AJCONGLOBAL
YOUR FRIENDLY FINANCIAL ADVISORS

Market wrap **Nov. 21, 2022**

Fall in crude oil prices will augur well for Indian equities; PSU Banks rally significantly..

Index	Nov.21, 2022	Nov.18, 2022	Change	% change	Open	High	Low
Nifty	18,159.95	18,307.65	**147.70**	**0.81**	18,246.40	**18,262.30**	18,133.35
Sensex	61,144.84	61,663.48	**518.64**	**0.84**	61,456.33	**61,456.33**	61,059.33

1) On Monday, Indian benchmark indices ended in red led by weak global cues like increasing COVID-19 cases in China and possible rate hike by US Fed. The Nifty had witnessed a subdued opening and had touched an intraday low of 18,133.35. Finally, the Nifty ended the day down by 147.70 points or 0.81 percent to end at levels of 18,159.95. On the other hand, the Sensex ended the day down by 518.64 points or 0.84 percent to end the day at levels of 61,144.84.

2) Among the Nifty 50 stocks, the major gainers were BPCL, Bharti Airtel, Axis Bank, IndusInd Bank, Hindustan Unilever up in the range of 0.74 percent to 2.10 percent. On the other hand, the major losers were Adani Ports, Tech Mahindra, Hero Motocorp, Hindalco, Reliance down in the range of 1.91 percent to 2.13 percent.

3) The broader markets were mixed today. The Nifty Midcap 100 index was down by 0.05 percent and the Nifty Smallcap 100 index was up by 0.24 percent respectively.

4) In terms of sectoral indices performance, the major gainers were Nifty PSU Bank index up by 1.41 percent, Nifty Media index up by 0.25 percent, Nifty Consumer Durables index up by 0.20 percent. On the other hand, the major losers were Nifty IT index down by 1.55 percent, Nifty Realty index down by 1.27 percent, Nifty Metal index down by 0.81 percent, Nifty Pharma index down by 0.52 percent.

5) On Monday, FIIs net sold equities worth Rs. 1,593.83 Crore. On the other hand, DIIs net bought equities worth Rs. 1,262.91 Crore. Month till date, FIIs have net bought equities worth Rs. 11,245.11 Crore and DIIs net sold equities worth Rs. 2,106.99 Crore. In the month of October 2022, FIIs have net sold equities worth Rs. 489.06 Crore and DIIs net bought equities worth Rs. 9,276.97 Crore.

Sectors and stocks

1) Shares of Bank of Maharashtra ended up by 14.94 percent to Rs. 28.85 at the NSE on Monday. The Bank had delivered strong overall performance in Q2FY23 with good credit growth and NII growth, good treasury performance despite macroeconomic headwinds like rising bond yields making it one of the most efficient PSU Bank with Cost/Income ratio of 38.82 percent, impressive CASA which stood at 56.27 , improvement in asset quality, net NPAs below 1 percent, well provided for Stressed Book (PCR further improved to 96.06 percent), strong capital adequacy & consistent improvement in RoE and RoA. As per the Bank's Managing Director & CEO - Shri. A. S. Rajeev, the bank aims to maintain NIM in the range of 3.50%, advances growth of 20-22% (can go upto 25%), which is very encouraging and required in order to bring the bank in the main stream of PSBs.

2) Shares of Punjab & Sind Bank ended up by 14.32 percent to Rs. 21.55 at the NSE on Monday. In Q2FY23, the Bank has witnessed good growth in its Operating profit led by jump in NII and Non - Interest Income. In addition, the Cost/Income ratio has also improved but it is still higher as compared to other PSU Banks. The Bank's asset quality is also improving which was seen in this quarter as well. The Bank is well capitalised for strong credit growth ahead, provided the proactive policies are put in place in this regard. The Bank does not have exposure to big accounts and is SMA2 is very small at Rs. 288 Crore as on Q2FY23 which safeguards it from slippages. We are however of the opinion that considering its low base and looking at great opportunities available in Indian Economy, the bank needs to accelerate its Credit growth going even beyond the growth in the system and tighten its belt to take the benefit

of these opportunities as has been done by all other Public Sector Banks. The past legacies should be handled separately and should not be allowed to come in the way of its future growth.

3) Shares of Central Bank of India ended up by 9.77 percent to Rs. 25.85 at the NSE on Monday. The Bank reported good overall performance in Q2FY23. The strong Management team has looked confident and assured of achieving higher credit growth in future. We are happy to see that the Bank has really transformed itself in the PCA regime and finally exited the PCA framework with flying colours. We believe the C/D ratio of just 57.64% has big scope to improve after coming out from RBI's Prompt Corrective Action framework. The Bank is having Pan India presence and is a trusted name over the years. The Bank boasts of a very strong CASA ratio of 50.99 percent which is second to Bank of Maharashtra in PSU Banking industry and makes good money by selling the priority lending certificates. We believe, with the strong brand image and customer base, the Bank is poised for good growth in Corporate and Retail advances. We like the fact that the Bank's Treasury operations were also managed well in Q2FY23 and as per bank’s ED Shri Vivek Wahi, the bank will continue to do well on treasury front in coming quarters. The Bank is also not growing its book in Non-SLR. Shri. M. V. Rao – Managing Director and CEO of the Bank in the interaction with the Analysts in the Bank’s Q2FY23 concall conducted earlier had given the following guidance for FY23 a) Deposit growth: 8 - 10%, b) Advances growth: 13 - 15%, c) RAM: Corporate Credit Ratio: 65:35 (+/-5%), d) NIM: More than 3 percent, e) CASA: More than 50%, f) Gross NPA: Below 9%, g) Net NPA: Below 2.75%, h) PCR: 88-90%, i) Return on Assets: 0.35 - 0.40%, j) Cost to Income ratio: Less than 50%.

Key recent major development..

1) Oil prices dropped to their lowest since early January on Monday after the Wall Street Journal reported that Saudi Arabia and other OPEC oil producers are discussing an output increase. Brent crude futures for January had slipped $4.07, or 4.7%, to $83.55 a barrel by 1518 GMT. U.S. West Texas Intermediate (WTI) crude futures for December were down $4.02, or 5%, at $76.06 ahead of the contract's expiry later on Monday. The more active January contract was down $3.82, or 4.8%, at $76.29. (Source: Reuters)

Ajcon Global’s observations and view..

1) **Short term view:**

a. On Monday, Indian benchmark indices ended in red led by weak global cues and FII selling. However, the broader markets were mixed today. Domestically, the reduced CPI and WPI inflation data is comforting. However, there are headwinds like US dollar appreciation against the Indian rupee and Russia – Ukraine war.

b. We expect Indian equities to rally led by today’s fall in crude oil prices. At the time of writing this report, both US benchmark indices and European benchmark indices were under pressure.

c. Domestically, 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.

d. We reiterate that the domestic economy is strongly placed as compared to the global peers which will attract investors. Indian economy is performing strongly as indicated by robust GST collections, strong direct tax collections, good manufacturing PMI data 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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