

Indian benchmark indices end in red on F&O expiry day; all eyes on RBI's Monetary policy meet..

Index	Sep. 29, 2022	Sep.28, 2022	Change	% change	Open	High	Low
Nifty	16,818.10	16,858.60	40.50	0.24	16,993.60	17,026.05	16,788.60
Sensex	56,409.96	56,598.28	188.32	0.33	56,997.90	57,166.14	56,314.05

- 1) On Thursday, Indian benchmark indices ended in red after witnessing a strong start and later coming under tremendous pressure. This was led by weak global cues and Indian rupee depreciation against the US dollar. The Nifty had witnessed a gap UP opening and touched an intraday high of 17,026.05. Later, during the day, the Nifty gave up all the gains and finally ended the day down by 40.50 points or 0.24 percent to end at levels of 16,818.10. The Sensex ended the day down by 188.32 points or 0.33 percent to end the day at levels of 56,409.96.

Among the Nifty 50 stocks, the major losers were Asian Paints, Hero Motocorp, Tech Mahindra, Bajaj Auto, Titan down in the range of 1.51 percent to 4.72 percent. On the other hand, the major gainers were Shree Cement, ONGC, Hindalco, ITC, Apollo Hospitals up in the range of 2.79 percent to 3.50 percent.

- 2) However, the broader markets ended in green. The Nifty Midcap 100 index was up by 0.40 percent and Nifty Smallcap 100 index was up by 0.63 percent.
- 3) In terms of sectoral indices performance, the major losers were Nifty IT index down by 0.92 percent, Nifty Financial Services index down by 0.51 percent, Nifty Auto index down by 0.32 percent, Nifty Bank index down by 0.30 percent. On the other hand, the major gainers were Nifty Healthcare index up by 1.39 percent, Nifty Pharma index up by 1.33 percent, Nifty Media index up by 1.20 percent, Nifty PSU Bank index up by 1.16 percent.
- 4) On Thursday, FIIs net sold equities worth Rs. 3,599.42 Crore. On the other hand, DIIs net bought equities worth Rs. 3,161.73 Crore. Month till date, FIIs have net sold equities worth Rs. 16,742.99 Crore and DIIs net bought equities worth Rs. 10,874.30 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 of Mazagon Dock Shipbuilders ended the day up by 8.22 percent to Rs. 464 at the NSE on Thursday. Mazagon Dock Shipbuilders Ltd 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 cuttingedge 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.

Vice Admiral Narayana Prasadji retired from Indian Navy and currently CMD at Mazagon Dock in the Company's Q1FY23 analyst concall conducted earlier said "As you are aware Mazagon Dock Shipbuilders Limited is the oldest shipyard in India with the inception in 1774, incorporated in 1934, and taken over by the Government of India in 1960. MDL is the only shipyard in India to build Destroyers a class of ship which is about 7000 tons of displacement and two different types of Submarines for the Indian Navy and is also one of the unique shipyards in the world with such diverse range of products such as Destroyers, Frigates, Conventional Submarines, Corvettes, Missile Vessels, Offshore Patrol Vessels, etc. It is a listed public limited company incorporated and governed under

the Companies Act. MDL is also a CPSE under the administrative control of Ministry of Defence having total workforce of approximately 10,000 person. "

He added "From the time it was taken over by the Government of India in 1960 MDL has built around 800 vessels including 26 captive warships, 6 submarines, and 631 commercial vessels, 243 of which were exported to Mexico, France, UK, Iran, Yemen, Mozambique, etc. Besides MDL has also built 63 offshore platforms, three process platforms, and two jack up rigs.

- 2) Shares of Zomato ended up by 6.46 percent to Rs. 61.80 at the NSE on Thursday. Mr. Akshant Goyal - Chief Financial Officer of the Company in the Q1FY23 analyst concall conducted earlier said "As you would have noticed, we got to adjusted EBITDA breakeven in the food delivery business. So, now, I think the next milestone there is to get the overall Zomato business to adjusted EBITDA breakeven and we think we are close now. In terms of timeline, internally, we are aiming to get there by Quarter 4 of this fiscal year. that is the internal goal that we have as a team but we think that if we slip on that, it should not be later than Q2 FY24, which is September 2023 quarter for getting to breakeven on adjusted EBITDA at the Zomato level. So, I think that's a broad outlook and essentially, an internal plan that we are working on, and we thought we should share that with everyone here now that we are getting closer to this milestone".
- 3) Shares of Bharat Dynamics closed the day up by 5.60 percent to Rs. 871 at the NSE on Thursday. Starting from an Anti Tank Guided Missile (ATGM) manufacturing company, it has forayed into the fields of Surface to Air Missile Weapon Systems, Air-to-Air Missile weapon System, under water weapon systems and associated equipments and also Refurbishment of missiles. The Company is the Sole manufacturer of Missiles and Torpedoes and also Weapon System integrator for Armed Forces. The Company Designed and developed Counter Measure Dispensing System (CMDS) for the Armed Forces. The Company is consistently a profit making company with strong operating performance.
- 4) Shares of Bank of India closed the day up by 5.21 percent to Rs. 48.50 at the NSE on Thursday. In Q1FY23, the Bank's profitability had been affected. However, most of the legacy issues are over and the Bank is adequately provided for. The Bank's Corporate book is also holding up well with significant exposure to ratings A& above. With regards to Corporate credit growth, the Bank's Managing Director & CEO A.K. Das had informed that Q1 is a lean quarter and not a barometer for full year guidance. He said that in Q1FY23, sanctions were Rs.7,000Crore - Rs. 8,000 Crore. He said that proposals worth Rs. 12,000 Crore (sectors like Pharma, metals, infrastructure) are in pipeline. He further added that some momentum in corporate book would be witnessed from Q2FY23 onwards. The Bank's digital journey is on track and is expected to be full fledged with digital capabilities. The Bank had given the following guidance for FY23: Credit growth: 10-12 percent, NIM: 3%, Gross NPA ratio: to be lower than 8%, Credit cost: 1%.
- 5) Shares of Allcargo Logistics ended up by 5.10 percent to Rs. 424.60 at the NSE on Thursday. Mr. Ravi Jakhar, Group Chief Strategy Officer of the Company in its Q1FY23 concall had said "As we started this new financial year faced with challenges of Ukraine war, lockdowns in China and a unique combination of inflationary and recessionary risks against all adversities and head winds we increased our volumes substantially year-on-year as well as quarter-on-quarter in our mainstay international supply chain business which contributes to nearly 90% of our revenues. Allcargo was the company that effectively created the CFS business and the LCL consolidation business in the country."

Key recent major developments..

- 1) Wall Street tumbled on Thursday on worries of a global economic downturn from aggressive central bank policy and fears that a rout in global currency and debt markets could spillover to stocks. The Nasdaq fell 3% due to losses in megacap growth names such as Amazon.com Inc, Apple Inc, Microsoft Corp, Meta Platforms Inc and Tesla Inc. They were down between 3.09% and 6.25%. The S&P 500 slipped to its lowest level since November 30, 2020, and was now set for a monthly decline of nearly 8%.

The benchmark index had recorded its first gain in seven sessions on Wednesday on easing Treasury yields after the Bank of England said it would buy long-dated British bonds to restore financial stability in markets. However, the relief was short-lived as Sterling fell and bond prices slid on Thursday, with the selloff in assets spilling over to even safe-haven U.S. Treasuries and top-rated German bonds. (Source: Reuters)

- 2) Russian President Vladimir Putin will on Friday begin formally annexing 15% of Ukrainian territory, presiding at a ceremony in the Kremlin to declare four Ukrainian regions part of Russia. Putin's spokesman Dmitry Peskov said the



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ceremony would take place at 3 p.m. (1200 GMT) on Friday in the St George's (Georgievsky) Hall of the Grand Kremlin Palace to sign "agreements on the accession of new territories into the Russian Federation". Agreements will be signed "with all four territories that held referendums and made corresponding requests to the Russian side", Peskov said. (Source: Reuters)

- 3) The government on Thursday slashed its market borrowing target for FY23 by Rs 10,000 crore, indicating buoyant tax collections which would be enough to bear Rs 44,762 crore additional expense on free ration distribution. In addition to the Budgeted collection from direct and indirect taxes, the government is also expecting gains from the windfall profit tax on oil that was levied from July 1. In a statement, the finance ministry said the government will do total borrowing of Rs 5.92 lakh crore during October-March period of the current fiscal, including from issuance of its maiden Sovereign Green Bonds of Rs 16,000 crore. The government had in Budget for 2022-23 projected a gross market borrowing of Rs 14.31 lakh crore. Of this, the government decided to borrow Rs 14.21 lakh crore during 2022-23. "Accordingly, the balance amount of Rs 5.92 lakh crore (41.7 per cent of Rs 14.21 lakh crore) is planned to be borrowed in the second half (H2) of the fiscal year 2022-23 through dated securities, including Rs 16,000 crore through issuance of Sovereign Green Bonds (SGrBs) as per the announcement made in the Union Budget 2022-23," it said. (Source: Press Trust of India)

Ajcon Global's observations and view..

1) Short term view:

- a) On Thursday, Indian benchmark indices after a strong gap up opening came under pressure as investors turned cautious ahead of RBI's policy meet. There are headwinds like rupee depreciation against the US dollar, high bond yields globally, concerns of slowdown in US, Europe and China and the recent developments in Russia will continue to affect investor sentiments in the near term.
- b) At the time of writing this report, US benchmark indices and the European indices were under significant pressure. Indian benchmark indices too are expected to witness a gap down opening on Friday. Value buying on declines in a staggered manner is suggested to investors in quality names.
- c) Although there are concerns in the near term, we reiterate that the domestic economy 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.
- d) Going ahead, all eyes would be on RBI's Monetary policy. 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. We expect a rate hike of around 50 bps.
- e) Domestically, investors would also keenly watch the upcoming Q2FY23 earnings season and management commentary of the Companies for the future outlook.
- f) 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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