

**Indian equities were lacklustre and ended in negative terrain; global cues dictating market direction at the moment..**

Index	Today's Close	Prev. close	Change	% change	Open	High	Low
<b>Nifty</b>	15,938.65	15,966.65	<b>28</b>	<b>0.18</b>	16,018.85	<b>16,070.85</b>	15,858.20
<b>Sensex</b>	53,416.15	53,514.15	<b>98</b>	<b>0.18</b>	53,688.62	<b>53,861.28</b>	53,163.77

- 1) On Thursday, Indian benchmark indices were lacklustre and ended marginally in red. The Nifty had witnessed a gap up opening of 52.2 points. However, later during the day, the Nifty gave up all the gains and finally ended the day marginally down by 28 points or 0.18 percent to end at levels of 15,938.65. Among the Nifty 50 stocks, the prominent losers were Axis Bank, HDFC, Bharti Airtel, HDFC Bank, Reliance Industries down in the range of 1.71 percent to 3.13 percent. On the other hand, Sensex closed down by 98 points or 0.18 percent to end the day at levels of 53,416.15.
- 2) The broader markets ended in negative terrain on Thursday. The Nifty Midcap 100 index was down by 0.09 percent and the Nifty Smallcap 100 index was down by 1.14 percent.
- 3) In terms of sectoral indices performance, the major losers were the Nifty PSU Banks index and Nifty IT Index down in the range of 1.58 percent to 2.21 percent.
- 4) Today, FIIs net bought equities worth Rs. 309.06 Crore. On the other hand, DIIs net sold equities worth Rs. 556.40 Crore. Month till date, it has been observed that FIIs intensity of selling has reduced and has net sold equities worth Rs. 8,809.77 Crore as against FII selling of Rs. 27,481.22 Crore in the month of June 2022 (upto June 14, 2022). On the other hand, DIIs net bought equities worth Rs. 6,307.58 Crore (month till date) as against Rs. 19,708.79 Crore in the same period of June 2022.
- 5) On Thursday, the rupee further depreciated and hit a record low of 79.88 against the US Dollar which will continue to affect investor sentiments and RBI will have its task cut out to control rupee from further depreciating.

**Sectors and stocks**

- 1) Shares of Butterfly Gandhimathi Appliances ended up by 17.93 percent to Rs. 1,590.4 at the NSE after the Company witnessed strong earnings performance in Q1FY23. Sequentially, the Company registered Profit after tax of Rs. 13.23 Crore in Q1FY23 as against Net Loss of Rs. 19.38 Crore in Q4FY22. Started in 1986 Butterfly Gandhimathi Appliances Limited (BGMAL) is today amongst the largest manufacturers of domestic kitchen and electrical appliances in India. Butterfly, a household name in the kitchen appliances market, is a leading kitchen and small domestic appliances portfolio that includes mixer grinders, table-top wet grinders, pressure cookers, stainless steel vacuum flasks, LPG stoves and non-stick cookware. It is amongst the top 3 pan-India kitchen and small domestic appliances players. The Company's FY22 Annual Report said "The demand for domestic kitchen appliances is estimated to grow exponentially with a rising population and growing customer needs. As an integrated manufacturer of domestic appliances, BGMAL is well positioned to cater to a burgeoning market demand with on-time deliveries and products curated both for the Indian and global markets."

BGMAL's acquisition by Crompton Greaves Consumer Electricals Limited in February 2022 marks a new milestone in the Company's journey and its strategies for greater growth. Earlier, commenting on this key development, Shantanu Khosla, Managing Director - Crompton said, "This acquisition provides concrete support to our long-term vision of becoming a leading pan-India kitchen appliances player. Butterfly's proven channel and brand strategy will form the base for a stronger SDA business led by mixer grinders. This sets up a platform for a full kitchen play, which will enable a stronger connect with every home." VM Lakshminarayanan who was a Chairman of Butterfly



Gandhimati Appliances when this key development was announced stated that, " As a 50-year-old family and home grown business, we are proud of the growth story our brand has been a part of. Butterfly is a strong brand in South India, and this step will provide an opportunity for the Butterfly brand to achieve pan-India reach. Crompton is a synergistic fit and together, there is great potential for powerful complementarity going forward."

We believe Company is a strong play on domestic kitchen and electrical appliances market in India.

- 2) Shares of Anupam Rasayan India continued its rally from the previous day and ended up by 5.05 percent to Rs. 741.20 on the NSE. In the last two days, the stock has rallied by 12.42 percent at the NSE. The Company is an established Custom Synthesis player with 38 years of track record. Specializes in multi-step synthesis undertaking complex chemical reactions to produce key specialty chemicals with focus on developing innovative manufacturing processes. It is catering to globally relevant chemical & agrochemical companies, including 25 MNC and cumulative 68 clients. The Company has ~27,200 MT Manufacturing Capacity, spread over 6 manufacturing facilities. In addition, the Company has strong supply chain with backward integrated facilities.

Commenting on the performance of the Company, Mr. Anand Desai - Managing Director of the Company in Q4FY22 analyst concall conducted earlier said "We have seen our PAT more than doubling this year vis-a-vis financial year '21 which has culminated into a PAT margin expansion of almost 600 basis points. We continue to deliver value to our stakeholders by the means of increased top line and bottom line which is driven by volume ramp-up, which was a result of enhanced trust of our existing customers and continued financial and operational prudence. We specialize in the synthesis and manufacturing of life science related and other specialty chemicals that need multi-step synthesis and sophisticated technologies for the broad base of Indian and global clients. He added "Our expansion of fluorination chemistry will drive our next phase of growth, which has been strengthened by our successful acquisition of Tanfac's 26% stake from Aditya Birla Group and public open offer on a combined basis. And by the means of this acquisition, we look forward to backward integrate our supply chain in this vertical and further focus on producing high-value high-margin volumes that have application in varied industries which should enhance our margin profile. Initially, we will be focusing on 3 key fluorination segments, especially fluoropolymer. The potential topline addition from this will be at \$100-200 million per annum in the medium to long term. "

We believe the Company's business prospects are good due to the following factors: a) global firms looking to shift from China to India is beneficial to the Company, b) core focus on process innovation through consistent research and development, value engineering and complex chemistries, c) diversified and customized product portfolio with a strong supply chain, d) automated manufacturing facilities, e) continue to focus on custom synthesis and manufacturing by developing innovative processes and value engineering, f) expand its business by capitalizing on industry opportunities and organic and inorganic growth, g) low dependence on raw material imports from China, h) established relationships with multinational corporations, i) automated manufacturing infrastructure and j) decent financial and operational performance.

- 3) Shares of Schaeffler India closed up by 4.39 percent to Rs. 2,392.40 on the NSE after touching an intraday high of Rs. 1,613.90. Schaeffler has been present in India for ~60 years. With 3 well known product brands LuK, INA and FAG, 4 manufacturing plants and 8 sales offices, Schaeffler has a significant presence in India. Schaeffler is among the largest Industrial and Automotive supplier in India. The manufacturing plants in Maneja and Savli (Vadodara), produce a vast range of ball bearings, cylindrical roller bearings, spherical roller bearings and wheel bearings that are sold under the brand name of FAG. The plant at Talegaon near Pune, manufactures engine and powertrain components for front accessory drive system, chain drive systems, valve train, gear shift systems and a range of needle roller bearings and elements, under the brand INA. The fourth manufacturing location is based out of Hosur, producing a wide range of clutches and hydraulic clutch release systems for passenger cars, light commercial vehicles, heavy commercial vehicles and tractors sold under the brand of LuK. Schaeffler also has the largest after-market networks serving the industrial and automotive customers. All of this is backed by dedicated engineering, research and development support based in India in support of product teams.

The Company follows Calendar year as Financial year. Commenting on Q1FY22 results, Mr. Harsha Kadam, Managing Director, said, "Year 2022 started well for us, despite the headwinds from rising inflation and emerging geopolitical situation. Our balanced business portfolio with traction in our exports segment helped us continue the momentum. We delivered resilient margins despite the ongoing market challenges on the back of our sustained countermeasures and improved business mix. We are committed to deliver on our financial and operating metrics while creating long-term value for our stakeholders with an unaltered focus on doing business sustainably."

### Key recent major developments..

- 1) Globally, President Emmanuel Macron said on Thursday, that France aims to manage without Russian gas as soon as possible with no early end to the war in Ukraine in sight. "Russia has already started to cut off gas supplies" by closing the Nordstream 1 pipeline" he said. He added "That's a very clear message: It will use gas as a weapon of war," he said. "We will need do without Russian gas completely." France is estimated to receive less than 20% of its total gas imports from Russia. Transitioning away from Russian energy meant that "the summer and the start of the autumn will probably be very tough", Mr. Macron warned.
- 2) WPI-based inflation declines marginally to 15.18% for the month of June, 2022 as against the WPI number of 15.88% in May, 2022 (highest since September 1991). The high rate of inflation in June, 2022 is primarily due to rise in prices of mineral oils, food articles, crude petroleum & natural gas, basic metals, chemicals & chemical products, food products etc. as compared to the corresponding month of the previous year.
- 3) According to the Finance Ministry's Monthly Economic Review, India's current account deficit is expected to deteriorate in the current fiscal on account of costlier imports and tepid merchandise exports. The review released on Thursday by the ministry also said that global headwinds would continue to pose a downside risk to growth as crude oil and edibles, which have driven inflation in India, remain major imported components in the consumption basket. For the present, it said, "their global prices have softened, as fears of recession have dampened prices somewhat. This would weaken inflationary pressures in India and rein in inflation." "If recession concerns do not lead to a sustained and meaningful reduction in the prices of food and energy commodities, then India's CAD will deteriorate in 2022-23 on account of costlier imports and tepid exports on the merchandise account. The deterioration of CAD could, however, moderate with an increase in service exports in which India is more competitive as compared to merchandise exports," it said. "The widening trade deficit has exerted pressure on the rupee with its value having depreciated 6% against the USD since January of 2022. However, India's experience is not isolated as all major net commodity importing countries have seen a weakening of their currency," the report said.

### Ajcon Global's observations and view..

- 1) **Short term and medium term view:** Indian equities were lacklustre today and finally ended in red. The major losers were PSU Banking and IT stocks. At the time of writing this report, US benchmark indices were under tremendous pressure led by subdued earnings performance from JPMorgan Chase & Co and Morgan Stanley which raises concerns of economic downturn/recession in US. Earlier, US inflation hit a 41 year high and investors now expecting aggressive rate hike by the US Fed which would affect demand outlook. There are also fresh concerns that Europe may get into recession if Russia cuts natural gas supply to European industries which affected market sentiments. Considering the above factors, Indian equities are again poised for weak opening on Friday. Domestically factors like marginal reduction in WPI inflation, good IIP data and reduced retail inflation will support positivity. With global demand outlook getting affected, we expect crude oil prices to fall. In the medium term, Indian equities are expected to remain positive led by factors like falling crude oil prices and recent fall in prices of the commodities like copper, aluminium, steel prices augur well for Indian companies and economy as a whole. Fundamentally, the decline in crude oil prices will help rupee to stabilise as it will reduce imported inflation. Sectors like Paints, Oil Marketing Companies, Speciality Chemicals stands to benefit from decline in crude oil prices.

Going ahead, investors will take cues from economic developments in US and European countries, COVID-19 related developments in China, developments related to Russia - Ukraine War, crude oil price movement, rupee movement against the US Dollar. Domestically, investors will keep an eye on Q1FY23 earnings and management commentary especially on raw materials price front and its outlook for future considering the recent fall in commodity prices, pricing scenario and supply chain related developments as it has a huge bearing on logistics costs, guidance on growth especially companies having exposure to US and European markets.

- 2) **Long term view:** Always remember, steep corrections and crash in a structural bull market will keep markets healthy. 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 renewables sector, Ethanol blending, scrapping policy etc.



- 3) **Approach suggested for investors:** It is advisable for investors to look out for stock specific opportunities considering growth outlook and management pedigree. History has proved that after any crisis, equities recover strongly and give stellar returns. One should also remember that not every fall is worth buying and investors should evaluate the Company based on fundamentals and valuation before taking any decision. We recommend investors for the near term to Buy quality names on dips and sell on rise considering the volatility in the market in the near term led by too many macroeconomic variables at the moment. We believe markets would give opportunities to enter quality stocks at reasonable valuation. Sectorally speaking, Financial sector (specially banking), Pharma, automobile, auto components, Infrastructure & food processing looks attractive at the current valuations.



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