



CA (Dr.) Ashok Ajmera, CMD

CA (Dr.) Ashok Ajmera's column as on May 01, 2022

Indian equities remain under pressure led by weak global cues; all eyes would be on upcoming US Fed meet and ongoing Q4FY22 earnings season..

- 1) Indian equities were under pressure led by weak global cues like war intensification between Russia and Ukraine, rising crude oil prices, increasing COVID-19 cases in China and lockdown in various parts of China to curb its spread, concerns over high inflation across the globe and rising bond yields globally.
- 2) For the week, the Sensex was down by 0.24 percent or 136 points to end at levels of 57,061. On the other hand, Nifty was down by 69 points or 0.40 percent to end at levels of 17,103.
- 3) The broader markets were under pressure. The Nifty Midcap 100 index was down by 1.4 percent and the Nifty Smallcap 100 index fell by 2.7 percent in the week gone by.
- 4) In terms of sectoral performance, sectors like infrastructure, energy, metals, energy, IT, healthcare were under pressure. On the other hand, investors took interest in sectors like financials, auto and FMCG.
- 5) During the week, FIIs net sold equities nearly worth Rs. 11,500 Crore and DIIs bought equities around Rs. 9,700 Crore in the week. In the month of April 2022, FIIs sold equities worth Rs. 40,652.71 Crore. On the other hand, DIIs bought equities worth Rs. 29,869.52 Crore.

Key recent major developments..

- 1) Goods and services tax (GST) collection touched an all-time high of Rs 1.68 trillion in April. This is the first time the collection has crossed Rs 1.5 trillion mark. The previous high was recorded in March at over Rs. 1.42 trillion. "The gross GST collection in April 2022 is Rs. 25,000 Crore more than the next highest collection last month, the finance ministry said on Sunday while releasing the monthly collection data. "The robust mop-up could be attributed to improvement in the compliance behaviour, which has been a result of various measures taken by the tax administration to nudge taxpayers to file returns timely, to making compliance easier and smoother, and strict enforcement action taken against errant taxpayers identified based on data analytics and artificial intelligence, the ministry said. This is the 10th month in a row that the GST revenues crossed Rs.1 lakh Crore mark.
- 2) 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)

- 3) 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.
- 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) 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)
- 6) 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.
- 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.

Ajcon Global's observations and view..

- 1) Indian equities ended the week on a subdued note with pressure mainly in midcaps and smallcaps segment. The markets are expected to remain volatile in the coming week considering the upcoming US Fed meet (talks of rate hikes has already dampened sentiments), headwinds like weak global demand outlook led by hawkish stance of global central banks, intensification of war between Ukraine and Russia, rising crude oil prices, increasing COVID-19 cases in China and subsequent lockdown in various parts of China affecting demand, concerns of high inflation across the globe, rising bond yields globally and rupee depreciation. However, domestically, robust GST Collections and Direct Tax collections depict strong revival in Indian economy which will keep bulls in picture.
- 2) Domestically, going forward, all eyes would be on Monthly Auto Sales numbers, Manufacturing PMI data, Services & Composite PMI data. Investors will continue to track Q4FY22 earnings season which has been mixed so far (street participants will focus 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).
- 3) There is a strong line up of IPOs and focus would be on LIC IPO in the coming week considering its scale. We suggest investors to be careful with IPOs that are look expensive and understand the fundamentals based on risk reward profile before taking a decision to invest. 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 at-

tention. 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.

- 4) 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.
- 5) 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.
- 6) 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.
- 7) 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 sector, 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.

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