



# WEEKLY Newsletter

Private Client Group



# MARKET

## kya lag raha hai?



Markets reacted to RBI's third 50 bps rate hike action with a positive bias as domestic equities altered their seven-day losing streak by end of the last week. Both Sensex and Nifty 50 recovered hefty losses of the previous trading sessions on Friday, with the rupee strengthening against the US dollar. Further, a slowdown in foreign investors funds' outflow was also witnessed.

RBI hiked the repo rate once again to tame the soaring inflation which was on expected lines. **Also, RBI's confidence in the economy's growth momentum lifted the overall appetite in the equities market.** With the latest hike, RBI has now raised the key repo rate fourth time in a row. So far in the current fiscal, the repo rate has increased by 190 basis points.

**Although the domestic economy is buoyed by solid fundamentals, the stock market's appetite for risk has been hindered by the rising worry of a worldwide recession.** Over the last two weeks, the market sentiment has changed from bullish to bearish. Investors are worried about the decline in the stock market. The Indian stock market peaked in October 2021. The Nifty was trading just above 18,600 at that time. There was a sense of euphoria in the air. Investors were ready to believe forecasts of Nifty 20,000. In fact, at that time, it seemed like a self-fulfilling prophecy. But that didn't happen. Instead the stock market has been hit by a series of events that could send it into a full-fledged bear market. The Nifty is back down to 17,000 levels. **The fear of a global recession is the biggest concern for stock markets at the moment.**

With no major events expected in the following week, markets may consolidate and likely to be dominated by global news flows. **The volatility in oil prices and the strengthening of the US Dollar compared to other currencies will be other important factors that may affect the market.**

The market movement would also depend on the movement in rupee and investment pattern of foreign institutional investors (FIIs). **Data from NSDL showed that FPIs outflow stood at ₹7,624 crore in the equity market in September.** Overall, the selloffs in September are sharply low compared to the first six months of 2022. Year-to-date, FPIs outflow stands at ₹1,68,789 crore from the equity market. **In the current scenario, the markets will become highly stock-specific as we are heading towards Q2 FY23 earnings season.**

# ECONOMY

## ka haal chaal!



**Gas prices witness 40% sharp hike; CNG, PNG to cost more:** Prices of natural gas, which is used to generate electricity, make fertilizer and is converted into CNG to run automobiles were hiked by a steep 40% to record levels, in step with global firming up of energy rates.

The order stated that the price of gas from challenging and more recent fields, such as those in the deep sea D6 block in the KG basin, operated by Reliance Industries Ltd. and its partner British Petroleum PLC, was increased to \$12.6 per mmbTU from \$9.92. This will be the third increase in rates since April 2019 and comes on the back of firming benchmark international prices.

**Inputs such as gas are used to produce electricity as well as fertilizer. Additionally, it is transformed into CNG and pumped into residential kitchens for use in cooking.** A steep increase in prices is likely to reflect in higher rates for CNG and piped natural gas (PNG), which has in the last one year risen by over 70%.

**RBI hikes repo rate as it steps up battle to contain inflation:** The Reserve Bank of India's monetary policy panel lifted interest rates by 50 basis points for the third straight time, joining a procession of central banks that have raised rates to rein in the effects of a soaring dollar and rising prices. **The MPC's decisions are guided by two factors—inflation and growth.**

The six-member rate-setting panel voted five to one in favour of raising the rate by half a percentage point, with Ashima Goyal voting for a 35 bps hike. In a split decision, the panel also maintained its stance of "withdrawal of accommodation", with only Jayanth Varma dissenting. **RBI's repo rate now stands at 5.9%, taking the tally of rate hikes to 190 bps since May. Central bank joins peers that have raised rates to rein in effects of soaring dollar, rising prices.**

Central banks are racing to hike interest rates to combat soaring inflation and the effect of a strong dollar on their economies, as the US Federal Reserve continues on an aggressive path to hike rates. **Being the currency of global trade, the relentless rise of the dollar fuels inflation and hurts growth in countries dependent on energy and food imports.**

RBI also downgraded its growth forecast modestly, while its inflation projection was unchanged. The growth forecast for FY23 was cut to 7% from 7.2%. **RBI, however, remains confident about growth prospects even as June quarter growth was lower than expected.**

# CORPORATES ki khabrein



**Tata Motors brings electric to small cars:** Tata Motors has launched the electric version of the Tiago. The range of the Tiago EV hatchback will be priced between ₹8.49 lakh- ₹11.79 lakh, ex-showroom. **Tiago EV is Tata's third electric passenger vehicle (PV) and its first electric hatchback.** Tata is also expanding its EV availability from ~85 to ~165 cities as it expects good acceptance of Tiago EV in tier-2/3 cities. Tata leads India's EV market, helped by government subsidies and high tariffs on imports and the company **intends to expand its electric PV portfolio from 3 EVs at present to 10 by FY26.** Tiago EV is targeting existing EV customers who are looking for a smaller car with premium features. **Impact/View:** With the recent launch of the Tiago EV, Tata Motors has opened new vistas and is poised to drive the mass adoption of EVs across the country. **Going forward, we expect the festive season will witness strong retails on the back of improving supply of vehicles.**

**Airtel debuts India's first immersive Virtual Reality ad at IMC 2022:** India's second largest telco Bharti Airtel unveiled the country's first immersive Virtual Reality (VR) advertisement powered by 5G. As part of its demonstrations at the ongoing India Mobile Congress 2022, the telco showcased the advertisement format on the Airtel Thanks app that opens new avenues for brands to engage with consumers in an immersive environment that was previously not possible in the traditional advertising paradigm.

**TCS poised to seal likely \$2 billion deal for BSNL 4G:** Tata Consultancy Services (TCS) and Bharat Sanchar Nigam Ltd (BSNL) are in the final stages of closing an estimated \$2-billion deal (₹ 16,000 crore) to launch the state-run telco's 4G network. The two companies have bridged differences over pricing and other commercial terms, they said, paving the way for the Tata group-led consortium to emerge as India's first indigenous telecom network solutions provider in a market dominated by global majors. **Impact/View:** Tejas Networks, a unit of Tata Sons, which is the parent company of TCS, is expected to locally manufacture the network equipment for BSNL.

**SME IPOs catch investors' fancy; 87 hit primary market to raise Rs 1,460 crore in Jan-September:** Strong performance of past IPOs spurred investors' interest, with 87 small and medium enterprises (SMEs) garnering Rs 1,460 crore through initial share-sales in the first nine months of the year. This was way higher than 56 companies that had raised Rs 783 crore through initial public offering (IPO) in the entire 2021, the industry data showed. These companies belong to a wide range of sectors like IT, automotive components, pharma, infrastructure and hospitality, and jewellery. **Further, the remaining part of the year 2022 can see more mature companies accessing the platform.**



# GLOBAL NEWS AND EVENTS



**India abstains on UNSC resolution condemning Russia's illegal referendums:** India has abstained on a draft resolution tabled in the UN Security Council which condemned Russia's "illegal referenda" and annexation of four Ukrainian territories. **Of the 15-nation Council, 10 nations voted for the resolution while China, Gabon, India and Brazil abstained. The resolution failed to get adopted as Russia vetoed it.** The draft resolution was tabled by the US and Albania which condemns Russia's "organisation of illegal so-called referenda in regions within Ukraine's internationally recognised borders. Earlier, Russian President Putin on Friday had proclaimed the annexation of the Ukrainian regions of Donetsk, Luhansk, Kherson and Zaporizhzhia.

The UNSC called for an immediate cessation of violence while underlining the need to find pathways for a return to the negotiating table. India's Permanent Representative to the UN Ambassador Ruchira Kamboj said that India was deeply disturbed by the recent turn of developments in Ukraine and New Delhi has always advocated that no solution can ever arrive at the cost of human lives. "India's position has been clear and consistent from the very beginning of this conflict. The global order is anchored on the principles of the UN Charter, international law and respect for sovereignty and the territorial integrity of all states. Escalation of rhetoric or tension is in no one's interest," she said.

The resolution declares that Russia's "unlawful actions" with regards to the "illegal so-called referenda" taken on September 23 to 27 this year in parts of Ukraine's regions of Luhansk, Donetsk, Kherson, and Zaporizhzhya that are under Russia's temporary control can have "no validity" and cannot form the basis for any alteration of the status of these regions of Ukraine, including any "purported annexation" of any of these regions by Moscow.

It also decides that Russia shall "immediately, completely and unconditionally" withdraw all of its military forces from the territory of Ukraine within its internationally recognised borders, which includes those regions addressed by the "illegal so-called referenda" to enable a peaceful resolution of the conflict between Russia and Ukraine through political dialogue, negotiation, mediation or other peaceful means.

(Source: **The Mint & PTI Report**)

# TECHNICAL OUTLOOK



**Technically, there is a “Golden Cross” in NIFTY50 Daily charts while the index is now taking support around its 200 SMA.**

In weekly scale, the index finished the week with a hammer candle, indicating that the short-term correction is likely over. The daily RSI is also starting to recover from 40 levels, signaling that the upward trend may resume soon.

The coming week is likely to see the levels of 17,200 and 17,430 acting as resistance points. The supports will come in at 16,800 and 16,500 levels. The trading range is likely to stay narrower than usual. **The weekly RSI is 50.70; it stays neutral and does not show any divergence against the price.**

# CONVICTION PICKS



## Conviction Picks:

Company	Cmp	View	Support	Target (1-2 Yr)
<b>Panama Petrochem Ltd</b>	290	<b>Accumulate</b>	280	450

Manufacturer of petroleum specialty products; produces over 80 different variants of petroleum specialties catering to about six to seven different industrial segments. Exports are 43% of the total revenues.

### Pros:

✓The management sounds quite optimist, looking at the forecast from the customers and the demand. Despite the additional capacities are coming, the management feel volume growth will be around 15% to 20%.

✓Value-added products give a margin of about 14% to 17% against regular products which is about 10% to 13%. Currently, the contribution from value-added product stands at around 67%.

✓Balance Sheet: **Completely debt free**

### Cons:

Commodity Nature Cyclical Business

**Attractive Valuations:** PE 7.3x (Median 10Yr PE 12x)

**Conclusion:** We can allocate upto 3-4% in Panama Petro Ltd (PPL) (1-2 Yr Target 450) Current installed capacity is 240,000 tonnes on a consolidated basis. Currently running at over 100% capacity utilization, but the capacity is expandable about 15% to 20% over the installed capacity. This year, PPL have already planned an addition of 30,000 tonnes to its existing capacity. And in the coming years, PPL have further plans to increase about 30,000 tonnes per year in each of the coming two or three years. **Overall, CAPEX of about Rs. 100 Crores which PPL have planned expansions or through its internal accruals. Most of this addition is on the value-added products almost 70%.**

# KNOWLEDGE COLUMN



## World economy roiled by simultaneous shocks echoing 2007 anxiety

The world economy is showing signs of a rapid downshift as it contends with a series of shocks -- some of them self-inflicted by policymakers -- increasing the likelihood of another global recession and the danger of major financial disruptions.

**At the heart of the strain:** The fallout from the most aggressive hiking of interest rates since the 1980s. Having failed to foresee the surge in inflation to multi-decade highs, the Federal Reserve and most peers are now lifting rates at speed in a bid to restore price stability and their own credibility.

**Evidence of the impact -- and of the blow to consumers' purchasing power from soaring prices -- is mounting quickly.** In the past several days, Nike Inc. reported a surging stockpile of unsold product, FedEx Corp. shocked with a warning on delivery volumes and key chipmaker South Korea saw the first drop in semiconductor output in four years as demand retreats. Apple Inc. is backing off plans to boost output of its new iPhones, Bloomberg reported.

The turn is coming even before the full thrust of monetary tightening is felt. The Fed and many counterparts are pledging to keep going with steep rate hikes as they attempt to rebuild credibility. Quantitative tightening programs, where central banks remove liquidity by shrinking bond portfolios, are also just getting going.

Inflation data showcase the need for, as Fed Vice Chair Lael Brainard put it Friday, "avoiding pulling back prematurely" on tightening. She spoke shortly after the Fed's preferred measure of prices jumped more than forecast. Earlier, data showed euro-zone inflation has punched into double-digits.

Layered on top of continuing reverberations from the Russian invasion of Ukraine, the spreading economic gloom is sowing fear in financial markets, creating its own worrying dynamic. A rapidly appreciating dollar, supercharged by the Fed, may help cool US inflation, but it drives it up elsewhere by weakening other currencies -- pressuring authorities to restrain their own economies.

Prospects for a second global recession so soon after the 2020 downturn triggered by the pandemic were hardly apparent a year ago. But Europe's Russian-induced energy crisis, and China's deepening property slump and continued Covid-Zero approach weren't part of the consensus outlook.

Not all is dark, with US job-market resilience a notable feature. But the plans by Facebook parent Meta Platforms Inc. for the first reduction in headcount ever illustrate how that may still change.

- Report by Bloomberg.



# EARNINGS CALENDAR



Date	Company	Tentative Time
10-Oct	TCS	After Market
11-Oct	GM Breweries	During Market
11-Oct	Supreme Infrastructure India	Time Not Available
12-Oct	HCL Tech	Time Not Available
12-Oct	Wipro	Time Not Available
13-Oct	Angel One	After Market
13-Oct	Cyient Ltd	Time Not Available
13-Oct	Infosys (INFY)	After Market
14-Oct	Bajaj Auto	During Market
14-Oct	Shree Cements	Time Not Available
14-Oct	Plastiblends	Time Not Available
15-Oct	HDFC Bank	During Market
15-Oct	ICICIPRULI	Time Not Available
17-Oct	Craftsman	Time Not Available
18-Oct	L&T Technology (LTTS)	After Market
18-Oct	ICICI Lombard	During Market
18-Oct	Mahindra CIE	After Market
18-Oct	Sonata Software	During Market
18-Oct	Rane Engine	During Market
19-Oct	HDFC AMC	After Market
19-Oct	Nestle India	Time Not Available
19-Oct	Persistent Systems	During Market
19-Oct	Navin Fluorine	After Market
19-Oct	Jhonson Controls (JCHAC)	Time Not Available

# CORPORATE ACTIONS



Company	Event Type	Announced Date	Ex- Date	Dividend(Rs.)	Ratio
Maximus Interna	Splits	18/08/2022	03/10/2022	-	10:1
MOTHERSON	Bonus	16/08/2022	03/10/2022	-	1:2
Quadpro ITeS	Bonus	27/08/2022	03/10/2022	-	1:1
Suzlon Energy	Rights	10/08/2022	03/10/2022	-	5:21
Asian Hotel (E)	Bonus	14/11/2019	06/10/2022	-	1:2
Ajoooni Biotech	Splits	25/08/2022	07/10/2022	-	10:2
Ruchira Papers	Bonus	30/08/2022	07/10/2022	-	1:10
Sigma Solve	Bonus	24/08/2022	07/10/2022	-	3:2
Angel One	Dividend - Interim	28/09/2022	20/10/2022	-	-
Jai Corp	Dividend - Final	25/05/2022	20/10/2022	0.50	-
ICICI Lombard	Dividend - Interim	27/09/2022	27/10/2022	-	-
Asian Paints	Dividend - Interim	29/09/2022	31/10/2022	-	-
ICICI Securitie	Dividend - Interim	29/09/2022	31/10/2022	-	-
P and G	Dividend - Final	23/08/2022	04/11/2022	65.00	-
Gillette India	Dividend - Final	22/08/2022	10/11/2022	36.00	-
Procter&Gamble	Dividend - Final	29/08/2022	15/11/2022	11.50	-

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