

Profit booking witnessed; Banks and automobile stocks buck the trend and help limit benchmark indices fall..

- 1) Today speed breakers came in way after a stupendous rally was witnessed in benchmark indices over the last few days. Profit-booking came in, after benchmark indices touched fresh lifetime highs in the morning deals, and pulled the benchmark S&P BSE Sensex lower by 731 points from record peak of 49,795 levels. The Nifty50 declined by 217 points from new peak of 14,653. At close, the S&P BSE Sensex was at 49,492 levels, down 25 points or 0.05 per cent. Individually, M&M jumped nearly 6 per cent on the BSE today and re-entered the Rs. 1- trillion m-cap club. At close, its market cap stood at Rs. 1.02 trillion on the BSE.
- 2) SBI rallied by 4.5 per cent, ITC (2.4 per cent) and Bharti Airtel (2 per cent), to end the day as top gainers on the Sensex. Losses in Bajaj Finance (3 per cent), HDFC (2.6 per cent), Reliance Industries (1 per cent), and HDFC Bank (0.5 per cent) put pressure on markets.
- 3) On NSE, the Nifty held the 14,550-mark and closed at 14,565 level, up 1.4 points or 0.1 per cent.
- 4) Sectorally, Nifty Pharma ended 1 per cent lower. On the upside, Nifty PSU index surged 3.3 per cent and ended as an outperformer for second straight day.
- 5) In the broader market, the S&P BSE MidCap ended 0.6 per cent lower at 19,087.59 while the S&P BSE SmallCap index slipped 0.4 per cent at 18,850.66.

Sectors and stocks

- 1) Mahindra & Mahindra on Wednesday regained the market-capitalisation (market-cap) of Rs. 1-trillion after the firm's stock hit an over two-year high of Rs. 817, surging 5 per cent on the BSE. The stock of car and utility vehicles company was trading at its highest level since October, 2018. It hit a record high level of Rs. 992 on August 30, 2018. Thus far in the month of January 2021, M&M stock has rallied by 13 per cent after the company increased price in the tractor segment across models; and personal & commercial range of vehicles due to the increase in commodity prices. The management said the price increase was necessitated due to the unprecedented increase in commodity prices and various other input costs over the past many months. In another development, M&M and Ford Motor Co have called off their joint venture (JV). As part of the JV, Ford was to cede most of its Indian operations to M&M. The companies attributed the decision to changes in global economic and business conditions caused, in part, by the global Coronavirus (Covid-19) pandemic since the agreement was first announced.
- 2) Shares of Bharti Airtel rallied by 6 per cent to Rs. 600 on the BSE in Wednesday's early morning trade after the company said it has received required regulatory approvals for 100 per cent foreign direct investment (FDI) in its downstream companies. The company said it is initiating the process to revise its foreign investment limit to 100 per cent, with immediate effect. The telecom services company has rallied 10 per cent in the past two trading days. It was trading close to its 52-week high level of Rs. 612 touched on May 20, 2020. "In compliance of the FDI approval dated January 20, 2020 granted to the company by the Department of Telecommunications (DoT), the company has received approvals for its relevant downstream investments. Accordingly, the company is initiating the process to revise its foreign investment limit, as notified to its depositories, to 100 per cent with immediate effect," Bharti Airtel said in an exchange filing on Monday after market hours.
- 3) Shares of Bajaj Electricals hit a fresh record high of Rs. 834 after rallying 17 per cent on the BSE in intra-day trade on Wednesday on expectations of a healthy revenue growth in the consumer products segment in near-term. The stock of the household appliances company was trading higher for the ninth straight day. It has rallied 37 per cent thus far in the month of January 2021. On December 25, 2020, rating agency ICRA had reaffirmed long-term and short-term rating of the company's line of credit, along with non-convertible debenture (NCD) programme of the company. The outlook on the said long-term and NCD rating has been revised to 'Stable' from 'Negative'. "The revision in the rating outlook to stable reflects a healthy improvement in revenue and profitability posted by Bajaj Electrical in the July-September quarter (Q2FY2021), especially in the consumer products (lighting, fans and appliances) segment, after a weak performance in the first quarter due to Covid-19. The outlook revision also takes into account the considerable reduction in the company's debt level, which is likely to be maintained at a similar level, going forward," ICRA said in rating rationale. The company performed strongly in Q2FY21, reporting around 13 per cent year on year (YoY) revenue growth in consumer products segment on the back of healthy revival in demand, with easing of lockdown restrictions, increasing work from home culture, and pick up in the sale of small ticket size and essential nature of the products. This apart, the cost optimisation measures improved the

profitability in the consumer products segment in Q2FY2021. The stable outlook reflects ICRA's expectation that the company would be able to sustain healthy revenue growth in the consumer products segment in the near term with profitability level in line with the company's expectation. The stable outlook also reflects the company's stated strategy to selectively focus on the EPC segment to ensure the budgeted profitability, it said.

- 4) Tata Elxsi share prices were up by 11 per cent to hit a new high of Rs. 2,299 on the BSE on Wednesday after the company reported strong December quarter results (Q3FY21) with double digit quarter on quarter (QoQ) revenue growth and industry leading operating margins. Tata Elxsi's revenues increased 10.9 per cent QoQ at Rs. 477 crore. In constant currency terms revenues grew 10 per cent QoQ mainly led by growth in transportation, broadcast & communication and healthcare segment. Ebit margins increased around 300 basis points (bps) to 27.8 per cent. Profit after tax (PAT) increased 33.3 per cent QoQ to Rs. 105 crore. Going forward, the company is expected to report robust numbers based on multiyear large deals won by the company and ramp up of previous deals. In addition, the company's strategy to diversify into healthcare and broadband is bearing fruit. The management said the company is seeing sustained recovery in the automotive market for the second consecutive quarter. This quarter has seen OEMs reinitiating key R&D programs, leading to resumption of projects as well as deals with Tier1 suppliers. "We are entering the fourth quarter and a new year with the reinforced confidence of a strong deal pipeline across markets and industries, and capabilities in product engineering, design and digital, that makes our offerings more relevant and our market position stronger than ever before," said Manoj Raghavan, Managing Director and CEO. Tata Elxsi is amongst the world's leading providers of design and technology services across industries including automotive, media, communications and healthcare.

Key recent developments

- 1) The Index of Industrial Production (IIP) contracted 1.9 percent for November 2020, showed the data released by the Ministry of Statistics and Programme Implementation (MoSPI) on January 12. The factory output in the country had grown at 3.6 per cent in October. For November 2020, IIP with base 2011-12 stands at 126.3, showed the Ministry's data. The MoSPI in its quick estimate of IIP for November data mentioned that the indices for industrial production for sectors like the mining, manufacturing and electricity stood at 104.5, 128.4 and 144.8 respectively.
- 2) The Union Ministry of Health and Family Welfare said in a media briefing on January 12 that the COVID-19 vaccination process in the country will take more than one year to complete. Responding to a question on whether states and Union territories will get to choose which vaccine they opt for, Union Health Secretary Rajesh Bhushan said: "There is no such option available to any of the beneficiaries in any country." "This means, people will not get to choose the vaccine they will be administered. They can get either of the two COVID-19 vaccines that have got emergency use approval in India - Serum Institute of India's Covishield and Bharat Biotech's Covaxin. The Centre has so far received 54.72 lakh doses of coronavirus vaccines and all the consignments from Bharat Biotech and SII are supposed to reach before January 14, the ministry informed. "All states/UTs will receive vaccine doses, 1.1 crore from Serum Institute and 55 lakh from Bharat Biotech, by January 14," the Union Health Secretary said.
- 3) Prime Minister Narendra Modi on Monday said that Centre will bear the expenses for the first phase of Covid-19 vaccination, which will begin on January 16. "Centre, not states, will bear expenses for first-phase vaccination of three crore corona warriors and frontline workers," PM Modi said after a meeting with chief ministers where he discussed the Covid-19 situation in states and preparedness for the vaccination programme. The PM CARES fund will be used to bear the cost of procuring both vaccines. The Prime Minister said that health workers - government as well as private - sanitation workers, other frontline workers, defence forces, police and other paramilitary forces will be vaccinated in the first phase. "In the second phase, those above 50 years and those under 50 years with co-morbid conditions will be vaccinated," he added. After the review meeting, PM Modi said that the country's scientists and medical experts have taken all precautions to provide our citizens with effective vaccines. He also urged the citizens of the country to keep taking precautions even after vaccine has been taken. Today, he said that the two approved vaccines more cost-effective than foreign vaccines "and have been developed as per our needs". "Only about 2.5 crore people vaccinated globally so far; we have to achieve vaccination of 30 crore citizens in next few months," the Prime Minister added. India has completed vaccination dry runs in almost every district, which is a massive achievement, the Prime Minister said in his address. The Serum Institute of India (SII) had signed a purchase order with the Government of India to procure 11 million doses of coronavirus vaccines. Serum Institute of India officials said on January 11: "The SII has received purchase order from Government of India." As per the purchase order, each dose of the coronavirus vaccine will cost Rs. 220 inclusive of 14 percent GST. SII is manufacturing Oxford-AstraZeneca's COVID-19 vaccine Covishield in India. Earlier, 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.
- 4) 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



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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 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.

- 5) Automobile dealers' body FADA on Monday said passenger vehicle (PV) retail sales in December witnessed a year-on-year increase of 23.99 per cent to 2,71,249 units. According to the Federation of Automobile Dealers Associations (FADA), which collected vehicle registration data from 1,270 out of the 1,477 regional transport offices (RTOs), PV sales stood at 2,18,775 units in December 2019. Two-wheeler sales increased 11.88 per cent to 14,24,620 units last month, as compared to 12,73,318 units in December 2019. Commercial vehicle sales, however, slipped 13.52 per cent to 51,454 units in December 2020, as against 59,497 units a year ago. Similarly, three-wheeler sales fell 52.75 per cent to 27,715 units last month, from 58,651 units in December 2019. Tractor sales, however, grew by 35.49 per cent to 69,105 units last month, against 51,004 units in the same month of 2019. Total sales across categories increased 11.01 per cent to 18,44,143 units last month compared to 16,61,245 units in December 2019.
- 6) 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.
- 7) 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.

Global equities

- 1) Asian equities were up on Wednesday on expectations that a vaccine will eventually win the battle against the coronavirus. MSCI's broadest index of Asia-Pacific shares outside Japan rose 0.61 per cent, while Japan's Nikkei 225 ended 1.04 per cent higher. South Korea's KOSPI gained 0.7 per cent, and Australia's S&P/ASX 200 reversed losses and added 0.11 per cent at close. China's Shanghai Composite, however, ended 0.27 per cent down.
- 2) In Europe, stocks were little changed on Wednesday as a profit warning from Danish wind farm developer Orsted hit utilities, while French grocer Carrefour jumped following merger talks. The pan-European STOXX 600 index rose just 0.1 per cent, as utilities were a drag after Orsted slumped 7.5 per cent on warning a return to more normal wind speeds this year would hit operating earnings.
- 3) The German DAX remained muted as Health Minister Jens Spahn said the country will not be able to lift all restrictions imposed to curb the spread of the coronavirus at the beginning of February.
- 4) The United States Congress on January 7, 2020 certified Joe Biden's election as the 46th President of the US after counting of Electoral College votes. Minutes after the US Congress' certification, President Donald Trump said there will be orderly transition on January 20. "Even though I totally disagree with the outcome of the election, and the facts bear me out, nevertheless there will be an orderly transition on January 20th," Trump said in a statement issued by White House Deputy Chief of Staff Dan Scavino. "I have always said we would continue our fight to ensure that only legal votes were counted. While this represents the end of the greatest first term in presidential history, it's only the beginning of our fight to Make America Great Again!" Trump added.
- 5) Chinese authorities last week imposed travel restrictions and banned gatherings in the capital city of Hebei province, which surrounds Beijing, to control the virus spread.

Ajcon Global's view

- 1) Profit booking was witnessed amidst high volatility throughout the day which was expected after a stellar rally across the board. The rally had taken street participants at a surprise considering the intensity of the rally led by FPI liquidity. Till yesterday, sentiments continued to remain upbeat as SII's COVID-19 vaccines arrived at different states which were ordered by the Government of India ahead of start of vaccination drive from Jan. 16, 2021. The sectors which faced the maximum price destruction when the initial lockdown was announced will recover at a rapid pace.
- 2) Domestically, all eyes would be on ongoing Q3FY21 earnings season after strong result by Companies like TCS, Avenue Supermarts (Dmart), Tata Elxsi etc. Union Budget and budget related stocks will continue to remain focus in January 2021 ahead of Union Budget to be announced in February 2021. Investors would remain stock specific in coming weeks. Pre Budget rally is expected to continue till the actual Union Budget is announced.
- 3) 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.
- 4) 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. Investors will keep an eye on the progress of COVID-19 vaccine roll out and its efficacy in various countries after these new developments. Any negative news especially on the new strain of COVID-19 will play spoilsport after the massive rally.
- 5) We believe correction will make markets healthy. Nifty valuations are expensive led by significant spike of FPI liquidity in the last two months. Nifty is trading at valuation of around 40x which is quite steep. Hence we advise, partial profit booking. On Monday, the RBI governor raised concerns over the growing disconnect between the financial markets and the real economy, saying stretched valuations posed a risk to financial stability. The International Monetary Fund has raised similar concerns in its Financial Stability Report published in June 2020.
- 6) We believe, there is still value in midcaps and smallcaps space which has still not reached January 2018 levels. However, advise investors to be careful in smallcaps space as high liquidity may paint fundamentally weak companies as next multibaggers.



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