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Market wrap — April 14, 2023

Key Benchmark indices across the globe

Index	April 13, 2023	April 12, 2023	Change	% change	Open	High	Low
Nifty	17,828.00	17,812.40	15.60	0.09	17,807.30	17,842.15	17,729.65
Sensex	60,431.00	60,392.77	38.23	0.06	60,364.41	60,486.91	60,081.43
Shanghai Composite	3,338.15#	3,318.36	19.79	0.59	3,326.37	3,340.08	3,316.81
Nikkei 225	28,493.47#	28,156.97	336.50	1.18	28,321.54	28,515.51	28,282.82
Kospi	2,571.49#	2,561.66	9.83	0.38	2,580.10	2,581.74	2,560.53
Dow Jones	34,029.69	33,646.50	383.19	1.14	33,703.69	34,064.08	33,605.17
Nasdaq	12,166.27	11,929.34	236.94	1.99	11,997.42	12,176.91	11,995.94
FTSE	7,878.32##	7,843.38	34.94	0.44	7,843.38	7,878.32	7,843.38
CAC	7,506.08##	7,480.83	25.25	0.34	7,500.77	7,509.34	7,491.43
DAX	15,771.56##	15,729.46	42.10	0.27	15,789.78	15,810.73	15,760.32

#denotes closing levels of April 14, 2023, ## denotes April 14, 2023 levels at the time of writing this report, Note: NSE and BSE were closed on April 14, 2023 on account Dr. Baba Saheb Ambedkar Jayanti holiday..

Keymacroeconomic indicators

Index	April 13, 2023	April 12, 2023
Brent Crude Oil ($ per barrel)	86.18##	86.09^
Gold ($ per ounce)	2,035.71##	2,039.74^
Indian Rupee against US$	81.85	82.09
India 10 year bond yield (%)	7.23	7.21
US 10 year G-sec (%)	3.44	3.45

#denotes levels of April 14, 2023 at the time of writing this report, ^ denotes closing levels of April 13, 2023

FII &DII activity

Index		April 13, 2023	April 12, 2023
FII activity	(Rs. in Crore)	221.85	1,907.95
DII activity	(Rs. in Crore)	273.68	225.22

Domestic bourses end in positive terrain; IT giants report weak Q4FY23 performance..

1) On Thursday, the Indian benchmark indices ended in green. The Nifty opened on a negative note and later covered up the initial losses and touched an intraday high of 17,842.15. Finally, the Nifty ended the day up by 15.60 points or 0.09 percent to end at levels of 17,828.0. On the other hand, the Sensex ended the day up by 38.23 points or 0.06 percent to end the day at levels of 60,431.

2) Among the Nifty 50 stocks, the major gainers were IndusInd Bank, HDFC Life, Eicher Motors, Apollo Hospitals, Power Grid Corporation of India up in the range of 1.91 percent to 2.81 percent. On the other hand, the major losers were Infosys, Tech Mahindra, HCL Technologies, NTPC, Tata Consultancy Services down in the range of 1.53 percent to 3.14 percent.

3) The broader markets too were upbeat on Thursday. The Nifty Midcap 100 index was up by 0.20 percent and the Nifty Smallcap 100 index was up by 0.29 percent.

4) In terms of the sectoral indices performance, the major gainers were Nifty PSU Bank index up by 1.45 percent, Nifty Bank index up by 1.38 percent, Nifty Realty index up by 1.13 percent, Nifty Private Bank index up by 1.06 percent, Nifty Financial Services index up by 0.81 percent, Nifty Financial Services 25/50 index up by 0.66 percent.

5) On Thursday, FIIs net bought equities worth Rs. 221.85 Crore. On the other hand, DIIs net sold equities worth Rs. 273.68 Crore. In the month of March 2023, FIIs have net bought equities worth Rs. 1,997.70 Crore. On the other hand, DIIs have net bought equities worth Rs. 30,548.77 Crore. In the month of February 2023, FIIs have net sold equities worth Rs. 11,090.64Crore and DIIs net bought equities worth Rs. 19,239.28 Crore. In the month of January 2023, FIIs had net sold equities worth Rs. 41,464.73 Crore and DIIs net bought equities worth Rs. 33,411.85 Crore.

Sectors & Stocks

1) Shares of AU Small Finance Bank Limited ended up by 16.57 percent to Rs. 676.30 at the NSE on Thursday. The shares rallied after the Reserve Bank of India approved the reappointment of Sanjay Agarwal as Managing Director & CEO and re-appointment of Mr. Uttam Tibrewal as Whole Time Director of AU Small Finance Bank for a period of 3 (three) years w.e.f. 19th April, 2023 till 18th April, 2026. Further, the shareholders had already approved the re-appointment via postal ballot on 09th March, 2022, AU Small Finance Bank said in an exchange filing.

2) Shares of Anupam Rasayan India Limited (ARIL) ended up by 4.26 percent to Rs. 992.0 at the NSE on Thursday. Anupam Rasayan India Ltd is one of the leading companies engaged in the custom synthesis (CSM) and manufacturing of specialty chemicals in India. Incorporated in 1984, the speciality chemicals major has two verticals: Life science related Specialty Chemicals comprising products related to Agrochemicals, Personal Care and Pharmaceuticals, Other Specialty Chemicals comprising Specialty Pigment and Dyes, and Polymer Additives. The Company caters to a diverse base of Indian and global customers. It is currently manufacturing products for over 71 domestic and international customers, including 27 multinational companies. The Company operates via its six manufacturing facilities in Gujarat, India, with four facilities located at Sachin, Surat and two located at Jhaghadia, Bharuch with an aggregate installed capacity of about 27,000 MT as of 31st December 2022. ARIL offers multistep synthesis and undertakes complex chemical reactions technologies, for a diverse base of Indian and global customers.

   The Company has signed Letter of Intent worth revenue of $182 Mn (₹ 1,500 crores) for next 7 years with one of the leading Japanese multinational to manufacture and supply three high value speciality chemicals. This product will be manufactured in our existing manufacturing facilities. Speaking about the contract, Anand Desai, Managing Director of Anupam Rasayan, said, "We are proud to announce that we are partnering with a leading Japanese multinational to add three new molecules to our portfolio. This achievement was made possible by the joint efforts of our Japanese and Indian business development teams, and adds another marquee name to our customer base in a short span of time. These three molecules will be used as advance intermediates for highly specialized polymers and liquid crystals." We will be the exclusive supplier for these molecules out of India and this is in line with our strategy of expansion in Fluoropolymer and Electronic segments, manufacturing high value molecules and going up the value chain with support of our customers. This LOI demonstrates the increasing confidence of global MNCs in our technical capabilities and sustainable supply chain and further reaffirms our focus on Make in India."

3) Shares of Godrej Properties Limited (GPL) ended up by 2.98 percent to Rs. 1,284.90 at the NSE on Thursday. The Company posted good performance in Q4FY23 business update. GPL witnessed highest ever quarterly and annual sales - Q4 FY23 bookings to INR 4,051 Crore and FY 23 booking value grew by 56% to 12,232 crore. Sales volumes for the quarter grew by 19% QoQ in area terms from 4.42 million sq. ft. to 5.25 million sq. ft. Sales volumes for the full financial year grew by 40% in area terms from 10.84 million sq. ft. to 15.21 million sq. ft. GPL's Cash Collections for FY23 grew 41% to INR 8,991 Crore. Q4 FY23 collections stood at INR 3,822 Crore representing QoQ growth of 127% and YoY growth of 52%. GPL's highest ever quarterly and annual project deliveries - Delivered projects aggregating over 10 million sq. ft. across 5 cities in FY23 including 7.6 million sq. ft. in Q4. GPL's best ever year for business development - Added 18 new projects in FY23 with a total estimated saleable area of nearly 29 million sq. ft. and total estimated booking value of ~INR 32,000 Crore (i.e. more than double the BD guidance of INR 15,000 Crore of estimated booking value for FY23). This included 5 new projects with an expected booking value of 5,750 Crore in Q4.

   Gaurav Pandey, MD & CEO, Godrej Properties, said, "We are delighted that our efforts to take GPL's operational scale to a new level is meeting success. Our sales bookings growth of 56% allowed us to register total FY 23 bookings of 12,232 crore, which was 22% ahead of our full year guidance. We are pleased this sales growth for the year was on the back of both an improving project mix as well as strong volume growth of 40%. Importantly, our robust sales performance, has translated into record collections growth of 41% to 8,991 crore backed by strong project completions of over 10 million sq. ft. With our business development additions nearly doubling our initial guidance and increasing by over 200% YoY, we will have a stronger launch pipeline in the current year than ever before. Our teams have built a deep understanding across all the key real estate markets in India and are greatly excited by the potential the next several years offer for us to deliver sustained high-quality performance across all key operating metrics."

Key developments

1) Infosys Limited, a global leader in next-generation digital services and consulting, delivered $18.2 billion in FY23 revenues with industry-leading growth of 15.4% in constant currency which was below the Company's outlook and operating margins of 21.0%. Growth was broad-based across industry verticals and geographical regions. Digital comprised 62.2% of overall revenues and grew at 25.6% in constant currency. Q4FY23 year on year growth was 8.8% and sequential decline was 3.2% in constant currency terms. Operating margin contracted by 50 basis points sequentially to 21.0% in Q4FY23. Free cash flow conversion was 95.3% for Q4. Continuing the recent trend, attrition declined further in Q4. “Our strong performance in FY23 is a testimony to the continued focus on digital, cloud and automation capabilities which resonated with our clients. We have launched exciting programs with our clients leveraging generative AI platforms” said Salil Parekh, Chief Executive Officer and Managing Director (CEO and MD). “As the environment has changed, we see strong interest from our clients for efficiency, cost and consolidation opportunities, resulting in a strong large deal pipeline. We have expanded our internal program on efficiency and cost to build a path to higher margins in the medium term. We continue to invest in our people and in supporting our clients”, he added.

   Guidance for FY24: Revenue growth of 4%-7% in constant currency, Operating margin of 20%-22%

   Key highlights: Q4FY23

   a) Revenues in CC terms grew by 8.8% YoY and declined by 3.2% QoQ

   b) Reported revenues at 37,441 crore, growth of 16.0% YoY

   c) Digital revenues at 62.9% of total revenues, YoY CC growth of 15.0%

   d) Operating margin at 21.0%, decline of 0.6% YoY and 0.5% QoQ

   e) Basic EPS at Rs. 14.79, growth of 9.0% YoY

   f) FCF at Rs. 5,844 crore, growth of 1.3% YoY FCF conversion at 95.3% of net profit

   For FY23, the Board has recommended a final dividend of ₹17.50 per share. Together with the interim dividend of ₹16.50 per share already paid, the total dividend per share for FY23 will amount to ₹34.00 which is a 9.7% increase over FY22. With this, the company has announced total dividend of approx. ₹14,200 crore for FY23. The company has completed the open market share buyback on February 13, at an average price of approx. ₹1,539 per share (compared to maximum Buyback Price of ₹1,850 per share). Consequently, the share capital of the company has reduced by 1.44%. Including the recently concluded buyback and final dividend for FY23, the company has returned approx. 86% of Free Cash Flow to shareholders under the current capital allocation policy.

   We believe the decline in revenue on QoQ basis was disappointing as against street expectations of positive growth. Fall in Operating profit margin in Q4FY23 on QoQ basis and margin guidance too is not encouraging. The management also indicated that FY24 would be challenging and uncertain which would also affect the investor mood. The Company's management has already indicated challenges in FY24 and uncertain environment. The Company's CEO & MD - Mr. Salil Parekh in a press conference said “In Q4, we saw changes in the market environment. During the quarter, we saw unplanned project ramp downs in some of our clients and delays in decision making, which resulted in lower volumes. In addition, we had some one-time revenue impact. While we saw some signs of stabilisation in March, the environment remains uncertain. This led to a Q4 year-on-year (revenue) growth of 8.8 per cent in constant currency and quarter-on-quarter decline of 3.2 per cent. Our operating margin was resilient at 21 per cent for the quarter,” Parekh said. Unplanned project ramp downs were observed across different sectors during the quarter, including telecom, hi-tech, retail, and within financial services, particularly in mortgages, asset management, and investment banking, he added.

   We believe the silver lining in Q4FY23 result is that attrition rate has dropped to 20.9 percent and the Company has large pipeline of deals with some of them mega deals.

2) Inflows in mutual funds grew almost 7 per cent to Rs. 40.05 lakh crore against Rs. 37.70 lakh crore in the previous fiscal. As per the latest data released by Association of Mutual Funds in India (AMFI), Indian equity mutual funds

registered 31 per cent rise in inflow on sequential basis in March 2023. According to AMFI, mutual fund industry's net AUM (Assets Under Management) in March 2023 rose to Rs. 39,42,031 crore, while average AUM hit Rs. 40,04,638 crore, up from Rs. 37,56,682.57 crore and Rs. 37,70,295.79 crore, respectively, in March 2022. In this rise in mutual funds AUM, biggest contributor was SIPs (systematic investment plans), which rose to a record ₹ 14,276.06 crore in March, taking the overall AUM to ₹ 6,83,296.24 crore.

Chief executive at AMFI, N S Venkatesh, said that the growing investors' base shows their continuing faith in the equity markets via the mutual funds route. While equity-oriented mutual funds registered a net inflow of over ₹2,00,000 crore in FY23, SIP inflows continued to soar, breaking the record on a month-on-month basis, he added. The number of investors rose despite the market volatility due to global geo-political reasons and inflation, and this is also a cue to the resilient investor behavior, he added. Venkatesh expressed confidence in inflows continuing in FY24 at a reasonable pace, saying there is no reason to believe that the growth momentum will not be maintained. The number of SIP accounts stood at 6.36 crore as of March and the number of new SIPs registered were 21.65 lakh.

The industry saw as many as 43 new schemes being launched during the fiscal, including 22 open-ended funds and 21 close-ended schemes, and raised Rs 8,496 crore from the market. On a monthly basis, for the 25th month in a row, equity mutual fund inflows jumped to a 12-month high in March and net investments in equity and equity-linked schemes rose 31 per cent to Rs 20,534.2 crore over the previous month. This was the highest since Rs 28,463 crore in March 2022. Against this the Sensex and the Nifty rose 4.88 per cent and 3.37 per cent, respectively, in March. (Source: Press Trust of India)

AjconGlobal's view on Indian equities in the near term

1) On Thursday, Indian benchmark indices ended in the positive terrain. The broader markets too were upbeat. However, the Q4FY23 earnings season has started on a weak note with leading IT companies Infosys Limited reporting weak Q4FY23 performance and Tata Consultancy Services Limited too witnessing pressure in Q4FY23 performance. However, the quarterly business updates of NBFCs, Private and PSU Banks announced till date indicates good times for Banking and Financial Services sector.

2) Domestically, cooling of CPI inflation data (falling to 15 month low of 5.66 percent in March 2023) and the strong inflow in Mutual Funds will act as positive triggers.

3) Globally, US markets ended in the positive terrain and the European markets were upbeat at the time of writing this report. There are concerns that US Fed would hike interest rates as the US labour market data was encouraging. The efforts made globally by authorities to restore confidence amongst the investors after the recent turmoil in the US and European Banking system has yielded results in the form of some improvement in the investor sentiments. While the global central banks especially in US and Europe are grappling with issues like balancing inflation and growth; however, Reserve Bank of India is balancing inflation and growth in a good manner. In addition, the Indian Banking has proved to be resilient to global factors and macroeconomic headwinds. This will infuse confidence amongst investor community which will attract FIIs inflows.

4) Street participants will continue to watch global bond yields as it will dictate treasury performance of Banks, rupee movement against the US Dollar, crude oil price movement, economic activity in China, developments related to tussle between China and Taiwan, key implications of ongoing war between Russia and Ukraine.

5) 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.

6) At the moment, companies in the sectors like Banking, NBFCs, Capital Goods, select companies in the Infrastructure space, Railways, Defence and select companies in the new age business segment can be considered. In addition select companies in Diagnostics and Pharma sector can be considered as COVID-19 cases have started increasing in India. It may be noted that majority of the Companies had delivered decent set of numbers in Q3FY23 results considering global concerns. The quarterly business updates announced by companies indicate that Q4FY23 earnings season for majority of the Companies is likely to be good.

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