

Indian equities end in red amidst weak global cues; midcaps and smallcaps too witness pressure after euphoria..

- 1) The S&P BSE Sensex and Nifty50 recovered from significant losses but still closed around 1 per cent per cent lower. The Sensex index ended at 48,564 levels, down 470 points or 0.96 per cent, on the BSE with RIL, Titan, HDFC Bank, and ITC ending the day as the only gainers. On the downside, ONGC (down 5 per cent), Sun Pharmaceuticals, Bajaj Finance, and PowerGrid remained as top drags. The index hit an intra-day low of 48,404 today.
- 2) In the broader market, the S&P BSE MidCap index underperformed the frontline indices and ended 2 per cent lower. The S&P BSE SmallCap index closed with a 1.89 per cent cut.
- 3) Market breadth remained in the favour of bears as 2,089 stocks declined on the BSE today, as against 938 stocks that rose. On the sectoral front, all the indices ended the day in the red with Nifty Metal index sliding over 4 per cent. Nifty Realty, Pharma, and Auto index each slipped 2 per cent on the NSE.
- 4) Volatility index, India VIX, was up by over 4 per cent in the intra-day trade today before cooling-off to settle 1.2 per cent higher at 24 levels.

Sectors and stocks

- 1) Shares of HDFC Bank hit a new high of Rs. 1,503, surging 2.5 per cent in the intra-day trade on the BSE on Monday, after the private sector reported steady performance for the October-December quarter (Q3FY21) with net profit increasing by 18 per cent year on year (YoY) to Rs. 8,758 crore, driven by robust growth in net interest income and other income.
- 2) Shares of UPL hit an over 11-month high of Rs. 558, up 7 per cent, on the back of heavy volumes in an otherwise subdued market on the National Stock Exchange (NSE). With today's gain, it has rallied 34 per cent from its recent low of Rs. 416, hit on December 21, 2020, in the intra-day trade. The stock of the agrochemicals company was trading at its highest level since February 2020. Moreover, it was quoting close to its 52-week high level of Rs. 601, touched on February 14 last year. UPL, on December 29, had announced that the company had successfully redeemed \$410 million worth of dollar-denominated bonds before their due date of October next year. The move, it said, was in-line with the company's earlier commitment to reduce its overall debt and was seen addressing one of investors' key concerns. "This prepayment is in-line with its commitment to reduce debt. UPL is committed towards deleveraging its balance sheet at the back of strong business prospects and agriculture commodity prices, and favourable agronomic conditions," UPL had said in a statement.
- 3) Shares of Tata Elxsi rallied 7 per cent to Rs. 2,534 on the BSE on Monday, in an otherwise weak market, after foreign portfolio investors (FPIs) increased their stake in the company by nearly one percentage points during the October-December quarter (Q3FY21). The stock hit a record high of Rs. 2,576 on January 14, 2020. In the past one month, the stock has rallied 55 per cent as against a 4 per cent rise in the S&P BSE Sensex. In the past six months, it has rallied by 177 per cent as compared to a 32 per cent surge in the benchmark index. According to the Q3FY21 shareholding pattern filed by Tata Elxsi, FPIs have increased their holding in the company by 0.87 per cent to 12.62 per cent from 11.75 per cent at the end of September 2020 quarter (Q2FY21). FPIs held 10.54 per cent stake in Tata Elxsi as on June 30, 2020 (Q1FY20), shareholding pattern data shows. They bought an additional 1.30 million equity shares of the company between July and December 2020. Meanwhile, Tata Elxsi last week reported strong Q3FY21 results with double-digit quarter on quarter (QoQ) revenue growth and industry-leading operating margins. The company's revenues increased by 10.9 per cent QoQ to 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 (earnings before interest and tax) margins increased around 300 basis points (bps) to 27.8 per cent. Meanwhile, profit after tax (PAT) increased by 33.3 per cent QoQ to Rs. 105 crore.
- 4) Shares of Indian Energy Exchange (IEX) rallied 8 per cent to hit a new high of Rs. 253 on the BSE on Monday in an otherwise weak market ahead of the announcement of its December quarter (Q3FY21) results on Thursday. IEX is the first and largest energy exchange in India providing a nationwide, automated trading platform for physical delivery of electricity, renewable power, renewable energy certificates and energy saving certificates. The exchange platform enables efficient price discovery and increases the accessibility and transparency of the power market in India while also enhancing the speed and efficiency of trade execution. IEX, on Friday, announced that the company's board of directors, in its meeting scheduled to be held on Thursday, January 21, 2021, will also, inter

alia, consider declaration of interim dividend to the members of the Company for the Financial Year 2020-2021. The purpose of determining the entitlement of the shareholders for the interim dividend, if any, approved by the board will be Saturday, January 30, 2021, it said. In the past one month, the IEX's stock has outperformed the market by surging 17 per cent, against 3.4 per cent rise in the S&P BSE Sensex. On January 5, the company said the electricity market at Indian Energy Exchange traded an all-time high volume of 7260 MU during the month of December 2020 witnessing a 52 per cent year on year (YoY) during the month. The real-time electricity market continued to witness exceptionally good response from the market participants. The market registered an all-time high-volume of 1129 MU in Decemeber'20 since commencement on June 1, 2020 and achieved 26 per cent month on month (MoM) growth in volume. IEX has seen the highest-ever quarterly volumes in the company's history of 20,167 MU i.e. growth of c.62 per cent year on year (YoY). The major reason was increase in volumes in day-ahead market (DAM) along with incremental volumes from the real-time market (RTM) and Green term ahead market (TAM) segments.

Key recent major developments..

- 1) Last week, Prime Minister Narendra Modi on Saturday launched 'world's largest vaccination drive' against Covid-19, congratulating citizens and scientists for the feat. He cautioned people to ensure that they take both the doses at one month's gap and show patience as the country begins to give the antidote to its huge population. "Don't make the mistake of taking one dose and then forgetting about dose two and don't forget coronavirus appropriate behaviour after getting the dose. The patience with which you fought coronavirus, show the same patience during vaccination now," PM Modi said.
- 2) 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.
- 3) 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.
- 4) Prime Minister Narendra Modi earlier 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. He had earlier 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.
- 5) 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



AJCON GLOBAL
YOUR FRIENDLY FINANCIAL ADVISOR

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.

- 6) Automobile dealers' body FADA 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.
- 7) 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.
- 8) 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) Global equities declined on Monday as soaring Covid-19 cases offset investor hopes of a quick economic recovery, while the Chinese economy posted a better-than-expected rebound in the fourth quarter of 2020.
- 2) European stocks as measured by the STOXX 600 index opened 0.3 per cent weaker. Germany's DAX fell 0.2 per cent, France's CAC 40 index fell 0.3 per cent, and Italy's FTSE MIB index slipped 0.3 per cent. Britain's FTSE 100 index fell 0.1 per cent.
- 3) In Asia, Chinese blue chips gained 0.8 per cent after the economy was reported to have grown 6.5 per cent in the fourth quarter, on a year earlier, topping forecasts of 6.1 per cent.
- 4) Japan's Nikkei was down by 0.8 per cent. MSCI'S All Country World Index, which tracks stocks across 49 countries, fell 0.1 per cent, down for a second session after hitting record highs only last week.

Ajcon Global's view

- 1) After a stellar run since November 2020, benchmark indices continued to remain under some pressure amidst weak global cues and profit booking. Since November 2020, the Nifty50 index has rallied ~ 25.3 per cent, till last week, led by massive liquidity, strong foreign fund inflows and development on the vaccine front. The rally had taken street participants at a surprise considering the intensity of the rally led by FPI liquidity, GDP growth still in negative amidst faster economic recovery during Unlock phase, festive season. 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 to recover at a rapid pace.
- 2) Domestically, all eyes would be on ongoing Q3FY21 earnings season after strong result by Companies like HDFC Bank, 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.



AJCON GLOBAL
YOUR FRIENDLY FINANCIAL ADVISOR

- 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. China is also witnessing rise of COVID-19 cases after nearly 10 months. Investors will keep an eye on the progress of COVID-19 vaccine roll out and its efficacy in India and 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 further 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. The combined market capitalisation of all listed companies in India crossed the country's GDP for the first time in more than 10 years. Last week on Thursday, the market-capitalisation on the BSE reached R.s 197.7 trillion, against India's nominal GDP at current prices of around Rs. 190 trillion during the year ended December 2020. 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 and suggest to stick with quality names only. Going ahead, all eyes would be on expectations from Union Budget, ongoing Q3FY21 earnings season and FPI liquidity. Investors are expected to participate strongly in upcoming IPOs like Indian Railway Finance Corporation (evident in today's subscription numbers and anchor investment), Indigo Paints after a good show by majority of IPOs post listing in recent months.

Disclaimer

Ajcon Global Services Limited is a fully integrated investment banking, merchant banking, corporate advisory, stock broking, commodity and currency broking. Ajcon Global Services Limited research analysts responsible for the preparation of the research report may interact with trading desk personnel, sales personnel and other parties for gathering, applying and interpreting information.

Ajcon Global Services Limited is a SEBI registered Research Analyst entity bearing registration Number INH000001170 under SEBI (Research Analysts) Regulations, 2014.

Individuals employed as research analyst by Ajcon Global Services Limited or their associates are not allowed to deal or trade in securities that the research analyst recommends within thirty days before and within five days after the publication of a research report as prescribed under SEBI Research Analyst Regulations.

Subject to the restrictions mentioned in above paragraph, We and our affiliates, officers, directors, employees and their relative may: (a) from time to time, have long or short positions acting as a principal in, and buy or sell the securities or derivatives thereof, of Company mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage.

Ajcon Global Services Limited or its associates may have commercial transactions with the Company mentioned in the research report with respect to advisory services.

The information and opinions in this report have been prepared by Ajcon Global Services Limited and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of Ajcon Global Services Limited. While we would endeavour to update the information herein on a reasonable basis, Ajcon Global Services Limited is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent Ajcon Global Services Limited from doing so. This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. Ajcon Global Services Limited will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. Ajcon Global Services Limited accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice. Ajcon Global Services Limited or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

Ajcon Global Services Limited encourages independence in research report preparation and strives to minimize conflict in preparation of research report. Ajcon Global Services Limited or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither Ajcon Global Services Limited nor Research Analysts have any material conflict of interest at the time of publication of this report.

It is confirmed that Akash Jain – MBA (Financial Markets) or any other Research Analysts of this report has not received any compensation from the company mentioned in the report in the preceding twelve months. Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

Ajcon Global Services Limited or its subsidiaries collectively or Directors including their relatives, Research Analysts, do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.



It is confirmed that Akash Jain – MBA (Financial Markets) research analyst or any other Research Analysts of Ajcon Global do not serve as an officer, director or employee of the companies mentioned in the report.

Ajcon Global Services Limited may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Neither the Research Analysts nor Ajcon Global Services Limited have been engaged in market making activity for the companies mentioned in the report.

We submit that no material disciplinary action has been taken on Ajcon Global Services Limited by any Regulatory Authority impacting Equity Research Analysis activities.

Analyst Certification

I, Akash Jain MBA (Financial Markets), research analyst, author and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. I also certify that no part of compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view (s) in this report.

For research related queries contact:

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

CIN:L74140MH1986PLC041941

SEBI registration Number: INH000001170 as per SEBI (Research Analysts) Regulations, 2014.

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