

Indian benchmark indices end in green; midcaps and smallcaps continue to rally..

Index	Nov. 1, 2022	Oct. 31, 2022	Change	% change	Open	High	Low
Nifty	18,145.40	18,012.20	133.20	0.74	18,130.70	18,175.80	18,060.15
Sensex	61,121.35	60,746.59	374.76	0.62	61,065.58	61,289.73	60,868.69

- 1) On Tuesday, Indian benchmark indices ended in green led by strong GST collections and good manufacturing PMI data. The Nifty had witnessed a gap up opening and later touched an intraday high of 18,175.80. Finally, the Nifty ended the day up by 133.20 points or 0.74 percent to end at levels of 18,145.40. On the other hand, the Sensex was up by 374.76 points or 0.62 percent to end at levels of 61,121.35.
- 2) Among the Nifty 50 stocks, the major gainers were Adani Enterprises, Divis Laboratories, NTPC, Power Grid, Grasim up in the range of 2.51 percent to 6.94 percent. On the other hand, the major losers were Axis Bank, UPL, Eicher Motors, Maruti Suzuki India, Reliance Industries down in the range of 0.70 percent to 3.81 percent.
- 3) The broader markets were upbeat on Tuesday. The Nifty Midcap 100 index was up by 0.87 percent while the Nifty Smallcap 100 index was up by 0.22 percent.
- 4) In terms of sectoral indices performance, the major gainers were Nifty Metal index up by 2.38 percent, Nifty Pharma index up by 2.12 percent, Nifty Healthcare index up by 1.93 percent, Nifty IT index up by 1.89 percent.
- 5) On Tuesday, FIIs net bought equities worth Rs. 2,609.44 Crore. On the other hand, DIIs net sold equities worth Rs. 730.14 Crore. In the month of October 2022, FIIs have net sold equities worth Rs. 489.06 Crore and DIIs net bought equities worth Rs. 9,276.97 Crore.

Sectors and stocks

- 1) Shares of Delhivery ended up by 9.99 percent to Rs. 378.60 at the NSE on Tuesday. The Company in its Q2FY23 business update said "Express Parcel volumes remained stable in Q2 and picked up towards the end of the quarter, driven by festive season sales, especially in the Heavy Goods category. Overall service line volumes for the business grew in the high teens in Q2FY23 over a large base of the same quarter last year (Q2FY22). While the festive season sale surge in shipment volumes will spill over to Q3FY22 as well, we anticipate moderate growth in shipment volumes through the rest of the financial year. Our Part Truckload (PTL) business faced operational challenges in Q1FY23 due to integration of Delhivery and SpotOn networks. However, the business is on a path to recovery and we recorded high teens growth in freight tonnage handled on a QoQ basis (Q2FY23 v/s Q1FY23). A majority of Delhivery and SpotOn's pre-integration customers have restarted shipping through the integrated network. We also successfully onboarded 200+ new customers in Q2FY23, driven by improving service metrics. We expect volumes to continue to show a gradual scale up through FY23. Volumes in our Supply Chain Services (SCS) and Truckload (TL) businesses declined in Q2FY23 v/s Q1FY23 owing to the expected effects of seasonality in our customers' businesses. However, both businesses have shown substantial double-digit growth compared to Q2FY22. Our Cross-Border business also showed steady growth on a YoY basis despite a global slowdown and a decline in yields for both air and ocean freight."

The Company's Q2FY23 business update further added "Going forward we remain watchful of the market sentiments. We have made sufficient capacity investments in FY22 and early FY23 to sustain our current rate of growth and expect new mega-gateway and sorter decisions only by early FY24. As inflationary pressures and service disruptions due to monsoon ease across the country we expect improvement in volumes, revenue and service margins going forward."

- 2) Shares of Divis Laboratories ended up by 6.10 percent to Rs. 3,829.10 at the NSE on Tuesday ahead of its Q2FY23 result scheduled on November 07, 2022. Earlier, commenting on Q1FY23 performance, Ms. Nilima Prasad Divi - Whole Time Director (Commercial) in the Company's Q1FY23 analyst concall said "During the quarter, we continued to be a reliable partner by fulfilling all commitments to our customers despite raw material volatility and uncertainty, logistical challenges, energy crisis, and several geopolitical tensions. Procurement is actively being monitored to maintain a certain amount of inventory based on product criticality. We have experienced price increases in raw materials as well as solvents compared to last quarter. The impact of it is felt in the cost of our key products. Some of the cost increases have been contained partially because of the long-term supplier contract and also due to our recent backward integration. Shipping costs and timelines have increased significantly, particularly shipments towards North and Latin America, where ocean freight increased substantially. Trade disruptions are being caused by container shortages and port congestion as a result of geopolitical tensions and shortage of manpower at the ports. Our logistics team is constantly monitoring the situation and pre-planning ahead of time so that most of the shipments can be delivered on time. We continue to be vigilant about the day-to-day developments globally and try to mitigate risks as much as possible and ensure reliable supply to our customers. Divi's is capable of capitalizing on opportunities ahead with a combination of ready resources, 30-plus years of chemistry expertise, and execution excellence."
- 3) Shares of Balrampur Chini Mills closed up by 4.76 percent to Rs. 331 at the NSE on Tuesday. Balrampur Chini Mills Limited (BCML) is one of the largest integrated sugar companies in India. The allied businesses of the Company comprise distillery operations and cogeneration of power. The Company presently has ten sugar factories located in Uttar Pradesh (India) having an aggregate sugarcane crushing capacity of 77,500 TCD, distillery capacity of 560 KLPD and saleable co-generation - 175.7 MW. BCML is one of the most efficient integrated sugar producers in the country. The Company has grown its capacity by well-planned capacity expansion projects and the acquisition of existing companies.

Strong integrated business model - Helping in successfully navigating the sugar cycles with diversifying revenue streams. Expansion into Ethanol - Emerging as a key growth driver for the Company going forward. The Company has witnessed rapid growth from Distillery segment. Revenue from distillery segment contributed ~19% to overall revenues in FY22 as compared to 7% in FY18. Going forward distillery segment is expected to contribute around 35% to overall revenues. Distillery segment contributed ~56% to PBIT in FY22 compared to 26% in FY18. The Company is focusing on increasing the share of revenue / profit from distillery. The Company has a track record of timely completion of projects. The Company is actively working on varietal re-balancing of cane / disease management activities. Because of sugar sacrifice for conversion into Ethanol, there has been a corresponding sacrifice of potential profit on the sacrificed sugar, resulting in enhanced profitability in the distillery segment. In view of the aggressive diversion of cane towards B-heavy molasses route resulting in sacrifice of sugar for production of Ethanol, dependence on sugar export has declined.

Key recent developments

- 1) The gross GST revenue collected in the month of October 2022 stood at Rs. 1,51,718 crore of which CGST is Rs. 26,039 crore, SGST is Rs. 33,396 crore, IGST is Rs. 81,778 crore (including Rs. 37,297 crore collected on import of goods) and Cess is Rs. 10,505 crore (including Rs. 825 crore collected on import of goods), which is second highest till date, the Ministry of Finance said today.

It added "The revenue for October 2022 is second highest monthly collection, next only to the collection in April 2022 and it is for the second time the gross GST collection has crossed Rs. 1.50 lakh crore mark. October also saw the second highest collection from domestic transactions, next only to April 2022. This is the ninth month and for eight months in a row now, that the monthly GST revenues have been more than the Rs. 1.4 lakh crore mark. During the month of September 2022, 8.3 crore e-way bills were generated, which was significantly higher than 7.7 crore e-way bills generated in August 2022."

- 2) India's factory activity expanded at a stronger pace in October as demand and output remained solid, encouraging firms to hire workers at the fastest pace in nearly three years, according to a private survey released on Tuesday. Unlike some other economies, India has shown better resiliency to persistently-high inflation and a sinking currency against the US dollar since the start of this year.

The Manufacturing Purchasing Managers' Index, compiled by S&P Global, rose to 55.3 in October from September's 55.1, better than a Reuters poll median forecast for 54.9 and remaining above the 50-level separating growth from contraction for a sixteenth month. "The Indian manufacturing industry again showed signs of resilience in October, with factory orders and production rising strongly despite losing growth momentum," noted Pollyanna De Lima,



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economics associate director at S&P Global Market. "Manufacturers continued to loosen the purse strings as they expect demand buoyancy to be sustained in coming months. There was a marked rise in input purchasing, with firms adding to their inventories to better align with client purchasing." Although overall demand and output expanded at a slower pace last month, growth was still solid, with foreign demand increasing at its strongest rate since May. (Source: Reuters)

Ajcon Global's observations and view..

Short term view:

- 1) On Tuesday, Indian equities ended in the positive terrain. Stock specific action was witnessed in midcaps and smallcaps space based on Q2FY23 earnings performance and management commentary. Overall, Q2FY23 earnings season has been good considering macroeconomic headwinds.
- 2) In addition, positive global cues like US Fed may not go for aggressive rate hike have also improved sentiments too.
- 3) Profit booking can come in at higher levels as there are headwinds like US dollar appreciation against the Indian rupee, rising global bond yields. There are other headwinds like increasing COVID-19 cases in China, new COVID-19 variants being detected in India, escalation of war between Russia and Ukraine and recessionary concerns in US and Europe.
- 4) At the time of writing this report, US benchmark indices were under pressure. On the other hand, European equities were trading in the positive terrain.
- 5) Going ahead, investors will continue to watch Q2FY23 earnings season and management commentary of the Companies for the future outlook. Till date, majority of the Companies have delivered good set of Q2FY23 results considering global concerns. Street participants will also keep an eye on rupee movement against the US Dollar and global bond yields, crude oil price movement, developments related to ongoing war between Russia and Ukraine and its financial implications on the western world.
- 6) We reiterate that the domestic economy is strongly placed as compared to the global peers which will attract investors. Indian benchmark indices are expected to perform well considering strong direct tax collections, robust GST collections and good economic activity amidst macroeconomic challenges. We expect stock specific action in the midcaps and smallcaps space. At the moment sectors like Auto and auto ancillaries, Banking, NBFCs, Capital Goods, Railways, select companies in the infrastructure space and new age business segment can be considered.



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