

Key Benchmark indices across the globe

Index	June 15, 2023	Prev. close	Change	% change	Open	High	Low
Nifty	18,688.10	18,755.90	67.80	0.36	18,774.45	18,794.10	18,669.05
Sensex	62,917.63	63,228.51	310.88	0.49	63,153.78	63,310.96	62,871.08
Shanghai Composite	3,252.98	3,228.99	23.99	0.74	3,230.45	3,252.98	3,229.15
Hang Seng	19,828.92	19,408.42	420.50	2.12	19,626.80	19,832.20	19,510.76
Kospi	2,608.54	2,619.08	10.54	0.40	2,629.24	2,634.22	2,602.52
Dow Jones	34,344.16#	33,979.33	364.83	1.07	33,957.35	34,353.16	33,945.98
Nasdaq	13,699.51#	13,626.48	73.03	0.54	13,572.88	13,703.52	13,561.37
FTSE	7,630.18#	7,602.74	27.44	0.36	7,602.74	7,631.42	7,584.78
CAC	7,285.96#	7,328.53	42.57	0.58	7,304.97	7,313.47	7,246.33
DAX	16,293.54#	16,310.79	17.25	0.11	16,275.73	16,301.73	16,165.66

#denotes levels of June 15, 2023 at the time of writing this report

Key macroeconomic indicators

Index	June 15, 2023	June 14, 2023
Brent Crude Oil (\$ per barrel)	74.86#	73.20
Gold (\$ per ounce)	1,956.37#	1,942.99
Indian Rupee against US\$	82.18	82.10
India 10 year bond yield (%)	7.04	7.01
US 10 year G-sec (%)	3.74#	3.80

#denotes levels of June 15, 2023 at the time of writing this report

FII & DII activity

Index	June 15, 2023	June 14, 2023
FII activity (Rs. in Crore)	3,085.51	1,714.72
DII activity (Rs. in Crore)	297.88	654.77

Benchmark indices come under pressure; midcaps and smallcaps rally..

- 1) On Thursday, the Indian benchmark indices came under pressure led by profit booking. The Nifty opened on a positive note with an intraday high of 18,794.10 and later gave up all the gains to hit an intraday low of 18,669.05. Finally, the Nifty ended the day, down by 67.80 points or 0.36 percent to end at levels of 18,755.90. On the other hand, the Sensex ended the day down by 310.88 points or 0.49 percent to end the day at levels of 62,917.62.
- 2) Among the Nifty 50 stocks, the major gainers were Apollo Hospitals, Divi's Laboratories, Dr. Reddy's Laboratories, Cipla, BPCL up in the range of 1.45 percent to 3.95 percent. On the other hand, the major losers were Hero Motocorp, Wipro, IndusInd Bank, State Bank of India, Kotak Mahindra Bank down in the range of 1.64 percent to 3.58 percent.
- 3) However, the broader markets were upbeat on Thursday. The Nifty Midcap 100 index was up by 0.21 percent and the Nifty Smallcap 100 index was up by 0.15 percent.
- 4) In terms of the sectoral indices performance, the major gainers were Nifty Healthcare index up by 1.60 percent, Nifty Pharma index up by 1.42 percent, Nifty FMCG index up by 0.54 percent, Nifty Consumer Durables index up by 0.48 percent. On the other hand, the major losers were Nifty PSU Bank index down by 1.99 percent, Nifty Bank index down by 1.24 percent, Nifty Private Bank index down by 1.20 percent, Nifty Media index down by 1.00 percent, Nifty Financial Services index down by 0.98 percent, Nifty Realty index down by 0.76 percent.

- 5) On Thursday, FIIs have net bought equities worth Rs. 3,085.51 Crore. On the other hand, DIIs net sold equities worth Rs. 297.88 Crore. Month till date, FIIs have net bought equities worth Rs. 6,091.99 Crore and DIIs have net bought equities worth Rs. 3,648.42 Crore. In the month of May 2023, FIIs have net bought equities worth Rs. 27,856.48 Crore and DIIs have net sold equities worth Rs. 3,306.35 Crore.

Sectors & Stocks

- 1) Shares of Avenue Supermarts Limited ended up by 6.51 percent to Rs. 3,946 at the NSE on Thursday. Avenue Supermarts Limited owns and operates D-Mart stores. D-Mart is a national supermarket chain that offers customers a range of home and personal products under one roof. The Company offers a wide range of products with a focus on Foods, Non-Foods (FMCG) and General Merchandise & Apparel product categories. The Company offers its products under various categories, such as grocery and staples, dairy and frozen, fruits and vegetables, home and personal care, bed and bath, crockery, footwear, toys and games, kids' apparel, apparel for men & women and daily essentials. The Company opened its first store in Mumbai, Maharashtra in 2002. As of March 31, 2023, the Company had 324 operating stores with Retail Business Area of 13.4 million sq. ft across Maharashtra, Gujarat, Daman, Andhra Pradesh, Karnataka, Telangana, Tamil Nadu, Madhya Pradesh, Rajasthan, NCR, Chhattisgarh and Punjab.

Commenting on the performance of the company Mr. Neville Noronha, CEO & Managing Director, Avenue Supermarts Limited, said: "DMart (Brick and Mortar) Business Overview: We ended FY 2023 with growth across our key financial parameters of Revenue, EBITDA and PAT. Revenue growth of FMCG and staples continues to outperform General Merchandise and Apparel. Lower consumer spending in General Merchandise and Apparel continues and has impacted the margin mix downwards. Two years and older DMart stores grew by 24.2% during FY 2023 as compared to FY 2022. These same stores grew at 11.0% in the second half of FY 2023 vis-a-vis second half of FY 2022. We have 234 stores that are 2 years or older. We continued to expand our store footprint and opened 40 new stores during the year taking our cumulative total to 324 stores.

DMart Ready: Our E-Commerce business continued its expansion in our existing 22 cities. We cumulatively expanded our operations in 10 new cities during FY 2023.

Pharmacy Shop-in-shop: We have commenced operations of our pharmacy shop-in-shop through one of our subsidiaries (Reflect Healthcare and Retail Private Limited) during the quarter through the launch of our first outlet in the Mumbai Metropolitan Region."

- 2) Shares of Morepen Laboratories Limited ended up by 9.35 percent to Rs. 30.40 at the NSE on Thursday. According to the Company's Investor presentation, in Q4FY23, the Company had got three landmark recognitions including one USFDA approval, one PMDA inspection and one ISO13485 Approval. During Q4FY23, the business had stabilised and the consolidated revenues stood at Rs.367 crores against Rs. 372 crores in the same quarter last year. Annual revenues of Rs. 1424 crores have also paced a CAGR of 18% though in the current year revenues of all segments maintained a steady position except Medical Devices. Medical devices business which peaked during covid due to increased demand and inventory buildup has also stabilized in last quarters and is on upward journey. Formulation Business witnessed a growth of 28% in Q4FY23. Enhanced focus on marketing and advertising activities for better reach and brand recall, had affected the profitability levels.
- 3) Shares of Graphite India Limited closed up by 5.92 percent to Rs. 413.05 at the NSE on Thursday. Graphite India Limited is the largest Indian producer of graphite electrodes and one of the largest globally, by total capacity. Its manufacturing capacity of 98,000 tonnes per annum is spread over three plants at Durgapur and Nashik in India and Nurnberg in Germany. The Company has over 60 years of technical expertise in the industry. Exports account for approximately half of the total revenues. Graphite India manufactures the full range of graphite electrodes but stays focused on the higher margin, large diameter, ultra-high power ("UHP") electrodes.

Commenting on the Company's performance in FY23, Mr. K K Bangur Chairman of the Company said "During FY2023, Graphite India delivered Consolidated Net sales of Rs. 3,181 Crore, a growth of 5.1%, EBITDA, before one time expense is Rs. 520 Crore and Net Profit of Rs. 199 Crore. The consolidated capacity utilization during the year was 55% as compared to 81% in FY2022. Performance during the year was impacted due to decline in volumes as customers experienced higher energy costs and business uncertainties arising from the Russia and Ukraine conflict. Despite higher realization, rising input costs resulted in lower operating margins in FY2023. Our balance sheet remains robust with a consolidated Net Cash of Rs. 1,931 Crore at the end of March 2023. We also remain confident that the steel industry's accelerating efforts to decarbonize will lead to an increased adoption of Electric Arc Furnace steel production, in turn driving sustainable demand growth for graphite electrodes. In addition, the Indian steel industry is

expected to continue its growth momentum backed by Government spending on infrastructure and exports, both of which may positively impact electrode demand. Looking to the year ahead, Graphite India's top priority is to focus on the optimum utilization of its resources and improvement in manufacturing efficiencies towards growing its overall profitability."

- 4) Shares of Dixon Technologies (India) Limited ended up by 4.81 percent to Rs. 4,583.25 at the NSE on Thursday. Mr. Atul Lall - Vice Chairman and Managing Director of the Company in Q4FY23 analyst concall had said "We are pleased to report a strong performance in the margins in the quarter with 110 BPS improvement and the margins have improved up to 5.2% in the last quarter. This has been led by change in sales mix, operating leverage, cost optimization and efficiency measures across all businesses and continued implementation of a strategic price hike across our various ODM business. Coming to our overall performance for 2022-2023, consolidated revenues for 2022-2023 was 12,198 Crores against 10,701 Crores in 2021-2022 that is a growth of 14%. Consolidated EBITDA for 2022-2023 was 518 Crores against 383 Crores in 2021-2022 that is a growth of 35%. Consolidated PAT for 2022-2023 was 256 Crores against 190 Crores in 2021-2022 which is a growth of 34%. Another highlight was a strong cash earned from the operations of 726 Crores in 2022-2023 which was used in funding the capex of almost 450 Crores and reduction in gross debt of 275 Crores resulting in further strengthening in our balance sheet with gross debt to equity of just 0.14.

He further added "There has been huge focus of the team on cash conversion cycle and working capital management. Working capital days stood at negative two days at the end of March 2023. Our balance sheet strength and credit lines from banks enabled us to invest in long term development of our business. Our basic approach to capital policy always helped on return of invested capital and financial stability and we have successfully improved our ROC and ROE to 33.4% and 22.4% respectively as on March 31st, 2023, and we feel confident the same would keep improving in the upcoming quarters and years on account of improved earning and working capital efficiency. We strongly believe that we have a platform to sustain strong revenue growth moving forward in the overall demand environment and acquisition of new customers, more specifically the large accounts in the mobile business."

Key developments

- 1) The European Central Bank raised borrowing costs to their highest level in 22 years on Thursday and left the door open to more hikes, extending its fight against high inflation even as the euro zone economy flags.

The ECB increased its key interest rate - the one banks pay to park cash securely at the central bank - for the eighth consecutive time, by 25 basis points to 3.5 per cent, its highest level since 2001. The central bank for the 20 countries that share the euro also said it expected inflation to stay above its 2% target through 2025 and hinted once again at more rate hikes in the coming months. "Future decisions will ensure that the key ECB interest rates will be brought to levels sufficiently restrictive to achieve a timely return of inflation to the 2% medium-term target and will be kept at those levels for as long as necessary," the ECB said. Growth in the euro zone is at best stagnating and inflation has been moderating for months, courtesy of lower energy prices and the steepest increase in interest rates in the ECB's 25-year history. (Source: Reuters)

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

- 1) On Thursday, as expected, Indian benchmark indices came under pressure led by profit booking. However, midcaps and smallcaps continued to outperform.
- 2) Globally, the ECB hiking key interest rate would act as a dampener to the overall upbeat mood. Investor sentiments were upbeat after US Fed kept interest rates unchanged led by cooling down of US Consumer Price Index (CPI).
- 3) Domestically, Investors have cheered India's WPI inflation data which was lowest since November 2015 at -3.48 percent (lowest in seven-and-a-half years). Earlier, India's retail inflation data had fallen to a 25 month low in May 2023 and Index of Industrial Production (IIP) data which stood at 4.2 per cent in April 2023 as against 1.1 percent in March 2023 which lifted investor sentiments and supported the rally.
- 4) We suggest investors to remain stock specific and be wary of valuations of companies getting out of comfort zone. At the moment, companies in the sectors like NBFCs, Banking, Capital Goods, select companies in the Infrastructure space, Railways and Defence. Select companies in the new age business segment can also be considered as they have seen good improvement in performance in Q4FY23.



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- 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. Domestically, the economy is doing well which is evident from the recent GST collection data, manufacturing PMI and Services PMI data, and other indicators like passenger air traffic, hotel occupancy, power consumption, auto sales, coal production data etc. Q4FY23 earnings season has been decent. IT giants had reported weak performance but IT midcaps have delivered good Q4FY23 performance. Results announced by PSU Banks, NBFCs announced indicates good times for Banking and Financial Services sector. Private Banks too had reported decent Q4FY23 performance.

- 6) 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.



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