

Domestic bourses come under pressure; PSU Banks buck the trend and continue to rally significantly..

- 1) Indian benchmark indices were under pressure as profit-booking dragged indices. The S&P BSE Sensex declined 400 points, or 0.77 per cent, to end below the 52,000-mark at 51,704 levels. Losses in heavyweights such as HDFC Bank, HDFC, TCS, Infosys, HUL, and Asian Paints dragged the index nearly 300 points down today.
- 2) Overall, Nestle (down 3 per cent), Maruti Suzuki, Asian Paints, Bajaj Finserv, HDFC Bank, and IndusInd Bank were the top losers on the BSE barometer. However, gains of 3 per cent in State Bank of India, and up to 2 per cent in Power Grid, Reliance Industries, Bajaj Auto, and Axis Bank helped trim losses.
- 3) On the NSE, the Nifty50 index ended below the 15,250-mark at 15,209 level, down 104 points or 0.68 per cent.
- 4) In the intra-day session, the Sensex and the Nifty indices touched a low of 51,586 and 15,171, respectively.
- 5) The broader markets, however, bucked the trend and ended higher. Riding on up to 20 per cent gains in Bank of Maharashtra, Indian Overseas Bank, Central Bank of India, Greaves Cotton, and Shankara Building Products, the S&P BSE SmallCap index ended 0.5 per cent higher. Meanwhile, the mid-cap counterpart settled 0.02 per cent up.
- 6) On the sectoral front, IT and pharma stocks bore the maximum brunt with the Nifty IT and Pharma indices closing 1.3 per cent and 1.7 per cent down, respectively. The Nifty Financial Services and FMCG indices, too, ended up to 1 per cent down. On the upside, the Nifty PSU bank index settled around 6 per cent higher on privatisation hopes.

Index	Today's Close	Prev. close	Change	% change	Open	High	Low
Sensex	51,703.83	52,104.17	-400.34	-0.77	51,996.94	52,078.15	51,586.34
Nifty	15,208.90	15,313.45	-104.55	-0.68	15,279.90	15,314.30	15,170.75

Sectors and stocks

- 1) Shares of Public sector banks were in total command for the second day in a row as investor sentiments were robust on privatisation buzz and strong Q3FY21 results posted by majority of them. The Nifty PSU Bank index was up by 5.6 per cent to hit an intra-day high of 2,446 on the National Stock Exchange (NSE) as against a 0.6 per cent drop in the Nifty50 index. Shares of Bank of Maharashtra were up by 21 per cent, Bank of India (20 per cent), Indian Overseas Bank (23 per cent), and the Central Bank of India (20 per cent). In the past two days, shares of these banks have jumped over 40 per cent each. That apart, other PSU banks' stocks advanced too with UCO Bank, J&K Bank, Punjab National Bank (PNB), Indian Bank, Bank of Baroda, SBI, and Canara Bank up between 1.5 per cent and 7 per cent.
- 2) Shares of Nestle ended 2.8 per cent lower today after declining by 5 per cent in the intra-day after the firm's December quarter numbers failed to meet Street's expectations. The company on Tuesday, after market hours, posted a 2.25 per cent year-on-year (YoY) rise in net profit to Rs 483.31 crore for the fourth quarter ended December.
- 3) Shares of Route Mobile hit a new high of Rs. 1,979, up 8 per cent, on the BSE in intra-day trade today. The company engaged in internet software and services business has rallied 56 per cent during the week. Thus far, in the month of February, it has soared 75 per cent. Route Mobile is a leading Cloud Communication Platform provider, catering to enterprises, over-the-top (OTT) players and mobile network operators (MNO). The company's range of enterprise communication services includes smart solutions in A2P messaging, voice, email, and SMS filtering, analytics and monetisation.
- 4) Shares of Happiest Minds Technologies, meanwhile, hit a new high of Rs. 484 as they hit 20 per cent upper circuit on the BSE in intra-day trade on Wednesday on the back of heavy volumes in an otherwise weak market. In the past seven trading days, the stock has rallied 33 per cent after its net profit nearly doubled to Rs 42.15 crore in the December quarter (Q3FY21), against Rs 21.38 crore in the year-ago quarter.

- 5) Shares of OnMobile Global were locked in upper circuit of 10 per cent at Rs. 104.25, also its 52-week high, on the BSE today. The stock of other telecom services provider has rallied by 68 per cent during the week. Thus far, in the month of February, it has rallied 89 per cent on reporting nearly double YoY growth in net profit at Rs. 12 crore in Q3FY21 from Rs 6.5 crore in Q3FY20. EBITDA margin improved 500 bps to 12.7 per cent from 7.7 per cent. OnMobile provides end-to-end mobile entertainment solutions that include platform, apps, content partnerships, and professional services to carriers across the globe. Based on current deployments, OnMobile has over 100 million active subscribers and an addressable base of more than 1.68 billion mobile users across several geographies.
- 6) Shares of Dharamsi Morarji Chemical Company hit a record high of Rs. 322.95 as it jumped 16 per cent today. The stock of the specialty chemicals firm has rallied by 66 per cent in the past five trading days after it reported 47.52 per cent year-on-year (YoY) jump in EBITDA at Rs. 8.94 crore in Q3FY21, as compared to Rs. 6.06 crore in Q3FY20. EBITDA margin improved 391 basis points (bps) to 18.88 per cent from 14.97 per cent. The strong margins were aided by a combination of soft input prices and higher finished product prices during the quarter. The company said it is witnessing a recovery in volumes in both bulk as well as specialty chemicals in the domestic markets as all industries are now fully operational. The company has a strong order book visibility and expects the momentum to continue going forward.
- 7) Shares of Greaves Cotton rallied by 16 per cent to Rs. 114.75 on the BSE in the intra-day trade on Wednesday, having rallied 32 per cent in the past one week, after the company reported a standalone net profit of Rs. 20.92 crore in December quarter (Q3FY21) on the back of a strong operational performance. The company, engaged in industrial machinery segment, had posted a net loss of Rs. 23 crore in the previous quarter. The company continued its growth momentum with consolidated revenues at Rs. 495 crore in Q3FY21 and Ebitda at Rs. 49 crore in Q3FY21. This represented around 50 per cent growth in revenues over the previous quarter. Ebitda margin during the quarter recovered to 12 per cent from 6.1 per cent in Q2FY21. The company's BSVI or Bharat Stage VI engines have shown superior performance in the automotive business, and have been well accepted in the Cargo 3 wheeler segment where growth has rebounded. In other segments like Non-Auto, Aftermarket the growth has been back to pre-Covid levels. Meanwhile, in the E-Mobility segment, the company has crossed last full year sales in nine months despite Covid-19 induced lockdown," the management said in a statement. The company has fortified its base with emphasis on building resilient cost structures and consolidation of engine operations at Aurangabad. Furthermore, new electric vehicles (EV) capacity expansion plans in South India will help us provide best-in-class electric vehicles & help accelerate overall EV adoption in India, it added.
- 8) Shares of Info Edge India, one of the leading internet firms in the country, declined 4.4 per cent in Wednesday's intra-day session to hit a low of Rs. 4,865 per share. With today's slide, the share price has declined by 12 per cent in two days. On February 12, the company had reported a 22.7 per cent on year decline in standalone net profit at Rs. 69.87 crore along with a 15 per cent fall in net sales at Rs. 272.30 crore in Q3FY21 over Q3 FY20. Billing in the third quarter was at Rs. 297 crore, down by 1 per cent as compared to the corresponding quarter in FY20. The deferred sales revenue (amount collected in advance) as on 31 December 2020 was Rs. 393.5 crore, down by 13.9 per cent over the quarter ended 31 December 2019. Operating Ebitda declined by 35.6 per cent to Rs. 68.2 crore in Q3FY21 from Rs. 105.9 crore in Q3FY20. Profit before tax in the quarter also slipped 21.4 per cent YoY to Rs. 87.45 crore from Rs. 111.24 crore in Q3FY20.

Key recent major developments..

- 1) 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.
- 2) The Cabinet has approved the Comprehensive Economic Cooperation and Partnership Agreement (CECPA) between India and Mauritius to encourage and improve trade between the two countries. The Agreement is a limited agreement, which will cover trade in goods, rules of origin, trade in services, technical barriers to trade (TBT), sanitary and phytosanitary (SPS) measures, dispute settlement, movement of persons, telecom, financial services, customs procedures and cooperation in other areas. The CECPA will be the first trade agreement to be signed by India with a country in Africa, information and broadcasting minister Prakash Javdekar said.
- 3) 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.

- 4) India has given the first dose of covid antidote to 89,99,230 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.
- 5) 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.
- 6) 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.
- 7) 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.
- 8) 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.
- 9) 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.
- 10) 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.
- 11) 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).
- 12) 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 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.
- 13) 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



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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.

- 14) 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.
- 15) 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).
- 16) 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.
- 17) 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.
- 18) 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.
- 19) The extension of tax exemption schemes in Affordable Housing will have a strong positive effect on various sectors related to it.
- 20) 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.
- 21) 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.
- 22) 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.

23) 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) Globally, equities are in the midst of the longest run of gains since 2003 as optimism over the economic recovery sweeps across markets. The MSCI World Index has risen for 12 straight sessions; US equities were in the green in early trade. In Japan, the Nikkei 225 Stock Average extended its advance past the 30,000 level. European markets steadied after a rally on Monday.
- 2) Today, Japan's Nikkei index was down by 0.58 per cent to 30,292, South Korea's benchmark Kospi index ended down 0.93 per cent at 3,134.
- 3) In Europe, the pan-European STOXX 600 index was down 0.4 per cent, while London's mid-cap FTSE 250 lost 0.2 per cent.
- 4) Successful rollouts of COVID-19 vaccines in many countries are raising hopes of further recovery in economic activities hampered by range of anti-virus curbs.
- 5) U.S. President Joe Biden is also pushing ahead with his plan to pump an extra US\$1.9 trillion in stimulus into the economy, in a further boost to market sentiment. The expectations of low interest rates is helping inflows into equities. The bullish view on the economy lifted bond yields, with the 10-year U.S. Treasuries gaining 5 basis points to 1.252% in early Asian trade, its highest since late March. Investors are keeping an eye for the minutes from the U.S. Federal Reserve's January meeting, due to be published on Wednesday, for confirmation of its commitment to maintain its dovish policy stance over the near future. That in turn is set to keep a tab on bond yields.
- 6) 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) Overall, benchmark indices were under pressure led by profit booking. However, select midcaps and smallcaps were on fire. It is a clear indication of portfolio churning and increasing allocation towards midcaps and smallcaps after mega rally in largecaps during COVID-19 crisis and after Union Budget proposals.
- 2) Buoyancy continued in PSU banking space after a media report yesterday suggested that Government had shortlisted for privatisation four banks - Bank of India, Central Bank of India, Indian Overseas Bank and Bank of Maharashtra which is not confirmed by the Government officials. Buoyancy was witnessed in select midcaps and smallcaps based on Q3FY21 earnings performance.
- 3) 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.



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- 4) 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.
- 5) 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 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.
- 6) 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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For research related queries contact:

Mr. Akash Jain – Vice President (Research) at, 022-67160431 (D)

CIN:L74140MH1986PLC041941

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Website: www.ajcononline.com

Registered and Corporate office

408 - (4th Floor), Express Zone, "A" Wing, Cello – Sonal Realty, Near Oberoi Mall and Patel's, Western Express Highway, Goregaon (East), Mumbai – 400063. Tel: 91-22-67160400, Fax: 022-28722062