

Indian benchmark indices remain under pressure led by escalation of war between Russia and Ukraine; Railway stocks rally..

Index	Oct.10, 2022	Oct. 07, 2022	Change	% change	Open	High	Low
Nifty	17,241.00	17,314.65	73.65	0.43	17,094.35	17,280.15	17,064.70
Sensex	57,991.11	58,191.29	200.18	0.34	57,424.07	58,125.01	57,365.68

- 1) On Monday, Indian benchmark indices ended in red led by weak global cues especially on escalation of war between Russia and Ukraine. Earlier, Investor sentiments were affected after recent US Fed comments and recessionary concerns in US and Europe. The decision of OPEC+ 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 reeling under pressure of high inflation is also playing on the minds of the investors. The Nifty had a witnessed a gap down opening and later touched an intraday low of 17,064.70. Finally, the Nifty reduced the intraday losses ended the day down by 73.65 points or 0.43 percent to end at levels of 17,241.00. On the other hand, the Sensex fell by 200.18 points or 0.34 percent to end at levels of 57,991.11.
- 2) Among the Nifty 50 stocks, the major gainers were Axis Bank, Tata Consultancy Services, HDFC Life, Wipro, Eicher Motors were up in the range of 1.13 percent to 3.04 percent. On the other hand, the losers were Tata Motors, Tata Consumer Products, Hero Motocorp, Asian Paints, ITC down in the range of 1.78 percent to 3.79 percent.
- 3) The broader markets too were under pressure. The Nifty Midcap 100 index was down by 0.95 percent while the Nifty Smallcap 100 index was down by 0.46 percent.
- 4) In terms of sectoral indices performance, the major losers were Nifty Consumer Durables index down by 1.21 percent, Nifty FMCG index down by 1.10 percent, Nifty Media index down by 1.07 percent, Nifty PSU Bank index down by 1.01 percent.
- 5) On Monday, FIIs net sold equities worth Rs. 2,139.02 Crore. On the other hand, DIIs net bought equities worth Rs. 2,137.46 Crore. Month till date, FIIs have net sold equities worth Rs. 2,175.57 Crore and DIIs net bought equities worth Rs. 3,161.55 Crore.

Sectors and stocks

- 1) Shares of IDBI Bank closed up by 9.02 percent to Rs. 46.55 at the NSE on Monday after the Bank's exchange filing titled: Strategic Disinvestment of IDBI Bank Ltd. - Issue of Preliminary Information Memorandum (PIM)/ Expression of Interest (EoI) said "In Continuation of Bank's earlier disclosure dated May 05, 2021, this is to inform that the Government of India ("GoI") acting through Department of Investment and Public Asset Management (DIPAM), has engaged KPMG India Private Limited as the Transaction Advisor and Link legal as the Legal Advisors for providing advisory services and managing the transaction. GoI currently holds 45.48% and Life Insurance Corporation of India ("LIC") holds 49.24% of the total equity share capital of the Bank. It has now been informed that pursuant to the strategic disinvestment of IDBI Bank (i) GoI shall sell such number of shares representing 30.48% (thirty decimal four eight percent); and (ii) LIC shall sell such number of shares representing 30.24% (thirty decimal two four percent), aggregating to 60.72% (sixty decimal seven two percent) of the equity share capital of IDBI Bank, along with transfer of management control in IDBI Bank."
- 2) Shares of Rail Vikas Nigam Limited (RVNL) ended up by 6.94 percent to Rs. 38.50 at the NSE on Monday. The Company was established with the mandate of fast track implementation of rail infrastructure projects working for and on behalf of Ministry of Railways as an executing arm. The contribution of the Company in building of rail



infrastructure in the Country is amply demonstrated by its remarkable performance and presence in 26 locations across the country with 34 functional project implementation Unit (PIU). The company is executing projects in all the Zonal Railways and 19 States of the Country. RVNL is executing all types of Railway Infrastructure works such as New Line, Gauge Conversion, Doubling/ 3rd Line/4th Line, Railway Electrification, Workshops, Hill Railway Projects, Institutional Buildings, Mega Bridges, Metro Railway, etc.

- 3) Shares of Angel One closed up by 5.64 percent to Rs. 1,613.05 at the NSE on Monday ahead of its Q2FY23 results scheduled on Oct. 13, 2022. The Company witnessed good performance in the month of September 2022 as indicated by the Monthly Business Update of the Company. Earlier, 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."

- 4) Shares of Ircan International Limited ended up by 5.83 percent to Rs. 44.50 at the NSE on Monday. Ircan International Limited is a Miniratna (Category - I) Schedule A, Public Sector Enterprise and a leading turnkey Construction Company in the public sector known for quality, commitment and consistency in terms of performance. The core competence of IRCON is in Railways, Highways & Extra High Tension substation engineering and Construction. The company has executed projects operated in the areas of Railway construction including ballast less track, electrification, tunneling, signal & telecommunication as well as leasing of locos, construction of roads, highways, commercial, industrial & residential buildings and complexes, airport runway and hangars, metro and mass rapid transit system, etc. IRCON has widespread operations in several states in India and other countries (Malaysia, Nepal, Bangladesh, South Africa, Algeria and Sri Lanka). Company has completed more than 128 projects in 25 countries across the globe and 398 projects in various states in India.

The Company has recently completed commissioning of doubling work of Hajipur- Bachhwara of 72 Route Km including electrification on 28th September, 2022. IRCON was appointed by East Central Railways for this work.

Key recent major developments..

- 1) Domestically, India's IT bellwether - Tata Consultancy Services Limited (TCS) witnessed good performance in its Q2FY23 result. The Company's Q2FY23 Revenue stood at Rs. 55,309 crore, growth of 18% YoY (4.8% QoQ) in



rupee terms. The Constant Currency (CC) revenue was up by 15.4% YoY (4% QoQ). The growth was broad-based across verticals, led by Retail (+22.9% CC) and CMI (+18.7% CC) - Major markets shine: North America (+17.6% CC), UK (+14.8% CC) & Europe (+14.1% CC) - Operating Margin at 24%; Net Margin at 18.9% - Net Profit Crossed Rs. 10,000 crore mark. The Company's Order Book stood at \$8.1 billion in Q2FY23. Book to Bill ratio at 1.2 in Q2FY23. Attrition rate stood at 21.5% in Q2FY23 as against 19.7% in Q1FY23.

Rajesh Gopinathan, Chief Executive Officer and Managing Director, said: "Demand for our services continues to be very strong. We registered strong, profitable growth across all our industry verticals and in all our major markets. Our order book is holding up well, with a healthy mix of growth and transformation initiatives, cloud migration and outsourcing engagements. As clients prepare for a more challenging environment ahead, technologies like cloud that have been embraced now have to be fully leveraged to realize the promised value. TCS has the combination of contextual knowledge, technology expertise and execution rigor to deliver on this imperative."

N Ganapathy Subramaniam, Chief Operating Officer and Executive Director, said: "This was another quarter of excellent execution that saw us delivering several transformational projects like the largest migration of 2.3 million policies to our TCS Insurance platform in one go in the UK, or the trading platform at the Gift City. Our delivery leadership congregated during the quarter and are raising the bar further on execution excellence with frameworks like Rigor in Transformation. We are pleased that our office facilities are becoming once again the place of buzz with more and more of our employees and clients celebrating togetherness to realize their full potential."

Samir Seksaria, Chief Financial Officer, said: "We are steadily making our way towards achieving our operating margin priority for the year, aided by leverage from good growth, the flattening of the workforce pyramid, steadily improving productivity and currency support. Very importantly, the headwinds from the supply-side challenges are abating, so that sets us up well for the seasonally weak second half of the year."

Milind Lakkad, Chief HR Officer, said: "Reflecting our culture of being committed to our employees, we have honored all the job offers we had made. Our investments in capacity building and organic talent development have allowed us to substantially grow our business ahead of headcount addition this quarter. We believe our quarterly annualized attrition has peaked in Q2 and should see it taper down from this point, while compensation expectations of experienced professionals moderate."

- 2) Globally, Russia's President Vladimir Putin threatened further missile attacks on Ukraine after Russia hit Kyiv and other cities in the most intense barrage of strikes since the first days of its invasion, marking a dangerous new escalation in the war. "If attempts to commit terrorist acts on our territory continue, the responses from Russia will be harsh and their scale will correspond to the level of threat to Russia," Putin said in televised comments to a meeting of his Security Council on Monday.

"No one should have any doubts." He confirmed Monday's "massive strikes" targeted energy and communications infrastructure in Ukraine, as well as military command installations. Those came a day after Putin accused Ukrainian forces of carrying out an explosion Saturday that damaged a road and rail bridge connecting Crimea across the Kerch Strait to Russia. The broad burst of firepower prompted an outcry from international leaders, who said the assault was a significant escalation that targeted civilians and the nation's infrastructure. Group of Seven leaders plan to hold an emergency video conference together with Ukrainian President Volodymyr Zelenskiy to address the attack on Tuesday. "They are trying to destroy us and wipe us off the face of the Earth," Zelenskiy said on his Telegram channel, urging people to stay in bomb shelters as air-raid alerts sounded in every region of the country except occupied Crimea. "Unfortunately there are dead and wounded." Russia launched 83 missile strikes at Ukraine on Monday fired from Astrakhan in southern Russia, 43 of which were intercepted, a spokesman for air defense, Yuriy Ihnat, said. The assault also included Iranian-made Shahed-136 unmanned drones from Belarus and Crimea, the military said. (Source: Bloomberg)

Ajcon Global's observations and view..

Short term view:

- a) On Monday, Indian benchmark indices ended in red led by weak global cues on escalation of war between Russia and Ukraine, recent US Fed comments which indicate a hawkish stance going forward and recessionary concerns in US and Europe. 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 minutes, US inflation data and Q2FY23 earnings season and management commentary of the Companies for the future outlook. Street participants will also keep an eye on ru-



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pee 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) The strong performance of TCS in its Q2FY23 result and good management commentary on the future outlook will lift investor sentiments and expect a rally in TCS stock as well as other IT stocks. It must be noted that IT stocks had witnessed correction amidst recessionary concerns in US and Europe.
- c) At the time of writing this report, US benchmark indices were under pressure. European equities too were trading in red.
- d) 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.
- e) 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.
- f) 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, Railways, select companies in the infrastructure space and new age business segment can be considered.



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