

Domestic bourses end in red led by fall in index heavyweights; oil and gas stocks fall..

Index	Today's Close	Prev. close	Change	% change	Open	High	Low
Sensex	52,907.93	53,018.94	111.01	0.21	52,863.34	53,053.04	52,094.25
Nifty	15,752.05	15,780.25	28.20	0.18	15,703.70	15,793.95	15,511.05

- 1) On Friday, Indian benchmark indices were volatile and finally ended in red. The Sensex witnessed a gap down opening of 155.56 points and regained later to touch an intraday high of 53,053.04. However, the Sensex lost by 145.11 points from intraday high and finally ended down by 111.01 points or 0.21 percent to end at levels of 52,907.93. On the other hand, Nifty closed down by points or 28.20 percent. Among the Sensex 30 stocks, the biggest loser was Reliance Industries, down by 7.14 percent. The other prominent losers were Powergrid, NTPC, Bharti Airtel, Maruti Suzuki, Sun Pharmaceutical Industries, ICICI Bank, Dr. Reddy down in the range of 0.35 percent to 2.53 percent.
- 2) However, the broader markets were in positive terrain on Friday. The BSE MidCap index was up by 0.67 percent, while the BSE SmallCap index was up by 0.09 percent.
- 3) In terms of sectoral indices performance, the major losers were the BSE Energy index, BSE Oil & Gas index, index, BSE Utilities index, BSE Power index down in the range of 0.77 percent to 3.99 percent.
- 4) In June 2022, FIIs had sold equities worth Rs. 58,112.37 Crore. On the other hand, DIIs had bought equities worth Rs. 46,599.23 Crore.
- 5) In terms of weekly performance, the Sensex moved up by 0.34 percent or 179.95 points at 52,907.93, while the Nifty50 was up by 0.33 percent or 52.75 points at 15,752. In the month of June 2022, the Sensex declined by 4.5 percent and the Nifty fell by 4.8 percent amidst macroeconomic concerns like high inflation and hawkish stance and rate hikes by global central banks.

Sectors and stocks

- 1) Shares of ONGC closed down by 13.40 percent to Rs. 131.15 on the BSE. On the other hand, Reliance Industries closed down by 7.14 percent to Rs. 2408.95 on Friday after making an intraday high of Rs. 2591.65. The fall in stocks of both the companies was led by India imposing taxes on fuel exports and local crude oil production to tap windfall gains from surging global prices.
- 2) Shares of Muthoot Finance closed up by 6.73 percent to Rs. 1042.10 after the Reserve Bank of India has granted permission for opening 150 new branches for the Company.
- 3) Shares of Jubilant Foodworks moved up by 5.86 percent to Rs. 541.75. The Company's Co-Chairman – Mr. Hari Bhartia in the Company's Q4FY22 analyst concall conducted earlier said "The operating context during the year was marked by a lot of uncertainty, periodic disruptions, on the other hand, a high inflationary environment which led to significant cost pressures. The relentless focus on driving productivity and calibrated price actions helped minimize the impact of inflation on our business. Thanks to our timely investments and the indomitable spirit of all our 3 partners, we have set an all-time revenue, profitability and network expansion record in FY22. In addition to the remarkable progress registered in our core business, we have made significant strides in investing in avenues that will become additional growth drivers for the company and create a substantial value for our stakeholders. During the quarter, the delivery channel registered a robust growth on a strong base of last year. Dine-in and takeaway channels combined reported a moderate growth, however, we continue to see a sequential improvement in dine-in and takeaway channels and the delivery momentum continued to be strong. We opened the highest ever 80 new stores in a quarter for Domino's India and entered 17 new cities, thereby enhancing our reach to 337 cities. We

added 230 new stores and entered 48 new cities in FY22. We intend to continue with this new pace of network expansion and plan to open around 250 new stores in the FY23.

Key recent major developments..

- 1) On Friday, India has imposed windfall tax on oil producers and refiners who have boosted product exports to gain from higher overseas margins as the government seeks to increase local supply of fuels to meet rising demand and increase federal revenues. (Source Reuters).

"The refiners export these products at globally prevailing prices, which are very high," the finance ministry said in a statement. "As exports are becoming highly remunerative, it has been seen that certain refiners are drying out their pumps in the domestic market." said the Finance Ministry in a notification.

India is joining a growing number of nations that are placing windfall levies on energy firms to cope with surging costs. The taxes are aimed at helping India shore up revenues as it faces challenges in managing its fiscal deficit, while sustaining growth and controlling inflation amid elevated commodity prices. The levies on crude production come with an increase in import taxes on gold - a surprise move aimed at reducing purchases of the precious metal in the world's second-largest consumer - after the country's ballooning trade deficit pushed the rupee to a record low. India has also asked exporters of gasoline and diesel to meet local sales commitments to cover any domestic shortfalls. A drop in sales of Indian fuel overseas is likely to further tighten global markets that have been hit by reduced Russian supplies and a rebound in demand as more countries return from Covid-19 restrictions. (Source: Bloomberg)

- 2) The rupee further depreciated against the dollar on Friday, breaching the 79 mark for the first time led by heavy outflows of overseas investment amidst weakening outlook on current account deficit. The rupee finally settled at 79.04 against the US Dollar (after touching a low of 79.12 per US dollar) from the previous close of 78.97.
- 3) India's factory output expanded at its slowest pace in nine months in June as elevated price pressures continued to dampen demand and output, according to a private survey, which also showed business confidence was at its lowest in over two years. The Manufacturing Purchasing Managers' Index, compiled by S&P Global, remained resilient, it fell to a nine-month low of 53.9 in June from May's 54.6, lower than the Reuters poll median prediction of 54.5. It has been above the 50-level separating growth from contraction for a year, indicating growth in the sector has remained solid. "The Indian manufacturing industry ended the first quarter of fiscal year 2022/23 on a solid footing, displaying encouraging resilience in the face of acute price pressures, rising interest rates, rupee depreciation and a challenging geopolitical landscape," noted Pollyanna De Lima, economics associate director at S&P Global Market. "Yet, there was a broad-based slowdown in growth across a number of measures such as factory orders, production, exports, input buying and employment as clients and businesses restricted spending amid elevated inflation."

Ajcon Global's observations and view..

- 1) **Short term view:** After being under pressure on Friday, Indian equities are likely to remain range bound and will take cues from monthly auto sales numbers, crude oil price movement, rupee movement against the US Dollar and onset and progress of monsoon in different parts of the nation. The fall in prices of commodities like copper, aluminium, steel prices will augur well for Indian equities.
- 2) **Long term view:** 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.
- 3) **Strong line up of IPOs:** 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 expensive 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. The significant fall in the recently listed companies also provide good entry points at the moment.

- 4) **Approach suggested for investors:** It is advisable for investors to look out for stock specific opportunities considering growth outlook and management pedigree. History has proved that after any crisis, equities recover strongly and give stellar returns. One should also remember that not every fall is worth buying and investors should evaluate the Company based on fundamentals and valuation before taking any decision. 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. Considering there are too many macroeconomic variables, we believe markets would give opportunities to enter quality stocks at reasonable valuation. Sector wise Financial sector (specially banking), Pharma, automobile, auto components, Infrastructure & food processing looks attractive at the current valuations.



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