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Market wrap

March 04, 2020

Rise in number of Coronavirus infected patients domestically dent investor sentiments; Pharma stocks rally..

Benchmark indices were under heavy selling pressure on Wednesday amidst volatility after Union Health Minister Harsh Vardhan said the number of confirmed cases in India have risen to 28. "So far India has reported 28 positive coronavirus cases, this includes 16 Italians," the minister said.

Reacting to this, benchmark indices tumbled around 2 per cent during the day; however, they witnessed sharp recovery towards the end of the session, but still ended in the negative territory. The S&P BSE Sensex settled at 38,409, down 214 points or 0.55 per cent. Of 30 stocks, 13 advanced while 17 declined.

NSE's Nifty50 ended above 11,200 level at 11,251, down 52 points or 0.46 per cent. 28 out of 50 stocks ended in the red and rest 22 in the green.

Volatility index - India VIX closed at 24.23, down over 1 per cent.

Market breadth remained in favour of sellers as out of 2,534 companies traded on the BSE, 1,706 declined and 696 gained while 132 remained unchanged. Broader market took deeper cuts. The S&P BSE MidCap index cracked 338 points or over 2 per cent to 14,425 while S&P BSE SmallCap ended at 13,427, down 346.5 points or 2.5 per cent.

Sectorally, pharma stocks gained the most, followed by IT counters. However, bank, metals and media stocks slid.

Crude oil

Crude oil prices firmed on expectations of production cuts, with Brent rising 90 cents to US\$52.79 per barrel and US crude up 1.9 per cent at US\$48.06 a barrel. Gold rose 0.2 per cent to \$1642.21 an ounce.

Sectors and stocks

Shares of pharmaceutical companies were trading higher for the second straight day in an otherwise weak market. Sun Pharmaceutical Industries, Cipla, Dr Reddy's Laboratories, Glenmark Pharmaceuticals, Aurobindo Pharma, Lupin, Indoco Remedies, FDC, Shilpa Medicare and Caplin Point Laboratories from the Nifty Pharma and S&P BSE Healthcare index were up in the range of 3 per cent to 6 per cent at the bourses. According to CARE Ratings, pharma exports from India are estimated to rise by about 11 to 12 per cent on a year on year (y-o-y) basis to reach the level of about \$ 21.3 billion to \$ 21.5 billion during FY20, backed by demand for generics and branded generics. "The impact of coronavirus on the Indian pharma industry is likely to be seen in the first quarter of FY21 as the pharma companies are expected to face a shortage and witness price rise of intermediates or bulk drugs given the extension of holidays and closure of facilities in China due to the virus. The shortage and increase in price of APIs/bulk drugs and drug intermediates may extend to the second quarter of FY21 depending on how the virus is contained in China", CARE Ratings said in a sector report dated February 27, 2020.

Shares of Tata Chemicals climbed 8 per cent to Rs. 340, bouncing back 13 per cent from its day's low of Rs. 301 on the BSE on Wednesday. With effect from today, the stock started trading on the bourses without food business. It opened at Rs. 315 on the BSE and the National Stock Exchange (NSE), against its Tuesday's closing price of Rs. 724. Tata Chemicals has fixed Thursday, March 5, 2020 as the record date, for the purpose of determining the shareholders of the Company to whom equity shares of Tata Consumer Products (TCPL) shall be issued in consideration for the demerger of the consumer products business of the Company into



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TCPL. In May last year, Tata Group had decided to demerge consumer business of Tata Chemicals and merge it with Tata Consumer Products (formerly Tata Global Beverages). Under the scheme, every shareholder of Tata Chemicals will get 1.14 new equity shares of Tata Global Beverages for every one equity share held in Tata Chemicals. It means that shareholders having 100 shares in Tata Chemicals will receive 114 shares in Tata Global Beverages. The management said the combination of the two consumer-focused businesses will benefit both sets of shareholders who will be able to participate in a larger business poised to grow their share of the foods & beverages market with a broader exposure to the attractive and fast growing FMCG sector. Tata Chemicals shareholders will retain their ownership of a focused science-led chemistry solutions and specialty products company with a leading portfolio of products in basic and specialty chemicals and strong cash flows to support future growth.

Shares of public sector banks (PSBs) reeled under pressure with Nifty PSU Bank index hitting an over 10-year low on the National Stock Exchange (NSE) on Wednesday on growth concerns. Thus far in the calendar year, 2020 the Nifty PSU Bank index has tanked 27 per cent, as compared to an 8 per cent fall in the benchmark index. A total of eight banks including Indian Bank, Canara Bank, Punjab National Bank, Syndicate Bank, Oriental Bank of Commerce, Union Bank of India, Jammu & Kashmir Bank and Allahabad Bank plunged between 30 per cent and 40 per cent during the period. The fall comes amid weakening economic trends, which can lead to subdued credit growth and elevate stress formation in the immediate term. Bank credit growth declined to 8.5 per cent in January from 13.5 per cent in the year-ago period led by a sharp slowdown in loans to the services sector, according to RBI data. Growth in advances to the services sector decelerated to 8.9 per cent from 23.9 per cent in January 2019.

Shares of aviation companies were under pressure on Wednesday, falling upto 8 per cent on the BSE, on concerns that the industry may face risks from the coronavirus outbreak. Among individual stocks, SpiceJet slipped 8 per cent to Rs. 68.60, its lowest level since October 11, 2018 on the BSE. Thus far in calendar year 2020 (CY20), the stock has tanked 39 per cent, as compared to 6 per cent decline in the S&P BSE Sensex in the same period. Shares of InterGlobe Aviation, parent of the country's largest airline IndiGo, dipped 4.6 per cent to Rs. 1,173 on the BSE. The stock was trading close to its 52-week low of Rs 1,119, touched on March 5, 2019. It has fallen 12 per cent thus far in CY20. The sudden and rapidly spreading coronavirus respiratory disease is centered in China but has spread internationally, drawing comparisons with the Severe Acute Respiratory Syndrome (SARS) outbreak.

Global Markets

Asian equities too were under pressure struggled to find their footing on Wednesday and bonds held stunning gains, as an emergency rate cut from the US Federal Reserve seemed to stoke rather than soothe fears over the coronavirus' widening global economic fallout. MSCI's broadest index of Asia-Pacific shares outside Japan rose 0.2 per cent, though most of the gains were confined to South Korea where the government announced a big stimulus package.

Japan's Nikkei closed flat, while Australia's S&P/ASX 200 fell 1.7 per cent. Stocks in Hong Kong and China traded either side of flat.



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