

Domestic bourses end in negative terrain by giving up intraday gains; fall in crude oil prices will augur well for the Indian economy and market as a whole ..

Index	Today's Close	Prev. close	Change	% change	Open	High	Low
Sensex	53,134.35	53,234.77	100.42	0.19	53,501.21	53,865.93	53,054.30
Nifty	15,810.85	15,835.35	24.50	0.15	15,909.15	16,025.75	15,785.45

- 1) On Thursday, Indian benchmark indices gave up all the intraday gains and ended in red. The Sensex witnessed a gap up opening of 266.44 points and further touched an intraday high of 53,865.93.99. However, the fears of possible recession in US affected market sentiments later in the day. The rupee hitting a fresh record low of 79.38 against the US Dollar also affected investor sentiments. The Sensex gave up all the intraday gains by falling 731.58 points from intraday high and finally ended the day down by 100.42 points or 0.19 percent to end at levels of 53,134.55 . On the other hand, Nifty closed down by 24.50 points or 0.15 percent. Among the Sensex 30 stocks, the prominent losers were ITC, Wipro, Maruti, Larsen & Toubro, IndusInd Bank down in the range of 0.98 percent to 1.73 percent.
- 2) The broader markets too were mixed on Tuesday. The BSE MidCap index was down by 0.35 percent. However, the BSE SmallCap index was up by 0.20 percent.
- 3) In terms of sectoral indices performance, the major losers were the BSE Information Technology index, BSE Teck index, BSE Bankex index, BSE Auto Index down in the range of 0.32 percent to 0.59 percent.

Sectors and stocks

- 1) Shares of Elgi Equipments closed up by 8.71 percent to Rs. 374.35. Commenting on FY22 performance, Mr. Jairam Varadaraj in its Q4FY22 anaylsy concall conducted earlier said "India had a fantastic year. Tailwind at multiple levels we had the initial part of the year in the second wave that is in April-May we have seen to be a slow down but for a very, very short period, the markets picked back up as well as there was a huge requirement for compresses for oxygen which lasted almost into the middle of Q3 after that at the moment we do not do any oxygen related business, so even if you remove that oxygen business as a bonus year, it was still an outstanding growth from India, same with South Asia, Africa and Middle East probably the exception was Sri Lanka for obvious reasons, West Europe continues to perform above our plan, the sales are higher than what we had planned and losses are lower than what we had planned, so it is the initiative as so far it is in right track, so we had two more years of losses, plan losses but progressively lower losses in a next two years, so that would make it the five years and the six years when we are open to break even and probably show a positive number, so we are on track towards that. Moving West North America had a very strong topline growth across all our businesses, Michigan Air was probably the only entity were the business was flat but that was because there was one large customer that went along with earlier brand that Michigan Air was selling but therefore there was a significant account but in spite of the loss of the significant account we have been able to maintain a flat line, so there is a good organic growth which sets the good foundation for the years to come, so everything looks good there. Brazil had a phenomenal year, we grew but there was a lot of challenges on material cost, on freight cost, freight to Brazil went up almost four times to five times and that was a big challenge for us, in spite of it there was growth and profitability in Brazil. ATS or Automotive Equipment business also did exceedingly well as a record year both in terms of topline and profitability, so overall the business was good but there were quite a few challenges that we faced, I would like to talk about big one which is free commodity and freight cost increases."
- 2) Shares of PSP Projects rallied by 11 percent to Rs. 617.10 in intraday and finally ended up by 5.04 percent to Rs. 585.5 on Tuesday. PSP Projects is construction company offering a diversified range of construction and allied services across industrial, institutional, government, government residential, residential projects and precast. It is an integrated EPC company across construction value chain from Design, Construction, Mechanical, Electrical, Plumbing (MEP), Interior, O&M Services. The Company is geographically diversified with presence in six states viz. Gujarat, Rajasthan, Karnataka, Uttar Pradesh, Maharashtra and New Delhi. Over the years, the Company has



successfully executed a number of prestigious projects. In the past, the Company has completed projects for a number of reputed customers like Zydus Cadila, Torrent Group, UP - Public Works Department, Sabarmati Riverfront, Adani Group, Claris Group, Reliance, Intas Group etc. The biggest project executed by PSP Projects is Surat Diamond Bourse (SDB). SDB is the world's largest office building on a single basement. It's a Rs. 1,850 Crore project, size of 66 lakh sq. ft.

Commenting on the Company's performance Mr. Prahaladbhai Patel, Chairman and Managing Director of the Company in its Q4FY22 analyst concall conducted earlier said "We are very happy to announce that PSP Projects Limited has recorded highest ever order book till date of Rs. 4324 Crores. On the financials side, FY2022 has been the best performing year with revenue growth of 41%, recording a highest ever revenue of Rs.1749 Crores. EBITDA grew by 90% during FY2022 at Rs.257 Crores. EBITDA margin of 15% on full year basis. On project side, one of the big achievements during the year was successfully executing Kashi Vishwanath Dham, which was inaugurated by our honorable Prime Minister, Shri. Narendra Modi Ji in December 2021, one of the most challenging projects, which we finished in record time of 20 months. During the year, we successfully completed 17 projects. All the projects are completed in time. Total projects completed till date totals to 183 projects at the company level. Few of the noted projects for this year are, Noodle factory project in Gujarat for \$350 billion multinational company Nestle, sports complex for Ahmedabad University, construction of 2 nd dairy project at Karnataka, hospital project in Udaipur, Rajasthan, interior fit-out of 300 rooms at Leela Hotel, Gandhinagar, Zydus Hospital at Baroda, Auda Library at Ahmedabad. As on March 31, 2022, the Government Residential and Government Projects comprised of 68% of the out of all the business verticals. As on date, we have 43 ongoing projects, of which 37% is based on Gujarat, 45% is based on UP, and 17% in Maharashtra. In our portfolio, EPC and Turnkey projects comprises of almost 92% and civil projects are about 8%. EPC projects include planning, designing, construction and post construction activities that has opened up horizons of growth for our company since the past few years.

During the year, the order inflow stood at Rs.1802 Crores as compared to Rs.2441 Crores during FY2021. The degrowth in the order inflow in FY2022 is largely because of the delay in awarding of the many projects and also because we have been selective in the opportunities that we are targeting for FY2023. Please note that Q1FY23, we already have an order addition of the extent of Rs.500 Crores, which we have already announced. The major projects awarded during the year are, Sports Complex of Ahmedabad Rs.503.56 Crores, Arcelor Mittal Nippon Steel plant worth Rs.257 Crores at Hazira, a repeat order for MRF group in Gujarat, affordable housing project for UP worth Rs.238 Crores and E&M for Gujarat Metro, Surat."

Key recent major developments..

- 1) Crude oil price fell by about \$10 a barrel on Tuesday as concerns of a global recession curtailing demand overshadowed a strike by Norwegian oil and gas workers that could cut exports and exacerbate supply shortages. In South Korea, inflation in June hit a near 24-year high, adding to concerns of slowing economic growth and oil demand.
- 2) Fitch Ratings forecast strong medium-term growth to support the demand for India's steel, cement and chemicals sectors, with improved economic activity boosting power and petroleum product sales. The credit rating agency also said the adequate balance sheet buffers and strengthening demand should mitigate pricing and cost pressure at most rated Indian corporates. According to Fitch, the steel prices in the medium-term are likely to moderate due to the industry's demand and supply dynamics, while cement prices will be pressured by added capacity from large manufacturers over the next few years. Meanwhile, the information technology services, telecom and pharmaceutical sectors face moderate wage and input cost risks, balanced by high utilisation rates and a better ability than industrial sectors to pass on higher costs to end consumers. A generally supportive regulatory framework limits exposure to cost inflation for electricity generation companies and network utilities, while strong oil and gas prices will widen margins at upstream companies.
- 3) India's services activity expanded at the fastest pace in eleven years in June 2022. Rising from 58.9 in May to 59.2 in June, the seasonally adjusted S&P Global India Services PMI Business Activity Index was at its highest mark since April 2011. According to S&P, unrelenting inflation continued to concern businesses, who were cautiously optimistic about the year-ahead outlook for business activity. The overall level of sentiment was well below its long-run average as only 9 per cent of companies forecast output growth. For the eleventh straight month, the services sector witnessed an expansion in output. In Purchasing Managers' Index (PMI) parlance, a print above 50 means expansion while a score below 50 denotes contraction. "Demand for services improved to the greatest extent since February 2011, supporting a robust economic expansion for the sector over the first quarter of the fiscal year 2022/23 and setting the scene for another substantial upturn in output next month," said Pollyanna De Lima, Economics Associate Director at S&P Global Market Intelligence.

- 4) India's June trade deficit widened to a record \$25.63 billion from \$9.61 billion a year ago. This was led by increase in imports of petroleum, coal and gold and slow exports adding to fears of further pressure on the rupee.

Ajcon Global's observations and view..

- 1) **Short term view:** Indian equities came under pressure on Tuesday led by concerns over possible recession in US and slowdown concerns in global advanced economies which led to fall in crude oil prices. We believe falling crude oil prices will augur well for Indian equities. Investors will today keenly watch crude oil price movement and rupee movement against the US Dollar. Domestically, investors will eye Q1FY23 earnings and management commentary. The onset and progress of monsoon in different parts of the nation is also crucial. 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.



Disclaimer

Ajcon Global Services Limited is a fully integrated investment banking, merchant banking, corporate advisory, stock broking, commodity and currency broking. Ajcon Global Services Limited research analysts responsible for the preparation of the research report may interact with trading desk personnel, sales personnel and other parties for gathering, applying and interpreting information.

Ajcon Global Services Limited is a SEBI registered Research Analyst entity bearing registration Number INH000001170 under SEBI (Research Analysts) Regulations, 2014.

Individuals employed as research analyst by Ajcon Global Services Limited or their associates are not allowed to deal or trade in securities that the research analyst recommends within thirty days before and within five days after the publication of a research report as prescribed under SEBI Research Analyst Regulations.

Subject to the restrictions mentioned in above paragraph, We and our affiliates, officers, directors, employees and their relative may: (a) from time to time, have long or short positions acting as a principal in, and buy or sell the securities or derivatives thereof, of Company mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage.

Ajcon Global Services Limited or its associates may have commercial transactions with the Company mentioned in the research report with respect to advisory services.

The information and opinions in this report have been prepared by Ajcon Global Services Limited and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of Ajcon Global Services Limited. While we would endeavour to update the information herein on a reasonable basis, Ajcon Global Services Limited is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent Ajcon Global Services Limited from doing so. This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. Ajcon Global Services Limited will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. Ajcon Global Services Limited accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice. Ajcon Global Services Limited or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

Ajcon Global Services Limited encourages independence in research report preparation and strives to minimize conflict in preparation of research report. Ajcon Global Services Limited or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither Ajcon Global Services Limited nor Research Analysts have any material conflict of interest at the time of publication of this report.

It is confirmed that Akash Jain – MBA (Financial Markets) or any other Research Analysts of this report has not received any compensation from the company mentioned in the report in the preceding twelve months. Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

Ajcon Global Services Limited or its subsidiaries collectively or Directors including their relatives, Research Analysts, do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.



It is confirmed that Akash Jain – MBA (Financial Markets) research analyst or any other Research Analysts of Ajcon Global do not serve as an officer, director or employee of the companies mentioned in the report.

Ajcon Global Services Limited may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Neither the Research Analysts nor Ajcon Global Services Limited have been engaged in market making activity for the companies mentioned in the report.

We submit that no material disciplinary action has been taken on Ajcon Global Services Limited by any Regulatory Authority impacting Equity Research Analysis activities.

Analyst Certification

I, Akash Jain MBA (Financial Markets), research analyst, author and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. I also certify that no part of compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view (s) in this report.

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