

Indian equities end in green; IT and auto stocks rally..

Index	Today's Close	Prev. close	Change	% change	Open	High	Low
Sensex	57,989.30	57,292.49	696.81	1.22	57,297.57	58,052.87	56,930.30
Nifty	17,315.50	17,117.60	197.90	1.16	17,120.40	17,334.40	17,006.30

- 1) Indian equities came back strongly in later part of the session led by buying in Reliance Industries and IT and auto pack.
- 2) The Sensex was up by 696.81 points or 1.22 percent to end at levels of 57,989.30. On the other hand, the Nifty was up by 197.90 points or 1.16 percent to end at levels of 17,315.50. Among the Sensex 30 stocks, Reliance Industries was up by 2.5 per cent. Tech Mahindra, Tata Motors, BPCL, ITC, JSW Steel, PowerGrid, Bajaj Auto, Infosys, TCS, Kotak Bank, Bajaj Finserv, Bharti Airtel, Wipro and IndusInd Bank were the other gainers, up in the range of 1 to 4 per cent. On the other hand, HUL, Nestle India, Britannia, and Cipla fell between 2 and 3 per cent.
- 3) In terms of sectoral performance, the Nifty IT index was up by 2 per cent and the Nifty Auto index rallied by over 1 per cent. On the other hand, the Nifty Realty fell 1 per cent while the Nifty FMCG index dipped 0.7 per cent.
- 4) The broader markets too were upbeat. The BE MidCap and SmallCap indices were up by 0.20 percent each.
- 5) FIIs bought equities worth Rs. 384.48 Crore on Tuesday. On the other hand, DIIs sold equities worth Rs. 602.05 Crore. Month till date, FIIs sold equities worth Rs. 44,194.82 Crore. On the other hand, DIIs bought equities worth Rs. 31,270.88 Crore.

Sectors and stocks

- 1) Shares of Reliance Industries rose by 2.58 per cent on Tuesday. The stock hit an over 2-month high of Rs. 2,534.95 before settling at Rs 2,531.15.
- 2) Shares of Ratnamani Metals & Tubes hit a record high of Rs. 2,449 by rallying 7 per cent on the BSE in Tuesday's intra-day trade after the company won an order worth Rs. 591 crore. The stock surpassed its previous high of Rs. 2,329.15 touched on March 2, 2022. "The company has received a new domestic line pipe order for Rs 591 crore from the oil & gas sector, to be executed between August 2022 and March 2023," Ratnamani Metals said in an exchange filing. As on February 1, 2022, the company had orders worth Rs 1,900 crore in hand, of which roughly Rs 665 crore was for stainless-steel and balance for carbon steel.
- 3) Shares of New Delhi Television (NDTV) were locked in the upper circuit band for a second straight day, up 5 per cent at Rs. 238.15, also its highest level since October 2008, on the BSE on Tuesday. In the past four trading days, the stock of the broadcasting & cable TV operator has rallied by 47 per cent.
- 4) Shares of Equitas Holdings (EHL) and its subsidiary Equitas Small Finance Bank (ESFBL) rallied up to 10 per cent on the BSE in Tuesday's intra-day trade after their respective boards approved the merger of the two.
- 5) Shares of One97 Communications, the parent company of digital payments major Paytm, continued to remain under pressure and hit a new low at Rs. 550.50, down 3 per cent on the BSE in Tuesday's intra-day trade on the back of heavy volume. In the past one month, the stock has tanked 32 per cent. The stock hit a record high of Rs 1,961.05 on November 18, 2021, in intra-day trade, but failed to touch its issue price post listing. The stock has lost 74 per cent from its issue price of Rs 2,150 per share. The Reserve Bank of India (RBI) on Friday, March 11, 2022 barred Paytm Payments Bank (PPBL) from on boarding new customers with immediate effect because of certain supervisory concerns. PPBL processes transactions for India's digital payments giant Paytm.
- 6) Shares of fast moving consumer goods (FMCG) companies were under pressure with most of the frontline stocks down up to 4 per cent on growth concerns. Hindustan Unilever (HUL), Godrej Consumer Products, Marico, Nestle

India, Britannia Industries and Dabur India slipped between 2 per cent and 4 per cent on the BSE in Tuesday's intra-day trade.

Key recent major developments..

- 1) In a key development, Ukrainian President Volodymyr Zelensky has been invited to address a special NATO summit Thursday discussing the Russian invasion of his country, an official said. "President Zelensky is invited to address the NATO summit via video link," the NATO official said Tuesday.
- 2) Asian peer indices were up on Tuesday. Japan's Nikkei was up by 1.5 per cent, South Korea's Kospi was up by 0.9 per cent each and Hong Kong's Hang Seng rallied by over 3 per cent.
- 3) Domestically, Road Transport Minister Nitin Gadkari on Tuesday said rapid strides in technology and green fuel will reduce the cost of electric automobiles, bringing them at par with petrol-run vehicles in the next two years. Replying in the Lok Sabha on the Demands for Grants for Road Transport and Highways Ministry, 2022-23, Gadkari emphasised the need to shift to cost-effective indigenous fuel and hoped that this fuel will be a reality soon, bringing the pollution levels down and improving the overall situation in Delhi. Urging MPs to adopt hydrogen technologies for transport, Gadkari asked them to take initiative in their respective districts for converting sewage water to produce green hydrogen.
- 4) Crude Oil prices settled up more than 7 percent on Monday, with global benchmark Brent climbing above \$115 a barrel, as European Union nations disagreed on whether to join the United States in a Russian oil embargo after an attack on Saudi oil facilities. Brent futures settled at \$115.62 per barrel, up \$7.69 or 7.12%, while U.S. West Texas Intermediate (WTI) crude futures settled at \$112.12 per barrel, up \$7.42 or 7.09%.
- 5) The Federal Reserve raised interest rates by 0.25 percent for the first time since 2018 as the US economy is facing high inflation amidst the impact of the war in Ukraine and the coronavirus crisis. The rate hike was in line with street expectations.
- 6) 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.
- 7) 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.
- 8) 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.
- 9) 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.

- 10) 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.

Ajcon Global's observations and view

- 1) Indian equities were upbeat today led by buying in IT and auto stocks. However, there are headwinds like increase in COVID-19 cases in China, Hong Kong and hawkish stance of global central banks.
- 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 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.



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