

Indian benchmark indices witness a strong rally; HDFC Bank and HDFC were the top performers today..

Index	Today's Close	Prev. close	Change	% change	Open	High	Low
Sensex	60,611.74	59,276.69	1,335.05	2.25	59,764.13	60,845.10	59,760.22
Nifty	18,053.40	18436.35	382.95	2.17	17,809.10	18,114.65	17,791.40

- 1) Indian benchmark indices were upbeat today led by good rally in HDFC Bank and HDFC post the announcement that HDFC Limited would merge into HDFC Bank.
- 2) The Sensex was up by 1,335.05 points or 2.25 percent to end at levels of 60,611.74. On the other hand, the Nifty was up by 382.95 points or 2.17 percent to end at levels of 18,053.40. Among the Sensex 30 stocks, HDFC Bank was up by 9.97 percent, HDFC was up by 9.30 percent, Kotak Bank, HUL, IndusInd Bank, Tata Steel, L&T, and Sun Pharma were the other gainers up between 2 per cent and 3 per cent. On the other hand, Infosys and Titan Company fell upto 1.05 percent.
- 3) In terms of sectoral performance, the Nifty Financial Services index rallied by 4.5 per cent, followed by the Nifty Bank index, up 4 per cent. The Nifty IT index was marginally up by 0.2 per cent.
- 4) The broader markets too were upbeat today. The BSE MidCap index was up by 1.34 percent while the BSE SmallCap index was up by 1.7 percent.
- 5) In FY22, the Nifty rallied by 18.9 percent despite by war between Russia and Ukraine, US Fed plans of rising interest rates, COVID-19 lockdown in second wave and high inflation. In FY22, FPI sold equities worth more than Rs. 1.35 lakh crore. On the other hand, DIIs bought equities worth more than Rs. 1.70 lakh crore. In the month of March 2022, FIIs sold equities worth Rs. 43,281.31 crore. On the other hand, DIIs bought equities worth Rs. 39,677.03 crore in March 2022.

Sectors and stocks

- 1) Shares of HDFC Bank and HDFC were upbeat today after the announcement that HDFC Limited would merge into HDFC Bank. Subsidiary/associates of HDFC Limited will become subsidiary/associates of HDFC Bank.

Shares of HDFC Bank and HDFC rallied significantly post the announcement of the amalgamation. Shares of HDFC Bank made an intraday high of Rs. 1,721.85 and finally ended up by 9.97 percent to Rs. 1,656.45 on BSE. On the other hand shares of HDFC touched an intraday high of Rs. 2,855.35 and finally closed at Rs. 2,678.90, up by 9.30 percent on the BSE.

Shareholders of HDFC Limited as on record date will receive 42 shares of HDFC Bank (FV Re. 1/- each) for 25 shares of HDFC Limited (FV Rs. 2/-each).

HDFC Limited's shareholding in HDFC Bank will be extinguished as per the scheme of amalgamation ("Scheme") upon the Scheme becoming effective.

Post the above, HDFC Bank will be 100% owned by public shareholders and existing shareholders of HDFC Limited will own 41% of HDFC Bank

Deepak Parekh, the Chairman of HDFC Limited said, "This is a merger of equals. We believe that the housing finance business is poised to grow in leaps and bounds due to the implementation of RERA, the infrastructure status of the housing sector, and government initiatives like affordable housing for all, amongst others. Over the last few years, various regulations for banks and NBFCs have been harmonised, thereby enabling the potential merger. Further, the resulting larger balance sheet would allow underwriting of large ticket infrastructure loans, accelerate the pace of credit growth in the economy, boost affordable housing and increase the quantum of credit to the priority sector, including credit to the agriculture sector."

Merger of India's largest Housing Finance Company, HDFC, with the largest private sector bank in India, HDFC Bank, will enable seamless delivery of home loans and leverage on the large base of over 68 million customers of HDFC Bank and inter alia improve the pace of credit growth in the economy, HDFC Bank said in an exchange filing.

Transaction completion is subject to shareholders, creditors and regulatory approvals including from RBI, IRDAI, CCI, SEBI and Stock Exchange. Closing is expected to be achieved within ~[18] months, subject to completion of regulatory approvals and other customary closing conditions

HDFC Bank said "The combined entity will bring together complementary strengths of the two organizations, enabling a rewarding customer relationship. Post the combination, HDFC Bank's customers will be offered mortgages as a core product in a seamless manner. HDFC Bank will also leverage the long tenor mortgage relationship to offer varied credit and deposit products enabled through better insights through-out the customer life-cycle. This will result in an enhanced value proposition and customer experience for all customers of the combined entity". "HDFC Bank has access to funds at lower costs due to its high level of current and savings accounts deposits (CASA). With the amalgamation of HDFC with HDFC Bank, HDFC Bank will be able to offer more competitive housing products," it said.

"The proposed transaction ticks all the right boxes in terms of completion of product offerings, product leadership in home loans as with other retail assets products, distribution strength across the country and a customer base that can be leveraged to cross-sell a complete suite of financial products," said Sashi Jagdishan, chief executive officer (CEO) and managing director of HDFC Bank.

"With the leadership that we have built in housing finance and the deep understanding of the housing market across various economic cycles, this transaction helps in realizing the potential of what HDFC's housing finance business can achieve by leveraging the distribution and customer base of HDFC Bank," said Keki M. Mistry, vice chairman and CEO of HDFC Ltd.

- 2) Shares of SML Isuzu rallied by 18 per cent higher to Rs. 697 on the BSE in Monday's intra-day trade after the company said it has decided to increase prices of its products (across all models - trucks & buses) by 3-4 per cent, effective from Monday, April 4, 2022. While the company is taking actions to absorb the impact of sharp increase in commodity prices and other input costs, the upward revision has been necessitated to partially offset the impact of increased costs, SML Isuzu said in an exchange filing. Meanwhile, the company's total sales increased 43 per cent to 1,363 units in the month of March 2022. Passenger vehicles sales more-than-doubled to 665 units from 273 units in March 2021. However, cargo vehicles sales rose 3 per cent to 698 units from 679 units in a year ago. SML Isuzu is primarily engaged in the business of manufacturing of commercial vehicles and related components.

Key recent major developments..

- 1) GST collection in March touched an all-time high of over Rs. 1.42 trillion, an increase of 6.8 percent on MoM basis and 15 percent on YoY basis led by economic recovery, rate rationalisation measures and anti-evasion steps. With the record collection, the Centre's Goods and Services Tax (GST) collections has exceeded the revised budget target of Rs. 5.7 trillion set for the previous fiscal ended March 31, 2022. Of the total, Central GST was Rs. 25,830 crore, State GST was Rs. 32,378 crore, Integrated GST was Rs. 74,470 crore, and compensation cess was Rs. 9,417 crore. For FY22 as a whole, total GST collections amounted to Rs. 14.83 lakh crore, up 30 percent from Rs. 11.37 lakh crore in FY21.
- 2) Domestically, according to government data released on last Thursday, the Centre's fiscal deficit at the end of February stood at 82.7 per cent of the full year budget target, mainly on account of higher expenditure. In the last financial year, the fiscal deficit or gap between the expenditure and revenue was 76 per cent of the Revised Estimate (RE) of 2020-21. In actual terms, the deficit stood at Rs. 13.16 trillion at the end of February this year, as per the data released by the Controller General of Accounts (CGA). The central government's total receipts stood at Rs. 18.27 trillion or 83.9 per cent of the RE of Budget 2021-22. It was 88.2 per cent of the RE of 2020-21 in the corresponding period. The government's total expenditure was at Rs 31.43 trillion or 83.4 per cent of the current year's RE. It was 81.7 per cent of RE in the corresponding period last financial year.

The government expects the fiscal deficit to be at 6.9 per cent of the GDP or Rs 15.91 trillion in the current financial year ending March 31, 2022.

- 3) Ratings agency India Ratings and Research (Ind-Ra) on Wednesday revised India's FY23 forecast downwards to 7-7.2 per cent. Accordingly, the ratings agency believes that its 'FY23 Economic Outlook' released in January 2022 is

unlikely to hold in view of the global geo-political situation arising out of the Russia-Ukraine conflict. "Since the duration of Russia-Ukraine conflict continues to be uncertain, Ind-Ra has created two scenarios with respect to the FY23 economic outlook basis certain assumptions." According to Ind-Ra, in scenario-one, crude oil price is assumed to be elevated for three months, and in scenario-two, the assumption is for six months, both with a half cost pass-through into the domestic economy.

"Ind-Ra expects GDP to grow 7.2 per cent YoY in 'Scenario 1' and 7 per cent YoY in 'Scenario 2' in FY23, compared to its earlier forecast of 7.6 per cent." "However, the size of the Indian economy in FY23 will still be 10.6 per cent and 10.8 per cent lower than the FY23 GDP trend value in 'Scenario 1 and Scenario 2', respectively."

- 4) Globally, US President Joe Biden on last Thursday launched the largest release ever from the U.S. emergency oil reserve and challenged oil companies to drill more in an attempt to bring down gasoline prices that have soared during Russia's war with Ukraine. The announcement comes as part of a broad effort by the US President to manage spiking inflation that is affecting the US economy. Starting in May, the United States will release 1 million barrels per day (bpd) of crude oil for six months from the Strategic Petroleum Reserve (SPR), he said. "This is a moment of consequence and peril for the world, and pain at the pump for American families," Biden said at an event at the White House. US President Biden's 180 million-barrel release is equivalent to about two days of global demand, and marks the third time Washington has tapped the SPR in the past six months. It will more than cover oil exports to the United States from Russia, which Biden banned this month. Russia typically produces about 10 per cent of the world's crude, but only accounts for 8 per cent of US liquid fuel imports.
- 5) Last week on Tuesday, Russia's military said on Tuesday it would "fundamentally" cut back operations near Ukraine's capital and a northern city, as talks brought a possible deal to end a grinding and brutal war into view. Deputy Defense Minister Alexander Fomin said the move was meant to increase trust in the talks after several rounds of failed negotiations to halt the conflict that has devolved into a bloody campaign of attrition. Fomin said Moscow had decided to "fundamentally ... cut back military activity in the direction of Kyiv and Chernihiv" to "increase mutual trust and create conditions for further negotiations." That appeared to be a goodwill gesture, but also comes as Russia's troops have become bogged down and struggled to make major advances on the ground recently in the face of stiff Ukrainian resistance, thwarting Russian President Vladimir Putin's aim of a quick military victory.
- 6) U.S. consumer confidence edged higher in March from a year-low reading a month earlier, with Americans' assessment of current economic conditions improving on the back of a healthy job market, offsetting concerns over inflation that have further darkened their outlook.
- 7) Earlier, Moody's Analytics said "The rising caseload of Covid-19 in China is causing local, if temporary, disruptions to some manufacturing locations and transport corridors. China's technology center, Shenzhen, suffered brief shut-downs of manufacturing plants and port facilities last week,".
- 8) Earlier, S&P Global Ratings said in a note said "The Reserve Bank of India (RBI) would be compelled to signal a neutral policy stance in the Monetary Policy Committee's review meeting in April as average consumer inflation is likely to stay firm at 5.4 per cent in FY23." The RBI will likely raise the repo rate by at least 50-75 basis points through fiscal year 2023, and by another 50 basis points in fiscal 2024, the ratings agency said. The rise in inflation will make RBI signal a neutral stance in its April review meeting, followed by a normalization of the policy-rate corridor (the gap between the repo and reverse repo rate). This will involve an increase of the reverse-repo rate, S&P said. Meanwhile, Moody's Analytics said if the US Federal Reserve accelerates its path to policy normalisation, the RBI may have little choice but to commence policy tightening as inflation remains elevated.

Ajcon Global's observations and view..

- 1) Indian benchmark indices were upbeat today led by rally in HDFC Bank and HDFC after the announcement HDFC Limited would merge into HDFC Bank. The investor sentiments have improved led by de-escalation talks between Russia and Ukraine and fall in crude oil prices. However, there are headwinds like lockdown in the city of Shanghai in phased manner in China to curb COVID-19 cases which is affecting crude oil consumption to some extent and hawkish stance of global central banks. Investors will keep a watch on Monthly auto sales numbers amidst high crude oil prices leading to higher fuel costs and global shortage of semiconductors.
- 2) 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.
- 3) 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.

- 4) 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, 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. India today has emerged as a potential destination for investment.
- 5) There is a strong line up of IPOs and focus would be on LIC IPO considering its scale. As per media reports earlier, Finance Minister Nirmala Sitharaman's interview suggested that the FM may consider another look at the timing of Life Insurance Corporation of India IPO amidst Russia's invasion of Ukraine. We suggest investors to be careful about the forthcoming IPOs and understand the fundamentals based on risk reward profile. 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.
- 6) 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.
- 7) All eyes would be on upcoming RBI's Monetary policy and Q4FY22 earnings season (focus would be 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.



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