PELICAN PMS
THE MARKET'S WAY

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Cognizance

Monthly Market Outlook and Commentary

Asset Class	Benchmark	Latest Value	MTD (%)	YTD (%)
		Equity		
India	Nifty 50	17339.85	-0.08%	-0.08%
US	S&P 500	4,515.54	-5.26%	-5.26%
Europe	Euro Stoxx 50	4,183.30	-2.68%	-2.68%
Japan	Nikkei 225	27,001.91	-6.22%	-6.22%
China	Shanghai comp	3,361.43	-7.65%	-7.65%
		Bond		
India	10 yr G-Sec	6.78	5.05%	5.05%
US	10 yr treasury	1.78	17.68%	17.68%
		Others		
Bullion	Spot Gold USD/ oz	1,796.64	-1.55%	-1.55%
Currency	USD/INR	74.53	-0.12%	-0.12%
Commodity	WTI Crude USD/ bbl	88.13	16.27%	16.27%

Market Commentary

It was quite an active start for the year as the Nifty swayed both ways equally. While it rose to touch a high of 18300, it also dropped to a low of 16800. Fed spooking, liquidity and FII sell off catered to the huge volatility. Corporate profits for the 3QFY22 came mostly in the line of expectations. However, cost inflationary pressure remained the most common cause of margin contraction.

The rise of earnings coupled with decline of the Nifty has brought the PE levels into an investable range. In the current scenario we have deployed 50% of fresh investment that has been allocated. We closely watch for any changes in the earnings or drop of price to further increase our equity position.

Update on portfolio companies:

This month witnessed most of the companies in our portfolio announcing their 3QFy22 numbers.

1. **HDFC Bank:** The bank continued its steady performance and reported a total income growth of 8.9% for the quarter compared to the same period the previous year. Interest income along with other income contributed to a topline of Rs.43,365cr vs Rs.39,839. Profit grew by of 20.7% during this quarter to touch Rs.10,591 for the quarter. GNPA and NNPA held low at 1.26%/0.37%. The bank continues to remain well capitalised and poised to capture opportunites going forward.

2. **L&T:** While order book growth was flat at Rs.33k cr, consolidated revenue grew 9.5% this quarter to Rs.40,134cr compared Rs.36,661cr in the same period previous year. The company dissapointed in its profits which de-grew by 4.9% (YoY) to Rs.2517cr. Execution was affected, mainly in western India, due to the material supply issue. Tendering to receipt of order has been low due to lesser govt spending and lack of private capital. This is an important metric to follow and will depend largely on the macroeconomic trajectory.

3. **Bajaj Finance:** All metrics have surpassed pre-covid levels as revenue grew to a stupendous Rs8,515cr compared to 6,658cr a 28% YoY growth. New loans disbursed grew at a rate of 24% YoY and the company achevied a record growth in AUM of Rs14k cr in a single quarter. As a result profits for the quarter jumped by 85% to reach Rs.2125cr. The company is aggressively focussing on business transformation primarily via digital and portal/app usage. No dearth of liquidity for 12-18months.

4. **Asian Paints:** Solid growth of topline by 25% YoY triggered primarily by the decorative business which clocked 18/27% volume/value growth. Revenue touched a high of Rs.8559cr compared to Rs.6889cr. Other positives included strong pick-up in tier-1/2 cities and expansion in projects business. However raw material price inflation resulted in steep decline in operating margins leaving the profits lower by 18% at Rs.1031cr compared to Rs.1265cr in the same period previous year.

5. **Reliance Industries:** All categories of Reliance witnessed growth, especially the O2C which grew by 69%. Topline of Jio and Retail grew by 6% and 52%. Overall revenue touched a record high during the quarter of Rs. 1,95,318cr compared to Rs.1,28,450cr. 97% of the retail outlets were back to normalcy. ARPU improved to Rs. 151.6 per subscriber per month, due to better subscriber mix and recent tariff hike. Overall, it came in as the highest quarter for the company in terms of both top and bottom line.

6. **Ultratech Cement:** Revenue came in at Rs. 13,055cr and was flattish at 4.5% compared to the same period the previous year. Demand across all regions except north remained muted due to unseasonal rains. EBITDA margin was down 707 bps YoY and EBDITA/ton declined 17% to Rs.1015/t due to significant cost inflation on fuel, freight, and power. Near term milestones to watch would be capacity touching 130MT by FY23 and becoming net debt-free by FY23E. Profits for the quarter grew modestly to reach Rs.1710cr a growth of 8% (albeit due to tax adjustments in an otherwise dull quarter).

7. **Maruti:** Despite a festive quarter topline remained flat at Rs.23,581cr. Lower sales promotions and

price hikes ensured an increase in average realization by 14%. While demand has remained robust with over 240K pending orders and a reasonably steady 6k units/day bookings, production during the quarter was constrained by a global shortage of electronic components supply, an estimated 90K units could not be produced. This resulted in significantly lower profits at Rs.1047cr compared to Rs.1997cr during the same period in the previous year. New product launches, softening of commodity prices and normalization of production will auger well going forward.

8. **Hero Motors:** Heromotors has decided to invest about INR 700 crore in one or more tranches, in Hero FinCorp Limited (HFCL). Hero FinCorp Ltd. primarily deals in financing retail and corporate customers through products including two-wheeler financing, term loans, working capital loans, loan against property, bill discounting, leasing, etc. Hero FinCorp Ltd. belongs to Promoter Group of Hero MotoCorp Ltd. HFCL is in the process of raising capital of upto Rs. 2,000 core through private placement for its business purposes. HMCL investment of Rs. 700 crore is towards participation in this capital raise round

Results Summary

S.NO	COMPANY	TOTAL INCOME			PAT		
		Dec-22	Dec-21	Chg(%)	Dec-22	Dec-21	Chg(%)
1	HDFC BANK	43,365	39,839	8.9%	10,591	8,769	20.8%
2	MARUTI	23,581	24,465	-3.6%	1,042	1,997	-47.8%
3	ASIAN PAINTS	8,599	6,886	24.9%	1,031	1,265	-18.5%
4	BAJAJ FINANCE	8,535	6,658	28.2%	2,125	1,146	85.5%
5	LT	40,134	36,661	9.5%	2,517	2,648	-4.9%
6	RELIANCE	1,95,318	1,28,450	52.1%	20,539	14,894	37.9%
7	ULTRATECH	13,055	12,522	4.3%	1,710	1,584	8.0%

In Rs. Cr

About Pelican

Pelican Holdings Pvt Ltd. (PHPL) was established in the year 2003 as part of the multi-faceted Pelican Group which has interests across Capital markets and Corporate advisory. For nearly two decades the Pelican Group and its Partners have served as successful advisors to clients investing across various asset classes.

Pelican PMS Portfolio Management strategy is developed based on the strong understanding of trends and solid backing of temperament. The robust process aims to reduce the component of subjectivity and minimizes the conventional errors committed by investors, while at the same time offering significantly higher risk adjusted returns.

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