

Street participants prefer to be in cash ahead of the Union Budget presentation by the Finance Minister on Monday; IRFC debuts on a weak note..

- 1) Investors continued their selling spree for the sixth straight day to sit on cash on Friday ahead of Finance Minister Nirmala Sitharaman's third Union Budget presentation due on Monday, February 1, 2021. Volatility was intense with wild swings witnessed throughout the day. Domestically, there are concerns over peak valuations, nervousness before the actual Union Budget which led to profit booking. Globally, investors are also concerned about the delay in US President Joe Biden's US\$1.9 trillion Covid-19 relief plan.
- 2) At the index level, the benchmark S&P BSE Sensex witnessed a swing of 1,260 points in the intra-day trade and hit an intra-day high and low of 47,424 and 46,160. The index eventually settled 588 points, or 1.26 per cent, lower at 46,286 levels. Dr Reddy's Labs (down 5.5 per cent) was the top loser on the index after the pharmaceutical major's consolidated net profit came in at Rs 19.8 crore for the quarter ended December, sharply lower than street estimate of Rs 726.5 crore.
- 3) That apart, Maruti Suzuki, Bajaj Auto, Infosys, Bharti Airtel, and Bajaj Finserv, down between 5 per cent and 2.5 per cent, were the top drags. On the flipside, IndusInd Bank (up nearly 6 per cent), Sun Pharma, HDFC Bank, and ICICI Bank were the only gainers on the Sensex.
- 4) On the NSE, the Nifty50 index closed at 13,635 levels, down 183 points or 1.32 per cent. The index hit an intra-day low of 13,597.
- 5) The broader market, however, remained relatively stable with the S&P BSE MidCap and S&P BSE SmallCap index down 0.69 per cent and 0.25 per cent, respectively at close.
- 6) On the sectoral front, financial and realty stocks held their ground with the Nifty PSU Bank and Realty indices settling 1.7 per cent and 0.7 per cent higher, respectively. On the downside, Nifty Auto index tumbled around 3 per cent, while Nifty Pharma and Metal indices declined around 2 per cent each.
- 7) In the broader market, the S&P BSE MidCap index ended 0.4 per cent lower while the smallcap counterpart closed down 0.45 per cent.
- 8) Sectorally, Nifty Realty index ended as the top loser on the NSE, down over 2 per cent. However, Nifty Bank and Private Bank index, up around 0.3 per cent each, were the only gainers.
- 9) On a weekly basis, both the benchmarks have witnessed a significant fall of around 5 per cent during the week.

Index	Today's Close	Prev. close	Change	% change	Open	High	Low
Sensex	46,285.77	46,874.36	-588.59	-1.26	47,423.47	47,423.66	46,160.46
Nifty	13,634.60	13,817.55	-182.95	-1.32	13,946.60	13,966.85	13,596.75

Sectors and stocks

- 1) Shares of Shriram Transport Finance (STFC) rallied by 15 per cent to Rs. 1,274 on the National Stock Exchange (NSE) in Friday's intra-day trade, amid heavy volumes, as the firm posted an improvement in asset quality for the quarter ended December 2020 (Q3FY21). Shriram Transport is today the largest asset financing NBFC in the country and a holistic finance provider for the commercial vehicle industry and seeks to partner small truck owners for every possible need related to their assets. The company said that in the three-months post the moratorium from September to November, collection efficiency stood at 95 per cent–97 per cent. This improved to 104 per cent in December 2020. Given healthy collection trends, the GS3 ratio improved 15 basis points to 7.1 per cent. As of Q3FY21, the company's gross non-performing assets (NPA) and net NPA ratio stood at 5.33 per cent and 3.22 per cent, respectively as against an 8.71 per cent and 6.09 per cent at the end of Q3FY20. "However such accounts have been classified as stage 3 and provisioned accordingly. Had the company classified these borrower accounts



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as NPA after August 31, 2020, the company's Gross NPA and Net NPA ratio would have been 7.11 per cent and 4.31 per cent, respectively," Shriram Transport Finance said. Meanwhile, the company's profit after tax (PAT) during the quarter under review declined 17 per cent year-on-year (YoY) to Rs 728 crore due on the back of higher Covid-related provisioning of Rs 225 crore. The provision towards impairment on financial instruments rose 52 per cent YoY to Rs. 675 crore. While total Assets under Management (AUM) grew 5.5 per cent to Rs 1.14 trillion from Rs 1.09 trillion.

- 2) Shares of Indian Railway Finance Corporation (IRFC) made a weak debut at the bourses on Friday, by listing at Rs 25, a 4 per cent discount from its issue price of Rs 26 per share on the BSE on Friday. On the National Stock Exchange (NSE), the stock opened at Rs 24.90 per share. IRFC is a dedicated financing arm of the Indian Railways for mobilising funds from domestic as well as overseas markets. Its primary objective is to meet the predominant portion of 'extra budgetary resources' requirement of the Indian Railways through market borrowing at the most competitive rates and terms.
- 3) Shares of Havells India declined by 10 per cent to Rs. 1,063 on the National Stock Exchange (NSE) on Friday after more than one per cent equity of the company changed hands through multiple block deals. The stock hit a record high of Rs 1,195 on Thursday, January 28. In the past one month, it has rallied 32 per cent, as compared to 1 per cent decline in the Nifty50 index, till yesterday. The company, on Thursday, announced that it has taken land measuring 45.58 acres on long term lease for 99 years, at Sri city, Andhra Pradesh at tentative investment of Rs. 39 crore. The company said the land may be used for future capacity expansion. For October-December quarter (Q3FY21), Havells India had reported a strong set of numbers with standalone net profit jumping 75 per cent year on year (YoY) to Rs 349 crore, on the back of strong revenue growth.

Key recent major developments..

- 1) India forecast robust economic growth of 11% for the fiscal year beginning on April 1 in its annual economic survey on Friday, on the back of the beginning of a nationwide coronavirus vaccination drive and a rebound in consumer demand. The Indian economy, which the International Monetary Fund singled out as a global bright spot only a few years ago, is set to contract 7.7% in this fiscal year, to March 31, the deepest contraction in four decades, the government said in the survey. But the government predicts the rollout of vaccines against COVID-19, which has killed 153,847 Indians, will re-energise Asia's third-largest economy with 11% growth next year, putting it on track to post the strongest growth since India liberalised its economy in 1991. The survey's projections form the basis for key figures in the budget, due to be delivered on Monday by Finance Minister Nirmala Sitharaman. While the survey forecast a "V-shaped" economic recovery, it also cautioned that it would take at least two years to revert to pre-pandemic gross domestic levels. "With the economy's returning to normalcy brought closer by the initiation of a mega vaccination drive, hopes of a robust recovery in services sector, consumption, and investment have been rekindled," said the survey.
- 2) India provides a "predictable environment" for doing business and its commitment to economic self-reliance will strengthen globalization, said Prime Minister Narendra Modi on Thursday as he addressed World Economic Forum's online Davos Agenda Summit. PM Modi said India's Atmanirbhar Abhiyan is committed towards global good and supply chain, adding that the country has the capacity, capability and reliability to strengthen the global supply chain. "Indian government has taken major steps to spur manufacturing. corporate tax was brought down to 15 per cent for new manufacturing units, GST rates have been reduced. Tax structure has been simplified Through GST and faceless assessment and Labour laws have been reformed," said Modi at the virtual summit where more than 400 CEOs from across the globe were in attendance. Hailing India's pandemic response, Modi said the country has transformed fight against coronavirus into people's movement. "Today India is among most successful in saving lives." "Many around the world thought India would be worst-affected country by Covid-19 and face tsunami of corona infections," he said, indicating the country has lined up more vaccines for the disease after using two for its nationwide inoculation. "Right now there are two made in India vaccines. World Economic Forum will be relieved to know that in the time to come many more vaccines will come from India," he said. "India also ensuring a global responsibility; we sent essential drugs to over 150 countries, we're sending Covid vaccines abroad too," PM Modi said.
- 3) With 572,060 more vaccinations across India on Thursday, India has given the first dose of covid antidote to 2,928,053 beneficiaries in the nation-wide vaccination drive. India has flattened its COVID-19 graph and 146 districts have reported no new case of the viral disease in the last seven days, 18 in 14 days, six in 21 days and 21 districts in the last 28 days, Union Health Minister Harsh Vardhan said on Thursday. This has been achieved due to pro-active testing with more than 19.5 crore COVID-19 tests conducted in the country so far, Vardhan, who chaired the 23rd meeting of the high-level Group of Ministers (GoM) on COVID-19 through a video-conference, said, according to a statement issued by the health ministry.



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- 4) The Ministry of Road Transport and Highways on Monday approved a proposal to levy 'Green Tax' on old vehicles which are polluting the environment. It is estimated that commercial vehicles, which constitute about 5% of the total vehicle fleet, contribute about 65-70% of total vehicular pollution. The older fleet, typically manufactured before the year 2000 constitute less than 1 % of the total fleet but contributes around 15% of total vehicular pollution. These older vehicles pollute 10-25 times more than modern vehicles, the ministry added. The proposal will now go to the states for consultation before it is formally notified, said Union Minister for Road Transport and Highways Shri. Nitin Gadkari. Along with that, the minister also approved the policy of deregistration and scrapping of vehicles owned by government department and PSU, which are above 15 years in age. Prasad also said that it would come into effect from 1st April, 2022. The main principles to be followed while levying the Green Tax are:
 - a) Transport vehicles older than 8 years could be charged Green Tax at the time of renewal of fitness certificate, at the rate of 10 to 25 % of road tax;
 - b) Personal vehicles to be charged Green Tax at the time of renewal of Registration Certification after 15 years;
 - c) Public transport vehicles, such as city buses, to be charged lower Green tax;
 - d) Higher Green tax (50% of Road Tax) for vehicles being registered in highly polluted cities
 - e) Differential tax, depending on fuel (petrol/diesel) and type of vehicle;
 - f) Vehicles like strong hybrids, electric vehicles and alternate fuels like CNG, ethanol,LPG etc to be exempted;
 - g) Vehicles used in farming, such as tractor, harvester, tiller etc to be exempted;
 - h) Revenue collected from the Green Tax to be kept in a separate account and used for tackling pollution, and for States to set up state of-art facilities for emission monitoring
- 3) India's non-banking finance companies (NBFC) need tighter regulation through creation of a multilayer model, said a discussion paper by the Reserve Bank of India on Friday. The paper proposed a structure to categorise NBFCs, or shadow banks, depending on their size and interconnectedness with the system. NBFCs in the lower layer will be known as NBFC-Base Layer (NBFC-BL). NBFCs in the middle layer will be known as NBFC-Middle Layer (NBFC-ML). An NBFC in the Upper Layer will be known as NBFC-Upper Layer (NBFC-UL) and will invite a new regulatory superstructure. It proposed a NBFC non-performing classification norm of 180 days be "harmonised" to 90 days. "In view of the recent stress in the sector, it has become imperative to reexamine the suitability of this regulatory approach, especially when failure of an extremely large NBFC can precipitate systemic risks," said the paper.
- 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) 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 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 and US stock futures fell on Friday. S&P 500 futures fell 1.5 per cent and Nasdaq 100 futures fell 1.8 per cent, more than reversing gains made on Thursday as the earnings season got off to a strong start. Meanwhile, Britain's FTSE 100 index fell 1.7 per cent and was set to record its worst week since October. European stocks fell 1.5 per cent.
- 2) In Asia, MSCI's broadest index of Asia-Pacific shares outside Japan fell 1.1% and is on course for a weekly loss of 4.4%. Japan's Nikkei fell 1.9%, recording its first weekly loss of the year.

Ajcon Global's view

- 1) Investors exercised caution and were on selling spree to be in cash position ahead of Union Budget presentation by the Finance Minister on Monday. We have been reiterating several times to be cautious after the mega rally. Last six days significant fall was expected and warranted as some sectors were trading at a peak valuations. FPI selling was witnessed which led to this price destruction. We believe the ongoing correction will make markets healthy. Nifty valuations were expensive led by significant spike of FPI liquidity in the last two months. Before the fall, Nifty was 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. Earlier, before the fall 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. Recently, the RBI governor too 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.
- 2) Before the start of massive sell off; 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 by more than 25 percent 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.
- 3) Domestically, all eyes would be on ongoing Q3FY21 earnings season after strong result by Companies like TCS, Hindustan Unilever, Maruti, Tata Motors, Colgate, HDFC Bank, Avenue Supermarts (Dmart), Tata Elxsi, Bajaj Auto, Ceat, JK Tyre, Bajaj Auto etc. Union Budget and budget related stocks especially in Defence and Railways will continue to remain focus in next few days ahead of Union Budget to be announced on 1st February 2021.
- 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



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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.

- 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) Going ahead, all eyes would be on the actual Union Budget, ongoing Q3FY21 earnings season and FPI liquidity. Any negative surprise in Union Budget can spoil the mood of investor community.



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