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Market wrap

December 20, 2022

Key Benchmark indices across the globe

Index	Dec. 20, 2022	Dec. 19, 2022	Change	% change	Open	High	Low
Nifty	18,385.30	18,420.45	35.15	0.19	18,340.30	18,404.90	18,202.65
Sensex	61,702.29	61,806.19	103.90	0.17	61,608.85	61,780.37	61,102.68
Shanghai Composite	3,073.77	3,107.12	33.35	1.07	3,098.95	3,100.75	3,061.51
Nikkei 225	26,568.03	27,237.64	669.61	2.46	27,257.35	27,339.49	26,416.91
Kospi	2,333.29	2,352.17	18.88	0.80	2,344.73	2,353.86	2,324.66
Straits Times	3,253.97	3,256.61	2.64	0.08	3,246.30	3,262.37	3,237.72
Hang Seng	19,094.80	19,352.81	258.01	1.33	19,156.94	19,283.14	18,885.20
Nasdaq	10,593.33#	10,546.03	47.30	0.45	10,490.89	10,609.47	10,446.82
FTSE	7,384.72#	7,361.31	23.41	0.32	7,361.31	7,389.92	7,302.82
CAC	6,463.47#	6,473.29	9.82	0.15	6,418.69	6,468.01	6,388.23
DAX	13,901.56#	13,942.87	41.31	0.30	13,829.90	13,931.29	13,791.52

Dec.20, 2022 levels at the time of writing this report

Key macroeconomic indicators

Index	Dec. 20, 2022	Dec. 19, 2022
Brent Crude Oil (\$ per barrel)	80.0	79.8
Gold (\$ per ounce)	1,808	1,790
Indian Rupee against US\$	82.76	82.70
Dollar index	104.01	104.72
10 year G-sec (7.262032)	7.30%	7.30%
US 10 year G-sec	3.66%	3.58%

FII & DII activity

Index	Dec. 20, 2022	Dec. 19, 2022
FII activity (Rs. in Crore)	455.94	538.10
DII activity (Rs. in Crore)	494.74	687.38

Indian equities come under pressure; markets expected to consolidate..

- 1) On Tuesday, Indian benchmark indices came under pressure led by unexpected move by Bank of Japan which affected investor sentiments. The Nifty had witnessed a subdued opening and later touched an intraday low of 18,202.65. Finally, the Nifty ended the day down by 35.15 points or 0.19 percent to end at levels of 18,385.30. On the other hand, the Sensex ended the day down by 103.90 points or 0.17 percent to end the day at levels of 61,702.29.
- 2) Among the Nifty 50 stocks, the major gainers were Adani Enterprises, Tata Consultancy Services, Reliance Industries, Axis Bank, IndusInd Bank up in the range of 0.61 percent to 2.20 percent. On the other hand, the major losers were SBI Life, Eicher Motors, UPL, Tata Motors, Hindustan Unilever down in the range of 1.59 percent to 3.01 percent.
- 3) The broader markets too were under pressure on Tuesday. The Nifty Midcap 100 index was down by 0.22 percent and the Nifty Smallcap 100 index was down by 0.44 percent respectively.
- 4) In terms of sectoral indices performance, the major gainers were Nifty Oil & Gas index up by 0.24 percent, Nifty IT index up by 0.20 percent, Nifty Metal index up by 0.12 percent. On the other hand, the major losers were Nifty Realty index down by 1.21 percent, Nifty Auto index down by 0.77 percent, Nifty FMCG index down by 0.62 percent.
- 5) On Tuesday, FIIs net bought equities worth Rs. 455.94 Crore. On the other hand, DIIs net bought equities worth Rs. 494.74 Crore. Month till date, FIIs have net sold equities worth Rs. 7,572.21 Crore and DIIs net bought equities



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worth Rs. 11,733.74 Crore. In the month of November 2022, FIIs have net bought equities worth Rs. 22,546.34 Crore and DIIs net sold equities worth Rs. 6,301.32 Crore.

Sectors & Stocks

- 1) Shares of Rail Vikas Nigam ended up by 5 percent to Rs. 73.55 at the NSE on Tuesday. Recently, the Company has been declared successful bidder in an International project in Maldives named as Development of UTF (Uthuru Thila Falhu-Island) Harbour. This is a strategic project of Govt. of India. The estimated project costs is Rs. 1544.6 Crore (approx.). The Company was established with the mandate of fast track implementation of rail infrastructure projects working for and on behalf of Ministry of Railways as an executing arm. The contribution of the Company in building of rail infrastructure in the Country is amply demonstrated by its remarkable performance and presence in 26 locations across the country with 34 functional project implementation Unit (PIU). The company is executing projects in all the Zonal Railways and 19 States of the Country. The Company is in the business of executing all types of railway projects including new lines, doubling, gauge conversion, railway electrification, metro projects, workshops, major bridges, construction of cable stayed bridges, institutional buildings etc. The Company functions as an executing arm of Indian Railways and works for and on behalf of the Ministry for projects assigned to it for execution. It generally works on a turnkey basis and undertakes the full cycle of project development from conceptualization to commissioning including stages of design, preparation of estimates, calling and award of contracts, project and contract management, etc. RVNL's major client is the Indian Railways and other clients include various central and state government ministries, departments, and public sector undertakings. RVNL has also started participating in Metro, Highways and other infrastructure sectors through competitive bidding. As part of its original mandate, RVNL has successfully set up five project specific Special Purpose Vehicles (SPVs) for execution of important rail connectivity projects in PPP mode. Four SPVs have already been commissioned for traffic. More SPVs are in different stages of being set up under Indian Railways' participative policy framework.
- 2) Shares of Mazagon Dock Shipbuilders ended up by 4.42 percent to Rs. 878.80 at the NSE on Tuesday. Mazagon Dock Shipbuilders Limited ("MDL") continues its saga of 'self-reliance' 'AatmaNirbhar Bharat' and 'Make in India' Initiative of the Government of India, with the delivery of the fifth Scorpene Submarine 'VAGIR' of Project P-75 on 20 December 2022 to the Indian Navy, subsequently to be commissioned into Indian Navy as INS Vagir. Speaking on the occasion, CMD MDL said that with the delivery of Vagir, India further cements its position as a submarine building nation and that MDL has lived up to its reputation as one of India's leading shipyards with capacity and capability to meet requirements and aspirations of the Indian Navy in all dimensions. The delivery of five Submarines namely, Kalvari, Khanderi, Karanj, Vela and now Vagir, reaffirmed India's membership in the exclusive group of submarine building nations.

In Q2FY23, the Company bagged ship repair orders for: MV Albastross, Tag-10, Offshore Adventure, MV Kalpana. The Company initiated Manufacturing of Indigenous Midget Submarine. According to the Company's FY22 Annual Report, the Company's objective is to achieve 20% Post Tax return on equity in line with DPE's guidelines with improved order position and profitability. The Company has been consistently making profit and distributing dividend for the past 17 years. Mazagon Dock Shipbuilders Limited is one of India's leading shipbuilding yards, having evolved from a single unit, small ship repair company to a multi-unit and multi-product company. Mazagon Dock Shipbuilders Limited, also known as "Ship Builders to the Nation," is one of India's leading Defence public sector undertaking shipyards, operating under the Ministry of Defence. India's only shipyard to have built destroyers and conventional submarines for the Indian Navy; one of the initial shipyards in India to manufacture Corvettes (Veer & Khukri Class) in India. Over the years, the Company has grown to become the premier Warship building yard in India. By investing in cutting edge technologies and sophistication of the product line, the Company has institutionalised shipbuilding in the nation and generated opportunities for increasing production capacity to serve both Indian and overseas customers.
- 3) Shares of PNB Housing Finance ended up by 3.79 percent to Rs. 525.90 at the NSE on Tuesday. PNB Housing Finance Limited is promoted by Punjab National Bank and is a registered Housing Finance Company with National Housing Bank (NHB). The Company's asset base comprises retail loans and corporate loans. The retail business focusses on organized mass housing segment financing for acquisition or construction of houses. In addition, it also provides loan against properties and loans for purchase & construction of non-residential premises. Corporate loans are mainly to developers for construction of residential / commercial properties, corporate term loans and lease rental discounting. PNB Housing Finance is a deposit taking Housing Finance Company. The Company has 105 branches with presence in 74 cities, 46 outreach locations and 22 Hubs.

The disbursements during H1 FY22-23 grew by 49% YoY to Rs. 7,045 crore. For Q2 FY22-23 stood at Rs. 3,594 crore compared to Rs. 2,961 crore in Q2 FY21-22 registering an increase of 21%. Retail disbursement was 98% of total disbursements in H1 FY22-23. During H1 FY22-23, the Company disbursed gross amount of Rs. 225 crore under Colending in 20:80 ratio. Asset under Management (AUM) stood at Rs. 65,730 crore as on 30th Sept 2022 as compared to Rs. 70,870 crore as on 30th Sept 2021 (as per IndAS). Gross Non-Performing Assets (as per IndAS) reduced by 3.7%



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QoQ to Rs. 3,502 crore as on 30th Sept 2022. The GNPA as a percent of Loan Asset (IndAS) is 6.06% as on 30th Sept 2022 as compared to 6.35% as on 30th June 2022. Retail GNPA reduced by 7.2% during the quarter to Rs. 1,769 crore (3.39% of Retail Loan Asset) as on 30th Sept 2022. Corporate GNPA remained stable QoQ to Rs. 1,734 crore (30.37% of Corporate Loan Asset) as on 30th Sept 2022. Net NPA, as per IndAS, stood at 3.59% of the Loan Assets as on 30th Sept 2022 as compared to 4.26% as on 30th June 2022. The Company's CRAR based on IndAS stood at 24.11% as on 30th Sept 2022, of which Tier I capital was 21.8% and Tier II was 2.3% as compared to 20.7% as on 30th Sept 2021, of which Tier I capital was 17.8% and Tier II capital was 2.8%. Profit after Tax increased by 12% YoY and 12% QoQ to Rs. 263 crore. Net Interest Income improved by 29% YoY and 75% QoQ to Rs. 649 crore. Pre provision Operating Profit improved by 35% YoY and 62% QoQ to Rs. 584 crore. Net Interest Margin stood at 4.14% in Q2 FY23 as compared to 3.01% in Q2 FY22 and 2.36% in Q1 FY23.

Commenting on Q2FY23 performance earlier, Mr. Girish Kousgi, Managing Director & CEO said: "The demand in the mortgage industry continues to remain robust. As we capitalize on the retail sector, we are also focusing on affordable segment. We have 39 locations operationalized as on 30th Sept 2022, which we intend to expand to over 65 locations by the end of the financial year 2023. The Company is steadfast in its commitment of growing its retail loan asset, improving asset quality while being profitable."

- 4) Shares of Balrampur Chini Mills closed up by 3.42 percent to Rs. 405.25 at the NSE on Tuesday. Balrampur Chini Mills Limited (BCML) is one of the largest integrated sugar companies in India. The allied businesses of the Company comprise distillery operations and cogeneration of power. The Company presently has ten sugar factories located in Uttar Pradesh (India) having an aggregate sugarcane crushing capacity of 77,500 TCD, distillery capacity of 560 KLPD and saleable cogeneration - 175.7 MW. BCML is one of the most efficient integrated sugar producers in the country. The Company has grown its capacity by well-planned capacity expansion projects and the acquisition of existing companies. Strong integrated business model - Helping in successfully navigating the sugar cycles with diversifying revenue streams. Expansion into Ethanol - Emerging as a key growth driver for the Company going forward. The Company has witnessed rapid growth from Distillery segment. Revenue from distillery segment contributed ~19% to overall revenues in FY22 as compared to 7% in FY18. Going forward distillery segment is expected to contribute around 35% to overall revenues. Distillery segment contributed ~56% to PBIT in FY22 compared to 26% in FY18. The Company is focusing on increasing the share of revenue / profit from distillery. The Company has a track record of timely completion of projects. The Company is actively working on varietal re-balancing of cane / disease management activities. Because of sugar sacrifice for conversion into Ethanol, there has been a corresponding sacrifice of potential profit on the sacrificed sugar, resulting in enhanced profitability in the distillery segment. In view of the aggressive diversion of cane towards B-heavy molasses route resulting in sacrifice of sugar for production of Ethanol, dependence on sugar export has declined.

Key developments

- 1) Bank of Japan decided to modify the conduct of yield curve control in order to improve market functioning and encourage a smoother formation of the entire yield curve, while maintaining accommodative financial conditions. The Bank will purchase a necessary amount of JGBs without setting an upper limit so that 10-year JGB yields will remain at around zero percent. While significantly increasing the amount of JGB purchases, the Bank will expand the range of 10-year JGB yield fluctuations from the target level: from between around plus and minus 0.25 percentage points to between around plus and minus 0.5 percentage points.

Ajcon Global's view on Indian equities in the near term

- 1) Investors reacted to weak global cues and today's downfall can be attributed to Bank of Japan's surprise hawkish stance that affected investor sentiments across the globe. Going ahead, we expect markets to consolidate and stock specific will continue in the midcaps and smallcaps space.
- 2) At the moment, sectors like Auto and auto ancillaries, Banking, NBFCs, Capital Goods, select companies in the infrastructure space and new age business segment can be considered.
- 3) Street participants will continue to watch rupee movement against the US Dollar, economic activity in China after relaxation in COVID-19 led lockdown in China, global bond yields, crude oil price movement, developments related to ongoing war between Russia and Ukraine and its financial implications on the western world.
- 4) We reiterate that the domestic economy is strongly placed as compared to the global peers which will attract investors. Majority of the Companies have delivered good set of Q2FY23 results considering global concerns. Indian economy is performing strongly as indicated by good manufacturing and services PMI data, robust GST collections, strong direct tax



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collections, and good economic activity amidst macroeconomic challenges. We suggest investors to be stock specific and consider companies from the midcaps and smallcaps space.



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