

Indian equities remain upbeat led by good start to Q2FY23 earnings season; PSU Banks stocks rally..

Index	Oct.17, 2022	Oct. 14, 2022	Change	% change	Open	High	Low
Nifty	17,311.80	17,185.70	126.10	0.73	17,144.80	17,328.55	17,098.55
Sensex	58,410.98	57,919.97	491.01	0.85	57,752.50	58,449.00	57,639.80

- 1) On Monday, Indian benchmark indices were upbeat and ended up with good gains. The Nifty had witnessed a subdued opening. However, later during the day, the benchmark indices covered the early losses and later touched an intraday high of 17,328.55. Finally, the Nifty ended the day up by 126.10 points or 0.73 percent to end at levels of 17,311.80. On the other hand, the Sensex was up by 491.01 points or 0.85 percent to end at levels of 58,410.98.
- 2) Among the Nifty 50 stocks, the major gainers were State Bank of India, Bajaj Finserv, Axis Bank, NTPC, ICICI Bank up in the range of 1.87 percent to 3.03 percent. On the other hand, the major losers were Hindalco Industries, Larsen & Toubro, JSW Steel, HCL Technologies, Britannia down in the range of 0.43 percent to 2.18 percent.
- 3) The broader markets were upbeat on Monday. The Nifty Midcap 100 index was up by 0.16 percent while the Nifty Smallcap 100 index was up by 0.45 percent.
- 4) In terms of sectoral indices performance, the major gainers were Nifty PSU Bank index up by 3.47 percent, Nifty Bank index up by 1.56 percent, Nifty Financial Services index up by 1.15 percent.
- 5) On Monday, FIIs net sold equities worth Rs. 372.03 Crore. On the other hand, DIIs net bought equities worth Rs. 1,582.24 Crore. Month till date, FIIs have net sold equities worth Rs. 10,350.29 Crore and DIIs net bought equities worth Rs. 9,637.29 Crore.

Sectors and stocks

- 1) Electronics Mart India (EMIL) made a handsome debut at the Indian bourses, with its shares getting listed with 53 percent premium at Rs. 90 as against its issue price of Rs. 59 per share on the National Stock Exchange (NSE). On the BSE, the stock opened at Rs. 89.40, a 52 per cent premium over its issue price. Finally, the shares ended at Rs. 84.50 at the NSE, up 43.22 per cent against its issue price.

The Company is the 4th largest and one of the fastest growing consumer durables and electronics retailers in India and as of Financial Year 2021, the Company is the largest regional organised player in the southern region in revenue terms with dominance in the states of Telangana and Andhra Pradesh (Source: Company Commissioned CRISIL Report). EMI commenced its business operations in 1980 and since then there has been a steady rise in its revenue from operations. The Company has been one of the fastest growing consumer durable & electronics retailers in India with a revenue CAGR of 17.90% from Financial Year 2016 to Financial Year 2021. The Company offers a diversified range of products with focus on large appliances (air conditioners, televisions, washing machines and refrigerators), mobiles and small appliances, IT and others. The Company's offering includes more than 6,000 SKUs across product categories from more than 70 consumer durable and electronic brands. The Company's business model is a mix of ownership and lease rental model, as it focuses to secure retail spaces which ensures high visibility and easy accessibility to customers. Under the ownership model, the Company owns the underlying property including the land and building and in lease rental model, the Company enters into a long-term lease arrangement with the property owner(s). As of August 31, 2022, out of the total 112 stores, the Company operates, 11 stores are owned, 93 stores are under long-term lease rental model and eight stores are partly owned and partly leased. The company gives emphasis on identifying 'growth pockets' – places in major cities where



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addressable population density is high. As on August 31, 2022, 100 MBOs were operative at an average store area of 10,876 sq. feet per store. (Source: Red Herring Prospectus). We had recommended "SUBSCRIBE" to the issue.

- 2) Shares of Aptus Value Housing Finance ended up by 11.79 percent to Rs. 337.50 at the NSE on Monday. Aptus Value Housing Finance India Limited is amongst the fastest growing & profitable affordable housing finance Company with a network of 211 branches catering to over 89,000 active live accounts in Tamil Nadu (including the Union Territory of Puducherry), Andhra Pradesh, Karnataka, Telangana and Odisha. The company offers home loans for purchase and self-construction of residential property, home improvement, extension loans, loan against property and business loans, primarily to first time home buyers belonging to the low and middle-income groups.

Commenting on the Q1FY23 results, Mr. M Anandan, Chairman & Managing Director, Aptus Value Housing Finance India Limited, said, "During Q1FY23, we disbursed Rs. 525 crores registering a growth of 113% year on year. We have built a strong branch network of 211 branches to deliver quality service to our customers. The Company is well capitalised with a net worth of over Rs. 3000 crores. As on June 30, 2022, we have maintained a sufficient on balance sheet liquidity of over Rs. 1300 crores including undrawn sanctions in the form of cash and cash equivalents. With strong capital base and prudent borrowing practices, we have positive ALM across tenors. The business in this quarter geared up for strong growth in disbursements and collection efficiencies have come back to pre covid levels with considerable improvement in soft buckets. 30 + DPD which was at 9.91% as on 31 March 2022 has come down to 6.48% though GNPA's have risen marginally. Gross NPA was at 1.75% as on June 30, 2022. We continued to grow consistently and delivered an AUM growth of 30% Year on Year. PAT has grown at 62% and our ROA and ROE is one of the best in the Industry. Our rating was upgraded to AA- from A+ by CARE during the quarter. ICRA has maintained our rating at AA-."

- 3) Shares of Bank of Maharashtra ended up by 5.57 percent to Rs. 18.95 at the NSE on Monday. The bank delivered a strong overall performance in Q2FY23. Operating Profit witnessed QoQ growth of 21.64 percent to Rs. 1,462 Crore in Q2FY23. NII increased to Rs. 1,887 Crore in Q2FY23 as against Rs. 1,686 Crore in Q1FY23. NIMs improved to 3.55 percent in Q2FY23 from 3.28 percent in Q1FY23. Non Interest income improved to Rs. 502 Crore in Q2FY23 as against Rs. 317 Crore in Q1FY23. Treasury income stood at Rs. 36 Crore in Q2FY23 as against loss of Rs. 92 Crore in Q1FY23. Fee based income increased to Rs. 306 Crore in Q2FY23 as against Rs. 281 Crore in Q1FY23. Cost/Income ratio improved to 38.82 percent in Q2FY23 as against 39.99 percent in Q1FY23. Net Profit grew by 18.40 percent on QoQ basis to Rs. 535 Crore in Q2FY23. RoA improved to 0.92 percent in Q2FY23 as against 0.81 percent in Q1FY23. Asset quality also improved sequentially. Fresh slippages were controlled at Rs. 594 Crore in Q2FY23 as against Rs. 697 Crore in Q1FY23. CASA stood at 56.27 percent in Q2FY23 as against 56.08 percent in Q1FY23. The management commentary in its Q2 FY23 concall was very strong.

Ajcon Global's observations and view..

Short term view:

- a) On Monday, Indian equities continued to be buoyant led by good start to Q2FY23 earning season and 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. We expect buoyancy to continue and expect rally in PSU Banks for a longer period.
- b) However, profit booking can come in at higher levels as there are headwinds like subdued IIP data and CPI inflation data. There are other headwinds like rising bond yields, concerns of US dollar appreciation against the Indian rupee, weak global cues like increasing COVID-19 cases in China, escalation of war between Russia and Ukraine, recent US Fed comments which indicate a hawkish stance going forward and recessionary concerns in US and Europe.
- c) At the time of writing this report, US benchmark indices were up significantly. On the other hand, European equities too were trading in the positive terrain. Going forward, global investors would eye US Industrial production data and China's GDP data.
- d) 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.



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- 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. 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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