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YOUR FRIENDLY FINANCIAL ADVISORS

Market wrap **July 20, 2022**

Indian equities continue to remain upbeat; IT, Oil & Gas, metal stocks rally..

Index	Today's Close	Prev. close	Change	% change	Open	High	Low
Nifty	16,520.85	16,340.55	**180.30**	**1.10**	16,562.80	**16,588.00**	16,490.95
Sensex	55,397.53	54,767.62	**629.91**	**1.15**	55,486.12	**55,630.26**	55,298.23

1) On Wednesday, Indian benchmark indices were buoyant led by positive global cues and majority of the Indian companies witnessing good performance in Q4FY22 result till date. The Nifty had witnessed a gap up opening of 222.25 points. Finally, the Nifty ended the day up by 180.30 points or 1.11 percent to end at levels of 16,520.85. Among the Nifty 50 stocks, the prominent gainers were ONGC, Tech Mahindra, TCS, HCL Technologies up in the range of 2.54 percent to 3.71 percent. On the other hand, Sensex closed up by 629.91 points or 1.15 percent to end the day at levels of 55,397.53.

2) The broader markets too ended in the positive terrain on Wednesday. The Nifty Midcap 100 index was up by 0.19 percent and the Nifty Smallcap 100 index was up by 0.81percent.

3) In terms of sectoral indices performance, the major gainers were the Nifty IT index, Nifty FMCG index, Nifty Metal Index, Nifty Oil & Gas index up in the range of 1.02 percent to 2.93 percent.

4) Today, FIIs net bought equities worth Rs. 1,780.94 Crore. On the other hand, DIIs net sold equities worth Rs. 230.22 Crore. Month till date, it has been observed that FIIs intensity of selling has reduced and has net sold equities worth Rs. 7,545.71 Crore as against FII selling of Rs. 43,305.75 Crore in the month of June 2022 (upto June 20, 2022. On the other hand, DIIs net bought equities worth Rs. 7,880.42 Crore (month till date) as against Rs. 50,835.54 Crore in the same period of June 2022.

Sectors and stocks

1) Shares of KPR Mill Limited rallied by 8.58 percent to Rs. 557.10 at the NSE. The Company is one of the largest vertically integrated textile player with presence across the entire value chain - from “fibre to fashion” The Company uses best quality cotton ‘Shankar 6’ as the raw material for consistent quality. The Company has strategic investment in Wind Power Projects & Co-gen plant for captive consumption. The Company has marquee relationships with more than 1,200 regular domestic clients for yarn and fabric and around 60 Countries for garments. The Company is one of the largest yarn manufacturers in India. The entire yarn capacity upgraded to value added yarn(Compact, Melange, Color Melange, PC, Slub, Grindle & Vortex yarn). The Company is one of the largest Knitted garment manufacture.

2) Shares of AAVAS Financiers moved up by 8.03 percent to Rs. 2,267.50 at the NSE. Commenced operations in 2011 from Jaipur, Rajasthan. The Company is currently being run by professional management team backed by marquee private equity players Kedaara Capital and Partners Group.

   Commenting on Q4FY22 performance of the Company, Mr. Sushil Kumar Agarwal - MD & CEO said "For Q4 FY22, we disbursed Rs. 1,287.2 crores registering 27% YoY growth which is the highest quarterly disbursement in our history. Excluding the impact on business due to lockdown imposed during Q1 FY22 due to the second wave of Covid-19, our average monthly disbursements were close to Rs. 350 crores during the period from Jul-21 to Mar-22. Having said that, we continue to adopt a cautious approach on growth and give a higher thrust to maintaining pristine asset quality and sustainable operating metrices."

3) Shares of Triveni Turbine closed up by 6.16 percent to Rs. 167.95 on the NSE. Commenting on the Company’s financial performance and recent developments, Mr. Dhruv M. Sawhney, Chairman and Managing Director, Triveni

Turbine Limited, said: “FY 22 has been a year of many milestones for Triveni Turbines. The Company achieved its highest ever turnover at Rs. 8.52 billion, which is a growth of 21% over the previous financial year. Similarly, on the order booking front, the Company reported its highest ever order booking of Rs. 11.8 billion which provides good visibility for growth in FY 23. During Q4 FY 22, the Company has completed acquisition of 70% stake in TSE Engineering (Pty.) Ltd. (TSE) in South Africa for a cash consideration of ZAR 11.9 million (₹ 57.6 million). This acquisition will get us closer to the customer base in the South African Development Community (SADC) region and further the Company’s position in aftermarket segment.

The Company is independently approaching the above 30-100 MW segment, following the amicable resolution with General Electric and Baker Hughes pertaining to Triveni Energy Solutions Limited (TESL) (formerly GETL) that was announced earlier in the financial year. This segment will increase our addressable market considerably and we remain confident of increasing our market share rapidly as a ‘challenger’ in this segment in the coming years.

He added that "the Company’s domestic enquiry book showed an increase of 57% compared to the previous financial year with enquiries generated from the key sectors such as process co-generation, Food Processing, Distillery, Pulp & Paper, Chemicals etc. followed by Cement, Sugar and Oil & Gas segment. West region garnered higher enquiry base followed by South and North regions. International enquiry generation increased by 25% compared to FY 21. Southeast Asia generated more enquiries followed by Europe and Turkey regions. Among industry segments, IPP segment led to the higher enquiry base followed by Process industries and Oil & Gas segment. Triveni Turbines currently has orders/installations in 75 countries and enquiries from ~110 countries and the Company will be focusing on underserved markets such as North America, East Asia etc. in the coming years. 4 The Company’s product portfolio is well poised in the near term with a large enquiry pipeline both in the domestic and export markets. We are witnessing good traction in the API segment, which presents a sizeable growth opportunity for the Company."

Key recent major developments..

1) In a key development, the government slashed windfall tax on domestic crude oil production from Rs. 23,250/tonne to Rs. 17,000/tonne. The government also reduced additional excise duty on exports of diesel and ATF by Rs. 2/litre and additional excise duty on petrol has also been removed.

2) The Mumbai bench of the National Company Law Tribunal (NCLT) on Wednesday admitted Bank of India’s petition to initiate corporate insolvency resolution proceedings against Future Retail Ltd (FRL). NCLT on 27 June had reserved its orders. The petition has been admitted under Section 7 of Insolvency and Bankruptcy Code (IBC). A bench led by Justice Justice Shyam Babu Gautam and Justice Pradeep Narhari Deshmukh, after hearing both the parties at length, admitted the petition. The bench appointed Vijay Kumar Iyer as the interim resolution professional for the company. The public sector lender had moved the insolvency petition against Future Retail on April 14 for non-payment of dues under the terms of agreement it signed with the Future Group. It was seeking admission of its petition and the appointment of an IRP. Future Retail owes its creditors led by Bank of India more than Rs. 15,000 crores, which led the lenders to drag the company to the dedicated bankruptcy court.

The bench also dismissed the intervention application filed by Amazon that opposed the initiation of insolvency proceedings against the debt-laden firm. This is likely to lead Amazon in moving the National Company Law Appellate Tribunal against the NCLT order.

Ajcon Global’s observations and view..

1) **Short term and medium term view:**

a) Indian equities were upbeat today led by positive global cues and mirroring performing of global equity indices. In addition the good domestic Q4FY22 earnings season has improved investor sentiments. Asian peer indices too ended in green on Monday. Both European and US benchmark indices were trading in positive terrain at the time of writing this report. We expect Indian equities to be positive considering good demand outlook for Indian companies. However, after recent run up, some profit booking is warranted.

b) Going ahead, investors will take cues from European Central Bank (ECB) and Bank of Japan monetary policy meetings scheduled in this week. There are also fresh concerns that Europe may get into recession if Russia cuts natural gas supply to European industries which affected market sentiments.

c) Street participants will keenly watch economic developments in US and European countries COVID-19 related developments in China, crude oil price movement, rupee movement against the US Dollar and bond yields. Investors will track Q1FY23 earnings performance and take cues from the 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.

d) US Fed meet will be an important event for global equities. Earlier, US inflation hit a 41 year high and investors now expecting rate hike of 75bps by the US Fed which we believe is discounted by the markets.

e) 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. In the medium term, Indian equities are expected to remain positive led by factors like fall in 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.

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.

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