

Falling crude oil prices improve sentiments; domestic bourses end in green..

Index	Today's Close	Prev. close	Change	% change	Open	High	Low
Sensex	56,486.02	55,550.30	935.72	1.68	55,614.40	56,545.83	55,556.47
Nifty	16,871.30	16,630.45	240.85	1.45	16,633.70	16,887.95	16,606.50

- 1) Indian equities continued to rally as crude oil prices continued to witnessed cooling off and hopes of peace on fresh round of talks between Russian and Ukrainian negotiators. Earlier, Ukraine President Volodymyr Zelenskyy comments suggested that Ukraine is not keen now for NATO membership.
- 2) The Sensex closed up by 935.72 points or 1.68 percent to end at levels of 56,486.02. The Sensex had touched a high of 56,545.83.47 points. On the other hand, the Nifty was up by 240.85 points or 1.45 percent to end at levels of 16,871.30. Among the largecaps, Infosys was up by 4 per cent. HDFC Bank, SBI, Axis Bank, Maruti Suzuki, ICICI Bank, Titan, Wipro, and HDFC were up in the range of 2 and 3.5 per cent.
- 3) In terms of sectoral performance, the Nifty Bank, Financial services and IT index was up by 2 percent each. On the other hand, the Nifty Realty index fell by 2 percent.
- 4) The broader markets were also in green today. The BSE MidCap index was up by 0.02 percent and the BSE SmallCap index was up by 0.30 percent.
- 5) FIIs sold equities worth Rs. 176.52 crore on Monday. On the other hand, DIIs bought equities worth Rs. 1,098.62 crore. Month till date, FIIs sold equities worth Rs. 43,479.57 crore. On the other hand, DIIs bought equities worth Rs. 31,427.67 crore.

Sectors and stocks

- 1) Shares of HDFC Bank rose by 3 per cent to Rs. 1,436.70 on the BSE in Monday's intra-day trade as the Reserve Bank of India (RBI) lifted restrictions imposed on the private sector lender regarding its business generating activities planned under the Digital 2.0 programme. In the past one week, HDFC Bank has outperformed the market by gaining 8 per cent, as compared to a 6 per cent rise in the S&P BSE Sensex. However, in the last six months and during a year, it has underperformed by falling 7 per cent and 8 per cent, respectively. In comparison, the benchmark index was down 4 per cent in six months, while in one year it rallied 10 per cent. "We wish to inform you that the RBI has lifted the restrictions on the business generating activities planned under the Bank's Digital 2.0 program. The members of the Board of Directors have taken note of said RBI letter," HDFC Bank said in an exchange filing on Saturday.
- 2) Shares of Ruchi Soya Industries were locked at 20 per cent upper circuit at Rs. 964.40 on the BSE on Monday after the edible oil firm announced that it will launch its follow-on public offer on March 24. The issue will close on March 28, 2022. The company has proposed to raise up to Rs. 4,300 crore. In a regulatory filing on Friday after market hours, Ruchi Soya said a committee of the board has approved and adopted the red herring prospectus (RHP). "The FPO comprises equity shares of face value of Rs. 2 each aggregating to Rs. 4,300 crore. The issue also includes a reservation of up to 10,000 equity shares for subscription by eligible employees. If such placement is completed, the follow-on size will be reduced," it said in a statement.
- 3) Shares of GHCL hit a new high of Rs. 528.85, rallying by 7 per cent on the BSE in Monday's intra-day trade and surpassed its previous high of Rs. 499.45 touched on March 11, 2022. The stock of company was trading higher for the fifth straight day, having rallied 28 per cent in the past 1 week, as compared to 6 per cent rise in the S&P BSE Sensex. GHCL is a diversified company having presence in chemicals, textiles and consumer products segment. GHCL is one of the leading manufacturers of soda Ash. On December 6, 2021, the board of directors of GHCL had approved a Scheme of Arrangement involving demerger of spinning business division of GHCL to GHCL Textiles, subject to receipt of applicable regulatory approvals. The company expects this new scheme to be completed by around September 2022.

- 4) Shares of Jubilant FoodWorks fell by 14.6 per cent and hit a fresh 52-week low of Rs. 2,444 per share on the BSE in Monday's intra-day trade after its CEO Pratik Pota's resigned.
- 5) Shares of One97 Communications fell by 14.5 per cent to hit a new low of Rs. 662 on the BSE in Monday's intra-day trade after the Reserve Bank of India (RBI) barred Paytm Payments Bank (PPBL) from onboarding new customers with immediate effect because of certain supervisory concerns.

Key recent major developments..

- 1) Domestically, the wholesale price-based inflation in February rose to 13.11 per cent on hardening of prices of crude oil and non-food items, even though food articles softened. WPI inflation increased in February and remained in double digits for the 11th consecutive month, beginning April 2021. WPI inflation last month was 12.96 per cent, while in February last year, it was 4.83 per cent. The rise in crude oil and natural gas prices after the Russian invasion of Ukraine, beginning February 24, has put pressure on the wholesale price index, even though food articles saw softening across categories of vegetables to pulses to protein-rich items.
- 2) Earlier, Russian President Vladimir Putin said that Western sanctions were illegitimate and Russia would calmly solve the problems arising from them. Addressing a government meeting, Putin also said Moscow - a major energy producer which supplies a third of Europe's gas - would continue to meet its contractual obligations. Speaking calmly, the Kremlin leader acknowledged that sanctions imposed since the start of what Russia calls its special military operation in Ukraine were being felt. "It is clear that at such moments people's demand for certain groups of goods always increases, but we have no doubt that we will solve all these problems while working in a calm fashion," he said. "Gradually, people will orient themselves, they will understand that there are simply no events that we cannot close off and solve." Speaking at the same meeting, Finance Minister Anton Siluanov said Russia had taken measures to limit the outflow of capital and that the country would service its external debts in roubles. "Over the last two weeks Western countries have in essence waged an economic and financial war against Russia," he said. He said the West had defaulted on its obligations to Russia by freezing its gold and foreign currency reserves. It was trying to halt foreign trade, he said.
- 3) Domestically, retail investors have invested in Rs. 19,705 crore in equity-oriented mutual fund (MF) schemes in February, 2022. This was the 12th consecutive month of inflows into the equity category. The data from Association of Mutual Funds in India (Amfi) shows that all the 11 categories of equity funds recorded net inflows. Among the equity categories, flexicap and sectoral funds saw net inflows of Rs 3,873.56 crore and Rs 3,441 crore respectively. Inflows through the systematic investment plan (SIP) continued to remain strong at Rs 11,437.70 crore, only Rs 79 crore lower compared to January. Total assets under management of SIP fell to Rs 5.49 trillion in February as against Rs 5.76 trillion in January due to the correction in the market.
- 4) Earlier, The International Monetary Fund warned Russia's war with Ukraine and the subsequent sanctions imposed upon President Vladimir Putin's country will have a "severe impact" on the global economy. "While the situation remains highly fluid and the outlook is subject to extraordinary uncertainty, the economic consequences are already very serious," the Washington-based lender said in a statement on Saturday. "Price shocks will have an impact worldwide, especially on poor households for whom food and fuel are a higher proportion of expenses," the IMF said. "Should the conflict escalate, the economic damage would be all the more devastating. The sanctions on Russia will also have a substantial impact on the global economy and financial markets, with significant spillovers to other countries." The Fund said central banks will need to "carefully monitor the pass-through of rising international prices to domestic inflation, to calibrate appropriate responses." Governments will need to find ways to support the most vulnerable households and help offset rising living costs. "This crisis will create complex policy trade-offs, further complicating the policy landscape as the world economy recovers from the pandemic crisis," the Fund said.
- 5) Earlier, Global financial services provider firm Moody's Analytics said "Global gas prices are expected to rise if any material and sustained escalation in the conflict between Russia and Ukraine puts constraints on Russia's gas exports." Russia is the world's largest exporter of gas. The majority of its gas exports stay in Europe, with Germany, Italy, Turkey, Austria and France the largest recipients, the consulting firm said adding nevertheless, Asia's largest economies - China, Japan, South Korea and India - all source some of their gas needs from Russia. Japan's largest supplier is Australia, but it also has long-term contracts with Russia, Malaysia, Qatar, and Brunei, the rating agency said. "And although there are other large global producers that could reroute supplies, it would take time to build infrastructure and increase liquefied natural gas processing capacity." In the meantime, however, global supplies would stay tight, it added.
- 6) Domestically, Gross Goods and Services Tax (GST) revenue collections in February (for sales in January) jumped by 17.6 per cent year-on-year to Rs. 1.33 lakh crore, data released by the Finance Ministry on Tuesday showed. This is

the fifth consecutive month of GST collections being more than Rs. 1.30 lakh crore. The gross GST revenue collected in the month of February 2022 stood at Rs. 1,33,026 crore of which Central GST is Rs. 24,435 crore, State GST is Rs. 30,779 crore, Integrated GST is Rs. 67,471 crore (including Rs. 33,837 crore collected on import of goods) and cess is Rs. 10,340 crore (including Rs. 638 crore collected on import of goods).

- 7) Domestically, GDP growth rate for the October-December quarter of 2021-22 stood at 5.4 per cent as against 0.7 per cent growth in the corresponding period a year ago, with the construction sector recording a contraction of 2.8 per cent and manufacturing sector registering a meagre growth of 0.2 per cent. In its second advance estimates of national accounts, the National Statistical Office (NSO) has projected 8.9 per cent growth in 2021-22. In its first advance estimates released in January, it had projected 9.2 per cent growth for 2021-22 as against a contraction of 6.6 per cent in 2020-21.

Global markets

- 1) Most of the Asian peer indices were under pressure on Monday. Hong Kong's Hang Seng fell by 5 per cent and China's Shanghai Composite fell by 2.6 percent led by increase in COVID-19 cases both in Hong Kong and China. Japan's Nikkei was up by 0.6 per cent higher while South Korea's Kospi fell by 0.6 percent today.
- 2) European equities also started on a good note.
- 3) Earlier, the US Labor Department's report showed consumer prices shot up 7.9 percent year-on-year, the sharpest annual spike in 40 years. Fed Chair Jerome Powell last week said he would back a quarter point rate increase when the U.S. central bank meets next week and would be "prepared to move more aggressively" later, if inflation does not abate as expected.

Ajcon Global's observations and view

- 1) Indian equities were upbeat today led by continuous fall in crude oil prices. Sentiments have improved on hopes of peace led by fresh round of talks between Russian and Ukrainian negotiators. Earlier, Ukraine President Volodymyr Zelenskyy talk suggested that Ukraine was no longer insisting on NATO membership which has led to this war with Russia. Apart from war between Russia and Ukraine, there are strong headwinds like fears of US Fed hiking interest rates, fears of liquidity tightening and hawkish stance of global central banks amidst spike in global inflation. All eyes are on the likely repercussions of the ongoing war on global economy.
- 2) It is advisable for investors to look out for stock specific opportunities considering growth outlook and management pedigree amidst the ongoing crisis. It would be advisable to avoid companies having exposure to Russia, Ukraine and Eastern European countries. 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.
- 3) 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.
- 4) There is a strong line up of IPOs and focus would be on LIC IPO considering its scale. As per media reports, 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 which has rattled financial markets. 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.
- 5) Before the significant correction earlier, 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. In addition, factors like good growth in merchandise exports, RBI's accommodative 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



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III cities as people have become more financial literate in COVID-19 crisis. Domestically, positive factors like dovish stance of RBI in its Monetary policy, 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) and strong GST collections will support bulls. With Q3FY22 earnings season coming to an end, investors will now keenly track global cues like global inflation data (upcoming US and China inflation numbers) and crude oil price movement.



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