

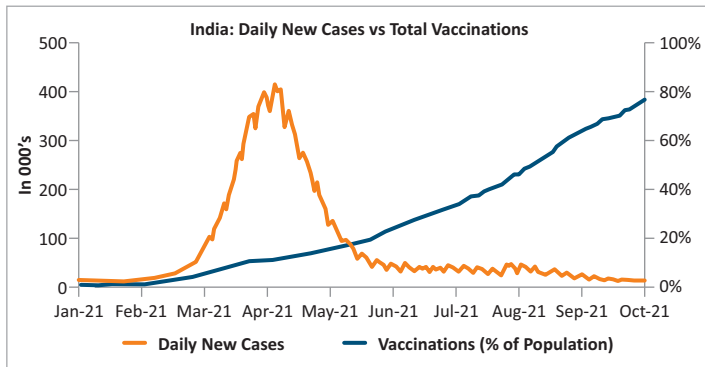
The month of October started strong for Indian markets, continuing the trend seen in September. However, in a volatile environment, all gains of the first half of the month were given away and markets ended almost flat for the month. Nifty 50 marginally outperformed broader markets, but huge disparity in stock performance was seen in the broader markets. Globally too markets were volatile but stable. Concern over China's debt-ridden major property developer Evergrande subsided, on meeting their interest payment due date and aided global sentiments.

Indian markets witnessed huge net Foreign Portfolio Investment (FPI) outflows of ~USD 1.7 billion for the month October 2021. This was negated by net inflows of ~USD 1.5 billion from Domestic Institutional Investors (DII). Retail interest continued to be very high during the month.

The Monetary Policy Committee (MPC) kept repo rate unchanged for the eighth consecutive time, lowered FY22 inflation forecast and continued with the accommodative stance of as long as necessary to support growth. Amidst the volatility, we observed improvement in a) IIP increased to 11.9% in August 2021, higher than 11.5% in the previous month, b) CPI Inflation eased to 4.35% in September 2021, from 5.3% in the previous month, the lowest reading in five months and remaining within the RBI's 2-6% target range for the third month in a row, c) WPI Inflation fell to six-month low of 10.66% in September 2021, from 11.39% in the previous month.

### Covid Update

The overall Covid data in India was encouraging with daily new case additions touching a 7-month low and the cumulative number of Covid-19 vaccine doses administered in the country crossing the 100 crore mark which is the second highest in the world after China on October 21, 2021. With this, ~76% of the total Indian population has been administered with at least one dose of vaccination. Though, being watchful is merited particularly with the ensuing festive season, the chances of a strong third wave have diminished substantially.



Source: Worldometer.

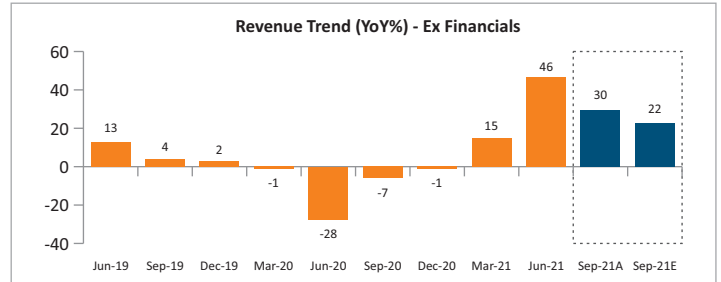
Note: The % of total vaccination shown in the above chart is calculated on total population of the country i.e., 139.3 crores. Data as on 31<sup>st</sup> October 2021.

### Results Season

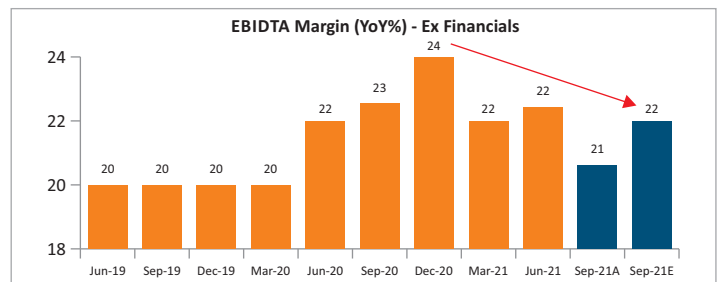
Results season so far has been a mixed bag. With input prices rising, many companies were unable to completely pass on this and bore the impact on its margins while some benefitted from it. However, revenue growth has been very strong, negating the margin compression and aiding a strong profit growth. This was in line with our expectations that we have been highlighting in our recent past communications.

**Q2FY22 Early Trend:** 91 companies from NSE-200 announced results thus far. Revenue growth of 30% YoY (ex Financials) is higher than expectation of 22% YoY. Margin overhang on higher rising commodity prices. Profit growth in line at 31% YoY, mainly driven by financials, metals, infra, oil & gas. (Source: Bloomberg, DAM Capital)

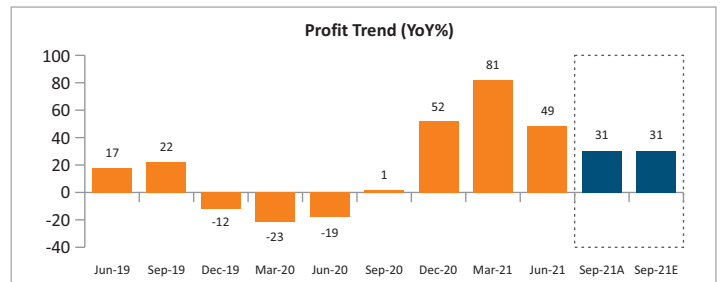
Source\*: NSDL, PTI, ANI, Bloomberg, BSE



Source: Bloomberg, DAM Capital



Source: Bloomberg, DAM Capital



Source: Bloomberg, DAM Capital

### Market Outlook

Led by pent up demand and ease of covid restrictions, all lead indicators are pointing towards a bumper demand in the forthcoming festive season and companies seem to be well prepared to capitalize on this. We feel there is an upside risk to the demand, but at the same time there can be margin/earnings surprises owing to the input price inflation, energy costs and logistics costs. With a slew of large IPO lined up, near term liquidity is likely to get absorbed by the primary markets. These factors are near term temporary headwinds. We also believe that any interest rates rise would at worst be marginal and gradual and would not impact equity markets meaningfully. With growth tailwinds and positive earnings trajectory, we continue to be optimistic on the markets.

November 2021

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