

Indian equities turn buoyant; all eyes on monthly auto sales numbers and Q2FY23 earnings season..

Index	Sep. 30, 2022	Sep.29, 2022	Change	% change	Open	High	Low
Nifty	17,094.35	16,818.10	276.25	1.64	16,798.05	17,187.10	16,747.70
Sensex	57,426.92	56,409.96	1016.96	1.80	56,240.15	57,722.63	56,147.23

- 1) On Friday, Indian benchmark indices witnessed buoyancy after the RBI hiked repo rate by 50 bps which was discounted by the markets. The Nifty had witnessed a subdued opening but later after RBI's Monetary policy, it turned buoyant and touched an intraday high of 17,187.10. Finally, the Nifty ended the day up by 276.25 points or 1.64 percent to end at levels of 17,094.35. The Sensex ended the day up by whopping 1016.96 points or 1.80 percent to end the day at levels of 57,426.92.

Among the Nifty 50 stocks, the major gainers were Hindalco, Bharti Airtel, IndusInd Bank, Bajaj Finance, Bajaj Finserv up in the range of 3.25 percent to 5.58 percent. On the other hand, the major losers were Adani Enterprises, Dr. Reddy's, Cipla, Coal India, Apollo Hospitals down in the range of 0.40 percent to 0.88 percent.

- 2) The broader markets too were upbeat. The Nifty Midcap 100 index was up by 1.60 percent and Nifty Smallcap 100 index was up by 1.59 percent.
- 3) In terms of sectoral indices performance, the major gainers were Nifty Bank index up by 2.61 percent, Nifty Financial Services index up by 2.24 percent, Nifty Financial Services 25/50 index up by 1.71 percent, Nifty Auto index up by 1.62 percent.
- 4) On Friday, FIIs net sold equities worth Rs. 1,565.31 Crore. On the other hand, DIIs net bought equities worth Rs. 3,245.45 Crore. Month till date, FIIs have net sold equities worth Rs. 5,164.73 Crore and DIIs net bought equities worth Rs. 6,407.18 Crore.
- 5) In the week gone by, the Nifty fell by 233 points or 1.34 percent to end at 17,094.35. On the other hand, Sensex fell by 672 points or 1.34 percent to end the week at 57,426.92. In terms of sectoral performance, the major losers during the week were Nifty Metal index down by 4.3 percent, the Nifty Energy index down by 3.4 percent, Nifty Auto index down by 3 percent, Nifty Realty index down by 3 percent. On the other hand, the prominent gainers during the week were Nifty Pharma index up by around 3 percent, Nifty Information Technology index up by 1.5 percent.

Sectors and stocks

- 1) Shares of The India Cements closed up by 9.99 percent to Rs. 270.30 at the NSE on Friday. The Company's Q1FY23 press release said "The spiraling increase in the cost of input materials continued during the quarter without corresponding increase in the selling price of cement resulting in a sub optimal performance of the company for the quarter under review. The country has started witnessing normalcy of economic activity post pandemic from the month of January'22 resulting in sizable increase in growth in construction sector. The demand for cement on an all India basis, as per information published by DIPP, shows an increase of over 17% in the 1st quarter as compared to the low base of the previous year which was impacted by the second wave of Covid. The growth rate in south for the cement industry was higher than that of all India growth rate resulting in close to 50% increase in production in the first quart of the year as compared to the previous year. Despite the better demand, the industry in south was unable to pass on the increase in cost of production due to huge capacity over hang. Also, there was a shift in the pattern of consumption with more demand for OPC with infra activities like roads and metro rail picking up which yielded a lower price as compared to Trade. Hence, as compared to all India peers who had a reasonable increase in

the selling price to partially offset the cost increase, the industry in south had to bear the brunt of severe cost push without any compensating increase in the selling price of cement.

It further added "The Centre and Southern States are expected to retain their thrust on giving push to housing projects and infrastructure development by implementing irrigation, road building, metro rail and other infrastructure projects. As in the last two years, the good rainfall reported so far this year from South West monsoon season augurs well for improved prospects of rural economy. Cement demand is expected to remain on track with increased house building and construction activity in metros, rural, semi-urban and urban centres although cost pressure is expected to remain with higher cost of fuel, power tariff and logistics and the consequential impact on all other materials including packing."

- 2) Shares of Strides Pharma Science ended up by 7.02 percent to Rs. 330 at the NSE on Friday. Strides Pharma Science, a global pharmaceutical company headquartered in Bengaluru, India mainly operates in the regulated markets and has an "in Africa for Africa" strategy and an institutional business to service donor-funded markets. The Company's global manufacturing sites are located in India (Chennai, Puducherry, and two locations in Bengaluru), Singapore, Italy (Milan), Kenya (Nairobi), and the United States (New York). The Company focuses on "difficult to manufacture" products sold in over 100 countries.

Stelis Biopharma Limited (Stelis or Company), an emerging biopharmaceutical Contract Development and Manufacturing Organization (CDMO) and the biologics arm of Strides Pharma Science Limited, had earlier announced that it received the Establishment Inspection Report (EIR) from U.S. Food and Drug Administration (USFDA or agency) for the Drug Products (DP) facility inspection that was completed at its flagship manufacturing site (Unit 2) at Bengaluru, India. EIR to enable commercial DP supplies for the partner products in the next two quarters. Stelis' flagship facility offers unique DP capabilities across all injectable formats, including cartridges, pen devices, auto-injectors, pre-filled syringes, liquid, and lyophilized vials. The facility also houses Drug Substance (DS) capabilities across the microbial and mammalian platforms on the same premises

Arun Kumar, the Founder, commented on the development, saying, "I am very pleased with the USFDA nod for DP capabilities at our flagship facility, a second major win after receiving the EU-GMP approval in June 2022. While these two outcomes validate our GMP systems and Global Quality fabric, it fast-tracks our ability to close out on the impending manufacturing services agreements for the precommercial revenues. The EIR from USFDA now also paves the way for the commercial services revenue from the site in the next two quarters after our partners receive respective product approvals. We have had an exciting year so far, and we continue to deliver even better financial outcomes as we accelerate and build on the opportunities in the Global CDMO landscape."

- 3) Shares of Mazagon Dock Shipbuilders continued its rally and ended the day up by 6.85 percent to Rs. 493.50 at the NSE on Friday. In the last two trading sessions, the stock has closed up by 15.07 percent.

Mazagon Dock Shipbuilders Ltd is one of India's leading shipbuilding yards, having evolved from a single unit, small ship repair company to a multi-unit and multi-product company. Mazagon Dock Shipbuilders Limited, also known as "Ship Builders to the Nation," is one of India's leading Defence public sector undertaking shipyards, operating under the Ministry of Defence. India's only shipyard to have built destroyers and conventional submarines for the Indian Navy; one of the initial shipyards in India to manufacture Corvettes (Veer & Khukri Class) in India. Over the years, the Company has grown to become the premier Warship building yard in India. By investing in cutting-edge technologies and sophistication of the product line, the Company has institutionalised shipbuilding in the nation and generated opportunities for increasing production capacity to serve both Indian and overseas customers.

Vice Admiral Narayana Prasadji retired from Indian Navy and currently CMD at Mazagon Dock in the Company's Q1FY23 analyst concall conducted earlier said "As you are aware Mazagon Dock Shipbuilders Limited is the oldest shipyard in India with the inception in 1774, incorporated in 1934, and taken over by the Government of India in 1960. MDL is the only shipyard in India to build Destroyers a class of ship which is about 7000 tons of displacement and two different types of Submarines for the Indian Navy and is also one of the unique shipyards in the world with such diverse range of products such as Destroyers, Frigates, Conventional Submarines, Corvettes, Missile Vessels, Offshore Patrol Vessels, etc. It is a listed public limited company incorporated and governed under the Companies Act. MDL is also a CPSE under the administrative control of Ministry of Defence having total workforce of approximately 10,000 person. "

He added "From the time it was taken over by the Government of India in 1960 MDL has built around 800 vessels including 26 captive warships, 6 submarines, and 631 commercial vessels, 243 of which were exported to Mexico,

France, UK, Iran, Yemen, Mozambique, etc. Besides MDL has also built 63 offshore platforms, three process platforms, and two jack up rigs.

- 4) Shares of Canara Bank ended up by 6.59 percent to Rs. 229.60 at the NSE on Friday. In Q1FY23, the Bank has witnessed good performance on sequential basis. After a long time, Corporate credit had also witnessed good growth on QoQ basis. The Bank's treasury performance was also good considering the macroeconomic concerns which has led to hardening of bond yields. The Bank's GNPA and NNPA declined in absolute and percentage terms in Q1FY23, adequate provisioning has made its Balance sheet strong, sequential decline in credit cost improves confidence on the Bank and it is well capitalized too to meet credit growth requirements.

With regards to Corporate credit growth, the Bank's MD & CEO Shri. L V Prabhakar had informed in its Q1FY23 analyst concall that the Bank has underwritten HAM projects worth Rs. 50,000 Crore. He further added that there were higher sanctions in Iron and steel space. The Bank is also very active in NBFC - AAA and AA rated. The Bank management clarified that the Bank has not gone for any pool purchase. The Bank is selective in housing projects and is considering construction finance.

Key recent major developments..

- 1) Prime Minister Narendra Modi on Saturday launched 5G technology services in India and said that technology has become democratic in its truest sense since even the poor of the country have always come forward in adopting new technologies. He said that this is a major step in the vision of Digital India and Aatmanirbhar Bharat. "Talking about Digital India, some people think that this is just a government scheme. But Digital India is not just a name, it is a big vision for the country's development," said PM Modi while inaugurating the 6th India Mobile Congress at Pragati Maidan in Delhi and launching 5G services.

PM Modi further said that the goal of this vision is to take that technology to the common people, which works for the people, works with the people. Earlier on Saturday, Prime Minister inspected an exhibition at Pragati Maidan. The three major telecom operators of the country demonstrated one use case each in front of the Prime Minister to show the potential of 5G technology in India. Unlike existing mobile communication networks, 5G networks will allow tailoring of requirements for each of these different use cases within the same network. (Source: ANI)

- 2) GST collections remained above Rs 1.40 lakh crore for the seventh month in a row at Rs 1.47 lakh crore in September, a 26 per cent increase over last year, reflecting buoyancy in tax collection and stability of the GST portal, the finance ministry said on Saturday. With the ongoing festive season, the collections are expected to go up in the coming months, experts said. "The gross GST revenue collected in the month of September 2022 is Rs 1,47,686 crore, of which Central GST is Rs 25,271 crore, State GST is Rs 31,813 crore, Integrated GST is Rs 80,464 crore (including Rs 41,215 crore collected on import of goods) and Cess is Rs 10,137 crore (including Rs 856 crore collected on import of goods)," it said. The GST collections had touched a record Rs 1.67 lakh crore in April, while in August it was over Rs 1.43 lakh crore. The revenues for the month of September 2022 were 26 per cent higher than those recorded in the same month last year. During the month, revenues from import of goods were 39 per cent higher, while from domestic transaction (including import of services) the mop-up was 22 per cent more than the amount collected from these sources in the year-ago month. The growth in GST revenue till September 2022 over the same period last year is 27 per cent, thus continuing to display very high buoyancy. In August 2022, a total of 7.7 crore e-way bills were generated, which was marginally higher than 7.5 crore in July 2022. (Source: Press Trust of India)
- 3) The RBI increased the policy repo rate under the liquidity adjustment facility (LAF) by 50 basis points to 5.90 per cent with immediate effect. Consequently, the standing deposit facility (SDF) rate stands adjusted to 5.65 per cent and the marginal standing facility (MSF) rate and the Bank Rate to 6.15 per cent. The Monetary Policy Committee (MPC) also decided to remain focused on withdrawal of accommodation to ensure that inflation remains within the target going forward, while supporting growth.

On growth, the improving outlook for agriculture and allied activities and rebound in services are boosting the prospects for aggregate supply. The Government's continued thrust on capex, improvement in capacity utilisation in manufacturing and pick-up in non-food credit should sustain the expansion in industrial activity that stalled in July. The outlook for aggregate demand is positive, with rural demand catching up and urban demand expected to strengthen further with the typical upturn in the second half of the year. According to the RBI's surveys, consumer outlook remains stable and firms in manufacturing, services and infrastructure sectors are optimistic about demand conditions and sales prospects.



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In the MPC's view, inflation is likely to be above the upper tolerance level of 6 per cent through the first three quarters of 2022-23, with core inflation remaining high. The outlook is fraught with considerable uncertainty, given the volatile geopolitical situation, global financial market volatility and supply disruptions. Meanwhile, domestic economic activity is holding up well and is expected to be buoyant in H2:2022-23, supported by festive season demand amidst consumer and business optimism. The MPC is of the view that further calibrated monetary policy action is warranted to keep inflation expectations anchored, restrain the broadening of price pressures and pre-empt second round effects. The MPC feels that this action will support medium-term growth prospects. (Source: Reserve Bank of India)

Ajcon Global's observations and view..

1) Short term view:

- a) On Friday, Indian equities turned buoyant after RBI's Monetary policy announcement as repo rate hike of 50 bps was on expected lines and earlier discounted by the markets. Indian benchmark indices are expected to perform well considering strong GST collections and good monthly auto sales numbers so far announced by the companies. However, there are headwinds like rupee depreciation against the US dollar, high bond yields globally, concerns of slowdown in US, Europe and China and the recent developments in Russia will continue to affect investor sentiments in the near term.
- b) On Friday, US benchmark indices were under significant pressure which might affect sentiments on Monday.
- c) Although there are global concerns in the near term, we reiterate that the domestic economy is strongly placed as compared to the global peers which will attract investors. Domestically, there is improved demand outlook in the festive season with good sales reported in consumer durables and apparels segment.
- d) Domestically, investors would keenly watch the upcoming Q2FY23 earnings season and management commentary of the Companies for the future outlook.
- e) Street participants will 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. In addition, higher gas prices in Europe and slowdown in China has also affected sentiments. At the moment sectors like Auto and auto ancillaries, Banking, NBFCs, Capital Goods, select companies in the new age business segment can be considered.



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For research related queries contact:

Mr. Akash Jain – Vice President (Research) at, research@ajcon.net, akash@ajcon.net

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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