

**Key Benchmark indices across the globe**

Index	Dec. 26, 2022	Dec. 23, 2022	Change	% change	Open	High	Low
<b>Nifty</b>	18,014.60	17,806.80	<b>207.80</b>	<b>1.17</b>	17,830.40	18,084.10	17,774.25
<b>Sensex</b>	60,566.42	59,845.29	<b>721.13</b>	<b>1.20</b>	59,755.08	60,833.78	59,754.10
<b>Shanghai Composite</b>	3,065.56	3,045.87	<b>19.69</b>	<b>0.65</b>	3,048.20	3,071.84	3,047.35
<b>Nikkei 225</b>	26,405.87	26,235.25	<b>170.62</b>	<b>0.65</b>	26,299.54	26,438.65	26,294.85
<b>Kospi</b>	2,317.14	2,313.69	<b>3.45</b>	<b>0.15</b>	2,312.54	2,321.92	2,304.20

**Key macroeconomic indicators**

Index	Dec. 26, 2022	Dec. 23, 2022
<b>Brent Crude Oil (\$ per barrel)</b>	84.55	83.97
<b>Gold (\$ per ounce)</b>	1,806	1,798
<b>Indian Rupee against US\$</b>	82.65	82.78
<b>10 year G-sec (7.262032)</b>	7.319%	7.306%
<b>US 10 year G-sec</b>	3.751%	3.671%

**FII & DII activity**

Index	Dec. 26, 2022	Dec. 23, 2022
<b>FII activity (Rs. in Crore)</b>	<b>497.65</b>	<b>706.84</b>
<b>DII activity (Rs. in Crore)</b>	<b>1,285.74</b>	<b>3,398.98</b>

**Indian equities bounce back strongly; PSU banking stocks lead the show..**

- 1) On Monday, Indian equities came back strongly led by short covering and value buying. The Nifty had witnessed a positive opening and later touched an intraday high of 18,084.10. Finally, the Nifty ended the day up by 207.80 points or 1.17 percent to end at levels of 18,014.60. On the other hand, the Sensex ended the day up by 721.13 points or 1.20 percent to end the day at levels of 60,566.42.
- 2) Among the Nifty 50 stocks, the major gainers were State Bank of India, IndusInd Bank, Hindalco, Coal India, Bajaj Finserv up in the range of 2.74 percent to 4.02 percent. On the other hand, the major losers were Cipla, Divis Lab, Dr. Reddy's, Nestle India, Kotak Mahindra Bank down in the range of 0.61 percent to 1.89 percent.
- 3) The broader markets were buoyant on Monday. The Nifty Midcap 100 index was up by 2.72 percent and the Nifty Smallcap 100 index up by 3.81 percent respectively.
- 4) In terms of sectoral indices performance, the major gainers were Nifty PSU Bank index up by 7.29 percent, Nifty Media index up by 2.85 percent, Nifty Private index up by 2.44 percent, Nifty Realty index up by 2.43 percent.
- 5) On Monday, FIIs net sold equities worth Rs. 497.65 Crore. On the other hand, DIIs net bought equities worth Rs. 1,285.74 Crore. Month till date, FIIs have net sold equities worth Rs. 8,967.18 Crore and DIIs net bought equities worth Rs. 20,382.42 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 Union Bank of India ended up by 19.99 percent to Rs. 81.05 at the NSE on Monday. The Bank's Q2FY23 Operating performance was above our expectations led by good growth in Net Interest Income, recovery in written off accounts and good treasury income, (which we thought will be under pressure). The Bank has also witnessed good credit growth. The Bank is adequately provided which is evident from its high PCR of 86.61 percent, well cushioned for unanticipated slippages. The Bank's asset quality witnessed improvement in Q2FY23. Gross non-performing assets as a percentage of gross advances fell by 177 bps on QoQ basis to 8.45 percent in Q2FY23 from 10.22 percent in Q1FY23. Net NPA as a percentage of net advances improved by 67 bps to 2.64 percent in Q2FY23 as against 3.31 percent in



Q1FY23. Slippages were controlled at Rs. 2,913 Crore in Q2FY23 (Retail loans: Rs. 439 Crore, Agriculture: Rs. 1,029 crore, MSME: Rs. 914 Crore, Large Corporate & others: Rs. 531 Crore) as against Rs. 3,714 Crore in Q1FY23 & Rs. 5,672 Crore in Q4FY22. For FY23, the bank management expects slippages to be at around Rs. 13,000 Crore of which slippages of Rs. 6,627 Crore were in H1FY23.

Major initiatives taken under digital banking provides further confidence. Though the Bank has a decent liability franchise with its CASA ratio of 35.63 percent, we believe that this is one area where the bank will have to work a little harder. Improved Capital Adequacy with CRAR of 14.50 % provides comfort. Going forward, the Bank's management expects better advances growth led by RAM segment and corporate credit growth.

- 2) Shares of Bank of India ended up by 13.31 percent to Rs. 87.70 at the NSE on Monday. In Q2FY23, the Bank witnessed robust performance on all fronts. We were delighted to see the Bank exceeding our expectations and performing strongly. After many years, the Bank had witnessed this kind of performance in Q2FY23 result. The Bank expects pick up in corporate credit growth which will augur well for its overall credit growth guidance of 12 percent on conservative basis. The Bank's Corporate book is also holding up well with significant exposure to the Companies having ratings A& above. The treasury performance is also good considering the macroeconomic headwinds and rising bond yields scenario. The Bank's digital journey is on track and is expected to be full fledged with digital capabilities, retail part by March, 2023 and complete execution by September, 2023. The Bank had given the following guidance for FY23: Credit growth: 12 percent, NIM: More than 3%, Gross NPA ratio: to be lower than 8%, Credit cost below 1%.
- 3) Shares of Bank of Maharashtra ended up by 12.64 percent to Rs. 29.40 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.
- 4) Shares of Housing & Urban Development Corporation Limited (HUDCO) ended up by 8.95 percent to Rs. 49.90 at the NSE on Monday. HUDCO plays a major role in Government of India scheme – for promoting "Housing for All" & Urban Development. HUDCO is also one of the nominated Central Nodal Agencies (CNA) for Government of India for disbursing the central subsidy to beneficiaries under credit-linked subsidy scheme (CLSS).

HUDCO is actively participating in Government of India flagship program such as Smart City Mission, Atal Mission for Rejuvenation and Urban Transformation (AMRUT), Jal Jeevan Mission, etc. In the financial year 2021-22, HUDCO supported the flagship programmes by extending financial assistance of Rs. 600 Crore to Rajasthan Urban Drinking Water Sewerage & Infrastructure Corporation (RUDSICO). The sanctioned amount will be utilized for benefitting Ajmer & Jaipur Smart Cities and AMRUT scheme in 20 ULBs of Rajasthan. HUDCO has also provided viability gap funding of Rs. 4,000 Crore to Rajasthan Water Supply and Sewerage Corporation, towards state share for implementation of Jal Jeevan Mission in the State.

- 5) Shares of Finolex Cables ended up by 5.31 percent to Rs. 536.50 at the NSE on Monday. Finolex Cables is India's largest and leading manufacturer of electrical and telecommunication cables and holds a prominent reputation for its high-quality products. Finolex offers a wide range of Electrical and Communication cables. Its wire and cable products are used in applications such as automobile, lighting, cable TV, telephone and computers to industrial applications touching every person in his daily life. The Company has five state-of-the-art and scalable manufacturing sites spread across strategic locations to cater to pan- India consumers while de-risking its operations.

The Company is aspiring to become a one-stop solution for all electrical products. The Company has recently forayed into the FastMoving Electrical Goods (FMEG) segment, thereby capturing new growth opportunities and gaining higher prominence in the B2C segment. Finolex has added Electrical Switches, LED based Lamps, Fans, low voltage MCBs and Water Heaters to its range of products. Over the years, the Company has consistently invested in backward integration as well as enhancing its manufacturing capabilities. This gives the Company greater control on raw material availability and costs, improves process efficiency and enhance the quality of its products. In FY22, over 85 percent of its revenue were generated from electrical wires and cables, while communication cables and electrical appliances products constituted 10 percent and 5 percent of the revenue, respectively.

- 6) Shares of Central Bank of India ended up by 4.93 percent to Rs. 30.85 at the NSE on Monday. The Bank had witnessed 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 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%.

- 7) Shares of Punjab & Sind Bank ended up by 4.29 percent to Rs. 32.80 at the NSE on Monday. In Q2FY23, the Bank had 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 its 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.

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

- 1) Indian equities came back strongly led by short covering and value buying. Buoyancy was witnessed in PSU banking stocks which were hammered on Friday. Going ahead, we expect markets to consolidate ahead of the New year. No doubt, there are headwinds like recent COVID-19 developments in China, Japan, South Korea, recession concerns in Europe and expectations of US Fed likely to hike interest rates in the future. However, we believe and once again reiterate that the domestic economy is strongly placed as compared to the global peers which will attract investors. At the moment, sectors like Banking, NBFCs, Capital Goods, select companies in the infrastructure space, railways and new age business segment can be considered.
- 2) Street participants will continue to watch COVID-19 developments in China and its impact on global supply chain, domestic fiscal deficit numbers, rupee movement against the US Dollar, economic activity in China after recent COVID-19 developments, global bond yields, crude oil price movement, developments related to ongoing war between Russia and Ukraine and its financial implications on the western world.
- 3) It may be noted that majority of the Companies had 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 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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