



Dr. Ashok Ajmera (FCA), CMD & CEO

Dr. Ashok Ajmera's column as on April 03, 2021

Record GST collections in March 2021 fosters confidence on fast economic recovery amidst significant surge of COVID-19 cases in the second wave..

- 1) Indian bourses were buoyant led by positive global cues and record GST collection in March 2021. Positive global cues like US\$2.3 Trillion infrastructure stimulus package announced by U.S. President Joe Biden, cooling down of US Bond yields supported the bulls. However, significant surge of COVID-19 cases in the second wave is serious matter of concern.
- 2) On a weekly basis, the S&P BSE Sensex was up by 2.08 percent while the Nifty50 rose by 2.4 percent for the week ended April 01, 2021. Globally too, markets were upbeat with the S&P500 touching new record high.
- 3) Domestic Broader markets were buoyant too. S&P BSE Midcap index rose by 2.7 percent while S&P BSE Smallcap index was up by 4 percent.
- 4) On the sectoral front, metal stocks witnessed strong rally led by improved global demand and rise in commodity prices. In addition, Pharma, IT and Utilities stocks were also up in green. The S&P BSE Bankex rose by around 2 percent.
- 5) During the week, foreign institutional investors were net sellers and sold more than Rs. 700 crore the three trading sessions of the week.

Key recent major developments..

- 1) India reported 89,129 Covid cases in a day, the most since September 20, 2021. India is already 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. India has given the first dose of covid antidote to 7.30 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 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
- 2) The goods and services tax (GST) collection crossed the Rs. 1 lakh crore mark for the sixth month in a row in March 2021 and a new record of Rs 1,23,902 crore (GST) collected in the month of March 2021. "The gross GST revenue collected in the month of March 2021 is at a record of Rs 1,23,902 crore of which CGST is Rs 22,973 crore, SGST is



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Rs 29,329 crore, IGST is Rs 62,842 crore (including Rs 31,097 crore collected on import of goods) and cess is Rs 8,757 crore (including Rs 935 crore collected on import of goods)," an official release stated. GST collection in the month of February stood at Rs. 1.13 lakh crore. In line with the trend of recovery in the GST revenues over past five months, the revenues for the month of March 2021 are 27 percent higher than the GST revenues in the same month last year. During the month, revenues from import of goods were 70 percent higher and the revenues from domestic transaction (including import of services) were 17 percent higher than the revenues from these sources during the same month last year, the Ministry of Finance said. The GST revenue witnessed growth rate of (-) 41%, (-) 8%, 8% and 14% in the first, second, third and fourth quarters of this financial year, respectively, as compared to the same period last year, clearly indicating the trend in recovery of GST revenues as well as the economy as a whole.

- 3) 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.
- 4) 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.
- 5) 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.
- 6) 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.
- 7) 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



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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.

Ajcon Global's view

- 1) The week gone by was a holiday shortened owing to Holi on Monday (March 29, 2021) and Good Friday (April 02, 2021). Indian equities were back in green led by record GST collections in March 2021 and positive global cues like US President Joe Biden's proposed \$3 trillion infrastructure package, improved US GDP data and reduced unemployment rate in US. 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.
- 2) Key domestic factors like positive GDP data, COVID-19 vaccinations drive going strongly, strong GST collections in March 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 keep bulls in the hunt. The Nifty 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.
- 3) 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.
- 4) 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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