

Indian equities end in positive terrain; all eyes on crude oil price and rupee movement..

Index	Today's Close	Prev. close	Change	% change	Open	High	Low
Sensex	53,234.77	52,907.93	326.84	0.62	52,851.67	53,301.99	52,674.81
Nifty	15,835.35	15,752.05	83.30	0.53	15,710.50	15,852.35	15,661.80

- 1) On Monday, Indian benchmark indices were upbeat and ended in green. The Sensex witnessed a gap down opening of 56.26 points and regained later to touch an intraday high of 53,301.99. The Sensex finally ended up by 326.84 points or 0.62 percent to end at levels of 53,234.77. On the other hand, Nifty closed up by 83.30 points or 0.53 percent. Among the Sensex 30 stocks, the prominent gainers were Hindustan Unilever, IndusInd Bank, ITC, ICICI Bank, Powergrid up in the range of 2.01 percent to 4.03 percent.
- 2) The broader markets too were in positive terrain on Monday. The BSE MidCap index was up by 0.82 percent, while the BSE SmallCap index was up by 0.59 percent.
- 3) In terms of sectoral indices performance, the major gainers were the BSE Fast Moving Consumer Goods index, BSE Bankex index, BSE Finance Index, BSE Capital Goods index, BSE Consumer Durables index up in the range of 0.82 percent to 2.49 percent.

Sectors and stocks

- 1) Shares of AIA Engineering moved up by 7.26 percent to Rs. 2371.35 after touching an intraday high of Rs. 2422.10. AIA Engineering specialises in the design, development, manufacture, installation and servicing of high chromium wear, corrosion and abrasion resistant castings used in the cement, mining and thermal power generation industries. For F.Y. 2022-2023, Company estimated capex of Rs. 300 Crore which includes Mill Lining Project, Grinding Media Expansion Project and Hybrid Power Project of 6.30 MW wind power and 5.67 MW of solar power in addition to general capex.

Mining Liner Projects: The company has nearly completed setting up a manufacturing plant of Mill Liners with a capacity of 50,000 Mt and it was expected to be commissioned in June 2022. Post this expansion, total installed capacity will be 4,40,000 TPA.

Kerala GIDC Projects: The company had decided to go ahead with its brownfield capacity expansion of grinding media. It plans to add 80,000 Mt of capacity at an estimated capex of Rs. 200 Crores and commissioning by end of F.Y.2024.

Mr. Kunal Shah from the Management of the Company in the Company's Q4FY22 analyst concall conducted earlier said "We are happy that this will be our, we crossed the 1000 crores mark in a quarter, first time in history and we are very happy about it. We have done Rs.180 crores of revenue in the quarter and that came from about 73, 000 tons of sales and 70,000 tons of production in this quarter. We ended the full year with 260,500 tons that is down from 266,000 tons that we did full year, last year. This volume figure is in light of 40,000 tons that we have approximately lost on account of reduction in sales in Canada and South Africa. So, optically while it looks like a small reduction in real sense, we have added more customers to the tune of about 30,000 tons for the full year and this in a year where shipping cost continue to be a headwind and all other items have gone through a serious inflationary trend as you all know from most of the companies' commentary. So, in that backdrop, we are happy to report that we have done new customer addition and increase wallet share with our existing customers. So, for the full year from a revenue standpoint, we are at 35,014 crores and that is up from about Rs.28000 crores that we have done full year last year, of course a lot of that is accounted by the increase in selling price. So, the average realization for the full year stands at 134 and which is up from 105 full year last year, and the realization for the last quarter is at 148 so over last 4-5 quarters you have actually seen the whole pass through come along and that was a concern that many people had in terms of how we will be able to pass on our different costs especially raw

material and shipping and you will see that our numbers now our realization reflects a lot of that past through come along."

- 2) Shares of Linde India closed up by 6.67 percent to Rs. 3450.30 on the BSE after touching an intraday high of Rs. 3475. Linde India Limited, a member of Linde Plc. is a leading industrial gases company in India. The Company in its Annual Report 2021 (Company follows Calendar year as Financial year) said "Linde India continues its pursuit for profitable growth. On the back of a sharp recovery in the economy in 2021, Linde India has rebounded across key markets and we are confident of sustaining the Rebound. Linde India is presently setting-up of a 250 tonnes per day merchant Air Separation Unit at Dahej, Gujarat at a capex of Rs.138.6 Crore to secure growth in the gases business in Western markets and deliver cost savings. The new ASU is being set up at the Company's existing Dahej site, where the 110 tonnes per day Air Separation Unit is in operation and is expected to be commissioned by the end of October 2023. The Company is also setting-up a 264 tonnes per day merchant Air Separation Unit near Ludhiana, Punjab at a capex of Rs.152.1 Crore to secure growth in the gases business in Northern markets and deliver cost savings. The new ASU is expected to be on stream by December 2023.
- 3) Shares of Central Bank of India closed up by 6.19 percent after making an intraday high of Rs. 18.35. Earlier, the Bank had witnessed net profit of Rs. 1,045 Crore in FY22 after 6 years of continuous losses. Gross NPAs had also come below 15 percent after a long time. Credit Cost for the FY22 improved from 2.95 percent to 1.41 percent on YoY basis, registering an improvement of 154 bps. Slippage Ratio for the FY22 also improved by 120 bps 3.20 percent as compared to 4.40 percent in FY21. In Q4FY22 analyst concall conducted earlier, the strong Management team has looked confident and assured of achieving higher credit growth in future. The Bank's focus is on mix of Retail, Agriculture and MSMEs (RAM) - 65% and Corporate credit - 35% (Post PCA) as against RAM - 70% and Corporate Credit - 30 percent in PCA regime. We are happy to see that the Bank has really transformed itself in the PCA regime. We believe the C/D ratio of just 56 % has big scope to improve credit numbers post PCA regime. The Bank is having Pan India presence and is a trusted name over the years. The Bank boasts of a very strong CASA ratio of 50.58 percent which is one of the best in PSU banking industry and makes good money by selling the certificates. Mr Rao in the interaction with the Analysts has given the following guidance for FY23: Deposit growth: 10-12%, Advances growth: 12 – 14 %, Business growth: 10%, RAM: Corporate Credit Ratio: 65:35, NIM: More than 3%, CASA: Around 50%, Gross NPA: Below 10%, Net NPA: Less than 3.5%, PCR: 88-90%, Slippage ratio: 2.25-2.50%, Credit cost (annualised): 1.50-1.75%, Return on Assets: 0.50-0.60%, Cost to Income ratio: Less than 50%.

Key recent major developments..

- 1) Globally, on Monday, Ukrainian President Volodymyr Zelenskyy said the reconstruction of his war-battered country is the "common task of the entire democratic world", as his prime minister laid out a \$750-billion recovery plan once invading Russia's guns fall silent.

As Russian forces continued their crushing advance in Ukraine's eastern Donbas region, Zelenskyy spoke by video message to the Ukraine Recovery Conference in Switzerland about the needs of the country that has been on an up-and-down march toward democracy since the end of the Cold War and now faces widespread devastation. "The reconstruction of Ukraine is not a local project, is not a project of one nation, but a common task of the entire democratic world - all countries, all countries who can say they are civilised," Zelenskyy told hundreds of attendees in Lugano. "Restoring Ukraine means restoring the principles of life, restoring the space of life, restoring everything that makes humans humans." "Today, we're all united in our defense. Tomorrow in our reconstruction," said Ukrainian Prime Minister Denys Shmyhal, who attended in person. He presented a recovery plan that meets immediate needs - even as the war continues - followed by a "fast recovery" when it's over, and then longer-term requirements.

- 2) Domestically, in a key development Tata Motors Chairman N Chandrasekaran told the shareholders at the 77th Annual General Meeting (AGM). "We are determined to increase our EV sales at a very significant rate. Our target is to cross 50,000 cars this year and 100,000 cars next year. We are on an aggressive growth path," said Chandrasekaran, on replying to a shareholder's question on the company's EV targets.
- 3) India will only withdraw its windfall tax introduced last week for oil producers and refiners if global prices of crude fall as much as \$40 a barrel from present levels, Revenue Secretary Tarun Bajaj told Reuters on Monday. The tax on firms that have increased product exports to gain from higher overseas margins took effect on July 1, as the government moves to boost domestic supply and revenue. "The taxation would be reviewed every 15 days," Bajaj said, adding that it would depend on international crude prices. "If crude prices fall, then windfall gains will cease

and windfall taxes would also be removed." The government believes such windfall gains will cease once prices fall \$40 from existing levels, Bajaj said.

- 4) Brent crude futures fell on Monday to about \$111.27 a barrel led by fears of a global recession which is affecting investors outlook even as supply remains tight amid lower OPEC output, unrest in Libya and sanctions on Russia.

Ajcon Global's observations and view..

- 1) **Short term view:** Indian equities rebounded on Monday and ended in green after being under pressure on Friday. We believe Indian equities are likely to remain range bound and will take cues from monthly auto sales numbers, crude oil price movement, rupee movement against the US Dollar and onset and progress of monsoon in different parts of the nation. The fall in prices of commodities like copper, aluminium, steel prices will augur well for Indian equities.
- 2) **Long term view:** Always remember, steep corrections and crash in a structural bull market will keep markets healthy. Structurally, Indian economy is poised to do well after major reforms like thrust on digital economy after demonetisation, implementation of GST, RERA, Insolvency and Bankruptcy Code, reforms in power sector, one of its kind Union Budget announced last year which focused on investment led spending to drive growth with impetus on Privatisation, thrust on Aatmanirbhar Bharat resulting into Production Linked Incentive (PLI) schemes for various sectors, reforms in Direct Taxes, thrust on renewables sector, Ethanol blending, scrapping policy etc.
- 3) **Strong line up of IPOs:** There is a strong line up of IPOs upcoming in the near future. We suggest investors to be careful with IPOs that are look expensive and understand the fundamentals based on risk reward profile before taking a decision to invest. No doubt, IPOs of sectors in limelight like E-Commerce, Insurance, companies engaged in Digital space, Speciality chemicals, Companies business model suited to new age, companies having business model which caters to the demands of Electric Vehicles would always gain maximum attention. However, investors need to be careful with expensive IPOs whose valuations are beyond logic. The carnage witnessed in some of the recently listed companies makes a case for investors to be more cautious. The significant fall in the recently listed companies also provide good entry points at the moment.
- 4) **Approach suggested for investors:** It is advisable for investors to look out for stock specific opportunities considering growth outlook and management pedigree. History has proved that after any crisis, equities recover strongly and give stellar returns. One should also remember that not every fall is worth buying and investors should evaluate the Company based on fundamentals and valuation before taking any decision. We recommend investors for the near term to Buy quality names on dips and sell on rise considering the volatility in the market in the near term. Considering there are too many macroeconomic variables, we believe markets would give opportunities to enter quality stocks at reasonable valuation. Sector wise Financial sector (specially banking), Pharma, automobile, auto components, Infrastructure & food processing looks attractive at the current valuations.



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For research related queries contact:

Mr. Akash Jain – Vice President (Research) at, research@ajcon.net, akash@ajcon.net

CIN:L74140MH1986PLC041941

SEBI registration Number: INH000001170 as per SEBI (Research Analysts) Regulations, 2014.

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