



AMN Investment Newsletter

02 October 2022

Major Stocks that gained for the week ended 30 Sep 2022


NSE Symbol	Company	Industry	Market Cap (₹ in crores)	Stock Price 30-09-22	% change
BAJAJELEC	Bajaj Electricals	Domestic Appliances	13,824	1,191.50	10.9%
ZYDUSLIFE	Zydus Lifesciences	Pharmaceuticals	39,162	387.15	8.7%
GRANULES	Granules India	Pharmaceuticals	8,575	346.30	7.6%
CARBORUNIV	Carborundum Universal	Abrasives	17,021	897.00	7.0%
ABBOTINDIA	Abbott India	Pharmaceuticals	40,671	19,050.00	7.0%
TANLA	Tanla Platforms	Information Technology	10,685	786.80	6.1%
METROPOLIS	Metropolis Healthcare	Healthcare - Diagnostics	7,958	1,545.00	5.8%
AMBER	Amber Enterprises India	Electronics - Components	7,964	2,361.95	5.4%
ALLCARGO	Allcargo Logistics	Logistics	10,123	411.60	5.3%
POWERGRID	Powergrid Corp. of India	Power - Transmission	148,019	212.50	5.0%

Indian equity market gave negative returns for the week and month ended 30 Sep 2022. Nifty50 declined 3.7 percent for the month of September 2022. Smallcap stocks which are considered more volatile and riskier than midcaps and largecaps confounded market participants with their relatively better performance in September 2022. Nifty Smallcap 100 index declined 1.9 percent in September 2022 while Nifty Midcap 100 index and Nifty 500 index declined by 2.6 percent and 3.2 percent, respectively.

All major sectoral indices, except FMCG and Pharma, gave negative returns in September 2022. The declines were steeper in real estate, information technology, financial services, and auto stocks.

Performance - Major Market Indices - week ended 30 Sep 2022


INDEX	30-Sep-22	Return (%)		
		1 week	1 month	1 year
Broad Market Indices				
NIFTY 50	17,094.35	-1.3%	-3.7%	-3.5%
NIFTY 500	14,829.35	-1.5%	-3.2%	-1.7%
NIFTY MIDCAP 100	30,668.30	-1.3%	-2.6%	1.3%
NIFTY SMALLCAP 100	9,441.80	-1.5%	-1.9%	-12.6%
Volatility Index				
INDIA VIX	19.97	-3.0%	6.8%	6.0%
Sectoral Indices				
NIFTY BANK	38,631.95	-2.3%	-2.3%	2.4%
NIFTY AUTO	12,699.30	-3.0%	-3.9%	19.2%
NIFTY FINANCIAL SERVICES	17,506.65	-2.5%	-4.0%	-4.7%
NIFTY FMCG	44,405.65	-1.0%	1.3%	9.7%
NIFTY IT	26,981.15	1.5%	-5.0%	-23.5%
NIFTY MEDIA	2,062.90	-1.1%	-0.3%	-4.4%
NIFTY METAL	5,768.20	-4.3%	-2.8%	1.9%
NIFTY PHARMA	12,971.90	2.9%	2.1%	-9.9%
NIFTY REALTY	424.00	-2.9%	-8.5%	-16.3%
Thematic Indices				
NIFTY INDIA CONSUMPTION	7,872.70	-1.6%	-1.0%	8.9%
NIFTY CPSE	2,563.15	-2.1%	-6.2%	8.1%
NIFTY ENERGY	25,581.30	-3.5%	-9.0%	11.9%
NIFTY INFRASTRUCTURE	4,957.85	-0.9%	-3.3%	-1.7%
NIFTY MNC	19,707.75	-0.7%	-0.3%	2.7%
NIFTY PSE	3,990.60	-1.7%	-5.8%	-3.0%
NIFTY SERVICES SECTOR	23,379.90	-1.5%	-4.0%	-5.5%



The Pharma sector stands apart from other sectors with its superior performance last week and for the month of September 2022. Nifty Pharma Index, which represents pharmaceutical stocks on Indian stock market, gave the highest return among the sectoral indices in the past week and in the month of September 2022.

The stock chart of Nifty Pharma Index shows the index being in a bear phase between October 2021 and June 2022 and then consolidate within a narrow range over the last three months (July 2022 – September 2022). Stock prices/indices consolidating within a range for some time and then breaking out of the range, whether on the upside or downside, could be the start of a new trend.

Nifty Pharma index, despite the recent gains, is still trading within a narrow range but is showing signs of breaking out on the upside. If so, it could be the start of an upside trend for the index. Stay awake and be vigilant on the Pharma sector as it may reap benefits for the investor if things work out as discussed above.



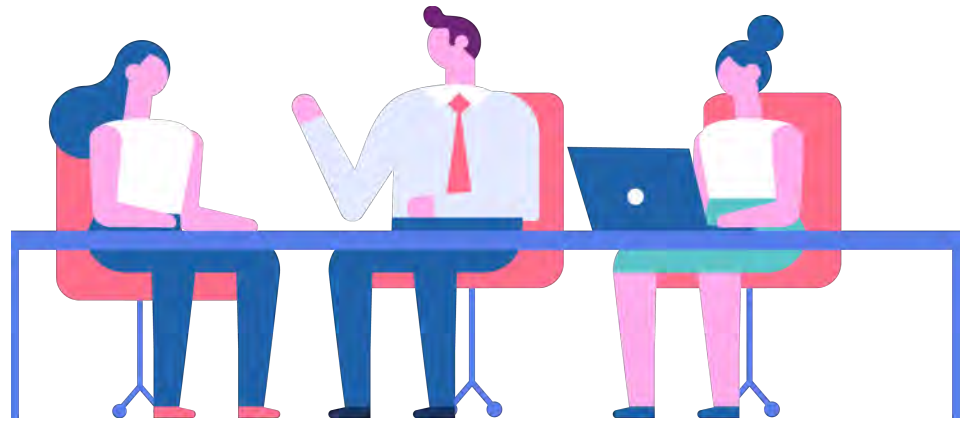
The IPO of 'Electronics Mart India' will open for subscription next week. The bid for the issue opens on October 4, 2022 and closes on October 7, 2022. 'Electronics Mart India' is a consumer durables and electronics retailer with dominance in the states of Telangana and Andhra Pradesh. The company claims to be one of the fastest growing consumer durables and electronics retailers in India.

We made a brief analysis of 'Electronics Mart India's financials. It indeed has high growth in sales and profit over the last two years. The margins are very low which is characteristic of retail businesses. The Return on Equity is above-average and net-worth growth is good. But there are a few findings that made us decide not to entertain this idea further. They are:

1. High debt on balance sheet and servicing these debts is a significant part of its cash outflow. It had relied on debt for its operations in every of the last three years.
2. Cash outflow on account of working capital is large enough to be considered risky.
3. It hasn't paid any dividends in the last three years.
4. Inventories are growing faster than net sales.

Major Stocks that declined for the week ended 30 Sep 2022

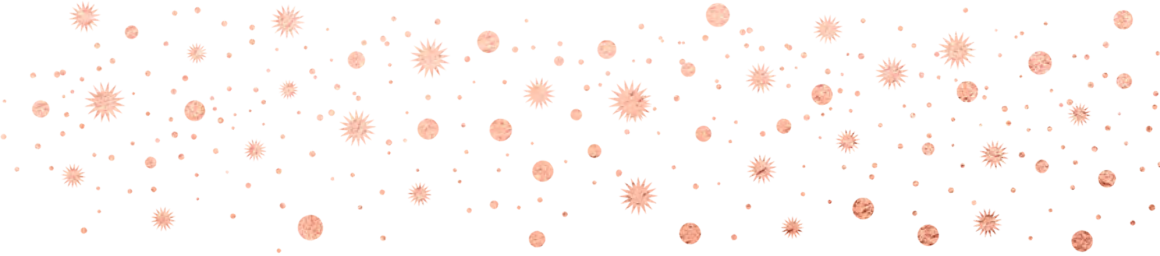
NSE Symbol	Company	Industry	Market Cap (₹ in crores)	Stock Price 30-09-22	% change
ADANITRANS	Adani Transmission	Power - Transmission	366,975	3,293.00	-14.7%
BALAMINES	Balaji Amines	Chemicals	10,263	3,160.00	-10.9%
ADANIPORTS	Adani Ports & SEZ	Ports	173,352	820.90	-10.1%
VBL	Varun Beverages	Food Processing	67,826	1,047.00	-9.7%
JSL	Jindal Stainless	Steel	6,582	125.85	-8.1%
ANGELONE	Angel One	Finance & Investments	11,348	1,376.00	-7.8%
HEROMOTOCO	Hero Motocorp	Automobiles - 2 wheelers	50,939	2,550.20	-7.7%
RECLTD	REC Ltd	Finance - Power	24,752	94.00	-7.7%
PAYTM	One 97 Communications	FinTech	41,397	638.50	-7.5%
MOTHERSON	Samvardhana Motherson International	Auto-ancillaries	49,242	109.35	-7.4%



The year 2022, so far, has been a challenging and painful period for our portfolio. The equity portfolio of AMN Capital is down 14.3 percent year-to-date. Manappuram Finance which is down 41 percent so far in 2022 is responsible for 40 percent of the portfolio's decline.

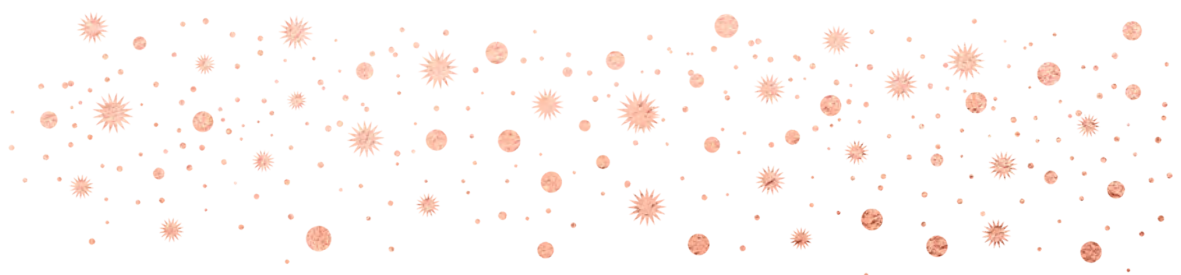
Manappuram Finance (MFL) reported four consecutive quarters of revenue and profit decline. The company is facing pressure on asset quality, it is also facing stiff competition in its primary gold loan business from banks and other finance companies. These factors along with the volatile markets of 2022 could be attributed as reasons for the stock's huge underperformance.

MFL reported the first decline in revenue and profits in the quarter ended 30 Sep 2021. The stock was trading at around ₹200 per share at the time but has been in a decline since then and currently trades at ₹95. We, AMN Capital, decided to hold on to our shares of MFL during these difficult times. We neither bought nor sold any shares of MFL during this period because our view on MFL was that it is a high-quality company with good prospects. The recent poor financial performance and decline in stock price were seen as short-term setbacks and we expect the company to emerge from the difficult times more resilient and enlightened. We still hold those views.



The stock of TamilNad Mercantile Bank (TMB) – a south-based private sector bank – got listed on the bourses on 21 September 2022. It had a flat listing with the stock closing the listing day at the IPO price itself. As of 30 September 2022, the stock is down 3 percent from the IPO price. We had written a report on TMB's IPO in which we opined TMB is a high-quality stock and suggested investors apply for the IPO, but not for quick short-term listing gains but with the intention of holding for the medium to long-term. TMB looks like a good stock to bet from the banking sector for investors with a low to moderate risk score.

It was during the analysis of TMB did we come across another quality bank stock – CSB Bank. The bank which was loss-making and had weak fundamentals four or five years ago had made a remarkable turnaround over the last three years. There was a change in management of the bank during this period which saw Canada-based Fairfax group acquire 51 percent in the bank. We intend to publish our report on CSB Bank soon which you can find on [the report page of our website](#), or you can [join our mailing list](#) so that the latest contents from us are delivered to your email inbox. That way you don't miss our contents.





RBI in line with other major central banks raised the policy repo rate by 0.5 percent to 5.90 percent last week. The central bank has raised policy rates by a total of 1.90 percent over the last six months to bring inflation towards its target. The inflation projection for the year was maintained at 6.7 percent while GDP growth was revised lower to 7.0 percent.

Previously, RBI had to raise policy rates similarly between 2010 and 2013, that too, to counter high inflation. We had a volatile, range bound market during the period. What makes the present rate increases different from the rate increases of 2010 – 2013 is that presently monetary tightening has become a global imperative. In 2010 – 2013, high inflation was only an India-specific problem. Advanced countries had low inflation and enjoyed lower or not-so-tight monetary policy. This time, persistently high inflation is a global phenomenon and is more severe in advanced economies like US and Europe than in developing countries like India.

The severity of the situation is bigger now and the need to be more prudent and vigilant is greater than ever.

Stay grounded and go to the basics. Investors who follow this approach have a better chance of survival and outperformance.

