

Domestic bourses remain under pressure; rising crude oil prices and slowdown in GDP growth affected sentiments..

Index	Today's Close	Prev. close	Change	% change	Open	High	Low
Sensex	55,381.17	55,566.41	185.24	0.33	55,588.27	55,791.49	55,091.43
Nifty	16,522.75	16,584.55	61.80	0.37	16,594.40	16,649.20	16,438.85

- 1) On Wednesday, Indian benchmark equities ended in red led by rising crude oil prices and slowdown in India's GDP growth. There are positive global cues like China ending its COVID-19 lockdown and dovish tone of US Fed. However, there are headwinds like high global inflation especially in US, Indian rupee falling to its life-time low against the US dollar, US Fed hiking interest rates by 50 bps, RBI coming up with a surprise by hiking repo rate by 40 bps. There are other headwinds like ongoing war between Russia and Ukraine and its effect on crude oil, commodities and gas prices, hawkish stance of global central banks and rising bond yields globally.
- 2) The Sensex was down by 185.24 points or 0.33 percent to end at levels of 55,381.17. On the other hand, Nifty was down by 61.80 points or 0.37 percent. Among the Sensex 30 stocks, the major losers were Nestle India, Tech Mahindra, Bajaj Finserv, Sun Pharma, HCL Technologies down in the range of 2.10 percent - 2.99 percent.
- 3) However, the broader markets were mixed today. The BSE MidCap index was down by 0.10 percent, while the BSE SmallCap index was up by 0.62 percent.
- 4) In terms of sectoral performance, the Nifty IT index fell by 1.41 per cent on the NSE, Nifty Pharma fell by 1.27 percent, Nifty Realty fell by 1.12 percent while the Nifty PSU Bank index was up by 0.70 per cent.

Sectors and stocks

- 1) Shares of Oil India were up 5 per cent to Rs. 251 on the BSE in Wednesday's intra-day trade and finally ended at Rs. 244.95. In the past three trading days the stock has rallied by 15 per cent. The Company witnessed strong performance in Q4FY22. The Company's turnover and profit after tax (PAT) increased by 73.85 per cent and 92.32 percent on YoY basis. Oil India reported highest ever profit After Tax (pAT) of Rs. 3,887.31crore during 2021-22, growth of 123.20 percent on YoY basis. Average crude oil price realization for 2021-22 improved to US\$ 78.96/ barrel from US\$ 43.98 per barrel in 2020-21, an increase of about 80%.
- 2) Shares of Rolex Rings had made a high of Rs. 1,534 and finally ended up by 12.80 per cent to Rs. 1,504.30 on the BSE led by strong demand outlook. The stock of the auto components & equipments maker was trading at its highest level since listing on August 9, 2021. With today's rally, the stock is currently trading 64 per cent higher from its issue price of Rs. 900 per share. Rolex Rings is a manufacturer and supplier of hot rolled forged and machined bearing rings, and automotive components for two-wheelers, passenger vehicles, commercial vehicles, off-highway vehicles, electric vehicles, industrial machinery, wind turbines and railways, amongst other segments. The company had witnessed good operating performance in Q4FY22. The Company in its Q4FY22 presentation said " Continued momentum in business with indicative despatches of >INR 3,000mn in Q4 FY22 for the 1st time in the history of the Company. The Company is witnessing a strong demand pull across domestic as well as export markets, especially in industrial rings and automotive exports. The company continues to witness strong order-wins as well as implementation of previously won programs; rapidly expanding across European and Latin American plants of a leading bearing company. It said it has completed installation and is in the process of getting final regulatory consents for 4.2MW of ground mounted solar and planning to commission additional 12MW in ground mounted solar by end of 2022.

Key recent major developments..

- 1) Oil prices firmed on Wednesday after European Union leaders agreed to a partial and phased ban on Russian oil and as China ended its COVID-19 lockdown in Shanghai. (Source: Reuters).

- 2) Domestically, Goods and services tax (GST) collections fell below the Rs. 1.5 trillion mark in May 2022. India's gross GST collections stood at Rs. 1.41 trillion during the month. However, the collections in May are 44 per cent higher than the same month in 2021. In April, GST collections had touched a record high of Rs 1.68 trillion, surpassing the Rs. 1.5-trillion mark for the first time. "The collection in the month of May, which pertains to the returns for April, the first month of the financial year, has always been lesser than that in April, which pertains to the returns for March, the closing of the financial year. However, it is encouraging to see that even in the month of May 2022, the gross GST collection has crossed the Rs. 1.40 lakh crore mark," said Ministry of Finance in a release. "This is only the fourth time the monthly GST collection crossed Rs.1.40 lakh crore mark since inception of Goods and Services Tax (GST) and third month at a stretch since March 2022."the Finance Ministry said.
- 3) India's manufacturing sector growth steadied in May on the back of rising international orders despite an increase in prices. The S&P Global India Manufacturing Purchasing Managers' Index (PMI) was recorded at 54.6 in May, a minor change from 54.7 in April. New orders and production continued to rise at the pace registered in April. A print above 50 indicates expansion, while a score below 50 suggests a contraction. "The above-50.0 reading was the eleventh in as many months and consistent with a solid improvement in operating conditions," S&P Global said in a statement. Companies secured new work despite lifting selling prices at the fastest rate in over eight-and-a-half years as additional cost burdens continued to be transferred to clients, it said.

Demand showed signs of resilience in May, improving further despite another uptick in selling prices."...with the sharpest rise in international sales for 11 years, total new orders expanded further. In response to demand resilience, companies continued with their efforts to rebuild stocks and hired extra workers accordingly," said Pollyanna De Lima, Economics Associate Director at S&P Global Market Intelligence.

Manufacturers continued to scale up production in May on sustained improvement in demand and looser COVID-19 restrictions; signaling a further increase in output prices.

"There was little movement in the rate of input price inflation during May, which remains historically high, but output charge inflation surged to its highest in over eight-and-a-half years as companies continued to transfer additional cost burdens to their clients," said De Lima.

- 4) India's economic growth further slowed during the fourth quarter, hit by Omicron-led restrictions in January, global supply shortages and higher input costs. Gross domestic product in the January-March period grew 4.1%, data released by the Statistics Ministry showed Tuesday. In the third quarter of FY22, GDP growth slowed to 5.4% from 8.5% in the second quarter and 20.3% in the first quarter. The growth in the financial year 2021-22 stood at 8.7%. In its second advance estimate, the government had estimated the GDP to grow at 8.9% in FY22. Growth in private final consumption expenditure, or private spending, decelerated sequentially in Q4 to 1.8 per cent. Government spending, however, picked up to grow at 4.8 per cent, supporting overall growth. Gross fixed capital formation, which represents investment demand in the economy, slowed to 5.1 per cent. Gross value added (GVA) at basic prices grew at 3.9 per cent in the fourth quarter and 8.1 per cent in FY22.
- 5) Fiscal deficit for 2021-22 improved to 6.71 per cent of the GDP over the revised budget estimate of 6.9 per cent mainly on account of higher tax realisation. Unveiling the revenue-expenditure data of the Union government for 2020-21, the Contoller General of Accounts (CGA) said that the fiscal deficit in the absolute terms was Rs 15,86,537 crore (provisional). The finance ministry in February had estimated the deficit at Rs 15,91,089 crore or 6.9 per cent of GDP. According to the data, the tax receipts during the fiscal were at Rs 18.2 trillion as against the revised estimates (RE) of Rs 17.65 trillion. The total expenditure too was higher at Rs 37.94 trillion against the RE of Rs 37.7 trillion presented to Parliament on February 1, 2021. CGA further said the revenue deficit at the end of the fiscal was 4.37 per cent for fiscal 2021-22.
- 6) Domestically, "Advance action" is underway for the privatisation of two public sector banks (PSBs) as announced by Finance Minister Nirmala Sitharaman in the last Union Budget, Financial Services Secretary Sanjay Malhotra said on Monday. In the Union Budget for 2021-22, Sitharaman had announced privatisation of two public sector banks (PSBs) besides IDBI Bank. However, this year's Budget Speech had skipped the mention of the progress made for the privatisation of two PSBs. "In so far as banking privatisation is concerned, there is already a statement on the floor of the house by the Finance Minister for making enabling provision. Advance action on this is underway," Malhotra said during the curtain raiser event for celebration of Azadi Ka Amrit Mahotsav.

- 7) Earlier, China cut its benchmark reference rate for mortgages by an unexpectedly wide margin on Friday, its second reduction this year as Beijing seeks to revive the ailing housing sector to prop up the economy. China, in a monthly fixing, lowered the five-year loan prime rate (LPR) by 15 basis points to 4.45%, the biggest reduction since China revamped the interest rate mechanism in 2019 and more than the five or 10 basis points tipped by most in a Reuters poll. The one-year LPR was unchanged at 3.70%. (Source: Reuters).
- 8) Earlier, the rupee hit an all time low of 77.78 per US dollar, led by strengthening of US dollar, unabated foreign fund outflows and rate hike by US Fed.
- 9) India's wholesale price index (WPI)-based inflation rate rose to 15.08 per cent in April from 14.55 per cent in the preceding month on the back of rising commodity and vegetable prices. Wholesale price inflation rate is now in double digits for 13 consecutive months. Data released by the industry department showed that vegetables' inflation picked up in April to 23.24 per cent leading to a food inflation of 8.35 per cent. Fuel inflation rose to 38.66 per cent during the month while inflation for manufactured products increased to 10.85 per cent.
- 10) Domestically, India's retail inflation touched an eight-year high of 7.79 per cent in April on annual basis. The retail inflation witnessed a rise mainly due to high food prices. The retail inflation stayed well above the Reserve Bank of India's (RBI) upper tolerance limit for a fourth consecutive month. In April, the CPI inflation expanded at its highest pace in eight years. The previous high was recorded at 8.33 per cent in May 2014.
- 11) Globally, US consumer price growth slowed sharply in April as gasoline prices eased off record highs, suggesting that inflation has probably peaked, though it is likely to stay hot for a while and keep the Federal Reserve's foot on the brakes to cool demand. The consumer price index rose 0.3 percent last month, the smallest gain since last August, the Labor Department said on Wednesday. That stood in sharp contrast to the 1.2 percent month-to-month surge in the CPI in March, which was the largest advance since September 2005. In the 12 months through April, the CPI increased 8.3 percent. While that was the first deceleration in the annual CPI since last August, it marked the seventh straight month of increases in excess of 6 percent. The CPI shot up by 8.5 percent in March, the largest year-on-year gain since December 1981.
- 12) Globally, The Bank of England sent a stark warning that Britain risks a double-whammy of a recession and inflation above 10 percent as it raised interest rates on Thursday to their highest since 2009, hiking by quarter of a percentage point to 1 per cent. The pound fell by more than a cent against the US dollar to hit its lowest level since mid-2020, below \$1.24, as the gloominess of the BoE's new forecasts for the world's fifth-largest economy caught investors by surprise.
- 13) Earlier, The Federal Reserve hiked the interest rate by 50 bps (biggest hike in over two decades) pushing the benchmark above 0.75 percent continuing on its approach for policy tightening to control rising inflation that has touched 40-year highs. In its statement, Fed stated that the committee seeks to achieve maximum employment and inflation at the rate of 2 percent over the longer run. With appropriate firming in the stance of monetary policy, the Committee expects inflation to return to its 2% objective and the labor market to remain strong.

Ajcon Global's observations and view..

- 1) Indian benchmark indices ended in red on Wednesday led by rise in Crude oil prices and slowdown in GDP growth affected sentiments. On Monday, the benchmark indices were up led by positive global cues like end of COVID-19 lockdown in China and dovish tone of US Fed. However, there are headwinds like high inflation across the globe especially in US, rupee falling to all time low against the US Dollar and US Fed hiking interest rates by 50 bps. Earlier, RBI hiked the repo rate by 40 bps in a surprise move which had affected investor sentiments. There are other headwinds like weak global demand outlook led by hawkish stance of global central banks, ongoing war between Ukraine and Russia, high crude oil prices, rising bond yields globally. However, domestically, robust GST Collections and Direct Tax collections depict strong revival in Indian economy which will keep bulls in picture.
- 2) Domestically, investors will continue to track ongoing Q4FY22 earnings season which has been mixed so far (street participants will focus on management commentary with regards to demand outlook, how companies are dealing with input cost pressures and supply chain disruptions which will drive market direction).
- 3) There is a strong line up of IPOs upcoming in the near future. We suggest investors to be careful with IPOs that are look expensive and understand the fundamentals based on risk reward profile before taking a decision to invest. No doubt, IPOs of sectors in limelight like E-Commerce, Insurance, companies engaged in Digital space, Speciality chemicals, Companies business model suited to new age, companies having business model which caters to the demands of Electric Vehicles would always gain maximum attention. However, investors need to be careful with ex-

pensive IPOs whose valuations are beyond logic. The carnage witnessed in some of the recently listed companies makes a case for investors to be more cautious.

- 4) Before the significant correction led by war between Russia and Ukraine in Ukraine, the domestic sentiments were upbeat as in third wave of COVID-19 led by Omicron variant did not have a major impact on the economy, growth-oriented Union Budget presented by the Finance Minister (we believe the Budget is growth oriented with significant focus on capex - emphasis is laid on Agriculture, MSMEs, Housing, Digital ecosystem, Defence, Electric Vehicles and Solar Power). In addition, factors like good growth in merchandise exports, RBI's dovish stance in its Monetary Policy, good GDP data, robust GST collections, PLI incentives in various sectors, strong vaccination drive, faster than expected economic recovery in Unlock phase, strong Q3FY22 earnings season and management commentary and good spike in retail participation from Tier II and Tier III cities have supported the bulls.
- 5) It is advisable for investors to look out for stock specific opportunities considering growth outlook and management pedigree amidst the ongoing crisis. History has proved that after any crisis, equities recover strongly and give stellar returns. We recommend investors for the near term to Buy quality names on dips and sell on rise considering the volatility in the market in the near term. It would be advisable to avoid companies having exposure to Russia, Ukraine and Eastern European countries for the time being. Additionally, companies dependent on crude oil and crude oil derivatives will face margin pressure. Supply chain disruptions would also pose a challenge for companies and hence investors need to be careful in selection of stocks.
- 6) Always remember, steep corrections and crash in a structural bull market will keep markets healthy. Structurally, Indian economy is poised to do well after major reforms like thrust on digital economy after demonetisation, implementation of GST, RERA, Insolvency and Bankruptcy Code, reforms in power sector, one of its kind Union Budget announced last year which focused on investment led spending to drive growth with impetus on Privatisation, thrust on Aatmanirbhar Bharat resulting into Production Linked Incentive (PLI) schemes for various sectors, reforms in Direct Taxes, thrust on renewables sector, Ethanol blending, scrapping policy etc.



Disclaimer

Ajcon Global Services Limited is a fully integrated investment banking, merchant banking, corporate advisory, stock broking, commodity and currency broking. Ajcon Global Services Limited research analysts responsible for the preparation of the research report may interact with trading desk personnel, sales personnel and other parties for gathering, applying and interpreting information.

Ajcon Global Services Limited is a SEBI registered Research Analyst entity bearing registration Number INH000001170 under SEBI (Research Analysts) Regulations, 2014.

Individuals employed as research analyst by Ajcon Global Services Limited or their associates are not allowed to deal or trade in securities that the research analyst recommends within thirty days before and within five days after the publication of a research report as prescribed under SEBI Research Analyst Regulations.

Subject to the restrictions mentioned in above paragraph, We and our affiliates, officers, directors, employees and their relative may: (a) from time to time, have long or short positions acting as a principal in, and buy or sell the securities or derivatives thereof, of Company mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage.

Ajcon Global Services Limited or its associates may have commercial transactions with the Company mentioned in the research report with respect to advisory services.

The information and opinions in this report have been prepared by Ajcon Global Services Limited and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of Ajcon Global Services Limited. While we would endeavour to update the information herein on a reasonable basis, Ajcon Global Services Limited is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent Ajcon Global Services Limited from doing so. This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. Ajcon Global Services Limited will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. Ajcon Global Services Limited accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice. Ajcon Global Services Limited or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

Ajcon Global Services Limited encourages independence in research report preparation and strives to minimize conflict in preparation of research report. Ajcon Global Services Limited or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither Ajcon Global Services Limited nor Research Analysts have any material conflict of interest at the time of publication of this report.

It is confirmed that Akash Jain – MBA (Financial Markets) or any other Research Analysts of this report has not received any compensation from the company mentioned in the report in the preceding twelve months. Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

Ajcon Global Services Limited or its subsidiaries collectively or Directors including their relatives, Research Analysts, do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.



It is confirmed that Akash Jain – MBA (Financial Markets) research analyst or any other Research Analysts of Ajcon Global do not serve as an officer, director or employee of the companies mentioned in the report.

Ajcon Global Services Limited may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Neither the Research Analysts nor Ajcon Global Services Limited have been engaged in market making activity for the companies mentioned in the report.

We submit that no material disciplinary action has been taken on Ajcon Global Services Limited by any Regulatory Authority impacting Equity Research Analysis activities.

Analyst Certification

I, Akash Jain MBA (Financial Markets), research analyst, author and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. I also certify that no part of compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view (s) in this report.

For research related queries contact:

Mr. Akash Jain – Vice President (Research) at, research@ajcon.net, akash@ajcon.net

CIN:L74140MH1986PLC041941

SEBI registration Number: INH000001170 as per SEBI (Research Analysts) Regulations, 2014.

Website: www.ajcononline.com

Registered and Corporate office

408 - (4th Floor), Express Zone, "A" Wing, Cello – Sonal Realty, Near Oberoi Mall and Patel's, Western Express Highway, Goregaon (East), Mumbai – 400063. Tel: 91-22-67160400, Fax: 022-28722062