

Indian equities come under significant pressure led by rising global bond yields, concerns of rupee depreciation against the US dollar and investors turning cautious ahead of release of US inflation data..

| Index | Oct.11, 2022 | Oct. 10, 2022 | Change | % change | Open | High | Low |
|---------------|--------------|---------------|---------------|-------------|-----------|------------------|-----------|
| Nifty | 16,983.55 | 17,241.00 | 257.45 | 1.49 | 17,256.05 | 17,261.80 | 16,950.30 |
| Sensex | 57,147.32 | 57,991.11 | 843.79 | 1.46 | 58,004.25 | 58,027.52 | 57,050.40 |

- 1) On Tuesday, Indian benchmark indices came under severe pressure as investors sentiments were hampered led by rising global bond yields and global investors turning cautious ahead of US inflation data which has led to FII selling.

In addition, concerns of rupee depreciation against the US dollar, weak global cues like rising COVID-19 cases in China, escalation of war between Russia and Ukraine, recent US Fed comments and recessionary concerns in US and Europe have dampened investor sentiments. Moreover, the decision of OPEC+ to tighten global supply with a deal to cut production targets by 2 million barrels per day (bpd) at a time when the global economies are reeling under pressure of high inflation is also playing on the minds of the investors.

The Nifty had a witnessed a positive opening but later came under tremendous pressure and touched an intraday low of 16,950.30. Finally, the Nifty ended the day down by 257.45 points or 1.49 percent to end at levels of 16,983.55. On the other hand, the Sensex fell by 843.79 points or 1.46 percent to end at levels of 57,147.32.

- 2) Among the Nifty 50 stocks, the major gainers were Axis Bank, Adani Enterprises, Asian Paints up in the range of 0.48 percent to 1.05 percent. On the other hand, the major losers were Divis Lab, JSW Steel, IndusInd Bank, Eicher Motors, Nestle India down in the range of 3.11 percent to 5.05 percent.
- 3) The broader markets too were under pressure. The Nifty Midcap 100 index was down by 1.74 percent while the Nifty Smallcap 100 index was down by 1.70 percent.
- 4) In terms of sectoral indices performance, the major losers were Nifty Realty index down by 3.07 percent, Nifty Metal index down by 2.20 percent, Nifty Media index down by 2.02 percent, Nifty IT index down by 1.99 percent.
- 5) On Tuesday, FIIs net sold equities worth Rs. 4,612.67 Crore. On the other hand, DIIs net bought equities worth Rs. 2,430.76 Crore. Month till date, FIIs have net sold equities worth Rs. 6,788.24 Crore and DIIs net bought equities worth Rs. 5,592.31 Crore.

Sectors and stocks

- 1) Shares of Kalpataru Power Transmission Limited (KPTL) ended up by 4.08 percent to Rs. 445.20 at the NSE on Tuesday. KPTL is one of the largest specialized EPC companies engaged in power transmission & distribution, oil & gas pipeline, railways and civil infrastructure business. KPTL is currently executing projects in over 30 countries and has global footprints in 67 countries.

Recently, Kalpataru Power Transmission Limited (KPTL) & its international subsidiaries had secured new orders / notification of awards of Rs. 1,345 Crores. The details are as follows: a) Orders in India and overseas market in the T&D business, b) Orders for Pipeline Laying Works (Secured in joint venture / consortium), c) Order for Metro Rail Electrification in India (Secured in joint venture / consortium). Commenting on the new order announcements, Mr. Manish Mohnot, Managing Director & CEO, KPTL said "We are pleased with the new order wins secured across our business verticals. The order wins in the T&D and pipeline business help us to further consolidate our order book

and establish leadership in key markets. The second metro rail electrification order strengthens our Railways business in new and emerging infrastructure segments. These orders along with the existing order book reaffirm our confidence to achieve targeted growth going forward."

- 2) Shares of KRBL closed up by 4.15 percent to Rs. 387.40 at the NSE on Tuesday. KRBL is India's largest & only integrated manufacturer and exporter of Basmati rice. The Company boasts of world's largest rice milling plant spread across 200 acres and has one of world's largest milling capacity of 195 MT/hour. The Company has world's largest rice processing capacity of 191 MT/hour.

Mr. Anil Kumar Mittal - Chairman and Managing Director of the Company in Q1FY23 analyst concall conducted earlier said "When we talk about rice, we should keep in mind that there are two different commodities, i.e., basmati rice and non-basmati rice. There is no linkage whatsoever between the two as far as production, price and markets are concerned. In regard to non-basmati rice, we see that non-basmati rice could emerge as the next challenge for global food supply as shortage of rain in parts of India, which has caused planting area to shrink to the smallest in about 3 years. The threat to India's rice production comes at a time when countries are grappling with soaring food costs and rampant inflation. Total rice planted area has declined by 13% so far this season due to lack of rainfall in some areas including West Bengal, Odisha, Chhattisgarh, and Uttar Pradesh which account for a major area of India's rice output. There is still hope if weather gods shower their blessing in the next 25 days, then the above scenario can change. Let me add that the prices have already increased by 10% and the Government has increased the MSP to Rs. 20,400 per metric ton for the upcoming Kharif crop. Moreover, there is still good demand from overseas markets since India is still the cheapest among all exporting nations."

He further added "As regards basmati rice, the sowing is good and according to the field survey, the production of basmati rice will increase by 25% in crop year 2022-23. This is mainly due to high prices witnessed by the farmer last year. Recently, we witnessed that the early crop which comes in the month of July-August that is 1509 basmati rice fetched a price of Rs. 32,000 to 33,000 per metric tonnes giving the farmer a revenue of Rs. 70,000 per acre whereas non-basmati with the new MSP will fetch the farmer around 62,000 per acre, which certifies that the price of basmati paddy in spite of 25% hike in production will still remain firm and the export prices will also fetch good prices. Moreover, the export demand is good and there is also an alternate channel established to export basmati rice to Iran. As we all know, Middle East is the largest consumer of Indian basmati rice. It doesn't have much stock in hand."

Key recent major developments..

- 1) The International Monetary Fund (IMF) on Tuesday cut its projection of India's economic growth in 2022 to 6.8 per cent, as it joins other global agencies that have trimmed forecasts. The IMF had in July projected a gross domestic product (GDP) growth of 7.4 per cent for India in the fiscal year that started in April 2022. Even that forecast was lower than 8.2 per cent projected in January this year. India had grown at 8.7 per cent in 2021-22 fiscal (April 2021 to March 2022). In its annual World Economic Outlook report released on Tuesday, the IMF said outlook for India is growth of 6.8 per cent in 2022 — a 0.6 percentage point downgrade since the July forecast, reflecting a weaker-than-expected outturn in the second quarter and more subdued external demand. (Source: Press Trust of India).
- 2) Globally, The International Monetary Fund is downgrading its outlook for the world economy for 2023, citing a long list of threats that include Russia's war against Ukraine, chronic inflation pressures, punishing interest rates and the lingering consequences of the global pandemic. The 190-country lending agency forecast Tuesday that the global economy would eke out growth of just 2.7% next year, down from the 2.9% it had estimated in July. The IMF left unchanged its forecast for international growth this year a modest 3.2%, a sharp deceleration from last year's 6% expansion. The bleaker forecast was no surprise. IMF Managing Director Kristalina Georgieva, noting the grim backdrop to this week's fall meetings of the IMF and the World Bank in Washington, warned that the risks of recession are rising" around the world and that the global economy is facing a period of historic fragility."

In its latest estimates, the IMF slashed its outlook for growth in the United States to 1.6% this year, down from a July forecast of 2.3%. It expects meagre 1% U.S. growth next year. The fund foresees China's economy growing just 3.2% this year, down drastically from 8.1% last year. Beijing has instituted draconian zero-COVID policy and has cracked down on excessive real estate lending, disrupting business activity. China's growth is forecast to accelerate to 4.4% next year, still tepid by Chinese standards. In the IMF's view, the collective economy of the 19 European countries that share the euro currency, reeling from crushingly high energy prices caused by Russia's attack on Ukraine and Western sanctions against Moscow, will grow just 0.5% in 2023. (Source: Associated Press).

Ajcon Global's observations and view..

Short term view:

- a) On Tuesday, Indian equities were under significant pressure led by rising bond yields and investors turning cautious ahead of release of US inflation data. In addition, concerns of rupee depreciation against the US dollar, weak global cues like increasing COVID-19 cases in China, escalation of war between Russia and Ukraine, recent US Fed comments which indicate a hawkish stance going forward and recessionary concerns in US and Europe.
- b) Domestically, the business updates for Q2FY23 from select FMCG companies indicate margin pressure in Q2FY23 which affected investor sentiments. Going ahead, investors will keep an eye on domestic CPI and WPI inflation data, FOMC minutes, US inflation data and Q2FY23 earnings season and management commentary of the Companies for the future outlook. Street participants will also keep an eye on rupee movement against the US Dollar and global bond yields, crude oil price movement, developments related to ongoing war between Russia and Ukraine and its financial implications on the western world.
- c) At the time of writing this report, US benchmark indices were trading in green. However, European equities were under pressure.
- d) Domestically, there are positive factors like improved demand outlook in the festive season as indicated by good sales reported in the consumer durables, apparels segment and monthly auto sales numbers so far announced by the companies.
- e) We reiterate that the domestic economy is strongly placed as compared to the global peers which will attract investors. Indian benchmark indices are expected to perform well considering strong direct tax collections, robust GST collections and good economic activity amidst macroeconomic challenges. There are headwinds like rupee depreciation against the US dollar, concerns of slowdown in US, Europe and China and the recent developments in Russia will continue to affect investor sentiments in the near term.
- f) We expect stock specific action in the midcaps and smallcaps space. At the moment sectors like Auto and auto ancillaries, Banking, NBFCs, Capital Goods, Railways, select companies in the infrastructure space and new age business segment can be considered.



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