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Oct - Dec., 2022

Market Update

Indian Resilience Put to Test Again

It was difficult to make out where the market wanted to head toward in the last week or so. Nifty has been oscillating between the 20 DMA and 200 DMA. Wherein the 20 DMA has acted as strong resistance while the 200 DMA has offered support. Any trend expectation in Nifty was snuffed when TCS failed to respond to its good numbers. Investors were surprised to witness the stock opening lower despite it being confident of achieving double-digit revenue growth in the current financial year and also targeting a similar performance in FY24 as well. Nevertheless, as the day progressed, the stock recovered from its lower levels and ended with gains of 1.75 per cent.

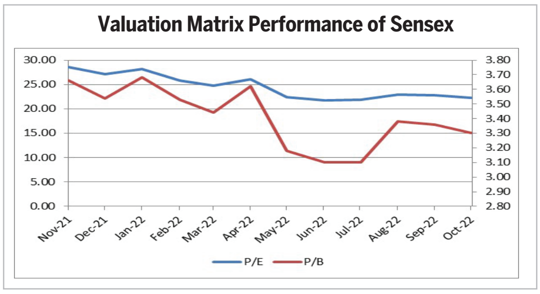
The big surprise on the earnings front came in from HCL Technologies which gained the most over a period of four months as the stock saw re-rating after the company's strong growth guidance and margin performance in an environment where the demand for IT services is expected to be incrementally weaker. This should help improve investor confidence about its business and lower the valuation gap with larger Tier I IT services' peers. Apart from the IT stocks, shares of shipbuilding and allied services' companies too roared on the bourses.

In the last one month, these stocks have outperformed the market without a shadow of doubt and recently marked an all-time high. One of the outperformer was Mazagon Dock Shipbuilders, which is engaged in the construction and repair of warships and submarines for the Ministry of Defence to be used by the Indian Navy along with other vessels for commercial clients. With an already strong order backlog of Rs 43,343 crore as of August 2022 (6.4 times trailing 12 months revenues), the company is well-placed to benefit from Indian Navy's big procurement plan for the next 3-4 years. On the macro front, retail inflation accelerated to a five-month high of 7.41 per cent in September, driven by high food and fuel costs.

This was not unexpected or out-of-the blue news. As we all know, the rains have been patchy and erratic and we all are paying much more for food than what we did last year and overall we all have been affected in a small or big way by the higher cost of living. On the other hand, what came in as a big blow was the factory output (IIP), which plunged to an 18-month low of -0.8 per cent in August from 2.2 per cent in July. Overall, a combination of rise in inflation and a contraction in IIP in August raises concerns over the future course of the monetary policy. Whether we will see a rate hike of 35 bps or 50 bps at Reserve Bank of India's December monetary policy meeting depends on October inflation print and the US Federal Reserve's rate action.

Technically, over the past couple of days the index has been moving within the range of a sizable bearish bar which was created on October 11. The sentiment being tenuous, US CPI data determined next move in the market. And an interesting, fact is that the biggest US market day so far during the year has been either on the CPI announcement day or the Federal Reserve outcome. The key charts to watch would be the 10-year US bond yield chart. It had made a high at 4.02 per cent and tested that once. Now, if any news forces the bond yield past 4.02 per cent, the global markets may take a short-term tumble.

The US Dollar index is also recovering its recently lost ground. The RBI may not support the rupee if there is some move on the US dollar based on macro-economic data and 10-year bond yields. So that is one of the threats for the markets in the near term. FIIs positioning seems to be bearish. If the data is favourable or deemed so by the market, an upside movement will force FPIs to cover shorts and that can lead to a strong rise for the day. If bearish, the local buyers' long liquidation will send it lower. However, at the lower levels, the FPIs may be waiting to cover and hence declines may be limited to the level of 16,800-16,850. These are difficult and fickle times and while our ships are not tossed ruthlessly in these turbulent seas, it is best to stay anchored.



International Markets

Exchange	15 Oct., 22	1 year change (%)	52-week L/H
Bovespa	1,12,072	-2.25	95,267/121,628
CAC 40	5,931.92	-11.83	5,628.42/7,384.86
DAX	12,437.81	-20.21	11,862.84/16290.19
Dow Jones	29,634.83	-16.04	28,666.77/36,952.65
FTSE 100	6,858.79	-5.19	6,707.62/7,687.27
Hang Seng	16,587.69	-34.52	16,389.11/26234.94
Nasdaq	10,321.39	-30.72	10,088.83/16,212.23
Nikkei 225	27,090.76	-6.80	24,681.74/29960.93

Top Gainers

Company	14 Oct 22	15 Sept 22	% Change
Mazagaon Dock	625.20	420.50	48.68
Cochin Shipyard	521.00	378.50	37.65
Rites	387.20	298.10	29.89
Shree Renuka Sugar	63.50	49.60	28.02
Rajesh Exports	691.80	566.05	22.22

Top Losers

Company	14 Oct 22	15 Sept 22	% Change
Adani Transmission Ltd.	3036.4	3975.70	-23.63
Elgi Equipments	421.85	551.30	-23.48
Can Fin Homes	502.95	653.40	-23.03
Suzlon Energy	6.70	8.42	-20.43
Varroc Engineers	311	389.55	-20.16

Performance Of Other Indices

Index	Price (Rs)	1 Year change (%)
S&P BSE SMALLCAP	28,522.85	-5.24
S&P BSE 500	23,619.49	-5.80
S&P BSE Auto	28,596.49	8.20
S&P BSE BANKEX	44,868.67	0.50
S&P BSE CAP GOODS	31,670.40	16.20
S&P BSE FMCG	15,775.01	3.60
S&P BSE HEALTHCARE	23,324.89	-11.80
S&P BSE IT	28,338.37	-19.10
S&P BSE Metal	18,633.08	-13.30
S&P BSE Oil & Gas	18,081.19	-5.90
S&P BSE REALTY	3,346.22	-21.90
S&P BSE POWER	4,603.12	31.00

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IDFC FIRST Bank

BSE Code	:	539437
CMP	:	₹55.45
Target Price	:	₹70

IDFC FIRST BANK

Incorporated in October 2014 as IDFC Bank Ltd (IBL), the name of the bank underwent a change to IDFC First Bank Ltd in January 2019, following the merger of Capital First Limited. Currently, IDFC Bank, as a promoter, holds a 36.5 per cent stake in the merged entity. IDFC First Bank's (IFB) operations are spread across its three business verticals i.e. corporate banking, consumer banking, and rural banking.

Strong loan growth

The bank is focussed on creating a granular loan book, developing a deep specialisation in providing retail loans while shifting focus away from corporate and infrastructure books. The retail franchise has grown manifold from Rs 6,508 crore premerger to Rs 90,630 crore as of June 30, 2022. The overall funded asset for FY 2022 stood at Rs 1,31,951 crore from Rs 73,051 crore in FY 2018, which has grown at a CAGR of approximately 16 per cent.

Lowered borrowing cost

The bank continues to shrink the long-term legacy bonds with a higher rate of interest of around 9.04 per cent and replace them with incremental costs of around 5 per cent-5.50 per cent. With clipping of the borrowing costs, the bank plans to add about Rs 750-800 crore to the net interest income on an annualised basis in due course. During FY 2021-22, the bank successfully reduced high-cost borrowing by Rs 5,530 crore. NII has grown at a three-year CAGR of 26 per cent from 2020-22.

De-risking wholesale loan portfolio

The bank has reduced its exposure to the corporate sector from 29 per cent in March 2019 to 17 per cent in June 2022 and to the infrastructure sector from 19 per cent in March 2019 to 5 per cent in June 2022. Further, the exposure to the top five industries also reduced from 41 per cent in March 2019 to 23 per cent in June 2022, which has further strengthened the balance sheet while the exposure to the top 20 single borrowers reduced from 16 per cent in March 2019 to 9 per cent in June 2022.

Improving asset quality

Driven by strong recoveries mainly in the retail and small business segment, the bank has been able to keep up robust asset quality. Barring the infrastructure financing book, which will run down in due course, the gross and net NPA of the bank stood at 2.39 per cent & 0.80 per cent, respectively. The provisioning coverage ratio in the corporate books continued to be robust at 97 per cent.

Higher NIM

IDFC First Bank, which boasts of a stable mix of a high-yielding portfolio (retail/business banking), while continuously striving to rationalise liability franchise, is fuelling steady NII growth. It has consistently witnessed an uptrend with NII. In Q1FY23, NII grew at a three-year CAGR of 26 per cent due to continued strong advances & deposit flow.

Company Details	
Industry	Bank - Private
Chairman	Sanjeeb Chaudhuri
Managing Director	V Vaidyanathan
Company Secretary	Satish Gaikwad
ISIN Code	INE092T01019
Bloomberg Code	IDFCFB IN
Reuters Code	IDFB.BO
Key Maket Ratio	
Latest Date	14 Oct 22
Latest Price (Rs)	54.25
Previous Close (Rs)	54.5
1 Day Price Var %	-0.46
1 Year Price Var %	9.93
52 Week High (Rs)	55.95
52 Week Low (Rs)	28.95
Beta	1.45
Face Value (Rs)	10
Industry PE	20.09
TTM Period	202206
TTM EPS (Rs)	1.99
TTM CEPS(Rs)	1.99
Price/TTM CEPS(x)	27.25
TTM PE (x)	27.25
Price/BV(x)	1.57
EV/TTM EBIDTA(x)	25.06
EV/TTM Sales(x)	4.5
Dividend Yield%	0
MCap/TTM Sales(x)	1.87
Latest Book Value (Rs)	34.65
Market Cap (Rs in Crores)	33751
EV (Rs)	81049
Latest no. of sharesCrores	622
Share Holding Pattern as on 202206	
Promoter No of shares (Rs in Crores)	14 Oct 22
Promoter %	1.45
FII No of Shares (Rs in Crores)	10
FII %	20.09
Total No of Shares (Rs in Crores)	202206
Free Float %	1.99

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IDFC FIRST Bank

Robust balance sheet
The bank maintains capital adequacy ratios (CAR) above the minimum regulatory requirement with a CET-1 ratio of 14.01 per cent and a total capital adequacy ratio of 15.77 per cent as of June 30, 2022, including profits for the quarter. As such, the bank is well-capitalised for growth in the future with significant improvement in RoA to 0.97 per cent in Q1FY23 from 0.77 per cent in Q4FY22. RoE for the period stood at 8.96 per cent compared to 6.67 per cent QoQ. The core operating profit has grown at a three-year CAGR of 36 per cent against the overall three-year loan book growth of 6 per cent, which demonstrates the power of incremental profitability in the business model.

Pan-India presence
IDFC First Bank is building a strong distribution network, spanning the length and breadth of India. As of June 2022, the bank has 651 branches along with 807 ATMs as it actively participates in the country's economic development. After a strong urban presence, the bank is shifting its focus to rural areas with a rise in the number of rural branches to 41.5 per cent in FY22 as compared to 37.75 per cent in FY21.

Digital footprint
The bank has been witnessing significant traction on electronic platforms. It boasts of a 30 per cent market share in Fastag with over 8.5 million Fastag issued. It launched India's first Fastag with triple benefits of toll, fuel, and parking, being the first to introduce Fastag recharge via Whatsapp. The bank has been ranked sixth in Bharat Bill Payment System (BPPS) among 30 biller operating units. It has also made headway in wealth management, credit card issues and CMS, etc., which would help improve the fee income for the bank.

Merger plans on the cards
In December 2021, the bank announced that its board has considered the proposal for the merger of IDFC Limited and IDFC Financial Holding Company Limited with IDFC, which is subject to the approvals of the shareholders, creditors, and statutory & regulatory approvals of the respective entities. The bank is in the process to trim down its corporate structure before it can proceed with the merger.

Financial performance
IDFC First Bank has delivered robust quarterly performance. Its interest earned improved by 8.08 per cent to Rs 5,777.37 crore in the quarter under review, up from Rs 5,384.83 crore on a sequential basis while it rose 20.36 per cent YoY. The operating profit (PPOP) increased by 20.3 per cent sequentially; however, it degrew by 5 per cent on a YoY basis. In Q1FY23, it reported a 37.67 per cent jump in consolidated net profit to Rs 485.01 crore in the first quarter of the current fiscal, up from Rs 352.31 crore profit reported in Q4FY22.

Ratio & outlook
At CMP, IDFC First Bank is trading at a price-to-book value of 1.57x at a current market capitalisation of Rs 33751 crore. In FY22, the company's return on assets (RoA) stood at 0.8, which currently stands at 0.97 while its return on equity (RoE) in FY22 was at 6.67 and is now at 8.96.

India is one of the fastest-growing major economies and its banking sector is well-positioned to capitalise on this opportunity. The frontline banks are witnessing growth momentum with better earnings quality as core profitability and asset quality improve.

For IDFC Bank, the sweet results from the transition i.e. from infrastructure lending to a diversified retail-centric loan book, coupled with building a granular deposit franchise to trim the cost of funds, have been visible in the company's financial performance. The management expects advances to grow at more than 20 per cent while credit cost declined to 1.5 per cent with a fundamentally-strong business model, it eyes ROE growth in teens. Adding up to the strong prospects, the growth in the credit card business and new business launches i.e. wealth, Fastag, (CMS) improve the operating performance.

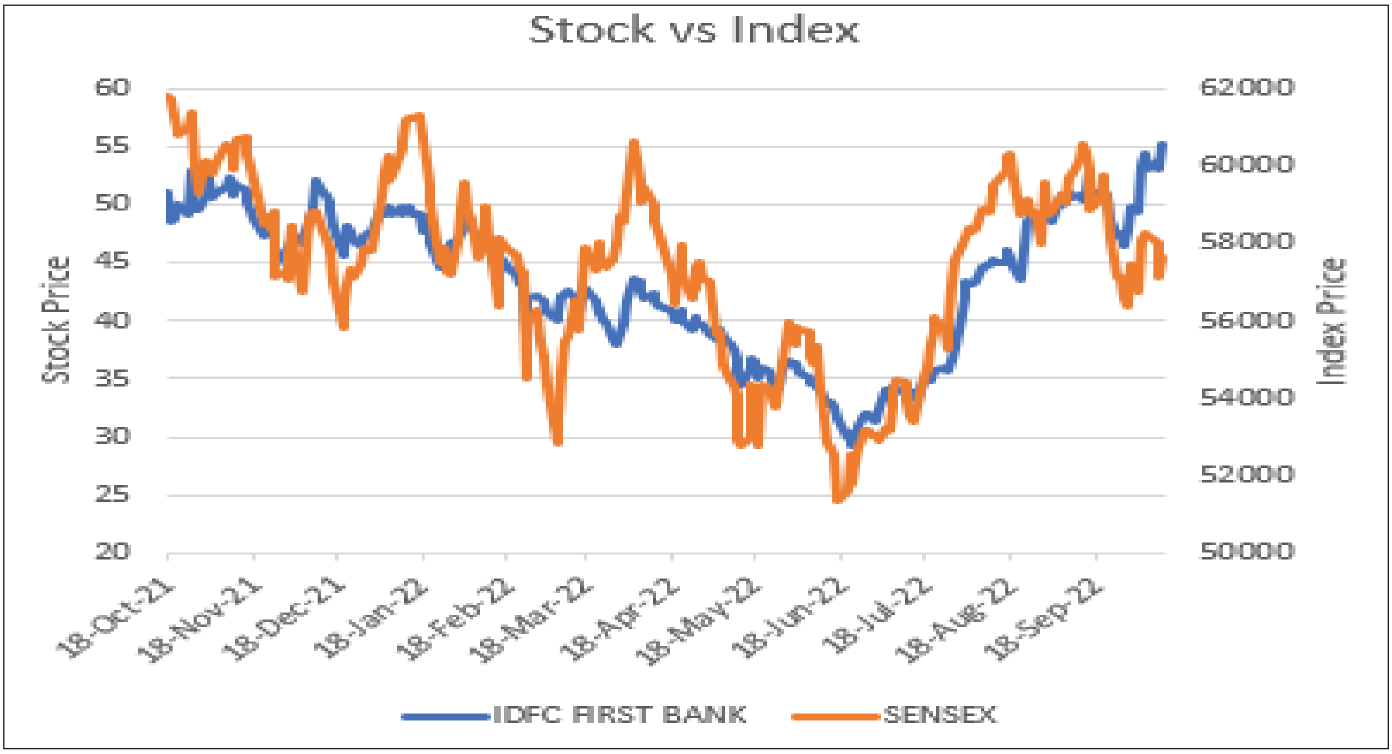
Considering these factors, we recommend a BUY on the stock with a target of Rs 70, representing a 25 per cent potential upside.

RECENT NEWS

October 04, 2022:
IDFC First Bank has posted 35.9% growth in customer deposits at Rs 1,14,004 crore (provisional) for second quarter ended September 30, 2022 (Q2FY23) as compared to Rs 83,889 crore in Q2FY22. Funded Assets stood at Rs 1,45,322 crore (provisional) as of September 30, 2022, as compared to Rs 1,16,470 crore in Q2FY22, i.e. up by 24.8%.

CASA Ratio stood at 51.34% (provisional) as of September 30, 2022 as compared to 50.04% as of June 30, 2022. CASA Deposits stood at Rs 63,378 crore (Provisional) as of September 30, 2022, posting a 37% rise in year-on-year (YoY) terms against Rs 46,269 crore as of September 30, 2021.

IDFC FIRST Bank



Profit & Loss Consolidated

(Indian Rupee .in Crores)

Particulars	Mar 2022	Mar 2021	Mar 2020	Mar 2019
TOTAL INCOME	20345.28	18179.58	17962.73	13056.18
Interest Expended	7465.07	8585.13	10228.27	8743.24
Operating Expenses	9596.65	7052.95	5764.8	6090.64
PBIDT	3283.56	2541.51	1969.66	-1777.7
Provisions and Contingencies	3108.59	2022.53	4315.55	1431.87
Profit Before Tax	174.97	518.98	-2345.89	-3209.57
Taxes	42.66	35.8	497.5	-1329.55
PAT	132.31	483.18	-2843.39	-1880.02
Share of Associate	0	0	0	-27.86
Consolidated Net Profit	132.31	483.18	-2843.39	-1907.88
Total Profit & Loss	132.31	483.18	-2843.39	-1880.02
IV. Appropriations	-3504.85	-3016.16	-3333.34	-180.65
Dividend(%)	0	0	0	0
EPS	0.21	0.85	-5.91	-3.99
BV	33.88	31.54	32.02	38.06

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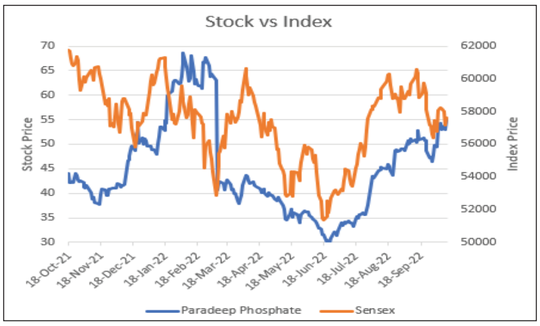
Two Buzzing Stocks

Paradeep Phosphates Ltd

BSE Code : 543530 | 52 Week High / Low : ₹72.00 / ₹37.45 | Face Value : ₹10

Paradeep Phosphates Ltd (PPL), an S&P BSE Smallcap company, is a leading fertiliser company. The company is a joint venture between two fertiliser majors namely, Zuari Agro Chemicals Ltd and Maroc Phosphore SA, a wholly-owned subsidiary of OCP, Morocco.



The company manufactures as well as markets complex phosphatic fertilisers and intermediary products like phosphoric acid & sulphuric acid, which are the key components used in the manufacturing of phosphatic fertilisers. The company's products are marketed under the well-established brand names of 'Jai Kisaan' and 'Navratna' with over four decades of brand equity. PPL's range caters to almost all agricultural applications.

In May 2022, the company successfully completed the initial public offering (IPO) worth Rs 1,500 crore, during which, the Government of India divested its 20 per cent stake. The company used part of the proceeds to complete the acquisition of the 1.2 million MT fertiliser plant in Goa.

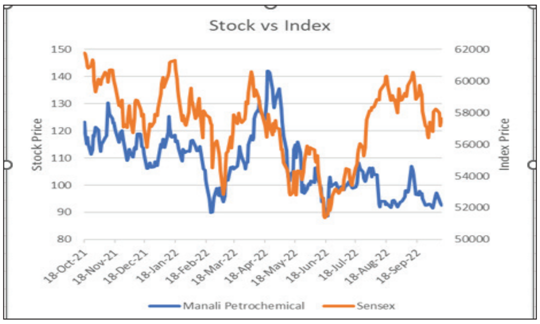
PPL currently has a total capacity of close to 2.85 million MT, of which, 0.4 million MT is Urea and the remaining 2.45 million MT is phosphates. The company has two large manufacturing facilities - one at Paradeep in Odisha and the other at Zuarinagar, Goa.

In the last five years, the company's consolidated topline grew at 15.69 per cent CAGR to touch Rs 7,897.99 crore in FY22. The PBIDT grew at 7.34 per cent CAGR, clocking Rs 710.38 crore in FY22. Similarly, the bottom line or PAT grew at 21.45 per cent CAGR to Rs 397.84 crore. In the recent quarter Q1FY23, on a consolidated basis, the net revenue grew 85 per cent YoY to Rs 2,434.66 crore. The PBIDT (ex OI) grew 53.67 per cent YoY to Rs 157.24 crore. PAT grew only 5 per cent YoY to Rs 62.25 crore. Owing to a steeper growth in expenses, there was a contraction in PBIDT (ex OI) and PAT margins. In FY22, the company delivered RoE and RoCE of 19.63 per cent & 15.01 per cent, respectively.

MANALI PETROCHEMICAL LTD.

BSE Code : 500268 | 52 Week High / Low : ₹149.50 / ₹86 | Face Value : ₹5

Incorporated in 1986, Manali Petrochemicals manufactures as well as supplies innovative polyurethane raw materials and blended systems for a variety of industries such as appliances, automotive, furniture, footwear, paints, coatings, pharmaceuticals, and food & fragrances.



The company manufactures & sells propylene oxide (PO), propylene glycol (PG), and polyols (PY), which are used as industrial raw materials. It is the only domestic manufacturer of propylene glycol. Also, it is the first and the largest Indian manufacturer of propylene oxide, which is the input material for the aforesaid derivative products. It is widely used in consumer and industrial applications such as thermal insulation in buildings, refrigerators, household furniture, shoes, packaging plastics, etc.

Though the shares of the company underperformed recently, it has great potential ahead. This petrochemical company is looking forward to tripling its capacity post worth Rs 1,500 crore expansion approval. The company will be a beneficiary of any decrease in the crude oil price since crude and its derivatives are one of the raw materials used by them. Looking at the recessionary trend globally and zero COVID policy in China, there will be pressure on crude oil prices.

The return on equity or RoE of Manali Petrochem is an important factor to be considered by a shareholder because it tells them how effectively their capital is being reinvested. It reveals the company's success at turning shareholders' investments into profits. The company has an impressive RoE of more than 40 per cent, which remains the highest among its peers. So, the current investment will further boost the returns for its shareholders, going ahead, as the company is investing heavily into its business along with a high rate of return, which would result in a sizeable growth in its earnings.

The company ended Q1FY23 with total revenue of Rs 306.45 crore with EBITDA of Rs 51.22 crore and EPS of Rs 2.16. So, in comparison to the previous year i.e. the company reported growth of almost 7.61 per cent over turnover along with 52.97 per cent de-growth in EBITDA compared to the last year same quarter. Profit after tax recorded for Q1FY23 was at Rs 37.14 crore, compared to Rs 76.11 crore in the same quarter last year.

The company's shares are currently trading at a price-to-earnings of 4.71 times against the industry average of 36.17 times. The stock tumbled 25 per cent in the last one year and has a 52-week high of Rs 149.5 as well as a 52-week low of Rs 86. Looking at its expansion plan, higher RoE and attractive valuation, one should add this stock to his portfolio.

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Market Statistics

DIVIDEND BECOME EX-DATED IN FORTHCOMING DAYS

Company Name	Dividend (%)	Ex Div Date	Company Name	Dividend (%)	Ex Div Date
TATA CONSULTANCY SERVICES LTD	800.00	17 Oct 22	ANGEL ONE LTD	111.00	20 Oct 22
HCL TECHNOLOGIES LTD.	500.00	19 Oct 22	INFOSYS LTD	330.00	27 Oct 22
ANAND RATHI WEALTH LTD	100.00	20 Oct 22	CYIENT LTD	200.00	27 Oct 22

NET INVESTMENT IN EQUITY MARKETS (₹/CR)

Days	FII's	DII's	Days	FII's	DII's
14 Oct 22	-1011.23	1624.13	7 Oct 22	-2250.77	545.25
13 Oct 22	-1636.43	753.29	6 Oct 22	279.01	-43.92
12 Oct 22	-542.36	85.32	4 Oct 22	1344.63	945.92
11 Oct 22	-4612.67	2430.76	3 Oct 22	590.58	-423.16
10 Oct 22	-2139.02	2137.46			

SPLIT DECLARED IN LAST FEW DAYS

Company Name	Date Of Announcement	Old Face Value	New Face Value
NIKHIL ADHESIVES LTD	12 Oct 22	10	1
HLE Glascoat Ltd	18 Oct 22	10	2
Sanmit Infra Limited	28 Oct 22	10	1
T D POWER SYSTEMS LTD	31 Oct 22	10	2

EX-BONUS

Company Name	Ex-Bonus Date	Current Holding	Ratio Offered
Shivalik Bimetal Controls	12 Oct 22	1	2
Veeram Securities Ltd	14 Oct 22	1	2
Atam Valves Ltd	21 Oct 22	1	1
SecMark Consultancy Ltd	12 Oct 22	3	2

CONTINUOUSLY MOVING UP (TOP 1000 LISTED COMPANIES)

CompanyName	Oct 17	Oct 14	Oct 13	Oct 12	Oct 12
Anand Rathi Wealth Ltd.	702.15	689.2	680.75	661.8	660
BLS International Services Ltd.	319.95	290.05	285	284.2	281
Onward Technologies Ltd.	264.45	260.1	259.95	259.6	259.2

RECENT ANNOUNCEMENTS

TVS Motor Company : The company has acquired 48.27% stake in Nkars Mobility Millennial Solutions (DriveX) on October 15, 2022. Thereby DriveX has become an Associate of the company from October 15, 2022. The company sees a strong potential in the pre-owned two-wheeler market, which is witnessing a structural shift from the unorganized to the organized sector. The pre-owned two-wheeler market is growing rapidly and has garnered high levels of investor and customer interest in recent years, driven by digitization and emergence of start-ups. This investment in DriveX is aimed at enabling innovative solutions to lead this transformation.

Larsen & Toubro Infotech : The IT arm of L&T has reported results for second quarter ended September 30, 2022.The company has reported rise of 24.72% in its net profit at Rs 619.60 crore for Q2FY23 as compared to Rs 496.80 crore for the corresponding quarter previous year. Total income of the company increased by 31.70% to Rs 4656.10 crore for the quarter under review as compared to Rs 3535.50 crore for the same quarter in the previous year. On the consolidated basis, the company has reported rise of 23.22% in its net profit at Rs 679.80 crore for the quarter under review as compared to Rs 551.70 crore for the same quarter in the previous year. Total income of the company increased by 28.31% to Rs 4976.00 crore for the quarter under review as compared to Rs 3878.20 crore for the same quarter in the previous year.

HDFC Life Insurance Company : The insurance major has completed Exide Life merger. This marks the completion of the first-ever merger and acquisition (M&A) transaction in the Indian life insurance sector. HDFC Life had completed the acquisition of Exide Life in January 2022. Earlier, HDFC Life had received final approval from The Insurance Regulatory and Development Authority of India (IRDAI) to merge Exide Life Insurance Company with itself.The entire transaction from announcement of the deal in September 2021 followed by the acquisition in January 2022 and the eventual merger was completed in less than 14 months.

Avenue Supermarts Ltd: DMart has reported results for second quarter ended September 30, 2022.The company has reported rise of 62.73% in its net profit at Rs 730.48 crore for Q2FY23 as compared to Rs 448.90 crore for the corresponding quarter previous year. Total income of the company increased by 35.74% to Rs 10428.42 crore for the quarter under review as compared to Rs 7682.63 crore for the same quarter in the previous year.On the consolidated basis, the company has reported rise of 64.14% in its net profit at Rs 685.71 crore for the quarter under review as compared to Rs 417.76 crore for the same quarter in the previous year. Total income of the company increased by 36.56% to Rs 10673.90 crore for the quarter under review as compared to Rs 7816.44 crore for the same quarter in the previous year.

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