

FY21 was a great year for Indian equities despite COVID-19 crisis; domestic bourses come under pressure led by profit booking...

- 1) Indian equity markets ended the last trading session of the financial year 2020-21 (FY21) on a weak note led by profit-booking in the private banking and IT sector. However, buying was witnessed in PSU banking, FMCG, and realty sectors. The headline S&P BSE Sensex settled the day at 49,509 levels, down 627 points or 1.25 per cent, while the broader Nifty50 ended at 16,691 levels, after erasing 154 points or 1 per cent.
- 2) 20 of the 30 constituents on the Sensex ended the day in the red with HDFC Bank, HDFC, Power Grid, Tech Mahindra, ONGC, ICICI Bank, Infosys, and Bajaj Finance leading the list of losers. On the Nifty, the list also included the likes of Hero MotoCorp, Asian Paints, Reliance Industries, and Coal India. All these stocks were down in the range of 1 per cent to 5 per cent.
- 3) On the upside, Bajaj Finserv, ITC, SBI, HUL, Tata Motors, UPL, and Grasim rallied up to 4 per cent.
- 4) The overall market breadth remained neck and neck amid buying in broader markets. The S&P BSE MidCap index ended 0.07 per cent higher while the S&P BSE SmallCap index advanced 0.52 per cent.

Index	Today's Close	Prev. close	Change	% change	Open	High	Low
Sensex	49,509.15	50,136.58	-627	-1.25	50,049.12	50,050.32	49,442.50
Nifty	14,690.70	14,845.10	-154.4	-1.04	14,811.85	14,813.75	14,670.25

Sectors and stocks

- 1) Shares of Apollo Pipes, on Wednesday, rallied 10 per cent to Rs. 1,028.35 on the BSE in intra-day trade on expectation of strong revenue growth on the back of healthy demand outlook for the industry. In the past one month, the stock of the plastic products company has rallied by 46 per cent, against 1 per cent rise in the benchmark S&P BSE Sensex. During the October-December quarter (Q3FY21), Apollo Pipes reported an encouraging performance led by a robust uptick in consumption in the domestic markets. During the quarter, the company's sales volume grew by 7 per cent to 11,445 MTPA, driven by a healthy contribution from the cPVC, HDPE pipe and value-added product segment of Fittings. Cost-optimization measures and improved contribution from the high-margin fittings segment further resulted in a better gross margin performance during the quarter. Looking ahead, the management said, the various pro-growth measures undertaken by the Government, especially in the rural, infrastructure and agricultural space should lead to better demand and consumption of our products in the domestic market over the medium-to-longer term. On Friday, March 26, CRISIL Ratings revised its rating outlook on the long-term bank facilities of Apollo Pipes to 'Positive' from 'Stable'. The outlook revision reflects CRISIL Ratings' expectation that the business risk profile of APL may strengthen over the medium term, supported by improving geographical diversification on account of upcoming capacity in the eastern region and increase in scale of business with widening of product portfolio. Revenue is expected to register a compound annual growth rate (CAGR) of around 20 per cent in the near term on the back of healthy demand outlook for the industry and increased capacity (around 1,25,000 tonne per annum by April 2021), along with growing focus on advertisement and branding campaigns, CARE Ratings said in rating rationale. Earnings before interest, tax, depreciation and amortisation (EBITDA) margin is projected at around 13.5 per cent for fiscal 2021, supported by inventory gains in the third quarter. The EBITDA margin is expected to sustain at 12-13 per cent over the medium term because of increased focus on high-margin value-added products and better spread of cost on higher revenue base, it said. The ratings continue to reflect APL's established market position in North India and increasing geographical diversity. The ratings also factor in its strong financial risk profile because of a healthy capital structure. These strengths are partially offset by exposure to intense competition, and susceptibility of profitability to fluctuations in raw material prices and foreign exchange (forex) rates.
- 2) Shares of IRB Infrastructure Developers rallied by 9 per cent higher to Rs 112.30 on the BSE in intra-day trade on Wednesday after the company announced an exciting end to the FY 2020-21 with the addition of two new PPP (public-private partnership) projects to its portfolio. "The company has won two highway projects with project costs



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of Rs 3,179 crore in West Bengal and Himachal Pradesh. Thus, the company is closing its financial year after successfully securing new orders amounting to a total of Rs 5,004 crore. This works out to approximately 5 per cent of the total market share of awards on a PPP basis issued by the National Highways Authority of India (NHAI) in the financial year 2020-21," IRB Infra said in an exchange filing. The total order book of the company now stands at Rs 14,509 crore, including a construction order book of Rs 7,583 crore - providing revenue visibility of more than 2 years, the company added. It said it has received a letter of award (LOA) for a BOT (build, operate, transfer) project in West Bengal involving 6 laning of Dankuni-Palsit stretch of 63.38 km of NH-19 with the project cost of Rs 2,421 crore. With the entry in West Bengal and Himachal Pradesh, the company's footprints have now been spread to 10 states across India.

Key recent major developments..

- 1) The government has extended the Emergency Credit Line Guarantee Scheme (ECLGS) by another three months, and widened its scope to issue additional funding up to 40 per cent of outstanding loans as on Feb 29, 2020 as against 20 per cent earlier. The scheme, dubbed as ECLGS 3.0, has been extended until June 30, or until Rs. 3 trillion is disbursed, due to continuing adverse impact of Covid-19 pandemic on certain services sector, Ministry of Finance said in a statement. The collateral free loan guarantee scheme, announced as a part of the Atmanirbhar Bharat package, would now also cover borrowers with total credit outstanding up to Rs. 500 crore, with overdues for 60 days or less on February 29 as compared to 30 days overdue earlier. The tenor of loans granted under ECLGS 3.0 will be 6 years including moratorium period of 2 years. The tenor of loans under the previous version, ECLGS 2.0, was five years with a 12-month moratorium on repayment of principal. "The modifications introduced in the scheme, while providing an incentive to MLIs (member lending institutions) to enable availability of additional funding facility to the eligible beneficiaries will go a long way in contributing to economic revival, protecting jobs, and creating conducive environment for employment generation," the statement said. The government has incurred an expense of Rs 4,000 crore to provide guarantee on 91.9 lakh loans amounting to Rs 2.01 trillion as on March 15.
- 2) The government has announced it will put in Rs 14,500 crore in Central Bank of India, Indian Overseas Bank, Bank of India and UCO Bank by issuing non-interest bearing bonds to the state-owned lenders. Recapitalisation bonds will be issued with six different maturities, and the special securities would be "at par" for the amount as per the application made by the eligible banks. The step completes the government's capital infusion of Rs. 20,000 crore in public sector banks for the current financial year. In December, it infused Rs. 5,500 crore in Punjab and Sind Bank. The special securities shall be non-interest bearing and no interest shall be payable on issue of the securities, said a notification dated March 30, marking a break from the usual practice of government issuing interest-bearing bonds to public sector banks.
- 3) The output of eight infrastructure sectors contracted by 4.6 per cent in February as compared to a revised growth of 0.9% in January. All the core segments, including coal, crude oil, natural gas, refinery products and fertilisers witnessed a decline in February, according to official data released on Wednesday. This is the sharpest contraction in six months. The growth rate of the eight infrastructure sectors - coal, crude oil, natural gas, refinery products, fertilisers, steel, cement and electricity - stood at 6.4 per cent in February 2019. Coal, crude oil, natural gas, refinery products, fertilisers, steel, cement and electricity production recorded negative growth of 4.4 per cent, 3.2 per cent, 1 per cent, 10.9 per cent, 3.7 per cent, 1.8 per cent, 5.5 per cent, and 0.2 per cent, respectively in February, the data showed. According to Commerce and Industry Ministry data, during April-February 2020-21, the eight sectors' growth declined by 8.3 per cent as compared to (+) 1.3 per cent in same period of the previous fiscal.
- 4) Maintaining status quo on inflation targeting, the government on Wednesday extended 4 per cent retail inflation target for the Reserve Bank of India for the next five years. Under the current mechanism, the RBI has been mandated by the government to maintain retail inflation at 4 per cent with a margin of 2 per cent on either side. "The inflation target for the period April 1, 2021 to March 31, 2026 under the Reserve Bank of India Act 1934 has been kept at the same level as was for previous five years," Economic Affairs Secretary Tarun Bajaj said.
- 5) India reported first 300 plus daily Covid deaths since Dec 25, most in 104 days. With India in the grip of the second covid-19 wave, the government said that the situation was going from bad to worse with serious cause for concern in some states, even as it expected a fast uptake in the vaccination from April 1 onwards. "No state and no part of the county should be complacent. Trends show that the virus is still very active and can penetrate our defences. When we think we have controlled it, it strikes back. There is a concern we should all be mindful of," said V K Paul, member-health, Niti Aayog while addressing a weekly briefing on covid situation in India.
- 6) India has given the first dose of covid antidote to 6.30 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. The Government last week allowed people above 45 years to get



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vaccinated from April 1, 2021. 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.

- 7) JSW Steel group closed a Rs. 19,350-crore transaction with lenders to acquire Bhushan Power & Steel (BPSL) last week on Friday, ending a corporate insolvency resolution process (CIRP) that has stretched more than three and a half years. The Rs. 19,350-crore transaction has been funded by a mix of equity and debt. As part of the payment, a sum of Rs. 8,614 crore in Piombino Steel Limited (PSL) was arranged through a mix of equity, optionally convertible instruments and debt. Of this, an amount of Rs 8,550 crore was invested in a special purpose vehicle (SPV), Makler Private Limited, the bidding company; the balance Rs. 10,800 crore was funded by debt. JSW informed the stock exchanges that following the implementation of resolution plan that included payment of Rs. 19,350 crore to financial creditors of BPSL and merger of the SPV, PSL holds 100 per cent equity shares in BPSL. Seshagiri Rao, joint managing director and chief financial officer, JSW Steel, said that the company takes charge of the asset today. In a letter to BPSL employees, Sajjan Jindal, chairman of JSW group said that BPSL was the largest acquisition in the history of JSW Steel. "This acquisition not only aligns with our core business and purpose but also establishes our presence and accelerates our growth vision in eastern India," he said. "I am aware how difficult it is to build a greenfield steel plant of this size and this asset is indeed a testament to your tireless efforts," he further said.
- 8) RBI Governor Shaktikanta Das said earlier that the central bank does not at the moment foresee a downward revision of the economic growth forecast for 2021-22. The central bank had in February forecast India's FY22 real Gross Domestic Product (GDP) growth at 10.5 percent. The comments came amidst concerns after the recent surge in COVID-19 cases. The RBI Governor made the comments while speaking at the India Economic Conclave. He said digital players will increasingly have a critical role across the banking sector in India, which is emerging as Asia's financial technology (FinTech) hub. "FinTech is expected to challenge the financial sector with innovations and its exponential growth. Harnessing FinTech for customer services will effectively control costs and expand the banking and nonbanking businesses," Das said. The increased use of digital payments induced by the pandemic can fuel a rise in digital lending in the current decade, he said. The RBI had said that the working group, which was set up in January would study all aspects of digital lending activity of both regulated and unregulated players to put in place an appropriate regulatory approach. The Governor said "IT systems need to be developed to handle the exponential surge in the number of transactions." The Governor cited the example of Unified Payments Interface (UPI) which took three years from 2017 to reach a monthly count of 1 billion transactions, but doubled to 2 billion a month in a short span of another year.
- 9) Last week, 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.
- 10) Earlier, Maruti Suzuki India 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.
- 11) In a relief to the bond market, the government had 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 cancelled 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



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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.

- 12) 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.
- 13) 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.
- 14) 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.
- 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) 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



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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).

- 17) 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) In Asia, MSCI's All Country World Index, which tracks stocks across 49 countries, traded 0.1 per cent lower. MSCI's broadest index of Asia-Pacific shares outside of Japan fell 0.3 per cent, its first monthly loss in five months.
- 2) China's blue-chip index sank 0.9 per cent and Japan's Nikkei slid 0.9 per cent as investors sold financial shares amid growing uncertainty over the fallout from the margin calls that brought down Archegos Capital.
- 3) Globally, safe-haven dollar held near five-month highs as Treasury yields resumed their upward march before US President Joe Biden announces a multitrillion-dollar plan to rebuild America's infrastructure.
- 4) Europe's regional STOXX 600 index was up 0.2 per cent, while Britain's FTSE 100 was down 0.1 per cent.

Ajcon Global's view

- 1) In FY21, the COVID-19 pandemic put significant pressure on Indian economy as economic activity came to a standstill led by a nationwide lockdown. However, strong foreign inflows on India being best economic recovery story from COVID-19 crisis, accommodative monetary policies of global central banks, especially the US, including India and strong Union Budget proposals (Bold, growth and reforms oriented) led a strong rally in Indian equities. The S&P BSE Sensex and Nifty50 have rallied 68 per cent and 70.8 per cent, respectively in FY21. Earlier during FY10, the S&P BSE Sensex had surged 80.5 per cent, while Nifty50 rallied 73.7 per cent. The gains in mid-and small-caps have, in fact, been sharper with both the indices rallying 91 per cent and 115 per cent, respectively on the BSE.
- 2) During the year, foreign portfolio investors (FPIs) pumped in a record US\$37 billion (Rs. 2.74 trillion) into equities (up to March 26), which is the highest since FY13, data from the National Securities Depository Limited (NSDL) show. On the other hand, domestic mutual funds recorded a net outflow of Rs 1.25 trillion and became net sellers for the first time since FY13.
- 3) Indian equities came under pressure on Tuesday led by profit booking. Positive global cues like US President Joe Biden's proposed \$3 trillion infrastructure package, improved US GDP data and reduced unemployment rate can pull up equities. However, domestically, there is a significant spike in COVID-19 cases which is a matter of serious concern especially in states like Maharashtra, Punjab in the second wave. In addition, localised restrictions owing to jump in COVID-19 cases, 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 COVID-19 cases number on daily basis amidst significant spike and vaccination drive, movement of US bond yields, 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.
- 4) 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



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valuations are trading in the range of 35x-40x which looks expensive but with recent budget proposals one will need to watch out the effect on corporate earnings in Q4FY21 and FY22.

- 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) Investors will continue to 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. 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.
- 5) We recommend investors to be stock specific and suggest investors not to get carried away with unknown names. Stock specific opportunities would emerge on corrections. The resurgence of COVID-19 cases is a serious matter of concern.



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