

Banking, Financial Services, IT stocks rally; investors will continue to watch the ongoing Q2FY23 earnings season..

Index	Oct. 14, 2022	Oct. 13, 2022	Change	% change	Open	High	Low
Nifty	17,185.70	17,014.35	171.35	1.01	17,322.30	17,348.55	17,169.75
Sensex	57,919.97	57,235.33	684.64	1.20	58,162.74	58,435.12	57,848.23

- 1) On Friday, Indian benchmark indices were upbeat led by good performance of global equity indices. However, there are headwinds like recent domestic subdued IIP and CPI inflation data. In addition, there are headwinds like rising global bond yields, concerns of rupee depreciation against the US dollar, rising COVID-19 cases in China, escalation of war between Russia and Ukraine, recessionary concerns in US and Europe.
- 2) The Nifty had witnessed a strong opening and later touched an intraday high of 17,348.55. Finally, the Nifty ended the day up by 171.35 points or 1.01 percent to end at levels of 17,185.70. On the other hand, the Sensex was up by 684.64 points or 1.20 percent to end at levels of 57,919.97.
- 3) Among the Nifty 50 stocks, the major gainers were Infosys, HDFC Bank, HCL Technologies, ICICI Bank up in the range of 2.16 percent to 4.02 percent. On the other hand, the major losers were ONGC, JSW Steel, Mahindra & Mahindra, Bajaj Auto, Adani Enterprises down in the range of 1.01 percent to 1.69 percent.
- 4) The broader markets were mixed on Friday. The Nifty Midcap 100 index was down by 0.07 percent while the Nifty Smallcap 100 index was up by 0.13 percent.
- 5) In terms of sectoral indices performance, the major gainers were Nifty Financial Services index up by 1.82 percent, Nifty Bank index up by 1.76 percent, Nifty Private Bank index up by 1.70 percent, Nifty IT index up by 1.63 percent, Nifty Financial Services 25/50 index up by 1.35 percent.
- 6) On Friday, FIIs net sold equities worth Rs. 1,011.23 Crore. On the other hand, DIIs net bought equities worth Rs. 1,624.13 Crore. Month till date, FIIs have net sold equities worth Rs. 9,978.26 Crore and DIIs net bought equities worth Rs. 8,055.05 Crore.
- 7) In the week gone by, the Nifty fell by 0.74 percent or 128.95 points to levels of 17,185.70. On the other hand, the Sensex declined by 271.32 points to 57,919.97. The Nifty Midcap 100 index fell by 2.8 percent and the Nifty Smallcap 100 index declined by 1.7 percent.

Sectors and stocks

- 1) Shares of Camlin Fine Sciences ended up by 15.19 percent to Rs. 130.45 at the NSE on Friday. Camlin Fine Sciences Ltd. is a vertically integrated company, engaged in the research, development, manufacturing, commercializing, and marketing of specialty chemicals and blends. The Company is a leading, global player in shelf-life solutions across food, feed, pet-food and Biodiesel. The Company has local presence in major global markets. The Company is a preferred partner for manufacturing customized products.

Mr. Santosh Parab - CFO of the Company in the Company's Q1FY23 concall had said "This performance in the quarter is more than heartening, especially in the backdrop of shut down for maintenance and upgradation of more than 4 weeks of our diphenol plant at Dahej. The consolidated revenue remains quite stable at INR 384 crore as compared to quarter 4, where it was at INR 389 crore. The operating EBITDA for the quarter has improved to 13% and stood at INR 48 crore,



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as against INR 6 crore and INR 24 crore in the last quarter. The exemplary increase in power cost in Europe due to Russia-Ukraine crisis, is started last quarter remained at quarter of INR 20 crore. The tax provision was high, as they in turn sovereign set up of tax losses are not large. In the last quarter, if you remember, we had informed you that the debottlenecking and upgradation of diphenol plant was completed in mid May '22, whereby the capacity was enhanced to 15,000 metric ton per annum from the existing 10,000 metric ton per annum. We expect to gradually ramp this up to have the production and do an optimal capacity in the next 2 quarters. We are looking at this year for sustainable growth, based on emphasis on integration and innovation. As you know, we are forward integrating our diphenol catechol line by manufacturing vanillin. As a part of that effort, we are confident of commercializing vanillin product ion and this newly constructed plant at Dahej very soon. With aroma products back and with enhanced capacity of diphenols, this augurs well to achieve a sustainable growth."

- 2) Shares of IFB Industries ended up by 9.86 percent to Rs. 972 at the NSE on Friday. Mr. Prabir Chatterjee - Director and Chief Financial Officer of the Company in its Q1FY23 concall said "The company has reported a total income of 1054.69 Crores which is a growth of 88 percent as compared to the same quarter last year; however, last year was affected due to Covid. The base was low last year. EBITDA Margin during the year was 38.4 Crores compared to loss of 29.41 Crores for the corresponding quarter. In terms of the volume growth for the first quarter if you look at growth percentage over the last year the growth is healthy. Material cost as a percentage of revenue during the quarter was higher by 4 percent due to increase in commodity price and these have substantially impacted the margin. The Company is taking various measures now for cost reduction, improvement of productivity and increase in sale."
- 3) Shares of GNFC ended up by 5.45 percent to Rs. 699.10 at the NSE on Friday. The Company is India's only manufacturer of Glacial Acetic acid and Aniline. The Company is the only manufacturer of Toluene Di-isocyanate (TDI) in South East Asia & Indian Subcontinent. The Company boasts of strong balance sheet and is a cash positive Company with almost zero debt.

Key recent major developments..

- 1) In a world of uncertainties, India is one of the very few standout performers, Union Finance Minister Nirmala Sitharaman said on Friday, a day after the International Monetary Fund described the country as a bright spot in a global economy which is facing an imminent recession. Sitharaman was addressing the International Monetary Finance Committee during the ongoing annual meeting of the World Bank and the IMF. "In a world of uncertainties, India is one of the very few standout performers," the minister said. She said India's National Statistical Organisation (NSO) has now placed the GDP growth for Q1 of the current financial year 2022-23 at 13.5 per cent on a year-on-year basis the highest among the large economies.

Sitharaman said this was achieved despite the fact that India started the monetary normalisation process quite early: surplus liquidity is being absorbed with the Standing Deposit Facility instituted in April 2022 and interest rate hikes from May this year.

The central government, she noted, is on a consolidation path and has budgeted to prune the GFD-GDP ratio to 6.4 per cent from 6.7 per cent in 2021-22 and 9.2 per cent in 2020-21. Further, government expenditure is now tilted towards capital rather than revenue, strengthening the foundations for medium-term growth, she added. According to Sitharaman, touching 13.5 per cent GDP growth in Q1 enabled India to cross the pre-pandemic level by 3.8 per cent. India has completely withdrawn from lockdowns since April 2022. "So, we see consumer spending picking up at 26 per cent in Q1. This is made possible by bolstering of consumer confidence and revival of contact intensive activities. But still, there's scope for improvement as the key trade, hotel, restaurant GVA is yet to cross the pre-pandemic level," Sitharaman said. On the investment side, she said, gross fixed capital formation (GFCF) growth shot up to 20 per cent in Q1, driven largely by governments and public sector undertakings (PSUs) in the transport sector as also by housing, construction, steel, pharma and IT in the private sector. (Source: Press Trust of India)

Ajcon Global's observations and view..

Short term view:

- a) On Friday, Indian equities were strong led by good performance of global equities. However, there are headwinds like subdued IIP data and CPI inflation data. There are other headwinds like rising bond yields, concerns of rupee depreciation against the US dollar, weak global cues like increasing COVID-19 cases in China, esca-



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lation of war between Russia and Ukraine, recent US Fed comments which indicate a hawkish stance going forward and recessionary concerns in US and Europe.

- b) On Friday, US benchmark indices came under tremendous pressure while European equities ended in green. Going forward, global investors would eye US Industrial production data and China's GDP data.
- c) Going ahead, investors will continue to watch Q2FY23 earnings season and management commentary of the Companies for the future outlook. Till date, IT companies like Tata Consultancy Services, Infosys have delivered good set of Q2FY23 results considering global concerns. Street participants will also keep an eye on rupee 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.
- 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 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. We expect stock specific action 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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