

Stock specific action witnessed in midcaps and smallcaps; Indian benchmark indices end in green..

Index	Oct.19, 2022	Oct. 18, 2022	Change	% change	Open	High	Low
Nifty	17,512.25	17,486.95	25.30	0.14	17,568.15	17,607.60	17,472.85
Sensex	59,107.19	58,960.60	146.59	0.25	59,196.96	59,399.69	58,961.77

- 1) On Wednesday, Indian benchmark indices ended in green despite dollar appreciating against the US dollar. The Nifty had witnessed a gap up opening and later touched an intraday high of 17,607.60. Finally, the Nifty ended the day up by 25.30 points or 0.14 percent to end at levels of 17,512.25. On the other hand, the Sensex was up by 146.59 points or 0.25 percent to end at levels of 59,107.19.
- 2) Among the Nifty 50 stocks, the major gainers were Nestle India, ITC, HDFC, Reliance Industries, Axis Bank up in the range of 1.81 percent to 2.13 percent. On the other hand, the major losers were JSW Steel, NTPC, Bajaj Finserv, State Bank of India, Coal India down in the range of 1.47 percent to 1.80 percent.
- 3) The broader markets were upbeat on Wednesday. The Nifty Midcap 100 index was up by 0.25 percent while the Nifty Smallcap 100 index was up by 0.23 percent.
- 4) In terms of sectoral indices performance, the major gainers were Nifty Oil & Gas index up by 0.57 percent, Nifty Financial Services index up by 0.40 percent, Nifty FMCG index up by 0.40 percent, Nifty Realty index up by 0.40 percent.
- 5) On Wednesday, FIIs net sold equities worth Rs. 453.91 Crore. On the other hand, DIIs net bought equities worth Rs. 908.42 Crore. Month till date, FIIs have net sold equities worth Rs. 10,957.60 Crore and DIIs net bought equities worth Rs. 12,630.42 Crore.

Sectors and stocks

- 1) Shares of Aegis Logistics ended up by 10.83 percent to Rs. 304 at the NSE on Wednesday. Commenting on Q1FY23 results, Mr. Raj Chandaria in the Q1FY23 analyst concall conducted earlier said "Our vision is to be the leading provider of logistics and supply chain services to India's oil, gas and chemical industry. And everything we do is aligned with this vision. Let me say that the successful commencement of our partnership with global Vopak, along with the successful launch of the Kandla LPG terminal, and the growth projects currently under implementation. With those, that vision is certainly coming into clearer focus." He further said "Revenues increased to Rs.678 crores year-on-year primarily a result of the higher sourcing volumes. Normalized EBITDA for the group increased to Rs.164 crores in Q1 versus Rs.114 crores in the previous year, rise of 43% over the previous year, which is I believe the life-time high. Profit before tax rose to Rs.131 crores compared to Rs.90 crores year-on-year, and that's a rise of 46%. Profit after tax for the group was Rs.107 crores versus Rs.72 crores year-on-year and that is a rise of 49%. And we believe that this marks a strong platform for robust profits growth during this fiscal year."
- 2) Shares of Syngene International ended up by 6.27 percent to Rs. 589 at the NSE on Wednesday after the Company delivered strong result in Q2FY23. Commenting on the results, Jonathan Hunt, Managing Director and Chief Executive Officer, Syngene International Limited, said, "The quarter saw positive performances across all divisions. Our research divisions: Discovery Services, including Synvent, our integrated drug discovery platform, and the Dedicated Centres showed sustained growth. Discovery Chemistry in particular saw buoyant customer demand. Growth in Development Services was led by existing clients renewing contracts and setting up collaborations on additional projects. The highlight in Manufacturing Services was the successful completion of the process



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performance qualification batches at a commercial scale for Zoetis. We are on track for the next important regulatory audits which will pave the way for the commercial manufacturing of the drug substance for Librela®*, a Zoetis product, from the fourth quarter of FY23. With a strong first half of the year behind us we are on track to achieve our guidance, including the upgraded revenue growth target announced in July." Sibaji Biswas, Chief Financial Officer, Syngene International Limited added "Forward planning with suppliers prevented supply chain disruption and, despite the rising global inflation, cost discipline helped us maintain EBITDA margins at similar levels as last year."

- 3) Shares of Container Corporation of India Limited ended up by 6.88 percent to Rs. 771 at the NSE on Wednesday. The Company's FY22 Annual Report said " In the Union Budget of the year 2022, emphasis has been inter-alia laid on the development of Multi Modal Logistics Parks (MMLPs), Roads, and Cargo Terminals. Therefore, the importance of the infrastructure and logistics industry in the nation's economic growth have been recognized and Government has taken many initiatives in this direction. The Central Government's Budget allocation for capital expenditure has been increased by 35% and in this regard, significant support will also be provided to the State Governments. The work has started on the key pillars for infrastructure development i.e. National Infrastructure Pipeline (NIP), National Monetisation Pipeline (NMP) and PM Gati Shakti, which will go a long way for the sustainable development of the Country. The Government's initiatives for 'Aatmanirbhar Bharat', setting up target of 25,000 km of new highways, Gati Shakti Masterplan for expressways, 100 new cargo terminals with Multi Modal Logistic Park and initiatives to connect urban transport to railways, will give a big boost to logistics facilities across the Country. Further, development of the Unified Logistics Interface Platform, which allows data exchange among stakeholders, will improve work efficiency in the logistics sector by providing real-time information to all stakeholders and will improve our international competitiveness."

The Company's FY22 Annual Report further added "During FY22, the Company has developed two new facilities at Multi Modal Logistics Park at Mundra, Gujarat and Rail Transshipment Hub at Swarupganj, Rajasthan. Also, the Company has developed the complete dust proof and moisture free solution for Loading, Unloading & transportation of Bulk Cement & Fly Ash into the silo and bulker through 20' ISO standard containers. In order to promote the Aatmanirbhar Bharat in container manufacturing, initiatives were taken by floating EOI for development of vendors for indigenous manufacturing. In this direction, subsequently, orders for procurement of 8,000 containers were placed with indigenous manufacturers. Recently, the Company has also awarded a contract for manufacturing another 10,000 containers indigenously."

Key recent developments

- 1) The Indian rupee was under pressure against the US dollar on Wednesday and breached the 83 per dollar mark for the first time. The Indian rupee fell by 0.8 per cent to close at 83.02 per US dollar as against the previous close of 82.36 per dollar. In 2002, the Indian rupee has depreciated by 10.5 percent against the US dollar.
- 2) Prime Minister Shri Narendra Modi inaugurated DefExpo 2022 at Mahatma Mandir Convention and Exhibition Centre in Gandhinagar, Gujarat on October 19, 2022. At the India Pavilion, the Prime Minister also unveiled HTT-40 - the indigenous trainer aircraft designed by Hindustan Aeronautics Limited. The aircraft has state-of-the-art contemporary systems and has been designed with pilot-friendly features. The Prime Minister also launched Mission DefSpace to develop innovative solutions for the Armed Forces in the space domain through industry and start-ups. He also laid the foundation stone of the Deesa airfield in Gujarat.

Underlining the uniqueness of this edition of DefExpo, the Prime Minister said "this is the first defence expo where only Indian companies are participating and it features only Made in India equipment". He announced "From the land of Iron Man, Sardar Patel, we are setting an example of the capabilities of India before the world. The Expo has more than 1,300 exhibitors which include the India Defence Industry, some joint ventures associated with Indian Defence Industry, MSMEs and more than 100 start-ups. The Prime Minister remarked that it provides a glimpse of the capability and possibility of India in one single frame. He further informed that more than 400 MoUs are being signed for the first time ever.

In the defence sector, the Prime Minister said, new India is moving ahead with the mantra of Intent, Innovation and Implementation. Till 8 years ago, India was recognised as the world's largest defence importer. But New India showed intent, showed willpower and 'Make in India' is becoming a success story in the defence sector today. "Our defence exports have grown eight times in the last five years. We are exporting defence materials and equipment to more than 75 countries of the world. In 2021-22 Defence exports from India reached \$1.59 billion i.e., about Rs 13,000 crore. And in the coming time, we have set a target to reach \$5 billion i.e., Rs 40,000 crore," he added.



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He further added "The world is relying on India's technology today because India's armies have proved their capabilities. The Indian Navy has inducted state-of-the-art aircraft carriers like the INS-Vikrant into its fleet. This engineering giant and colossal masterpiece has been made by Cochin Shipyard Limited with indigenous technology. 'The induction of the 'Prachand' Light Combat Helicopters developed under the 'Make in India' initiative by Indian Air Force is a clear example of India's defence capability". Throwing light on making India's defence sector self-reliant, the Prime Minister highlighted that the armies have also finalised two lists of equipment which would be procured only within the country. This list of 101 such items is being released today. These decisions also show the potential of a self-reliant India. After the list, there will be 411 such equipment and equipment of the defence sector, which will only be bought under the "Make in India'. The Prime Minister informed that such a huge budget will strengthen the foundation of Indian companies and take them to new heights. He further added that it will be the youth of the nation that will benefit the most from it. (Source: pib.gov.in)

- 3) Russian President Vladimir Putin said on Wednesday he was introducing martial law in four Russian-occupied regions of Ukraine that Moscow last month claimed as its own territory but is struggling to defend from Ukrainian advances. In televised remarks to members of his Security Council, Putin also instructed the government to set up a special coordinating council under Prime Minister Mikhail Mishustin to work with Russia's regions to boost Moscow's war effort. The package of moves, nearly eight months into the war, marked the latest escalation by Putin to counter a series of major defeats at the hands of Ukrainian forces since the start of September. By extending to regions beyond Ukraine, they ensured that more of Russia's population, already chastened by a partial mobilisation announced last month, would feel the consequences of the war in their own lives. The published Kremlin decree ordered an "economic mobilisation" in eight regions adjoining Ukraine, including Crimea, which Russia invaded and annexed in 2014, and said movement in and out of the regions would be restricted. Putin said he was conferring additional powers on the leaders of all Russia's 80-plus regions to protect critical facilities, maintain public order and increase production in support of Moscow's "special military operation". (Source: Reuters)

Ajcon Global's observations and view..

Short term view:

- a) On Wednesday, Indian equities ended in positive terrain despite Indian rupee coming under pressure. Stock specific action was witnessed in midcaps and smallcaps space based on Q2FY23 earnings performance and management commentary. 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 have led to the recent rally in Indian equities.
- b) Going forward, all eyes would be on results of PSU Banks like Canara Bank, Central Bank of India, Union Bank of India scheduled on Oct. 20,2022.
- c) Profit booking can come in at higher levels as there are headwinds like US dollar appreciation against the Indian rupee, rising global bond yields, subdued domestic IIP data and CPI inflation data. There are other headwinds like increasing COVID-19 cases in China, new COVID-19 variants being detected in India, 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.
- d) At the time of writing this report, US benchmark indices were under pressure led by rising bond yields. On the other hand, European equities too were trading in the negative terrain.
- e) Going ahead, investors will continue to watch Q2FY23 earnings season and management commentary of the Companies for the future outlook. Till date, majority of the Companies 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.
- f) 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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