

May 19th, 2022

Market Data

Index	Closing	% Chg	% YTD
BSE Sensex	54,209	-0.20	-6.94
Nifty 50	16,240	-0.12	-6.42
Nifty Midcap 50	7,648	-0.19	-9.07
BSE Smallcap	26,405	0.33	-10.36

World Indices	Closing	% Chg	% YTD
Nikkei	26,208	-2.61	-8.97
Hang Sang	19,970	-3.27	-14.65
Dow Jones	31,490	-3.57	-13.34
Nasdaq	11,418	-4.73	-27.02
FTSE 100	7,438	-1.07	0.73

Currency	Closing	% Chg	% YTD
USD/INR	77.6	-0.02	-4.18
EUR/INR	81.6	-0.46	3.16
EUR/USD	1.0	0.01	-7.76

Commodity	Closing	% Chg	% YTD
BRENT CRUDE	110.1	0.93	45.21
GOLD/TROY Oz.	1,815.9	-0.27	-0.73
SILVER/TROY Oz.	21.4	-0.81	-8.10

Indian ADRs	Closing	Net Chg	% Chg
Dr. Reddy's Lab	49.98	-1.22	-2.38
HDFC Bank	52.90	-1.54	-2.83
ICICI Bank	17.87	-0.60	-3.25
Infosys	18.78	-0.83	-4.23
Tata Motors	26.11	-1.42	-5.16
Wipro	6.010	-0.270	-4.30

52 Week High

Script	Closing Price	52 Wk High Price
ESABINDIA	3,653	3,704
MRPL	89	89
-	-	-

FII & DII Activities (Rs Cr)

Market Segment	Last Trading Session	Year to Date
Index Futures	62	(15,302)
Stock Futures	925	8,895
Net Future Position	987	(6,407)
Index Options	771	1,89,084
Stock Options	(21)	(2,295)
Net Options Position	750	1,86,789
FII In cash Segment	(1,255)	(2,08,937)
DII In cash Segment	376	1,64,393
Net Cash Position	(879)	(44,545)

Stock /Industry Specific News

- Lupin reported Q4FY22 results, wherein consolidated revenues increased by 3% YoY but declined by 7% QoQ to INR 3,883 crores. The company faced pricing pressure in the U.S. market. EBITDA declined by 63% YoY / down 28% QoQ to INR 268 crores. EBITDA margin compressed by 1,206 bps YoY and down 199 bps QoQ. The company reported net loss of INR 518 crores in Q4FY22 versus PAT of INR 546 crores in Q3FY22 and INR 460 crores in Q4FY21.
- India plans to introduce 20% ethanol blending with gasoline in some parts of the country from April next year, a source familiar with the plan said, although the federal government plans a nationwide roll out from 2025/26. Stocks of Triveni Engineering, Bajaj Hindusthan, Balrampur Chini, and Uttam Sugar Mills will be benefited.
- Manappuram Finance Q4FY22 Result; Asset quality deteriorated sharply; Loan growth remained weak. Profit declined by 44% YoY/ flat QoQ at INR 261 cr was lower than our estimate of INR 302 cr. Operating profit de-grew by 31% YoY and grew by 15% QoQ at INR 495 cr was in-line with our estimate of INR 493 cr. NII of the company decreased by 10% YoY while grew by 3.5% QoQ to INR 986 cr was higher than our estimate of INR 814 cr.
- ITC Ltd on reported an 11.60% rise in its consolidated net profit to INR 4,259.68 crore for the Q4FY22 driven by all-round growth across verticals. The company had posted a net profit of INR 3,816.84 crore during the January-March quarter of the previous fiscal.
- IndiGo CEO Ronojoy Dutta will step down effective Sept. 30, and named the chief of Air France-KLM's Dutch unit as his replacement. Pieter Elbers will join IndiGo by Oct. 1, pending regulatory approvals. Elbers's term as the head of KLM Royal Dutch Airlines is ending on July 1.
- LIC Housing Finance reported a nearly threefold jump in its profit after tax to INR 1,118.64 crore on lower provisions and improvement in collection efficiencies. It had reported a net profit of INR 398.92 crore in the same quarter of FY21.
- IGL reported a 9% increase in its net profit in the quarter ended March 2022, on rise in gas sales volume. Net profit increased to INR 363.08 crore in the Q4FY22 from INR 332.08 crore in the corresponding period last year, the company said in a statement.
- ABFRL reported a consolidated net profit of INR 31.90 crore for the Q4FY22, led by a revival in demand across categories. The company had posted a net loss of INR 195.86 crore during Q4FY21.
- JK Lakshmi Cement reported an 18.36% increase in its consolidated net profit to INR 188.36 crore for the Q4FY22, helped by improvement in operational efficiencies and higher volume.

Key Events Today/ Corporate Actions

- **Ashok Leyland Q4FY22E: Revenue INR 81,193 Mn, +16% YoY; EBITDA INR 6,244 Mn, +17% YoY; PAT INR 6,244 Mn, +46% YoY.**

Inside Arihant's Morning Daily

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Off-cycle rate hike done to avoid tougher move in June: Monetary Policy Committee minutes explain rationale behind RBI action

Waiting for June MPC would mean losing that much time while war-related inflationary pressures accentuated, Das said.

Several storms hitting together prompted the Monetary Policy Committee (MPC) to go for an off-cycle hike of 40 basis points in the repo rate on May 4, according to the minutes of the rate-setting panel released on Wednesday. "As several storms hit together, our monetary policy response should be seen as an important step to steady the ship. The Indian as well as global evidence clearly shows that high inflation persistence hurts savings, investment, competitiveness and growth," the minutes quoted Reserve Bank of India governor Shaktikanta Das as saying.

Das listed rising global commodity and food prices, power tariffs and the Russian invasion of Ukraine as major factors which caused inflation and impacted growth. The impact of these factors is likely to remain much longer than expected. "Hence, it becomes necessary to act through an off-cycle policy meeting. Waiting for one month till the June MPC would mean losing that much time while war-related inflationary pressures accentuated. Further, it may necessitate a much stronger action in the June MPC which is avoidable," Das said.

RBI deputy governor and MPC member Michael Debabrata Patra said at the meeting, held on May 2 and May 4, that in this milieu, a measured approach and a cool head are warranted. "Recent incoming data suggest that India's macro-fundamentals, barring imported food and fuel inflation, are still intact and in sync with the recovery that has been tenaciously making its way through waves of the pandemic," Patra observed.

The minutes cited professor Jayanth R Varma as saying that since the growth shock to the Indian economy is less severe than expected and estimates suggest that the economy is coping reasonably well with the geopolitical tensions and Chinese lockdowns, it has become necessary to front-load the rate action. According to Varma, inflation risks became sharper in terms of magnitude and in terms of persistence since April.

It appears to me that more than 100 basis points of rate increases need to be carried out very soon. My preference, therefore, is for a 50-bps increase in the repo rate in this meeting," he said. "Moreover, there is a lot of catching up to do because the MPC (a) rightly prioritised economic recovery at the height of the pandemic in 2020 and early 2021, and (b) delayed the normalisation by continuing the forward guidance for far too long after the pandemic abated."

Varma said the reasons for only a 40-bps increase were not clear to him because any psychological benefit from keeping the hike below 50 bps was outweighed by the simplicity and clarity of moving in multiples of 25 bps. "Also, reducing the hike by 10 bps now would require an extra 10-bps hike at some point (and perhaps sooner rather than later)," he said.

All the six members of the MPC voted to raise the repo rate by 40 basis points to 4.4%, the first increase since August, 2018. The MPC also unanimously voted to remain accommodative while focusing on withdrawal of accommodation to ensure that inflation remains within the target going forward, while supporting growth. The next meeting of the MPC is scheduled for June 6 to 8.

Source: Financial Express

Arihant Capital Markets Limited

Company	Reco	Reco	Current	Target	Research	Potential	Absolute	Valuation (*P/BV, P/E)			
18-May-22	Date	Price	Price	Price	Call	Upside %	Return %	FY21	FY22E	FY23E	FY24E
Banking*											
Axis Bank	29-Apr-22	780	659	927	Accumulate	19%	-15%	2.0	1.8	1.5	1.4
Bandhan Bank	23-Jan-22	317	331	363	Accumulate	15%	4%	3.1	3.1	2.5	2.0
DCB	10-May-22	81	84	91	Accumulate	12%	4%	0.7	0.6	0.6	0.5
HDFC Bank	18-Apr-22	1465	1314	1864	Buy	27%	-10%	3.6	3.0	2.7	2.3
ICICI Bank	25-Apr-22	747	707	971	Buy	30%	-5%	3.3	2.9	2.5	2.1
IDFC First Bank	02-May-22	40	36	59	Buy	48%	-9%	1.2	1.0	0.9	0.9
IndusInd Bank	02-May-22	978	903	1236	Buy	26%	-8%	1.6	1.5	1.3	1.1
State Bank of India	16-May-22	445	458	660	Buy	48%	3%	1.6	1.5	1.3	1.1
CSB Bank	09-May-22	228	190	327	Buy	43%	-17%	1.5	1.2	1.1	0.9
Indian Bank	16-May-22	155	154	190	Buy	23%	-1%	0.5	0.4	0.4	0.3
NBFC*											
Sundaram Finance	10-Feb-22	2279	1792	2373	Neutral	4%	-21%	3.2	2.9	2.6	2.3
Home First Finance	05-May-22	769	766	925	Buy	20%	0%	4.8	4.3	3.7	3.2
IT											
Infosys	16-Apr-22	1749	1509	1659	Reduce	-5%	-14%	33.1	28.6	25.0	21.8
TCS	12-Apr-22	3696	3449	3720	Neutral	1%	-7%	39.6	33.2	30.0	25.9
Mindtree	19-Apr-22	3958	3026	4153	Neutral	5%	-24%	44.9	30.2	25.1	21.9
Coforge (NIIT Tech)	12-May-22	3721	3950	3637	Neutral	-2%	6%	52.5	36.2	29.6	23.9
Persistent Systems	29-Apr-22	4309	3858	4173	Neutral	-3%	-10%	65.4	42.7	38.6	33.3
L&T Technology Services	22-Apr-22	4244	3775	3802	Reduce	-10%	-11%	60.0	41.6	36.5	30.8
Firstsource Solutions	06-May-22	115	115	134	Accumulate	17%	0%	21.7	14.6	14.9	12.0
Cement											
Ultratech Cement	02-May-22	6629	6234	7424	Hold	12%	-6%	33.0	24.5	-	-
ACC	20-Apr-22	2057	2237	2316	Accumulate	13%	9%	22.8	20.7	17.6	-
Ambuja Cement	29-Apr-22	383	361	456	Accumulate	19%	-6%	34.4	31.4	27.4	-
Ramco Cement	25-Jan-22	897	701	1002	Hold	12%	-22%	21.0	20.8	17.2	14.9
Shree Digvijay Cement	28-Apr-22	72	66	81	Accumulate	13%	-8%	17.4	17.4	9.6	9.1
Orient Cement	13-May-22	118	118	136	Accumulate	15%	0%	11.4	9.2	5.6	4.3
Automobile											
M&M	22-Feb-22	853	913	1077	Buy	26%	7%	23.7	26.7	19.7	16.7
Maruti Suzuki	02-May-22	7718	7567	8862	Accumulate	15%	-2%	54.0	60.7	33.4	34.9
Bajaj Auto	29-Apr-22	3906	3791	4950	Buy	27%	-3%	24.1	21.8	19.9	17.9
TVS Motors	06-May-22	631	680	718	Accumulate	14%	8%	52.7	36.2	24.6	19.9
Hero MotoCorp	04-May-22	2410	2539	3323	Buy	38%	5%	17.1	20.5	17.3	15.3
Industrial Machinery											
Pitti Engineering	29-Apr-22	307	271	438	Buy	43%	-12%	30.1	14.3	8.2	6.2
Greaves Cotton	16-May-22	142	154	160	Accumulate	13%	9%	385.3	128.4	96.3	73.4
FMCG											
Marico	06-May-22	520	524	557	Hold	7%	1%	56.3	52.9	47.6	46.3
Hindustan Unilever	29-Apr-22	2144	2291	2368	Hold	10%	7%	60.9	56.4	51.1	-
Britannia Industries	05-May-22	3381	3394	3671	Hold	9%	0%	54.0	50.7	46.0	-
Textile											
Gokaldas Exports	05-May-22	432	489	468	Hold	8%	13%	67.5	24.6	26.1	24.0
Dollar Industries	28-Jan-22	610	514	807	Buy	32%	-16%	67.5	19.4	15.8	12.7
Indo Count Industries	30-Mar-22	151	143	175	Accumulate	16%	-6%	11.3	9.4	10.4	9.8
Gems & Jewellery											
D P Abhushan	21-Jan-22	397	430	446	Accumulate	12%	8%	35.0	23.1	17.5	14.5
Chemicals											
Ultramarine & Pigments	16-Nov-21	372	350	426	Accumulate	14%	-6%	18.3	16.5	15.2	-
Vishnu Chemicals	18-May-22	1440	1512	2116	Buy	47%	5%	52.3	22.2	14.2	10.7
India Glycols	02-Mar-22	763	1020	1071	Buy	40%	34%	23.7	11.2	21.2	15.0
Heranba Industries	16-May-22	598	558	1073	Buy	79%	-7%	14.2	11.7	9.5	7.8
Gujarat Heavy Chemicals	04-May-22	657	644	898	Buy	37%	-2%	19.8	10.3	10.1	9.3
Diversified											
Arihant Superstructures	01-Feb-22	175	143	259	Buy	48%	-18%	37.7	20.8	6.7	3.9
Hariom Pipe Industries	11-May-22	199	208	403	Buy	103%	5%	23.1	11.0	8.7	8.0
Orient Electric	13-May-22	309	283	346	Hold	12%	-8%	47.2	47.2	35.4	28.3
Pharma											
Marksans Pharma	16-Feb-22	50	49	86	Buy	72%	-1%	8.5	9.3	8.0	6.7
Rating scale											
BUY >20%, ACCUMULATE 12-20%, HOLD 5-12%. NEUTRAL 5% -5%, REDUCE -5% -12%, SELL < -12%											
Note: For ACC and Ambuja Cement, FY20, FY21E and FY22E corresponds to CY19, CY20E & CY21E.											

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Stock Rating Scale

BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

Absolute Return

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