श्री LAKSHMISHREE

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G7 agrees to explore cap on Russian oil price

SCHLOSS ELMAU, Germany, June 28 (Reuters) - The Group of Seven economic powers have agreed to explore imposing a ban on transporting Russian oil that has been sold above a certain price, they said on Tuesday, aiming to deplete Moscow's war chest.

The war in Ukraine and its dramatic economic fallout, in particular soaring food and energy inflation, dominated this year's summit of the group of rich democracies at a castle resort in the Bavarian Alps.

An oil price cap would ratchet up existing Western pressure on Russia from sanctions, which German Chancellor Olaf Scholz insisted would stay until Russian President Vladimir Putin accepted failure in Ukraine.

"There is only one way out: for Putin to accept that his plans in Ukraine will not succeed," Scholz told a closing news conference at the end of the three-day G7 summit he hosted.

The idea behind the cap is to tie financial services, insurance and the shipping of oil cargoes to a price ceiling. A shipper or an importer could only get these if they committed toa set maximum price for Russian oil.

"We invite all like-minded countries to consider joining us in our actions," the G7 leaders said in their communique.

The G7 is looking at the price ceiling as a way to prevent Moscow profiting from its invasion of Ukraine, which has sharply raised energy prices, taking the sting out of Western efforts to curb imports of Russian oil and gas.

Russian oil export revenues climbed in May even as volumes fell, the International Energy Agency said in its June monthly report.

The G7 was also exploring the possibility of a gas price cap, a move pushed especially by Italy, G7 officials said. France meanwhile has called for price caps on all energy sales.

Experts warn the plan could backfire. Tamas Varga from oil broker PVM said Putin, for example, could decide to reduce energy exports in retaliation, which would stoke prices. Some countries like China could also find workarounds.The Kremlin said on Tuesday Russian gas giant Gazprom (GAZP.MM) could seek changes to its delivery contracts if the West implemented a price cap.

The war, which has killed thousands and displaced millions, has entered its fifth month with no signs of abating.

Firefighters and soldiers searched on Tuesday for survivors in the rubble of a shopping mall in central Ukraine struck by a Russian missile.

The G7 leaders, who are now headed to Madrid for a summit of the western NATO alliance, condemned the attack as a war crime. "Putin and those responsible will be held to account," they said in a statement.

G7 leaders urged China in their communique to uphold the principle of peaceful settlement of disputes by pressing Russia to stop its invasion of Ukraine and dropping its "expansive maritime claims" in the South China Sea.

NATO is set to cite China as a concern for the first time in its strategy concept, according to diplomats.

Lakshmishree Investment & Securities Pvt Ltd (Managing Director)

Mr. Salil Kumar Shah

Look What Our Research Analyst Has To Say…

Nifty is trading right below the falling channel with positive divergence on the Oscillator. There has been no downside follow through below the March and May lows making it a failed low formation on weekly charts. The range is being built with 15300 and 16000 as its outer boundaries. We expect the index to breach above 16000 in the 2nd week of July and a short covering rally to follow through for an upside target of 16450.

June Fed Meeting: FOMC Delivers Its Biggest Rate Increase Since 1994

The Federal Open Market Committee (FOMC) has raised its key interest rate by 75 basis points (bps), its largest rate increase since November 1994.

This historic rate decision boosted the federal funds rate to a range of 1.5% to 1.75%. The move follows the FOMC's 50 bps rate increase in May, which had been the biggest hike since 2000.

After grim May inflation reports and a chaotic couple of days in markets, expectations rapidly evolved to anticipate a 75 bps rate hike. Just two weeks ago, markets were nearly universal in expecting a 50 bps hike.

Today's decision reflects a Fed that has found itself stuck between two bad options: Raise too little and risk further disappointing markets with a perception of inaction, or raise too much and risk a recession.

The updates to the FOMC's Summary of Economic Projections (SEP) confirm one side of the dilemma. Officials have trimmed their outlook for 2022 gross domestic product (GDP) to +1.7% from the +2.8% forecast in March. For 2023, Fed officials see +1.7% GDP, down from +2.2% in March.

Fed chair Jerome Powell put on a brave face at the post-decision press conference, stating that "…the economy is well positioned to handle tighter policy."

Fed to Keep Tightening Until Inflation Simmers Down

After a chorus of criticism that the Fed has been too slow to respond to a historic surge in inflation, the central bank has now made it clear that monetary policy tightening won't end until prices are under control.

How long that might take remains very much in doubt.

“The Fed remains well behind in its fight with inflation. “Interest rates remain too low, and the balance sheet remains too large. The Fed needs to aggressively address both those issues.”

Until early June, market participants had begun to convince themselves that inflation was easing.

The month-over-month March core consumer price index (CPI) was down slightly from February, thanks to falling used car prices (although the year-over-year figure was higher). Then the year-over-year April CPI reading showed a slight decline (but month-over-month, prices rose).

Equity markets closed out the month of May almost unchanged, and there was a sense that the end of the beginning had arrived for inflation. The serenity didn’t last, however—the May CPI numbers came in very hot, up 8.6%, the highest annualized gain since 1981.

Markets panicked: The S&P 500 fell nearly 9% in a week, with the Dow Jones Industrial Average down 7.6% and the Nasdaq off 9%.

It’s also worth noting that the producer price index (PPI), while not as central to the inflation calculus as other measures, has also worried markets. The annual May PPI data was up 10.8%, only a whisker away from an all-time high.

Bigger Hikes for Longer?

The last time the Fed delivered a 75 bps rate hike was November 1994. Back then, Fed Chair Alan Greenspan was attempting to cool off an inflationary surge that came from hot economic growth, and raised rates seven times over the course of 13 months, from 3% to 6%.

At the post-decision press conference, Fed chair Powell went of of his way to put the FOMC’s big hike into context. “I do not expect moves of this size to be common … either a 50 basis-point or 75 basis-point increase seems most likely at our next meeting.”

Today’s economic circumstances could not be more different.

Since the last FOMC confab, Fed officials have been reaffirming their commitment to 50 bps hikes for the June, July and September Fed meetings.

“In particular, I am not taking 50 basis-point hikes off the table until I see inflation coming down closer to our 2% target,” said Fed Governor Christopher Waller two weeks ago. Atlanta Fed Governor Raphael Bostic had suggested that might be the right time to pause and take stock of the economy.

Market expectations on how high the fed funds rate could go in the current cycle continue to rise. The futures market is the place where market participants speculate about the course of interest rates, and action in futures suggests that rates could reach 4% by mid-2023. That’s up almost one percentage point since the end of May.

Stagflation Fears Emerge

Mounting recession fears will only be made worse by today’s big rate increase and downshift in GDP forecasts. All eyes now turn to the state of the U.S. consumer.

One measure of consumer confidence, the most recent University of Michigan consumer sentiment survey, fell to a record low that’s equal to the low point reached in the middle of the 1980 recession.

“Nagging inflation and persistently high gas prices are taking a bite out of consumers’ wallets”. “We expect spending to further downshift during the latter half of this year.”

Borrowing costs have risen sharply over recent months as the Fed has raised interest rates. The cost of the average 30-year mortgage rose above 6% over recent days, its highest level since before the 2008 financial crisis, and up from just 3% at the start of 2022. The 2-year Treasury yield has jumped to 3.39%, its highest level since 2007.

"The Fed's actions will slow the economy". "We are already seeing higher delinquency rates and distress rates…corporate spreads will continue to widen…they have not moved as much as they should."

Economists increasingly believe that the Fed will be forced to sharply reduce consumer spending, wage gains and economic growth to achieve its inflation goals. That means the unemployment rate will need to rise—and all that spells recession.

Anshul Jain

Research Analyst

Stocks To Watch

1. Rico Auto Industries Ltd.

Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
Auto Ancillaries	Rs. 41.9	Buy in Rs 41-43 band & add more on dips in Rs 37-38 band	Rs. 45.5	Rs. 48.5	2 Quarters

Shree Varahi Scrip Code	RICOAUTO
BSE Code	520008
NSE Code	RICOAUTO
Bloomberg	RAI IN
CMP June 24, 2022	41.9
Equity Capital (Rs Cr)	13.5
Face Value (Rs)	1
Eq. Share O/S (cr)	13.5
Market Cap (Rs cr)	564
Book Value (Rs)	46.8
Avg.52 Wk Volume	865,000
52 Week High (Rs)	62.3
52 Week Low (Rs)	31.2

Share Holding Pattern % (March 2022)	
Promoters	50.3
Institutions	1.7
Non Institutions	48.0
Total	100.0

Our Take...

Rico is an established player in the auto ancillaries industry, with a track record of over three decades. It enjoys a strong market position in its key product segments: high-pressure aluminium and ferrous die cast components. The last couple of years have been subdued for the automobile industry. A gradual recovery in the economy is expected to restore discretionary consumption for the middle to low income class and RICO is expected to be the key beneficiary as volumes of Maruti Suzuki and Hero Motocorp (Rico's key customers) are expected to be strong. Its other major customer Kia is also witnessing strong volume growth. On the export front, faster adoption of EV is leading to higher sales of aluminium casted components. RICO has been gradually expanding its capacities on back-to-back order basis. Commissioning of Chennai plant expansion (for Toyota) and likely orders from BMW for its new launches could drive strong bottomline growth in the coming years. Implementation of scrappage policy could lift CV demand which accounts for ~12% of the company's revenue.

Valuations...

Rico Auto had witnessed subdued sales between FY19 and FY21 due to Automobile industry going through a dull phase. First signs of uptick are visible in FY22 for Rico and the industry. Going forward the visibility of revenues has improved and Rico is expected to benefit out of this. Its valuations remain undemanding. We expect RICO's Revenue/EBITDA/PAT to grow at 16/23/92% CAGR over FY22-FY24E, led by increased demand from end user industries. We believe investors can buy the stock in Rs 41-43 band and add on dips to Rs 37-38 band (6.5x FY24E EPS) for a base case fair value of Rs 45.5 (8x FY24E EPS) and bull case fair value of Rs 48.5 (8.5x FY24E EPS) over the next 2 quarters.

Financial Summary...

Particulars (Rs Cr)	Q4FY22	Q4FY21	YoY (%)	Q3FY22	QoQ-%	FY21	FY22P	FY23E	FY24E
Operating Income	513	483	6.3	473	8.5	1,470	1,860	2,183	2,491
EBITDA	44	39	13.0	44	1.1	89	152	190	229
APAT	9	11	-16.8	9	-7.2	-10	21	49	77
Diluted EPS (Rs)	0.6	0.8	-16.8	0.7	-7.2	-0.8	1.5	3.6	5.7
RoE (%)						-1.7	3.4	7.4	10.7
P/E (x)						NA	27.1	11.6	7.3
EV/EBITDA (X)						11.2	7.4	5.8	4.6

Income Statement…

Particulars (Rs Cr)	FY20	FY21	FY22P	FY23E	FY24E
NET REVENUES	**1401**	**1470**	**1860**	**2183**	**2491**
Growth (%)	**0.6**	**4.9**	**26.5**	**17.4**	**14.1**
Operating Expenses	1287	1381	1708	1993	2262
EBITDA	**114**	**89**	**152**	**190**	**229**
Growth (%)	**-20.8**	**-22.1**	**71.1**	**25.2**	**20.7**
EBITDA Margin (%)	**8.1**	**6.0**	**8.2**	**8.7**	**9.2**
Depreciation	80	80	91	101	107
Other Income	23	19	19	24	27
EBIT	**57**	**27**	**80**	**113**	**150**
Interest Expenses	31	39	42	47	46
PBT	**19**	**-16**	**32**	**65**	**103**
Tax	2	-2	14	16	26
PAT	**17**	**-14**	**18**	**49**	**77**
Share of Asso./Minority Int.	0	0	0	0	0
Adj. PAT	**23**	**-10**	**21**	**49**	**77**
Growth (%)	**-58.2**	**PL**	**LP**	**133.2**	**58.2**
EPS	1.7	-0.8	1.5	3.6	5.7

Balance Sheet…

(Rs Cr)	FY20	FY21	FY22P	FY23E	FY24E
SOURCES OF FUNDS					
Share Capital	14	14	14	14	14
Reserves	607	592	620	668	742
Shareholders' Funds	**621**	**606**	**634**	**681**	**756**
Minority Interest	3	3	0	0	0
Total Debt	373	448	575	555	525
Net Deferred Taxes	-1	-3	2	2	2
Other Non-Current Liabilities	14	13	26	24	28
Total Source of Funds	**1010**	**1066**	**1237**	**1262**	**1311**
APPLICATION OF FUNDS					
Net Block (incl. CWIP) & Goodwill	692	733	825	876	832
CWIP	63	63	88	26	13
Investments	0	0	2	2	2
Other Non-Current Assests	104	102	99	115	129
Total Non-Current Assets	**859**	**899**	**1015**	**1020**	**977**
Inventories	185	264	290	347	409
Debtors	266	352	360	455	533
Cash & Equivalents	17	21	26	23	28
Other Current Assets	92	96	89	117	119
Total Current Assets	**560**	**734**	**765**	**941**	**1089**
Creditors	253	362	445	478	512
Other Current Liab & Provisions	155	205	99	221	244
Total Current Liabilities	**409**	**567**	**544**	**699**	**755**
Net Current Assets	151	167	222	242	334
Total Application of Funds	**1010**	**1066**	**1237**	**1262**	**1311**

2. Spandana Sphoorty Financial Ltd.

Industry	LTP	Recommendation	Base Case Fair Value	Base Case Fair Value	Time Horizon
BFSI – NBFC (MFI)	Rs. 408	Buy on dips in Rs 370-380 band & add further on dips in Rs 334-340 band	Rs. 426	Rs. 480	2 Quarters

Shree Varahi Scrip Code	SPANDANA
BSE Code	542759
NSE Code	SPANDANA
Bloomberg	SPANDANA IN
CMP June 24, 2022	408.0
Equity Capital (Rs Cr)	70.9
Face Value (Rs)	10
Equity Share O/S (Cr)	7.1
Market Cap (Rs Cr)	2894
Book Value (Rs)	429.0
Avg. 52 Wk Volumes (mn) 52	341,000
52 Week High	745.0
52 Week Low	288.8

Share Holding Pattern % (May, 2022)	
Promoters	63.6
Institutions	16.6
Non Institutions	19.8
Total	100.0

Our Take...

Spandana Sphoorty Financial Ltd. (SSFL), under the guidance of Kedaara Capital (key investor) and the new management team, is taking steps to ensure smooth transition, post the exit of its founder Ms Padmaja Reddy. The new MD and CFO (Mr Shalabh and Mr Ashish Damani respectively) come with a vast experience which could be instrumental in sailing the company out of the current situation. The recent easing of regulation by RBI for microfinance companies could aid in increase in the business for the company which has witnessed a 14% YoY degrowth in AUM in Q3FY22. Kedaara and Valiant have subscribed to the recent fund raise by the company strengthening its capital adequacy ratio and providing liquidity for growth. Asset quality deterioration looks to be peaked out and repayments could lead to improvement in yields and profitability in the coming quarters. Amicable settlement with Ms Reddy is likely to instill confidence on the company which can now focus on growing its business.

Valuations...

We expect advances of the company to increase at 17% CAGR over FY22E-FY24E after a decline of ~15% in FY22. Return ratios are likely to improve post FY22 as the company cleans up its balance sheet and focusses on growing its book and improving its yield. Due to the management issues (now resolved), the Q4FY22 numbers and FY22 annual report is yet to be out. We have valued the company at 0.8x FY24E ABV for a base case target of Rs 426 and 0.9x FY24E ABV for a bull case target of Rs 480 over 2 quarters. Investors can buy the stock on dips in Rs 370-380 band (0.7x FY24E ABV) and add further on dips in Rs 334-340 band (0.63x FY24E ABV).

Financial Summary...

Particulars (Rs Cr)	Q3FY22	Q3FY21	YoY-%	Q2FY22	QoQ-%	FY21	FY22E	FY23E	FY24E
NII	207.1	221.9	-6.7	260.7	-20.6	1059.5	999.3	975.2	1164.7
PPoP	123.8	163.4	-24.2	213.6	-42.0	845.6	737.3	663.3	804.9
PAT	45.1	-29.7	LP	66.9	-32.5	145.5	112.1	274.0	461.5
EPS (Rs)	7.0	-4.6	LP	10.4	-32.7	22.6	16.2	38.6	65.1
P/E (x)						18.0	25.1	10.6	6.3
P/ABV (x)						1.0	1.0	0.9	0.8
RoAA (%)						2.0	1.4	3.3	5.1

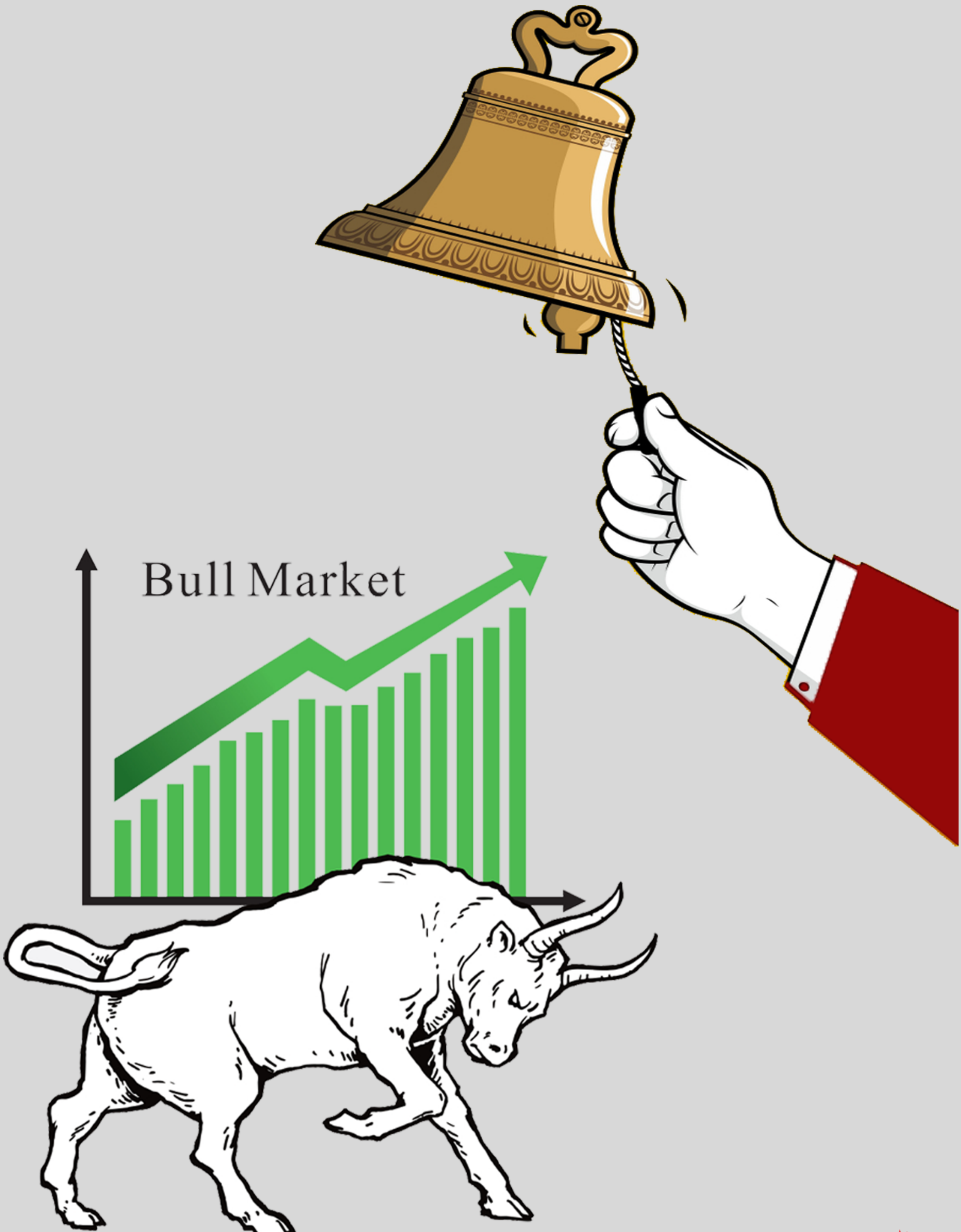
Income Statement…

(Rs Cr)	FY20	FY21	FY22E	FY23E	FY24E
Interest Income	1435	1483	1572	1516	1745
Interest Expenses	356	423	573	541	581
Net Interest Income	**1079**	**1059**	**999**	**975**	**1165**
Non – Interest Income	34	23	45	45	52
Operating Income	**1113**	**1082**	**1044**	**1020**	**1217**
Operating Expenses	218	237	307	356	412
PPP	895	846	737	663	805
Prov & Cont	276	645	577	280	164
Profit Before Tax	618	200	160	383	641
Tax	267	55	48	109	179
PAT	**352**	**145**	**112**	**274**	**462**

Balance Sheet…

As at March (Rs Cr)	FY20	FY21	FY22E	FY23E	FY24E
Share Capital	64	64	69	71	71
Reserves & Surplus	2562	2685	3007	3364	3826
Shareholders' Funds	**2626**	**2749**	**3076**	**3435**	**3897**
Minority Interest	1	2	2	2	2
Borrowings	3025	5373	4420	4990	5566
Other Liab & Provisions	325	453	306	183	117
Source of Funds	**5977**	**8577**	**7804**	**8610**	**9581**
Fixed Assets	34	38	49	59	71
Investment	487	2	6	7	8
Cash & Bank Balance	257	1381	1532	1367	1049
Advances	4852	6933	5893	6836	8066
Other Assets	346	222	324	342	387
TOTAL ASSETS	**5977**	**8577**	**7804**	**8610**	**9581**

This Might Impact Your Investments !!



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Gateway to your Financial Goals

Sebi extends last date for implementation of new pledging system to Sept 1

Market regulator Securities and Exchange Board of India (Sebi) has extended the deadline for the introduction of Demat Debit and Pledging Instruction (DDPI) system to September 1. The earlier deadline for implementation was July 1. However, depository firms tasked with readying the backend for the new system asked the regulator for an extension as the “changes to the systems are still under process”.

The new DDPI system is designed to prevent misuse of client securities by brokers. It does away with the erstwhile power of attorney (POA) system, which was prone to misuse.

The new framework is a more foolproof method for the stock brokers to obtain consent of their clients in for debiting and pledging their securities in the demat account.

“This is similar to the consent taken in the form of a demat POA but off-market transactions (such as gifting) will require stockbrokers to obtain additional consent using the existing physical or electronic modes,” explained Mohit Mehra, Head of IPO, Zerodha.

He added: "From September 1, stockbrokers will not be able to use POAs for accepting standing consent from clients towards the settlement of on-market transactions and pledging for margin. Instead, the stockbroker will need to obtain DDPI from their clients. An investor will have the option of using the DDPI or e-DIS (delivery instruction slip) to transact online without filling a physical instruction slip.”

Beaten down consumer durables still weak; Bajaj Electricals may buck trend

Shares of consumer durable have been badly hit in the recent bloodbath on the Dalal Street. While the benchmark indices, BSE Sensex and Nifty 50, have tumbled close to 18 per cent, shares of Whirlpool of India has plunged 42 per cent. Bajaj Electricals and Voltas cracked 30 per cent each from their respective highs.

Other consumer durables like Blue Star, which recorded a historic peak in April 2022 has slumped 27 per cent. Havells India too, has shed 25 per cent from its all-time high.

Within this group, except Whirlpool of India, which had soared 60 per cent, shares of Voltas, Blue Star, Havells India and Bajaj Electricals had jumped 3-fold in the 2020-21 bull-run.

Here’s a technical outlook on consumer durable goods stocks for the upcoming sessions:-

Voltas Ltd (VOLTAS)

Outlook: Death cross neckline at Rs 900

Death Cross formation can be easily seen on the daily chart. A breakdown below Rs 900 might see this stock fall into a bear grip. The current trend seems sideways and one can expect a respite if Rs 900 is well protected.

Bajaj Electricals Ltd (BAJAJELEC)

Likely target: Rs 1,130

Upside potential: 10%

Bajaj Electricals broke out of the “Double Bottom” formation and points at a rally towards the Rs 1,130-level, its 200-day moving average (DMA). The support for the stock is seen at Rs 950 level, according to the daily chart. The current trend looks bullish, with price action showing positive stance.

Blue Star Ltd (BLUESTARCO)

Outlook: 200-DMA stays as resistance

The stock is continuously experiencing sell-off close to the 200-DMA level of Rs 996. Thus, until this hurdle does not get conquered, the counter could see weakness. The next support comes near its recent reversal mark at Rs 836.

Whirlpool of India Ltd (WHIRLPOOL)

Outlook: Simultaneous hurdle on upside

Whirlpool Of India has simultaneous obstacles at Rs 1,725 and 1,950 levels. The trend is sluggish and the stock needs to shows sustainability over Rs 1,500-mark to see some positivity. The price action is not showing any sparkling signs as of now and any surge in volume could highlight the next move.

Havells Ltd (HAVELLS)

Outlook: support of 100-WMA

Shares of Havells are presently hovering near the support of Rs 1,081, which is its 100-weekly moving average (WMA). The overall structure represents a formation of “Inverse Head and Shoulder” and only a drop below Rs 950 could see stock losing further ground.

Damocles Sword on oil stocks: Is it time for you to rethink your position?

Shares of oil upstream companies, including Reliance Industries (RIL), ONGC, and Oil India, came under heavy selling pressure on Friday after the government imposed taxes on the export of petrol, diesel, and aviation turbine fuel (ATF), as it mandated exporters of these products to meet the requirements of the domestic market first.

Besides taxing exports, the government also announced the imposition of windfall tax on gains made by domestic refineries due to a surge in crude oil prices. A cess of Rs 23,250 per tonne on domestic crude production was also imposed. Overall, India exported 42 per cent of its diesel and 44 per cent of its gasoline production in fiscal 2021-22 (FY22), according to estimates.

ALSO READ: Petrol export duty: Will RIL shares fall more after Friday's 9% slide?

The windfall gains tax, Ambareesh Baliga, an independent market analyst said, will continue to be the proverbial Damocles Sword hanging on most of the cyclical sectors, especially commodities; and the measures announced on Friday will set the precedence for such taxes going ahead.

“This is surely negative for oil refiners as well as explorers. A question which arises is that although the Government can justify levying such taxes on windfall profits during euphoric times, how will the industry get compensated when the prices are not remunerative? I would not suggest buying these stocks in the dip, as the upside in profit is dented without a safety net for a rainy day.”

Disadvantage RIL?

Export-oriented units like RIL, wrote analysts at Morgan Stanley in a note, will have to sell 30 per cent of diesel locally to not attract this tax. Assuming the full impact of the regulations on both diesel and gasoline, they estimate $6-8 per barrel hit on RIL's gross refining margin (GRM).

RIL currently via its petrochemical, B2B and retail fuel stations, sells about 40-50 per cent of its products locally. “However, the sales are heavily naphtha-weighted and we still await details on RIL's diesel sales locally. Since most other refiners largely sell locally, the impact on earnings will be limited.”

Higher cess on domestic crude production of $40 a barrel for ONGC and OIL, too, came in as a negative surprise, and should imply downside risks for the sector multiple over the medium-term. The move, according to their estimates, will impact ONGC and OIL earnings for fiscal FY23 by 36 per cent and 24 per cent, respectively.

Among individual stocks, shares of RIL plunged nearly 9 per cent, ONGC 14 per cent, Oil India 16.5 per cent in intra-day trade on Friday before recovering partially. Over the past few weeks, most foreign brokerages including Bernstein, Morgan Stanley and Jefferies had upgraded RIL and expected the counter to move past the Rs 3,000 mark.

“The main focus of the government, it seems, is to increase the domestic supply of these products, which will help cool inflation. The excise duty on petrol and diesel was also cut recently for this. Friday's development will also cap the benefit some companies are getting on the export of these products. Once the inflationary pressures recede, these taxes can be reversed.”

The fall in RIL and ONGC, Shah believes, presents a good opportunity for long-term investors. “GAIL is also on our 'buy' list. Other than a handsome dividend, there is nothing much government-owned oil refining and marketing companies have given to the shareholders. There is no charm to look at OMCs. BPCL, which was put on the divestment list, has also been put in cold storage," he added.

Parsvnath barred from investing in securities market for six months

Sebi has barred Parsvnath Developers from the securities market for six months and imposed a penalty of Rs 15 lakh on the company for flouting listing rules.

The company has been directed to pay the fine within 45 days, the Securities and Exchange Board of India (Sebi) said in an order.

Sebi found that Parsvnath Developers Ltd (PDL) failed to make provision for the outstanding amount in ledger accounts of contractors and sub-contractors and also failed to strictly comply with Accounting Standards 7 or AS 7, which deals with construction contracts.

"Thus, I find that PDL to that extent failed in presenting a true and fair view of the state of affairs of the company in compliance with the mandate contained in Accounting Standards and thereby, violated provisions of ... the erstwhile Listing Agreement," Sebi Whole Time Member Ananta Barua said.

The erstwhile Listing Agreement cast an obligation on the listed company to abide by certain mandates related to disclosures, corporate processes, corporate governance etc. and such provisions cast the liability on the listed entity.

"I find that obligation to abide by the erstwhile Listing Agreement was on PDL and since, the financials of PDL for the period of FY 2009-10 to FY 2011-12, did not represent the true and fair view of the state of affairs of PDL... I find that PDL has violated... the erstwhile Listing Agreement," he added.

The erstwhile Listing Agreement is not in force at present so these violations will be considered LODR (Listing Obligations and Disclosure Requirements) Regulations.

Rupee consolidates against dollar after sharp depreciation this week

The rupee closed steady against the US dollar on Thursday as the market consolidated after a recent bout of volatility, which saw the domestic currency dropping to new lows.

With global crude oil prices remaining stable, there were few triggers driving the domestic currency on Thursday and trade volumes were subdued.

The rupee closed at 78.97 per US dollar on Thursday, unchanged from previous close. The current level marks the lifetime closing low for the rupee versus the dollar.

In the course of the day, the domestic currency moved in a thin band of 10 paisa, trading in a range of 78.88-78.98 per US dollar.

Over the past few days, the rupee has witnessed much turbulence due to a renewed rise in global crude oil prices, unabated overseas investment outflows, and heavy demand for dollars on account of positioning in the futures market.

“In the past two days, the rupee depreciated by 0.80 per cent or 62 paisa following high dollar demand and short supply following month, quarter, and half-yearly adjustment. The near-term outlook remains bearish for the rupee amid foreign fund outflows and risk-averse moods,” HDFC Securities Research Analyst Dilip Parmar wrote.

So far in the week, the rupee has depreciated more versus the US dollar than the Philippine peso, the Indonesian rupiah, the Singapore dollar, the Hong Kong dollar, the Taiwan dollar, the South Korean dollar, and the Thai baht, Bloomberg data showed.

However, in the calendar year so far, the rupee has performed better versus the US dollar than many of its emerging market peers due to heavy interventions by the RBI.

The RBI had stepped into the market in the last ten minutes of trade on Thursday, keeping the rupee from weakening past the psychologically significant 79 per US dollar mark.

However, the magnitude of the central bank’s interventions — conducted in the form of dollar sales — is said to have slowed down over the past couple of days.

“RBI was there to prevent the rupee from hitting the 79/$1 mark, but for the most part of today (Thursday) and yesterday (Wednesday), the interventions have been very thin. It seems like now that the futures positioning has stabilised, the RBI wants to permit orderly depreciation.”

World stocks slide on renewed economic fears, capping worst H1 on record

LONDON (Reuters) - Stocks sank on Thursday to extend what is the worst first half of the year for global share prices on record, as investors fret that the latest show of central bank determination to tame inflation will slow economies rapidly.

Central bank chiefs from the Federal Reserve, European Central Bank and Bank of England met in Portugal this week and voiced their renewed commitment to control inflation no matter what pain it caused.

While there was little new in the messaging, it was another warning that the era of cheap cash which had turbocharged share prices for years is coming to an end.

By 0740 GMT, the MSCI World Equity Index was down 0.48%, bringing its year-to-date losses to more than 20% -- the worst fall since the index's creation.

The Euro STOXX dropped 1.53%, while the German DAX weakened 2.34%. Britain's FTSE 100 was off 1.64%.

U.S. futures also fell, with little sign yet that the new quarter will bring in brave bargain hunters. This year's dramatic slide in asset prices has been led by tech-heavy indexes and stocks more sensitive to rising interest rates.

"Fed Chair (Jerome) Powell and the FOMC (Federal Open Market Committee) don't want to get this one wrong. They want to be 90% sure that inflation is on the way down, not evenly balanced."

"So the signals they send become increasingly hawkish when they see the market as possibly prematurely pricing in victory over inflation."

Traders are now focused on data on U.S. core prices due later in the session that are expected to underline the extent of the inflation challenge.

Sweden's Riksbank became the latest to jack up borrowing costs, pushing its key rate to 0.75% from 0.25% as expected and flagging further sharp tightening to try and get price growth under control.

The Hungarian central bank also hiked, raising rates by 0.5% to 7.75%.

MSCI's broadest index of Asia-Pacific shares outside Japan eased another 0.5%, bringing its losses for the quarter to 10%.

Japan's Nikkei fell 1.4%, though its drop this quarter has been a relatively modest 5% thanks to a weak yen and the Bank of Japan's dogged commitment to super-easy policies.

The need for stimulus was underscored by data showing Japanese industrial output dived 7.2% in May, when analysts had looked for a dip of only 0.3%.

Chinese blue chips added 1.6% helped by a survey showing a marked pick up in services activity.

With investors so fearful of a sharp global economic slowdown caused by central banks tightening policy, some analysts are willing to call for a second-half rebound.

"It is not that we think that the world and economies are in great shape, but just that an average investor expects an economic disaster, and if that does not materialize risky asset classes could recover most of their losses from the first half," JPMorgan wrote in a research note.

DOLLAR REIGNS SUPREME

The risk of recession was enough to bring U.S. 10-year yields back to 3.06% from their recent peak at 3.498%, though that is still up 74 basis points for the quarter and nearly 160 bps for the year.

The Fed's hawkishness and an investor desire for liquidity in difficult times has gifted the U.S. dollar its best quarter since late 2016. The dollar index was marginally lower at 105.01 but just a whisker off its recent two-decade peak of 105.79.

The Swedish crown was little moved by the Riksbank rate hike, and was last at 10.688 crowns.

The euro inched higher to $1.0449, having shed 5.5% for the quarter so far and 8% for the year. It dropped to a new 7-1/2-year low versus the Swiss franc at 0.9963 francs.

The Japanese yen is in even worse shape, with the dollar having gained more than 12% this quarter and 18% this year to 137, its highest since 1998.

Oil prices, which have soared in 2022 along with most commodity prices, edged lower on Thursday amid concerns about an unseasonable slowdown in U.S. gasoline demand. [O/R]

OPEC and OPEC+ end two days of meetings on Thursday with little expectation they will be able to pump much more oil despite U.S. pressure to expand quotas.

Brent slipped 0.8% to $115.33 a barrel, while U.S. crude declined 0.47% to $109.27.

Pricol, Minda: Here's why you should consider buying auto ancillary stocks

Shares of automotive components were in limelight on Thursday as they set foot alongside the auto stocks, which exhibted a robust rally in the recent market pullback.

Talbros Automotive Components zoomed 14 per cent, while Jupiter Wagons and Varroc Engineering soared over 5 per cent each in intraday deals.

Minda Industries, which, jumped 8-fold in the post Covid-19 bull run, was seen holding a steady 1 per cent gain. Similarly, shares of Pricol too was up nearly 2 per cent.
Here's the technical outlook for auto ancillary stocks for upcoming sessions:-

Talbros Automotive Components Ltd (TALBROAUTO)

Likely target: Rs 560

Upside potential: 10%

Shares of Talbro Automotive Components observed a sharp reversal after dipping under the 200-day moving average (DMA) set at Rs 412. Following which, the Moving Average Convergence Divergence (MACD) has risen over the zero line, and is now pointing at a bullish momentum. The stock has strong support at its 50-weekly moving average (WMA), and as such the bis is likely to remain positive as long as the stock holds above Rs 396. The pullback could see a rally towards Rs 560, the next hurdle mark.

Jupiter Wagons Ltd (JWL)

Likely target: Rs 63

Upside potential: 15%

The stock holds the support of 200-DMA established at Rs 44.50 level. The broader outlook is positive and a robust close above the Rs 55-mark, its 50-DMA could see fresh breakout in the direction of Rs 63, shows the daily chart.

Varroc Engineering Ltd (VARROC)

Outlook: Positive bias over the oversold territory

Varroc Engineering has risen from the oversold territory suggesting further upside and a positive strength ahead. Last time, the stock rose significantly when it move over the bearish territory. The immediate support comes at Rs 285 and the counter could jump towards 340 level.

Pricol Ltd (PRICOLLTD)

Outlook: Stock likely to resume the upward trend

Shares of Pricol have overcome the 200-DMA hurdle, positioned at Rs 117.50 and seek to resume the upward trend, show the daily chart. The immediate support for the stock exists at Rs 122 and the up move above the zero line of MACD, further suggests a bullish bias. The next hurdle is at Rs 140 level.

Minda Industries Ltd (MINDAIND)

Likely target: Rs 1020

Upside potential: 9%

Minda Industries has seen a positive divergence on Relative Strength Index (RSI) close to 200-DMA level, this signals a likely up move for upcoming sessions. The 200-DMA is placed at Rs 929. The immediate support stands at Rs 900 and the stock may rally towards 1,020, its next obstacle, according to the daily chart.

This Rakesh Jhunjhunwala-owned stock slipped 31% in 12 trading days

Shares of Star Health and Allied Insurance Company (Star Health) continued to reel under pressure and hit a new low of Rs 488.55, down 2 per cent on the BSE in Thursday's intra-day trade. The stock of general insurance company quoted lower for 12th straight trading day, and has slipped 31 per cent from Rs 703.35, touched on June 14, 2022, during the period.

Star Health made its stock market debut on December 10, 2021, and has corrected 46 per cent from its issue price of Rs 900 per share. The stock has also shed 48 per cent from its record high level of Rs 940 that it had touched on the day of listing.

Ace investor Rakesh Jhunjhunwala is the promoter of Star Health. Data shows that he (14.40 per cent) and his wife Rekha Jhunjhunwala (3.11 per cent) collectively held 17.51 per cent stake in the insurer as of the March 2022 quarter.

Star Health, the largest private-sector health insurance company, had received a poor response for its Rs 7,250-crore initial public offering (IPO) due to expensive valuations, and dent in profitability on account of Covid-19.

However, the management expects retail health segment to clock 20-25 per cent CAGR over the next two-three years. The key growth drivers will be increased focus on lower-tier cities, tie up with new banca partners, with an aim to double their share to 8 per cent in FY23.

Analysts at Motilal Oswal Financial Services remain optimistic about the overall prospects of Star Healthcare, backed by strong growth in retail health, healthy earnings growth, and limited cyclicality risk.

"Overall, Star Health remains an attractive story in the sunrise sector. In our view, 1-2 quarters of profitable growth delivery will likely lead to a material outperformance of Star Health's shares. The recent steep fall in the share prices provides an attractive entry point."

Moreover, analysts also suggest investors remain positive on the retail health insurance business in India. They believe that the possible entry of life insurers into health indemnity would mean a little extra competition and would augur granular distribution instead of reliance on one large distributor.

Vi gains 10% on reports of Amazon & PEs Rs 20,000 crore investment plan

Shares of Vodafone Idea (Vi) gained 10 per cent to Rs 10.23 on the BSE in Tuesday's intra-day trade, on the back of heavy volumes. The spike comes after a media report suggested that American retail major Amazon and a clutch of investors are in talks with Aditya Birla Group to invest up to Rs 20,000 crore in the wireless telephone company.

At 10:50 am; Vi traded 9 per cent higher at Rs 10.13, as compared to 0.23 per cent decline in the S&P BSE Sensex. In the past three days, the stock rallied 19 per cent. Data shows that around 290 million equity shares changed hands on the NSE and BSE.

According to a report by Business Standard, sources say that the proceeds of the sale will be utilized to bid for upcoming 5G spectrum auction and capital expenditure for roll-out of services by end of the year. Apart from Amazon, the group is in talks with private equity investors who plan to take exposure in the Indian telecom sector.

In the past one month, Vi outperformed the market by gaining 8 per cent, as compared to 2 per cent decline in the S&P BSE Sensex. Besides that, the stock gained 18 per cent in a year, as against 7 per cent rise in the benchmark index.

Meanwhile, for January-March quarter (Q4FY22), Vi's losses narrowed by 6.5 per cent to Rs 6,563 crore on a year-on-year (YoY) basis on the back of revenue growth, whereas, earnings before interest depreciation tax and amortization (EBITDA) grew 5.4 per cent YoY to Rs 4,649 crore.

That apart, the company's average revenue per user (ARPU) improved to Rs 124, up 7.5 per cent QoQ versus Rs 115 in Q3FY22, supported by tariff hikes in November 2021. Though the company lost 3.4 million subscribers sequentially as its user base stood at 243.8 million, it added one million 4G customers with an overall user base count at 118.1 million.

The management remains confident of the company's potential to increase data usage per 4G customer that stands at around 13.9 GB/month vs around 12.9 GB/month, a year ago. Hence, the overall data volumes witnessed healthy growth of 7.9 per cent YoY in Q4FY22.

The management also believes that the government's reform package, return of bulk of the bank guarantees till date, industry wide tariff hikes and the recent promoter infusion are significant positive catalysts for the company.

“All these developments are being perceived positively by the investor and lender community aiding our on-going discussion on further fund raise. We will make suitable disclosures on the fund raising as appropriate.”

ITC, Sun Pharma: 5 defensive stocks that may gain up to 25%. You own any?

Over the last eight months, the Indian equity markets have plunged close to 18 per cent amid relentless sell-off by FPIs, Ukriane war, inflation fears, and commodity-led inflation. Benchmark indices, BSE Sensex and Nifty50, have breached crucial support of 200-day moving average (DMA), highlighting higher uncertainty.

While investors remain indecisive about the road ahead, the current atmosphere is prompting them to move towards safer, defensive stocks to safeguard their portfolios.

Here's a look at 5 suchdefensive stocks that can defend your portfolio:

Torrent Pharmaceuticals Ltd (TORNTPHARM)

Likely target: Rs 3,350 (after crossing Rs 2,900)

Upside potential: 15%

Even though the stock trades 11 per cent lower from its historic peak of Rs 3,228.55, the price action has not seen aggressive sell-off under 200-DMA. Currently, the stock is attempting to cross the threshold of Rs 2,900, by hovering around the 200-DMA support of Rs 2,842. An aggressive close above the same should see the counter mounting towards Rs 3,350 level, hitting a new all-time high.

Sun Pharmaceutical Industries Ltd (SUNPHARMA)

Likely target: Rs 920

Upside potential: 10%

The early sessions of June series saw Sun Pharmaceutical Industries breach below the 200-DMA. While the stock did see some selling pressure, the absence of any follow-up selling pushed the stock back above 200-DMA, placed at Rs 837.60. Thus, the recent lows around Rs 800 have become the immediate support and until this mark is not violated conclusively, the stock could technically see recovery towards Rs 920 levels.

Cipla Ltd (CIPLA)

Likely target: Rs 1,100

Upside potential: 18%

Post hitting a consolidation breakout at Rs 1,000-mark in March 2022, the stock has retraced near the lower line of the consolidation pattern, shows the weekly chart. Support of the lower trendline comes at Rs 850 level, and as long as this mark is held, the pullback rally could see Rs 1,100 level.

Varun Beverages Ltd (VBL)

Likely target: Rs 900 and 1,000

Upside potential: 20 to 25%

Varun Beverages shares have been trading over 200-DMA since November 2020, and have successfully fought the recent bloodbath in markets. The bullish bias continues to grow stronger after hitting the new all-time high of Rs 805.60, touched last month. As long as the support range of Rs Rs 700 to Rs 675 is protected, the next positive rally could see Rs 950 to 1,000 levels.

ITC Ltd (ITC)

Likely target: Rs 330

Upside potential: 20%

A breakout above the immediate threshold of Rs 275 could see ITC stock gaining 25 per cent in a quick go. Now, Rs 250 becomes the immediate support and only a decisive close under the same could dismantle the upside outlook, shows the daily chart. The "Golden Cross" formation on the weekly chart signals a bull run from a medium-term perspective.

Top 5 factors that may set market direction in the second half of 2022

As markets complete the first half of the calendar year 2022 (CY22) with a fall of around 9 per cent, the interest-rate hike trajectory by global central banks, paired with the conundrum of inflation and growth, will move the needle for the market, observe experts.

Here’s a quick rundown on what they’ll react to over the next six months.

Interest rates

A key driver that has battered equities this year is the aggravated pace of interest-rate hikes globally, with the Russia-Ukraine offensive setting off record-high inflation levels. The US Federal Reserve (Fed) hiked rates by 75 basis points — the highest in 28 years — in its latest policy decision and has projected interest rates to rise to 3.4 per cent by the end of this year.

Fed Chair Jerome Powell has reaffirmed the bank’s firmness in taming inflation, even if it comes at the cost of economic downturn.

“With increasing focus on controlling inflation, central banks could get more aggressive in raising interest rates. This does not bode well for equity markets,” says Rohit Khatri, fundamental analyst, Religare Broking.

Inflation

While the US has seen retail inflation racing to a 41-year high, the consumer price index back home has remained above the Reserve Bank of India's upper tolerance band of 6 per cent throughout CY22. Moreover, the central bank has made it clear that this level will sustain through the first three quarters of 2022-23 (FY23).

"Investors will look at how the growth and inflation environment is developing globally and domestically as it remains volatile and unclear right now," says Narendra Solanki, head of fundamental research, Anand Rathi Shares & Stock Brokers.

Solanki expects markets to consolidate in the second half (H2) of CY22, with all eyes on macro data like gross domestic product and inflation, which may provide directional moves.

IN THE RED Indices after H1CY22

	On Dec 31,'21	On Jun 30,'22	Change %
S&P BSE Sensex	58,253.8	53,018.9	-9.0
NSE Nifty50 Index	17,354.1	15,780.3	-9.1
Nifty Midcap 100	30,442.9	26,452.8	-13.1
Nifty Smallcap 100	11,289.0	8,445.3	-25.2

Equity markets in the US have reflected the steeply rising risks of recession as the Fed remains steadfast in controlling inflation. Although Solanki believes a recession in the US could have a negative impact on global financial markets, including India, the worst is over. With inflation likely to peak in H2FY23, the risk-reward metric is currently favourable for Indian markets.

Although a developed market recession will undoubtedly weigh on Asia's growth outlook, Asia's downturn will be relatively shallow, say analysts at Morgan Stanley.

Foreign institutional investor (FII) outflows

Foreign investors have pulled out a massive Rs 2.17 trillion so far this year. However, analysts expect them to return to India as soon as interest rates turn stable and inflation abates.

"From a long-term perspective, the share of FII investments in the primary market is increasing. This shows their confidence in India's long-term growth story. Whatever selling we have seen in the secondary markets may be attributed to short-term funds that are susceptible to a high-inflation environment," says an analyst at a local brokerage.

Corporate earnings

As corporates saw their profits grow at a sluggish pace in the recent quarter, with some sectors like metals and fast-moving consumer goods being the worst hit on margin erasure, the pressure on profitability is expected to continue, with inflation at elevated levels, say analysts. However, the resilience in top-line growth could remain firm, with margins reversing to healthy levels once things normalise on the cost inflation front.

Markets phases investors should know about

Just like stocks, markets, too, are cyclical in nature and go through various phases. Having an understanding of these phases facilitates trading behaviour and helps one to be profitable in the long run.

Broadly speaking, the market goes through four phases – Accumulation, Growth, Distribution and Decline. Let's take a look at what happens during each of these phases.

Accumulation phase

During the accumulation period the stock price hovers around a certain range, depicting that the buyers are accumulating the stock.

This phase starts after a stock has received major hammering or has seen a tremendous fall.
Prices tend to consolidate or move sideways in the initial stage. Post that, there may be a new beginning for the stock.
Thus, this particular phase can be seen as an early opportunity for investors who trade with long-term objectives.

The next phase is the growth phase.

During this phase, the stock or the index gives a breakout from the consolidation or accumulation phase, and starts a fresh upward journey.

As the price shows strength, market participation increases and the optimism, too, is at high level. Given the higher participation and the underlying bullish trend, the prices, more often than not, depict an unexpected sharp rise.

Thereafter, comes the distribution phase.

Post stupendous gains in the growth phase, market participants get over excited and build unreasonable expectations from the rally. The mood seems so buoyant that threats of real negatives are also overlooked.

However, this is the stage wherein knowledgeable traders and investors sell their stocks – and you may see slow and steady selling or bouts of profit booking.
Also, this stage may provide some early warning of a likely downturn.

Finally, we enter the declining phase.

In this phase, the stock price starts to witness massive selling pressure with short-sellers getting aggressively active.

Thus, the declining phase is also termed as a bear market. Positive news or developments are easily overlooked during this phase as fear grips investors.
Participants tend to liquidate their investments and holdings amid fears of further deterioration in stock prices.

To conclude, having an understanding of these phases and awareness of the various market phases helps in managing the inherent risk. A systematic approach toward these phases helps one be profitable in the long run.

Sebi permits FPIs to deal in exchange-traded commodity derivatives

The Securities and Exchange Board of India's (Sebi's) board on Wednesday allowed foreign portfolio investors (FPIs) to trade in exchange-traded commodity derivatives. The move, it said, "will enhance liquidity and market depth, as well as promote efficient price discovery."

Overseas investors will only be allowed to deal in non-agricultural commodity derivatives and only cash-settled contracts. The three broad non-agri commodities where derivatives contracts are available on domestic bourses are bullion, energy, and base metals.

The more sensitive agricultural commodities have been kept out of bounds to avoid unnecessary volatility in them. Further, limits on outstanding positions FPIs will be allowed to hold in permitted contracts will be similar to those applicable for mutual funds.

The move to allow FPIs in commodity derivatives follows a consultation paper issued by Sebi earlier this year. The regulator has also prescribed a working group to examine whether measures towards any additional risk management are required to be prescribed for FPIs.

Indian regulators have been cautious in allowing FPIs in the commodities market on fears that sudden outflows by them may disrupt the market.

ALSO READ: FPIs jettison some sectors twice as fast the overall rate of outflows

"While there have been apprehensions that opening up the exchange-traded commodities derivatives segment for FPIs may lead to a lot of volatility, it can be argued that such participation with adequate checks and balances put in place shall enhance the market's ability to absorb relatively large orders without significantly impacting the price, thereby increasing liquidity, and will help efficient price discovery."

However, market players said a restrictive approach may not help realise the market's full potential. "This may be a small step towards expanding the reach of our markets. However, it opens up the gates for free flow of capital and ease of trading by foreigners which will reduce pricing gaps and help in enhancing the liquidity in our markets."

Some said FPIs may not be too enthused to trade in the domestic markets when they can trade in similar contracts in more liquid markets globally.

Earlier, Sebi had allowed so-called eligible foreign entities (EFEs) to participate in the Indian commodity derivatives market only to the extent of hedging their exposure. While commodity exchanges have, so far, on-boarded a number of EFEs, the participation by these entities has been nil due to the restrictive regulatory framework. Sebi has now discontinued the existing EFE route and has said overseas investments can be done through the FPI route instead.

The regulator is soon expected to issue a detailed framework and notify the norms in this regard. The Sebi board also approved changes related to limited purpose clearing corporation (LPCC) for clearing and settlement of corporate bond repo transactions in sync with the directions issued by the Reserve Bank of India.

Thank

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