

Rising crude oil prices affect investor sentiments; all eyes on Q2FY23 earnings season..

Index	Oct.07, 2022	Oct. 06, 2022	Change	% change	Open	High	Low
Nifty	17,314.65	17,331.80	17.15	0.10	17,287.20	17,337.35	17,216.95
Sensex	58,191.29	58,222.10	30.81	0.05	58,092.56	58,269.34	57,851.15

- 1) On Friday, Indian benchmark indices ended in red led by jump in crude oil prices after OPEC+ agreed to tighten global supply with a deal to cut production targets by 2 million barrels per day (bpd) at a time when the global economies are facing pressure of high inflation. The Nifty had a witnessed a subdued opening and later touched an intraday low of 17,216.95. Finally, the Nifty reduced the intraday losses ended the day down by 17.15 points or 0.10 percent to end at levels of 17,314.65. On the other hand, the Sensex fell by 30.81 points or 0.05 percent to end at levels of 58,191.29.
- 2) Among the Nifty 50 stocks, the major gainers were Titan Company, Power Grid, Grasim, NTPC, ONGC up in the range of 1.02 percent to 5.30 percent. On the other hand, the losers were Tata Consumer Products, BPCL, Mahindra & Mahindra, Ultratech Cement, State Bank of India down in the range of 1.17 percent to 1.65 percent.
- 3) The broader markets were mixed. The Nifty Midcap 100 index was down by 0.24 percent while the Nifty Smallcap 100 index was up by 0.24 percent.
- 4) In terms of sectoral indices performance, the major losers were Nifty Oil & Gas index down by 0.72 percent, Nifty IT index down by 0.70 percent, Nifty FMCG index down by 0.64 percent, Nifty Metal index down by 0.43 percent, Nifty Pharma index down by 0.0 percent.
- 5) On Friday, FIIs net sold equities worth Rs. 2,250.77 Crore. On the other hand, DIIs net bought equities worth Rs. 545.25 Crore. Month till date, FIIs have net sold equities worth Rs. 36.55 Crore and DIIs net bought equities worth Rs. 1,024.09 Crore.
- 6) In the holiday truncated week gone by, the Nifty moved up by 220.3 points or 1.28 percent. On the other hand, Sensex was up by 764.37 points or 1.33 percent.

Sectors and stocks

- 1) Shares of Mazagon Dock Shipbuilders Limited continued its buoyancy and ended up by 6.99 percent to Rs. 636.65 at the NSE on Friday. In the last five trading sessions, the stock has closed up by 38.48 percent.

According to the Company's FY22 Annual Report, the Company's objective is to achieve 20% Post Tax return on equity in line with DPE's guidelines with improved order position and profitability. The Company has been consistently making profit and distributing dividend for the past 17 years. 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 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.



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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. " "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.", he said.

He further added "For the financial year 2022-2023, the value of order book that we have, it is about 43,343 Crores which essentially comprises of a 4 in number project 15 Bravo a missile guided destroyer, 4 in number project 17 Alpha Stealth Frigate and six Scorpene submarine of which four already delivered similarly one destroyer is already delivered and the second one will be end of this month or mid of next month as I talked before. In a short time horizon, we have almost an order book about 35000 Crores which is available, which essentially majorly constitutes an RFP which is going to come out for construction of 8 in number New Generation Corvettes which is pegged at about 33000 Crores."

- 2) Shares of Zomato Limited closed up by 5.72 percent to Rs. 69.30 at the NSE on Friday. Mr. Akshant Goyal - Chief Financial Officer of the Company in the Q1FY23 analyst concall conducted earlier said "As you would have noticed, we got to adjusted EBITDA breakeven in the food delivery business. So, now, I think the next milestone there is to get the overall Zomato business to adjusted EBITDA breakeven and we think we are close now. In terms of timeline, internally, we are aiming to get there by Quarter 4 of this fiscal year. that is the internal goal that we have as a team but we think that if we slip on that, it should not be later than Q2 FY24, which is September 2023 quarter for getting to breakeven on adjusted EBITDA at the Zomato level. So, I think that's a broad outlook and essentially, an internal plan that we are working on, and we thought we should share that with everyone here now that we are getting closer to this milestone".
- 3) Shares of Titan Company Limited ended up by 5.30 percent to Rs. 2,730.20 at the NSE on Friday. The stock rallied as the Company witnessed healthy double-digit growth across most businesses with overall sales growing 18% YoY. Retail network continued the pace of expansion adding 105 stores (net) for the quarter. The outlook for festive season (from Navratri in end Sep'22) continues to be optimistic and is visible in positive consumer sentiment across categories.

The Jewellery Division grew 18% YoY on a high base of Q2FY22 that had elements of pent-up demand and spillover purchases of a Covid disrupted Q 1 FY22. Gold jewellery (plain) clocked low double digit growth whereas studded sales were higher than the overall division driven by good activations and better contribution from high value purchases. The product-mix improved compared to last year but continued to be below pre-pandemic levels. Walk-ins grew in low double digits YoY with steady buyer conversions. New store commissions (net) comprised of 8 domestic stores in Tanishq, 16 in Mia by Tanishq and 1 in Zoya.

The Watches & Wearables Division grew 20% YoY, clocking its highest quarterly revenue. The strong tailwind demand led by a desire to own more premium/differentiated watches helped brand Titan grow fastest in the watches category (assisted by higher volume and average selling prices YoY). The retail store transformation journey offering a wider choice of premium brands to consumers in Titan World, Helios and Multi-brand Retailers also helped in powering overall growth for the division. The quarter saw the launch of Titan and Fastrack smartwatches with Bluetooth calling feature. The Division continued its store expansions pan-India (net) with 7 new store additions of Titan World, 14 of Helios and 2 in Fastrack for the quarter.

Sales from Titan Eye+ stores saw healthy double-digit growth YoY. This, however, was offset by lower YoY sales across Trade & Distribution channel leading to an overall 7% YoY growth for the division. EyeCare expanded its nation-wide presence adding 36 new stores in Titan Eye+ and 2 new Fastrack prescription stores (net) for the quarter.

- 4) Shares of Mishra Dhatu Nigam Limited ended up by 4.70 percent to Rs. 240.50 at the NSE on Friday. In the last two trading sessions, the stock has rallied by 12.19 percent. The Company has been supplying strategic materials to the nation for last four decades, serving strategic sectors of nation such as Defence, Energy and Aerospace with its



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wide range of superalloys and special steel. In the 'strategic materials' (superalloys) category, the Company leverages its distinct manufacturing facilities, homegrown value chain, market share, and long-standing client relationships as competitive advantages. The Company's growth is accelerated by a number of government measures, including the encouragement of indigenisation, new offset policies for Transfer of Technology, improved FDI, and the most recent patent regulations. The Company's R&D division concentrates on technological research, new product development, and indigenisation as part of 'Atmanirbhar Bharat'. For critical applications, the Company has locally sourced a number of products over the past five years, including the high-pressure compressor disc for the Jaguar aircraft, the super alloy blade blanks for the Adour engine, the composite armouring for the MI 17 helicopter, the MIDHANI KAVACH for bulletproof jackets, the crucial Steam Generator (SG) tubes for the energy sector, and many others.

Key recent major developments..

- 1) The gross collection of tax on corporate and individual earnings jumped nearly 24 per cent so far in the current fiscal year to Rs. 8.98 trillion, the tax department said on Sunday. This includes a 32 per cent growth in personal income tax (including Securities Transaction Tax) mop up and 16.73 per cent increase in corporate tax revenues over the same period last year. After adjusting for refunds, the net direct tax collections between April 1 - October 8 stood at Rs 7.45 trillion, which is 52.46 per cent of the Budget estimates (BE) for the full year tax collection target, the department said. The Budget had estimated direct tax collection at Rs 14.20 trillion this fiscal, higher than Rs 14.10 trillion collected last fiscal (2021-22). Tax on corporate and individual income makes up for direct taxes. "Direct Tax collections up to 8th October, 2022 show that gross collections are at Rs 8.98 trillion which is 23.8 per cent higher than the gross collections for the corresponding period of last year," the tax department said in a statement. Refunds amounting to Rs 1.53 trillion have been issued between April 1-october 8, an increase of 81 per cent over the corresponding period last year. After adjusting refunds, net direct tax collection stood at Rs 7.45 trillion, 16.3 per cent higher over the year-ago period. This includes a 16.25 per cent increase in PIT (including STT) and 16.29 per cent in corporate tax. (Source: Press Trust of India)
- 2) Exporters are keeping their fingers crossed due to "visible" recessionary trends in the European Union (EU) as it could affect demand for domestic goods in that market in the coming months. The EU is one of major export destinations for Indian exporters, accounting for about 15 per cent of India's total outbound shipments. "There are visible symptoms of recession in the EU. Energy crisis is looming there. Buyers are delaying orders from India. They are concerned but hopeful," Federation of Indian Export Organisations (FIEO) Director General Ajay Sahai said. He, however, added that the situation in the EU provides an opportunity for Indian exporters to enhance efforts to boost exports to countries like Russia. "Sanction of Russia gives us an opportunity to tap that market," Sahai said, expressing confidence that India's total merchandise exports would reach USD 470 billion in 2022-23 as against USD 420 billion in 2021-22. (Source: Press Trust of India)
- 3) Oil prices rose on Friday, continuing an upward trend after OPEC+ last week agreed to tighten global supply with a deal to cut production targets by 2 million barrels per day (bpd). The cut from the Organization of Petroleum Exporting Countries and allies including Russia, together known as OPEC+, is its largest reduction since 2020 and comes ahead of a European Union embargo on Russian oil. The decision would squeeze supplies in an already tight market, adding to inflation. Brent crude futures rose 19 cents to \$94.61 a barrel by 0002 GMT. WTI crude futures rose 24 cents to \$88.69 a barrel, after earlier hitting \$89.37 per barrel, the highest since September 14. (Source: Reuters)
- 4) The International Monetary Fund will next week downgrade its forecast for 2.9% global growth in 2023, Managing Director Kristalina Georgieva said on Thursday, citing rising risks of recession and financial instability. Georgieva said the outlook for the global economy was "darkening" given the shocks caused by the COVID-19 pandemic, Russia's invasion of Ukraine and climate disasters on all continents, and it could well get worse. "We are experiencing a fundamental shift in the global economy, from a world of relative predictability ... to a world with more fragility - greater uncertainty, higher economic volatility, geopolitical confrontations, and more frequent and devastating natural disasters," she said in a speech at Georgetown University. (Source: Reuters)

Ajcon Global's observations and view..

Short term view:

- a) On Friday, Indian benchmark indices ended in red led by rising crude oil prices. Domestically, the business updates for Q2FY23 from select FMCG companies indicate margin pressure in Q2FY23 which affected investor sentiments. Going ahead, investors will keep an eye on domestic CPI and WPI inflation data, FOMC min-



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utes, US inflation data and Q2FY23 earnings season starting with leading IT companies and management commentary of the Companies for the future outlook. 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.

- b) Globally, on Friday, US benchmark indices were under significant pressure led by US Fed comments. European equities too were under pressure led by recessionary concerns.
- c) Domestically, there are positive factors like 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.
- d) 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. 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.
- e) We expect stock specific action to continue in the midcaps and smallcaps space. At the moment sectors like Auto and auto ancillaries, Banking, NBFCs, Capital Goods, select companies in the infrastructure space and new age business segment can be considered.



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