

**Bloodbath witnessed at Dalal Street; rupee depreciation affecting investor sentiments..**

Index	Sep. 26, 2022	Sep.23, 2022	Change	% change	Open	High	Low
<b>Nifty</b>	17,016.30	17,327.55	<b>311.05</b>	<b>1.80</b>	17,156.30	<b>17,196.40</b>	16,978.30
<b>Sensex</b>	57,145.22	58,098.92	<b>953.70</b>	<b>1.64</b>	57,525.03	<b>57,708.38</b>	57,038.24

- 1) On Monday, Indian equities were under tremendous pressure led by depreciating rupee and weak global cues. The Nifty had witnessed a gap down opening and later touched an intraday low of 16,978.30. Finally, the Nifty ended the day down by 311.05 points or 1.8 percent to end at levels of 17,016.30. The Sensex ended the day down by 953.70 points or 1.64 percent to end the day at levels of 57,145.22.

Among the Nifty 50 stocks, the major losers were Adani Ports, Tata Motors, Hindalco Industries, Maruti Suzuki India, Eicher Motors were down in the range of 4.93 percent to 6.35 percent. On the other hand, the prominent gainers were HCL Technologies, Infosys, Asian Paints, Divis Lab, Tata Consultancy Services up in the range of 0.60 percent to 1.36 percent.

- 2) The broader markets were too were bleeding. The Nifty Midcap 100 index was down by 3.11 percent and on the other hand Nifty Smallcap 100 index was down by 3.41 percent respectively. In terms of sectoral indices performance, the major losers were Nifty Realty index was down by 4.25 percent, Nifty Metal index down by 4.13 percent, Nifty Auto index down by 3.81 percent, Nifty PSU Bank index down by 3.69 percent, Nifty Oil & Gas index down by 3.24 percent.
- 3) On Monday, FIIs net sold equities worth Rs. 5,101.30 Crore. On the other hand, DIIs net bought equities worth Rs. 3,532.18 Crore. Month till date, FIIs have net sold equities worth Rs. 7,547.12 Crore and DIIs net bought equities worth Rs. 1,663.64 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 Harsha Engineers International (HEIL) made a handsome debut at the Indian bourses with the Company shares listing at Rs. 450, a 36.36 per cent premium over its issue price of Rs. 330 at the NSE on Monday and finally settled up by 46.27 percent to Rs. 482.70 at the NSE despite domestic bourses witnessing crash. We had earlier recommended "SUBSCRIBE" to the issue. On the BSE, the stock listed at Rs 444, 34.55 per cent higher against its issue price and finally closed up by 47.24 percent to Rs. 485.90. The initial public offering (IPO) of HEIL had received whopping response with the issue subscribed 74.70 times. The qualified institutional buyers (QIBs) category was subscribed 178.26 times. The non institutional investors (NIIs) category was subscribed 71.32 times and the retail individual investors (RIIs) category was subscribed 17.63 times.

The Company is the largest manufacturer of precision bearing cages, in terms of revenue, in organised sector in India, and amongst the leading manufacturers of precision bearing cages in the world. (Source: CARE Advisory Report). The Company offers diversified suite of precision engineering products across geographies and end-user industries. The Company's business comprises: (i) engineering business, under which the Company manufactures bearing cages (in brass, steel and polyamide materials), complex and specialised precision stamped components, welded assemblies and brass castings and cages & bronze bushings; and (ii) solar EPC business, under which the Company provides complete comprehensive turnkey solutions to all solar photovoltaic requirements.

HEIL has approximately 50-60% of the market share in the organised segment of the Indian bearing cages market and 6.5% of the market share in the global organised bearing cages market for brass, steel and polyamide cages in CY 2021. (Source: CARE Advisory Report). The Company offers a wide range of bearing cages starting from 20 mm



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to 2,000 mm in diameter and their bearing cages find its application in the automotive, railways, aviation & aerospace, construction, mining, agriculture, electrical and electronics, renewables sectors etc. HEIL has also been providing comprehensive complete turnkey solutions to all Solar Photovoltaic requirements.

- 2) Shares of Emami ended up by 5.01 percent to Rs. 520.50 at the NSE on Monday. Mr. Mohan Goenka, Director of the Company in the Company's Q1FY23 analyst concall conducted earlier said "On a high base of 37% growth in the last quarter, our revenues at INR778 crore have grown by 18% in this quarter. Our domestic sales grew by 13% on a high base of 42%, with a volume growth of 8%, with our newly acquired brand Dermicool contributing around 8% to the domestic sales. International business grew strongly by 45% on a base of 17%. Our overall volume growth has been around 10% in this quarter. The quarter has been challenging for us where we have seen significant correction in two categories- Pain management by 30% and healthcare range by 25%, led by immunity portfolio. This correction has been due to a very high base of 70% growth in pain management range, and 59% growth in healthcare range last year. However, despite such huge corrections, our diverse portfolio of products helped us to deliver a robust performance at an overall company level. This quarter, some of our leading brands like Navratna, Kesh King, Fair and Handsome, etc., as well as our international business helped not only recover the lost sales due to correction in pain management in healthcare range, but also helped to deliver an overall revenue growth of 10%, excluding Dermicool."
- 3) Shares of SKF India closed up by 2.80 percent to Rs. 4,600 at the NSE on Monday. Mr. Manish Bhatnagar – Managing Director – SKF India Limited in the Company's Q1FY23 analyst concall conducted earlier said "We are seeing increases in cost on material, on freight, on a number of things that impact us but despite that we had turned out a very, very good quarter in terms of revenue and profitability, both. Our revenues for the quarter are up 52% over the previous year but having said that we all know the previous year is not a great comparison because of the COVID impact in the same quarter last year, but even if you compare quarter to quarter, sequentially compared to the previous quarter up by 1.4% on revenues. Likewise, on PBT while we are up 66% over the same quarter last year the more important one, I think the more relevant one is we are up 21% sequentially over the previous quarter so really a good performance, a good set of numbers by SKF and the future is frankly anyone's guess right now."

He further added "We have to see how inflation pans out. We are seeing some slackening on steel prices which is a big expense for us. We are not yet seeing a demand slow down so the order book still remains fairly robust across segments and we can talk about that if the questions are on the order book but having said that we know what is happening in the world around us whether it is Europe or other parts of Asia or Americas, we are seeing a demand slowdown."

**Key recent major developments..**

- 1) The Indian rupee continued to depreciate against the US dollar and hit a record low of 81.66 against the U.S. dollar on Monday. The fall can be attributed to rising bond yields in the US after rate hike of 75 bps by the US Fed to control inflation. The rupee finally closed at 81.63 against the US dollar (previous close at 80.99).

**Ajcon Global's observations and view..**

1) **Short term view:**

- a) On Monday, as expected, Indian equities witnessed significant downfall led by weak global cues and rupee making new low against the US dollar. Midcaps and smallcaps were also not spared and were bleeding heavily at the bourses.
- b) We believe once the dust settles in, short covering is expected as the domestic economy continues to do well and is strongly placed as compared to the global peers which will attract investors. Domestically, there is improved demand outlook in the festive season with good sales reported in consumer durables and apparels segment.

However, depreciating rupee against the US dollar will play on investors mind. Value buying is suggested to investors in quality names on further declines. The recent developments in Russia will continue to affect investor sentiments in the near term. Considering, too many macro economic variables at the moment and global developments, volatility will continue to stay. At the time of writing this report, US benchmark indices and majority of the European indices were trading in the negative terrain.



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- c) Domestically, 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 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. In addition, higher gas prices in Europe and slowdown in China has also affected sentiments. 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. At the moment sectors like Auto and auto ancillaries, Banking, NBFCs, Capital Goods, select companies in the new age business segment can be considered.



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