

Domestic bourses end in red; all eyes on RBI's monetary policy..

Index	Today's Close	Prev. close	Change	% change	Open	High	Low
Sensex	59,034.95	59,610.41	575.46	0.97	59,402.61	59,504.92	58,977.35
Nifty	17,639.55	17,807.65	168.10	0.94	17,723.30	17,787.50	17,623.70

- 1) Indian benchmark indices continued to be in red led by rising bond yields globally and negative global cues like fresh sanctions against Russia and hawkish comments by Fed officials. Fed meeting minutes, released on Wednesday afternoon, showed that US central bank officials planned to shrink its balance sheet by \$95 billion a month.
- 2) The Sensex was down by 575.46 points or 0.97 percent to end at levels of 59,034.95. On the other hand, the Nifty was down by 168.10 points or 0.94 percent to end at levels of 17,639.55. Among the Sensex 30 stocks, Titan, HDFC, PowerGrid, HDFC Bank, Wipro, TCS, RIL, Bharti Airtel, Tata Steel and L&T fell between 1.39 per cent and 3.24 per cent. On the other hand, Axis Bank was up by 2.38 percent, ICICI Bank, HUL and Dr. Reddy's added over a per cent.
- 3) In terms of sectoral performance, the Nifty Oil and Gas, and Consumer Durable indices ended over 2 per cent and 1.7 per cent lower, respectively. On the upside, the Nifty Pharma index added 0.4 per cent.
- 4) The broader markets too ended in red. The BSE MidCap index was down by 0.42 percent while the BSE SmallCap index was down by 0.75 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. Month till date, FIIs sold equities worth Rs. 3,852.71 Crore. On the other hand, DIIs bought equities worth Rs. 3,994.26 Crore.

Sectors and stocks

- 1) Shares of Hindustan Aeronautics (HAL) touched an all-time high of Rs 1,625.25 on Thursday after the company entered into a pact with its long-term partner Israel Aerospace Industries (IAI). The stock finally erased gains after touching new high and ended up by 1.93 percent to Rs. 1,577.60. Under the pact, the company has partnered with IAI to convert civil (passenger) aircraft to multi mission tanker transport (MMTT) aircraft in India. The scope of the partnership also covers "passenger to freighter aircraft" conversion along with MMTT conversions. "HAL will convert pre-owned civil aircraft into air refuelling aircraft with cargo and transport capabilities," it said in a filing. "We are glad to join hands with our long standing partner IAI in this venture of MMTT conversion business which is one of the strategic diversification avenues identified by HAL", says Mr. R. Madhavan, CMD, HAL. Boaz Levy, President IAI and CEO in his message said "We are proud to come together with our counterparts to bring our best value MMTT solution in India, while utilizing local resources to manufacture and market the platform. By collaborating with HAL and bringing conversion directly to India, we are supporting the 'Make in India' campaign". Earlier, HAL achieved record revenue with production of 44 new helicopters, 84 new engines, overhauling 203 aircrafts and 478 engines.
- 2) Shares of YES Bank rallied by 10.6 per cent to Rs 16.25 per share in intraday, hitting 52-week after ratings agency CARE Ratings upgraded infrastructure, lower tier-2, and upper tier-2 bonds to positive. YES Bank's stock price has rallied by over 22 per cent in the past five trading sessions. With today's gains, the shares have rallied by over 49 per cent so far this April as against 1 per cent gain in BSE S&P Sensex. The ratings agency upgraded the outlook to 'positive' on account of stable growth in deposits and advances. "After witnessing significant reduction in the deposit base during FY20, the bank has seen 55 per cent increase in the deposits to Rs 1,62,947 crore as on March 31, 2021 as compared to Rs.1,05,364 crore as on March 31, 2020," said CARE ratings in a report.
- 3) Shares of MTNL closed up by 11.66 per cent to Rs. 29.20 per share after touching an intraday high of Rs. 30.50 on the BSE on Thursday after the government deferred the merger of state-run telecom firms BSNL and MTNL due to

financial reasons. "Government has approved the revival plan of Bharat Sanchar Nigam Limited (BSNL) and Mahanagar Telephone Nigam Limited (MTNL) on October 23, 2019, which inter-alia includes in-principle approval for the merger of MTNL and BSNL. Due to financial reasons including high debt of MTNL, the merger of MTNL with BSNL is deferred," Minister of State for Communications Devusinh Chauhan told the Rajya Sabha on Wednesday.

- 4) Shares of Titan Company fell by 3.24 per cent to Rs. 2,458.95 on the BSE on Thursday after the company witnessed subdued growth in its jewellery business in March quarter of FY22 (Q4FY22). The company's Jewellery Division ended the volatile quarter on a flat note over a strong Q4FY21 base (had a benefit of a large B2B order). Business saw subdued activity in top cities due to the Omicron wave in January 22, a very strong resurgence in February, and again a drop in customer purchases in March on the back of sharp rise in gold prices and sentiment impact due to the external geo-political conflict. "While walk-ins saw minor decline, the customer conversions and ticket sizes grew marginally for the quarter compared to the same period last year. Sales from top 8 cities grew in single digits while the rest of India saw a small decline. Though the plain jewellery category bore the brunt of gold volatility in March 2022 leading to a slight decline for the quarter, studded sales clocked in a high single digit growth, thereby partially cushioning the impact," Titan said in its press release.

Key recent major developments..

- 1) Globally, the US and UK on Wednesday announced new sanctions targeting a combination of Russian institutions and elites in retaliation for "war crimes" in Ukraine. The European Union, separately, was considering a ban on coal imports from Russia in a bid to reduce its energy dependence and cut off a source of revenue for Russia. The US on Wednesday imposed full blocking sanctions on Russia's largest financial institution, Sberbank, which holds one-third of Russian banking assets, and the country's largest private bank, Alfa Bank. Sberbank holds nearly one-third of the overall Russian banking sector's assets and is systemically critical to the Russian economy. Earlier this week, the US Treasury blocked Russia from using assets frozen in the United States to make debt payments.
- 2) Domestically, according to the data released on Monday, Purchasing Managers' Index (PMI) for Manufacturing fell to a six-month low last month. The index dropped to 54.0 in March from 54.9 in February. According to the report released on Monday, escalating oil and commodity prices globally, led by the Russia-Ukraine war, have led to a sharp rise in domestic inflation, which if continues to remain high will impact demand.

"The slowdown was accompanied by an intensification of inflationary pressures, although the rate of increase in input costs remained below those seen towards the end of 2021...For now, demand has been sufficiently strong to withstand price hikes, but should inflation continue to gather pace we may see a more significant slowdown, if not an outright contraction in sales," said Pollyanna De Lima, Economics Associate Director at S&P Global.

- 3) 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.
- 4) 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.

- 5) 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."

- 6) 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.
- 7) 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.

Ajcon Global's observations and view..

- 1) Indian benchmark indices ended in red led by hawkish comments by Fed officials, rising bond yields globally and negative global cues like fresh sanctions against Russia and. There are other headwinds like increase in COVID-19 cases in China lockdown in the city of Shanghai to curb COVID-19 cases which is affecting crude oil consumption to some extent.
- 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 Poli-



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cy, 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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CIN:L74140MH1986PLC041941

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

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