

Stock specific action witnessed in midcaps and smallcaps space; all eyes on inflation data and industrial production data..

| Index | Sep. 09, 2022 | Sep.08, 2022 | Change | % change | Open | High | Low |
|---------------|---------------|--------------|---------------|-------------|-----------|------------------|-----------|
| Nifty | 17,833.35 | 17,798.75 | 34.60 | 0.19 | 17,923.35 | 17,925.95 | 17,786.00 |
| Sensex | 59,793.14 | 59,688.22 | 104.92 | 0.18 | 60,045.75 | 60,119.80 | 59,634.39 |

- 1) On Friday, Indian benchmark indices ended in green led by fall in crude oil prices. The Nifty had witnessed strong gap up opening and later touched an intraday high of 17,925.65. Finally, the Nifty erased the big gains made during the day and ended the day up by 34.60 points or 0.19 percent to end at levels of 17,833.35. The Sensex ended the day up by 104.92 points or 0.18 percent to end the day at levels of 59,793.14.
- 2) Among the Nifty 50 stocks, the prominent gainers were Tech Mahindra, Adani Ports, Infosys, IndusInd Bank, HCL Technologies up in the range of 2.05 percent to 3.43 percent. On the other hand, the major losers were Ultratech Cement, SBI Life, Mahindra & Mahindra, HDFC Life, Grasim Industries up in the range of 1.29 percent to 1.90 percent.
- 3) The broader markets remained upbeat on Friday. The Nifty Midcap 100 index was up by 0.35 percent while the Nifty Smallcap 100 index was up by 0.06 percent. In terms of sectoral indices performance, the major gainers were Nifty IT index up by 2.21 percent, Nifty Private Bank index up by 0.57 percent, Nifty Auto index up by 0.52 percent, Nifty Bank index up by 0.51 percent.
- 4) On Friday, FIIs net bought equities worth Rs. 2,132.42 Crore and DIIs net sold equities worth Rs. 1,167.56 Crore. In the month of August 2022, FIIs have net bought equities worth Rs. 22,025.62 Crore and DIIs net sold equities worth Rs. 7,068.63 Crore.
- 5) For the week, Nifty was up by 293.90 points or 1.67 percent and Sensex closed up by 989.91 points or 1.68 percent respectively.

Sectors and stocks

- 1) Shares of Allcargo Logistics ended up by 13.35 percent to Rs. 389.20 at the NSE on Friday. Mr. Ravi Jakhar, Group Chief Strategy Officer of the Company in its Q1FY23 concall had said "As we started this new financial year faced with challenges of Ukraine war, lockdowns in China and a unique combination of inflationary and recessionary risks against all adversities and headwinds we increased our volumes substantially year-on-year as well as quarter-on-quarter in our mainstay international supply chain business which contributes to nearly 90% of our revenues. Allcargo was the company that effectively created the CFS business and the LCL consolidation business in the country."
- 2) Shares of Hatsun Agro rallied by 7.77 percent to Rs. 1,130 at the NSE on Friday. Hatsun Agro Product Ltd. (HAP) is a leading private sector dairy player in India. HAP procures milk from select fine quality cattle collected directly from around 4,00,000 farmers, chosen with care. HAP follows quality standards certified by the prestigious ISO 22000. HAP's portfolio includes: Arun Icecreams – Among the Top Two Icecream brands in India as per AC Nielsen Report, Arokya Milk – the country's largest private sector milk brand, Hatsun Dairy Products – a rapidly growing, wide portfolio brand of dairy products, Ibaco – Premium chain of ice cream outlets enabling consumers create their own ice cream sundaes & Santosa – a fast growing cattle feed brand. HAP's products are exported to 38 countries around the world.



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Recently, the Company had announced its procurement expansion plans in the States of Andhra Pradesh, Telangana and Maharashtra. HAP has over 3100 milk collection centres that benefits farmers across various villages in Andhra Pradesh, Telangana and Maharashtra. HAP plans to aggressively expand this network of milk collection centres in these three states to effectively serve over 1 lakh farmers. HAP plans to position further its milk collection centres at remote locations to ensure farmers have access to the facility and help them reap the real benefit of having access to such a facility in their own village thereby providing them with market access leading to prosperity to our rural sector. Hatsun Agro Product Ltd procures 100% of the milk directly from farmers and has heavily invested in procurement infrastructure over the years to effectively handle significant volume of milk. HAP is India's first dairy company to work on increasing farmer income by reducing cost of production. The company has been collaborating at the University level to commercialize its high-yielding, protein-rich hybrid Napier green fodder (kambu / bajra) such as Co-4 and Co-5.

- 3) Shares of Nesco closed up by 6.96 percent to Rs. 648.20 at the NSE on Friday. Commenting on FY22 performance, Mr. Krishna S. Patel, Chairman & Managing Director at the Company's 63 Annual General Meeting had said Nesco IT Park registered growth of 7%, its revenues rising from Rs. 246 crores to Rs. 264 crores. Tower 04 in IT Park has a constructed area of 17 lakhs sq. ft. and is 92% contracted. Tower 03 is 8 lakhs sq. ft. in constructed area and is 80% contracted. License agreements have been finalized with leading MNCs including Apollo Financials, Sodexo, KPMG, BlackRock, Here Solutions, Ericsson, MSCI, Framestore, Priceline, ISS Governance, etc. Indabrator saw revenues increase by over 70% from Rs. 26 crores to Rs. 45 crores. The division had increased the abrasives production capacity. Bombay Exhibition Center normally holds 150 exhibitions in a year but could hold only 16 exhibitions in the year as the MCGM did not allow exhibitions to take place for most part of the year. This adversely affected our Bombay Exhibition Center and in turn, our Nesco Foods division. Bombay Exhibition Center revenues increased from Rs. 6 crores to Rs. 16 crores. Nesco Foods saw revenues decrease from Rs. 13 crores to Rs. 11 crores, as their main supplies are to exhibitions visitors and banquets. Foods division was able to provide packed meals to several NGO's, MCGM and contractors who in turn were delivering those meals across the city and beyond, on all days even during the peak of the pandemic conditions. Overall our revenues went up by almost 8% from Rs. 355 crores to Rs. 382 crores, profit before tax increase from Rs. 216 crores to Rs. 226 crores, increase of almost 5%. Our PBT was 60% of our revenues.

He further added "Now coming to 22-23 and onwards: i) Nesco IT Park - We expect IT Park revenues to grow marginally. We are expecting to shortly complete contracts for the remaining floors in Tower 03 and in Tower 04. We have approached the GOM for special concessions towards MCGM charges for our next IT Building and are hopeful for their support. We shall thereafter pursue the approvals for Tower 02 and expect to start on the project shortly. Tower 02 was designed by well-known foreign architects and shall have constructed area of over 45 lakhs sq.ft. ii) Indabrator - We expect similar levels of operations of the division in the current financial year. iii) Bombay Exhibition Center - customers had to reschedule or cancel their exhibitions. Revenues were affected as there were no exhibitions over the last 2 years. We are now starting to see revenues again from this division. We propose to go ahead with hall-wise expansion and modernization of Bombay Exhibition Center. This would begin with the addition of a new hall and thereafter refurbishment of existing capacity. iv) Nesco Foods - We are confident that revenues from exhibitions and banquets shall increase rapidly and we hope to soon reach the pre-covid levels. Overall, we expect better revenues and PBT in 22-23 in all business groups.

Key recent major developments..

- 1) Assessing the impact of the foundational changes and structural transformation that has happened in the last few years, the Confederation of Indian Industry (CII) estimated that India in 2047 will be a USD 35-45 Trillion economy, taking the country into the league of developed nations, Union Minister for Commerce and Industry Piyush Goyal said on Sunday. India as an economy in 2047 can be seen as a powerhouse driving global growth, Goyal said as he invited the business community of Southern California to invest in India. "Assessing the impact of the foundational changes and the structural transformation that has happened in the last few years, preparing India to rapidly grow. CII estimates India in 2047 to be a 35-45 trillion economy, taking us into the league of developed nations, a prosperous country, a country that cares for every single citizen of the country," Goyal said while addressing the business community of Southern California. Goyal said, "We are proud to be the mother of all democracies. We are proud to have a vibrant judiciary, rule of law, robust media, and transparent government systems. India as an economy in 2047 can be seen as a powerhouse driving global growth." "I can see an economy which at least on a business and social case, a 30 trillion USD economy, possibly as, CII estimated recently. Working on the foundation that has been prepared over the last few years," he said. (Source: ANI)
- 2) Oil prices rose about 4% on Friday, supported by real and threatened cuts to supply, although futures posted a second weekly decline as aggressive interest rate hikes and China's COVID-19 curbs weighed on the demand outlook. Russian President Vladimir Putin has threatened to halt oil and gas exports to Europe if price caps are



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imposed and a small cut to OPEC+ oil output plans announced this week also supported prices. Brent crude rose \$3.69, or 4.1%, to settle at \$92.84 a barrel. U.S. West Texas Intermediate (WTI) crude rose \$3.25, or 3.9% to settle at \$86.79 a barrel. Pressured by worries about a recession and demand, Brent is down sharply from a surge in March close to its all-time high of \$147 after Russia invaded Ukraine. The Group of Seven is trying to find ways to limit Russia's lucrative oil export revenue in the wake of the invasion. A price cap that G7 countries want to impose on Russian oil to punish Moscow should be set at a fair market value minus any risk premium resulting from its invasion of Ukraine, a U.S. Treasury Department official told reporters on Friday. (Source: Reuters)

Ajcon Global's observations and view..

1) Short term view:

- a) On Friday, Indian benchmark indices ended in green. As expected, stock specific action continued in midcaps and smallcaps space which is expected to continue in the coming days. US benchmark indices and majority of the European equity indices were upbeat on Friday.
- b) We expect Indian equities to remain rangebound amidst volatility. Sell on rise and buy on dips strategy is suggested as there are too many macro economic variables that will dictate market direction.
- c) Going ahead, investors will keep an eye on domestic CPI and WPI inflation data, IIP numbers and US inflation data ahead of US Fed meet.
- d) Street participants will keenly watch economic developments in US and European countries, crude oil price movement, rupee movement against the US Dollar and bond yields.
- e) There are headwinds like fresh concerns of likely rate hike by US Fed after good US employment report and as suggested by the US Fed Chair Jerome Powell's speech at the Jackson Hole Symposium. Earlier, ECB had hiked interest rates to control inflation and further rate hikes is now a possibility. In addition, higher gas prices in Europe and slowdown in China has also affected sentiments. However, we believe, the domestic economy is doing well and is strongly placed as compared to the global peers which will attract investors.
- f) Domestically, good GST collections in August 2022, strong manufacturing and services PMI data, improved demand outlook in ongoing festive season, will improve sentiments amidst global macroeconomic concerns. We suggest investors to buy on declines and look for opportunities in the midcaps and smallcaps space. At the moment sectors like Banking, NBFCs, Auto and auto ancillaries, select companies in the new age business segment can be considered.

2) Long term view:

Structurally, Indian economy is poised to do well after major reforms like thrust on digital economy after demonetisation, implementation of GST, RERA, Insolvency and Bankruptcy Code, reforms in power sector, one of its kind Union Budget announced last year which focused on investment led spending to drive growth with impetus on Privatisation, thrust on Aatmanirbhar Bharat resulting into Production Linked Incentive (PLI) schemes for various sectors, reforms in Direct Taxes, thrust on infrastructure and renewables sector, Ethanol blending, scrapping policy etc.



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