

Bulls continue to rule; rally witnessed in NBFCs space..

- 1) Indian equities were on a roll and touched new peak on Monday as bulls rode on banking and financial counters even as bears took control over IT and metal stocks. The buoyancy continued owing to good vaccination drive, lower COVID-19 cases, robust Budget proposals, and economic revival happening at a rapid pace. The benchmark indices rallied over 1 per cent today while midcap stocks outperformed their large-cap peers.
- 2) The headline S&P BSE Sensex closed above the 52,000-mark for the first time on gains of 610 points, or 1.18 per cent, at 52,154 levels. In the intra-day trade, the index hit a record high of 52,177.5 levels. Axis Bank (up 6 per cent) ended the day as top gainer on the index, followed by gains in ICICI Bank, Bajaj Finance, SBI, Bajaj Finserv, HDFC, IndusInd Bank, and HDFC Bank, all up between 2 per cent and 4 per cent.
- 3) However, losses in TCS, Dr Reddy's Labs, Tech Mahindra, HUL, Asian Paints, and HCL Tech, all down up to 1.8 per cent, capped gains.
- 4) NSE's Nifty50, on the other hand, hit a record high of 15,327 levels in the intra-day trade before ending at 15,315-mark, up 151 points or 1 per cent. About 22 stocks declined on the index today, compared with 28 stocks that advanced. SBI Life, HDFC Life, TCS, Dr Reddy's Labs, Grasim, and Tech M were the top losers on the index.
- 5) In the broader market, the S&P BSE MidCap index closed around 1.4 per cent higher with up to 14 per cent gains in Cholamandalam Finance, Apollo Hospitals, Adani Transmissions, LIC Housing Finance, Adani Enterprises, and M&M Finance.
- 6) On the contrary, the S&P BSE SmallCap index closed 0.4 per cent higher.
- 7) On the sectoral front, the Nifty Bank index stole the show and hit a new peak of 37,309 levels, up 1,200 points in the intra-day trade. The index closed 1,197 points, or 3.3 per cent, higher at 37,306 levels. That apart, the Nifty Financial Services index and the Private Bank index ended nearly 3 per cent higher each. On the downside, the Nifty IT and Metal indices closed 0.4 per cent lower.

Index	Today's Close	Prev. close	Change	% change	Open	High	Low
Sensex	52,154.13	51,544.30	609.83	1.18	51,907.75	52,235.97	51,886.46
Nifty	15,314.70	15,163.30	151.4	1.0	15,270.30	15,340.15	15,243.40

Sectors and stocks

- 1) Shares of Clariant Chemicals (India), on Monday, rallied by 19 per cent to Rs. 467 on the BSE in intra-day trade after the company's board approved the payment of second interim dividend at Rs. 50 per share i.e., 500 per cent for the financial year 2020-21. The company said the said interim dividend shall be paid on or after February 23, 2021. It has fixed February 2 as the record date for ascertaining the eligible shareholders to receive the dividend. Meanwhile, specialty chemical company reported the Profit before exceptional item & tax of Rs. 19 crore for the quarter ended December 31, 2020 (Q3FY21), as compared to loss before tax of Rs. 3.1 crore for the same quarter last fiscal. Sales during the quarter rose by 7 per cent, at Rs. 202.1 crore, as against Rs. 188.3 crore for the corresponding quarter in the previous year. The management said the company delivered a strong performance in Q3, with its sustained efforts on working capital, cost control and operational productivity all coming good. Clariant Chemicals said that during the quarter under review, the Company had received a demand of Rs. 9.24 crore, including interest of Rs. 34.90 lakh against short deduction of TDS on the dividend payments made to parent companies. Management is confident that the matter will be decided in favour of the company and accordingly no provision has been made in books of accounts in respect of this demand, it said.
- 2) Shares of Amara Raja Batteries declined by 8 per cent to Rs. 915 apiece in the intra-day trade on the BSE on Monday after the company reported disappointing EBITDA margin declining 200 basis points (bps) quarter on quarter (QoQ) and 160 bps YoY to 15.6 per cent in December quarter (Q3FY21) due to higher staff cost. The company, however, reported a 17.7 per cent YoY growth in profit after tax at Rs 193 crore on 12.1 per cent YoY



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jump in net sales at Rs. 1,960 crore. The company has also announced capex of Rs. 500 crore towards setting up lead acid recycling plant of 1 lakh tonnes per annum capacity (Rs 280 crore) and captive 280 MW solar power plant (Rs 220 crore). "The company is going forward with strategic investments focused on improving operational efficiencies, cost optimisation and technology upgradation. The planned investments in solar and lead recycling plants will aid reducing costs and provide long term support to key raw material procurement," the management said in a statement. Amara Raja Batteries is one of the largest manufacturers of lead-acid batteries for both industrial and automotive applications in the Indian storage battery industry.

Key recent major developments..

- 1) India has given the first dose of covid antidote to 82,85,295 beneficiaries in the nation-wide vaccination drive. India became the fastest country in the world to reach the 5 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 said on Monday. Addressing the media, Vardhan said that in the next 2-3 weeks, vaccinations against COVID-19 will be started for people above 50 years of age. "About 18-20 vaccine candidates against COVID-19 are in the pipeline and are in preclinical, clinical and advanced stages," Vardhan said. He further said that India will be supplying vaccines to 20-25 other countries.
- 2) The wholesale price index (WPI)-based inflation rate rose to 2.03 per cent in January from 1.22 per cent in the previous month as fuel and non-food manufactured products faced price pressures. Economists feel there is no further room for rate cuts by the monetary policy committee of the Reserve Bank of India in the current cycle. The WPI inflation rose because it consists of mainly manufactured items which have a weight 64.23 per cent. Besides, fuel and power have 13.15 per cent weight. Both these categories surged in inflation or decreased in the deflation rates. Core inflation rate (that on manufactured items sans processed food products) rose to a 27-month high 5.1 per cent in January.
- 3) The consumer price index (CPI)-based inflation rate, on the other hand, fell to a 16-month low of 4.06 per cent from 4.59 per cent over this period. While the directions of CPI and WPI inflation rates look divergent, a deeper analysis showed that items within each of them moved more or less in tandem.
- 4) The country's exports grew by 6.16 per cent to US\$27.45 billion in January, according to data by the commerce ministry. Imports too grew by 2 per cent to about US\$42 billion, leaving a trade deficit of US\$14.54 billion during the month under review, the data showed. Exports during April-January this fiscal dipped by 13.58 per cent to US\$228.25 billion, while imports declined by 25.92 per cent to US\$300.26 billion.
- 5) Indian tech industry continues to be a net hirer with significant focus on digital upskilling amidst COVID-19 crisis. The industry is expected to add over 138,000 net new hires in FY2020-21, taking total employee base to 4.47 million in FY2020-21. Digital talent pool is expected to cross 1.17 million, growing at 32 per cent over last year.
- 6) Investing in digital continues to rise as an imperative for the industry, with organisations building their capabilities and aligning business models to digital practices--up to 28-30 per cent of the industry revenues was recorded for digital.
- 7) Global rating agency Moody's on last Thursday said that India's economic recovery reduces the risk of a sharp deterioration in public sector banks' (PSBs) mildly improving asset quality. However, the capital shortfalls will remain despite a likely government equity infusion and this makes banks vulnerable to unexpected shocks and restricting credit growth.
- 8) According to the Federation of Automobile Dealers Association (FADA), the automobile registrations declined by 9.66 percent in January 2021 on YoY basis after showing a year-on-year (YoY) growth in December, 2020. Registration data compiled from the Centre's VAHAN portal reflect retail sales of automobiles. All categories except tractors were in the red, it said, adding that YoY, two-wheeler (2W), three-wheeler (3W), commercial vehicle (CV) and passenger vehicle (PV) registrations fell 8.78 per cent, 51.31 per cent, 25 per cent and 4.46 per cent, respectively. Tractors continued to see strong momentum with a YoY growth of 11.14 per cent, FADA said. The association added that non-availability of vehicles due to scarcity of semiconductors, fading pent-up demand and recent price hikes coupled with no festivities and auspicious days landed January registrations in the negative zone. While dealer inventory for PVs continued to fall and come in the range of 10-15 days, 2W inventory stayed put at 30-35 days, it said. PV retail sales in January were recorded at 2,81,666 units, as a semiconductor shortage impacted the segment, compared with 2,94,817 units in January 2020. Similarly, 2W sales declined to 11,63,322 units (12,75,308 units).
- 9) The Reserve Bank of India (RBI) earlier announced its plan to buy bonds worth Rs. 20,000 crore under Open Market Operations (OMO) to support the government's borrowing programme. "On a review of current liquidity and



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financial conditions, therefore, the Reserve Bank has decided to conduct purchase of government securities under OMO for an aggregate amount of Rs 20,000 crore on February 10, 2021," the central bank said in a press release.

- 10) The RBI kept the repo rate unchanged at 4 per cent and maintained the policy stance as 'accommodative' 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 normalisation 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.
- 11) Activity in India's services sector expanded for the fourth straight month in January as the Covid-19 vaccination roll-out drove business optimism, a private survey showed on Wednesday. The IHS India Services Business Activity Index rose to 52.8 in January from 52.3 in December, suggesting the pace of growth was moderate. The 50-point mark separates expansion from contraction. But it should be noted that the PMI is a month-over-month indicator, showing improvement over the previous month, and not over the previous year. "The Indian services sector enjoyed good levels of activity in January, with new business volumes rising for the fourth successive month and growth rates for both measures picking up from December," said Pollyanna De Lima, Economics Associate Director at IHS Markit. "The service sector looks set to sustain growth and confidence towards hiring may improve as COVID-19 concerns diminish," De Lima added.
- 12) In the Union Budget 2021-22, 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).
- 13) 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.
- 14) 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 which is a bold move. Remember, privatisation of banks has been promised long by successive governments but there has not been much of a progress. 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.
- 15) 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.
- 16) The extension of tax exemption schemes in Affordable Housing will have a strong positive effect on various sectors related to it.
- 17) 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.
- 18) 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.

- 19) 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.
- 20) India forecast robust economic growth of 11% for the fiscal year beginning on April 1 in its annual economic survey, 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. "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.

Global markets

- 1) Global equities rose for the 11th day in a row to hit a fresh peak on optimism about the rollout of Covid-19 vaccines and new fiscal aid from Washington, while tensions in the Middle East drove oil to a 13-month high.
- 2) With China and Hong Kong markets closed for the Lunar New Year holiday, Japan's Nikkei led the way, climbing 1.9 per cent to reclaim the 30,000-point level for the first time in more than three decades.
- 3) Asian equities hovered just below record highs as less than expected fall in the US weekly jobless claims too caused investors to show restraint. MSCI's broadest index of Asia-Pacific shares outside Japan fell 0.05 per cent, Australian stocks lost 0.63 per cent, and shares in Tokyo fell 0.2 per cent.
- 4) In Europe, shares scaled one-year highs on Monday with the pan-European STOXX 600 up 0.7 per cent.
- 5) Last week, on Friday, UK's gross domestic product shrank 9.9 per cent in 2020, its biggest decline on record.

Ajcon Global's view

- 1) Buoyancy was witnessed in NBFCS space and select midcaps and smallcaps based on Q3FY21 earnings performance after flattish trend last week. It is to be noted that benchmark indices ended flat on Friday after weak global cues especially after UK posting dismal GDP data. Indian equities have witnessed a new euphoria and have rallied significantly 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. Various PSUs have been re-rated as Privatisation agenda of the Government has made investors happy as its a bold move. With robust rally of around 10 percent in benchmark indices which reflects upsurge in Largecaps in just a week's time; naturally its turn of midcaps and smallcaps to join the party too which was reflected in today's trading session. Jan. 2018 levels may soon approach fast considering the intensity of the euphoria post the Budget proposals. Sentiments were buoyant post Budget 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. FPIs too cheered Budget announcements and have re-rated various sectors. We rate this Union Budget as 8.5/10 and will be remembered for a long time.
- 2) 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 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.
- 3) Domestically, ongoing Q3FY21 earnings season which is nearing end has been robust after good 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



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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 and many more.

- 4) With Union Budget 2021-22 presented, RBI's Monetary Policy keeping rates unchanged, stellar show by majority of the Companies in Q3FY21 earnings season; all eyes would be now FPI liquidity after stellar run and COVID-19 cases numbers . The Budget proposals are long term in nature. The implementation of all these budget provisions may take some time. Hence, short term investors are advised to book partial profits.



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