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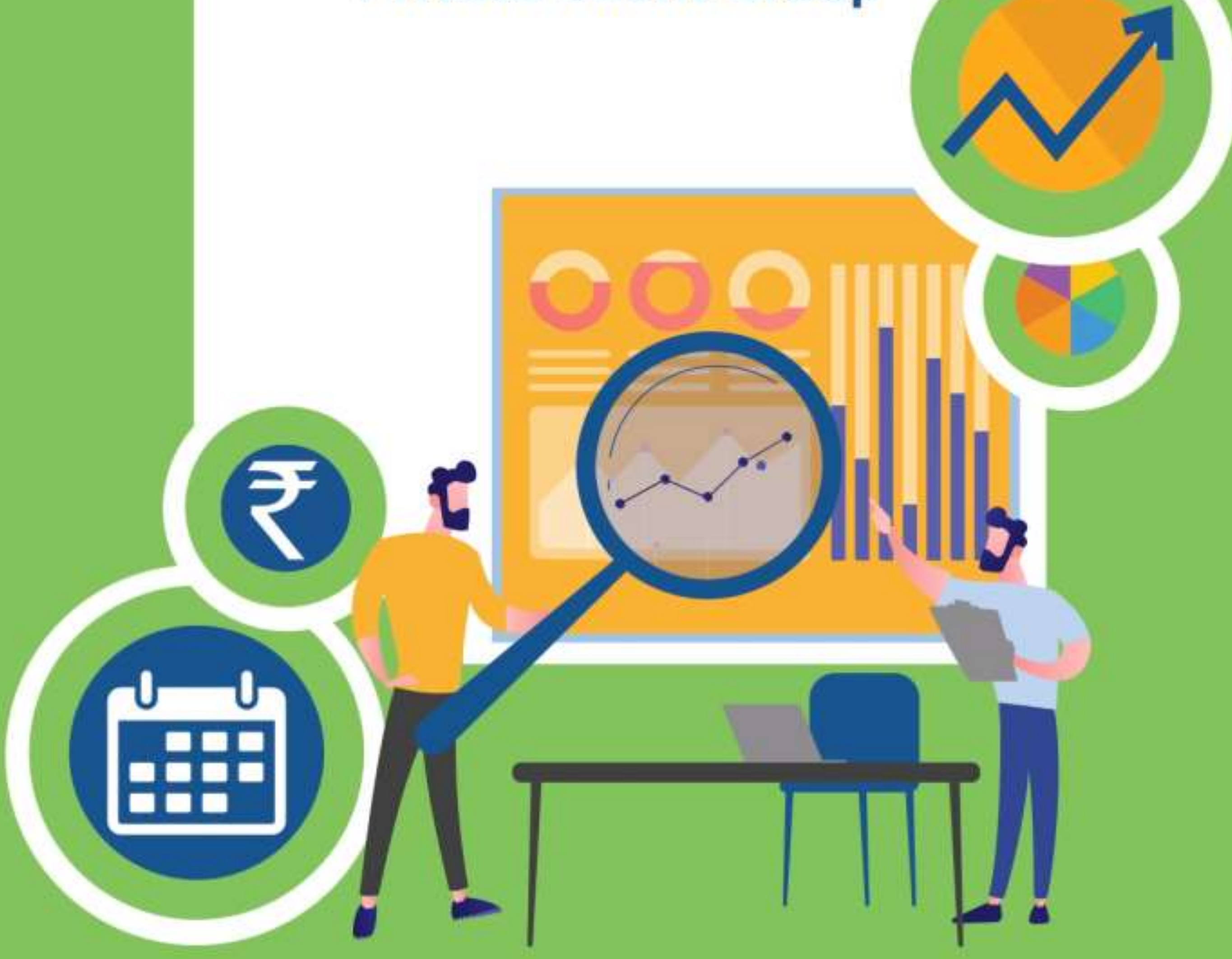
WEEKLY Newsletter

Private Client Group



MARKET
kya lag raha hai?

The equity market has entered into the new year on a back foot. During the first week of 2023, Sensex and Nifty 50 erased their psychological marks of 60,000 and 18,000 due to extreme volatility. Sensex has tumbled by 1,394 points and Nifty 50 fell by over 373 points from January 4-6th. Markets were in the green from January 2nd to 3rd, however, FOMC minutes, expectations of Q3 earnings, and consistent foreign funds outflow led to Sensex and Nifty 50 giving up their gains and ending the week in the red.

For the week, BSE Sensex lost 940.37 points or 1.54 percent to settle at 59,900.37 and Nifty50 fell 245.85 points or 1.35 percent to close at 17,859.45 levels. **Among Sensex stocks, Bajaj Finance lost the most in terms of market cap** followed by Infosys, Bajaj Finserv and HDFC Bank. On the other hand, ITC, Hindustan Unilever and Tata Steel were top gainers.

Foreign portfolio investors (FPIs) turned into net sellers in the first week of 2023 due to intense bearish sentiment amidst FOMC minutes, economic data, and a sharp selloff in IT stocks. **Also, investors showed nervousness ahead of major tech earnings such as TCS, Infosys, Wipro, and HCL Tech among others.** In the week that ended January 6th, FPIs outflow from Indian equities stood at ₹5,872 crore.

FPIs sold for eleven consecutive days taking the cumulative selling to ₹14,300 Crores. **And, the money taken out is being invested in the underperformers of last year like China and Europe, which are doing well now. Clearly, FII money is chasing lower valuations by selling in overvalued markets like India.** FPIs ended the year 2022 with an outflow of ₹1,21,439 crore in the equities due to macroeconomic uncertainties, rising interest rates trend, and geopolitical tension.

While inheriting positive global cues, the market may start positive for the week. **Going ahead, if the FPI selling continues, it will open up opportunities for investors**. FIIs will sell stocks in which they are sitting on profits, like the banking segment. And this segment continues to be strong. **Last year, too, selling by FIIs in banks turned out to be opportunities for domestic investors.**

ECONOMY ka haal chaal!

GST collection jumps 15% to ₹1.49 lakh crore in December 2022: The gross GST revenue collected during December 2022 is ₹1,49,507 crore, of which CGST is ₹26,711 crore, SGST is ₹33,357 crore, IGST is ₹78,434 crore (including ₹40,263 crore collected on import of goods) and cess is ₹11,005 crore (including ₹850 crore collected on import of goods).

The monthly GST revenues more than ₹1.4 lakh crore for 10 straight months in a row. The revenues for the month of December 2022 are 15% higher than the GST revenues in the same month last year. During the month, revenues from import of goods was 8% higher and the revenues from domestic transaction (including import of services) are 18% higher than the revenues from these sources during the same month last year. During the month of November, 2022, 7.9 crore e-way bills were generated, which was significantly higher than 7.6 crore e-way bills generated in October, 2022.

Centre expects this fiscal's economic growth at 7%: India's economic growth may slow to 7% in FY23 from 8.7% in the previous year, the National Statistical Office (NSO) said, as the war in Europe and rising interest rates globally hit demand in India and abroad. Nominal GDP growth in FY23 is estimated to also slow to 15.4% from 19.5% in the previous fiscal.

According to the NSO's estimates, agriculture may grow 3.5% against 3% in FY22, while manufacturing is likely to slow to 1.6% from 9.9% and mining from 11.5% to 2.4%. Meanwhile, the services sector is expected to pick up pace. Electricity, gas, water supply and other utility services are expected to grow at 9% in FY23 from 7.5% in the previous year. Trade, hotels, transportation, communication and broadcasting services are expected to grow 13.7% from 11.1% in FY22.

The government uses the NSO's estimate to formulate its spending and growth plans for the Union budget, which finance minister Nirmala Sitharaman is set to announce on 1 February. This will be the last full-year budget before the current government's term ends. The national elections are due in the first half of 2024.

India's manufacturing activity rebounds in December and Services activity recovers to 6-mth high in December: India's manufacturing activity rebounded to a 26-month high in December **led by strong expansion in new orders and production**, according to a private survey, signaling resilient demand despite global challenges. Meanwhile, Services sector activity in India rose to a six-month high in December **as Employment creation rose sharply, and companies remained optimistic about business outlook.**

The S&P Global India Manufacturing Purchasing Managers Index (PMI) rose sharply to 57.8 in December from 55.7 in November as input price pressures eased, improving outlook and business confidence. **However, new orders from abroad rose at the slowest pace in five months amid a demand slowdown in India's key export markets.**

CORPORATES
ki khabrein

Bajaj Finance Ltd (BFL) stock dives nearly 10% post Q3 business updates: BFL stock price have recorded three consecutive day selloffs. The sharp selling can be attributed to Bajaj Finance's lower-than-estimated AUM growth in Q3FY23. The NBFC major recorded assets under management (AUM) growth of 27% in Q3FY23 to approximately ₹230,850 crore compared to ₹181,250 crore in Q3 a year ago. Sequentially, the growth was around 5.7%. **View:** As per the company's business update, AUM growth in Q3'23 was strong at 5.7% QoQ; New loans booked during Q3 FY23 were highest ever at 7.8 MM as compared to 7.4 MM in Q3 FY22. BFL continues to remain well capitalized with capital adequacy ratio (CRAR) of approximately 25.1% as of 31 December 2022. **The company's deposit momentum was also strong and showed a 9.1% QoQ growth, at a time when there is intense competition for deposits between Banks and NBFCs.**

Led by Big Fat India Wedding season, Titan reported Healthy business growth in Q3 FY23: The healthy consumer demand spurred by a vibrant festive season resulted in ~12% growth in combined sales YoY across Company's standalone businesses. Continuing the network expansion (net), the retail presence stands at 2,362 stores as at the end of the quarter. Meanwhile, Tanishq opened its first international boutique store in USA, New Jersey in December 2022. With this store opening, the international presence now spans 6 stores across Dubai, Abu Dhabi and USA. **View**: **The positive consumer sentiment helped all categories clock healthy double digit growths despite a high base in the same period of last year.**

Banks not keen to fund Vodafone Idea before capital hike: Loss-making Indian telecom operator Vodafone Idea has sought at least 70 billion rupees ($846 million) in emergency funds from local banks, which are however reluctant to extend fresh loans. Vodafone Idea is awaiting a final nod on a government package that would allow it to convert interest of $1.95 billion on deferred adjusted gross revenue owed to the government into equity. **View:** The company needs the funds to remain in business. **But the lenders will wait for either a capital increase by its main shareholders - UK-based Vodafone Group and local investor Aditya Birla Group - or a debt-to-equity conversion by the government before granting the debt-laden operator more funding.**

Dabur India expects Q3 revenue in mid-single digit: FMCG major Dabur India Ltd said its consolidated quarterly revenue is expected to report low to mid-single digit revenue growth, as rural demand continued to remain under pressure. However the company did see pickup in demand late in the third quarter. The healthcare portfolio showed positive growth trajectory, while the F&B business growth will see some moderation. **View: The organized channels of Modern Trade and E-commerce continued to report double digit growth.** Rural markets showed early signs of recovery towards the end of the quarter and could be further bolstered by the upcoming harvest season, MSPs and expected spending by the government.

Jaiprakash Associates defaults on ₹ 4,059 crore loans: Jaypee Group's flagship firm Jaiprakash Associates has defaulted on loans of Rs 4,059 crore, comprising both the principal and interest amount. The loans pertained to various banks and the nature of obligation is fund based working capital, non fund based working capital, term loans and FCCB. **View:** Last month, JAL and its group firms announced the sale of its remaining cement assets to Dalmia Bharat Ltd at an enterprise value of Rs 5,666 crore and exit from the sector as part of its strategy to reduce debt.

Govt gets multiple bids for disinvestment of stake in IDBI Bank: The Union Government said on January 7 that it has received multiple Expressions of Interest (EOI) for the strategic disinvestment of the stake held by it and Life Insurance Corporation of India (LIC) in IDBI Bank. **The transaction is expected to now move to the second stage**. The government and state-run LIC will sell 60.72 percent stake in IDBI Bank as part of the disinvestment, and after the stake sale, government's shareholding will be reduced to 15 percent.

GLOBAL NEWS AND EVENTS

Tech layoffs exceed December total in just six days of January 2023: Layoffs across the world have lent a grim cadence to the new year for thousands of tech workers. **Less than a week into 2023, more than 30,000 workers have lost their jobs globally. Incidentally, this is nearly double the number of people laid of in the entirely of December 2022.**

A significant portion of this statistic comes from Amazon.com Inc's decision to lay off more than 18,000 roles as part of a workforce reduction. The Jeff Bezos-owned company has now surpassed the 11,000 cuts announced last year by Facebook parent Meta Platforms Inc.

Companies including Meta Platforms Inc, Amazon.com, Twitter Inc and Snap Inc have together cut over 97,000 jobs in 2022 as organizations grapple with a slowing economy and shareholder pressures. The number is up 649% from 2021. And if this week is any indication, the situation is only getting worse.

Data from Layoffs Tracker indicates that a total of 30,611 people from 30 companies have been fired in the first six days of January. Apart from Amazon, the list includes video hosting platform Vimeo, tech giant Salesforce, Crypto exchange Huobi and several others. Vimeo CEO Anjali Sud announced via LinkedIn two days ago that the company would be laying off 11% of its staff amid 'difficult times'. **Leading crypto exchange Huobi is looking to layoff around 20% of its workforce.** Meanwhile real estate brokerage Compass Inc. has also announced further layoffs - its third such round in recent days.

After a half-decade of fast hiring and large acquisitions, another tech giant also announced plans to lay of thousands of workers this week. **Salesforce said in a regulatory filing that around 10% of its 80,000 strong workforce would be laid off.** The number is less than half of the employees hired in the pandemic and follows the announced exit in December of co-CEO Bret Taylor and the elimination of hundreds of sales positions in November.

Tech giant Microsoft and Google-parent Alphabet have also hinted at cost-cutting measures, including layoffs.

(Source: **Inputs from Bloomberg Report**)

TECHNICAL OUTLOOK

The pattern analysis of the weekly chart shows that after a failed breakout and slipping below the crucial 18,600 level, Nifty is seen taking support of 20-week MA which currently stands at 17,863. The index has ended a notch below this point but the expected positive start will see Nifty trading above this level. However, staying above this 20-week MA on a closing basis will be important for the index.

The weekly RSI is 52.14. It remains neutral and does not show any divergence against the price. The weekly MACD has shown a negative crossover. It is now bearish and trades below the signal line.

The coming week is likely to see the levels of 18,040 and 18,290 acting as potential resistance points. The support will come in at 17,600 and 17,480 levels. The trading range may get a bit wider this week.

18,300-18,600 levels will be extremely crucial to watch over the coming days and weeks. Unless this zone is not navigated on the upside meaningfully, the market will not only trade in a broad range but would also remain susceptible to corrective bouts at higher levels.

CONVICTION PICKS

Conviction Picks:

Company	Cmp	View	Support	Target (1-2 Yrs)
Mallcom (India) Ltd	703	**Accumulate**	610-630	1000

About the Company: Experienced Management with over 38 years of Industry experience; Largest integrated Indian Personal Protective Equipment (PPE) manufacturer. One of the widest protective gear product range catering to diversified industries and Manufacturing Plants (DTA, EOU & SEZ units) located in West Bengal, Uttarakhand & Gujarat with easy access to local markets, sea & airports.

With Local Manufacturing getting more focus - demand for industrial protective equipment will see good traction going ahead.

Over the year the company has focused on backward integration wherever possible resulting into significant cost savings and gradual margin expansions. t has an expansive manufacturing footprint with 13 production facilities spread across India and captive test labs that ensure quality standards.

Promoter Holding: 73.78% (Pledge Nil)

Reasonable Valuation of P/E 13x & Market Cap to Sales 1x. (Net Worth ₹195 Cr / Long-term Debt ₹ 11.5 Cr / Short-term Debt ₹ 66 Cr)

KNOWLEDGE
COLUMN

“8 things to keep in mind while choosing a mutual fund to invest in 2023”

A mutual fund investment is one of the best options on the market for long-term investments, but in order to build a significant corpus, you must be familiar with the numerous key aspects of mutual funds before making any investments.

Here are 8 points to keep in mind before selecting mutual funds for your investments:

1. **Investment objective:** Choose a mutual fund that aligns with your investment goals and risk tolerance. If your investment horizon is long-term, then it is suggested to choose equity mutual funds as they provide the benefit of compounding over the long term, and for short-term investments, debt or hybrid mutual funds can be a prudent choice.

2. **Expense ratio:** It is advised to look for a mutual fund with a low expense ratio, as this will reduce the impact of fees on your returns.

3. **Performance history:** Consider the mutual fund's past performance, but keep in mind that past performance is not necessarily indicative of future results. While analyzing returns, it is suggested to look at returns for different tenures such as 1 year, 3 years, 5 years, and 10 years which will give an idea about consistency in the performance of the fund.

4. **Diversification:** Your mutual fund investment should not be limited to selecting only one scheme. It is advised that an investor should invest in different types of mutual fund schemes to diversify across asset classes and sectors.

5. **Investment style:** Consider whether you prefer an actively-managed or passively-managed mutual fund. Actively-managed funds are managed by professionals who try to outperform the market, while passively-managed funds track a market index. The global data on active vs. passive funds shows that the win-loss ratio of about 1:2 i.e., about 66% of actively managed funds have underperformed the index funds.

6. **Fund manager:** Research the mutual fund's fund manager and their track record to determine their expertise and investment style. The efficiency of a fund manager can be gauged by looking at the consistency in the performance of the mutual fund schemes, how much alpha the fund manager is able to generate over its benchmark and category average, and how well they have survived in bear phases of the market.

7. **Fund size:** Consider the size of the mutual fund, as larger funds may have economies of scale that can lead to lower expenses.

8. **Risk Measure:** As risk and return are two sides of the same coin, it is suggested to look at the scheme's risk measures, such as Standard Deviation and Beta, which measure the volatility of the scheme. In addition, ratios such as Sharpe ratio, Treynor Ratio, and Sortino ratio give a better picture of risk-adjusted returns.

Source: Extracts taken from Mint Interview with CA Manish P Hingar, Founder at Fintoo

EARNINGS CALENDAR

9 Jan	Tata Consultancy Services	Time Not Available
9 Jan	Gyscoal Alloys	Time Not Available
9 Jan	Shrenik	Time Not Available
9 Jan	JBF Industries	After Market
9 Jan	Tijaria Polypipes	After Market
10 Jan	Shradha Infraprojects	Time Not Available
10 Jan	Excel Realty N Infra	Time Not Available
10 Jan	GI Engineering Solutions	During Market
11 Jan	5paisa Capital	Time Not Available
11 Jan	Sanathnagar Enterprises	Time Not Available
12 Jan	Infosys	After Market
12 Jan	HCL Technologies	Time Not Available
12 Jan	Cyient	Time Not Available
12 Jan	Anand Rathi Wealth	Time Not Available
12 Jan	GTPL Hathway	Time Not Available
12 Jan	GM Breweries	Time Not Available
12 Jan	DRC Systems India	During Market
12 Jan	Rama Petrochemicals	Time Not Available
13 Jan	Ganesh Housing Corporation	During Market
13 Jan	Artson Engineering	Time Not Available
13 Jan	Wipro	Time Not Available
13 Jan	International Travel House	Time Not Available
14 Jan	HDFC Bank	During Market
15 Jan	KSolves India	Time Not Available

CORPORATE ACTIONS

Company	Event Type	Announced Date	Ex- Date	Dividend(Rs.)	Ratio
Jet Freight Log	Rights	27/10/2022	11/01/2023	-	1:1
Pacific Ind	Rights	20/01/2022	11/01/2023	-	1:1
Welspun Enter	Dividend - Special	30/12/2022	11/01/2023	7.50	-
Indowind Energy	Rights	07/01/2022	13/01/2023	-	2:5
Vishnu Chemical	Splits	31/10/2022	13/01/2023	-	10:2
TCS	Dividend - Interim	30/12/2022	16/01/2023	-	-
KPIGREEN	Bonus	30/11/2022	18/01/2023	-	1:1
Angel One	Dividend - Interim	02/01/2023	24/01/2023	-	-
Banaras Beads	Dividend - Interim	05/01/2023	30/01/2023	-	-
Zensar Tech	Dividend - Interim	30/12/2022	03/02/2023	-	-

Economic Calendar

Thursday January 12 2023	Actual	Previous	Consensus	Forecast
05:30 PM IN Industrial Production YoY NOV		-4%		2.5%
05:30 PM IN Inflation Rate YoY DEC		5.88%		6%
05:30 PM IN Manufacturing Production YoY NOV		-5.6%		3.6%
Monday January 16 2023	**Actual**	**Previous**	**Consensus**	**Forecast**
12:00 PM IN WPI Inflation YoY DEC		5.85%		6.2%

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