

Stock specific action witnessed amidst high volatility; cautious approach warranted and suggest not to get carried away..

- 1) Indian benchmark indices witnessed high volatility and ended the day with marginal gains after being in red.
- 2) The S&P BSE Sensex closed at 49,584, up 92 points, or 0.19 per cent. The index hit an intra-day high and low of 49,664 and 49,182, respectively. The broader Nifty50 index, meanwhile, ended the session at 14,596, up 0.21 per cent. IndusInd Bank (up 3 per cent) and TCS (up 2.7 per cent) were the top Sensex gainers, while Reliance Industries also rose 1 per cent. On the other hand, HCL Tech (down 2 per cent) led the list of losers. Out of the 30 Sensex constituents, 16 ended the day in the green.
- 3) Among other individual stocks, Infosys declined by as much as 5 per cent while Wipro fell 6 per cent in the intra-day deals as investors booked profits in both the stocks after the companies posted better-than-expected numbers for the December quarter (Q3FY21). Both the stocks partially erased their losses and ended with marginal losses.
- 4) The Nifty sectoral indices were mixed, with gains in Nifty Pharma and Nifty FMCG indexes, up 0.8 per cent and 0.7 per cent, respectively being offset by losses in Nifty Metal index, down 1 per cent.
- 5) In the broader markets, the S&P BSE MidCap and SmallCap indices ended 0.29 per cent and 0.17 per cent higher, respectively.

Sectors and stocks

- 1) Shares of Hindustan Aeronautics ended the day 9.5 per cent higher after the government approved procurement of 83 indigenously-developed light combat aircraft 'Tejas' for the Indian Air Force at a cost of Rs. 48,000 crore.
- 2) Shares of Larsen & Toubro (L&T) hit 52-week high of Rs. 1,390, up 3 per cent on the BSE on Thursday, in an otherwise subdued market riding on steady stream of order inflows in the constructions & engineering major. L&T on Thursday announced that its construction arm has secured significant orders from prestigious clients for various businesses. The commercial and residential spaces arm of the buildings & factories business has won an order from a reputed developer to construct an office space in Mumbai.
- 3) Shares of select pharmaceutical companies were in demand in Thursday's session with Suven Pharmaceuticals rallying 15.66 per cent to settle at Rs. 502.65 on the BSE in an otherwise range-bound market. Meanwhile, Laurus Labs climbed 5.37 per cent to close at Rs. 366.80 and made a record high of Rs. 377.45. Among other stocks, Sequent Scientific, Fortis Healthcare, Vimta Labs, Suven Lifesciences, Wockhardt, Unichem Laboratories and Lupin were up in the range of 2 per cent to 10 per cent on the BSE.
- 4) Shares of Steel Authority of India (SAIL) declined by 10 per cent to Rs. 67.60 on the BSE on Thursday after the government fixed floor price at Rs. 64 per share for its 10 per cent stake sale in steel company via offer for sale (OFS). The OFS for non-retail investors opens today, while for retail investors, it will start on Friday. The floor price for the OFS is at a 14.32 per cent discount to Wednesday's closing price of Rs. 74.70. The government has decided to sell up to 206.5 million shares, or 5 per cent of total equity of SAIL, through the OFS, the company said on Wednesday. It has also kept the option to sell another 5 per cent if the issue is oversubscribed. The government's stake post the sale will come down from 75 per cent to 65 per cent if the greenshoe option is exercised. The 10 per cent stake sale in the steel maker could fetch the government Rs. 2,600 crore in divestment receipts. The stock hit an over two-year high of Rs. 80.35, on January 5, 2021, amid expectations of further improvement in performance due to the realisation of uptick in the domestic market and progressively lower proportion of exports. Since November 5, post the July-September quarter (Q2FY21) results, the stock's price has more-than-doubled after the company reported a consolidated net profit of Rs 437 crore on the back of strong operational performance. It had posted a net loss of Rs 286 crore in the same quarter of previous fiscal and a loss of Rs 1,226 crore in the June quarter (Q1FY21).

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 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. EBITDA (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) US Treasuries declined on Thursday on a report that President-elect Joe Biden will announce a stimulus package as big as \$2 trillion, while Japanese stocks surged to a new three-decade peak as investors extended bets on a global growth rebound.
- 2) Japan's Nikkei closed up 0.9 per cent at its highest level since August 1990. It has gained 25 per cent since the end of October. MSCI's index of Asia shares outside Japan was steady a whisker short of Monday's all-time high. S&P 500 futures, FTSE futures and EuroSTOXX 50 futures all rose about 0.2 per cent.

Ajcon Global's view

- 1) Volatility was witnessed throughout the day amidst stock specific action especially in PSUs and select Pharma companies. The rally had taken street participants at a surprise considering the intensity of the rally led by FPI liquidity. 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 Companies in sectors which faced the maximum price destruction when the initial lockdown was announced will continue 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 especially in Defence and Railways will continue to remain focus in next few days and weeks ahead of Union Budget to be announced in February 2021. Investors would continue to 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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