

**Weak global cues affect investor sentiments; Indian equities remain under pressure..**

Index	Today's Close	Prev. close	Change	% change	Open	High	Low
<b>Sensex</b>	54,470.67	54,835.58	<b>364.91</b>	<b>0.67</b>	54,188.21	<b>54,795.47</b>	53,918.02
<b>Nifty</b>	16,301.85	16,411.25	<b>109.40</b>	<b>0.67</b>	16,227.70	<b>16,403.70</b>	16,142.10

- 1) Indian benchmark indices continued to be under pressure led by rupee falling to its life-time low against the US dollar and weak global cues. Investor sentiments have been affected after US Fed hiked interest rates by 50 bps. Earlier, RBI came up with a surprise by hiking repo rate by 40 bps which affected investor sentiments. There are headwinds like ongoing war between Russia and Ukraine with no signs of respite, rising crude oil prices, increasing COVID-19 cases in China and lockdown in various parts of China to curb its spread, concerns over high inflation across the globe, hawkish stance of global central banks and rising bond yields globally.
- 2) The Sensex was down by 364.91 points or 0.67 percent to end at levels of 54,470.67. On the other hand, the Nifty was down by 109.40 points or 0.67 percent to end at levels of 16,301.55. Among the Sensex 30 stocks, Powergrid, HCL Technologies, Infosys, Maruti Suzuki, Bajaj Finserv were up in the range of 0.97 percent to 2.83 percent. On the other hand, Reliance Industries, IndusInd Bank, Nestle India, Tata Steel, Tech Mahindra, State Bank of India, Hindustan Unilever, ITC, Axis Bank, ICICI Bank, Titan, Dr. Reddy's were down in the range of 0.55 percent to 3.97 percent.
- 3) The broader markets were under pressure today. The BSE Midcap index was down by 1.89 per cent and the BSE Smallcap index was down by 1.67 percent respectively.
- 4) On Monday, FIIs sold equities worth Rs. 3,361.80 Crore. On the other hand, DIIs bought equities worth Rs. 3,077.24 Crore. In the month of April 2022, FIIs sold equities worth Rs. 40,652.71 Crore. On the other hand, DIIs bought equities worth Rs. 29,869.52 Crore.

**Sectors and stocks**

- 1) Campus Activewear made decent stock market debut as shares got listed at Rs. 355, 21.57 percent higher against its issue price of Rs. 292 per share on the BSE on Monday. The shares finally ended up by 29.66 percent at Rs. 378.60 on the BSE. Campus Activewear's initial public offering (IPO) witnessed strong response as issue was subscribed by 51.75 times. The institutional investor portion of the IPO was subscribed 152 times, wealthy investor portion was subscribed 22.25 times and the retail investors' portion was subscribed 7.7 times.
- 2) Shares of ABB India were up 5 per cent to Rs. 2,358 on the BSE in Monday's intra-day trade and finally ended up by 2.16 percent. The stock has rallied by 17 per cent in the past three trading days after the company witnessed good performance in Q1CY22. In the past one week, the stock has outperformed market by 13 percent, as compared to 5 per cent decline in the S&P BSE Sensex. Earlier, the stock had hit a 52-week high of Rs. 2,469.60 on January 25, 2022. In Q1, ABB's standalone Net profit rose by whopping 145 percent Rs. 370 crore on the back of strong operational performance, while EBITDA margin improved by 170 basis points bps to 8.5 percent. The company posted a revenue of Rs. 1,968 crores revenue for the first quarter, a growth of 21 percent year-on-year. Seamless backlog execution, contribution from exports and growth of service business contributed to the traction despite geo-political uncertainties. Electrification & Motion registered higher revenue across all its divisions. Growth in service business comprised a significant portion in growth of Process Automation revenues. Robotics business gained from higher service revenues and general industry deliverables being on track.

The Company's total orders surged to Rs. 2,291 crore, the highest for the first quarter in the last five years. The year also started with a healthy increase in export orders across multiple businesses. This demonstrates consistency in leveraging the growth momentum and customer connect across segments, in domestic markets and globally. Electrification was marked by higher orders across divisions especially in smart power and distribution business. Motion Business Area witnessed uptick in systems drives and HV and LV motors continuing the short cycle opportunities. Process Automation gained from conversions in steel industry and refinery segment with higher focus on resource efficiency and clean energy transitions. Energy management systems was another area for order inflows.

Service comprising of system upgrades made up a significant portion of the order basket for Robotics and Discrete Automation.

Commenting on Q1CY22 performance, Sanjeev Sharma, Country Head and Managing Director, ABB India said "I am very proud of the team at ABB India who delivered a good start to the year by not only building but accelerating the growth momentum in the face of multiple external uncertainties. All parameters have posted solid growth in the first quarter of CY2022. The surge in orders and one of the strongest order backlog in recent times, demonstrate the high preference for ABB products and the deep customer connect. Factors like ABB technology advantage, our diverse portfolio, and global leverage have enhanced our resilience amidst geopolitical challenges and inflationary pressures," said. "ABB India's ESG commitments are on-track, and we published our first Business Responsibility and Sustainability Report (BRSR) as a best practice in the industry. We made good progress in our green building certification and working with resource efficiency for our customers," he added.

- 3) Shares of Avenue Supermarts touched an over 8-month low of Rs. 3,486, down 5 per cent on the BSE in Monday's intra-day trade. The stock that has fallen 12 per cent in the past two days, was today trading at its lowest level since August 11, 2021. It has corrected 41 per cent from its 52-week high level of Rs 5,899.90 touched on October 18, 2021. In the past six months, the stock has underperformed the market by falling 26 per cent as compared to a 10 per cent decline in the S&P BSE Sensex. Avenue Supermarts on Friday said that the meeting of the board of directors of the company is scheduled on May 14, to consider and approve the audited financial statements for the quarter and financial year ended March 31, 2022.

#### **Key recent major developments..**

- 1) The rupee hit an all time record low of 77.58 against the US dollar on Monday and finally settled the day at 77.50, down 60 paise over its previous close. The rupee is under pressure led by strengthening of US dollar, unabated foreign fund outflows and rate hike by US Fed.
- 2) 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.
- 3) 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.
- 4) Domestically, in a surprise move, RBI Governor Shaktikanta Das announced that the monetary policy committee has unanimously voted to increase the repo rate by 40 bps to 4.40 per cent, adding that the central bank's stance remains accommodative. RBI's rationale behind raising benchmark rates in an off-cycle MPC meeting was the upside risks to India's inflation trajectory because of global factors. Heightened uncertainty surrounds the inflation trajectory, which is heavily contingent upon the evolving geopolitical situation. Global commodity price dynamics are driving the path of food inflation in India, including prices of inflation sensitive items that are impacted by global shortages due to output losses and export restrictions by key producing countries. International crude oil prices remain high but volatile, posing considerable upside risks to the inflation trajectory through both direct and indirect effects. Core inflation is likely to remain elevated in the coming months, reflecting high domestic pump prices and pressures from prices of essential medicines. Renewed lockdowns and supply chain disruptions due to resurgence of COVID-19 infections in major economies could sustain higher logistics costs for longer. All these factors impart significant upside risks to the inflation trajectory set out in the April statement of the MPC. Hence the MPC thought it was necessary to reverse rate action taken in May 2020, where the RBI reduced the policy repo rate by 40 bps, following 75 bps reduction in March, as monetary policy had shifted to an ultra-accommodative mode because of the pandemic. The MPC also decided to remain accommodative while focusing on withdrawal of accommodation to ensure that inflation remains within the target going forward, while supporting growth.
- 5) RBI also raised the CRR limit by 50 bps to 4.5 per cent with effect from May 21, which in turn will lead to withdrawal of Rs. 87,000 crore the system, the governor added. In another move, the RBI has hiked the cash reserve ratio of banks by 50 basis points to 4.5 per cent of net demand and time liabilities (NDTL), effective from the fortnight beginning May 21, 2022. This is expected to withdraw liquidity to the tune of Rs. 87,000 crore from the system. The

increase in CRR by RBI is in line with its stance of withdrawal of accommodation and in line with its earlier announcement of gradual withdrawal of liquidity over a multi-year time frame.

- 6) According to RBI in its Monetary Policy Statement, domestic economic activity stabilised in March-April with the ebbing of the third wave of COVID-19 and the easing of restrictions. Urban demand appears to have maintained expansion but some weakness persists in rural demand. Investment activity seems to be gaining traction. Merchandise exports recorded double digit expansion for the fourteenth consecutive month in April. Non-oil non-gold imports also grew robustly on the back of improving domestic demand. Overall system liquidity remained in large surplus. Bank credit rose (y-o-y) by 11.1 per cent as on April 22, 2022. India's foreign exchange reserves declined by US\$ 6.9 billion in 2022-23 (up to April 22) to US\$ 600.4 billion.
- 7) The Purchasing Managers' Index (PMI) for April rose to 54.7 from 54 in March. Factory activity picked up in the month, bolstered by a solid increase in demand as pandemic restrictions were eased, but rising energy prices pushed input costs to a five-month high, a private survey showed. "Factories continued to scale up production at an above-trend pace, with the ongoing increases in sales and input purchasing suggesting that growth will be sustained in the near-term," noted Pollyanna De Lima, economics associate director at S&P Global.

#### **Ajcon Global's observations and view..**

- 1) Indian equities remain under pressure led by weak global cues and rupee falling to all time low against the US Dollar. Investor sentiments have been affected after US Fed hiked interest rates by 50 bps. Earlier, RBI hiked the repo rate by 40 bps in a surprise move which has affected investor sentiments. There are headwinds like weak global demand outlook led by hawkish stance of global central banks, ongoing war between Ukraine and Russia, rising crude oil prices, increasing COVID-19 cases in China and subsequent lockdown in various parts of China affecting demand, concerns of high inflation across the globe, rising bond yields globally and rupee depreciation. 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 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.
- 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.
- 6) 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.
- 7) 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, imple-



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mentation 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.



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CIN:L74140MH1986PLC041941

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

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