

Indian equities rebound led by short covering; all eyes on the US Fed meet..

Index	Sep. 19, 2022	Sep.16, 2022	Change	% change	Open	High	Low
Nifty	17,622.25	17,530.85	91.40	0.52	17,540.65	17,667.20	17,429.70
Sensex	59,141.23	58,840.79	300.44	0.51	58,747.31	59,277.55	58,487.76

- 1) On Monday, Indian benchmark indices witnessed rebound led by short covering. The Nifty had witnessed positive start and later touched a intraday high of 17,667.20. Finally, the Nifty ended the day up by 91.40 points or 0.52 percent to end at levels of 17,622.25. The Sensex ended the day up by 300.44 points or 0.51 percent to end the day at levels of 59,141.23.

Among the Nifty 50 stocks, the major gainers were Mahindra & Mahindra, Bajaj Finance, Adani Ports, SBI Life, Hindustan Unilever down in the range of 2.05 percent to 3.39 percent. On the other hand, the prominent gainers were IndusInd Bank and Cipla up in the range of 1.03 percent to 2.52 percent.

- 2) The broader markets were mixed. The Nifty Midcap 100 index was up by 0.03 percent and on the other hand Nifty Smallcap 100 index was down by 0.94 percent respectively. In terms of sectoral indices performance, the major gainers were Nifty PSU Bank index up by 2.03 percent, Nifty Media index up by 1.26 percent, Nifty FMCG index up by 1.07 percent.
- 3) On Monday, FIIs net bought equities worth Rs.312.31 Crore. On the other hand, DIIs net sold equities worth Rs. 94.68 Crore. Month till date, FIIs have net bought equities worth Rs. 2,228.26 Crore and DIIs net sold equities worth Rs. 3,101.18 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 Triveni Engineering & Industries closed up by 17.20 percent to Rs. 287.50 at the NSE on Monday. The Company is one of the largest integrated sugar producers in the country, a dominant player in engineered-to-order high speed gears & gearboxes and a leading player in water and wastewater management business. Commenting on the Company's financial performance in Q1FY23, Mr. Dhruv M. Sawhney, Chairman and Managing Director, Triveni Engineering & Industries Ltd, had said: "We are pleased to note that in the recently concluded Sugar Season (SS) 2021-22, the Company registered good performance despite general trends of low yields and recovery in the state of Uttar Pradesh. Both the engineering businesses have also performed well with robust order booking, this trend is expected to continue and result in revenue growth in FY 23 and FY 24. We are enthused with the performance of the distillery segment. As against capacity of 320 KLPD operated in FY 2021-22, our capacity currently stands at 660 KLPD which will result in significant growth in the turnover and profitability of the distillery segment. We have decided to further expand the capacity by 450 KLPD so that it becomes a sizeable business and provides significant revenue streams. We have full confidence in the commitment of the Government of India (GoI) to the Ethanol Blended Petrol (EBP) programme and are augmenting capacities on dual feedstock basis to provide us flexibility to select the feedstock based on commercial economics"

He further added "On the engineering side, we believe both our Power Transmission and Water businesses are well placed for the long-term. In Power Transmission business, we believe the growth in domestic economy along with Atmanirbhar Bharat Abhiyan (Self-reliant India campaign) will drive capex across end user industries. This coupled with the Company's strategy and plan to increase its global footprint will lead to growth at an accelerated pace in the coming years. In the Water business, the growing water scarcity is catalysing new opportunities in the areas of recycle, reuse and Zero Liquid discharge. We believe that the disruption caused by the pandemic has largely been over and normalcy in business environment is returning which will lead to floating of tenders for new projects as

well as finalization of earlier tenders. With its leadership position and robust financials, Triveni is equipped to capitalize on these increased opportunities."

- 2) Shares of PNB Housing Finance ended up by 8.03 percent to Rs. 444 at the NSE on Monday. Mr. Hardayal Prasad - Managing and CEO of the Company in its Q1FY23 analyst concall conducted earlier said "As we communicated about our focus on the retail segment, we registered disbursements growth of 96% during the quarter as compared to the same quarter previous year. We disbursed Rs.3,451 crores in Q1 FY'23 with retail segment contributing 98% of the total disbursements. During the quarter, the Company disbursed gross amount of Rs.76.5 crores under the co-lending which is in 20:80 ratio. We are also in discussion with other banks for co-lending arrangements. On loan assets, retail loans registered growth of 2% YoY 1% sequentially to Rs.50,294 crores as on 30th June 2022. The corporate loan asset declined by 45% YoY to Rs.6,006 crores as on 30th June '22 on account of sell down and accelerated prepayments. The loan assets for the Company outstanding as on 30th June 2022 is Rs.56,301 crores and the assets under management is at Rs.64,849 crores. On expansion of our footprints in the affordable housing segment, we have operationalized 10 new locations during the quarter, bringing the total number of locations to 34. As of 30th June 2022, our Unnati segment AUM was Rs.3,047 crores."
- 3) Shares of Mazagon Dock Shipbuilders closed up by 7.73 percent to Rs. 462 at the NSE on Monday. Vice Admiral Narayana Prasadji retired from Indian Navy and currently CMD at Mazagon Dock in the Company's Q1FY23 analyst concall conducted earlier said "As you are aware Mazagon Dock Shipbuilders Limited is the oldest shipyard in India with the inception in 1774, incorporated in 1934, and taken over by the Government of India in 1960. MDL is the only shipyard in India to build Destroyers a class of ship which is about 7000 tons of displacement and two different types of Submarines for the Indian Navy and is also one of the unique shipyards in the world with such diverse range of products such as Destroyers, Frigates, Conventional Submarines, Corvettes, Missile Vessels, Offshore Patrol Vessels, etc. It is a listed public limited company incorporated and governed under the Companies Act. MDL is also a CPSE under the administrative control of Ministry of Defence having total workforce of approximately 10,000 person. "

He added "From the time it was taken over by the Government of India in 1960 MDL has built around 800 vessels including 26 captive warships, 6 submarines, and 631 commercial vessels, 243 of which were exported to Mexico, France, UK, Iran, Yemen, Mozambique, etc. Besides MDL has also built 63 offshore platforms, three process platforms, and two jack up rigs. "

He further said "Like any other industry, our ship building industry also showed some slump in production due to the recent COVID pandemic, however at MDL everyone worked relentlessly despite all odds and delivered the first ship of project 15 bravo guided missile destroyer, INS Visakhapatnam, and two Scorpène submarine in one single year which is the year 2021 that is the last year, in the current ongoing year which is 2022 we have already launched one Submarine, one Stealth Frigate, one Destroyer, we are going to launch on 11th of September one project 17 Alpha Stealth Frigate, and we have also commenced or we have already done the keel laying of the last project 17 Alpha Stealth Frigate. So in the current year there are major activities which are happening and by the time we fold up this particular year by 31st of December, we would have delivered to the customer one Destroyer and one Submarine fully tested and tried, the delivery of the destroyer which is about Rs. 8500 Crores is going to happen anytime now possibly it could be by end of this month or mid of next month."

- 4) Shares of Cochin Shipyard moved up by 4.68 percent to Rs. 401.40 at the NSE on Monday. Cochin Shipyard Ltd (CSL) the largest public sector shipyard and the only shipyard under the Ministry of Ports, Shipping and Waterways recently delivered the first indigenously built Aircraft Carrier (IAC-1) to the Indian Navy. The vessel is scheduled to be commissioned and inducted into the services of the Indian Navy and the country in Aug 2022. The IAC is the largest warship ever to be built in India having a deep displacement of appx 45,000 tonnes and is also considered as the most ambitious warship project of the country. It is unprecedented in terms of size and complexity in comparison to any ship (both commercial and defence) built in India till date. The vessel is a mammoth steel structure of 21,500 tonnes of special grade steel developed indigenously and used in Indian Naval Ships for the first time. The enormity of the vessel can be gauged from the appx 2300 kms of cabling, 120 kms of piping and over 2300 compartments available onboard. The vessel is powered by four gas turbines in a COGAG (Combined Gas and Gas) propulsion configuration. The IAC is equipped with numerous high end technologies including network centric distributed data processing & control systems, intricate Aviation Facility Complex, the state of the art weapons and sensors and also has one of the most powerful propulsion and power generation & distribution (PGD) systems to be installed onboard any ship.

Key recent major developments..

- 1) India's central bank is using up its foreign exchange reserves at a quicker pace than during the taper-tantrum period in 2013 as it tries to prevent an overshoot in the rupee, but a larger pool of reserves may allow it to support the currency for some more time, economists said. The Reserve Bank of India has sold a net of \$38.8 billion from its forex reserves between January and July this year, data released on Friday showed. A net of \$19 billion was sold in July alone, the most recent data available, and intervention remained heavy in August when the rupee fell below 80 against the dollar, traders said. Alongside its intervention in the spot market, the central bank's forward dollar holdings have fallen to \$22 billion from \$64 billion in April. In 2013, the RBI had sold a net of \$14 billion in the June to September period after the so-called taper tantrum-when U.S. Treasury yields spiked after the Federal Reserve said it would slow its pace of bond buybacks-had put pressure on emerging economy currencies, including the rupee. (Source: Reuters)

Ajcon Global's observations and view..

1) Short term view:

- a) On Monday, as expected, Indian equities rebounded led by short covering after being under pressure on Friday. With no major domestic triggers in place, investors will keep an eye on the upcoming US Fed meet after high US CPI data. Any aggressive rate hike by the US Fed can lead to further fall in the domestic bourses. 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. Considering, too many macro economic variables at the moment and global developments, volatility will continue to stay.
- b) We expect market to remain rangebound and expect stock specific action in midcaps and smallcaps space. Value buying is suggested to investors in quality names on any declines if US Fed throws up a surprise at its meeting. At the moment, short term traders can adopt the approach of sell on rise and buy on dips.
- c) Last week, 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) Street participants will keep an eye on developments related 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.
- e) 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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