

Good bounceback witnessed in benchmark indices; Auto, IT, Consumer Durables stocks rally..

Index	Today's Close	Prev. close	Change	% change	Open	High	Low
Nifty	16,049.20	15,938.65	110.55	0.69	16,010.80	16,066.95	15,927.30
Sensex	53,760.78	53,416.15	344.63	0.65	53,637.88	53,811.37	53,361.62

- 1) On Friday, Indian benchmark indices witnessed a bounceback after being in a oversold terrain. The Nifty had witnessed a gap up opening of 72.15 points and the rally intensified in the later part of the day. Finally, the Nifty ended the day up by 110.55 points or 0.69 percent to end at levels of 16,049.20. Among the Nifty 50 stocks, the prominent gainers were Tata Consumer Products, Titan, Hindustan Unilever, Tata Motors, Larsen & Toubro up in the range of 2.42 percent to 3.27 percent. On the other hand, Sensex closed up by 344.63 points or 0.65 percent to end the day at levels of 53,760.78.
- 2) The broader markets too ended in the positive terrain on Friday. The Nifty Midcap 100 index was up by 0.77 percent and the Nifty Smallcap 100 index was up by 0.34 percent.
- 3) In terms of sectoral indices performance, the major gainers were the Nifty Auto index, Nifty FMCG index, Nifty Consumer Durables Index up in the range of 1.45 percent to 2.03 percent.
- 4) Today, FIIs net sold equities worth Rs. 1,649.36 Crore. On the other hand, DIIs net sold equities worth Rs. 1,059.46 Crore. Month till date, it has been observed that FIIs intensity of selling has reduced and has net sold equities worth Rs. 10,459.13 Crore as against FII selling of Rs. 31,012.37 Crore in the month of June 2022 (upto June 15, 2022). On the other hand, DIIs net bought equities worth Rs. 7,367.04 Crore (month till date) as against Rs. 22,296.79 Crore in the same period of June 2022.
- 5) On Friday, the rupee had touched a record low of 79.96 and finally ended unchanged from its previous close and settled at 79.88 against the US Dollar. We believe RBI interventions will help slowdown the pace of rupee fall.

Sectors and stocks

- 1) Shares of Lumax Auto Technologies Limited (LATL) rallied by 12.30 percent to end at Rs. 232.30 on the NSE. Incorporated in 1945, Lumax-DK Jain Group is one of the pioneers and leading manufacturer & supplier of automotive lighting AND transmission components in Indian automotive industry. Today, the Lumax-DK Jain Group enjoys almost four decade association with Japan based Stanley Electric Co. Limited. Moreover, the Group has successfully entered total of nine Joint Ventures with globally renowned companies from Germany, Italy, Israel, Japan, Korea and Spain.

LATL is among the few integrated players in the Indian auto component manufacturing space with expertise in Integrated Plastic Modules, 2-Wheeler (2W) Chassis & Swing Arm, 3-Wheeler (3W) Trailing Arm, 2/3-Wheeler Lighting, Gear Shifter and Shift Towers, Emission systems, seat frames, Telematics, oxygen sensors, on-board antennas and electric devices and components. LATL's focus has always been on investing in products and services by consistently expanding the product portfolio. The Automotive industry is undergoing a massive transformation as the popularity and demand for Electric Vehicles (EVs) gradually gaining traction. The Company is now emphasizing the technology-driven electronics, plastics, mechatronics and aftermarket business. Thereby, adapting and transforming to future proof the Company's business. We believe the Company is a strong play in the auto ancillaries space.

- 2) Shares of Aster DM Healthcare closed up by 7.34 percent to Rs. 213.45 after touching an intraday high of Rs. 216 at the NSE on Friday. Aster DM Healthcare Limited is one of the largest private healthcare service providers operating in GCC and in India. With an inherent emphasis on clinical excellence, we are one of the few entities in the world with a strong presence across primary, secondary, tertiary, and quaternary healthcare through our 27 hospitals, 120 clinics, 371* pharmacies, 14 labs and 100 patient experience centers in seven countries, including India, as at 31st March 2022. The Company has over 25,800 plus dedicated staff including 3,279 doctors and 7,473 nurses across the geographies that it is present in. The Company reaches out to all economic segments in the GCC states through its differentiated healthcare services across the "Aster", "Medcare" and "Access" brands.

Commenting on the performance for Q4 FY22, Dr. Azad Moopen, Founder Chairman and Managing Director, Aster DM Healthcare, said: "We have witnessed good overall growth during the recently concluded quarter. With existing facilities ramping up, there has been significant improvement in the utilization of the facilities. Our India hospitals business is growing rapidly and we continue to add beds every quarter. We are actively exploring brownfield, low capex opportunities in various parts of India, which gives a much better ROI and improves our efficiencies. Our diagnostics vertical, Aster Labs has now entered four other States: Maharashtra, Tamil Nadu, Andhra Pradesh and Telangana. Aster Pharmacy in India is expanding its footprint at a rapid pace with 131 stores having been opened as at March 31, 2022."

- 3) Shares of SeQuent Scientific Limited ended up by 7.30 percent at the NSE on Friday. SeQuent Scientific Limited is India's largest and amongst the 'Top 20' global animal health companies, backed by global investment firm 'The Carlyle Group' as promoter. The company generated annual revenues of ~\$ 180 Mn in FY22 with ~2/3rd revenues from regulated markets. The company has 9 manufacturing facilities across Europe, Turkey, Brazil & India with the Vizag site being India's only USFDA approved dedicated veterinary API facility.

Commenting on the Company's performance, Rajaram Narayanan, Managing Director stated "Q4 FY22 reflects a strong performance across APIs and formulations. Our API business in this quarter grew by 11% on constant currency basis in a challenging environment. The formulations business grew as per expectations at 12% on constant currency basis, driven by market beating performance in Latam and India. The macro environment continues to be challenging due to volatility in costs and disruptions across supply chains. Our concerted efforts towards building strong partnerships and judicious price increases have started reflecting in our Q4 FY22 financial performance. We remain committed to our strategy to build a unique leader in Animal Health. Towards this goal, we will continue to invest in building capabilities in R&D, manufacturing, and long-term partnerships.

- 4) Shares of DCM Shriram moved up by 5.91 percent to Rs. 1018.45 at the NSE after touching an intraday high of Rs. 1024.90 on Friday. The Company's PAT for FY22 was up by 59 percent on YoY basis to Rs 1,067 Crore, PBDIT up by 52 percent on YoY basis to Rs. 1,888 Crore. Net Debt as on 31st March, 2022 stood at Rs. 4 Crore as against Rs 135 Crore as on 31st March, 2021. ROCE stood at 35 percent vs 20 percent for FY21.

Commenting on the performance for the quarter and period ending March 2022, in a joint statement, Mr. Ajay Shriram, Chairman & Senior Managing Director, and Mr. Vikram Shriram, Vice Chairman & Managing Director, said: The Company has witnessed a strong operating and financial performance during the year. The business environment was dynamic throughout the year, as a result of second and third wave of Covid-19 and geo political concerns. Supply chain disruption was a major challenge along with high energy prices. We are glad that our businesses have managed the uncertain operating environment very well, which is reflected in the performance as well. Chloro-vinyl business continues to face cost pressures across all input materials, more specifically on account of energy costs. These pressures are not expected to come down in the near future. We believe that firm product prices should support high energy prices. We will continue to invest in improving cost efficiencies. Capital expenditure plans in this business are progressing well, although the project costs are facing headwinds of high commodity prices. Sugar season has ended in April'22. The Cane crushed has been in line with last season albeit with lower recovery due to climatic factors. The Sugar business in Uttar Pradesh requires a better policy support from Centre and State government given the disadvantage of higher Sugarcane price which makes cane juice based Ethanol less remunerative and distance from ports which makes exports unviable without subsidy/ Quota. Capital expenditure projects in this businesses are progressing as per plan.

He further added "We are overhauling our Bioseed India business and expect it to turnaround in next two years. Farm solution business continues to grow and we are investing in developing research and manufacturing capabilities for value added agri-inputs including biologicals. Fenesta business is enhancing its portfolio and

capacities to sustain growth momentum. With comfortable balance sheet and Cash flows we will continue to deliver growth on a sustained basis."

Key recent major developments..

- 1) Globally, China's GDP growth (April to June 2022) worsened to 0.4 percent on YoY basis. This can be attributed to lockdowns in several Chinese cities to control the COVID-19 spread. This will impact the overall sentiments of the market and may lead to further fall in crude oil and metal prices.
- 2) India's foreign exchange reserves declined by \$8.1 billion in the week ended July 8, 2022. The fall in reserves was primarily on account of a \$6.7-billion decline in foreign currency assets. The significant decline in the RBI's reserves was led by RBI market interventions in the form of dollar sales to rein in the rupee's depreciation versus the dollar. Since the Ukraine war broke out in late February 2022, The RBI has aggressively sold dollars in the foreign exchange market to protect the rupee from continuous depreciation after the war between Ukraine and Russia which started in late February 2022. The headline reserves were at \$631.53 billion as of February 25, 2022.

Ajcon Global's observations and view..

1) Short term and medium term view:

- a) Indian equities were upbeat today led by value buying after being in oversold terrain and mirroring performing of global equity indices. Asian peer indices too ended in green on Friday. Both European and US benchmark indices also ended in positive terrain. Going ahead, investors will focus on the US Fed meet. Earlier, US inflation hit a 41 year high and investors now expecting aggressive rate hike of ~75-100 bps 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.
 - b) Considering the above factors, Indian equities are likely to remain volatile. Domestically, factors like RBI's intervention to support the rupee, 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.
 - c) 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.



Disclaimer

Ajcon Global Services Limited is a fully integrated investment banking, merchant banking, corporate advisory, stock broking, commodity and currency broking. Ajcon Global Services Limited research analysts responsible for the preparation of the research report may interact with trading desk personnel, sales personnel and other parties for gathering, applying and interpreting information.

Ajcon Global Services Limited is a SEBI registered Research Analyst entity bearing registration Number INH000001170 under SEBI (Research Analysts) Regulations, 2014.

Individuals employed as research analyst by Ajcon Global Services Limited or their associates are not allowed to deal or trade in securities that the research analyst recommends within thirty days before and within five days after the publication of a research report as prescribed under SEBI Research Analyst Regulations.

Subject to the restrictions mentioned in above paragraph, We and our affiliates, officers, directors, employees and their relative may: (a) from time to time, have long or short positions acting as a principal in, and buy or sell the securities or derivatives thereof, of Company mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage.

Ajcon Global Services Limited or its associates may have commercial transactions with the Company mentioned in the research report with respect to advisory services.

The information and opinions in this report have been prepared by Ajcon Global Services Limited and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of Ajcon Global Services Limited. While we would endeavour to update the information herein on a reasonable basis, Ajcon Global Services Limited is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent Ajcon Global Services Limited from doing so. This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. Ajcon Global Services Limited will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. Ajcon Global Services Limited accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice. Ajcon Global Services Limited or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

Ajcon Global Services Limited encourages independence in research report preparation and strives to minimize conflict in preparation of research report. Ajcon Global Services Limited or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither Ajcon Global Services Limited nor Research Analysts have any material conflict of interest at the time of publication of this report.

It is confirmed that Akash Jain – MBA (Financial Markets) or any other Research Analysts of this report has not received any compensation from the company mentioned in the report in the preceding twelve months. Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

Ajcon Global Services Limited or its subsidiaries collectively or Directors including their relatives, Research Analysts, do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.



It is confirmed that Akash Jain – MBA (Financial Markets) research analyst or any other Research Analysts of Ajcon Global do not serve as an officer, director or employee of the companies mentioned in the report.

Ajcon Global Services Limited may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Neither the Research Analysts nor Ajcon Global Services Limited have been engaged in market making activity for the companies mentioned in the report.

We submit that no material disciplinary action has been taken on Ajcon Global Services Limited by any Regulatory Authority impacting Equity Research Analysis activities.

Analyst Certification

I, Akash Jain MBA (Financial Markets), research analyst, author and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. I also certify that no part of compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view (s) in this report.

For research related queries contact:

Mr. Akash Jain – Vice President (Research) at, research@ajcon.net, akash@ajcon.net

CIN:L74140MH1986PLC041941

SEBI registration Number: INH000001170 as per SEBI (Research Analysts) Regulations, 2014.

Website: www.ajcononline.com

Registered and Corporate office

408 - (4th Floor), Express Zone, "A" Wing, Cello – Sonal Realty, Near Oberoi Mall and Patel's, Western Express Highway, Goregaon (East), Mumbai – 400063. Tel: 91-22-67160400, Fax: 022-28722062