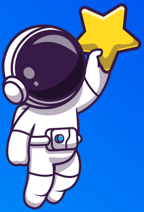
stoxbox

2023

Special Report

Stoxbox Market Outlook and Stock Recommendations

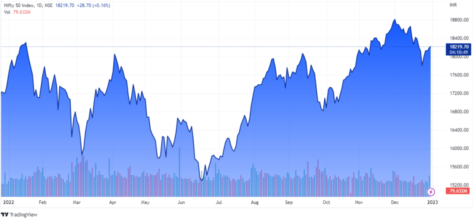


Investing is Simple

Index

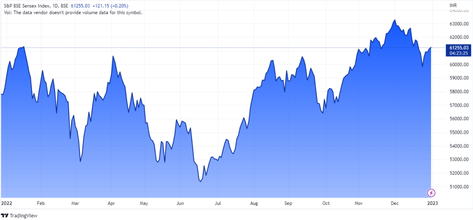
INDEX Returns
with charts

Nifty 50 Index Returns - 2022



LTP	Points Moved	Yearly Returns 2022
17994.2	990.45	5.82

Sensex Index Returns - 2022



LTP	Points Moved	Yearly Returns 2022
61225.44	3431.12	5.94%

Banking Index- 2022

LTP	Points Moved	Yearly Returns 2022
42288.35	7431.3	21.32%

TOP 10 Gainers of the Year

1. Large Cap

Market Cap
Above ₹20,000 CR

	LTP	Change Price
Adani Power	₹299.4	₹200 (201.21%)
FACT	₹373.35	₹239.3 (178.52%)
UCO Bank	₹31.5	₹18.6 (144.19%)
Varun Beverages	₹1322.55	₹754.09 (132.66%)
Bank of Baroda	₹185.65	₹105.55 (131.77%)
Adani Enterprises	₹3858.35	₹2161.95 (127.44%)
Adani Total Gas	₹3692.85	₹2010.45 (119.50%)
Pun & Sind Bank	₹33.9	₹17.95 (112.54%)
Hind Aeronautics Ltd	₹2533.85	₹1323.25 (109.31%)
Indian Bank	₹284.75	₹146.75 (106.34%)

2. Mid Cap

Market Cap
Between ₹5000 to ₹20000 CR

	LTP	Change Price
BLS Internat	₹165.3	₹118.01 (249.56%)
Mazagon Dock	₹793.15	₹517.45 (187.69%)
Karur Vysya Bank	₹113.25	₹68.35 (152.23%)
Lloyds Metals	₹245.3	₹147.85 (151.72%)
Raymond	₹1470.7	₹866.25 (143.31%)
Bharat Dynamics	₹944.1	₹551.05 (140.20%)
Apar Inds.	₹1793.1	₹1030.6 (135.16%)
RHI Magnesita	₹839.6	₹470.55 (127.50%)
GE Shipping Co	₹670.9	₹371.25 (123.89%)
Garden Reach Sh.	₹484.7	₹265.65 (121.27%)

3. Small Cap

Market Cap
Between ₹1000 to ₹5000 CR

Company	LTP	Change Price
Cressanda Solns	₹26.75	₹20.58 (333.55%)
Jyoti Resins	₹1250	₹883.47 (241.04%)
Ugar Sugar Works	₹102.75	₹72.4 (238.55%)
Choice Intl.	₹251.45	₹176.1 (233.71%)
TCPL Packaging	₹1526.45	₹1010.25 (195.71%)
Vadilal Inds.	₹2629.9	₹1717.35 (188.19%)
KPI Green Energy	₹876.5	₹554.85 (172.50%)
TGV Sraac	₹132.3	₹83.25 (169.72%)
Rama Steel Tubes	₹166.25	₹103.9 (166.64%)
Speciality Rest	₹229.7	₹141.25 (159.69%)

4. Micro Cap

Market Cap
Below ₹1000 CR

Company	LTP	Change Price
Clara Industries	₹189.75	₹146.95 (343.34%)
Shri Venkatesh	₹191.5	₹141.5 (283.00%)
Markolines Pavem	₹156	₹97.7 (167.58%)
NxtDigital	₹126.8	₹71.33 (128.58%)
Jindal Drcvilling	₹294.3	₹164.15 (126.12%)
Vinyl Chemicals	₹498.05	₹262.45 (111.40%)
Jagsonpal Pharma	₹372.75	₹192.55 (106.85%)
Promax Power	₹38	₹18 (90.00%)
Diamines & Chem.	₹465	₹216.85 (87.39%)
Deep Industries	₹281.05	₹124.4 (79.41%)

TOP 10 Losers
of the Year

Top 10 Losers of the Year

1. Large Cap

Market Cap
Above ₹20,000 CR

Company	LTP	Change Price
One 97 (Paytm)	₹531	₹-796.95 (-60.01%)
Gland Pharma	₹1576.55	₹-2297.05 (-59.30%)
FSN E-Commerce (Nyka)	₹154.85	₹-196.5 (-55.93%)
Zomato Ltd	₹59.3	₹-74.65 (-55.73%)
PB Fintech.	₹448.3	₹-480.75 (-51.75%)
Samvardh. Mothe.	₹74.15	₹-67.82 (-47.77%
Wipro	₹392.75	₹-321.35 (-45.00%)
Vodafone Idea	₹7.9	₹-6.1 (-43.57%)
Tech Mahindra	₹1016.4	₹-783.55 (-43.53%)
Sona BLW Precis.	₹419.5	₹-303.65 (-41.99%)

2. Mid Cap

Market Cap
Between ₹5000 to ₹20000 CR

Company	LTP	Change Price
Brightcom Group	₹29.4	₹-81.33 (-73.45%)
Metropolis Healt	₹1327.5	₹-2109.6 (-61.38%)
Tanla Platforms	₹714.45	₹-1130.95 (-61.28%)
Tata Tele. Mah.	₹92.75	₹-103.8 (-52.81%)
Quess Corp	₹411.85	₹-440.35 (-51.67%)
Welspun India	₹77.1	₹-70.55 (-47.78%)
Vaibhav Global	₹310.9	₹-263.95 (-45.92%)
Birlasoft Ltd	₹298.75	₹-242.35 (-44.79%)
Firstsour.Solu.	₹102.3	₹-80.9 (-44.16%)
Indian Energy Ex	₹140	₹-107.7 (-43.48%)

3. Small Cap

Market Cap
Between ₹1000 to ₹5000 CR

Company	LTP	Change Price
Dhani Services	₹41.4	₹-115.1 (-73.55%)
Zensar Tech.	₹213	₹-305.7 (-58.94%)
Solara Active	₹430.2	₹-590.8 (-57.86%)
Everest Kanto	₹101.05	₹-127.3 (-55.75%)
Lux Industries	₹1642.65	₹-2021.3 (-55.17%)
Dilip Buildcon	₹217	₹-260.95 (-54.60%)
Supriya Lifesci.	₹235.05	₹-273.1 (-53.74%)
Dishman Carbogen	₹94.9	₹-106.2 (-52.81%)
PTC Industries	₹2557.7	₹-2547.35 (-49.90%)
Nazara Technolo.	₹580.05	₹-570.73 (-49.60%)

4. Micro Cap

Market Cap
Below ₹1000 CR

Company	LTP	Change Price
KBC Global	₹2.75	₹-13.25 (-82.81%)
Cerebra Integr.	₹13.9	₹-65.8 (-82.56%)
Future Lifestyle	₹10.05	₹-41.1 (-80.35%)
Future Consumer	₹1.5	₹-5.75 (-79.31%)
Sintex Plastics	₹2.75	₹-10.5 (-79.25%)
Nureca	₹498.15	₹-1460.9 (-74.57%)
Gayatri Projects	₹8.6	₹-20.55 (-70.50%)
Xelpmoc Design	₹130	₹-269.1 (-67.43%)
Himatsing. Seide	₹83	₹-2547.35 (-65.60%)
Deep Polymers	₹140.05	₹-255.84 (-64.62%)

Entrants

Apollo HOSPITALS TOUCHING LIVES

24-Feb-22

adani Enterprises

30-Sep-22

Exits

इंडियनऑयल IndianOil

24-Feb-22

Shree Cement

30-Sep-22

SECTORS
Performance

Sectors Performance

SENSEX	5.27%
NIFTY INDEX	5.24%
BANKING INDEX	22.60%
AUTO INDEX	17.26%
CONSUMPTION INDEX	8.60%
ENERGY INDEX	15.05%
FINANCE INDEX	5.27%
FMCG INDEX	19.14%

IT INDEX	-25.96%
MEDIA INDEX	-9.34%
METAL INDEX	24.12%
MNC INDEX	4.05%
PHARMA INDEX	-10.88%
PUBLIC SECTOR UNDERTAKING BANK INDEX	73.42%
REALTY INDEX	-9.73%
SERVICE INDEX	2.57%

LIQUID 15 INDEX 8.96%

NIFTY100 INDEX 4.64%

NIFTY200 INDEX 4.71%

MIDCAP INDEX 4.95%

NIFTY500 INDEX 4.09%

FTY 50 VALUE 20 INDEX -0.33%

NIFTY JUNIOR INDEX 1.47%

IIFTY SMALL CAP INDEX -12.58%

IPOs in 2022

& their performance

IPOs in 2022 & their performance

Sr. No	Company Name	Listed on (2022)	Issue Price (₹)	Listing Day Close (₹)	Listing Day Gain (%)	Current Price (₹)	Profit/ Loss
1	Adani Wilmar Limited	08-Feb-22	230	265.2	15.30%	605.05	163.07%
2	Hariom Pipe Industries Limited	13-Apr-22	153	224.7	46.86%	357.35	133.56%
3	Venus Pipes & Tubes Limited	24-May-22	326	351.75	7.90%	707.55	117.04%
4	Ruchi Soya Industries Ltd	08-Apr-22	650	924.85	42.28%	1169.3	79.89%
5	Veranda Learning Solutions Ltd	11-Apr-22	137	160.4	17.08%	238.55	74.12%
6	Vedant Fashions Limited	16-Feb-22	866	934.85	7.95%	1321.5	52.60%
7	Prudent Corporate Advisory Services Limited	20-May-22	630	562.7	-10.68%	939.55	49.13%
8	Electronics Mart India Limited	17-Oct-22	59	84.45	43.14%	85.35	44.66%
9	Bikaji Foods International Ltd	16-Nov-22	300	317.45	5.82%	425.15	41.72%
10	Campus Activewear Limited	09-May-22	292	378.6	29.66%	413.8	41.71%
11	Rainbow Children's Medicare Ltd	10-May-22	542	450.1	-16.96%	760.9	40.39%
12	Paradeep Phosphates Limited	27-May-22	42	43.95	4.64%	58.65	39.64%
13	Global Health Limited	16-Nov-22	336	415.65	23.71%	466.25	38.76%
14	Aether Industries Limited	03-Jun-22	642	776.75	20.99%	840.15	30.86%
15	Archean Chemical Industries Ltd	21-Nov-22	407	457.95	12.52%	525.85	29.20%
16	Kaynes Technology India Ltd	22-Nov-22	587	690.1	17.56%	747.05	27.27%
17	Five Star Business Finance Ltd	21-Nov-22	474	489.5	3.27%	594.65	25.45%
18	eMudhra Limited	01-Jun-22	256	258.85	1.11%	320.8	25.31%
19	Syrma SGS Technology Ltd	26-Aug-22	220z	313.05	42.30%	269.2	22.36%

IPOs in 2022 & their performance

Sr. No	Company Name	Listed on (2022)	Issue Price (₹)	Listing Day Close (₹)	Listing Day Gain (%)	Current Price (₹)	Profit/ Loss
20	Ethos Limited	30-May-22	878	802.6	-8.59%	1017.45	15.88%
21	Harsha Engineers International Ltd	26-Sep-22	330	485.9	47.24%	381.75	15.68%
22	Dreamfolks Services Limited	06-Sep-22	326	462.65	41.92%	363.5	11.50%
23	DCX Systems Limited	11-Nov-22	207	308.8	49.18%	219.75	6.16%
24	Fusion Micro Finance Limited	15-Nov-22	368	324.9	-11.71%	377.25	2.51%
25	Tracxn Technologies Limited	20-Oct-22	80	93.35	16.69%	80.2	0.25%
26	KFin Technologies Limited	29-Dec-22	366	363.85	-0.58%	364	-0.55%
27	Uniparts India Limited	12-Dec-22	577	539.55	-6.49%	565.7	-1.96%
28	Tamilnad Mercantile Bank Ltd	15-Sep-22	510	508.45	-0.30%	479.3	-6.02%
29	Keystone Realtors Limited	24-Nov-22	541	557.8	3.11%	494.35	-8.62%
30	Sula Vineyards Limited	22-Dec-22	357	331.15	-7.24%	323.1	-9.50%
31	Landmark Cars Limited	23-Dec-22	506	460.05	-9.08%	454.75	-10.13%
32	Dharmaj Crop Guard Limited	08-Dec-22	237	266.4	12.41%	194.55	-17.91%
33	Inox Green Energy Services Ltd	23-Nov-22	65	59.1	-9.08%	46.85	-27.92%
34	Life Insurance Corporation of India (LIC)	17-May-22	949	875.45	-7.75%	683.7	-27.96%
35	Abans Holdings Limited	23-Dec-22	270	216.05	-19.98%	193.9	-28.19%
36	Uma Exports Limited	07-Apr-22	68	84	23.53%	47.05	-30.81%
37	Delhivery Limited	24-May-22	487	537.25	10.32%	332.75	-31.67%
38	AGS Transact Technologies Ltd	31-Jan-22	175	161.3	-7.83%	63.9	-63.49%

RETURNS Generated

By Our Trading Calls In 2022

Returns Generated
By Our Trading Calls in 2022

Stoxbox trading strategies and products on an average generated more than than 55% returns. An overview of the following is given below:

Strategy	Strike Rate	No of Calls	Success	Fail	Open
Options Strategy	68%	77	52	25	0
Intraday Options	69%	523	359	164	0
Intraday PFUT	67%	55	37	18	0
Intraday Calls	57%	474	269	205	0
Techno Funda	60%	58	35	20	3
BTST/STBT	61%	51	31	20	0
Rapid Movers	44%	16	7	9	0
BPW Swing Trade	62%	60	37	23	0
Weekly Butterfly Strategy	0%	3	0	3	0
Option Calls	61%	33	20	13	0
BPW IFUT	62%	100	62	38	0
Weekly Strategy	64%	22	14	8	0
Smallcap Movers	53%	51	27	24	0
Expiry Strategy	65%	48	31	17	0

RETURNS Generated

By Our Fundamental Calls In 2022

Returns Generated By Our Fundamental Calls In 2022

Stoxbox fundamental team provided 22 targets achieved out of 45 total calls in 2022.
An overview of the following is given below:

2022 Stock Recommendation Performance

Total Calls	Target Achieved	Open Calls					
		<-20%	-10% to -20%	0% to -10%	0% to 10%	10% to 20%	<20%
45	22	4	6	4	9	0	0

Time-wise Performance of Calls

Target Achieved Calls	Time Taken to Achieve Target			
	0-2 months	2-4 months	4-6 months	6 months+
22	6	11	3	2

Sectoral Calls Classification

Sector	% Calls
Consumer Discretionary	26.7%
Healthcare	13.3%
Financial Services	11.1%
Utilities	11.1%
Industrials	8.9%
Information Technology	8.9%
Commodities	4.4%
Energy	4.4%
Fast Moving Consumer Goods	4.4%
Services	4.4%
Telecommunication	2.2%

Returns Generated By Our Fundamental Calls In 2022

2022 Stock Recommendation Performance

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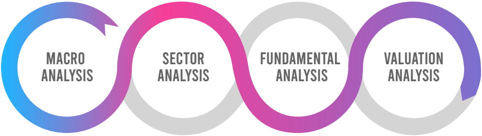
Research Methodology

Bottom-up approach, through robust & standardised process



Macro Analysis

- Analyze economic factors such as GDP and its components, fiscal policy, labour market, trade flows, price and cost indicators, interest & exchange rates, etc.

- Political landscape, demographics & regulatory environment is also studied to form a holistic view on the economy.

Sector Analysis

- Deep dive into current and past sectoral trends to understand the top and bottom performing sectors and identify emerging sectors / trends, if any.

- Analyze the selected sector through rigorous understanding of the market size, segmental analysis, opportunity mapping, competitive landscape, key KPIs, etc.

Fundamental Analysis

- Business analysis: Assess business operations qualitatively based on moats, competitive positioning, scalability, sustainability, management pedigree, corporate governance, vendor and customer analysis, etc.

- Financial Analysis: Review company P&L, balance sheet and cashflows to understand growth trends, margins, leverage ratios, capital allocation, etc.

Valuation Analysis

- Based on the company and sector, an appropriate valuation methodology is chosen such as intrinsic value analysis (DCF, DDM, etc.), relative valuation (P/E, P/B, Price/Sales, EV/EBITDA, etc), or SOTP to arrive at a fair value with a high margin of safety.

Market Sentiment | Regulatory Changes | Sector Events | Company News | Geopolitical News

Key Variables to Methodology

Comprehensive Research | Timely Inputs | Unbiased Views | Actionable Insights

KEY DELIVERABLES

COMPANY INITIATING COVERAGES | EARNINGS PREVIEWS & REVIEWS | COMPANY EVENT UPDATES | THEMATIC REPORTS
SECTOR REPORTS & UPDATES | DAILY AND WEEKLY REPORTS

What We Prefer?

SMALL MIDCAP COMPANIES

CATCH THEM YOUNG !!!

OUR SELECTION FRAMEWORK

We select / shortlist companies broadly based on the following parameters:

- Strong business moats
- Early product lifecycle
- Visionary management
- Capex plans funded through internal accruals
- Predicable cashflows
- Growing earnings
- Comfortable relative valuation
- Good margin of safety
- Decent promoter holding with no pledge
- Best in class corporate governance

What We Aim?

LARGE MIDCAP COMPANIES

Unfollow the herd !!!

KEY PARAMETERS TO ANALYZE

Buzzing Sector : To identify sector with high delivery of stocks

Open Interest (OI) : To ascertain market sentiment and key levels.

Put Call Ratio (PCR) : To identify early trend in stocks and indices.

Roll Over : To identify stocks with a high probability move in new expiry.

+

KEY STRATEGIES TO APPLY

Options : Select from a plethora of option strategies depending on market conditions and market data.

Covered Strategies : Low risk setups for maximum utilization of sector and stock trend.

Hedged Future : Manage risk and margin through a combination of futures and options.

Others : Leverage event outcomes, potential reversal points, etc. through other strategies

HIGH PROBABILITY SET-UPS TO GENERATE SUPERIOR AND CONSISTENT RISK-ADJUSTED RETURNS

KEY PARAMETERS TO ANALYZE

PRICE
Identify distinct stages of price action.

&

VOLUME
Identify accumulation, distribution, & institutional footprints by discarding noise.

PRICE AND VOLUME ACROSS TIMEFRAMES | MOVING AVERAGES | RELATIVE STRENGTH | MARKET SENTIMENT

Input to the Price and Volume Action

+

KEY TECHNICAL TOOL

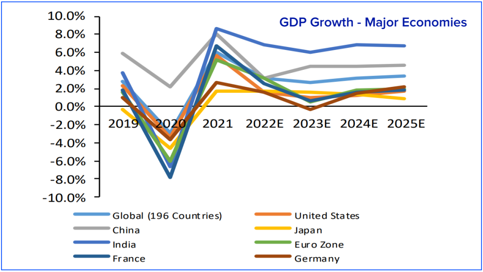
HARMONIC PATTERNS | VOLATILITY | MOMENTUM OSCILLATORS
PRICE PATTERNS | PROPRIETARY TOOLS

IDENTIFY SMART MONEY FOOTPRINTS AND POTENTIAL PRICE MOVEMENT WITH ATTRACTIVE RISK & REWARD OPPORTUNITIES

2023 Our House View

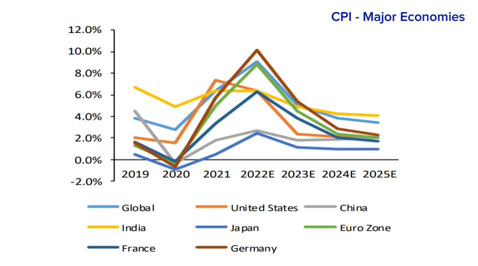
Short-term pain for long-term gain

2022 was a year to forget for investors, as markets fought on multiple fronts including high inflation in major global economies, the Russia-Ukraine war resulting in supply chain and energy disruptions, monetary policy tightening by global central banks, continued challenges from the pandemic, etc. Additionally, high-risk assets such as crypto currency had an awful year in terms of absolute returns, with the collapse of the FTX cryptocurrency exchange in November further souring the mood. With little clarity on multiple fronts heading into 2023, we believe that the pendulum of market sen timent would shift from worries over monetary policy tightening in 1H2023 to slowing growth (maybe recession) in 2H2023.



We think that there would be more bumps in the road for risky assets going forward as the effects of policy tightening start percolating into the economy with a lag of six to twelve months. Moreover, the US Fed is unlikely to change its hawkish policy stance anytime soon due to tight labour market conditions. Moreover, a downward revision to corporate earnings is likely to be more severe in the first half of 2023, resulting in a dampener for equities. With bond yields at attractive levels, money rotation, especially from US households, from equities to bonds or other safe-haven assets cannot be ruled out.

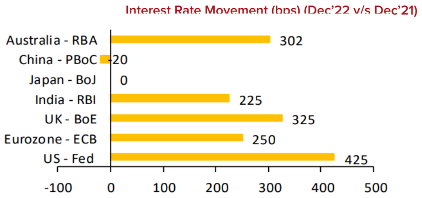
The European markets would be as challenging as 2022, as we believe that energy market dynamics for the region post the Russia-Ukraine war have changed for years to come, especially for gas-intensive industries. The companies in thecapital-intensive sectors are likely to face increasing competitive pressures from other counties, resulting in a loss of global market share. With high inflation eating into realhousehold incomes, we do believe that the ECB and BoE have a difficult situation on hand as they try to make a balance between fiscal prudence and steps to avoid the Euro area entering a shallow recession.



The Chinese COVID scare has again come to the fore to haunt markets. However, we believe that this time, it is not going to be as scary for the global markets as it was earlier due to wide vaccination coverage and the preparedness of governments to tackle the situation. With China expected to reopen in 2023 and undertake some initiatives to pop up the domestic economy, it may provide some respite to slowing global economic growth. However, the flip side is higher commodity prices emanating from a rebounding China would make life further difficult for developed economies to change their policy stance quickly. Moreover, tight monetary policy would make debt servicing difficult for both corporates and the government.

Markets would continue to watch closely any change in stance or tone of the monetary policy of the global central banks, any further ammunition employed to combat high inflation and weak economic growth expectations, etc. The risk-reward looks unfavorable for 1HCY2023, with more sanity returning to markets in the second half, as we believe that the rate hike cycle is reaching its last phase globally. Though some moderation is expected in inflation as we head into 2023, it is unlikely to be within the targets of various central banks. Also, market sentiment could sway in 2023 from the known risk variables such as geopolitics (e.g. Taiwan), monetary policy errors, liquidity crises, property bubbles, etc. However, we believe that the risk from the "unknown unknowns" (eg: the Russia-Ukraine war in 2022) is difficult to predict & has to be managed properly to have better risk-adjusted returns

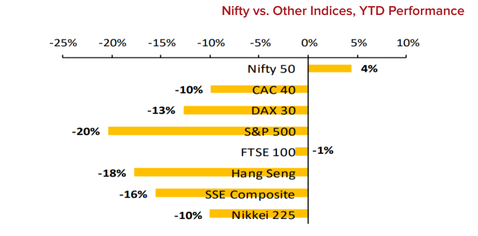
The only light at the end of the tunnel is higher yields for bond investors without them going far up the fixed-income risk spectrum. We feel investors have to take a staggered approach to dodge the expected high volatility in 2023 and be able to rotate timely into recovery themes to stay ahead. A combination of a multi-asset approach, investing style, and diversification across sectors should help investors to tide through difficult times when equity valuation expansion looks limited .



Source: IMF, Central Banks, Bloomberg, BP Equities

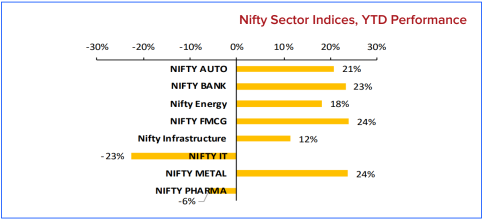
India to be the blue-eyed boy of the world

022 was a year where the global economy fought on multiple fronts including high inflation in major global economies, the Russia-Ukraine war resulting in supply chain and energy disruptions, monetary policy tightening by global central banks, continued challenges from the pandemic, etc. With the global economy reeling under pressure, India was an outperformer vis-a-vis other major developed markets.



Moving into 2023, it would be interesting to see if the decoupling story continues to last or not. Various India-specific triggers seem to be aligned in the right direction which indicates that the domestic economy should continue to shine in the global context. With the widely tracked budget around the corner in February 2023, we believe that the focus of the government would be more on enhancing infrastructure and prudently managing the fiscal side of the economy before the nation goes for general elections in 2024. Additionally, strong domestic corporate earnings and structural reforms would translate into a lion's share of foreign inflows in 2023, compared to other emerging economies. On the policy front, we feel that the RBI has been proactive rather than reactive and this has helped our policy decision efforts. The end of the interest rate hike cycle seems to be near as policy transmission is evident on economic data points, unlike western peers like the US and Europe. This should provide impetus to the overall consumer sentiment and help equity markets to limit downside risks. Moreover, we expect China plus one strategy to continue playing out in 2023 as many businesses continue to de-risk their supply chain dependency on China. Considering the relatively clean balance sheets and strong cash flow of Indian companies, there is also a valuation comfort to our view. Indian equities are still available at around 22x P/E multiple, compared to a multiple of around 28x when it hit an earlier all-time high in October 2021

Moreover, the government has been at the forefront and many new structural factors like PLIs, FTAs, alternate technologies/fuels, domestic demand, and healthy balance sheets of consumers, corporates and banks are likely to propel economic growth higher in the long term. We have a 2% share in global exports compared to China's 15% share. India is looking to gain ground in exports and is strengthening both the demand and supply sides of the equation. On the demand side, we believe that India's focus on signing FTAs with major countries (signed with Australia and UAE in 2022 and under discussion with the UK, Canada, EU, and GCC nations) could provide tailwinds to export-driven businesses. On the supply side, PLIs to 15 sectors (more expected in the upcoming budget) would help in reviving the capex, thereby aiding India to become a manufacturing hub going forward. The fiscal side of the economy is also encouraging, with the central government recording robust tax collections, both direct taxes and GST, reflecting sustained recovery of the economy, and improved tax governance and administration. The states, too, have strengthened their fiscal parameters as is evident from the decline in their consolidated GFD and net market borrowings.



The only known unknown in the equation seems to be the unfolding of global events which we believe to be most likely economic growth worries surrounding major economies like the US, Europe (notably the UK and Germany), and China. The first half of 2023 seems challenging for global equities as rate tightening is likely to continue for some more time which would ignite talks of corporate earnings downgrade in the near term. Additionally, with bond yields rising, a higher allocation toward debt will certainly impact equities. In the Indian context, there has been some moderation in fund flows towards equity mutual funds in recent times, with net flow of money into equity mutual funds recording a sharp dip in November 2022. We believe that this trend might continue over the near term, as domestic bank deposit rates become increasingly attractive for investors. With some pain still left globally, Indian equities cannot continue their dream run forever and some downgrade in India's GDP forecast cannot be ruled out. We caution domestic investors to be wary of corporates with high exports and high leverage as debt servicing would become increasingly difficult in a rising interest environment and impact the bottom line. The best strategy to play is to avoid interest-rate sensitive stocks at least in the first half and prefer defensives.

For 2023, we continue to prefer the banking sector due to robust credit growth, improved asset quality, lower provisioning post-COVID, and attrac tive valuation of select PSBs. The only catch-up left for banks is to overcome the sluggish deposit growth to protect their margins. Additionally, with the demand environment remaining healthy, crude oil prices off their highs, and softness in some key food and non-food raw material prices, we prefer sectors that are likely to benefit from margin expansion. Investors should keep an eye on sectors such as FMCG, autos, paints, and tyres to benefit from the sector tailwinds. To conclude, we believe that 2023 would likely play out to be a tale of two halves, with the first half to be played on the back foot, while the second half offering opportunities to patient investors. Though it would be difficult to have stellar returns in 2023, one needs to be selective and smart in terms of sector rotation and a bottom-up approach is likely to work best. We feel that the large-cap space is richly valued now and there are upcoming opportunities in the mid and small-cap space.

India - Key Parameters

Particulars	Data	Comments
GDP growth (Q2FY23)	6.30%	Highest among global peers
CPI (Nov'22)	5.85%	Eased to a 21-month low
Bank credit growth (Oct'22)	18.30%	At decadal highs
Advance tax growth (H1FY23)	12.83%	Traction in corporate income tax
PV sales (Nov'22)	2.76 lkh.	Highest-ever PV sales in FY23
Domestic air traffic (Oct'22)	1.14 cr.	Nearing pre-covid levels

Source: Bloomberg, Ace Equity, BP Equities Research

1

Automobiles - Two-wheelers - Making picture imperfect

Several positive factors are at play at the same time which makes the automobile sector an ideal candidate for consideration in the upcoming year. With the sector looking largely bottomed out following a cycle of muted demand, we feel that PVs, CVs, and tractor segments look relatively better placed compared to the two-wheeler market. The PV segment is set for record sales in 2022, with an expected sale of 38 lakhs units which is al most 12% higher than the previous best of 33.8 lakh units in 2018. With the semiconductor supply issues moderating and industrial commodities weakening, the strong order book of PV companies (estimated at over 10 lakh units) would start translating into business performance. Moreover, new product launches by OEMs, expected strong demand in the replacement category of CVs, and robust capex plans by companies bode well for the overall auto sector. The EV segment could play a dark horse for companies having exposure to this fast-growing segment. We believe that the two-wheeler segment could witness muted growth as the rural economy is still not firing on all cylinders. Going into 2023, the cost of financing vehicles, raw material prices, and new emission and safety norms (implementation of the second phase of BS VI emission norms from April 2023) would be the key monitorable which could further set the tone for the auto sector

Banking - Smooth road ahead after a bumpy ride

After the hiccups of the COVID-19 pandemic, the Indian banking sector has emerged stronger and the outlook for 2023 remains positive. Currently, the credit growth of ~18% is at a decadal high, while the deposit growth of ~10% is also picking up pace. With a rising interest rate scenario and strong demand for loans due to a revival in the economy, the banking sector is likely to benefit from expanding margins as it passes on rate hikes through the floating rate loans while simultaneously delaying the rate hikes for deposits. Moreover, retail-funded balance sheets, benign credit costs, and a higher share of repo-linked loans place the banking sector in a sweet spot to further enhance its profitability. We expect banks to maintain strong advances growth going forward, supported by urban growth with household leverage remaining moderate along with an acceleration in the capex cycle. Another factor to aid the performance of the banking sector is the improving asset quality due to lower new NPL along with the benefits of higher provisioning during COVID. The private sector space is likely to remain the most sought amongst investors due to strong underwriting standards, favorable sector tailwinds, and little room for surprises both on the earnings and execution side. Though there has been a run-up on the PSB side, we continue to prefer banks with strong deposit franchises, scale, and lower operation costs, as the pace of consolidation gathers steam.

Capital Goods - Upturn in capex cycle on the herald

We believe that India is on the cusp of a large-scale capex which was difficult to come since the peak of the investment cycle in 2011. Strong order backlog coupled with robust order inflows for the capital goods companies from diverse sectors such as railways, road, power T&D, digital automation, renewable sector, cement, oil & gas, etc. definitely suggests an uptick in the sector and reduces the risk of sector concentration. We expect a pick-up in execution to help capital goods companies to post healthy growth in topline going forward. Moreover, with the private balance sheet looking better (the low interest rate regime of the past two-odd years helped corporates to reduce their debt), input cost pressures waning, corporate sales remaining buoyant and easy availability of financial resources, we expect the contribution of private capex to improve going forward which was earlier led by more public-intensive projects. Going forward, capital goods companies would benefit as the manufacturing theme plays out in India due to the government's PLI schemes and policies, various domestic initia tives (Gati Shakti, NIP, and NMP), global players' preference for the China+1 strategy, and now Europe+1 on the back of rising energy costs and supply chain hurdles. We believe that the current investment cycle to be larger and more sustainable as it would be driven by other multiple sector-specific factors (renewable energy, defense, logistics, EV transport, urban infrastructure, etc.), thereby adding breadth to the capex cycle. With India going for general elections in 2024, infrastructure will be the focal point for government spending. We expect companies with better working capital cycle management and strong execution capabilities to be the larger beneficiaries of the revival in capex cycle

Chemicals - Structural story, but steep valuation

Chemical companies are expected to grow in the year ahead, led by a rise in demand from end-user industries such as pharma, construction, dyes, and pigments, among others. Moreover, capex acceleration (increased by 50% YoY to ~Rs. 60 billion) continues to instill confidence about prospects. Major chemical companies (Aarti Industries, Deepak Fertilizers, SRF and GFL) are planning to invest heavily into their capacities to capture growing market opportunities, product mix expansion, and rising import substitution. We expect strong demand (personal care products, packaging segment, and packaged food and fragrances), pricing power, and expected improvement in input costs to lead to accelerated growth going ahead. Moreover, the recent European energy crisis will eventually lead to lower production and supply chain disruptions for EU companies (Solvay and BASF), further benefitting Indian chemical companies. On an overall basis, we expect the domestic chemical sector to have robust growth due to the China+1 policy, expanding manufacturing facilities, focus on R&D, favorable policy measures, and labor cost advantage.

FMCG - A perfect recipe - Easing cost pressures and strong demand

2022 was a difficult year for FMCG companies as they took corrective actions to tackle inflationary pressure which included average price hikes of about 7-8%, thereby impacting volume growth considerably. However, we believe that the FMCG sector is in a sweet spot to weather the storm in 2023. A large part of the outperformance is expected to come from margin expansion due to easing inflationary pressures, evidenced by the fact that consumer price inflation eased to an 11-month low of 5.88% in November 2022. With the agriculture index down ~25% from recent highs and the Rabi outlook supportive of higher acreage and yield, we believe that FMCG companies would not resort to aggressive price hikes going forward. The companies with a higher footprint in rural areas (rural population constitutes ~ 65% of the total population) would be better placed as there could be a gradual recovery in volumes on the back of good harvest, higher minimum support prices (MSP), and an increase in fertilizer subsidy. The urban consumption is also likely to remain steady due to premiumization, an increase in the working-class population, and upward mobility in incomes, thereby reflecting on the performance of the modern trade segment. For the long-to-mid-term, there are many structural drivers in place for the FMCG sector including higher disposable incomes leading to a shift to branded products, large opportunity to increase penetration in key categories in rural India, the emergence of new sales channels such as e commerce/quick commerce/D2C, etc. With the competition in the FMCG sector expected to brew up with the entry of Reliance through the “Independence” brand, we feel that it would be prudent to stick with companies having large market shares in key categories and strong coverage of both urban and rural markets

Information Technology - Most negatives priced in

The IT sector has gone through a lot of pain in 2022 on the back of higher operating costs, especially on the employee side due to a rise in attrition rates. Moreover, the uncertain business environment in the US and Europe played a spoilsport. However, things look relatively better heading into 2023, as margins should improve due to employee pyramid optimization, improved utilization levels as more freshers become billable, and re duced sub-contract costs. Furthermore, we believe that attrition rates (though at elevated levels) have likely peaked off and are showing signs of tapering. Moreover, we believe that the US Fed is near the end of its interest rate hike cycle and this should provide a clear pathway to Indian companies in terms of revenue visibility. The Indian IT companies should also enjoy benefits from rupee depreciation, their pricing power, and encouraging TCVs (large deals would be difficult as global clients focus more on cost reduction rather than replacing legacy systems). In terms of valuation, the IT sector as a whole is available at attractive multiples vis-à-vis its long term average. Barring near-term hiccups, we believe that digitalization and increasing reliance on technology are irreversible trends that will play out in the long term.

Metals - Global headwinds to play spoilsport

The metal basket has delivered positive returns in the past three years, with the Nifty Metal index delivering around 20% gains in 2022. However, ferrous companies were under pressure due to a significant increase in raw material prices and higher fuel and power costs. We expect the sector performance to be subdued going forward as weaker Chinese property markets, higher energy costs in Europe, and fear of recession in the EU and US would keep the steel demand muted. Moreover, there seems to be limited upside in base metal prices as China's industrial production is likely to be affected due to sub-par economic growth, a policy shift towards consumption, and a geopolitical environment not aligned to exports. With the COVID situation looking worrisome in China, any related slowdown would most likely induce a response from the Chinese government in the form of added policy measures and cushion a sharp correction in metal prices. Moreover, we expect the US Dollar to weaken in 2023 on the back of a slowdown in the global economy and a pause in the Fed's policy tightening. On the domestic side, we foresee no major change on the production side of the equation and expect the demand side to hold at steady levels due to lower metal prices and the upcoming peak construction period. We expect selective stocks within the metal pack to do well in 2023.

Oil & Gas - Downstream and CGDs to come to the rescue

With crude oil prices correcting around 40% from June 2022 highs due to multiple reasons, there are selective opportunities to play in the oil and gas arena. The most likely beneficiary of subdued crude oil prices going forward is likely to be OMCs, as we believe that global recessionary concerns following aggressive rate hikes will keep crude prices in check. Moreover, improving marketing margins and resilient refining margins are likely to further augment the credit metrics and profitability of these companies and help them to recoup their 2022 losses. The upside risks to our investment argument are the reopening of China and lower supplies from Russia due to the introduction of the price cap. Moreover, the upstream companies should continue to report healthy cash flows, with some moderation, aided by an uptick in production volumes. The capex in the oil sector is ex pected to be high as OMCs continue to invest in expanding refining capacity and retail networks, while upstream companies continue with their efforts to expand production. On the natural gas side, we expect lower sourc ing costs for CGDs (based on Kirit Parikh Committee recommendations wherein gas prices are likely to be capped via the Administered Price Mechanism) to eventually help companies on the margin front. Moreover, some part of the lower sourcing prices would be passed on to customers to increase their attractiveness in the market, thereby supporting volume growth.

Pharmaceuticals - Domestic business on the front foot

Despite the challenging macro environment including weak global economic growth and significant costs escalation during the year., we remain positive about the growth outlook of Indian pharmaceutical companies. The domestic-focused companies are expected to generate stable growth amid a focus on new product launches and improved demand for both generics and branded products. We believe that the domestic pharma business would be on the radar as the US market faces price erosion. To take advantage, pharma companies (Torrent Pharma, Alkem Lab, Eris Lifesciences, and J B Chemicals among others) have increased their R&D expenses and are focused on new product launches and entry into new therapies. We expect pharma companies (Sun Pharma, Lupin, Aurobindo, and Dr Reddy's), with a focus on US business, to witness normalcy in demand and higher new product launches, despite pricing challenges, intense competition, and stricter regulatory compliance requirements. The APIs-focused companies (Divis, Laurus Labs, and Aarti Drugs among others) witnessed a temporary slowdown in order flow from developed markets, However, the China+1 strategy is a long-term growth driver for API companies and the outlook remains robust. The EU market outlook remains cautious, given the inflationary pressure and uncertain macro environment. However, expansion in product offering, market share gains, and entry into new geographies in Europe would cushion the adverse effects for pharma companies.

Telecommunications - Time to play the duopoly tunes

The telecom sector is likely to have a steady performance in 2023, as companies in the sector look set to bear the fruits of the high capex initiated in the past. With the industry ARPU growing 2% QoQ in 2QFY23, we believe that there is more room for telecom operators to raise tariffs going forward, as they look for profitability. With the 5G offering still in the nascent stage and limited penetration of 5G handsets in India, we feel that there is still some time left for the actual monetization of this technology to begin in India and start reflecting on their performance. The leaders (Reliance Jio and Bharti Airtel) would continue to gain market share in terms of active subscriber base, at the cost of Vodafone-Idea. However, continuing consolidation of dual SIM cards in the market and upgradation of customers to 4G from 2G would keep the overall industry subscriber growth flattish going forward. With India having one of the lowest ARPUs in the world and the highest monthly data consumption, we feel the players are now prioritizing profitability and looking to capitalize on the industry dynamics by focusing on growing FTTH take-up, offering bundled products (Airtel Black and JioFiber), etc. Moreover, government regulations seem to be on the right track for telecom companies, and decisions such as deferment of AGR and spectrum dues for four years and abolition of spectrum usage charges would help to shore up their cash flows. With the sector slowly moving towards a duopoly structure, it is better to consider Reliance and Bharti Airtel to take exposure to the telecom space in India .

TOP 5 PICKS FOR 2023

Fundamental

Fundamental

OUR TOP 5 NEW YEAR PICKS FOR 2023

	Buying Range	Target Price
Indian Oil Corporation (IOC)	₹74 - ₹78	₹91
Jyothy Labs Ltd.	₹197 - ₹207	₹252
Persistent Systems Ltd.	₹3750 - ₹3920	₹4662
State Bank of India (SBI)	₹585 - ₹615	₹765
Suven Pharmaceuticals Ltd.	₹475 - ₹500	₹611

TOP 4 PICKS FOR 2023

Technical

Technical

OUR TOP 4 NEW YEAR PICKS FOR 2023

	Buying Range	Target Price
APOLLOTYRE	₹324 - ₹309	₹388
BALRAMCHIN	₹397 - ₹379	₹470
NTPC	₹166 - ₹158	₹199
VGUARD	₹261 - ₹249	₹315

Disclaimer Appendix

Analyst (s) holding in the Stock : Nil

Analyst (s) Certification :

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