AJCON GLOBAL

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Market wrap **June 29, 2018**

Domestic bourses bounceback strongly amidst recovery in rupee and pullback in Asian markets..

The benchmark indices settled over 1% higher on Friday after the rupee recovered from its all-time low and Asian peers staged a pullback.

The S&P BSE Sensex ended at 35,423, up 386 points while the broader Nifty50 index settled at 10,714, up 125 points.

Rupee

The rupee, which breached the 69 per dollar mark for the first time on Thursday, recovered tracking a rebound in Asian shares and currencies.

The Indian currency had on Thursday breached the 69-mark but covered lost ground to finally close at an all-time low of 68.79 with a fall of 18 paise against the US dollar due to multiple headwinds like weak global cues and concerns related to inflation and fiscal slippage.

Crude oil

Oil prices dipped on Friday amid escalating trade friction between the United States and other major economies, although crude markets remain tight due to supply disruptions and generally high demand.

US West Texas Intermediate (WTI) crude futures were at $73.19 a barrel, down 26 cents (0.4 percent) from their last settlement. WTI on Thursday hit its highest since November 2014 at $74.03 per barrel. Brent crude futures were at $77.74 per barrel, down 11 cents (0.1 per cent).

Sectors and stocks

Shares of Britannia Industries were trading higher for the fifth straight day, hitting a new high of Rs 6,189 per share, up 1.5% on the BSE in intra-day trade on Friday. Stock of the leading food company was up 4% as compared to 1.2% decline in the S&P BSE Sensex during the week. In past one year, Britannia Industries has rallied 70% from Rs 3,638 against 14% rise in the benchmark index. Since May 14, in past one and half months, the stock gained 13% after the company reported a healthy 25% year on year jumped in its consolidated net profit and 13% growth in revenue in March quarter. On comparison, the Sensex was down nearly 1% during the same period. During the quarter revenue growth was backed by the positive momentum in the market. Premiumization and increase in distribution footprints have resulted in better realization, improved profitability and robust volume growth especially in the rural India.

Shares of graphite electrodes manufacturers Graphite India (Rs 840) and HEG (Rs 3,311) were locked in the upper circuit of 5% on the BSE. HEG touched an all-time high of Rs 3,695 on May 17, 2018, while Graphite India hit a record high of Rs 908 on January 1, 2018 during intra-day trade. Thus far in the calendar year 2018, HEG (up 42%) and Graphite India (up 18%) have outperformed the S&P BSE Sensex, which 3% so far. In past one year HEG has zoomed 922%, while Graphite India surged 419% against 14% rise in the benchmark index. HEG had reported a consolidated net profit of Rs 10.99 billion during the financial year 2017-18 (FY18) against a net loss of Rs 441 million in FY17. Graphite India posted nearly 15-fold jump in its consolidated net profit at Rs 10.32 billion in FY18 as compared to Rs 700 million previous fiscal.

"The underlying growth was driven by a combination of higher volumes, price realizations and capacity utilizations which increased from 74% to 85% y-o-y. Despite the strong performance in FY2018, our revenue and margin growth was held back by the timing of the fulfillment of certain low price orders both in India and

Germany. However, as these orders are mostly completed the benefit of the higher prices will be reflected in our current year financial performance," said M M Bangur, Chairman, Graphite India while announcing Q4FY18 results. Looking into the year ahead, our capacity is fully booked for the first half of the year, mostly at current market price levels. This will result in significant margin expansion and enhanced profitability. Importantly, our German operations have returned to profitability in this new pricing environment and is poised to contribute significantly to the company's overall performance, he added. HEG believes that this current upsurge in the global graphite electrode demand which commenced in 2017 is expected to sustain its momentum over the foreseeable future as the demand-supply gap in the graphite electrode space is only expected to widen over the coming years. This augurs well for the business division. Even as the team remains focused on strengthening its efficiency standards, the management is contemplating an increase in the operational capacity to capitalise on the structural changes in the industry space, HEG said in FY18 annual report. Graphite electrodes are primarily used in Electric Arc Furnaces (EAF) and Ladle furnaces in steel making.

Shares of Fedders Electric and Engineering (formerly Fedders Lloyd Corporation) are locked in their lower circuit of 10% at Rs 28.85 per share, extending their decline on the BSE in the past five days, after the rating agency CARE Ratings revised the rating of the long and short term bank facilities of the company. The stock trading at its 52-week low price has tanked 46% in past six trading sessions from Rs 53.60 on June 21, 2018. CARE has revised rating of Fedders Lloyd Corporation's long term bank facilities worth Rs 4.60 billion to 'D' from 'BB'. The rating agency has also revised rating of company's short term bank facilities worth Rs 7.62 billion to 'D' from 'A4'. The revision in the ratings assigned to the bank facilities of Fedders Electric & Engineering takes into account the stressed liquidity due to certain cash flow mismatches primarily on account of long pending receivables from its offshore debtors and deterioration in the financial risk profile of the company as reflected in its declining profitability margins & further write off of certain bad debts in the 9months ending Dec 31, 2017 (refers to period from April 01 to Dec 31), CARE Ratings said in a press release dated June 22, 2018.

Global markets

Asian share markets rallied from nine-month lows on Friday as Chinese shares rebounded from a sell-off as China eased foreign investment limits, but the market outlook remains gloomy a week before initial US and Chinese tariffs are set to take effect.

MSCI's broadest index of Asia-Pacific shares outside Japan was 1.4 per cent higher, Japan's Nikkei stock index was up 0.2 per cent, and South Korea's KOSPI rose 0.5 per cent. China's blue-chip CSI300 index gained 2.3 per cent, and the Shanghai Composite index was 2 per cent higher. Hong Kong's Hang Seng index rose 1.5 per cent.

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