

Arihant's **VALUE** Plus

Issue | **October 2021**

JUST LIKE THAT AJIT NINAN



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MOVERS & SHAKERS



INDIAN INDICES

Indices	Sep-21	Aug-21	Change (%)
SENSEX	59126.36	57552.39	2.73
NIFTY 50	17618.15	17132.20	2.84
NIFTY BANK	37425.10	36424.60	2.75
NIFTY MIDCAP 100	30384.00	28417.25	6.92
NIFTY 500	15052.65	14555.90	3.41
NIFTY IT	35028.00	34570.20	1.32
NIFTY REALTY	513.80	386.80	32.83
NIFTY INFRA	5025.35	4709.85	6.70

(Source: BSE & NSE)

BSE SECTORAL INDICES

Indices	Sep-21	Aug-21	Change (%)
AUTO 	23865.88	22571.39	5.74
BANKEX 	42727.61	41980.43	1.78
CD 	41339.79	37360.66	10.65
CG 	25966.72	24973.86	3.98
FMCG 	14862.21	14580.82	1.93
HC 	26092.64	26569.77	-1.80
IT 	34418.54	34180.47	0.70
METAL 	20182.06	20579.75	-1.93
OIL & GAS 	18301.57	17083.96	7.13
PSU 	8488.42	7736.51	9.72
REALTY 	4103.77	3084.98	33.02
TECK 	15339.80	14952.38	2.59

(Source: BSE)

GLOBAL INDICES

Indices	Sep-21	Aug-21	Change (%)
DOW JONES	33843.92	35360.73	-4.29
NASDAQ	14448.58	15259.24	-5.31
HANG SENG	24575.64	25878.99	-5.04
FTSE	7086.42	7148.01	-0.86
NIKKEI	29452.66	28089.54	4.85

MoneyControl

COMMODITIES

Particular	Sep-21	Aug-21	Change (%)
MCX GOLD 	46090.00	47239.00	-2.43
MCX SILVER 	59996.00	63402.00	-5.37
MCX CRUDE OIL 	5571.00	5026.00	10.84
MCX NATURAL GAS 	428.80	318.30	34.72

(Source: Falcon software)

FOREX

Particular	Sep-21	Aug-21	Change (%)
USD-INR 	74.49	73.17	1.80
EUR-INR 	86.27	86.69	-0.48
GBP-INR 	100.13	100.86	-0.72
JPY-INR 	66.53	66.62	-0.14

(Source: Falcon software)

FII Activity (Rs. Cr.)

Date	Gross Purchases	Gross Sales	Net Pur/Sales
Total for Sep 2021	227,327.16	215,468.33	11,858.83
Total for 2021*	1,567,254.62	1,540,853.53	26,401.09

(Source: SEBI)

MF Activity (Rs. Cr.)

Date	Gross Purchase	Gross Sales	Net Pur/Sales
Total for Sep 2021	111,337.57	104,378.00	6,959.57
Total for 2021*	720,954.31	695,464.23	25,490.08

*Till 30th September 2021

(Source: SEBI)



Market Outlook

Monthly Market Roundup

In September 2021, Domestic markets grew with benchmark Nifty and Sensex Index ending the month with 2.84% & 2.73% profit respectively. Nifty outperformed as compared to world indices during this period driven by improvement in economy and domestic market supporting the market. With rising inflation and high commodity prices specially energy prices are now becoming more and more difficult to pass on to consumers and may start to impact demand or the profitability of some corporates.

Nifty Midcap50 was up by 6.1% & Nifty Small Cap 250 was up by 5.8%. This outperformance was mainly due to rise in Realty, Media, PSU Bank and Auto sectorial indices. Going forward, the result season will begin in India and equity market will keep a close eye on same. We expect Indian market along with world market likely to see some profit taking in October month.

Disinvestment talks spark rally in PSU stocks: The BSE PSU Index made a record high in September as it touched 8,488 points which is a huge 93.8% jump from its 52-week low of 4,378 points. It has outpaced all other major indices like BSE Sensex, Nifty and Bank Nifty over the last 1 year. The market cap of the index has grown 3% in a week's time and by about 43% from Jan'21.

The buoyancy is a result of the overall bullish market sentiment and renewed interest in PSUs due to government talks about disinvestment. The investors are seeing value in PSU stocks as they had been underperforming during the previous rallies and are now available at attractive valuations compared to other stocks which are now running at very high valuations and have now become risky.

There is a complete rerating of PSU stocks on the back of government initiatives over the last one year like economies of banks, monopolies of power and infrastructure have got rerated as they now have more control without much of Govt. intervention. The Govt. did not intervene to control the fuel prices as they were going north-wards, companies were able to increase the gas prices in tandem with international prices. With the opening up of economy, the power requirement is at an all-time high which is good



news for power generation companies. The government has also stopped piece meal sell offs of PSUs that it was earlier doing through ETFs which has brought clarity on the disinvestment front. PSU stocks always had a great value but were lagging behind because of its role in managing them. If the Nifty is to cross 18K level, it will be able to now do so only on the basis of growth and momentum in PSU stocks.

As the COVID situation in the country is improving and economy is gradually gathering pace, Govt. has again reiterated their intent to conclude a host of transactions by March'22. The Department of Investment and Public Asset Management (DIPAM) had communicated during the Annual CII session in the month of Aug'21 that the privatization of Air India, BPCL, Shipping Corp of India, Pawan Hans, BEML and Neelachallspat Nigam Ltd would be completed this year.

Sectoral Performance: On the sectorial front, Nifty Realty, Nifty Media and Nifty PSU Bank have outperformed all other major indices with a higher gain of 25.8% and 32.8% and 5.4% respectively. Nifty Auto also has shown positive momentum.

On the global front: Global equities were on negative momentum in September 2021, Dow Jones de grew by 4.2% and Nasdaq Index de grew by 5.6% respectively. In context to that S&P500 has de grown by 4.8%. However, Nikkei rose 3.5% and FTSE100 de grew by 0.9%. Last month, the stock market across the globe posted a negative growth mainly due to US FED news that it will soon begin to slow the pace of its asset purchases, with purchases set to come to an end by around the middle of next year. The Fed also released its projections for interest rates over the next few years, with the central expectation now being for US interest rates to increase to 1.75% by the end of 2024

In commodities, gold declined 3.2% in the month of September, while Brent crude prices rose by 9.7%. USD/ INR rose by 1.9% in the month of September.

Economic Data Wrap Up: Sep - 2021

- India's August Federal Fiscal Deficit (USD) hit by 46809B as compared to 3211.43 in July
- India's Sep Nikkei Services PMI increased to 57 as compared to 56.7 in July.
- India's Sep Nikkei Market Manufacturing PMI increased to 53.7 as compared to 52.3 in August
- India's Aug CPI inflation came in at 5.30% as compared to 5.59% in July
- India's July IIP came in at 11.5 % YoY as compared to 13.6% in June
- India's Aug WPI inflation came in at 11.39% as compared to 11.16% in July
- India's Aug Trade Balance (USD) increased to -13.81B as compared to -10.97B in July.

Nifty Technical Outlook: Oct - 2021

CMP = 17,618.15



On the monthly chart, we are observing strong bull candle which is nearing to the upper trendline of the channel. At present there is no weakness on the chart, hence momentum on the upside is likely to continue. In coming month if Nifty trades and close above 17791 levels then it is likely to test 18052 – 18312 – 18616 levels. However, if Nifty trades and close below 17744 level then it can test 17184 – 16924 – 16621 levels.

At present the monthly trend is up. Hence, any decline in the range of 17184 – 16924 levels should be used to go long for a target of 18052 – 18312 – 18616 levels. Hence, one needs to adopt buy on decline strategy as stock specific move is likely to continue.



Fundamental Stock



VISHNU
CHEMICALS LTD

Vishnu Chemicals Ltd.

BUY

Target Price: Rs. 183

Value Parameters

NSE Code	VISHNU
CMP(As on 04thOct, 2021)	INR786
TARGET	Rs 1462
Face Value	INR10
52 Week High/Low	806/138
Market Cap (INRCr)	939
EPS (FY23E)	INR 81.2

Company Overview: Vishnu Chemicals Ltd. was established in 1989 and produces specialty chemicals with a variety of applications in different industries. It manufactures chromium chemicals and barium chemicals and exports to about 57 countries around the world. The main product within chromium chemicals include Sodium Dichromate and its derivatives. At its barium chemical facility, the company manufactures Barium Carbonate.

The company has four manufacturing facilities, including one plant dedicated to barium chemicals. It acquired the barium facility from Solvay in 2015 and turned the loss-making unit into profit.

Investment Rationale

Expansion of high margin barium facility: The Company is expanding its Barium Carbonate capacity by 50% from 40,000 MTPA currently to 60,000 MTPA. The expansion plan is on track and the company will begin trial run from Q3FY22. The additional capacity will be operational from Q4FY22. The company targets to run the plant at about 90-95% capacity utilization. Barium Carbonate is relatively, a high margin product for the company.

The expansion will facilitate the company to improve its product mix towards high margin products. It will also benefit from higher operating leverage going forward.

Backward integration at chromium chemical facility: The company manufactures sodium dichromate and derivatives at its chromium chemical facility. Chrome ore and sodium carbonate are the main raw materials used in the process. It sources chrome ore from South Africa and sodium carbonate from US and domestically. The company is currently

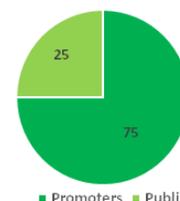
undertaking backward integration to manufacture sodium carbonate in-house. It will begin trial run in Q3FY22 and the plant will become functional in Q4FY22. 60% of its requirement will be met through the backward integration facility. It will facilitate the company to increase its operating margins in the chromium chemical segment by 4-6%. It will also help the company against sodium carbonate price volatility.

Debottlenecking to increase throughput: Vishnu Chemicals underwent debottlenecking exercise at its Vizag plant in FY21. It will enhance capacity utilization at its chromium facility in Vizag. The company will benefit from higher operating leverage and the utilization will increase by about 10-20%. The synergistic effect will be seen on operating margins, which is expected to increase by 2% next year in the chromium chemicals business.

Lower interest cost and debt reduction: Finance cost is on a declining trajectory for the company due to better rate negotiations with its lenders. It will further reduce going forward as the company repays its loans in the next three years from the improving cash flow from operations. Also, major capital expenditure has already been spent by the company on its fixed assets and no major capex is lined up going forward. The company targets to be debt free in the next few years. In addition, it intends to gradually release the pledged shares from the improving cash flows.

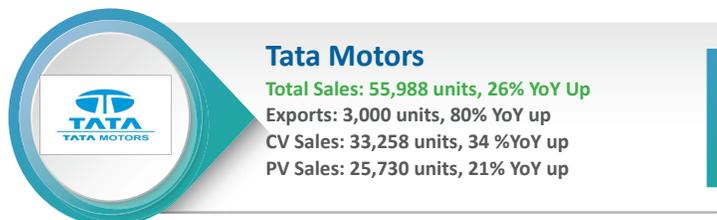
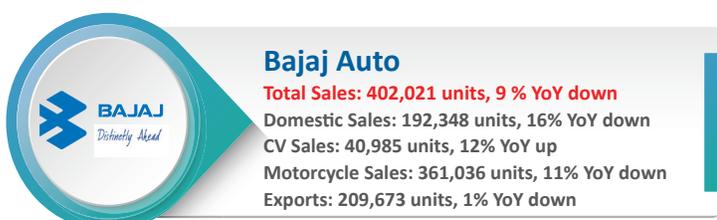
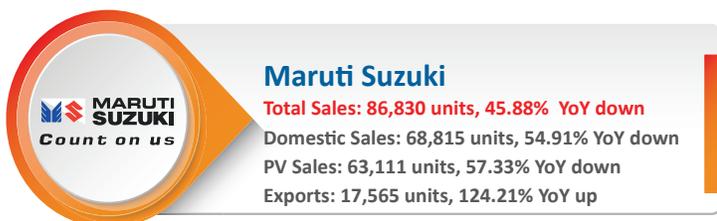
Valuation & Outlook : At a CMP of INR 786 per share, the stock is trading at a P/E multiple of 9.7x its FY23E EPS of INR 81.2. The company is likely to benefit from debottlenecking and backward integration of its chromium chemicals and expansion of its barium carbonate facility. Additionally, debt reduction and diversified client base will operationally strengthen the company. We value the stock at a P/E multiple of 18x its FY23E EPS of INR 81.2 to arrive at a target price of INR 1,462 per share.

Shareholding Pattern % (June - 21)



AUTO SECTOR

SEPTEMBER SALES



(Source: NSE)

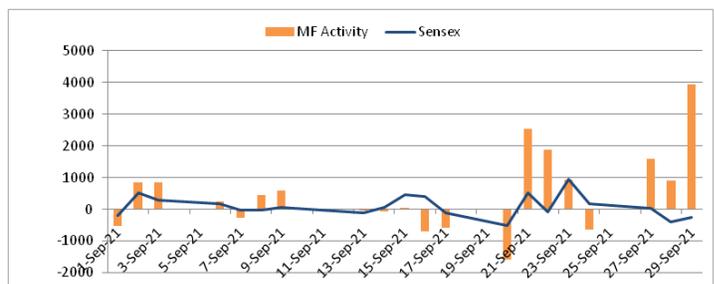


MUTUAL FUNDS ROUNDUP

Indian equity markets rejoiced and ended on positive note in Sep 2021. The barometer index, S&P BSE Sensex delivered positive returns of 2.73 % to settle at 59126.36 and Nifty 50 gained 2.84 % ending the month at 17618.15.

MF ACTIVITY

Indian mutual funds were net buyers of equities to the tune of Rs 6,959.57 crores in the month of Sep 2021. Highest buying was recorded in the 4th week of the month when the fund houses made total net buy of Rs 3,196.30 crores of equities. On the other hand, foreign institutional investors (FIIs) were net Buyers to the tune of Rs 11,858.83 crores worth of equities in Sep 2021.



Mutual Fund Activity In Sep 2021

Rs in Crores	Gross Purchases	Gross Sales	Net Investment
1st Week	14,245.35	13,061.00	1,184.35
2nd Week	16,581.50	15,535.80	1,045.70
3rd Week	23,484.45	24,741.01	-1,256.56
4th Week	26,556.23	23,359.93	3,196.30
5th Week	30,470.04	27,680.26	2,789.78
Total	111,337.57	104,378.00	6,959.57

Note: Mutual Fund activity as on Sep 2021

Equity Scheme Recommendation

Scheme Name	Latest NAV*	AUM as on 1 st Oct, 2021 (Rs in Cr)	Launch Date	Returns (%)				Min. Investment Amount	
				One Year	Three Years	Five Years	Since Inception	SIP	Lump sum
Large Cap Fund									
Axis Bluechip Fund(G)	46.27	29,161	05-Jan-10	50.62	17.12	17.39	14.04	500	5000
ICICI Pru Bluechip Fund (G)	63.00	28,288	23-May-08	50.72	13.23	14.28	14.86	100	100
Mirae Asset Large cap Fund(G)	77.20	27,435	04-Apr-08	49.22	14.82	15.99	16.46	1000	5000
Multi Cap Fund									
Axis Focused 25Fund(G)	46.08	17,853	29-Jun-12	57.81	15.69	18.19	18.11	500	5000
Kotak - Flexi Cap Fund (G)	52.01	37,097	11-Sept-09	49.85	13.39	14.36	14.76	500	5000
SBI - Flexi Cap Fund (G)	74.38	14,346	29-Sept-05	57.11	14.42	14.34	13.42	500	1000
Mid Cap Fund									
DSP Mid Cap Fund(G)	90.17	13,457	25-Jun-07	51.24	16.75	15.36	16.01	500	500
L&T MidCap Fund (G)	202.98	6,964	9-Aug-04	53.69	11.88	15.00	19.29	500	5000

Note: Returns as on 1st October, 2021, Returns < 1 yr annualized, Returns > 1 yr compounded annualized.

Debt Scheme- Liquid Funds Recommendation

Scheme Name	YTM	Latest NAV*	AUM as on 1 st Oct,2021 (Rs in Cr)	Returns (%)				
				One Month	Three Months	Six Months	One Year	Since Inception
Liquid Fund								
Axis Liquid(G)	2.16	2303.96	27,007	0.30	0.85	1.66	3.23	7.26
ICICI Pru Liquid Fund(G)	2.13	307.13	38,904	0.29	0.83	1.63	3.18	7.36
Ultra Short Term Fund								
Kotak Saving Fund(G)	2.22	34.22	13,190	0.31	0.93	1.83	3.60	7.48
L&T Ultra Short term Fund(G)	2.27	34.72	2,777	0.31	0.91	1.82	3.48	7.21

Note: NAV and Returns as on 1st October, 2021, Returns < 1 yr annualized, Returns > 1 yr compounded annualised.

ELSS Scheme Recommendation

Scheme Name	Latest NAV*	AUM as on 1 st Oct, 2021 (Rs in Cr)	Launch Date	Returns (%)			
				One Year	Three Years	Five Years	Since Inception
Mirae Asset Tax Saver(G)	30.33	8,739	28-Dec-15	60.77	19.80	20.59	21.58
Axis LT Equity Fund(G)	74.17	31,015	29-Dec-09	59.33	16.89	17.31	18.72
Kotak Tax Saver(G)	69.32	2,144	23-Nov-05	57.11	16.26	15.02	13.05

Note: NAV and Returns as on 1st October, 2021, Returns < 1 yr annualised, > 1 yr compounded

THE MONTH AHEAD KEY FINANCIAL EVENTS OCTOBER 2021



October 01

- Indian Automobile Sales Data, by Automakers
- INR Nikkei Markit Manufacturing PMI (Sep)
- USD Core PCE Price Index m/m
- USD ISM Manufacturing PMI

October 05

- USD ISM Services PMI
- INR Nikkei Services PMI (Sep)

October 06

- USD ADP Non-Farm Employment Change
- INR M3 Money Supply

October 08

- Indian Automobile Sales Data, by SIAM
- INR Interest Rate Decision
- USD Average Hourly Earnings m/m
- USD Non-Farm Employment Change
- USD Unemployment Rate

October 12

- CNY GDP q/y
- INR CPI (YoY) (Sep)
- INR Manufacturing Output (MoM) (Aug)

October 13

- USD CPI m/m
- USD Core CPI m/m
- USD FOMC Meeting Minutes

October 14

- USD PPI m/m
- INR WPI Inflation (YoY) (Sep)

October 15

- USD Core Retail Sales m/m
- USD Retail Sales m/m
- INR Imports (USD) (Sep)
- INR Exports (USD) (Sep)

October 22

- EUR German Flash Manufacturing PMI
- EUR German Flash Services PMI

October 28

- EUR Monetary Policy Statement
- EUR ECB Press Conference
- USD Advance GDP q/q

ArihantCapital
Generating Wealth



THINK
BIG
START **SMALL**

ARIHANT'S SIP INVESTMENT

WHY SIP INVESTMENT



DISCIPLINED INVESTMENT



POWER OF COMPOUNDING



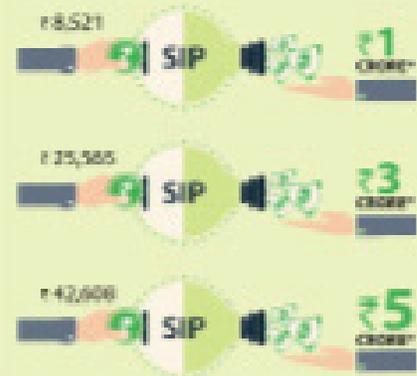
RUPEE COST AVERAGING



SMALL POCKET INVESTMENT

*Note: The above figures are calculated for the use of ₹1000 for illustration purposes only. Actual fund investments are subject to market risks. Returns could vary from the depicted illustration depending on market conditions. Avoided risk for construction of investment performance in any market.

20 YEARS PERIOD



Equities & Derivatives | Commodities | Currency | Bonds | IPO | Mutual Fund Advisory | POC | Depository | Online Trading | Mobile Trading | Merchant Banking

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 REGD. - INDP4830L-355-2008-CDSL; IN-DP-CDSL-113-2005; AMFI - AMFI 15114; SEBI - RA 161600003764

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