

Weak global cues and rising bond yields affect investor sentiments; all eyes on Q4FY22 earnings season..

Index	Today's Close	Prev. close	Change	% change	Open	High	Low
Sensex	58,964.57	59,447.18	482.61	0.81	59,333.18	59,355.76	58,894.40
Nifty	17,674.95	17,784.35	109.40	0.62	17,740.90	17,779.05	17,650.95

- 1) Indian benchmark indices ended in red led by rising bond yields globally and negative global cues like fresh sanctions against Russia and hawkish comments by Fed officials.
- 2) The Sensex was down by 482.61 points or 0.81 percent to end at levels of 58,964.57. On the other hand, the Nifty was down by 109.40 points or 0.62 percent to end at levels of 17,674.95. Among the Sensex 30 stocks, HCL Tech, L&T, Infosys, Wipro, Asian Paints, HDFC, HDFC Bank, and Axis Bank fell up to 2.73 per cent.
- 3) In terms of sectoral performance, the Nifty IT and Financial Services indices declined by 1.4 per cent and 0.5 per cent, respectively. On the other hand, the Nifty Oil and Gas, and Realty indices rose up to 1.8 per cent.
- 4) However, the broader markets ended in positive terrain. The BSE MidCap index was up by 0.41 percent while the BSE SmallCap index was up by 0.38 percent.
- 5) Month till date, FIIs sold equities worth Rs. 4,427.75 Crore. On the other hand, DIIs bought equities worth Rs. 3,977.75 Crore. In the month of March 2022, FIIs had sold equities worth Rs. 43,281.31 crore. On the other hand, DIIs bought equities worth Rs. 39,677.03 crore in March 2022. 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.

Sectors and stocks

- 1) Shares of Hindustan Aeronautics hit a fresh all-time high of Rs. 1,693 and was up by 4.5 percent in intraday trade after Company and L&T consortium has emerged as L1 to make 5 Polar Space Launch Vehicles (PSLVs) for ISRO. Company is the lead partner with L&T sharing the work. Other vendors too will be involved with the consortium in the manufacturing of the Launch Vehicles. However, the contract is yet to be formalised/ awarded. Finally, the stock ended by 3.65 percent to Rs. 1,679.40.
- 2) Shares of ITC hit an over two-year high of Rs. 273.10, up nearly 2 per cent on the BSE on Monday. The stock has rallied 6 per cent in the past two sessions on expectation of strong earnings due to improved cigarette volumes. In calendar year 2022, ITC has outperformed the market by rallying 25 per cent, as compared to a 1.6 per cent rise in the S&P BSE Sensex. It had hit a record high of Rs. 353 on July 3, 2017.
- 3) Shares of Sandur Manganese & Iron Ore hit the upper circuit of 20 per cent at Rs. 4,522.80, also its 52-week high on the BSE on Monday, after the company said its board has approved Rs. 18 crore rights issue and a capex plan of Rs. 900 - Rs. 950 crore. "The board approved Rs. 18 crore rights issue in the ratio of 2 new equity shares for every 1 equity share held by eligible shareholders as on the record date. Further the Board has constituted and authorised 'Right Issue Committee' to decide detailed terms and conditions of the Issue, including but not limiting to the deciding the payment modalities / schedule thereof, record date, timings, other terms and conditions and all other related matters etc. The promoter and promoter group of the Company will subscribe to all the unsubscribed shares in the Issue, if any," the company said. The board has also approved capacity expansion plan with an estimated investment of Rs 900-Rs 950 crore through borrowings and internal accruals. "The projects & capacity enhancement is in line with our strategic diversification and growth plans and this capacity and product addition by the company will help to cater growing demands for the product and meets company's internal consumption requirements as well," Sandur Manganese said in a exchange filing. In the past three months, the stock of Sandur Manganese has rallied by 86 per cent as compared to 3 per cent decline in the S&P BSE Sensex. In the past one year, the stock has rallied 256 percent, as against 19 per cent gain in the S&P BSE Sensex.
- 4) Shares of Bharat Dynamics (BDL) hit a new high of Rs. 775 after it rallied by 8 per cent on the BSE in Monday's intra-day trade. The shares of the company has rallied by 36 per cent in the past three trading days. BDL is a

public-sector enterprise supervised by the Ministry of Defence. The company manufactures Surface to Air Missile (SAM), Anti-Tank Guided Missile (ATG M), Torpedoes, and Allied Defence Equipments. Thus far in the calendar year 2022, the market price of BDL has nearly doubled or zoomed 97 per cent from Rs 392.90 at beginning of the calendar year.

Key recent major developments..

- 1) Crude oil prices fell by \$4 a barrel on Monday, with Brent crude falling below \$100 on plans to release record volumes of crude and oil products from strategic stocks and lockdown in the city of Shanghai in China.
- 2) Earlier, the Monetary Policy Committee (MPC) voted unanimously to keep the policy repo rate unchanged at 4 per cent. The MPC also decided unanimously to remain accommodative while focussing on withdrawal of accommodation to ensure that inflation remains within the target going forward, while supporting growth. The marginal standing facility (MSF) rate and the Bank rate remain unchanged at 4.25 per cent. Further, RBI decided to restore the width of the Liquidity Adjustment Facility (LAF) corridor to 50 basis points, the position that prevailed before the pandemic. The floor of the corridor will now be provided by the newly instituted standing deposit facility (SDF), which will be placed 25 basis points below the repo rate, i.e., at 3.75 per cent.
- 3) Last week, Defence Minister Rajnath Singh released on Thursday a third "positive indigenisation list" of 101 major pieces of defence equipment that the Ministry of Defence (MoD) will no longer clear for import. Instead, these 101 items will be incrementally procured from indigenous sources in accordance with the provisions of Defence Acquisition Procedure (DAP) 2020. These weapons and platforms will be incrementally banned for import, with some items embargoed from December 2022, and additional items added each December until 2027. "The list, notified by the MoD's Department of Military Affairs, consists of equipment and systems that are close to being fully developed by indigenous agencies and which are likely to translate into firm orders in next five years," stated an MoD release. The third list includes lightweight tanks, 155 millimetre, 52 calibre mounted artillery gun systems, guided extended range (GER) rockets for the Pinaka multi-barrelled rocket launcher (MLRS), naval utility helicopters (NUH), next generation offshore patrol vessels (NGOPV), multi-function surveillance targeting and acquisition radar (MF STAR), medium range anti-ship missiles (MR-SAM naval variant), advanced lightweight torpedo, high endurance autonomous underwater vehicle, medium altitude long endurance unmanned aerial vehicle (MALE UAV), anti-radiation missiles, and loitering munitions. Import substitution of ammunition, which is a recurring requirement, has been given special emphasis.
- 4) Globally, last week, 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.
- 5) Domestically, 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.
- 6) 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.

Ajcon Global's observations and view..

- 1) Indian benchmark indices ended in red led by rising bond yields globally and negative global cues like fresh sanctions against Russia and no signs of war ending soon. There are other headwinds like increase in COVID-19 cases in China and lockdown in the city of Shanghai to curb COVID-19 cases which is affecting crude oil consumption to some extent. Globally, all eyes would be on US inflation data and ECB meeting.
- 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 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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