central bank said these directions, which shall come into force with an immediate ffect, are aimed at preventing the affairs of any HFCs from being conducted in a manner detrimental to the interest of investors and depositors.

15) Earlier, the Cabinet approved production-linked incentive (PLI) scheme worth Rs. 12,195 crore for telecom equipment manufacturing, Union minister Ravi Shankar Prasad said. He added that the government is positioning India as a global powerhouse for manufacturing, and has created a conducive environment for ease of doing business.

16) The Government of India is planning to spend around Rs. 7.5 trillion to build oil and gas infrastructure over the next five years, said Prime Minister Narendra Modi. Strong emphasis has been laid on the expansion of city gas distribution networks by covering 470 districts, the PM said, adding that the government is aiming to increase the share of gas in the energy basket from 6.3 per cent currently to 15 per cent. He said the share of energy from renewable sources will be raised to 40 per cent by 2030.

17) The RBI kept the repo rate unchanged at 4 per cent and maintained the policy stance as 'accomodative' in its bi-monthly monetary policy meeting. Besides, it projected the GDP growth of 10.5 per cent in FY22 for India while projection for CPI-based inflation was revised to 5.2 per cent for Q4FY21. RBI governor Shaktikanta Das also announced normalisaton of CRR which, he said, would open up space for a variety of market operations to inject additional liquidity. Furthermore, absence of any concrete measures as expected by a set of bond traders weighed on the yields with 10-yr Gsec yields jumping 8bps from 6.07 per cent to 6.15 per cent. In another development, Das announced direct online participation by retail investors in Government securities in both primary and secondary market is a big initiative which will broaden the investor base.

Global markets

1) Global equities declined on Monday as the US Senate's passage of a US$1.9 trillion stimulus bill put fresh pressure on Treasuries raising concerns over inflation.

2) The MSCI world equity index fell 0.1 per cent, as gains in European cyclical and travel stocks were offset by losses in Asia. Chinese equities posted their biggest decline in seven months, down 3.5 per cent, on concerns that Chinese officials could tighten policy to rein in steep valuations.

3) Nasdaq futures declined by 2 per cent in early European trade, reversing early gains, while S&P 500 futures fell 1 per cent as investors looked past the benefits of the fiscal package.

Ajcon Global's view

1) Indian equities remained choppy throughout the day owing to rise in Bent crude oil prices, weak global cues and increasing COVID-19 cases in Maharashtra. However, key factors like positive GDP data, phase II of COVID-19 vaccinations drive going strongly, strong domestic monthly auto sales numbers reported can lift Indian equities higher. The Nifty valuations are trading around 37-40x which looks expensive but with recent budget proposals one will need to watch out the effect on corporate earnings in Q4FY21 and FY22. Q3FY21 earnings season has been robust for majority of the players till date and re-rating has already happened in infrastructure, Banks, NBFCs, auto and overall PSUs sector. Q3FY21 earnings season has been good after strong results by Companies like TCS, Hindustan Unilever, Maruti, Tata Motors, Colgate, SBI, Central Bank, Bank of India, Union Bank of India, HDFC Bank, ICICI Bank, Shriram Transport Finance, IIFL Finance, Ajanta Pharma, Avenue Supermarts (Dmart), Tata Elxsi, Bajaj Auto, Ceat, JK Tyre, Bajaj Auto, Bajaj Electricals, Polycab, NMDC, BEML, Amber Enterprises, Route Mobile, J.B. Chemicals and Pharmaceuticals, Balaji Amines, Neuland Laboratories, Greenply Industries, Voltas, Happiest Mind Technolo and many more.

2) With good proposals presented in Union Budget 2021-22, RBI's Monetary Policy keeping rates unchanged, positive GDP data, robust GST collections in Feb. 2021, stellar show by majority of the Companies in Q3FY21 earnings season; all eyes would be now FPI liquidity after stellar run and especially COVID-19 cases number after Phase II of vaccination drive in India and spike of COVID-19 cases in Maharashtra.

3) PSU space as a whole was neglected in the past for many years but with recent announcements re-rating has happened and are also available at fair valuations considering majority of the Companies turning expensive post stellar show. We expect strong rally to continue in PSU space going forward after Prime Minister Narendra Modi announcements earlier while speaking at webinar on privatisation by the Department of Investment and Public Asset Management (DIPAM) regarding monetisation of around 100 government-owned assets as part of the monetisation plan. Investors would continue to look out for PSU names which were not in the limelight during the stellar rally.

4) Intermediate corrections which was witnessed last week on Friday and Thursday would keep happening which is also good for markets to remain healthy. Overall, Indian equities would report strong show as GST collections were robust too in February 2021, economy recovering at a fast pace and Government putting a lot of emphasis and effort to implement the Strong Budget proposals in a timely and efficient manner. Investors will continue to keep a watch on US Treasury yields and COVID-19 cases numbers especially in Maharashtra. As India is now one of the few major economies to post positive GDP growth in the last quarter of calendar year 2020, buoyancy from FPIs is expected to remain. Stock specific opportunities would emerge and investors will keenly track PSUs which would benefit on Government's impetus on privatisation.

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