

Key Benchmark indices across the globe

Index	June 08, 2023	June 07, 2023	Change	% change	Open	High	Low
Nifty	18,634.55	18,726.40	91.85	0.49	18,725.35	18,777.90	18,615.60
Sensex	62,848.64	63,142.96	294.32	0.47	63,140.17	63,321.40	62,789.73
Shanghai Composite	3,213.59	3,197.76	15.83	0.49	3,194.83	3,225.53	3,180.54
Hang Seng	19,299.18	19,252.00	47.18	0.24	19,227.84	19,339.82	19,087.66
Kospi	2,610.85	2,615.60	4.75	0.18	2,609.21	2,612.39	2,595.33
Dow Jones	33,688.08#	33,665.02	23.06	0.07	33,617.23	33,771.27	33,630.04
Nasdaq	13,218.77#	13,104.89	113.88	0.87	13,113.27	13,226.85	13,101.18
FTSE	7,599.74#	7,624.34	24.60	0.32	7,624.34	7,638.61	7,587.99
CAC	7,222.15#	7,202.79	19.36	0.27	7,196.22	7,236.15	7,184.19
DAX	15,989.96#	15,960.56	29.40	0.18	15,951.61	16,019.00	15,913.95

#denotes levels of June 08, 2023 at the time of writing this report

Key macroeconomic indicators

Index	June 08, 2023	June 07, 2023
Brent Crude Oil (\$ per barrel)	74.45#	76.95
Gold (\$ per ounce)	1,968.74#	1,939.63
Indian Rupee against US\$	82.57	82.54
India 10 year bond yield (%)	7.02	6.98
US 10 year G-sec (%)	3.73#	3.78

#denotes levels of June 08, 2023 at the time of writing this report

FII & DII activity

Index	June 08, 2023	June 07, 2023
FII activity (Rs. in Crore)	212.40	1,382.57
DII activity (Rs. in Crore)	405.01	392.30

Indian equities come under pressure; weak global cues affect investor sentiments..

- 1) On Thursday, the Indian benchmark indices come under pressure. The Nifty opened on a negative note and later touched an intraday low of 18,615.60. Finally, the Nifty ended the day, down by 91.85 points or 0.49 percent to end at levels of 18,634.55. On the other hand, the Sensex ended the day down by 294.32 points or 0.47 percent to end the day at levels of 62,848.64.
- 2) Among the Nifty 50 stocks, the major gainers were NTPC, JSW Steel, ONGC, Power Grid Corporation of India, Larsen & Toubro up in the range of 1.08 percent to 3.10 percent. On the other hand, the major losers were Grasim Industries, Kotak Mahindra Bank, Sun Pharmaceutical Industries, Tata Consumer Products, Tech Mahindra down in the range of 2.04 percent to 3.06 percent.
- 3) The broader markets too were under pressure on Thursday. The Nifty Midcap 100 index was down by 0.55 percent and the Nifty Smallcap 100 index was down by 0.95 percent.
- 4) In terms of the sectoral indices performance, the major losers were Nifty Media index down by 1.52 percent, Nifty IT index down by 1.12 percent, Nifty Pharma index down by 1.03 percent, Nifty FMCG index down by 0.90 percent, Nifty Auto index down by 0.86 percent, Nifty Bank index down by 0.63 percent.

- 5) On Thursday, FIIs have net bought equities worth Rs. 212.40 Crore. On the other hand, DIIs net sold equities worth Rs. 405.01 Crore. Month till date, FIIs have net bought equities worth Rs. 549.75 Crore and DIIs have net bought equities worth Rs. 1,765.03 Crore. In the month of May 2023, FIIs have net bought equities worth Rs. 27,856.48 Crore and DIIs have net sold equities worth Rs. 3,306.35 Crore.

Sectors & Stocks

- 1) Shares of One 97 Communications Limited ended up by 6.05 percent to Rs. 771 at the NSE on Thursday. The Company's Operating Performance Update (for the month of May 2023) was encouraging. According to the operating performance update press release, the Company witnessed continued growth in payments and loan distribution business: Leadership in offline payments strengthens with 75 lakh devices deployed; disbursements of Rs 5,502 Cr (\$666 million) in the month of May 2023 through Paytm platform. The Company witnessed continued expansion of consumer base with average monthly transacting users (MTU) at 9.2 crore for quarter to date (average for April & May 2023), up 24% YoY. The Company's leadership in payment monetization continues, as subscription devices for payment devices like Soundbox and POS machines continue to see increased acceptance by merchants. Number of merchants paying subscription for payment devices has reached 75 lakh as of May 2023, an increase of 4 lakh devices in the month. Merchant Payment Volumes (GMV) for quarter to date (for April & May 2023) stood at Rs 2.65 Lakh Cr (\$32.1 billion), YoY growth of 35% Continued scale in its loan distribution business with disbursements of Rs 9,618 Cr (\$1.2 billion, YoY growth of 169%) and 85 lakh loans (YoY growth of 54%) distributed in the quarter to date (for April & May 2023).
- 2) Shares of Aether Industries Limited closed up by 5.29 percent to Rs. 979 at the NSE on Thursday after hitting an intraday high of Rs. 1,022. Aether Industries Limited, one of India's leading speciality / fine chemical manufacturer and preferred provider of Contract Research and Manufacturing Services, has recently signed a Letter of Intent (LoI) with one of the top 3 leading global Oil Field Services companies based in USA towards the finalization of a strategic supplier and contract manufacturing partnership. The LoI paves the way for the execution of a Strategic Supply Agreement (SSA) between the two companies within 3 months of the LoI execution. The LoI specifies 4 strategic products of the new customer that will be contract manufactured by Aether as the first set of products in this new partnership. The individual volumes of these 4 products is also specified in the LoI, and totals to 1,325 MT per month (i.e. ~ 16 KTA or 16,000 MT per year). These products will be supplied to the global energy and oil and gas locations of the customer, including a significant supply within India.

Commenting on the LoI, Dr. Aman Desai (Promoter / Director) of Aether Industries said, "We are excited to announce this new partnership with our new customer, a global energy technology leader and one of the world's three largest oil field services companies based in USA. According to him, Letter of Intent and the following Strategic Supply Agreement within next 3 months will cement Aether's relationship as a strategic contract manufacturing partner with this new customer. He further added "All the products under discussion will be manufactured by Aether for the first time in India. Although all products will be supplied to the global locations of this customer, a significant supply will be dedicated towards those in India and for Indian domestic oil and gas applications; thus this project represents a significant project for the "Make in India" platform. The volume and revenue potential of this new partnership will be significant for Aether. Just the first set of 4 products mentioned in the LoI have a mature supply potential of > 1,000 MT per month and will correspond to top line revenues for Aether in excess of USD \$ 36 MM or Rs. 300 crores per year. This initial revenue potential is anticipated to be achieved by Aether within 1 year of the SSA execution. We believe that this is only the start of this new partnership and initial success in these 4 products will pave the way for a much deeper association and business relationship between our two companies."

- 3) Shares of Apollo Pipes Limited ended up by 4.38 percent to Rs. 709.90 at the NSE on Thursday. Mr. Sameer Gupta - Chairman and Managing Director of the Company in Q4FY23 analyst concall had said "We reported our best ever sales volume of 18,685 metric tons for the quarter in Q4. Revenue was highest ever as well despite lower PVC prices. This suggests that we are now hitting 6,000 tons of monthly sales volume quite comfortably. Our - share gains and strong sales volume growth in a difficult year has given us enough confidence to expand our boundaries. That's why we have decided to double our capacity to 286,000 metric tons in the next 3 to 4 years. We believe that the industry growth of 10% to 12% gives enough opportunity for a player of our size to grow at this pace. In order to prepare ourselves for this commitment, we have worked on 3-point strategy: Strengthen the team with appointment of x numbers of professionals in last 2 years, and latest being Mr. Arun Agarwal, ex-COO of our group company, APL Apollo Tubes. We are confident that his expertise in scaling up the steel business will help Apollo Pipes in the long run."

He further added "As we are expanding our capacity, we are mindful of the fact that the capex needs to be funded without that. That's why the company has got commitment for equity infusion of INR260 crores. Balance capex of INR240 crores can be funded from internal cash flows. In our capacity expansion program, we have ensured that there's no cannibalization of existing business. Our strategy to expansion is for value-added products comprising of bath fitting, CPVC and HDPE pipes. Our new proposed greenfield plants will mirror our flagship Dadri-1 plant with the investment of INR135 crores each. This will help us scale up at a quick pace similar to our North performance. We believe that this shall provide enough ammunition to the team Apollo Pipes to accelerate revenue growth to 35% CAGR for the next 4 years. We are also confident of hitting 25% to 30% of ROCE despite this proposed investments supported by working capital efficiencies."

RBI's Monetary Policy - Key highlights..

- 1) The Reserve Bank of India (RBI) kept the policy repo rate under the liquidity adjustment facility (LAF) unchanged at 6.50 per cent. The standing deposit facility (SDF) rate remains unchanged at 6.25 per cent and the marginal standing facility (MSF) rate and the Bank Rate at 6.75 per cent.
- 2) The Monetary Policy Committee (MPC) also decided to remain focused on withdrawal of accommodation to ensure that inflation progressively aligns with the target, while supporting growth. These decisions are in consonance with the objective of achieving the medium-term target for consumer price index (CPI) inflation of 4 per cent within a band of +/- 2 per cent, while supporting growth.
- 3) The MPC resolved to continue keeping a close vigil on the evolving inflation and growth outlook. It will take further monetary actions promptly and appropriately as required to keep inflation expectations firmly anchored and to bring down inflation to the target. The MPC also decided to remain focused on withdrawal of accommodation to ensure that inflation progressively aligns with the target, while supporting growth.
- 4) According to the provisional estimates released by the National Statistical Office (NSO) on May 31, 2023, India's real gross domestic product (GDP) growth accelerated from 4.5 per cent (year-on-year, y-o-y) in Q3:2022-23 to 6.1 per cent in Q4, supported by fixed investment and higher net exports. Real GDP growth for 2022-23 was placed at 7.2 per cent, higher than the second advance estimate of 7.0 per cent.
- 5) Domestic economic activity remains resilient in Q1:2023-24 as reflected in high frequency indicators. Purchasing managers' indices (PMI) for manufacturing and services indicated sustained expansion, with the manufacturing PMI at a 31-month high in May and services PMI at a 13-year high in April-May. In the services sector, domestic air passenger traffic, e-way bills, toll collections and diesel consumption exhibited buoyancy in April-May, while railway freight and port traffic registered modest growth.
- 6) On the demand side, urban spending remains robust as reflected in indicators such as passenger vehicle sales and domestic air passenger traffic which recorded double digit growth in April. Rural demand is gradually improving though unevenly – motorcycle sales expanded in April, while tractor sales contracted partly owing to unseasonal rains. Investment activity is picking up as reflected in the healthy expansion in steel consumption and cement output in April. Merchandise exports and non-oil non-gold imports remained in contraction mode in April while services exports sustained a robust expansion.
- 7) RBI's Governor Shri. Shaktikanta Das said "Looking ahead, higher rabi crop production, expected normal monsoon, continued buoyancy in services and softening inflation should support household consumption. On the other hand, given the healthy twin balance sheets of banks and corporates, supply chain normalisation and declining uncertainty, conditions are favourable for the capex cycle to gain momentum. Robust government capital expenditure is also expected to nurture investment and manufacturing activity. Consumer and business outlook surveys display continued optimism. The headwinds from weak external demand, volatility in global financial markets, protracted geopolitical tensions and intensity of El Nino impact, however, pose risks to the outlook. Taking all these factors into consideration, real GDP growth for 2023-24 is projected at 6.5 per cent with Q1:2023-24 at 8.0 per cent; Q2 at 6.5 per cent; Q3 at 6.0 per cent; and Q4 at 5.7 per cent, with risks evenly balanced."
- 8) CPI inflation fell sharply to 4.7 per cent in April 2023 from 6.4 per cent in February on the back of large favourable base effects, with softening observed across all the three major groups. Food group inflation eased, with moderation in cereals, eggs, milk, fruits, meat and fish, spices and prepared meals inflation and deepening of deflation in edible oils. In the fuel group, inflation in LPG and firewood and chips prices fell and kerosene prices slipped into deflation. Core inflation (i.e., CPI inflation excluding food and fuel) dipped, driven down by clothing and footwear, household goods and services, health, transport and communication, personal care and effects and recreation and amusement sub-groups.

- 9) The RBI's Governor said "Going forward, with the recent rabi harvest remaining largely immune to the adverse weather events, the near-term inflation outlook looks more favourable than at the time of the April MPC meeting. The forecast of a normal south-west monsoon by the India Meteorological Department (IMD) augurs well for the kharif crops. Uncertainties, however, remain on the spatial and temporal distribution of monsoon and on the interplay between El Nino and the Indian Ocean Dipole (IOD). Geopolitical tensions; uncertainties around the monsoon and international commodity prices, especially sugar, rice and crude oil; and volatility in global financial markets pose upside risks to inflation. Taking into account these factors and assuming a normal monsoon, CPI inflation is projected at 5.1 per cent for 2023-24, with Q1 at 4.6 per cent, Q2 at 5.2 per cent, Q3 at 5.4 per cent and Q4 at 5.2 per cent. The risks are evenly balanced."

Key developments

- 1) The Bank of Canada (BoC) surprised markets on Wednesday by hiking its overnight rate to a 22-year high of 4.75%, with traders expecting another increase next month to ratchet down an overheating economy and stubbornly high inflation. The BoC had been on hold since January to assess the impact of previous hikes. (Source: Reuters).

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

- 1) On Thursday, Indian benchmark equities came under pressure despite RBI keeping policy repo rate unchanged. RBI's downward revision of FY24 inflation forecast by just 10 bps to 5.1 percent in FY24 also played on investors mind. After a recent rally, profit booking was witnessed across the board. We expect market to remain choppy.
- 2) We suggest investors to remain stock specific and be wary of valuations of companies getting out of comfort zone. At the moment, companies in the sectors like Banking, NBFCs, Capital Goods, select companies in the Infrastructure space, Railways and Defence. Select companies in the new age business segment can also be considered as they have seen good improvement in performance in Q4FY23.
- 3) We have faith in the India story and believe that the domestic economy is strongly placed as compared to the global peers which will attract investors. Domestically, the economy is doing well which is evident from the recent GST collection data, manufacturing PMI and Services PMI data, and other indicators like passenger air traffic, hotel occupancy, power consumption, auto sales, coal production data etc. Q4FY23 earnings season has been decent. IT giants had reported weak performance but IT midcaps have delivered good Q4FY23 performance. Results announced by PSU Banks, NBFCs announced indicates good times for Banking and Financial Services sector. Private Banks too had reported decent Q4FY23 performance.
- 4) While the global central banks especially in US and Europe are grappling with issues like balancing inflation and growth; however, Reserve Bank of India is balancing inflation and growth in a good manner. In addition, the Indian Banking has proved to be resilient to global factors and macroeconomic headwinds. This will infuse confidence amongst investor community which will attract FIIs inflows. Street participants will continue to watch global bond yields as it will dictate treasury performance of Banks, rupee movement against the US Dollar, crude oil price movement, economic activity in China, developments related to tussle between China and Taiwan, key implications of ongoing war between Russia and Ukraine.



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SEBI registration Number: INH000001170 as per SEBI (Research Analysts) Regulations, 2014.

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