AJCON GLOBAL
YOUR FRIENDLY FINANCIAL ADVISOR

Market wrap **January 15, 2021**

Profit booking leads benchmark indices in red; stock specific action was witnessed..

1) The Indian benchmark indices declined by over 1 percent on Friday. Among headline indices, the S&P BSE Sensex declined by as much as 788 points from the previous day's close to 48,796 in the intra-day deals, before partially erasing the losses and ending at 49,035, down 549 points. The broader Nifty50 index ended the day 1.1 per cent lower at 14,434.

2) Profit booking was witnessed in major tech companies which came out with better-than-expected December quarter results. Since November 2020, the Nifty IT index has rallied by 29 per cent in the same period. Today, the Nifty IT index declined by 2.24 per cent and was the top sectoral loser in Friday's session. Among individual stocks, Tech Mahindra, Coforge, HCL Tech and Wipro fell over 3 per cent each while Naukri, Mindtree, LTI, and Infosys fell over 2 per cent each.

Sectors and stocks

1) Shares of MSTC hit a record high of Rs. 263.65, rallying by 20 per cent on the BSE on Friday, in an otherwise weak market on the back of heavy volumes. Thus far in the month of January 2021, MSTC has rallied 56 per cent, after the company signed a Memorandum of Understanding (MOU) with Department of Mines and Geology, government of Andhra Pradesh for selection of agency to carry out sand operations in the state of Andhra Pradesh on January 4, 2021. Recently, CARE Ratings reaffirmed the credit rating to various bank facilities availed by the MSTC. "The ratings assigned to the bank facilities of MSTC continue to draw strength from the long track record and established position of the company in e-commerce segment, Government of India's (GoI) controlling stake and stable source of revenue from service income," the rating agency said in rationale. MSTC was set up in September, 1964 for regulating export of ferrous scrap from India. Since 1991, the company has been in direct marketing of melting scrap, coke/coal, iron ore and many other products. MSTC earns stable service income through the e-commerce business and sales done through facilitator mode (majorly raw material for secondary steel producers and petrochemical industry).

2) Shares of Bharti Airtel rallied by 5 per cent to Rs. 610 on the BSE on Friday after the global index provider MSCI said it will take a decision on increasing the weightage of the telecom services provider at upcoming index review in February. The stock was trading close to its record high level of Rs. 612, touched on May 20, 2020. On Tuesday, Bharti Airtel had announced that it has received required regulatory approvals for 100 per cent foreign direct investment (FDI) in its downstream companies. The company said it is initiating the process to revise its foreign investment limit to 100 per cent, with immediate effect. As of January 12, 2021, National Securities Depository Limited (NSDL) updated the foreign investment limit for Bharti Airtel from 49 per cent to 100 per cent. As a reminder MSCI reviews Foreign Ownership Limit (FOL) and foreign room until the price cutoff date on a quarterly basis. "The proforma FOL and upward movement of the adjustment factor due to foreign room will be implemented as part of the upcoming February 2021 Quarterly Index Review (QIR). The proforma Foreign Inclusion factor (FIF) will be announced along with the scheduled February 2021 QIR announcement, on February 9, 2021. All changes will be implemented as of the close of February 26, 2021 (effective March 1, 2021)," the index provider said in an announcement.

3) Shares of Vodafone Idea hit a 52-week high of Rs. 13.53, up 10 per cent, on the BSE in Friday's intra-day trade on the back of heavy volumes in an otherwise weak market. The telecom services provider's stock surpassed its previous high of Rs. 13, touched on September 4, 2020. In the past three months, Vodafone Idea's stock has zoomed 69 per cent as compared to a 24 per cent rise in the benchmark index.

4) Shares of Tata Motors extended their winning run to the 11th straight day on Friday after the stock rose 7 per cent to hit a 28-month high of Rs. 261.50 on the BSE in an otherwise weak market. The stock was trading at its highest level since September 2018. The stock, however, pared gains later, and was ruling 5 per cent higher on the BSE after it clarified that the company had no plans to form partnership with US-based Tesla for electric mobility. "Tata Motors has not taken any decision regarding a strategic partner for its PV business and categorically denies any and all rumours suggesting the same," it said in a press release. In the past one week, it has rallied 32 per cent after the company's subsidiary Jaguar Land Rover (JLR) posted a second successive quarter-on-quarter (QoQ) recovery in sales, despite the continuing impact of Covid-19. In comparison, the S&P BSE Sensex gained 1 per cent during the week. The management said JLR's performance in China, the region least impacted by Covid-19 in the most recent quarter, has been particularly encouraging with our sales there growing on both a year-on-year and quarter-on-quarter basis. Other markets are also showing strong signs of recovery, despite second Covid waves across the

globe, it said. On January 1, Tata Motors said the company reported a 21 per cent increase in total vehicle sales in the domestic market to 53,430 units in December. M&HCVs and ILCVs led the recovery, growing by 10 per cent and 7 per cent, respectively over Q3FY20 with higher demand in infrastructure, including road construction, mining and e-commerce segments. The offtake continued to be higher than retail to support sequential month on month growth in retail while ensuring healthy inventory levels in the pipeline, the company said in a press release.

5) Shares of Majesco were locked in upper circuit for the 16th straight trading day, up 5 per cent at Rs. 26.05 on the BSE on Friday in an otherwise weak market. The stock has rallied 113 per cent from the level of Rs. 12.20 after it adjusted to interim dividend of Rs. 974 per share. Majesco had paid high dividend payout after the sale of US arm — which accounted for the bulk of its revenues and profits — to private equity firm Thoma Bravo last year. The company had also bought back 1.57 million equity shares at price of Rs. 845 per share. The buyback was undertaken to return a part of surplus cash received by the Company, upon the sale of its shareholding in Majesco, USA to the shareholders, Majesco had said in a statement. As regards to future plan, Majesco said as a first step distribution of balance cash of Rs 103 crore to the shareholder base of 28.577 million will be carried out as expeditiously as possible subject to board and regulatory approvals. On monetisation of real estate, the management said this could take longer i.e. over a year and depending on real estate market conditions. Post monetisation of real estate, the company will decide the best method for distribution of sale proceeds to shareholders, it said.

6) Shares of Gail (India) were down 5 per cent at Rs. 136.60 in the intra-day trade, falling 7 per cent from day's high, on the BSE on Friday after the company's board approved share buyback at price of Rs. 150 per share via tender offer. The stock of the state-owned company hit a 52-week high of Rs 146.20 in the intra-day trade today. The board also declared an interim dividend of Rs 2.50 per share or 25 per cent for the financial year 2020-21 (FY21). The company said it has fixed January 28, 2021 as the record date for the purpose of determining the eligibility of shareholders for buyback of equity shares well as for payment of interim dividend. "Buyback of not exceeding 69.75 million equity shares of face value of Rs 10 each (representing 1.55 per cent of the total equity of the Company) at a price of Rs 150 per equity share for an aggregate consideration not exceeding Rs 1046.35 crore via tender offer," Gail India said in exchange filing. In the past three months, the stock has outperformed the market by rallying 78 per cent, as compared to a 24 per cent rise in the S&P BSE Sensex.

Key recent developments

1) 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.

2) The Union Ministry of Health and Family Welfare said in a media briefing on January 12 that the COVID-19 vaccination process in the country will take more than one year to complete. Responding to a question on whether states and Union territories will get to choose which vaccine they opt for, Union Health Secretary Rajesh Bhushan said: "There is no such option available to any of the beneficiaries in any country."This means, people will not get to choose the vaccine they will be administered. They can get either of the two COVID-19 vaccines that have got emergency use approval in India - Serum Institute of India's Covishield and Bharat Biotech's Covaxin. The Centre has so far received 54.72 lakh doses of coronavirus vaccines and all the consignments from Bharat Biotech and SII are supposed to reach before January 14, the ministry informed. “All states/UTs will receive vaccine doses, 1.1 crore from Serum Institute and 55 lakh from Bharat Biotech, by January 14,” the Union Health Secretary said.

3) Prime Minister Narendra Modi on Monday said that Centre will bear the expenses for the first phase of Covid-19 vaccination, which will begin on January 16. "Centre, not states, will bear expenses for first-phase vaccination of three crore corona warriors and frontline workers," PM Modi said after a meeting with chief ministers where he discussed the Covid-19 situation in states and preparedness for the vaccination programme. The PM CARES fund will be used to bear the cost of procuring both vaccines. The Prime Minister said that health workers - government as well as private - sanitation workers, other frontline workers, defence forces, police and other paramilitary forces will be vaccinated in the first phase. "In the second phase, those above 50 years and those under 50 years with co-morbid conditions will be vaccinated," he added. After the review meeting, PM Modi said that the country's scientists and medical experts have taken all precautions to provide our citizens with effective vaccines. He also urged the citizens of the country to keep taking precautions even after vaccine has been taken. Today, he said that the two approved vaccines more cost-effective than foreign vaccines "and have been developed as per our needs". "Only about 2.5 crore people vaccinated globally so far; we have to achieve vaccination of 30 crore citizens in next few months," the Prime Minister added. India has completed vaccination dry runs in almost every district, which is a massive achievement, the Prime Minister said in his address. The Serum Institute of India (SII) had signed a purchase order with the Government of India to procure 11 million doses of coronavirus vaccines. Serum Institute of

India officials said on January 11: "The SII has received purchase order from Government of India." As per the purchase order, each dose of the coronavirus vaccine will cost Rs. 220 inclusive of 14 percent GST. SII is manufacturing Oxford-AstraZeneca's COVID-19 vaccine Covishield in India. Earlier, The Indian government approved two COVID-19 vaccines - Serum Institute of India's Covidshield, and Bharat Biotech's Covaxin -- for restricted use in an emergency situation.

4) 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. EBIDTA (Earnings before Interest, Taxes, Depreciation and Amortisation) have become positive in first half of FY 2020-21 in both BSNL and MTNL," it said.

5) Automobile dealers' body FADA on Monday 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.

6) 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.

7) 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) Asian equities declined in afternoon trade as rising Covid-19 cases in China reinforced investor concerns over the prospects for a global economic recovery. More than 28 million people were under a lockdown in China. On Friday, it reported the highest number of new Covid-19 cases in more than 10 months. Consequently, Chinese blue-chips declined by 0.97 per cent. Besides Hong Kong’s Hang Seng fell by 0.29 per cent and Australia’s ASX 200 was flat, while Japan’s Nikkei lost 0.65 per cent.

2) European equities were also in red. The pan-European STOXX 600 index declined by 0.4 per cent. The German DAX was down 0.4 per cent and France’s CAC 40 fell 0.6 per cent. UK’s FTSE 100 declined by 0.4 per cent.

Ajcon Global’s view

1) After a stellar run since November 2020, today benchmark indices took a breather. Since November 2020, the Nifty50 index has rallied 25.3 per cent, till Thursday, 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 SIIs 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.

2) Domestically, all eyes would be on ongoing Q3FY21 earnings season after strong result by Companies like TCS, Avenue Supermarts (Dmart), Tata Elxsi etc. Union Budget and budget related stocks especially in Defence and Railways will continue to remain focus in next few days and weeks ahead of Union Budget to be announced in February 2021. Investors would continue to remain stock specific in coming weeks. Pre Budget rally is expected to continue till the actual Union Budget is announced.

3) 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 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.

4) 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. Investors will keep an eye on the progress of COVID-19 vaccine roll out and its efficacy in various countries after these new developments. Any negative news especially on the new strain of COVID-19 will play spoilsport after the massive rally.

5) We believe today's correction will make markets healthy. Nifty valuations are expensive led by significant spike of FPI liquidity in the last two months. Nifty is 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. On Thursday, the market-capitalisation on the BSE reached R.s 197.7 trillion, against India's nominal GDP at current prices of around Rs. 190 trillion during the year ended December 2020. Hence we advise, partial profit booking. On Monday, the RBI governor 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.

6) We believe, there is still value in midcaps and smallcaps space which has still not reached January 2018 levels. However, advise investors to be careful in smallcaps space as high liquidity may paint fundamentally weak companies as next multibaggers.

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For research related queries contact:

Mr. Akash Jain – Vice President (Research) at, 022-67160431 (D)

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Website: www.ajcononline.com

Registered and Corporate office
408 - (4th Floor), Express Zone, “A” Wing, Cello – Sonal Realty, Near Oberoi Mall and Patel’s, Western Express Highway, Goregaon (East), Mumbai – 400063. Tel: 91-22-67160400, Fax: 022-28722062