

Bloodbath witnessed at Dalal Street; Sensex creates history by touching milestone - level of 50,000..

- 1) History was created today after Sensex touched milestone of 50,000 on the S&P BSE Sensex by rallying more than 90 per cent from the lows in March last year and adding around 5,000 points in just 32 trading sessions. However, massive bloodbath was witnessed today at Dalal Street later on the day. Investor sentiments took a hit after fire broke out at the Serum Institute of India, the manufacturer of Covidshield Vaccine. The fire at the Serum premises was on the BCG vaccine unit (under-construction), not the COVISHIELD manufacturing unit.
- 2) The benchmark Sensex witnessed a fall of 785 points from record high to hit an intra-day low of 49,399. However, the sell-off was quickly bought into and the BSE barometer of 30 shares ended at 49,625 levels, down 167 points or 0.34 per cent. ONGC, Bharti Airtel, State Bank of India, and IndusInd Bank were the top laggards on the index, down between 2 per cent and 4 per cent. Weightage-wise, profit-booking in HDFC twins, Airtel, TCS, ITC, and SBI dragged the index lower.
- 3) On the NSE, the Nifty50 index settled at 14,590 levels, down 54 points or 0.37 per cent.
- 4) All the key sectoral indices ended the day in a sea of red. Nifty PSU Bank index declined 3 per cent, followed by cuts in Nifty Realty index (down 2.3 per cent) and Nifty Metal index (down 2 per cent).
- 5) It's NSE counterpart, Nifty50, surpassed the 14,650-mark and hit a fresh record high of 14,665. The index ended with gains of 123.5 points, or 0.85 per cent, at 14,645.
- 6) Sectorally, all except the Nifty FMCG index ended the day in the green on the NSE with the FMCG index closing down 0.16 per cent. On the upside, Nifty IT, Auto, and PSU Bank indices closed with gains of over 2 per cent each.
- 7) Among individual counters, Tata Consultancy Services and Tata Elxsi – hit their respective new highs on the NSE today, whereas Wipro, Mindtree, Mphasis and Coforge surged up to 5 per cent.
- 8) In the auto index, Tata Motors and tyre stocks were the top gainers on the index. Among the OEMs, Tata Motors hit yet another 28-month high of Rs 278 on the NSE, while Ceat, JK Tyre, MRF, and Apollo Tyres advanced in the range of 4 per cent to 15 per cent.

Sectors and stocks

- 1) Shares of Reliance Industries (RIL) extended its winning streak to the fourth straight day, up 3 per cent on the BSE, to hit an over two-month high of Rs. 2,110 in Thursday's early morning trade. The stock was trading at its highest level since October 23, 2020. It hit a record high of Rs. 2,369, on September 16, 2020. Despite a run-up of 14 per cent from its low of Rs 1,856 touched on December 21, the stock has underperformed the market and fallen 1 per cent in the past three months as against a 23 per cent rally in the S&P BSE Sensex. RIL is scheduled to report its October-December quarter (Q3FY21) earnings on Friday, January 22. Driven by a strong rebound in petrochemicals business, and supported by growth in the retail segment, RIL is expected to clock a stellar sequential improvement in its net profit for Q3FY21.
- 2) Shares of tyre companies continued to rally even today after Ceat reported a strong operational performance for the quarter ended December 2020 (Q3FY21). Ceat, on Tuesday, said that in Q3FY21, its Ebitda margin improved by 460 basis points (bps) to 15.3 per cent over the previous year quarter. The stock of the auto tyres and rubber products company hit a 52-week high of Rs. 1,352 today, having surged 12 per cent in the past two trading days, post its Q3 results. The company's consolidated net profit more-than-doubled to Rs. 132 crore in Q3FY21 from Rs. 53 crore in Q3FY20. This quarter's growth has been achieved on the back of new capacities across segments, particularly passenger car, two-wheeler and farm segments. The replacement market has been buoyant of consumer preference in personal mobility and strong demand. The management is confident of maintaining strong growth levels over the next few months. However, there is expected to be some margin pressure in the next quarter due to increasing raw material prices, it said.
- 3) Shares of JK Tyre & Industries rallied by 13 per cent to hit its fresh 52-week high of Rs 120 today. The stock has surged 33 per cent in two days ahead of its October-December quarter (Q3FY21) results today. In the past one month, the stock has rallied 69 per cent on expectation of a strong operational performance during the recently concluded quarter.



AJCON GLOBAL
YOUR FRIENDLY FINANCIAL ADVISOR

- 4) Shares of consumer durables companies, including electronics products and household appliances, were on a roll at the bourses on Thursday after Havells India reported a strong set of numbers for the quarter ended December 2020 (Q3FY21) on the back of strong festive demand, market share gains and increased penetration in smaller towns. Havells India, Polycab India, V-Guard Industries, Orient Electric, Voltas, Crompton Greaves Consumer Electricals and Whirlpool of India were up between 5 per cent and 10 per cent on the BSE on Thursday.

Key recent major developments..

- 1) India has given the first dose of covid antidote to almost 800,000 beneficiaries five days into the nation-wide vaccination drive and also tweaked the Co-WIN software to allow on the spot allotment of those already registered in an ongoing session in order to allow maximum possible number of people to get the jab.
- 2) Joe Biden, hours after being sworn in as the 46th President of US, will send a comprehensive immigration bill to Congress which among other things proposes to eliminate the per country cap for employment-based green cards, a move that would benefit hundreds and thousands of Indian IT professionals in the US, whose current wait period for legal permanent residency runs into several decades. In addition, US President Joe Biden outlined a \$1.9 trillion stimulus package a few days back.
- 3) 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.
- 4) 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.
- 5) 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.
- 6) 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.



AJCON GLOBAL
YOUR FRIENDLY FINANCIAL ADVISOR

- 7) 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. 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.
- 8) 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.
- 9) 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.
- 10) 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 touched record highs on Thursday and the dollar fell, as investors bet major stimulus from new U.S. President Joe Biden and unswerving global central bank support would cushion the coronavirus's economic damage.
- 2) Europe's traders hoisted the FTSE, DAX and CAC 40 0.2 per cent to 0.4 per cent higher and pushed up the euro again as they also waited for the European Central Bank's first policy meeting of the year.
- 3) With Wall Street and Asian stocks both reaching new highs overnight, MSCI's global index covering nearly 50 countries added 0.3 per cent.

Ajcon Global's view

- 1) Today's fall was on expected lines as buoyancy was there for quite a long time. Markets needed a reason to correct. The incident of fire break out at the Serum Institute of India (manufacturer of Covidshield Vaccine) acted as a trigger for correction. However, tyre stocks bucked the trend and continued to rally.
- 2) Before today's fall; buoyancy was witnessed after swearing-in of Joe Biden as the 46th President of the United States. The rally was supported 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



AJCON GLOBAL
YOUR FRIENDLY FINANCIAL ADVISOR

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.

- 3) Domestically, all eyes would be on ongoing Q3FY21 earnings season after strong result by Companies like HDFC Bank, TCS, Avenue Supermarts (Dmart), Tata Elxsi, Ceat 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.
- 4) 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.
- 5) 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.
- 6) 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 Rs. 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.
- 7) 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.

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