

Positive global cues and strong earnings performance by majority of companies in Q3FY21 lift investor sentiments; all eyes on expectations and actual Union Budget after COVID-19 crisis..

- 1) Bulls regained lost ground as broad based buying was witnessed led by positive global cues and strong earnings performance by majority of companies in Q3FY21 that lifted investor sentiments. In the intra-day trade, the S&P BSE Sensex was up by 936 points to hit a high of 49,500 levels. The index pared gains marginally and closed with gains of 834 points, or 1.7 per cent, at 49,398.29 levels.
- 2) Bajaj Finserv, Bajaj Finance, HDFC, ICICI Bank, and L&T jumped between 3 per cent and 7 per cent on the BSE today, contributing the most towards the index's gain. That apart, HDFC Bank, Reliance Industries, and TCS, all up in the range of 1.5 per cent to 2.5 per cent, remained other contributors. On the NSE, the Nifty50 reclaimed the 14,500-mark in the intra-day trade to hit a high of 14,546. The 50-share index, however, closed at 14,521 levels, up 239.85 points or 1.68 per cent. 46 of the 50 constituents ended the day in the green.
- 3) In the broader market, mid-cap peers outperformed the large-caps, with the S&P BSE MidCap index settling 2.3 per cent higher at 18,953. The SmallCap index, on the other hand, closed at 18,634.97, up 1.6 per cent higher.
- 4) Among key sectoral indices, Nifty Financial Services index ended 2.4 per cent higher at 15,614.10. During the day, Bajaj twins – Bajaj Finance and Bajaj Finserv - rallied 9 per cent and 6 per cent, respectively, while Cholamandalam Investment and Finance Company, too, surged 9 per cent on the back of heavy volumes.
- 5) Nifty Realty index rallied by up to 4.8 per cent on the NSE, hitting an intra-day high of 341, which was close to its 52-week high level of 346.50. Among individual stocks, Indiabulls Real Estate zoomed 13 per cent to Rs 87.90; DLF hit a 52-week high of Rs 296 after rallying 7 per cent in intra-day trade; Godrej Properties, Prestige Estate Projects, Sobha, Oberoi Realty and Brigade Enterprises were up in the range of 3 per cent to 4 per cent.

Sectors and stocks

- 1) Shares of non-banking financial companies (NBFC) were in focus in Tuesday's session as the Bajaj twins – Bajaj Finance and Bajaj Finserv - rallied 9 per cent and 6 per cent, respectively, while Cholamandalam Investment and Finance Company, too, surged 9 per cent on the BSE in intra-day trade on the back of heavy volumes. L&T Finance Holdings, Indiabulls Housing Finance, IIFL Finance, REC, Shriram Transport Finance Company, Power Finance Corporation, LIC Housing Finance and Housing Development Finance Corporation (HDFC) were up between 3 per cent and 9 per cent on the BSE in intra-day trade.
- 2) Shares of L&T Technology Services (LTTS) were up by 10 per cent to Rs. 2,621 on the BSE in the intra-day trade on Tuesday on the back of heavy volumes ahead of its October-December quarter (Q3FY21) results. The company said it will announce its results for the third quarter of FY21 on Wednesday, January 20, 2021 post market hours. The stock of LTTS, a subsidiary of Larsen & Toubro (L&T) focused on engineering, research & development (ER&D) services, hit a record high of Rs. 2,780 on Friday, January 15, 2021. In the past three months, post July-September quarter (Q2FY21) earnings, LTTS has outperformed the market by surging 50 per cent as compared to a 22 per cent rise in the S&P BSE Sensex. The trigger for the recent rally has been the multiple deals that the company has won in the ongoing December quarter and expectations of a recovery in the (ER&D) segment. While announcing Q2 results on October 19, 2020, the management said it is confident that the growth momentum will continue with the steady order bookings and a healthy pipeline across all segments. Besides, the management believes that the worst is behind now given the initial signs of a new normal, higher demand for digital and leading-edge technologies and absence of any indication for ramp-down of any projects. It had raised its annual revenue growth guidance as they expect a decline of 7-8 per cent in dollar revenues for FY2021 versus a 9-10 per cent decline expected earlier, translating into a 3.4-4.8 per cent quarter on quarter (QoQ) growth for the remaining quarters of FY2021.
- 3) Shares of real estate companies rallied at the bourses on Tuesday, with the Nifty Realty index surging nearly 5 per cent after Indiabulls Real Estate said it is seeing high demand for completed products, and continues to expect robust collections for the rest of the financial year. In an investor presentation, the Mumbai-based real estate developer said the affordability of real estate is at a multi-year high with declining interest rates. The stock of Indiabulls Real Estate rallied by 13 per cent to Rs. 87.90 on the National Stock Exchange (NSE) on Tuesday on the back of heavy volumes.

Key recent major developments..

- 1) A total of 380,000 people have been vaccinated since the rollout of the coronavirus vaccines three days ago, the government said today. 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 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.
- 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



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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) European equities were up on Tuesday after Asian markets rallied on optimism about China's economy. The pan-European STOXX 600 index gained 0.4 per cent, while Germany's DAX and France's CAC 40 gained 0.4 per cent and London's blue-chip index rose 0.7 per cent.
- 2) Asian equities closed in on all-time highs as investors wagered China's economic strength would help underpin growth in the region after data confirmed the world's second-largest economy was one of the few to grow over 2020.
- 3) China was dealing with coronavirus outbreaks across its frigid northeast on Tuesday, prompting additional lockdowns and travel bans ahead of next month's Lunar New Year holiday. The country reported another 118 cases on Tuesday, with 43 of those in the province of Jilin. Hebei province just outside Beijing saw another 35 cases, while Heilongjiang province bordering Russia reported 27 new cases.

Ajcon Global's view

- 1) Today significant bounceback was witnessed in Indian equities and it covered the lost ground after remaining under some pressure yesterday. The rally was led by positive China's economic data, lowering of COVID-19 cases being reported domestically and strong Q3FY21 earnings performance by majority of the Companies in the results announced so far. 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.
- 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



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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 subscription numbers and anchor investment), Indigo Paints, Home First after a good show by majority of IPOs post listing in recent months.

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