

Indian equities come under pressure led by intensification of war between Ukraine and Russia; IT stocks continue to bleed..

Index	Today's Close	Prev. close	Change	% change	Open	High	Low
Sensex	56,463.15	57,166.74	703.59	1.23	57,381.77	57,464.08	56,009.07
Nifty	16,958.65	17,173.65	215.00	1.25	17,258.95	17,275.65	16,824.70

- 1) Indian benchmark indices were under tremendous pressure led by intensification of war between Ukraine and Russia and fall in index heavyweights like HDFC, HDFC Bank. In addition, there are concerns over high inflation led by high crude oil prices and commodity prices, rising bond yields globally and rupee depreciation.
- 2) The Sensex closed the day down by 703.59 points or 1.23 percent to end at levels of 56,463.15. On the other hand, the Nifty was down by 215 points or 1.25 percent to end at levels of 16,958.65. Among the Sensex 30 stocks, Reliance Industries was up by 3.5 per cent and ICICI Bank was up by 0.16 per cent. On the other hand, HDFC (down 6 per cent), HDFC Bank (down 4.2 per cent), ITC, Tech M, Infosys, Nestle India, and HCL Tech were other losers.
- 3) In terms of sectoral performance, the Nifty Realty, FMCG, and IT indices declined by 3.5 per cent each, followed by the Nifty Financial Services index (down 2.5 per cent).
- 4) The S&P BSE Energy index hit a record high of 8,667.33, up 3 per cent on the BSE in Tuesday's intra-day trade led by rally in Mangalore Refinery & Petrochemicals (MRPL), Chennai Petroleum Corporation, GMDC, Coal India and Hindustan Petroleum Corporation (HPCL). These stocks moved up in the range of 5- 20 per cent in intraday, while Reliance Industries (RIL) was up by 4.5 per cent in intraday.
- 5) The broader markets too were under pressure. The BSE MidCap index was down by 1.20 percent and BSE SmallCap index declined by 1.21 percent.
- 6) Today, FIIs sold equities worth Rs. 5,871.69 Crore. On the other hand, DIIs bought equities worth Rs. 3,980.81 Crore. Month till date, FIIs sold equities worth Rs. 23,021.52 Crore. On the other hand, DIIs bought equities worth Rs. 13,094.88 Crore. In the month of March 2022, FIIs sold equities worth Rs. 43,281 Crore. On the other hand, DIIs bought equities worth Rs. 39,677 Crore in March 2022.

Sectors and stocks

- 1) Coal India rallied by around 7 per cent to Rs. 203.20 in intra day after the company said it supplies to power sector scaled up 14 per cent amid rising demand. The stock was close to its 52-week high level of Rs 203.85, touched on October 6, 2021. Amid the spiraling power generation, Coal India raised its supplies to thermal power stations by 14.2 per cent during the first half of April'22 compared to same period last April. The company had accelerated its production to 26.4 MTs during the first half of April'22 registering 27 percent year-on-year growth. The company is heading for its highest April production ever. Output expansion in volume terms was 5.7 MTs, Coal India said in a press release.
- 2) Shares of sugar companies were upbeat and rallied up to 9 per cent on the BSE in Tuesday's intra-day trade in an otherwise subdued market. The sweet rally is backed by expectation of strong operational performance, favourable mix of ethanol towards B-heavy/juice (feedstock), and higher sugar realizations. Shares of Mawana Sugars, Dhampur Sugar Mills, Triveni Engineering & Industries, Balrampur Chini Mills, Dalmia Bharat Sugar and Industries and Dwarikesh Sugar Industries were up between 3 per cent and 9 per cent on the BSE. Most of the sugar stocks traded close to their respective 52-week highs.
- 3) Shares of GAIL (India) hit a 52-week high of Rs. 173.45, up 3 per cent on the BSE in Tuesday's intra-day trade, ahead of ex-date for share buyback on Thursday, April 21, 2022. The stock of state-owned gas transmission and marketing company surpassed its previous high of Rs 171.35 touched on October 6, 2021. In the past one month, it

has outperformed the market by surging 15 per cent, as compared to 1 per cent decline in the S&P BSE Sensex. The board of directors of GAIL (India) on March 31, 2022 had approved a buyback of 57 million shares at Rs 190 apiece aggregating to Rs 1,083 crore. The buyback is being done through the tender route-- this will allow the government, which holds 51.8 per cent stake, to participate in the process. GAIL has said the buyback is for 2.5 per cent of its paid-up capital and free reserves as on March 31, 2021. The Company has fixed Friday, April 22, 2022 as the record date for the purpose of ascertaining the eligibility of shareholders for Buyback of equity shares.

Key recent major developments..

- 1) Globally, in a key development, Ukrainian President Volodymyr Zelensky has said in a video address "Russian forces have begun the battle for the Donbas region, but Ukraine will defend itself,. "Now we can say that Russian troops have started the battle for Donbas, for which they have been preparing for a long time. A very large part of the entire Russian army is now focused on this offense," Zelensky said. "No matter how many Russian troops are driven there, we will fight," he added.
- 2) The International Monetary Fund, in its latest World Economic Outlook report, has slashed its forecast for India's FY23 gross domestic product growth to 8.2 per cent, saying that higher commodity prices will weigh on private consumption and investment. This was one of the steepest cuts for emerging economies compared to the IMF's January WEO forecasts. Saying that global economic prospects have worsened significantly due to commodity price volatility and disruption of supply chains caused by the war in Europe, IMF cut its global growth outlook for calendar year 2022 to 3.6 per cent from 4.4 per cent, and said that both Russia and Ukraine could experience large GDP contractions.
- 3) Domestically, "Thermal plants across the country are grappling with a coal shortage as the power demand in the states has increased, and a number of states are not able to bridge the gap between demand and supply because of insufficient coal stocks at thermal plants," All India Power Engineers Federation (AIPEF) spokesperson VK Gupta said in a statement. Gupta stated that coal shortages indicate a power crisis in the making. As per Central Electricity Authority's (CEA) latest daily coal report, the coal stock at 81 out of a total of 150 thermal power stations using domestic coal is critical as per guidelines, the statement said.
- 4) Domestically, the wholesale price inflation hit a four-month high of 14.55 percent in March, data released on Monday showed. "The high rate of inflation in March, 2022 is primarily due to rise in prices of crude petroleum and natural gas, mineral oils, basic metals, etc., due to disruption in the global supply chain caused by the Russia-Ukraine conflict." the Commerce and Industry Ministry said in a statement.
- 5) Globally, in a key development, Russia on Saturday announced it was banning entry to Prime Minister Boris Johnson and several other top UK officials, after London imposed sanctions on Russia over its military operation in Ukraine. "This step was taken as a response to London's unbridled information and political campaign aimed at isolating Russia internationally, creating conditions for restricting our country and strangling the domestic economy," the foreign ministry said in a statement."The British leadership is deliberately aggravating the situation surrounding Ukraine, pumping the Kyiv regime with lethal weapons and coordinating similar efforts on the behalf of NATO," the ministry said.
- 6) Last week, the Japanese yen weakened past the 126 yen per dollar mark on Wednesday for the first time since 2002, while the euro was pinned at a one-month low as investors bought the U.S. currency after hawkish comments by Federal Reserve officials. The prospect of fast and aggressive U.S. interest rate hikes and growing market expectations that the Bank of Japan will keep rates ultra-low in the near term have fueled the Japanese currency's declines against the dollar. (Source: Reuters)
- 7) Globally, US inflation jumped at its fastest pace in more than 40 years, with costs for food, gasoline, housing and other necessities squeezing American consumers and wiping out the pay raises that many people have received. The Labour Department said on Tuesday that its consumer price index jumped 8.5 per cent in March from 12 months earlier the biggest year-over-year increase since December 1981. Prices have been driven up by bottlenecked supply chains, robust consumer demand and disruptions to global food and energy markets worsened by Russia's war against Ukraine. The government's report also showed that inflation rose 1.2 per cent from February to March, up from a 0.8 per cent increase from January to February. The March inflation numbers were the first to capture the full surge in gasoline prices that followed Russia's invasion of Ukraine on February 24.
- 8) Domestically, CPI inflation spiked to a 17-month high in March led by a big jump in prices of food and manufactured goods, official data showed. According to data released by the Ministry of Statistics and Programme Implementation (MoSPI) on Tuesday, inflation based on the Consumer Price Index (CPI) rose to 6.95% in March from 6.07% in the previous month.

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- 10) 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.

Ajcon Global's observations and view..

- 1) Indian benchmark indices ended in red led by intensification of war between Ukraine and Russia. There are concerns of high inflation across the globe, rising bond yields globally and rupee depreciation.
- 2) 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 investor sentiments.
- 3) 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.
- 4) 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.
- 5) 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.
- 6) There is a strong line up of IPOs and focus would be on LIC IPO considering its scale. 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.
- 7) 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.



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- 8) 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.
- 9) We expect volatility to continue led by macroeconomic factors which are affecting companies Q4FY22 performance.



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