

Significant fall witnessed in Indian equities led by a surge in COVID-19 cases; metal, auto and financials stocks remain under pressure..

- 1) Benchmark indices fell sharply in the last hour of trade with the frontline S&P BSE Sensex declining by 931 points to hit a low of 49,120. The downfall was contained at 49,180 level with a cut of 871 points, or 1.74 per cent, by close. Only two constituents - Power Grid and Asian Paints - managed to settle the day in the green while all other counters fell like ninepins. M&M bled the most, down over 4 per cent on the Sensex, followed by SBI, ICICI Bank, Axis Bank, IndusInd Bank, L&T, ITC, NTPC, and ONGC.
- 2) Weightage-wise, Reliance Industries, ICICI Bank, HDFC Bank, HDFC, Infosys, Axis Bank, ITC, and SBI were responsible for 600 points cut in the Sensex. All these stocks were down between 1.5 per cent and 4 per cent.
- 3) On the NSE, Cipla was the only additional gainer on the Nifty as all other 47 constituents declined. The index ended at 14,549 level, down 265 points or 1.79 per cent.
- 4) Among sectors, Nifty Metal and PSU bank indices declined by 3 percent each, while Nifty Auto and Nifty Bank fell by over 2 percent each.
- 5) In the broader markets, the S&P BSE MidCap and SmallCap indices ended 1.6 per cent and 1.4 per cent lower, respectively.

Index	Today's Close	Prev. close	Change	% change	Open	High	Low
Sensex	49,180.31	50,051.44	-871.13	-1.74	49,786.47	49,854.58	49,120.34
Nifty	14,549.40	14,814.75	-265.35	-1.79	14,712.45	14,752.35	14,535

Sectors and stocks

- 1) Shares of Anupam Rasayan India, on Wednesday, made a weak debut at the bourses, listing at Rs. 520 on the National Stock Exchange (NSE), a 6 per cent discount over its issue price of Rs. 555 per share. The stock slipped further and hit a low of Rs. 502.25 in intra-day trade, post listing. On the BSE, Anupam Rasayan opened at Rs. 534.70, down 4 per cent from its issue price. The stock later fell as much as 10 per cent to Rs 501.15 in intra-day trade. It touched a high of Rs 548.95 on the BSE and NSE. We had recommended "AVOID" to the issue.
- 2) Shares of Aarti Industries rallied by 9 per cent to hit an all-time high of Rs. 1,399 in intra-day trade on the BSE on Wednesday in an otherwise weak market amid heavy volumes. The stock of the specialty chemicals company was trading higher for the fourth straight day, gaining 13 per cent during the period. It surpassed its previous high of Rs. 1,363.50, recorded on January 5, 2021. Aarti Industries is a leading speciality chemicals company in Benzene-based derivatives with integrated operations and high-level of cost optimization. The company's plants located in western India with proximity to ports: 13 for speciality chemicals; 5 for pharma (2 USFDA and 3 WHO/GMP). The company has a diversified product portfolio with end users in pharma, agrochemicals, specialty polymers, paints & pigments. In the October-December quarter (Q3FY21), the company's revenue grew by 10 per cent year on year (YoY), led by strong off-take from pharma segment, which grew by around 32 per cent YoY. EBITDA margins improved by 50 basis points YoY to 24 per cent due to lower cost and profit after tax grew by 18 per cent YoY. The management said the company is well positioned to meet guidance of delivering profits in line with last year despite the exceptional disruption seen in FY21. Underlying the reported numbers is a return of demand from regular markets and long-standing relationships, which is reflected in margin improvement and gradually resuming normalcy during the quarter. Management has also indicated the capital expenditure momentum will continue in the near to medium term including project for long term contracts, NCB & Pharma expansion. The new downstream products are of import substitution opportunities worth Rs. 1,000 crore.
- 3) Shares of Rail Vikas Nigam Limited (RVNL) declined by 9 per cent to Rs. 27.80 on the BSE in the intra-day trade on Wednesday as the government's two days stake sale through offer for sale (OFS) began today. The floor price has been fixed at Rs. 27.50 a share, a 9.54 per cent discount to Tuesday's closing price of Rs. 30.40 apiece on the BSE. The government on Tuesday said it will dilute 15 per cent stake in Rail Vikas Nigam Ltd via an offer for sale to raise



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nearly Rs. 750 crore. The issue opened on Wednesday for non-retail investors and will open on Thursday for retail investors. "Total 208.5 million equity shares or 10 per cent of the total paid-up equity capital of the company is being offered in the OFS. The government may choose to sell an additional 104.25 million equity shares or 5 per cent of the total equity capital of the company over and above the offer," RVNL said in an exchange filing. The company, a wholly-owned government company, is a project executing agency working for and on behalf of the Ministry of Railways. It was incorporated with an objective to undertake rail project development mobilization of financial resources and implementation of rail projects pertaining to strengthening of golden quadrilateral and port connectivity and raising of extra- budgetary resources for project execution. The company is in the business of executing all types of railway projects including new lines doubling gauge conversion railway electrification metro projects workshops major bridges construction of cable stayed bridges institution buildings etc. As of December 31, 2020, the government held 87.84 per cent stake in RVNL. Retail or individual shareholders held 9.09 per cent stake, followed by mutual funds (1.1 per cent) and foreign portfolio investors (0.31 per cent).

Key recent major developments..

- 1) The country witnessed biggest jump in COVID-19 cases since Nov. 12, 2020 and most deaths since Dec. 31, 2020. The Government on Tuesday allowed people above 45 years to get vaccinated against coronavirus from April 1. The Cabinet also decided that the second dose of the vaccine can be taken between four and eight weeks, on the advice of doctors. It was allowed to be taken between four to six weeks earlier, but scientists have now said that taking the second dose between four and eight weeks gives improved results.
- 2) India has given the first dose of covid antidote to 5.08 crores beneficiaries in the nation-wide vaccination till date. 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.
- 3) The Supreme Court (SC) pronounced verdict on loan moratorium case on Tuesday and declined to extend the six months loan moratorium, observing further that the waiver of complete interest is not possible. The apex court said that the waiver of complete interest is not possible as it affects depositors. However, it said that any amount collected as compound interest shall be adjusted to the next installment payable instead of refunding it to the borrower irrespective of the loan amount. Pronouncing its verdict on a batch of pleas by various trade associations, seeking an extension of loan moratorium and other reliefs in view of the Covid-19 pandemic, the Court partly allowed the petitions which had challenged the decision of the Centre and RBI to restrict waiver of interest on interest to certain categories of borrowers who had availed loans of less than Rs 2 crore. The Centre had earlier submitted before the top court that if it were to consider waiving interest on all the loans and advances to all categories of borrowers for the six-month moratorium period announced by RBI, then the amount foregone would be more than Rs. 6 trillion. "If the banks were to bear this burden, then it would necessarily wipe out a substantial and a major part of their net worth, rendering most of the lenders unviable and raising a very serious question mark over their very survival," it had said.
- 4) 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.
- 5) In a relief to the bond market, the government has cancelled 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 cancelled. 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.
- 6) 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



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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.

- 7) 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 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.
- 8) 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.
- 9) 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 reflation 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.
- 10) 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.
- 11) 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



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plate". 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.

- 12) 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.
- 13) 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.
- 14) 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.
- 15) 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 percent 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.
- 16) 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.

- 17) 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 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).
- 18) 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) US dollar touched a more than two-week high and the treasury yields fell after U.S. Federal Reserve Chair Jerome Powell reassured Congress that inflation would not spiral out of control. Treasury Secretary Janet Yellen said the U.S. economy remains at risk as she fielded lawmakers' questions about possible infrastructure and tax increase plans under consideration. Fed will show "resolute patience" in waiting to meet its employment and inflation goals before pulling back on support for an economy still healing from the pandemic, Fed Governor Lael Brainard said on Tuesday.
- 2) North Korea is said to have fired non-ballistic cruise missiles over the weekend targeting the US. President Joe Biden, however, has said he does not consider North Korea's act as a provocation.
- 3) Against this backdrop, MSCI's broadest index of Asia-Pacific shares outside of Japan fell 1.3 per cent, Japan's Nikkei stumbled 2 per cent while South Korea's KOSPI slipped 0.4 per cent. Chinese shares were in the red for a second day with the blue-chip CSI300 index down 1.65 per cent. Hong Kong's Hang Seng skidded 2.2 per cent.
- 4) In Europe, the pan-regional STOXX 600 index fell 0.6 per cent in early trade. However, futures of three main US stock indices were trading higher in the range of 0.3 per cent to 1 per cent.

Ajcon Global's view

- 1) Indian equities declined significantly after the Country witnessed biggest jump in COVID-19 cases since Nov. 12, 2021 which is a matter of serious concern especially in states like Maharashtra raising fears of second wave. In addition, US Bond yields trading a high range, rise in 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



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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) 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 but further fall is not ruled out considering the resurgence of COVID-19 cases which leads to localised restrictions.



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