

Arihant's VALUE *Plus*

Issue | February 2022



Inside
The Issue

Market
Outlook
03-04

Fund
Stock
05

Auto
Sector
06

Mutual
Funds
07-08

Key
Events
09

MOVERS & SHAKERS



INDIAN INDICES

Indices	Jan-22	Dec-21	Change (%)
SENSEX	58014.17	58253.82	-0.41
NIFTY 50	17339.85	17354.05	-0.08
NIFTY BANK	37975.35	35481.70	7.03
NIFTY MIDCAP 100	30273.95	30442.90	-0.55
NIFTY 500	14921.45	14996.20	-0.50
NIFTY IT	38701.00	38701.00	0.00
NIFTY REALTY	480.25	484.15	-0.81
NIFTY INFRA	5056.75	4949.90	2.16

(Source: BSE & NSE)

BSE SECTORAL INDICES

Indices	Jan-22	Dec-21	Change (%)
AUTO 	26408.33	24817.60	6.41
BANKEX 	43569.48	40408.50	7.82
CD 	41919.09	44768.10	-6.36
CG 	29158.30	28750.72	1.42
FMCG 	13460.95	13784.58	-2.35
HC 	24229.44	26205.73	-7.54
IT 	34735.97	37844.49	-8.21
METAL 	18984.62	19245.75	-1.36
OIL & GAS 	18672.22	17508.03	6.65
PSU 	9020.21	8141.22	10.80
REALTY 	3847.85	3841.12	0.18
TECK 	15478.80	16616.16	-6.84

(Source: BSE)

GLOBAL INDICES

Indices	Jan-22	Dec-21	Change (%)
DOW JONES	35131.86	36338.30	-3.32
NASDAQ	14239.88	15644.97	-8.98
HANG SENG	23802.26	23397.67	1.73
FTSE	7464.37	7384.54	1.08
NIKKEI	27001.98	28791.71	-6.22





(Source: MoneyControl)

COMMODITIES

Particular	Jan-22	Dec-21	Change (%)
MCX GOLD 	47915.00	47899.00	0.03
MCX SILVER 	61220.00	61764.00	-0.88
MCX CRUDE OIL 	6561.00	5625.00	16.64
MCX NATURAL GAS 	364.30	276.50	31.75

(Source: Falcon software)

FOREX

Particular	Jan-22	Dec-21	Change (%)
USD-INR 	74.91	74.55	0.48
EUR-INR 	83.73	84.54	-0.96
GBP-INR 	100.67	100.62	0.05
JPY-INR 	64.91	64.84	0.11

(Source: Falcon software)

FII Activity (Rs. Cr.)

Date	Gross Purchases	Gross Sales	Net Pur/Sales
Total for Jan 2022	141,610.06	174,749.02	-33,138.96
Total for 2022*	141,610.06	174,749.02	-33,138.96

(Source: SEBI)

MF Activity (Rs. Cr.)

Date	Gross Purchase	Gross Sales	Net Pur/Sales
Total for Jan 2022	112,208.74	95,721.02	16,487.72
Total for 2022*	112,208.74	95,721.02	16,487.72

*Till 31st January 2022

(Source: SEBI)

Monthly Market Roundup

In January 2022, Domestic markets witnessed a de growth with benchmark Nifty and Sensex Index ending the month with a loss of 0.08 % and 0.41% respectively. However domestic benchmark corrected less as compared to the world indices. Market sentiments were dampened amid Inflation, concerns about central bank tightening liquidity. Also weak set of numbers by certain index heavy weight stocks weighed on the sentiments.

Nifty Midcap 50 & Nifty Small Cap 250 was down by 1.5%. Under performance in IT and Pharma stocks led to decline in Midcap & Small Cap indices. Going forward, we expect market sentiments to remain upbeat with truly a pro-growth budget which will set the tone for growth for next two decades while will also help in mega job creation.

Union Budget 2022 Overview: This budget believes in continuity with the government supporting infrastructure with national infrastructure pipeline and Gati Shakti and it is futuristic also as it supports creating digital environment also with legalizing cryptos with tax and proposal to launch its digital currency.

Budget would strengthen the economy in the long term also with an attempt to strengthen MSME & Agriculture. We believe the market would take it positively with sectors like infrastructure, financials, discretionary spending would outperform on an overall basis.

Key Budget Highlights:

- India's economic growth is projected at 9.2% and will be highest among major economies.
- Revenue Receipts and Capital Receipts budgeted for the Financial Year 2022-23 are ₹22,04,422 crore & ₹17,40,487crore respectively.
- Revenue Expenditure and Effective Capital Expenditure budgeted for the Financial Year 2022-23 are ₹31,94,663 crore and ₹10,67,889 crore respectively.
- Fiscal deficit for the Union Government is projected at

6.9% of GDP for Financial Year 2021-22 and at 6.4% for Financial Year 2022-23.

- Tax deduction limit for Centre and State Government employees to be increased from 10% to 14% to help their social security benefits and bring them at par with the Central Government employees.
- The government reduced the divestment target for FY2022 to ₹78,000 crore compared to ₹1.75 lakh crore.
- It has pegged the FY2023 disinvestment target at ₹65,000 crore. As of now, the proceeds from divestment for the current financial year is around ₹12,000 crore.
- With the aim to develop enterprises and hubs, the budget announced that Special Economic Zone (SEZ) Act will be replaced with new legislation
- The government launched Production Linked Incentive (PLI) scheme in 14 sectors which will create 60 lakh new jobs.

Sectorial Performance: On the sectorial front, Nifty PSU Bank and Nifty Auto have outperformed all other major indices with a higher gain of 15.4%, and 5.3% respectively whereas se`444ctor like Nifty IT, Nifty Pharma showed a de growth of 11% and 6.9% respectively. Whereas Nifty FMCG and Nifty Metal declined by 3% each.

On the global front: Global equities also showed a de growth in January 2022, Dow Jones declined by 4% whereas Nasdaq Index declined by 10.1% respectively. In context to that, S&P500 declined by 5.9%. Whereas, Nikkei declined by 8.5% and FTSE100 declined by 0.5%. IT has been a rough start to the year for equity markets. Inflation, concerns about central bank tightening liquidity and tensions in Eastern Europe roiled markets and led to a sharp increase in volatility. In commodities, gold declined by 0.3%, while Brent crude prices rose by 15.6%.USD/INR rose by 0.3% in the month of January.

Economic Data Wrap Up: Jan - 2022

- India's Dec Nikkei Services PMI decreased to 55.5 as compared to 58.1 in Nov
- India's Jan Nikkei Market Manufacturing PMI decreased to 54.0 as compared to 55.5 in Dec
- India's Dec CPI inflation came in at 5.59% as compared to 4.91% in Nov
- India's Nov IIP came in at 1.4 % YoY as compared to 3.2% in Oct
- India's December WPI inflation came in at 13.56% as compared to 12.54% in November
- India's Dec Trade Balance (USD) came at -21.68B as compared to -21.99B in Nov

Nifty Technical Outlook: Feb - 2022

CMP = 17,339



On the monthly chart, we are observing long legged "Doji" which suggests that markets are circumspect at current level. In coming month if Nifty trades and close above 17624 levels then it is likely to test 18066 - 18505 - 19024 levels. However, if Nifty trades and close below 17053 level then it can test 16611 - 16170 - 15656 levels.

Since, prices have tested the upper trendline of the second channel for second time one need to adopt cautiously positive approach at current level. However, **we are of the opinion that the trend remains up and pull back should be used to long for a target of 18600 - 19000 levels.**



Fundamental Stock



An ISO 9001:2008 Company

HERANBA[®]
INDUSTRIES LIMITED

Heranba
Industries Ltd

BUY
Target
₹1,073

Stock Details:

NSE Code	HERANBA
CMP(As on 01stFeb, 2022)	INR699
Face Value	INR10
52 Week High/Low	945/603
Market Cap (INRCr)	2,820
EPS (FY24E)	INR 71.6
PE (x) (FY24E)	9.8x

Company Overview: Heranba Industries Ltd. is a crop protection chemical manufacturer, exporter and marketing company. It manufactures intermediates, technicals and formulations related to pesticides. The production facilities are located in Vapi and at Sarigam near Vapi. It is currently expanding its capacity at Sarigam and also possess additional land bank at Saykha, Dahej for future capacity expansion. The company is a market leader in pyrethroids, which is a class of chemicals used in the pesticide industry.

Investment Rationale:

Capacity Expansion to Drive Volume Growth: In November 2021, the company added 1,200 MTPA to its original capacity of 14,024 MTPA. The new capacity will be gradually ramped up and the revenue potential is about INR 100 Cr at 100% capacity utilization. Additionally, it is expanding its capacity at Sarigam near Vapi, in a phased manner. About 5,000 MTPA will come on board by September 2022. The margin profile of the expanded product portfolio is similar to the current margin.

Markets contributed about 48% of the overall revenues of the company. Exports enjoy higher margin compared to domestic markets and the differential is about 3%-4%. The company is targeting to increase its presence in the export markets, which augurs well to support higher margin growth. Management expects to maintain operating margin in the 18%-20% range going forward. We believe that higher exposure to exports will facilitate margins to remain in the higher range of the

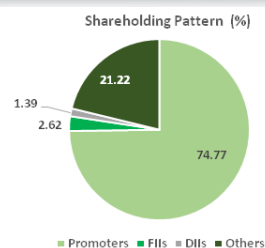
guidance band.

Increase in Product Registration to Strengthen Product Portfolio: The Company has about 375 registrations and around 160 odd registrations are in pipeline. It plans to introduce about 4-5 products each year with majority of them directed towards export markets. In addition, the company is diversifying into products other than insecticides. The new upcoming facility at Sarigam will include fungicide. Overall, we believe that the company will benefit from robust and diversified product portfolio as well as enhanced margin profile from export markets.

Diversified & Marquee Clientele: The company has a strong product portfolio comprising of technical and formulations. This gives the company a strategic advantage to diversify its customer base and cater to different regions. The contribution of top 10 clients to its overall revenues is less than 25%, which reduces its dependency on any particular client.

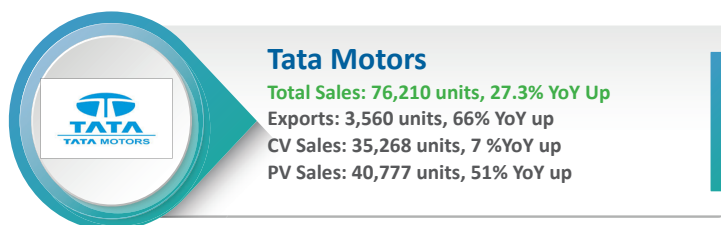
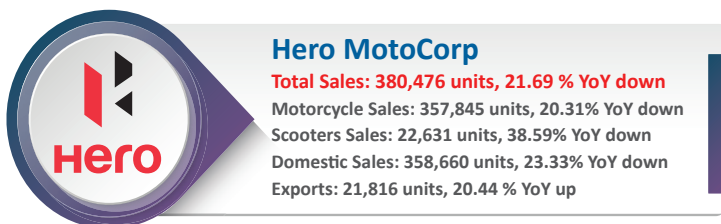
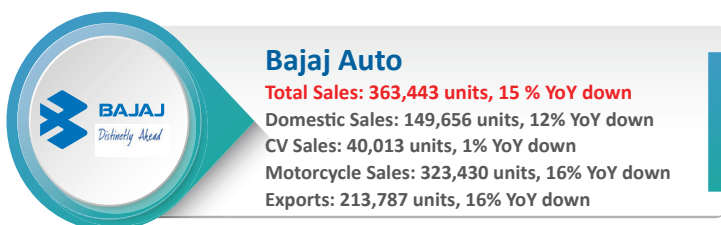
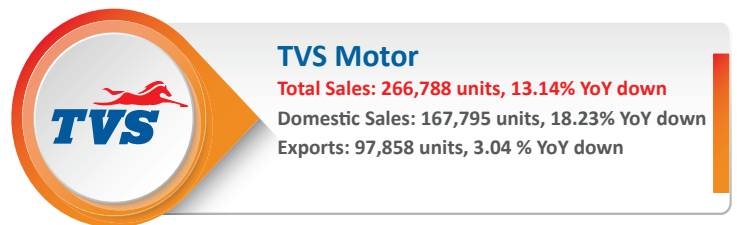
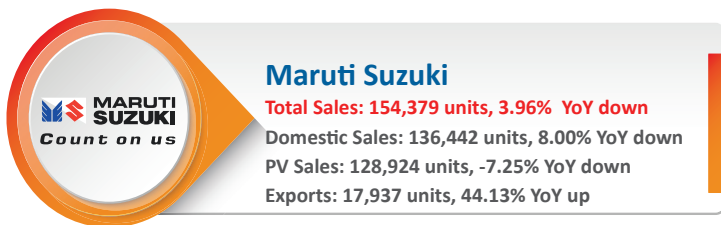
Valuation & Outlook: At the CMP of INR 699 per share, the stock is trading at a P/E multiple of 11.9x/9.8x its FY23E/FY24E EPS of INR 58.8/INR 71.6 respectively. The company is currently undertaking an expansion exercise and is confident of growing its topline by 18-20% going forward and maintaining healthy operating margins in the range of 18-20%. It has further acquired land bank and possess infrastructure for future expansion if required. The entry into higher margin export geographies presents an upside potential to expand the operating margins even further. In addition, the company will periodically introduce new products every year. Factoring in its sinewy growth, we value the company at a P/E multiple of 15x its FY24E EPS of INR 71.6 and arrive at a Target Price of INR 1,073 per share. Accordingly, we recommend a BUY rating on the shares of Heranba Industries Ltd.

Shareholding Pattern % (Dec - 21)



AUTO SECTOR

FEBRUARY SALES



(Source: NSE)

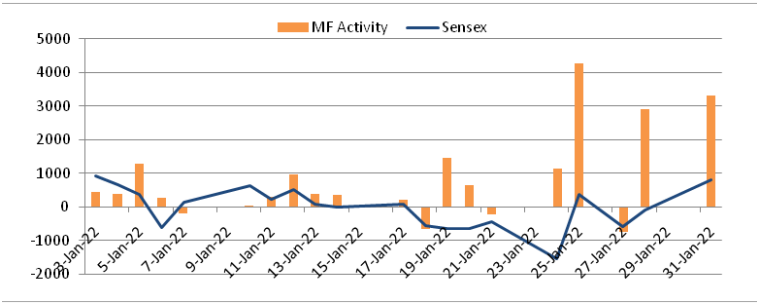


MUTUAL FUNDS ROUNDUP

Indian equity markets tumbled in the month of January 2022. The barometer index, S&P BSE Sensex delivered plunged 0.41 % to settle at 58,014.17 and Nifty50 lost 0.08% ending the month at ₹17,339.85.

MF ACTIVITY

Indian mutual funds were net buyers of equities to the tune of ₹16,487.72 crores in the month of Jan 2022. Highest buying was recorded in the 4th week of the month when the fund houses made total net buy of ₹10,879.16 crores of equities. On the other hand, foreign institutional investors (FIIs) were net Sellers to the tune of ₹33,138.96 crores worth of equities in Jan 2022



Mutual Fund Activity In Jan 2022

Rs in Crores	Gross Purchases	Gross Sales	Net Investment
1st Week	20,502.12	18,320.12	2,182.00
2nd Week	23,681.81	21,656.80	2,025.01
3rd Week	24,747.77	23,346.22	1,401.55
4th Week	43,277.04	32,397.88	10,879.16
Total	112,208.74	95,721.02	16,487.72

Note: Mutual Fund activity as 31st on Jan 2022



Equity Scheme Recommendation

Scheme Name	Latest NAV*	AUM as on 31 st Jan, 2022 (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)	44.93	34,584	05-Jan-10	23.06	18.82	18.40	13.25	500	5000
ICICI Pru Bluechip Fund (G)	65.96	30,899	23-May-08	31.80	18.38	15.45	14.76	100	100
Mirae Asset Large cap Fund(G)	78.22	31,129	04-Apr-08	28.16	17.72	16.25	16.03	1000	5000
Multi Cap Fund									
Axis Focused 25Fund(G)	43.46	20,427	29-Jun-12	23.29	19.92	17.59	16.54	500	5000
Kotak - Flexi Cap Fund (G)	52.67	36,661	11-Sept-09	26.86	17.02	14.65	14.34	500	5000
SBI - Flexi Cap Fund (G)	75.84	15,586	29-Sept-05	30.24	18.73	15.25	13.19	500	1000
Mid Cap Fund									
DSP Mid Cap Fund(G)	90.82	14,155	25-Jun-07	28.39	21.71	15.10	15.59	500	500
L&T MidCap Fund (G)	203.24	6,782	9-Aug-04	30.60	16.84	13.88	18.79	500	5000

Note: Returns as on 31st January, 2022, Returns < 1 yr annualized, Returns > 1 yr compounded annualized.

Debt Scheme- Liquid Funds Recommendation

Scheme Name	YTM	Latest NAV*	AUM as on 31 st Jan, 2022 (Rs in Cr)	Returns (%)				
				One Month	Three Months	Six Months	One Year	Since Inception
Liquid Fund								
Axis Liquid(G)	2.16	2,336.01	23,318	0.28	0.89	1.69	3.33	7.13
ICICI Pru Liquid Fund(G)	2.13	311.31	32,834	0.28	0.86	1.66	3.27	7.25
Ultra Short Term Fund								
Kotak Saving Fund(G)	2.22	34.66	11,223	0.32	0.89	1.61	3.37	7.37
L&T Ultra Short term Fund(G)	2.27	35.19	1,892	0.29	0.92	1.66	3.45	7.12

Note: NAV and Returns as on 31st January, 2022, Returns < 1 yr annualized, Returns > 1 yr compounded annualised.

ELSS Scheme Recommendation

Scheme Name	Latest NAV*	AUM as on 31 st Jan, 2022 (Rs in Cr)	Launch Date	Returns (%)			
				One Year	Three Years	Five Years	Since Inception
Mirae Asset Tax Saver(G)	31.05	10,660	28-Dec-15	34.81	23.39	20.45	20.42
Axis LT Equity Fund(G)	69.90	33,785	29-Dec-09	24.77	19.85	17.03	17.44
Kotak Tax Saver(G)	71.86	2,418	23-Nov-05	33.65	20.56	15.90	12.95

Note: NAV and Returns as on 31st January, 2022, Returns < 1 yr annualised, > 1 yr compounded annualised.

THE MONTH AHEAD KEY FINANCIAL EVENTS FEBRUARY 2022



February 01

- USD ISM Manufacturing PMI
- USD JOLTS Job Openings
- INR Nikkei Markit Manufacturing PMI (Jan)
- INR Indian Union Budget

February 03

- EUR Main Refinancing Rate
- USD Monetary Policy Statement
- USD ISM Services PMI
- INR Nikkei Services PMI (Jan)

February 04

- USD Average Hourly Earnings m/m
- USD Non-Farm Employment Change
- USD Unemployment Rate

February 08

- Indian Automobile Sales Data, by SIAM

February 09

- INR Interest Rate Decision
- INR Reverse REPO Rate
- INR Cash Reserve Ratio

February 10

- USD CPI m/m
- USD Core CPI m/m

February 14

- INR WPI Food (YoY) (Jan)
- INR WPI Inflation (YoY) (Jan)
- INR CPI (YoY) (Jan)

February 16

- USD Core Retail Sales m/m
- USD Retail Sales m/m

February 21

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

February 24

- USD Prelim GDP q/q
- USD Unemployment Claims

Arihant Capital
Generating Wealth

