

Indian benchmark indices end in red on F&O expiry day; metal and auto stocks fall..

Index	Today's Close	Prev. close	Change	% change	Open	High	Low
Sensex	53,018.94	53,026.97	8.03	0.02	52,897.16	53,377.54	52,883.25
Nifty	15,780.25	15,799.10	18.85	0.12	15,774.50	15,890.00	15,728.85

- 1) On Thursday, Indian benchmark indices were volatile led by F&O expiry and finally ended in red. The Sensex witnessed a gap down opening of 129.81 points and regained later to touch an intraday high of 53,377.54. However, the Sensex lost by 358.6 points from intraday high and ended marginally down by 8.03 points or 0.02 percent to end at levels of 53,018.94. On the other hand, Nifty closed down by 18.85 points or 0.12 percent. Among the Sensex 30 stocks, the major losers were Tech Mahindra, Bajaj Finance, Bajaj Finserv, Tata Steel, IndusInd Bank, HCL Technologies, Mahindra and Mahindra down in the range of 1.44 percent to 2.09 percent. On the other hand, Axis Bank, State Bank of India, Kotak Mahindra Bank, NTPC were up in the range of 0.88 percent to 1.74 percent.
- 2) The broader markets too were under pressure today. The BSE MidCap index down by 0.74 percent, while the BSE SmallCap index was down by 0.54 percent.
- 3) In terms of sectoral indices performance, the major losers were the BSE Metal index, BSE Auto index, BSE Materials index, BSE Realty index were down in the range of 1.17 percent to 2.18 percent.
- 4) Month till date, FIIs sold equities worth Rs. 58,112.37 Crore. On the other hand, DIIs have bought equities worth Rs. 46,599.23 Crore. In May 2022, FIIs had sold equities worth Rs. 54,292.47 Crore. On the other hand, DIIs bought equities worth Rs. 50,835.54.

Sectors and stocks

- 1) Shares of Aptus Value Housing Finance India Limited closed up by 6.04 percent to Rs. 280.10 at the BSE after making an intraday high of Rs. 288.40. Aptus Value Housing Finance India Limited is one of the largest housing finance companies in south India in terms of AUM. The company offers home loans for purchase and selfconstruction of residential property, home improvement, extension loans, loan against property and business loans, primarily to first time home buyers belonging to the low and middle-income groups. The company has a network of 208 branches catering to over 83,000 active live accounts in Tamil Nadu (including the Union Territory of Puducherry), Andhra Pradesh, Karnataka, and Telangana. In FY22, AUM stood at Rs. 5,180 crores and Disbursements stood at Rs. 1,641 crores. The Company has diversified borrowings - from NHB, DFIs like IFC, large financial institutions and banks. It enjoys strong return profile with RoA of 8 percent and RoE of 14.45 percent in FY22.

Earlier, commenting on the Q4FY22 results, Mr. M Anandan, Chairman & Managing Director, Aptus Value Housing Finance India Limited, said, "During FY 22, we disbursed Rs. 1,641 crores registering a growth of 26% year on year. We have built a strong branch network of 208 branches to deliver quality service to our customers. The Company is well capitalised with a net worth of over Rs. 2,900 crores. As on March 31, 2022, we have maintained a sufficient on balance sheet liquidity of Rs. 846 crores including undrawn sanctions in the form of cash and cash equivalents. We continued to grow consistently and delivered an AUM growth of 27% Year on Year. PAT has grown at 39% and our ROA was at 8.00% which is one of the best in the Industry. Gross NPA was at 1.19% as on 31 March 2022."

- 2) Shares of Orient Electric ended up by 5.48 percent to Rs. 274.15. Mr. Rakesh Khanna, Managing Director & CEO of the Company in its Q4FY22 analyst concall conducted earlier said "FY22 posed several challenges to the business intermittently due to Covid disruptions and geopolitical disturbances. Despite that, we have managed to navigate through these upheavals. The company delivered an overall resilient performance for the FY22 and posted an aggregate revenue of 21% year-on-year, under challenging demand and operational conditions. As lockdowns

receded and vaccinations permuted, people's lives started to return to normal gradually. As a result, customer sentiments improved and we experienced encouraging revival for the demand for electrical durables. For Q4FY22 our channel partners, traditional stock filling of fans and coolers for ongoing summer season fell short of expectations. Negative sentiments arising from Omicron wave caused them to postpone their buying decisions. On the other hand, our Lighting and Switchgear segment has been performing very well and witnessed good momentum. With a double digit growth both in top-line and bottomline, this segment delivered creditable performance. Clearly, our strategic efforts in the recent past are yielding great traction within this segment. FY22 was another great example showcasing our abilities for leveraging our brand capital and our distribution strengths. We are continuously implementing exciting market activation programs and expanding our geographical reach via our vast distribution network."

- 3) Shares of Bajaj Electrical closed up by 6.06 percent to Rs. 1016.55 at BSE after certain key developments in the Company. Bajaj Electricals Limited appointed Ravindra Singh Negi as Chief Operating Officer (COO) of its Consumer Products Business and Rajesh Naik as Head of the Lighting Business. Both executives will report to Anuj Poddar, Executive Director, Bajaj Electricals Limited. Negi will join Bajaj Electricals in July 2022 from Havells India Limited, where he was President of the Electrical Consumer Durables segment. Prior to that he spent nearly two decades in Bharti Airtel Limited in various roles, with his final role being CEO of the Delhi and NCR telecom circle. Additionally, the Company has also announced the formation of a unified Lighting Business segment by combining its Consumer Lighting Business and its Professional Lighting Business, which will be led by Rajesh Naik. Naik joined Bajaj Electricals in December 2019 and in this period has led a turnaround of the Lighting Business taking it to the leadership position in the industry. Naik has over two decades of experience in the sector. The reorganisation and strengthening of the Company's leadership is on the back of the on-going and significant transformation journey.

Over the last three years, Bajaj Electricals has undertaken multiple initiatives including the acquisition of further stakes in Nirlep Appliances Private Limited, Starlite Lighting Limited and the planned scheme of arrangement for split of the entity into two independent publicly listed companies (upon a demerger of its power infrastructure business). The planned split is likely to come into effect later this fiscal. Further, the company achieved a key strategic milestone of becoming net-debt-free as on 31st March, 2022. Having achieved these milestones, Bajaj Electricals is preparing for aggressive growth across its businesses in a focused manner.

- 4) Shares of Zydus Wellness closed up by 4.05 percent to Rs. 1634.35 after making an intraday high of Rs. 1645. The Company is a strong play in in consumer wellness business with strong brands like Complian, Everyuth (Peel/scrub), Glucon-D, Sugar Free, Nutralite, Nycil, Sampriti Ghee & Dairy. It should be noted that the Company had acquired Heinz India's consumer wellness business for Rs. 4,595 Crore in FY19 (brands like Complian, Glucon D, Nycil and Sampriti Ghee along with its two large manufacturing facilities). As a result, the Company has strong portfolio of brands today.

Mr. Tarun Arora, CEO of the Company in the Q4FY22 analyst concall conducted earlier said "As the economy is witnessing high inflation in the food and commodity prices, our key inputs like milk and refined palm oil are on continuously rising trend and see no sign of abatement. The rising developed inflation has impacted consumer sentiments and affected consumer demand. Since the company commands reasonable pricing par for most of its brands, it has been able to take calibrated price increase over the last couple of quarters and balanced the cost and profitability. During the quarter, the company has posted net sales growth of 5.7% which includes volume growth of 0.4%. Our gross margin as percentage to net sales have sequentially improved by 265 basis points on the back of price increase and cost improvement measures. Amidst the spread of COVID-19 during the last 2 financial years impacting the summer heavy brands, our net sales on the 2-year CAGR basis, posted a growth of 7.1% despite the erosion of around 8% to 9% of total annual revenue each year. For the financial year 2022, we have achieved a growth of 7.3% on net sales and 7.6% on total operating income respectably over previous financial year. Despite the challenges like COVID-19 and inflation, company has been able to navigate through these headwinds by taking appropriate measures and match last year's performance and in terms of EBITDA".

Key recent major developments..

- 1) The growth of eight core infrastructure sectors expanded by 18.1 per cent in May against 16.4 per cent in the year-ago period, according to official data released on Thursday. According to the report by the Press Trust of India (PTI), the output of eight infrastructure sectors of coal, crude oil, natural gas, refinery products, fertiliser, steel, cement and electricity had expanded by 9.3 per cent in April 2022, the data showed. In May, the output of coal, crude oil, refinery products, fertiliser, cement and electricity rose by 25.1 per cent, 4.6 per cent, 16.7 per cent, 22.8 per cent, 26.3 per cent and 22 per cent, respectively. However, growth rate in the production of natural gas and steel slowed down by 7 per cent and 15 per cent in the month under review as compared to 20.1 per cent and 55.2 per cent,

respectively in May 2021. According to the report, cumulatively, during April-May 2022-23, the output of these eight sectors declined to 13.6 per cent as compared to 36.3 per cent during April-May 2021-22.

- 2) The central government's fiscal deficit at the end of May stood at 12.3 per cent of the annual budget target for 2022-23, mainly due to higher expenditure, according to official data released on Thursday. The fiscal deficit was at 8.2 per cent of the Budget Estimate (RE) of 2021-22 during the corresponding period. In actual terms, the deficit was at Rs 2,03,921 crore at the end of May, as per the data released by the Controller General of Accounts (CGA). The country's fiscal deficit is projected at 6.4 per cent of the GDP for this fiscal ending March 2023 as against 6.71 per cent for the previous year.
- 3) Highlights: RBI's Financial Stability Report, June 2022
 - a) The outlook for the global economy is shrouded by considerable uncertainty because of the war in Europe, front-loaded monetary policy normalisation by central banks in response to persistently high inflation and multiple waves of the COVID-19 pandemic.
 - b) Notwithstanding the challenges from global spillovers, the Indian economy remains on the path of recovery, though inflationary pressures, external spillovers and geopolitical risks warrant careful handling and close monitoring.
 - c) Banks as well as non-banking financial institutions have sufficient capital buffers to withstand shocks.
 - d) The capital to risk weighted assets ratio (CRAR) of scheduled commercial banks (SCBs) rose to a new high of 16.7 per cent, while their gross non-performing asset (GNPA) ratio fell to a six-year low of 5.9 per cent in March 2022.
 - e) Macro stress tests for credit risk reveal that SCBs would be able to comply with the minimum capital requirements even under severe stress scenarios.
- 4) Finance Minister Nirmala Sitharaman on Thursday said the Indian currency is relatively better placed than other global currencies against the greenback. Emerging market currencies have been falling against dollar amid geopolitical tensions in the wake of the Russia-Ukraine war, concerns over growth, high global crude prices, sustained inflation and central banks worldwide adopting hawkish monetary policy approach. "We are relatively better placed. We are not a closed economy. We are part of the globalised world. So, we will be impacted (by global developments)," the finance minister said on the sidelines of an event here. She was responding to a question on the movement of rupee against the dollar. The rupee breached the psychologically significant level of 79 per dollar level for the first time ever on Wednesday and has also hit a series of lifetime lows this month. (Source: Press Trust of India).

Ajcon Global's observations and view..

- 1) **Short term view:** With passing of F&O expiry, volatility is expected to reduce and Indian equities are likely to remain range bound and will take cues from global developments. At the time of writing this report, US benchmark indices and European benchmark indices were under pressure which indicates that Indian indices may start on subdued note on Friday. Investors will keenly watch crude oil price movement as it has a huge bearing on inflation number and market movement as a whole. Investors will also keep an eye manufacturing PMI data, 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



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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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