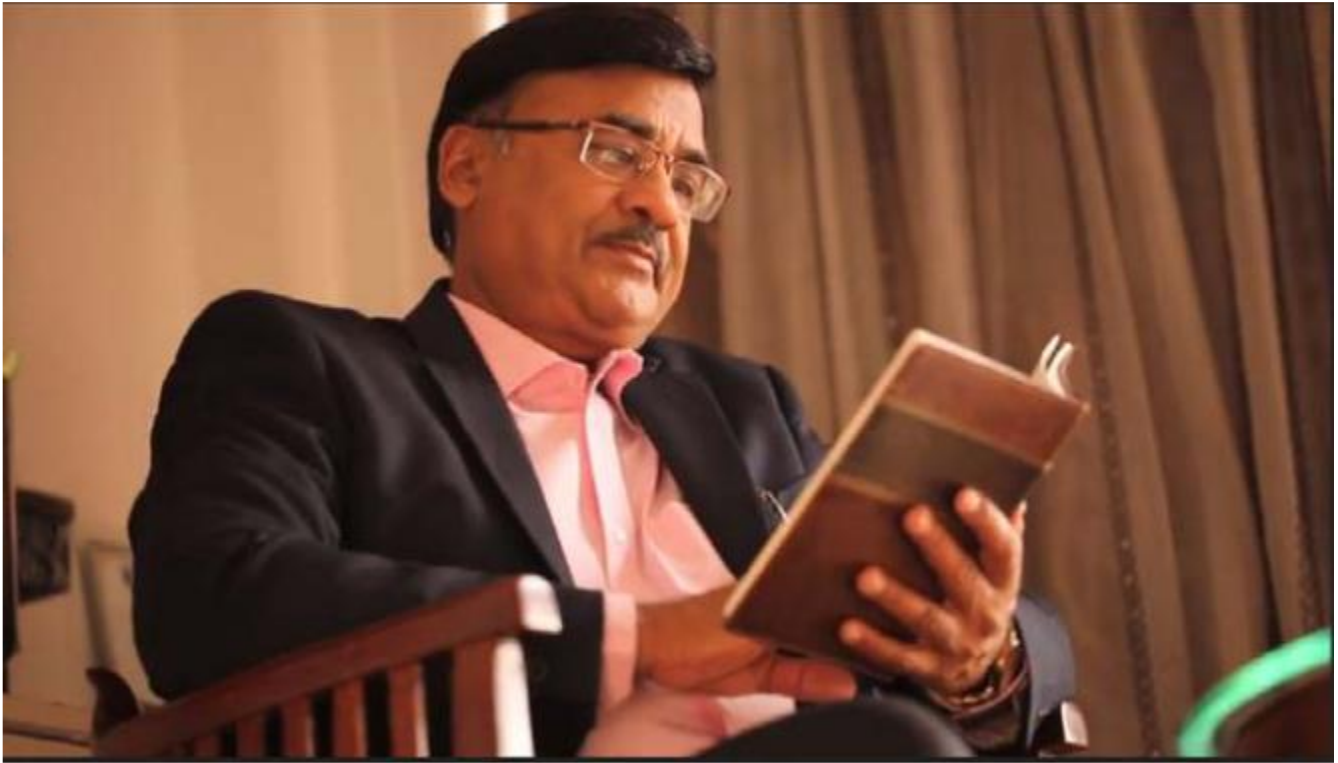




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CA (Dr.) Ashok Ajmera's Weekly Column as on January 26, 2024

The week saw movements in both directions amid high selling pressure witnessed by FII.



CA (Dr.) Ashok Ajmera's Weekly Column

The domestic bourse saw a volatile week with FII sell off witnessed during the week. Both, the Nifty 50 and the Sensex closed in a negative territory. The broader market saw some buying on the Wednesday trading session but could not sustain those levels and the bears took over. The markets have been overvalued for a while and we might be seeing FII's dominating as net sellers as it has been for the last few trading sessions. We have already given a caution signal regarding expensive valuations especially in the small and mid-cap stocks

The top gainers in the Nifty 50 index were Bajaj Auto (up by 7.25%), Bharti Airtel (up by 6.76%), NTPC (up by 5.16%), Power Grid Corp (up by 5.16%) and Coal India (up by 3.66%). The major losers in in the Nifty 50 index were Asian Paints (down by 6.78%), IndusInd Bank (down by 6.26%), Axis Bank (down by 5.03%), HDFC Life (down by 4.74%) and HUL (down by 4.70%).

FII and DII activity

In the week gone by, FII were net sellers at Rs. 12,739.96 Crores and DII were net buyers at Rs. 8,982.65 Crores. In the previous week FII were net sellers at Rs. 22,427.08 Crores and DII were net buyers at Rs. 11,432.04 Crores. In the month of December 2023, FIIs had net bought equities worth Rs. 31,959.78 Crore and DIIs had net bought equities worth Rs. 12,942.25 Crore.

Sector Movement

Nifty Pharma was the outperforming sector of the week, closing at an all-time high during the week, up by 0.83%. Nifty Energy, commodities, PSE and healthcare were the only other sectors in green during the week. The worst performing sector was Nifty Media which was down by 9.93%.

Global Market and Major Developments

The US market closed in the positive territory with S&P 500 being the outperformer. The American economy expanded an annualised 4.9% in the third quarter of 2023, slightly below 5.2% in the second estimate, but matching the 4.9% initially reported in the advance estimate. ECB policymakers agreed that inflation would be brought back towards the 2% target in 2025, but there was a need for the maintenance of a restrictive stance for some time due to differing views on whether the target would be reached in a timely manner. Chinese financial authorities on Sunday allowed a further cut in mortgage loan interest rates for some home buyers in an attempt to support demand and promote stable and healthy development of the real estate market. For purchases of first homes, commercial banks can reduce the lower limit of interest rates on home loans by 20 basis points. The Composite Consumer Sentiment Index (CCSI) climbed to 101.6 points in January of 2024 from 99.5 in the prior month. It pointed to the highest reading since August 2023 due to moderating inflation, a recovery in exports and hopes for an end to rate hikes. The S&P Global United Kingdom Composite PMI rose to 52.5 in January 2024, up from 52.1 in the previous month and slightly above the market consensus of 52.2, as indicated by a preliminary estimate.

Major Developments in Domestic Markets

- Market regulator SEBI (Securities and Exchange Board of India) has found more than 40 cases where AIFs (alternative investment funds) appear to have been structured to facilitate circumvention of certain financial sector regulations, to the tune of over Rs 30,000 crore. Some foreign investors appear to have set up AIFs with domestic managers/sponsors to invest in sectors prohibited for FDI (foreign direct investment), or to invest beyond the allowed FDI sectoral limit, SEBI said.

Particulars	Close (25/01/2024: Thursday)	Open (20/01/2024: Saturday)	Previous Close (19/01/2024: Friday)	Change (%)
Nifty 50	21,352.60	21,706.15	21,622.40	-1.25
Sensex	70,700.67	72,008.30	71,683.23	-1.37
Nifty Midcap 100	47,208.65	48,180.10	47,815.95	-1.27
Nifty Smallcap 100	15,409.40	15,553.65	15,487.45	-0.50
Sectoral Indices				
Nifty Bank	44,866.15	45,989.25	45,701.15	-1.83
Nifty Auto	18,614.90	18,752.25	18,694.60	-0.43
Nifty IT	36,496.20	37,259.80	37,069.25	-1.55
Nifty PSU Bank	5,929.70	5,972.65	5,945.10	-0.26
Nifty Fin Services	20,099.40	20,548.95	20,425.35	-1.60
Nifty Pharma	17,532.55	17,454.30	17,388.00	0.83
Nifty FMCG	55,214.10	56,632.80	56,640.50	-2.52
Nifty Metal	7,719.65	7,767.55	7,732.35	-0.16
Nifty Realty	823.55	870.90	868.50	-5.18
Nifty Media	2,134.60	2,393.85	2,369.90	-9.93
Nifty Energy	35,203.85	35,116.65	34,985.30	0.62
Nifty Private Bank	23,051.10	23,687.75	23,537.75	-2.07
Nifty Infra	7,656.70	7,699.25	7,665.90	-0.12
Nifty Commodities	7,733.65	7,776.40	7,732.20	0.02
Nifty Consumption	9,532.55	9,657.15	9,640.10	-1.12
Nifty PSE	8,334.50	8,378.85	8,311.70	0.27
Nifty Serv. Sector	26,951.40	27,376.90	27,229.45	-1.02
Nifty Healthcare	11,099.50	11,051.25	11,005.90	0.85
Nifty Oil & Gas	10,183.30	10,405.15	10,359.00	-1.70
Nifty INDIA MFG	11,012.70	11,134.35	11,092.60	-0.72
US Indices				
Dow Jones	38,109.44	37,919.55	37,863.81	0.65
S&P 500	4,890.96	4,853.42	48,39.82	1.06
NASDAQ 100	17,421.01	17,403.62	17,314.00	0.62
Commodities				
Gold (in Rs./ 10 gram)	61,964	61,880	61,988	-0.04
Brent Crude oil	83.10	78.29	78.65	5.66
The US Indices and commodities opened on 22/01/2024 i.e Monday				



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2. UltraTech Cement, part of the Aditya Birla Group, reported a 68 percent on-year increase in net profit for the October-December quarter at Rs 1,777 crore on the back of higher volume and lower costs. Revenue rose 8 percent on-year to Rs 16,740 crore. The UltraTech results exceeded street estimates with an Ebitda of Rs 3,250 crore (up 39 percent YoY).
3. HFCL secured a purchase order of Rs 623 crores for the supply of indigenously manufactured 5G networking equipment. "This is first such large order for 5G networking equipment placed on any Indian company by any telecom service provider," HFCL said.
4. Paytm's revenue grew 38 percent year-on-year (YoY) to Rs 2,850 crore in the October-to-December quarter. Revenue increased due to accelerated gross merchandise value growth, higher device addition, and growth of financial services business.
5. Reliance Industries' net profit jumped 10.9 percent from a year earlier to Rs 19,641 crore for the fiscal third quarter, beating street estimates. Gross revenue from operations of India's most valuable company rose 3.2 percent YoY to Rs 2.48 lakh crore.
6. IREDA in Q3FY24, reported a 67.2 percent on-year growth in net profit at Rs 335.5 crore, thanks to a robust loan book growth and reduction in bad debt. IREDA recently announced a partnership with Indian Overseas bank to co-finance renewable energy projects in India.
7. Coforge reported over 31 percent growth in consolidated net profit for the October-December period at Rs 238 crore. The company's revenue from operations gained nearly 2 percent sequentially to Rs 2,323 crore, up from Rs 2,276 crore in the September quarter.
8. ICICI Bank has reported a net profit of Rs 10,271.54 crore for Q3FY24 against Rs 8,312 crore a year ago. Its gross non-performing asset (NPA) stood at 2.3 percent, a decline from 3.07 percent in the previous fiscal and net NPA stood at 0.44 percent against 0.55 percent in Q3FY23. Net interest income (NII) for the reporting period grew by 34.6 percent year-on-year to Rs 16,465 crore in Q3FY23.
9. Sony Group has officially terminated its merger deal with ZEE, while media reports suggested the MD & CEO Punit Goenka was the key issue, ZEE refuted the claims.
10. Sugar production in the current marketing year, till January 15, was 149.52 lakh tons against 157.87 lakh tons in the year-ago period. While production has been low this marketing season, ISMA says the weather has been good for the standing cane crop. It fears that in the next season, higher production and a cap on diverting cane for ethanol could hit lead to a price slump
11. Lupin has received the tentative approval from the United States Food and Drug Administration (USFDA) for its Abbreviated New Drug Application (ANDA) for Rivaroxaban Tablets USP, 2.5 mg, 10 mg, 15 mg, and 20 mg, to market a generic equivalent of Xarelto Tablets, 2.5 mg, 10 mg, 15 mg, and 20 mg, of Janssen Pharmaceuticals, Inc.
12. United spirits Ltd. reported a 63 percent year-on-year (YoY) rise in net profit to Rs Rs 350.2 crore for the October-December quarter.
13. Steel stocks were fired up after the Chinese central bank governor announced plans to cut the Bank Reserve Requirement Ratio to provide liquidity for the ailing economy.
14. Laurus Labs in the December quarter, registered an 88.5 percent year-on-year decline in profit at Rs 23.34 crore for the third quarter of FY24, with 67 percent year-on-year fall in CDMO-synthesis business.
15. UCO Bank's net profit plunged 23 percent year-on-year (YoY) in the October-to-December quarter.

Events in the Coming Week

329 companies are coming up with their results next week. Few names among the bunch are, Yes Bank, ITC, Bajaj finance, GAIL, VI, JP Power, Latent view, Bajaj holdings, Bajaj finserv, KPIT technologies, Arvind, Sun Pharma, Maruti Suzuki, Bank of Baroda, Ambuja cement, Suzlon, Jubilant foodwork, Swan energy, Titan company, Adani enterprises, Sonata software, Dr Lal pathlabs, Bata India, Jupiter wagons, HFCL, Texmaco Rail, Tata motors, JSW Infra etc.

Ajcon Global's observations and view:

Short term view:

1) The Q3 result season has started and the market has started reacting to the results, which are showing mixed signs. The major other factors that will be guiding the markets is the upcoming interim budget, global & domestic bond yields, global economic data, crude oil prices & war situation in Ukraine- Russia / Israel- Hamas going forward. The continuing rally in the domestic market inspite of continued selling by the foreign investors is a cause of concern. The market is clearly in the overbought zone and so a cautious stance is recommended. We have already given warning signals with regards to expensive valuation in small and midcap stock. We continue to advise partial profit booking in blue chips which have given good rally in recent past and substantial profit booking in small and midcap stocks as any negative results or news can bring them under pressure. It is always better to sit on cash to take advantage of corrections, which is imminent.

2) We suggest investors to remain stock specific and be wary of valuations of companies which are out of comfort zone especially in the smallcap pack. At the moment, specific companies in the sectors like FMCG, Auto, Auto ancillaries, Banking, NBFCs, Consumer Durables, Capital Goods, Defence, Engineering, Real Estate, Infrastructure space and Railways many of which have not yet caught the fancy of the market can be identified & added.

Long term view

1) 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, increase in investment led spending and other indicators like passenger air traffic, hotel occupancy, power consumption, auto sales, coal production data etc. Encouraging Q3/FY 24 results suggest that economy is doing well.

2) Structurally, Indian economy is poised to do well after major reforms like thrust on digital economy after demonetisation, implementation of GST, RERA, Insolvency and Bankruptcy Code, reforms in power sector etc.



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