

**Indian equities continue to remain under pressure; tyre stocks rally..**

Index	Sep. 15, 2022	Sep.14, 2022	Change	% change	Open	High	Low
<b>Nifty</b>	17,877.40	18,003.75	<b>126.35</b>	<b>0.70</b>	18,046.35	<b>18,096.15</b>	17,861.50
<b>Sensex</b>	59,934.01	60,346.97	<b>412.96</b>	<b>0.68</b>	60,454.37	<b>60,676.12</b>	59,865.75

- 1) On Thursday, Indian benchmark indices ended in red. The Nifty had witnessed gap up opening and later touched a intraday high of 18,096.15. However, the Nifty wiped off the early gains and ended the day down by 126.35 points or 0.70 percent to end at levels of 17,877.40. The Sensex ended the day down by 412.96 points or 0.68 percent to end the day at levels of 59,934.01.
- 2) Among the Nifty 50 stocks, the major losers were Hindalco, Tech Mahindra, Infosys, Cipla, Apollo Hospitals down in the range of 2.14 percent to 3.87 percent. On the other hand, the prominent gainers were Maruti Suzuki India, Eicher Motors, Adani Ports, Power Grid Corporation Of India, NTPC up in the range of 1.33 percent to 2.77 percent.
- 3) The broader markets were mixed on Thursday. The Nifty Midcap 100 index was up by 0.38 percent and Nifty Smallcap 100 index was down marginally by 0.02 percent respectively. In terms of sectoral indices performance, the major losers were Nifty Media index down by 2.18 percent, Nifty IT index down by 1.43 percent, Nifty Healthcare index down by 1.34 percent, Nifty Pharma index down by 1.29 percent, Nifty Realty index down by 0.91 percent. On the other hand, the major gainers were Nifty Auto index up by 0.71 percent and Nifty Metal index up by 0.12 percent.
- 4) On Thursday, FIIs net sold equities worth Rs. 1,270.68 Crore. On the other hand, DIIs too net sold equities worth Rs. 928.86 Crore. Month till date, FIIs have net bought equities worth Rs. 5,176 Crore and DIIs net sold equities worth Rs. 2,969.93 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.

**Sectors and stocks**

- 1) Shares of Tamilnad Mercantile Bank (TMB) made a subdued debut at the Indian bourses. On the National Stock Exchange, the stock debuted at Rs. 495 per share against its issue price of Rs. 510 and touched an intraday low of Rs. 481. At NSE, the shares finally ended the day at Rs. 509.65. At BSE, shares of TMB listed at par against its issue price of Rs. 510 per share on the BSE on Thursday. Post listing at the BSE, the stock hit an intra-day low of Rs. 484.5, and a high of Rs. 519. The initial public offering (IPO) of TMB had received 2.86 times subscription. The qualified institutional buyer (QIB) segment of the issue was subscribed 1.62 times, non-institutional investors (NIIs) was subscribed by 2.94 times, and retail portion was subscribed 6.48 times. The bank had allotted shares worth Rs. 363.53 crore to anchor investors at Rs. 510 apiece ahead of its IPO.
- 2) Shares of JK Tyre closed up by 16.55 percent at the NSE on Thursday. Mr. Anshuman Singhania – Managing Director of the Company in its Q1FY23 analyst concall had said "JK Tyre recorded yet another quarter of highest ever sales of Rs.3,650 crore, registering a remarkable growth of 39% viz-a-viz Q1FY22. This has been achieved on the strength of higher sales in the domestic markets (replacement and OEM). During the quarter, export volumes were sustained despite global disturbances. There is a continuous focus to increase exports to targeted geographies across North America, LATAM and Middle East. The automotive industry in India is definitely showing positive signs of a robust demand in the FY23. We expect the demand to further grow JK Tyre & Industries Limited August 09, 2022 Page 3 of 16 during the second half of the FY23. There is a sharp increase in CV volumes driven by MHCV and LCV sub-segments in the domestic market due to improved activity in road construction, mining along with growth

in agriculture and e-commerce activities. Further, there is a notable growth in bus segment on the back of re-opening of schools, offices and surge in travelling post pandemic.

He further added "Raw material and other input costs witnessed an on-going uptrend which impacted margins. The company has undertaken periodic price increases. Operating profitability improved on quarter on quarter (q-o-q) basis, mainly on account of operating leverage, efficiency improvement and price hikes. Raw material cost increase is likely to continue in Q2FY23, based on the lag effect, which we expect to pass on through further selling price increases. Going forward, some moderation in the raw material prices is likely due to correction in crude oil and commodity prices. We perceive further improvement in margin from H2FY23 onwards."

- 3) Shares of Dollar Industries ended up by 9.28 percent to Rs. 539.50 at the NSE on Thursday. Mr. Ankit Gupta - President, Marketing of the Company in the Q1FY23 analyst concall had said "The company has given robust performance in terms of revenue as well as volume growth. Our total revenue has shown a growth of 77.13% year-on-year, led by volume growth of 54% year-on-year. Our EBITDA has shown a growth of 9.71% in comparison to the same quarter last year, but EBITDA margin has declined on account of increase in the advertisement expenditure as well as the fluctuation in the raw material prices, which is still very dynamic. "

He further added "In current quarter, we have spent around INR 35 crore on advertisement, whereas it was INR 14.65 crore in the same quarter last year. This expenditure was mainly sponsoring IPL 2022, launching of our new TVC for Dollar Woman and the campaign for completion of 50 glorious years of Dollar Industries Limited. We are sure that this advertisement expenditure will give us the future benefit and mileage over next 3 to 4 quarters. This is a large onetime expense and is non-recurring in forward quarters. For the FY'23, we are maintaining the target of our advertisement expenditure at around 5%, 5.5% of our total revenue. Our domestic sales showed a growth of 81%, while export sales was 36% and modern trade e-commerce sales showed a growth of 112% on a year-on-year basis. Apart from our flagship brand, Dollar Man and Dollar Always, we have seen a good traction towards our Dollar Woman brand and premium brand Force NXT. And both the brands have given a good growth in terms of volume. Force NXT has given a volume growth of 95%, whereas Dollar Woman has given a growth of around 65%."

- 4) Shares of Apollo Tyres rallied by 6.53 percent to Rs. 299.55 at the NSE on Thursday. Commenting on Q1FY23 performance of the Company in its analyst concall, Mr. Neeraj Kanwar - Vice Chairman & Managing Director of the Company had said "Despite adverse environment, we reported a sequential improvement in margins in the current quarter, while maintaining a healthy growth rate highlighting our strong focus on profitable growth. The quarter was once again impacted by increase in RM prices. However, we were able to recover the same in India, thereby helping us report sequential improvement in operating margins. In Europe, also despite strong headwinds in form of higher cost pressures, we were able to report healthy double digit operating margins. We remain committed to reach our intended margin range and the same is further highlighted by continued sequential improvement in margins over last couple of quarters. He further added "On the OEM side, we gained fitment on key models of Mahindra, Maruti Suzuki, Toyota, VW, and Skoda. These wins not only highlight our superior R&D and manufacturing capabilities but would also help us further in premiumising in India."

#### **Key recent major developments..**

- 1) Fitch Ratings on Thursday cut India's economic growth forecast for FY23 to 7% from 7.8% projected in June, and said it expects key policy rates of the Reserve Bank of India (RBI) to peak in the near future and remain at 6% through next year. Fitch Rating also lowered India's GDP growth rate for FY24 to 6.7% from 7.4% it forecast earlier. The changes are in line with a cut in global economic forecast for the current year by Fitch. In its Global Economic Outlook September 2022 released on Thursday, the rating agency said the GDP growth of 13.5 per cent in April-June, as per official data, was below its June expectation of 18.5 per cent increase.

"We expect the economy to slow given the global economic backdrop, elevated inflation and tighter monetary policy," it said. "Inflation moderated in August as crude oil prices eased, but the risk to food inflation persists given negative seasonality towards the end of this year." The wholesale-price-based inflation softened to 11-month low of 12.41 per cent in August, even though retail inflation inched up to 7 per cent. The rating agency cut its global economic growth forecast due to the European gas crisis, high inflation and a sharp acceleration in the pace of global monetary policy tightening which are taking a heavy toll on economic prospects. The agency now expects world GDP to grow 2.4% in 2022, revised down by 0.5 percentage point, and to expand just 1.7% in 2023, down by one percentage point.

- 2) Saudi Arabia emerged as the second-biggest oil supplier to India after a three-month gap, overtaking Russia by a thin margin, while Iraq retained the top spot in August, data from industry and trade sources showed. India, the



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world's third biggest oil importer and consumer, shipped in 863,950 barrels per day (bpd) of crude from Saudi Arabia, up 4.8% from the previous month, while purchases from Russia fell 2.4% to 855,950 bpd, the data showed. Despite Saudi's gain, the share of oil from Organization of the Petroleum Exporting Countries in India fell to 59.8%, the lowest in at least 16 years as India cut African imports. India has become Russia's No. 2 oil buyer after China as others have cut purchases following Moscow's invasion of Ukraine in late February. The two countries, keen to secure raw materials at discounts compared with supplies from other countries, are seen as cushioning the impact of western sanctions on Moscow. (Source: Reuters)

- 3) Russian President Vladimir Putin on Thursday said he understood that Xi Jinping had questions and concerns about the situation in Ukraine but praised China's leader for what he said was a "balanced" position on the conflict. Russia's war in Ukraine has killed tens of thousands of people and pushed the global economy into uncharted waters with soaring prices for food and energy amid the biggest confrontation between Moscow and the West since the Cold War. At their first face-to-face meeting since the war, Xi said he was very happy to meet "my old friend" again after Putin said crude attempts by the United States to create a unipolar world would fail. "We highly value the balanced position of our Chinese friends when it comes to the Ukraine crisis," Putin told Xi. "We understand your questions and concern about this. During today's meeting, we will of course explain our position." Putin's first remarks about Chinese concern over the war come just days after a lightning rout of his forces in north-eastern Ukraine. (Source: Reuters)

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

#### **1) Short term view:**

- a) On Thursday, as expected, Indian benchmark indices continued to remain under pressure. However, rally was seen in tyre sector led by improved outlook in the festive season.
- b) We advice investors to remain cautious especially in companies which have rallied ahead of fundamentals. In the recent past, Nifty and Sensex have delivered good returns as FII buying has been good. Considering, too many macro economic variables at the moment and global developments, caution is warranted and volatility will continue to stay. At the moment, short term investors and traders can adopt the approach of sell on rise and buy on dips.
- c) The reduced WPI inflation data did not lift the investor sentiments as it is still in double digits. The recent subdued IIP numbers and higher CPI inflation data is also playing on the minds of the investor. The CPI inflation has remained above the RBI's comfort level of 6 percent. Considering the inflationary environment, it seems that RBI may hike interest rate in the upcoming monetary policy meeting.
- d) Going ahead, investors will keenly watch out for the developments from the US Fed meet as US CPI data was subdued which may result in aggressive rate hike. It may be noted, that ECB had already gone for aggressive rate hike to tame inflation and further rate hikes is now a possibility. This has affected overall global sentiments.
- e) Street participants will keep an eye on developments in US and European countries especially due to ongoing war between Russia and Ukraine and its financial implications on the western world, crude oil price movement, rupee movement against the US Dollar and bond yields. 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.



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