



CA (Dr.) Ashok Ajmera's Weekly Column as on February 09, 2024

In a volatile market week, caution prevails amidst profit-taking and earnings releases



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In a volatile week for the domestic bourse, both the Nifty 50 and Sensex closed negatively. Profit booking was evident amidst market fluctuations, while several earnings results were released, shedding light on sectoral performances. Investor confidence remained visible through sustained positive net purchases by DIIs. Cautionary signals persisted regarding expensive valuations, particularly in small and mid-cap stocks, underscoring the importance of closely monitoring FII activity.

The top gainers in the Nifty 50 index were SBI (up by 11.64%), BPCL (up by 10.02%), Coal India (up by 8.67%), Sun Pharma (up by 8.34%) and TCS (up by 4.22%). The major losers in the Nifty 50 index were UPL (down by 14.19%), ITC (down by 5.59%), Bajaj Finserv (down by 4.88%), Kotak Mahindra (down by 4.42%) and Britannia (down by 3.44%).

FII and DII activity

In the week gone by, FII were net sellers at Rs. 5868.41 Crores and DII were net buyers at Rs. 5325.79 Crores. In the previous week FII were net sellers at 2,008.7 Crores and DII were net buyers at 10,102.6 Crores. In the month of January 2024, FIIs had net sold equities worth Rs. 35,977.87 Crore and DIIs had net bought equities worth Rs. 26,743.63 Crore.

Sector Movement

Nifty PSU banks was the outperforming sector of the week, closing at an all-time high during the week, up by 5.07%. Nifty Healthcare, Nifty Pharma and Nifty Oil and gas also saw great momentum during the week. The worst performing sector was Nifty Private Bank which was down by 2.30% and Nifty FMCG which was down by 2.27%.

Global Market and Major Developments

In January, China experienced the most significant annual decline in consumer prices in 15 years. Official data released on Thursday revealed a 0.8 percent year-on-year drop in the country's consumer price index, marking the fourth consecutive month of decreases and the largest contraction since 2009.

Retail sales in the United Kingdom rose 1.4% on a like-for-like basis in January 2024 from a year ago, slowing for the second straight month following a 1.9% gain in December as British households continued to be squeezed by the cost of living crisis. January's figure was also the lowest in 15 months.

Retail sales in the Euro Area dropped by 1.1% month-over-month in December 2023, following a revised 0.3% growth the month before and compared with market expectations of a 1% fall. Trade declined at the fastest pace in a year as persistent high inflation and elevated borrowing costs continued to weigh on demand. Sales of food, drinks, and tobacco fell for a third consecutive time and at a faster pace.

Major Developments in Domestic Markets

1. State Bank of India posted a net profit of Rs 9,163 crore in the December quarter, down 35 percent year-on-year due to a Rs 7,100 crore pension liability. Adjusted for this, the earnings remained robust.
2. Tata Motors witnessed a remarkable 137.5 percent year-on-year surge in consolidated profit, amounting to Rs 7,025 crore for the quarter ending December 2023. Revenue soared 25 percent to Rs 1,10,577 crore, while EBITDA jumped 59 percent to Rs 15,333.3 crore.
3. Cochin Shipyard saw its net profit skyrocket by 121 percent to Rs 244.4 crore, with revenue leaping 64 percent to Rs 1,056.4 crore in the December 2023 quarter. Moreover, the company secured a significant Rs 150-crore contract with the Indian Navy.
4. IndiGo doubled its net profit in the December quarter to Rs 2,998 crore, alongside a 30 percent revenue growth to Rs 19,452.15 crore, supported by robust demand and favourable seasonal trends.

Particulars	Close (09/02/2024: Friday)	Open (05/02/2024: Monday)	Previous Close (02/02/2024: Friday)	Change (%)
Nifty 50	21782.50	21921.05	21853.80	-0.33%
Sensex	71595.49	72269.12	72085.63	-0.68%
Nifty Midcap 100	48889.05	48668.65	48477.00	0.85%
Nifty Smallcap 100	16269.30	16376.15	16277.85	-0.05%
Sectoral Indices				
Nifty Bank	45634.55	45962.25	45970.95	-0.73%
Nifty Auto	19576.00	19655.85	19380.50	1.01%
Nifty IT	37699.25	37441.00	37325.25	1.00%
Nifty PSU Bank	6944.95	6622.05	6609.75	5.07%
Nifty Fin Services	20203.30	20441.35	20434.05	-1.13%
Nifty Pharma	18617.10	18034.20	17972.10	3.59%
Nifty FMCG	53867.10	55340.40	55118.40	-2.27%
Nifty Metal	8095.60	8120.55	8078.25	0.21%
Nifty Realty	875.95	854.20	856.20	2.31%
Nifty Media	2191.80	2146.40	2129.05	2.95%
Nifty Energy	39037.65	38395.45	38077.70	2.52%
Nifty Private Bank	22913.80	23455.80	23453.50	-2.30%
Nifty Infra	7977.05	7987.15	7946.15	0.39%
Nifty Commodities	8244.85	8157.10	8105.85	1.71%
Nifty Consumption	9664.50	9637.90	9633.10	0.33%
Nifty PSE	9170.05	9111.25	9005.00	1.83%
Nifty Serv. Sector	27445.15	27593.00	27543.35	-0.36%
Nifty Healthcare	11898.25	11435.55	11392.55	4.44%
Nifty Oil & Gas	11541.40	11222.00	11111.50	3.87%
Nifty INDIA MFG	11483.90	11445.35	11365.40	1.04%
US Indices				
Dow Jones	38671.7	38546.77	38654.43	0.04%
S&P 500	5026.62	4957.19	4958.62	1.37%
NASDAQ 100	17962.41	17634.69	17642.73	1.81%
Commodities				
Gold (in Rs./ 10 gram)	62294	62493	62562	0.43%
Brent Crude oil	81.91	77.99	77.39	5.84%



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5. Bank of India reported a substantial 62.4 percent year-on-year increase in net profit to Rs 1,895 crore for the third quarter, driven by improved Net Interest Income (NII) and reduction in GNPA to 5.35 percent.
6. Bharti Airtel achieved a consolidated net profit of Rs 2,442.2 crore for the October-December quarter, marking a 54 percent increase year-on-year, with revenue reaching Rs 37,900 crore.
7. BLS E-Services debuted strongly, listing at a 128.9 percent premium over the IPO price on February 6.
8. HDFC Bank received approval from the Reserve Bank of India to acquire up to 9.5 percent stakes in various banks, including IndusInd Bank, Yes Bank, Axis Bank, ICICI Bank, Suryoday Small Finance Bank, and Bandhan Bank.
9. Bombay Stock Exchange (BSE) reported a doubling of its net profit in Q3 FY24, reaching Rs 51.6 crore, with the highest quarterly revenue of Rs 431.5 crore.
10. Tata Group surpassed a combined market capitalisation of Rs 30 lakh crore on February 6, a historic milestone for an Indian business conglomerate.
11. Canara Bank announced plans for its first stock split, with the board meeting scheduled for February 26.
12. Lupin obtained USFDA approval for marketing a drug aimed at preventing pain in patients undergoing cataract surgery.
13. Zurich Insurance received clearance from the Competition Commission of India (CCI) to acquire a 51 percent stake in Kotak Mahindra General Insurance Company.
14. The Monetary Policy Committee (MPC) maintained the repo rate at 6.5 percent on February 8, focusing on inflation alignment with the target while supporting growth. The committee stated that the GDP growth for 2024-2025 is projected at 7%.
15. Welspun Enterprises secured the bid for a design, build, and operate (DBO) contract for the development of a new 2,000 MLD water treatment plant at Bhandup complex.
16. SJVN received the Letter of Intent (LOI) from Gujarat Urja Vikas Nigam (GUVNL) for a 200 MW solar power project in GUVNL Phase XXII.
17. LIC witnessed a 49 percent year-on-year increase in net profit to Rs 9,441 crore, with net premium income growing 4.67 percent to Rs 1.17 lakh crore.
18. Apollo Hospitals Ltd reported a 60 percent year-on-year increase in net profit to Rs 245 crore for the October-December quarter, surpassing estimates.
19. Bharat Heavy Electricals (BHEL) secured a Rs 5,500-crore order from Haryana Power Generation Corp Ltd.
20. Patanjali Foods Limited experienced a 19.6 percent year-on-year drop in net profit to Rs 216.5 crore for the December quarter.
21. Tata power revenue grew 3.5 percent year-on-year to Rs. 14,841 crores and their net profit grew by 2.28 percent year-on-year to Rs. 1,076 crores.

Events in the Coming Week

466 companies are coming up with their results next week. Few names among the bunch are, ONGC, Aurobindo Pharma, Coal India, Bharat Forge, SAIL, JM Financial, Patel engineering, Unitech, Skipper, Suraj estate developers, Siemens, BHEL, NALCO, Inox India, Arvind fashion, Antony waste handling cell, Kellton tech, Alpa labs, Mahindra and Mahindra, NMDC, Eros media, etc.

Ajcon Global's observations and view:

Short term view:

1) Majority of the Corporate results declared during the week were in positive range. Banking sector results mainly PSBs are very encouraging & the market has accordingly given them rewards. The RBI kept the rate unchanged in line with expectations. However, other Global concerns continues remain there. Continue net selling by the FPIs also makes the sentiments a bit negative. The markets are clearly in the overbought zone, so a cautious stance is recommended. We have already given warning signals with regards to expensive valuation in small and midcap stocks. We continue to advise partial profit booking in blue chips which have given good rally in recent past and substantial profit booking in small and midcap stocks as any negative result or news can bring them under pressure. We advise investors to sit on some cash to take advantage of corrections, which is imminent, some of which can be very sharp.

2) We suggest investors to remain stock specific and be wary of valuations of companies which are out of comfort zone especially in the smallcap pack. At the moment, specific companies in the sectors like FMCG, Auto, Auto ancillaries, Public Sector Banks, Consumer Durables, Capital Goods, Defence, Engineering, Real Estate, Infrastructure space and Railways many of which have not yet caught the fancy of the market can identified & added in small quantities.

Long term view

1) The RBI has in the recent Policy announcement increased the GDP forecast to 7% signalling 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 Q3/FY 24 results suggest that economy is doing well.

2) Structurally, Indian economy is poised to do well in the coming years, hence one can play a long term bet without bothering at the intermittent fluctuations.

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