

Indian equities witness whopping rally; easing US Treasury bond yields and good demand outlook in festive season improve sentiments..

Index	Oct.04, 2022	Oct. 03, 2022	Change	% change	Open	High	Low
Nifty	17,274.30	16,887.35	386.95	2.29	17,147.45	17,287.30	17,117.30
Sensex	58,065.47	56,788.81	1276.66	2.25	57,506.65	58,099.94	57,506.65

- 1) On Tuesday, Indian benchmark indices witnessed buoyancy led by easing US Treasury bond yields and domestically improved demand outlook in the ongoing festive season. The Nifty had a big gap up opening, witnessed buoyancy throughout the day and touched an intraday high of 17,287.30. Finally, the Nifty ended the day up by whopping 386.95 points or 2.29 percent to end at levels of 17,274.30. The Sensex ended the day up by 1,276.66 points or 2.25 percent to end the day at levels of 58,065.47.

Among the Nifty 50 stocks, the major gainers were IndusInd Bank, Adani Ports, Bajaj Finance, Coal India, Tata Consultancy Services up in the range of 3.75 percent to 5.25 percent. On the other hand, the losers were Power Grid and Dr. Reddy's down in the range of 0.13 percent to 0.95 percent.

- 2) The broader markets too were upbeat. The Nifty Midcap 100 index was up by 2.66 percent and Nifty Smallcap 100 index was up by 1.76 percent.
- 3) In terms of sectoral indices performance, the major gainers were Nifty Private Bank index up by 3.16 percent, Nifty Metal index up by 3.13 percent, Nifty PSU Bank index up by 2.97 percent, Nifty IT index up by 2.87 percent, Nifty Media index up by 2.76 percent, Nifty Financial Services 25/0 index up by 2.71 percent.
- 4) On Tuesday, FIIs net bought equities worth Rs. 1,344.63 Crore. On the other hand, DIIs net bought equities worth Rs. 945.92 Crore. Month till date, FIIs have net bought equities worth Rs. 1,935.21 Crore and DIIs net bought equities worth Rs. 522.76 Crore.

Sectors and stocks

- 1) Shares of Angel One Limited ended up by 12.77 percent to Rs. 1,537.90 at the NSE on Tuesday led by good performance in the month of September 2022 as indicated by the Monthly Business Update of the Company. Mr. Dinesh Thakkar – Chairman and Managing Director of the Company in its Q1FY23 analyst concall conducted earlier said "After a very strong FY22, the broking industry started the current year on a positive note with 6.9 million new demat accounts opened and cash and F&O ADTO for the industry witnessing a sequential growth of 10% in Q1 FY23. All this despite a somber macro environment, which was dampened due to risk-off sentiment, firm commodity prices, geopolitical tensions and expectation of a global recession."

He further added "Digital brokers like us, leveraging technology, are advancing further to cater to geographically dispersed population with small ticket needs. We are transforming not only the industry landscape, but also the financial well-being of every individual. RBI, in its recently released financial stability report, mentioned that apart from declining real returns, improved availability of information on investment, widespread public awareness, easy KYC and client on-boarding process and effective use of technology are drivers of widening investor base, including first-time investors. As more first-time investors are on-boarded, especially during such period of market correction, there is bound to be some inertia in their activity. However, older clients continue to remain active. The same is witnessed from growing ADTO, number of cash trades and F&O contracts for the industry. This represents growing maturity of the retail investors and their ability to handle volatility better. Going forward, as these first-time investors mature in the system, their contribution to the overall metric will also improve."



Mr. Narayan Gangadhar – Chief Executive Officer of the Company in its Q1FY23 concall had said "Q1 has been historic as we have been one of the few players to surpass the 10 million client mark. Other parameters around our operational and market share are, we acquired 1.3 million clients on a gross basis during Q1. 95% of these clients came from Tier-2, Tier-3 cities. This led to a 51-basis point expansion in our Demat market share to 10.8%. On an incremental Demat account basis, our market share expanded to 17.5%. Our NSE active client base grew to 4 million. As a result, our overall share in NSE active client base expanded by 43 basis points sequentially to 10.6% as of June 30, 2022. Our ADTO, average daily turnover, grew by 9% to approximately 9.4 trillion, thus translating to 20.8% market share in overall retail equity turnover. Our turnover market share improved in June to 21.2% from nearly 20% in May. Our number of orders at 207 million was similar to our Q1 numbers. "

He further said "These operational parameters demonstrate a high level of resilience that the business model has, despite market cycles. For 39 months in a row since migrating to a flat pricing structure, we have experienced growth in our average daily orders in over 80% instances when the headline indices corrected by 5% or more. We are confident of the robustness of our business model and strongly believe that our engines will facilitate us to garner superior growth from target markets."

- 2) Shares of Mahindra & Mahindra Financial Services Limited ended up by 11.43 percent to Rs. 200.30 at the NSE on Tuesday. According to the Company's updates for the month of September 2022, "In September 2022, aided by macro tailwinds, the business continued its momentum with disbursement of approximately Rs. 4,080 crores delivering a 110% Y-o-Y growth. This translates to a Y-o-Y growth of 82% in Q2 FY23 and 106% for H1 FY23. The first half is estimated to clock a disbursement of approximately Rs. 21,300 crores. Healthy disbursement trends during the first half have led to a strong gross asset book of approximately Rs. 73,900 crores, growing ~3% month on month. This has also resulted in Y-o-Y growth of ~16% vs September last year and ~14% vs March '22. The collection efficiency (CE) was at 98% for September 2022, against CE of 96% for August 2022. The asset quality further improved during the month & the quarter. As on 30th September 2022, the Company expects its Gross Stage 3 to be around 7% (compared to 8% as of 30th June 2022) and Gross Stage 2 to be around 10% (compared to 11.7% as of 30th June 2022). The Company continued to enjoy a comfortable liquidity position on its Balance Sheet, with a liquidity chest of over 3 months."
- 3) Shares of Mazagon Dock Shipbuilders Limited continued its rally and ended up by 9.79 percent to Rs. 563.55 at the NSE on Tuesday. In the last three trading sessions, the stock has closed up by 24.86 percent.

Mazagon Dock Shipbuilders Limited 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 cuttingedge 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 Easy Trip Planners Limited closed up by 6.29 percent to Rs. 407 at the NSE on Tuesday after the Company intimated through an exchange filing that the board of directors of the company are scheduled to meet on October 10, 2022, for considering the proposal for issue of bonus shares and/or sub-division/split of shares. EaseMyTrip.com is India's one of the largest online travel platforms in terms of air ticket bookings, based on the



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Crisil Report-Assessment of the OTA Industry in India, February 2021. Furthermore, growing at a CAGR of 78% during FY20-22 in profits, it is one of the fastest-growing internet companies. Bootstrapped and profitable since its inception, EaseMyTrip offers end-to-end travel solutions including air tickets, hotels and holiday packages, bus tickets as well as ancillary value-added services. EaseMyTrip offers its users the option of zero-convenience fees during bookings. EaseMyTrip provides its users with access to more than 400 international and domestic airlines, over 1 million hotels as well as train/bus tickets and taxi rentals for major cities in India. Founded in 2008, EaseMyTrip has offices across various Indian cities, including Noida, Bengaluru, and Mumbai. Its international offices (as subsidiary companies) are in the Philippines, Singapore, Thailand, the UAE, the UK, the USA and New Zealand.

- 5) Shares of Kalyan Jewellers India Limited ended up by 6.90 percent to Rs. 100.75 at the NSE on Tuesday led by improved outlook for jewellery sales in the ongoing festive season. Headquartered in Thrissur in the state of Kerala, Kalyan Jewellers is one the largest jewellery retailers in India with a presence in the Middle East. The company has enjoyed a long-standing presence in the Indian market for nearly three decades and has set industry benchmarks in quality, transparency, pricing and innovation. The Company offers an array of traditional and contemporary jewellery designs in gold, diamonds and precious stones catering to the distinct needs of its customers. The Company's retail expansion continued in the recently concluded quarter, with the launch of four new showrooms - three in non-South markets in India, and one in the Middle East. As of June 30, 2022, Kalyan Jewellers' store network across India and the Middle East stood at 158.

Earlier, commenting on Q1FY23 performance, Mr. Ramesh Kalyanaraman, Executive Director, Kalyan Jewellers India Limited said, "The recently concluded quarter has been a positive one for Kalyan Jewellers, having witnessed robust momentum in both footfalls and revenue across India and Middle East markets. Revenue momentum in the current quarter has remained encouraging, thus far, and we are keenly looking forward to the upcoming festive season." "The Company launched its first franchised showroom in Q1 of this year. We have built a meaningful pipeline of additional franchise showrooms on the back of very encouraging responses from potential franchise partners, and we are on track with our expansion plans for the current financial year. We believe the successful launch of the first set of franchised showrooms will give us the confidence to further enhance the pace of expansion through this significantly more capital efficient and return accretive path," he added.

Key recent major developments..

- 1) U.S. job openings fell by the most in nearly 2-1/2 years in August, suggesting that the labor market was starting to cool as the economy grapples with higher interest rates aimed at dampening demand and taming inflation. Despite the fifth month of decreases in job openings this year reported by the Labor Department in its Job Openings and Labor Turnover Survey, or JOLTS report, on Tuesday, vacancies remained above 10 million for the 14th straight month. (Source: Reuters)
- 2) The yield on the benchmark U.S. 10-year Treasury fell to around 3.62 percent on Tuesday afternoon, after briefly topping 4 percent last week for the first time in more than a decade. The 30-year Treasury yield also declined. (Source: Xinhua)
- 3) Manufacturing activities in India eased marginally in September but remained in good shape amid companies hiring more workers and cooling price pressures, according to a monthly survey released on Monday. The seasonally adjusted S&P Global India Manufacturing Purchasing Managers' Index (PMI) indicated a strong improvement in the health of the Indian manufacturing industry, as companies stepped up production in tandem with a sustained increase in new work intakes. "Rates of expansion remained historically high, despite easing from August. To accommodate higher sales and greater output needs, firms hired extra workers and acquired more inputs. The upturn in input buying was aided by cooling price pressures. "Purchasing costs rose at the slowest pace in just under two years, while output charge inflation receded to a seven-month low," the survey said.

The PMI at 55.1 in September continued to be in expansion mode for the 15th consecutive month but was slightly lower than 56.2 recorded in August. Pollyanna De Lima, Economics Associate Director at S&P Global Market Intelligence, said the latest set of PMI data shows us that the Indian manufacturing industry remains in good shape, despite considerable global headwinds and recession fears elsewhere. "There were softer, but substantial, increases in new orders and production in September, with some leading indicators suggesting that output looks set to expand further at least in the short-term as firms seek to fulfil sales contracts and replenish stocks," De Lima noted. Further, De Lima said input costs rose at the slowest rate in almost two years as suppliers' stocks improved in line with subdued global demand for raw materials and recession risks. (Source: Press Trust of India)



Ajcon Global's observations and view..

1) Short term view:

- a) On Tuesday, Indian equities were buoyant led by softening of US Treasury bond yields and domestically improved demand outlook in the festive season as indicated by good sales reported in the consumer durables, apparels segment and monthly auto sales numbers so far announced by the companies.
- b) 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 GST collections and good economic activity amidst macroeconomic challenges. There are headwinds like rupee depreciation against the US dollar, concerns of slowdown in US, Europe and China and the recent developments in Russia will continue to affect investor sentiments in the near term.
- c) Domestically, investors would keenly watch Q2FY23 earnings season and management commentary of the Companies for the future outlook.
- d) 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. 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