

Financial stocks face significant pressure; significant spike in COVID-19 cases and weak global cues dent investor sentiments..

- 1) Indian equities were under pressure on weak global cues led by fall in the financial and banking counters outweighed the gains in pharma, IT, and FMCG space. The dollar rallied by 12 per cent versus the Turkey's lira at 8.0520, the sharpest move since August 2018, after President Tayyip Erdogan shocked markets by replacing Turkey's hawkish central bank governor with a critic of high interest rates.
- 2) The frontline S&P BSE ended the session at 49,771 levels, down 87 points or 0.17 per cent. On the NSE, the Nifty50 closed at 14,736 levels, down 7.6 points or 0.05 per cent. The benchmark, however, staged a smart recovery from their intra-day lows of 49,281 and 14,598, respectively.
- 3) Tech M, Sun Pharma, TCS, HUL, ITC, and Dr Reddy's Labs were the top gainers on the Sensex while Adani Ports, Britannia, Divis Labs, and Cipla were the additional gainers on the Nifty. All these stocks gained between 1 per cent and 5 per cent.
- 4) On the downside, IndusInd Bank, Power Grid, ICICI Bank, Tata Motors, HDFC Bank, Reliance Industries, and Axis Bank, down up to 4 per cent, were the top laggards on both the indices.
- 5) The broader markets, on the contrary, exhibited strength and settled firm. The S&P BSE MidCap and SmallCap indices ended 0.99 per cent and 0.73 per cent higher, respectively.

Index	Today's Close	Prev. close	Change	% change	Open	High	Low
Sensex	49,771.29	49,858.24	-86.95	-0.17	49,878.77	49,878.77	49,281.02
Nifty	14,736.40	14,744.00	-7.60	-0.05	14,736.30	14,763.90	14,597.85

Sectors and stocks

- 1) Share of Lafarge Holcim Group companies ACC and Ambuja Cements rallied up to 7 per cent on the BSE in the intra-day trade on Monday, in an otherwise weak market, on the back of heavy volumes amid positive outlook. Individually, ACC rallied 7 per cent to Rs. 1,865, trading close to its record high level of Rs. 1,893.80, touched on March 5, 2021. Shares of Ambuja Cements, meanwhile, were up 4 per cent at Rs. 295.35, and were trading near its all-time high level of Rs. 298.25, hit on March 5. The company, in its calendar year 2020 (CY20) annual report said, the outlook for the cement sector in the medium-term remains positive with continued focus on affordable housing. "The government is aiming at completing construction of all houses under the scheme by 2022, which could accelerate the pace of demand recovery. Over the medium-term, we expect all India cement demand to grow at around 5-6 per cent on average mainly on the back of rural housing (accounts for 30 per cent of the cement consumption), followed by the infrastructure segment (20-25 per cent), mainly railways, roads and housing for all," it said in its report. ACC, on the other hand, highlighted in its annual report that its cost optimization efforts (project Parvat), sustainability initiatives, brand portfolio, innovative product offerings and capex plans are boding well. The management claims to have saved Rs. 250 crore through initiatives taken under project Parvat.
- 2) Shares of Adani Green Energy (AGEL), on Monday, were locked in 5 per cent upper circuit at Rs. 1,251, also its new high, on the BSE after Adani Renewable Energy Holding Fifteen Limited (AREHFL), a subsidiary of the company, received Letter of Award (LOA) for 300 MW wind project. The stock of the Adani group renewable power company surpassed its previous high of Rs. 1,245, touched on March 16, 2021. In the past one year, the stock has rallied by 824 per cent, against 75 per cent rally in the S&P BSE Sensex. "AREHFL, a subsidiary of AGEL, had participated in the tender issued by SECI for setting up 1,200 MW ISTS-connected Wind Power Project (Tranche-X) and received the Letter of Award (LOA) to set-up 300 MW Wind Power Project under this tender. The fixed tariff for this project capacity is Rs. 2.77/kWh for a period of 25 years," AGEL said in a press release. With this, AGEL's total renewable capacity now stands at 15,165 MW, of which 3,395 MW renewable plants are operational and 11,770 MW projects are under implementation, it said. AGEL, a part of Adani Group, has one of the largest global renewable portfolios with 15 GW of operating, under-construction and awarded projects catering to investment-grade counterparties. The company develops, builds, owns, operates and maintains utility-scale grid-connected solar and wind farm

projects. Key customers of AGEL include the National Thermal Power Corporation (NTPC), Solar Energy Corporation of India (SECI) and various state discoms.

- 3) Shares of Nilkamal hit an over two-year high of Rs. 2,071.60, up 6 per cent, on the BSE in intra-day trade on Monday as promoters increased their stake in the company via open market transactions. The stock of plastic products company surpassed its previous high of Rs. 1,985 touched on February 12, 2021. It was trading at its highest level since August 2018. It had hit a record high of Rs. 2,275 on May 11, 2017. In the past three years, the stock has underperformed the market by gaining 27 per cent as against a 50 per cent rally in the S&P BSE Sensex. According to the disclosure made by Nilkamal to stock exchanges, the company's promoters Hiten V Parikh, Nayan S Parikh and Manish V Parikh have collectively purchased 23,077 equity shares of the company worth Rs. 4.27 crore between March 8 and March 16. The names of the sellers were not ascertained immediately. As on December 31, 2020, the total promoters holding in the company stood at 64.33 per cent, the shareholding pattern data shows. Nilkamal is engaged in the manufacturing business of furniture and material handling products with diversified product profile across various segments along with a diversified customer base including household customers, industrial customers and retail buyers. It also has its presence in the retail business of lifestyle furniture, furnishings and accessories under its brand '@home'. For the October-December quarter (Q3FY21), Nilkamal recorded a volume growth of 11 per cent and achieved net sales of Rs. 567 crore, up 8 per cent over the previous year quarter. Profit after tax (PAT) jumped 88 per cent year-on-year (YoY) at Rs. 51.92 crore on the back of strong operational performance. EBITDA margin improved by 475 basis points (bps) to 17.26 per cent from 12.51 per cent in Q3FY20. The company said the availability of quality products at reasonable prices and supply assurance along with seamless service shall continue to play a vital role in its growth. This is backed by continuous investment in technology for improved performance in supply chain and service standards. The company's manufacturing facility of the racking and shelving material handling storage system at Sinnar has stabilised and reached the capacity utilisation of more than 75 per cent during the December quarter, it said.

Key recent major developments..

- 1) Maruti Suzuki India on Monday said it will increase the prices of vehicles in April, citing the adverse impact of rising input costs over the past one year. "Over the past year the cost of company's vehicles has been impacted adversely due to increase in various input costs," the company said in an exchange filing. "Hence, it has become imperative for the company to pass on some impact of the above additional cost to customers through a price increase," it said. This price increase is likely to vary for different models. The company however did not share details about the quantum of the price hike it intends to take from next month. The country's largest carmaker's service network has crossed 4,000 outlet mark across the country, covering 1,989 towns and cities. The auto major said it has added 208 new service workshops in 2020-21, despite tough conditions due to the Covid-19 pandemic.
- 2) In a relief to the bond market, the government has canceled the last bond auction of the current financial year, scheduled on March 26. The government had planned to raise Rs/ 20,000 crore through the auction, but the Reserve Bank of India (RBI) notified on its website that it stands canceled now "on review of the position of cash balance" of the government. This was not entirely unexpected by the market, said a bond dealer, as there were rumors in the market already that the last auction would be canceled. The bond market had a scare last week as a short-term bond was quoted at a yield of (-)1.5 per cent, which meant the bond was offered in the market for a face value of more than Rs 100. It turned out to be a case of a fat finger, and the trade was not executed. But the market is under pressure to cover their short positions for which they need to buy bonds. Coupled with the cancellation of auctions, this should be good news for the market, and the yields should fall more. The 10-year bond yields closed at 6.18 per cent on Monday, from their previous close of 6.19 per cent.
- 3) Bond markets across the world are hampering the nascent recovery, the Reserve Bank of India (RBI) said in its monthly bulletin for March. The central bank urged the local investors to help it ensure an 'orderly evolution of the yield curve'. "As countries rush to inoculate their populations, the global economy should regain lost momentum in Q2. Bond vigilantes could, however, undermine the recovery, unsettle financial markets and trigger capital outflows from emerging markets," the RBI wrote in its state of the economy report. For the Indian bond market, in particular, the report noted: "The Reserve Bank is striving to ensure an orderly evolution of the yield curve, but it takes two to tango and forestall a *tandav*." The central bank is clearly using all the platforms at its disposal to engage with the bond market. Governor Shaktikanta Das in the past has also asked the market to be cooperative and not combative, but the market has recently started demanding higher yields seeing the US yields and oil prices heading north, and is asking for more secondary market support from the RBI.
- 4) Last week, Union minister Nitin Gadkari said the vehicle scrapping policy will be a "win-win" policy that will help improve fuel efficiency and reduce pollution. Making a statement regarding the vehicle scrapping policy in the Lok Sabha, the Road Transport, Highways and MSMEs Minister said the policy will also lead to an increase in the country's automobile industry turnover to Rs. 10 lakh crore from the current Rs. 4.5 lakh crore. Announced in the



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2021-22 Union Budget, the policy provides for fitness test after 20 years for personal vehicles, while commercial vehicles would require it after the completion of 15 years. Shri. Gadkari has also issued an advisory to automakers, advising them to provide an incentive of a five per cent rebate for those buying a new vehicle after producing a scrapping certificate.

- 5) Earlier Prime Minister Narendra Modi said "States have to take "quick, decisive" steps to stop the emerging second peak of Covid-19, said on Wednesday, urging chief ministers to adopt the test, track and treat as they stop wastage of vaccines. "The confidence we have gained in reaching this point in our fight against the pandemic should not turn to negligence. While we do not want to create any panic, we have to take steps to rid ourselves of this trouble," PM Modi said in a virtual address called as Covid-19 cases rise in states.
- 4) S&P Global Ratings had said earlier that the recovery across Asia's emerging economies would withstand rising US yields so long as this reflects an improving growth outlook and deflation rather than a monetary shock. US yields are rising mostly due to expectations of higher growth, rather than fears of imminent tightening, or monetary-policy shock. This time around, initial conditions in Asia are sturdier than they were in 2013, the rating agency said. It said current account surpluses, low inflation (for the most part), higher real interest rates, and fatter foreign-exchange reserve buffers give regional policymakers more flexibility and should allow central banks to remain focused on supporting recovery. The US-based agency, however, said that if markets price a policy mistake and US real yields surge higher, risks of a 'taper tantrum' rise, with India and Philippines most exposed. In 2013, US yields leaped after the US Federal Reserve indicated it would begin unwinding its quantitative easing program. The resulting panic over rising credit costs led to sharp outflow from emerging markets, including Asia's, and forced central banks to hike interest rates. Since then, S&P said, the central banks in India and Thailand have been more aggressive in building up reserve buffers. It said the effect of USD 1.9 trillion in stimulus on US inflation and rates remains uncertain and markets can react in a non-linear way if inflation expectations surge above central bank targets and imminent tightening is priced in. "In this case, we may see real yields (rather than inflation expectations) jump and the US dollar appreciate at the same time. In our view, this would trigger disorderly capital outflows from Asia's emerging markets. India and the Philippines are the most vulnerable at the current juncture," S&P added.
- 5) Around 78.27 lakh (7.8 million) domestic passengers travelled by air in February 2021 which is 36.71 per cent lower than the corresponding period last year, Indian aviation regulator DGCA said on Wednesday. As per the Directorate General of Civil Aviation (DGCA), 77.34 lakh people travelled by air within the country in January. While IndiGo carried 42.38 lakh passengers in February, a 54.2 per cent share of the total domestic market, SpiceJet flew 9.62 lakh passengers which is 12.3 per cent share of the market, according to data shared by the DGCA. Air India, GoAir, Vistara and AirAsia India carried 9.16 lakh, 5.81 lakh, 5.4 lakh and 5.21 lakh passengers respectively in February, it showed. The occupancy rate or load factor of the six major Indian airlines was between 67.9 per cent and 78.9 per cent in February, it stated. "The passenger load factor in the month of Feb 2021 has shown increasing trend compared to previous month primarily due to beginning of tourist season," the DGCA said.
- 6) The Cabinet has cleared a Bill to set up a government-owned development financial institution (DFI) with an initial paid up capital of Rs. 20,000 crore so that it can leverage around Rs. three trillion from markets in a few years to fill the space of providing long term funds to infrastructure projects as well as for development needs of the country. To put it in perspective, Rs three trillion constitutes a bit less than three per cent of Rs 111 trillion, which is the cost of over 7,000 projects in the National Infrastructure Pipeline for 2019-20 to 2024-25. Besides, the government will give Rs 5,000 crore as grants to the institution, Finance Minister Nirmala Sitharaman told media after the Cabinet meeting. The DFI will be fully government-owned initially and the promoter's stake will be brought down to 26 per cent in the next few years, she said. "We have acknowledged that both development and financial objectives will matter for setting up a DFI. We have mentioned it in the Budget and even as the Budget session is on, the Cabinet has already cleared setting up of DFI. With this, we will have an institution and institutional arrangement which will help in raising long term funds," she said. On speculations that infrastructure finance body IIFCL would be merged with the proposed DFI, financial services secretary Debasish Panda said the new institution will start on a "clean slate". Once the institution is set up, its board will decide about acquisition or merger of other companies, he said. The government will provide ten-year tax exemptions to funds invested in DFI to attract long term players such as insurance and pension funds. Besides, concessions from stamp duty would be given for which Indian Stamp Act will be amended.
- 7) India has given the first dose of covid antidote to 4.50 crores beneficiaries in the nation-wide vaccination till date. India's Phase II of vaccination drive for those above 60 years of age and within the age bracket of 45 to 59 years with specified comorbidities such as diabetes and heart ailments is gaining strong momentum. About 18-19 vaccine candidates against COVID-19 are in the pipeline and in different clinical trial stages, Health Minister Harsh Vardhan had said earlier.



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- 8) The wholesale price-based inflation rose for the second consecutive month in February to 4.17 per cent, as food, fuel and power prices spiked. The WPI inflation was 2.03 per cent in January and 2.26 per cent in February last year. After witnessing months of softening of prices, the food articles in February saw 1.36 per cent inflation. In January it was (-) 2.80 per cent. In vegetables the rate of price rise was (-) 2.90 per cent in February, against (-) 20.82 per cent in January. Inflation in pulses was 10.25 per cent in February, while in fruits it was 9.48 per cent, and in fuel and power basket it was 0.58 per cent. The RBI in its monetary policy last month kept interest rates unchanged for the fourth consecutive meeting and said that the near-term inflation outlook has turned favourable. Retail inflation, based on the consumer price index, was at 5.03 per cent in February, data released last week showed.
- 9) Industrial production growth re-entered the negative territory by contracting 1.6 per cent in January, while retail inflation soared to a three-month high of 5.03 per cent in February on costlier food items.
- 10) Retail sales of passenger vehicles rose by 10.59 per cent in February 2021 to 2,54,058 units from 2,29,734 units in the year ago period, while two-wheeler sales dropped by 16.08 per cent to 10,91,288 units from 13,00,364 units in the corresponding period last year. While the tractor segment reported 18.89 per cent growth in sales, the CV segment saw a fall of by 29.53 per cent, according to data from the Federation of Automobile Dealers Associations (FADA), the apex body of the automobile industry in India. Automobile registrations across the country dropped by more than 13 per cent in February, said FADA. FADA said that the passenger vehicle waiting period continued to remain as high as 8 months as scarcity of semi-conductors continued to linger around. "The global semiconductor outrage has impacted the production of several PV models across the brands. This has significantly pushed the waiting period to as high as 8 months for some of the prominent models such as Hyundai Creta, Mahindra Thar & Nissan Magnite to name some," FADA said in a statement. FADA President, Vinkesh Gulati, said that while tractors continued to outperform the broader market, passenger vehicles witnessed double digit growth on a low base of last year as India started transitioning from BS-IV to BS-VI emission norms. This, coupled with the global semiconductor outrage, kept the waiting period of PVs as high as 8 months.
- 11) Capital expenditure in industrial sectors is expected to rise 45-55 per cent in financial year 2021-22 as the economy gains from a government's scheme to boost productivity, said a report by Crisil Research on Tuesday. The India Outlook Report expects gross domestic product (GDP) growth to be at 11 per cent in fiscal 2022, after an estimated 8 per cent contraction this fiscal. The next fiscal, like the current, will have a low base "optical" growth in the first half and a rebound in the second. The capex rise in pharmaceuticals, chemicals, textiles, cement, auto and ancillary, metals and oil and gas will come on the back of a 35 per cent contraction in capex in the current fiscal. It will be driven by core sectors and the government's productivity linked incentive (PLI) scheme. Led by the oil and gas, that accounted for 30-32 per cent, close to 16000 manufacturing companies spent Rs. 3-3.5 trillion on capex annually over the past three years. "Without PLI, a meaningful recovery would have come only after two years in non-metal and cement sectors," said the report. PLI is directed at sectors that account for 30-35 per cent of non-oil import bills. For instance, automobiles and components worth Rs. 80,000 crore to Rs. 90,000 crore—the highest among all the sectors in value terms-- were imported from China and Korea in FY20. This was 20-25 per cent of India's auto components requirements. The second largest was the IT hardware (laptop, personal computers, tablets and servers) sector that imported goods worth Rs. 25,000 crore to Rs. 30,000 crore from China and Hong Kong in FY20. This was 80-85 per cent of demand for such hard wares in the domestic market.
- 12) India's services activity expanded at the fastest rate in a year during February and companies noted the sharpest rise in overall expenses, a monthly survey said on Wednesday. The seasonally adjusted India Services Business Activity Index rose from 52.8 in January to 55.3 in February, pointing to the sharpest rate of expansion in output in a year amid improved demand and more favourable market conditions. The index was above the critical 50 mark that separates growth from contraction for the fifth month in a row during February as the roll-out of Covid-19 vaccines led to an improvement in business confidence towards growth prospects. While, new work intake expanded for the fifth straight month, panellists continued to indicate that the Covid-19 pandemic and travel restrictions curbed international demand for their services. "New export orders declined for the twelfth month running, albeit at the weakest rate since last March," the survey noted. Meanwhile, Indian private sector output rose at the quickest pace in four months during February. The Composite PMI Output Index, which measures combined services and manufacturing output, increased from 55.8 in January to 57.3 in February. "Economic activity is generally expected to recover in the final quarter of fiscal year 2020/21 after coming out of technical recession in Q3, and the latest improvement in the PMI indicators points to a strong expansion in the fourth quarter, should growth momentum be sustained in March," said Pollyanna De Lima, Economics Associate Director at IHS Markit.
- 13) The goods and services tax (GST) collection crossed the Rs. 1 lakh crore mark for the fifth month in a row in February. GST collection in the month stood at Rs. 1.13 lakh crore, 7 percent higher year-on-year, but lower than an all-time high of nearly Rs. 1.20 lakh crore in January, official data showed on March 1. "In line with the trend of recovery in the GST revenues over past five months, the revenues for the month of February 2021 are 7 percent



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higher than the GST revenues in the same month last year," the Finance Ministry said in a statement. Out of the total for February, Central GST was Rs. 21,092 crore, State GST was Rs. 27,273 crore, Integrated GST was Rs. 55,253 crore (including Rs. 24,382 crore collected on import of goods) and compensation cess was Rs. 9,525 crore (including Rs. 660 crore collected on import of goods).

- 14) The government has an ambitious plan to monetise around 100 government-owned assets as part of the monetisation plan, said Prime Minister Narendra Modi when he spoke about various reforms undertaken in the Union Budget. "With this the government will be aiming to achieve Rs. 2.5 trillion investment, we are going ahead with the mantra of monetise and modernise," PM Modi said. Speaking at a webinar on privatisation by the Department of Investment and Public Asset Management (DIPAM), Modi said state-owned companies in four strategic sectors will be kept at bare minimum and that the government is committed to privatising PSUs in all sectors barring four strategic ones. Further, PM Modi urged for the feedback on the privatisation and monetisation initiative for swift implementation. Outlining the government focus going forward, PM Modi said that the government is working on Rs. 111 trillion national infrastructure pipeline (NIP) fund. "The government has no business to be in business. When government monetises, that space is filled by private sector of the country. Private sector brings investment and best global practices with them," he said.

Global markets

- 1) Asian equities were mixed while European markets bled as a plunge in the Turkish lira sparked talk that capital controls might be needed.
- 2) Japan's Nikkei fell by 1.6 per cent, partly on speculation Japanese retail investors could face losses on large long positions in the high-yielding lira. However, MSCI's broadest index of Asia-Pacific shares outside Japan added 0.3 per cent, aided by a 0.7 per cent rise in Chinese blue chips.
- 3) In Europe, concerns over the currency and prolonged lockdowns in Germany and France pushed stocks lower, with banks and travel shares taking the biggest hit. The pan-European STOXX 600 fell 0.5 per cent. The German DAX was down 0.5 per cent, while France's CAC 40 fell 0.9 per cent, and the UK's FTSE 100 dropped 0.8 per cent.

Ajcon Global's view

- 1) Indian equities witnessed pressure on Monday owing to weak global cues and Maharashtra recording significant spike in COVID-19 cases which is a matter of concern. Concerns like high US Bond yields, high inflation, contraction of IIP too are lingering in investors mind and causing worries. Going ahead investors will keep a watch on movement of US bond yields, COVID-19 cases number on daily basis amidst significant spike and vaccination drive, FPI liquidity after new concerns stated above. Globally, Central banks are in the mood of accommodative monetary policy. The US Federal Reserve on March 17, 2021 suggested that it was in no hurry to raise interest rates through all of 2023, even as it talked about a V-shaped recovery in the world's largest economy.
- 2) Key factors like positive GDP data, phase II of COVID-19 vaccinations drive going strongly, strong GST collections in Feb. 2021, good proposals presented in Union Budget 2021-22, RBI's Monetary Policy keeping rates unchanged, stellar show by majority of the Companies in Q3FY21 earnings season will augur well for the bulls. The Nifty valuations are trading around 37-40x which looks expensive but with recent budget proposals one will need to watch out the effect on corporate earnings in Q4FY21 and FY22.
- 3) PSU space as a whole was neglected in the past for many years but with recent announcements re-rating has happened and are also available at fair valuations considering majority of the Companies turning expensive post stellar show. We expect strong rally to continue in PSU space going forward after Prime Minister Narendra Modi announcements earlier while speaking at webinar on privatisation by the Department of Investment and Public Asset Management (DIPAM) regarding monetisation of around 100 government-owned assets as part of the monetisation plan. Investors would continue to look out for PSU names which were not in the limelight during the stellar rally.
- 4) Intermediate corrections which are part and parcel of a big game will keep happening is also good for markets to remain healthy. Benchmark indices have been trading at steep valuations after the recent budget proposals and it needed a reason to correct which was provided by resurgence of COVID-19 cases and spike in US bond yields.
- 5) We believe India economic recovery from COVID-19 crisis will surpass major economies. As India is now one of the few major economies to post positive GDP growth in the last quarter of calendar year 2020, foreign investors will get attracted to Indian equities. Moody's Analytics said India's economy is likely to grow by 12 per cent in CY2021 following a 7.1 per cent contraction last year as near-term prospects have turned more favourable.



- 6) Stock specific opportunities would emerge on corrections and investors will keenly track PSUs which would benefit on Government's impetus on privatisation. In addition, the Government is putting a lot of emphasis and effort to implement the Strong Budget proposals in a timely and efficient manner.
- 7) We recommend investors to be stock specific and suggest investors not to get carried away with unknown names suddenly looking attractive. After the recent fall, most of the PSU companies and select midcaps, smallcaps valuations look decent after last week's and today's fall.



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