

Key Benchmark indices across the globe

Index	July 12, 2023	Prev. close	Change	% change	Open	High	Low
Nifty	19,384.30	19,439.40	55.10	0.28	19,497.45	19,507.70	19,361.75
Sensex	65,393.90	65,617.84	223.94	0.34	65,759.28	65,811.64	65,320.25
Nikkei 225	31,943.93	32,203.57	259.64	0.81	32,280.05	32,312.03	31,791.71
Straits Times	3,175.36	3,163.84	11.52	0.36	3,168.64	3,185.27	3,158.09
Kospi	2,574.72	2,562.49	12.23	0.48	2,557.61	2,574.73	2,554.26
Hang Seng	18,860.95	18,659.83	201.12	1.07	18,797.01	18,932.18	18,739.60
Shanghai Composite	3,196.13	3,221.37	25.24	0.79	3,220.38	3,224.33	3,193.44
Dow Jones	34,549.26#	34,261.42	287.84	0.84	34,507.48	34,586.94	34,395.28
Nasdaq	13,922.71#	13,760.70	162.01	1.18	13,915.64	13,963.45	13,902.93
FTSE	7,418.98#	7,282.52	136.46	1.87	7,282.52	7,421.15	7,282.52
CAC	7,337.78#	7,220.01	117.77	1.63	7,241.06	7,348.06	7,231.33
DAX	16,026.01#	15,790.34	235.67	1.49	15,842.26	16,044.28	15,806.28

#denotes levels of July 12, 2023 at the time of writing this report

Key macroeconomic indicators

Index	July 12, 2023	July 11, 2023
Brent Crude Oil (\$ per barrel)	79.80#	79.40
Gold (\$ per ounce)	1,955.12#	1,932.00
Indian Rupee against US\$	82.24	82.38
India 10 year bond yield (%)	7.12	7.10
US 10 year G-sec (%)	3.87#	3.98

#denotes levels of July 12, 2023 at the time of writing this report

FII & DII activity

Index	July 12, 2023	July 11, 2023
FII activity (INR in Crore)	1,242.44	1,197.38
DII activity (INR in Crore)	436.71	7.25

US inflation cools down; midcaps and smallcaps continue to witness buoyancy..

- 1) On Wednesday, the Indian benchmark indices ended in red. The Nifty opened on a positive note and later gave up all the gains to touch an intraday low of 19,361.75. Finally, the Nifty ended the day down by 55.10 points or 0.28 percent to end at levels of 19,384.30. On the other hand, the Sensex ended the day down by 223.94 points or 0.34 percent to end the day at levels of 65,393.90.
- 2) Among the Nifty 50 stocks, the major gainers were ONGC, Eicher Motors, Nestle India, Kotak Mahindra Bank, SBI Life up in the range of 0.54 percent to 1.91 percent. On the other hand, the major losers were Adani Enterprises, Tata Motors, Ultratech Cement, Infosys, Adani Ports down in the range of 1.01 percent to 1.36 percent.
- 3) The broader markets were upbeat on Wednesday. The Nifty Midcap 100 index was up by 0.43 percent and the Nifty Smallcap 100 index was up by 0.76 percent.

- 4) In terms of the sectoral indices performance, the major gainers were Nifty PSU Bank index up by 0.83 percent, Nifty Media index up by 0.47 percent, Nifty Pharma index up by 0.30 percent, Nifty Realty index up by 0.26 percent, Nifty Healthcare index up by 0.22 percent. On the other hand, the major losers were Nifty IT index down by 0.71 percent, Nifty Private Bank index down by 0.29 percent, Nifty Bank index down by 0.24 percent, Nifty Financial Services index down by 0.23 percent.
- 5) On Wednesday, FIIs have net sold equities worth INR 1,242.44 Crore. On the other hand, DIIs net bought equities worth INR 436.71 Crore. In the month of June 2023, FIIs have net bought equities worth INR 27,250.01 Crore and DIIs have net bought equities worth INR 4,458.23 Crore.

Sectors & Stocks

- 1) Shares of Mazagon Dock Shipbuilders Limited (MDL) ended up by 8.24 percent to INR 1,723 at the NSE on Wednesday. Earlier, Mazagon Dock Shipbuilders Limited (MDL) had signed a Contract with Indian Navy for Medium Refit cum Life Certification (MRLC) of second Shishumar class submarine INS SHANKUSH on 30 Jun 2023. The Contract was signed in presence of Shri Dinesh Kumar, JS & AM(MS) and other MoD reps. The value of the Contract is INR 2,724.63 Crore.

Earlier, Minister of Defence of the Republic of Germany, his excellency Mr. Boris Pistorius had visited MDL on 07 June 2023. During the visit MDL & thyssenkrupp Marine Systems (tkMS) signed a non-binding / non-financial MoU for cooperation and preparation for Submarine Project P75-I. According to the MoU thyssenkrupp Marine Systems would contribute to the engineering and design of the submarines as well as the consultancy support to this joint project and Mazagon Dock Shipbuilders Limited would take responsibility for constructing and delivering the respective submarines. The construction of the submarines would take place in India and is expected to have significant local content. thyssenkrupp Marine Systems already delivered boats for India and is keen to demonstrate expertise again. With India being a strategic partner of Germany, thyssenkrupp Marine Systems is keen to demonstrate its expertise in the Indian market again. The market leader for non-nuclear submarines signed a Memorandum of Understanding (MoU) with Mazagon Dock Shipbuilders Limited on the intended construction of air independent propulsion conventional submarines. thyssenkrupp Marine Systems already built and delivered boats for the Indian Navy in the past. The four HDW Class 209 submarines, built in the 1980s were already back then a successful Indo-German cooperation. Boats one and two were built by thyssenkrupp Marine System (then HDW in Kiel), boats three and four were built by Mazagon Dock Shipbuilders Limited in Mumbai. All four vessels were successfully commissioned into the Indian Navy and remain today as frontline assets in the Indian Navy's submarine service, based in Mumbai.

- 2) Shares of One 97 Communications Limited ended up by 5.73 percent to INR 853 at the NSE on Wednesday. The Company's Operating Performance Update for Q1 FY 2024 (Updated for Jun'23) was encouraging. According to the operating performance update press release, the Company witnessed continued expansion of consumer base with average monthly transacting users (MTU) at 9.2 Cr for quarter (average for three months ended June 2023), up 23% YoY. The Company's leadership in payment monetization continues, as subscription for payment devices like Soundbox and POS machines continue to see increased acceptance by merchants. Number of merchants paying subscription for payment devices has reached 79 lakh as of June 2023, an increase of 4 lakh devices in the month and 11 lakh devices in the quarter. Merchant Payment Volumes (GMV) for quarter (for three months ended June 2023) stood at ₹4.05 Lakh Cr (\$49.3 billion), YoY growth of 37%. Continued scale in its loan distribution business with disbursements of ₹14,845 Cr (\$1.8 billion, YoY growth of 167%) and 1.28 Cr loans (YoY growth of 51%) distributed in the quarter (for three months ended June 2023).
- 3) Shares of PB Fintech Limited ended up by 5.46 percent to INR 734.40 at the NSE on Wednesday. Earlier, Commenting on FY23/Q4FY23 results, the company stated: Policybazaar and Paisabazaar, which are jointly classified as Existing Businesses, are India's leading marketplaces for insurance and credit products. These contributed to almost all of its revenues until FY21. In FY22, we expanded into new areas and geographies and collectively refer to them as new initiatives. Our revenue for this year grew to ₹ 2,558 Cr marking a growth of 80% over FY22. For Q4, our revenue grew to ₹ 869 Cr, up 61% YoY while PAT loss reduced from ₹ 220 Cr to ₹ 9Cr, a margin reduction from -41% to -1%. As we had guided earlier about breaking even in Q4, we are glad to announce that we broke even and our consolidated adjusted EBITDA was a positive ₹ 28 Cr for Q4 which is a 3% EBITDA margin, an improvement from minus ₹ 80 Cr (-15% margin) same quarter last year. Just to reiterate here, our existing businesses comprising of Policybazaar and Paisabazaar which are the insurance and credit marketplaces respectively have been adjusted EBITDA positive for more than a year with Paisabazaar individually being EBITDA positive since December 2022. Our existing biz, Adjusted EBITDA increased by ₹ 54 Cr for the quarter and ₹ 218 Cr for the year as compared to the same periods last year. This growth is driven by three things – Growth of Renewal Income, Growth of New Business, and higher efficiency on New Business a. Our Renewal / trail revenue is at an ARR of ₹ 388+ Cr, up from ₹ 265 Cr last year same quarter. This typically operates at over 85% Margins and is a significant source of profit growth."

Key developments

- 1) Domestically, Retail inflation rose to a three-month high of 4.81 per cent in June, mainly on account of hardening prices of food, according to the government data. Inflation based on the Consumer Price Index (CPI) stood at 4.31 per cent (revised upward from 4.25 per cent) in May and 7 per cent in June 2022. The inflation, however, remains within the RBI's comfort level of below 6 per cent. The previous high CPI was in March at 5.66 per cent. (Source: Press Trust of India).
- 2) US inflation decelerated last month to the slowest pace in more than two years, indicating more success for a Federal Reserve that's been bearing down on price pressures. The consumer price index rose 3% last month from a year ago, according to data out Wednesday from the Bureau of Labor Statistics. From May, it advanced 0.2%. Excluding food and energy, the CPI rose 0.2% from the prior month. From a year ago, the so-called core measure — which economists view as the better indicator of underlying inflation — advanced 4.8%, the lowest since late 2021 but still well above the Fed's target. A key reason for the slowdown in the overall measure is that the latest figure is compared to June 2022, when a rapid run-up in energy prices following Russia's invasion of Ukraine helped drive inflation to a four-decade high. Looking ahead, upcoming year-over-year readings will be compared to relatively lower prints. That said, the report underscores the progress of reducing price pressures since inflation peaked a year ago, aided by more than a year of interest-rate hikes and easing demand. Even so, price pressures are running well above the Fed's target and will keep policymakers inclined to resume raising interest rates at their July 25-26 meeting. (Source: Bloomberg).

Ajcon Global's view on Indian equities in the near term

- 1) On Wednesday, Indian benchmark indices ended in red. However, buoyancy was witnessed in the midcaps and smallcaps space. Considering the cooling down of US inflation, we expect rally in the global markets. At the time of writing this report US and European equity indices were upbeat. Domestically, Tata Consultancy Services Limited Q1FY24 results were above expectations which would bring investors interest to IT stocks. Going ahead, Indian equities will take cues from Q1FY24 earnings season and especially the management commentary for demand outlook and future prospects.
- 2) Domestically, we expect stock specific action likely to continue in the broader markets. After the recent rally, profit booking is also not ruled out which was witnessed today. Domestically, we suggest investors to remain stock specific and be wary of valuations of companies getting out of comfort zone especially in smallcaps. At the moment, companies in the sectors like Banking, NBFCs, Capital Goods, Defence, Engineering, Real Estate, select companies in the Infrastructure space, Railways can be considered.
- 3) We have faith in the India story and believe that the domestic economy is strongly placed as compared to the global peers which will attract investors. Domestically, the economy is doing well which is evident from the recent GST collection data, increase in investment led spending and other indicators like passenger air traffic, hotel occupancy, power consumption, auto sales, coal production data etc. Encouraging Q1FY24 business updates of some companies suggest that economy is doing well. Earlier, Q4FY23 earnings season was also decent. Results announced by PSU Banks, NBFCs announced indicated good times for Banking and Financial Services sector. Private Banks too had reported decent Q4FY23 performance.



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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