

Indian equities were upbeat on F&O expiry day; blue chips rally..

Index	Today's Close	Prev. close	Change	% change	Open	High	Low
Sensex	57,521.06	56,819.39	701.67	1.23	57,296.31	57,790.85	56,936.94
Nifty	17,245.05	17,038.40	206.65	1.21	17,189.50	17,322.50	17,071.05

- 1) Indian equities were upbeat on F&O expiry day. However, there are headwinds like dampened global economic outlook, comments of rate hike by US Fed, increasing COVID-19 cases and lockdown in China, high global inflation led by crude oil prices and commodity prices, intensification of war between Ukraine and Russia, rising bond yields globally and rupee depreciation.
- 2) The Sensex was up by 701.67 points or 1.23 percent to end at levels of 57,521.06. On the other hand, the Nifty was up by 206.65 points or 1.21 percent to end at levels of 17,245.05. Among the Sensex 30 stocks, Hindustan Unilever, Asian Paints, Power Grid, NTPC, Larsen & Toubro, State Bank of India were the prominent gainers and up in the range of 2.02 percent - 4.55 percent. On the other hand, Bharti Airtel, Mahindra & Mahindra, HCL Technologies, HDFC Bank ended in red in the range of 0.12 percent to 0.84 percent.
- 3) The broader markets too were upbeat today. The BSE Midcap index was up by 0.83 per cent and the BSE Smallcap index was up by 0.12 per cent.
- 4) Today, FIIs bought equities worth Rs. 743.22 Crore. On the other hand, DIIs bought equities worth Rs. 780.94 Crore. Month till date, FIIs sold equities worth Rs. 37,004.41 Crore. On the other hand, DIIs bought equities worth Rs. 26,379.22 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) Shares of BLS International Services hit a new high of Rs 364.40, surging 10 per cent on the BSE, after the company fixed May 17, 2022 as the record date for bonus equity shares. "Business and Finance Committee of the Company in its meeting held on April 27, 2022 has fixed Tuesday, May 17, 2022 as the 'Record Date', for the purpose of ascertaining the eligibility of shareholders entitled for issuance of bonus equity shares of the Company in the proportion of 1:1 i.e. 1 equity shares of Re 1 each for every 1 existing equity share of Re 1 each," BLS International said in exchange filing.

In the past one month, the stock has outperformed the market by rallying 55 per cent as compared to 0.23 per cent rise in the S&P BSE Sensex. Rating agency CRISIL Ratings has reaffirmed its 'CRISIL A-/Stable/CRISIL A2+' ratings on the bank facilities of BLS International Services. "The ratings continue to reflect the established market position of the BLS International group in the visa outsourcing services sector, diversified business risk profile, and robust financial risk profile. These strengths are partially offset by the tender-based business, susceptibility to changes in regulations by the concerned ministries of various countries," CRISIL Ratings said in its rationale.

- 2) Shares of Hindustan Unilever (HUL) were up 4 per cent to Rs. 2,230 on the BSE in Thursday's intra-day trade, after the Company beat street estimates on volume growth and earnings front in the March quarter 2022 (Q4FY22). In Q4FY22, the Company witnessed yoy growth of 5.4 percent in its net profit rise to Rs 2,304 crore, compared to Rs 2,186 crore from a year-ago period. Meanwhile, net sales witnessed a growth of 10.4 per cent on YoY basis to Rs 13,190 crore led by aggressive price hikes in the home care segment. The home care segment grew by 23.7 per cent YoY on the back of price hikes taken in the last one year.
- 3) Shares of Indian Hotels Company Limited (IHCL) rallied by 6 per cent to Rs 249.75 on the BSE in Thursday's intra-day trade after the company reported a consolidated net profit of Rs. 71.57 crore for the March quarter (Q4FY22) as against a consolidated net loss of Rs 97.72 crore in the same period of the previous fiscal.

Key recent major developments..

- 1) Globally, the dollar hit a five-year high on Wednesday before the Federal Reserve next week is expected to hike rates, while the euro weakened on growth concerns after Russia cut off gas supplies to two eastern European nations. The dollar has gained on expectations that the U.S. central bank will be more hawkish than peers. The Fed is expected to increase rates by 50 basis points at its May 3-4 meeting, as well as in June and July. The greenback has also benefited from global growth concerns as Europe struggles with the fallout from Russia's invasion of Ukraine and China imposes lockdowns in a bid to stem the spread of COVID-19. Russia halted gas supplies to Bulgaria and Poland on Wednesday for rejecting its demand for payment in roubles, taking direct aim at European economies in a move that also exposed confusion in the European Union on how to respond to Moscow's invasion of Ukraine. (Reuters)
- 2) India's net direct tax collections (income tax and corporate tax) touched an all-time high of Rs. 14.09 lakh crore in 2021-22, growing by 49.02% over the previous fiscal, indicating bouncing back of the economy after the Covid pandemic, chairman of the Central Board of Direct Taxes (CBDT), JB Mohapatra said on Tuesday. The net direct tax collection (after taking I-T refunds into account) was 2.5 lakh crore more than the Rs. 11.37 lakh crore achieved in 2018-19, the highest till the 2021-22 figures surpassed it, Mohapatra said on Tuesday. The gross direct tax collections for 2021-22 also touched an all-time high of Rs. 16.34 lakh crore, showing a growth of over 32.75% over the previous fiscal. "The record tax collection shows the strengthening of Indian economy after the pandemic. This shows the economy has bounced back," said Mohapatra, adding that a new Annual Information System that contains details of all the financial transactions undertaken during a financial year helped the tax authorities shore up the collection.
- 3) Indian edible oil markets heaved a sigh of relief after Indonesia, which is the world's largest producer of palm oil, clarified that the export ban announced late last week won't be applicable to crude palm oil but will only cover shipments of refined, bleached, deodorised (RBD) palmolein. This in a way is also beneficial to the Indian local refining industry as any move to curb import of refined oils boost domestic oilseeds crushing and refining.
- 4) Earlier, Federal Reserve Chairman suggested that US Fed could raise interest rates by 50 bps points at their meeting early next month and begin reducing their US\$9 trillion asset portfolio.
- 5) Global bonds added to this year's epic rout as traders brace for the Federal Reserve to raise interest rates at the most aggressive pace since 1982. The policy-sensitive two-year yield climbed as much as six basis points on Friday to 2.74%, the highest since late 2018, after Fed Chair Jerome Powell said "it is appropriate in my view to be moving a little more quickly." That shrank the premium 10-year notes offer over two-year securities, sending the yield gap below 20 basis points. "I think there's something in the idea of front-end loading," Powell said during an International Monetary Fund panel discussion, adding that a half-percentage point hike in May "is on the table." (Bloomberg)
- 6) Globally, in a key development, G7 finance ministers said they have provided and pledged together with international community additional support to Ukraine exceeding \$24 billion for 2022 and beyond, adding that they were prepared to do more as needed. In a statement, the ministers said they regretted Russia's participation in international forums, including G20, International Monetary Fund and World Bank meetings this week. "International organisations and multilateral fora should no longer conduct their activities with Russia in a business-as-usual manner," the ministers said. (Reuters)
- 7) Earlier, 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.
- 8) 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.

- 9) 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.
- 10) 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.
- 11) 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.
- 12) 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.

Ajcon Global's observations and view..

- 1) Indian equities were upbeat on F&O expiry day. However, there are headwinds like weak global demand outlook led by hawkish stance of global central banks, intensification of war between Ukraine and Russia, increasing COVID-19 cases in China and subsequent lockdown affecting demand, concerns of high inflation across the globe, rising bond yields globally and rupee depreciation.
- 2) 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.
- 3) 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.
- 4) 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.
- 5) 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.



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- 6) 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
- 7) All eyes would be LIC IPO considering its scale, 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. We expect volatility to continue led by global macroeconomic factors.



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