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YOUR FRIENDLY FINANCIAL ADVISORS

Market wrap **July 07, 2022**

Domestic bourses remain buoyant; metal, consumer durables, capital goods stocks rally..

Index	Today's Close	Prev. close	Change	% change	Open	High	Low
Sensex	54,178.46	53,750.97	**427.49**	**0.80**	54,146.68	**54,254.79**	53,927.26
Nifty	16,132.90	15,989.80	**143.10**	**0.89**	16,113.75	**16,150.50**	16,045.95

1) On Thursday, Indian benchmark continued to be buoyant today led by falling crude oil prices and no major surprises from the minutes of the US Fed meet. The Sensex witnessed a gap up opening of 395.71 points and further rallied strongly to touch an intraday high of 54,254.79. The Sensex finally ended the day up by 427.49 points or 0.80 percent to end at levels of 54,178.46. On the other hand, Nifty closed up by 143.10 points or 0.89 percent. Among the Sensex 30 stocks, the prominent gainers were Titan, Tata Steel, Larsen & Toubro, IndusInd Bank, Mahindra & Mahindra, ICICI Bank up in the range of 2.19 percent to 5.69 percent.

2) The broader markets too were upbeat on Thursday. The BSE MidCap index was up by 1.19 percent and the BSE SmallCap index was up by 1.30 percent.

3) In terms of sectoral indices performance, the major gainers were the BSE Metal index, BSE Consumer Durables index, BSE Realty index, BSE Basic Materials index, BSE Capital Goods index, BSE Industrials index up in the range of 1.73 percent to 4.49 percent.

4) Today, FIIs net sold equities worth Rs. 925.22 Crore. On the other hand, DIIs net bought equities worth Rs. 980.59 Crore. Month till date, FIIs net sold equities worth Rs. 4,433.81 Crore. On the other hand, DIIs net bought equities worth Rs. 5,186.43 Crore.

Sectors and stocks

1) Shares of Sobha ended up by 9.71 percent to touch Rs. 640.80 after hitting an intraday high of Rs. 647.95. The Company in its Q1FY23 operational update said "The Indian economy is poised to achieve a healthy 7.2% real growth in FY 2022-23 with inflation to be 6.7%, according to the RBI forecasts. Consistent monthly GST collection of over 1.4 lakh crore is a good sign of economic activity fostering improved consumer demand including Residential Real Estate. However, high inflation has been a serious concern for India and most global economies. Although Government intervention has resulted in some commodity price reduction, the overall construction cost is still at elevated level, but showing signs of stability. We witnessed series of interest rate hikes by central bankers, including in India to counter the inflation and expect to see further increases. This has increased the home loan rates as well for our customers. Given this backdrop, we have continued our calibrated price increases in all projects & cities to counterbalance the inflationary forces. Despite increase in prices, higher homes loan rates, demand for our homes continues to be strong across segments, particularly in Bengaluru and Gurugram. Improved visibility of GIFT City has seen increased demand for our projects. With the aid of new launches in Bengaluru, consistent sales velocity in ongoing projects, we have achieved the highest ever sales volume, value and price realization in this quarter. Cash flows during the quarter also remained strong resulting in further net debt reduction."

2) Shares of Canara Bank closed up by 8.17 percent to Rs. 208.55 on the BSE. In Q4FY22, the Bank's Net Interest Income grew by 0.85 percent on QoQ basis and by 24.84 percent on YoY basis to Rs. 7,005 Crore as against Rs. 6,946 Crore. NIM improved to 2.82 percent (Cumulative) in Q4FY22 as against 2.79 percent (Cumulative) in Q3FY22. The Bank management has guided for 2.90 percent NIM. Non Interest income has increased by 23.53percent on QoQ basis to Rs. 4,462 Crore led by growth in Fee based income, Trading income, recovery in written off accounts and other income. Fee based income increased by 33.15 percent on QoQ basis to Rs. 1,892 Crore in Q4FY22. (Earlier bank management had guided for good grwoth in Fee based income). Trading income witnessed a good growth of 63.44 percent on QoQ basis to Rs. 523 Crore in Q4FY22 from Rs. 320 Crore in Q3FY22. Operating profit grew by 6.87 percent sequentially and by 18.80 percent on YoY basis to Rs. 6,202 Crore. Cost/Income ratio improved stood at 45.92 percent (Cumulative - 46.16 percent) in Q4FY22 as against 45.04 percent (Cumulative - 46.24 percent) in Q3FY22. Gross NPA ratio improved to 7.51 percent in Q4FY22 as against

7.80 percent in Q3FY22. Net NPA ratio improved to 2.65 percent in Q4FY22 as against 2.86 percent in Q3FY22. Provision Coverage Ratio (PCR) improved to 84.17 percent in Q4FY22 as against 83.26 percent in Q3FY22.

The Bank's Domestic gross advances has increased by 1.31 percent on QoQ basis and by 8.96 percent on YoY basis to Rs. 7,11,046 Crore. Retail Credit increased by 2.58 percent on QoQ basis and by 9.51 per cent on YoY basis to Rs. 1,26,277 crore in Q4FY22. (Housing loan portfolio increased by percent on QoQ basis and by 14.77 percent on YoY basis to Rs. 73,828 Crore)

The Bank's MD & CEO Shri. L V Prabhakar in the Bank's Q4FY22 analyst concall conducted earlier had said that the Bank is targeting credit growth of 8 percent in FY23.

In Q4FY22, overall the Bank has witnessed decent performance on sequential basis. We believe the present management is focussed on improving underwriting standards and its staff energies are directed towards recoveries. Gross Advances across segments like Retail, Agriculture, MSME and Corporate have improved on YoY basis. However, Corporate credit growth on QoQ basis was subdued in Q4FY22 which needs lot of improvement. The Bank has witnessed decent growth in CASA deposits and subsequent improvement in CASA ratio. Marginal improvement in NIMs was seen, both GNPA and NNPA declined in absolute and percentage terms, adequate provisioning has made its Balance sheet strong, sequential decline in credit cost, well capitalized too to meet credit growth requirements. There are no major legacy issues with high visibility on recoveries in coming quarters. We like the fact that the Bank's Outstanding loan book above Rs. 25 Crore worth Rs. 1,75,380 Crore (77% of total) in Q4FY22 is rated A and above. In addition, the Bank's Standard NBFC Domestic Exposure worth Rs. 1,04,997 Crore (98% of Standard NBFC Domestic Exposure) is rated A & above also provides comfort. In addition, the present subsidiaries also offer a lot of value to the Bank and the Bank can unlock its value or rationalise it as and when required. At present, the Bank management clarified that it does not see any necessity for lowering stake in its subsidiaries.

3) Shares of Titan Company closed up 5.69 percent to Rs. 2128 after hitting an intraday high of Rs. 2170.95. The Company its Q1FY23 - Quarterly update said "Q1FY23 was a near normal first quarter after a gap of 2 years. Sales in QIFY23 grew 205% YoY on a low base and clocked 3-year CAGR of 20.5% over Q1FY20, the only non-disrupted first quarter in the last 3 years. The network expansion and campaigns continued to progress well throughout the quarter." In the Jewellery segment, it witnessed a good start to FY23 with robust sales on the auspicious occasion of Akshaya Tritiya (AT) in May month after 2 years of Covid induced lockdowns in this period. On a low YoY base, Revenues nearly tripled, clocking a growth of 207%. Both walk-ins and buyers grew in-line with Revenues whereas ticket size marginally improved compared to Q1FY22. Growth in plain gold jewellery was nearly 3-times whereas studded sales was comparatively higher YoY. Studded mix was better than last year and comparable to pre-Covid levels seen during this quarter. Regional campaigns continued to yield good results. Weddings growth was slightly lower YoY compared to revenue growth but the share in the overall pie continued to be stable. Store expansions (net) continued with commissioning of 6 new domestic stores in Tanishq and 13 in Mia. Karama (Dubai) saw a new Tanishq store in Apr'22 with an encouraging initial response. Retail metrics of sales growth, walk-ins, conversions and jewellery mix including studded ratios continued to be healthy across all international stores. Tanishq's pan-India campaigns for new collections of ‘Live a Dream’ and ‘Rhythms of Rain’ and regional campaigns of ‘Uttama’ for Poila Baisakh in West Bengal (WB) and ‘Rajadhiraj’ for Lord Jagannath Yatra in Odisha and WB were well received. ‘Wavemakers’, ‘Mia for Kids’, and ‘Gift Smart Gift Mia’ were few notable Mia campaigns for the quarter. Zoya’s campaigns centered on its new collections of ‘AETERINA’, ‘ANEW’ for AT and ‘Infinitely Her’- a digital only campaign for polki collections.

Key recent major developments..

1) Finance Minister Nirmala Sitharaman on Thursday asked the Niti Aayog to prepare a report mapping all the industrial activities such as corridors, logistics parks and pharma hubs so that they can be incorporated under the PM Gati Shakti initiative of the government. The PM Gati Shakti is a digital platform which aims at promoting integrated planning and coordinated implementation of infrastructure connectivity projects. She also suggested to the shipping ministry to look at all the sea ports in the country and their linkages with industrial corridors. ”I would like the NITI Aayog to map all this (industrial corridors, freight corridors, defence corridors, manufacturing zones, textile parks, logistics parks, medical and pharma hubs). Map it all and tell us where you see a possibility for bringing them under the PM Gati Shakti,” she said. "I find many of them still lying loose and unconnected. Mapping it up will probably give a better idea of how they can all come into this scheme of things,” she added. The minister asked the Aayog to prepare the report by October-end. The minister asked the Aayog to prepare the report by October-end." These suggestions were part of seven action points elaborated by the minister during the first meeting of the Apex Monitoring Authority for the National Industrial Corridor Development Programme. The

Government of India is developing various industrial corridor projects as part of the National Industrial Corridor Programme which is aimed at developing greenfield industrial smart cities which can compete with the best manufacturing and investment destinations in the world. (Source: PTI)

Ajcon Global's observations and view..

1) **Short term view:** Indian equities are expected to continue its buoyancy led by falling crude oil prices and recent fall in prices of the commodities like copper, aluminium, steel prices which will help in bringing down the raw material cost for many companies and overall inflation. The decline in crude oil prices will also help rupee to stabilise as it will reduce imported inflation. Sectors like Paints, Oil Marketing Companies, Speciality Chemicals stands to benefit from decline in crude oil prices.

   Going ahead, investors will take cues from 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

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 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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