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Market wrap

Feb. 05, 2020

Midcaps and smallcaps gain as buying witnessed across the board led by positive domestic and global cues; Tata group stocks rally..

Nifty and Sensex ended in positive terrain for 3rd consecutive day led by encouraging macroeconomic data, buying in metal, realty and financial counters and positive global cues. The domestic services industry began 2020 in a buoyant mood as activity accelerated in January at the fastest pace in seven years on strong domestic demand, a private survey showed on Wednesday. Before this, Manufacturing PMI, too, hit an eight-year high in January, driven by a sharp rise in new business orders amid a rebound in demand conditions.

The S&P BSE Sensex today rallied 353 points or 0.87 per cent to reclaim the crucial 41,100 level to end at 41,143. Tata Steel (up nearly 5.5 per cent) emerged as the biggest gainer on the index, followed by Bharti Airtel, HDFC, and TCS. On the contrary, Hero MotoCorp, Maruti and Power Grid were among the biggest losers. On the NSE, the benchmark Nifty50 index ended just shy away from the crucial 12,100 level at 12,089, up 106 points or 0.9 per cent.

In the broader market, the S&P BSE MidCap index climbed over 1 per cent to settle at 14,644 while the S&P BSE SmallCap index closed 99 points or 0.68 per cent higher at 14,644-mark.

Sectorally, except media, all the other indices on the NSE settled higher. The Nifty Media index slipped 0.77 per cent to end at 1,768.50 levels. On the upside, metal stocks jumped the most with the Nifty Metal index ending over 3 per cent higher at 2,675 levels.

Sectors and stocks

Shares of Avenue Supermarts, which owns and operates the DMart supermarket chain entered the 20 most valuable company club in terms of market capitalisation (m-cap). Shares ended at Rs. 2249, up 4.35 per cent.

Shares of Bharti Airtel hit an all-time high of Rs. 529, up 2 per cent on the BSE on Wednesday after the telecom operator posted an 8.5 per cent year-on-year (YoY) increase in revenue for the quarter ended December 31, 2019 (Q3FY20), lifted by an improvement in average revenue per user (ARPU). The stock surpassed its previous high of Rs. 527.39, touched on October 10, 2007. The company's revenue increased by 8.5 per cent YoY to Rs. 21,947 crore in Q3FY20, compared to Rs. 20,231 crore in the year-ago period. On the operational front, the company posted an improvement in ARPU from Rs. 128 to Rs. 135, sequentially. However, Airtel posted a net loss of Rs. 1,035 crore for the quarter, as it provisioned for the interest accrued on account of AGR (adjusted gross revenue) payment. "While the tariff revisions undertaken in December 2019 were a welcome step towards repairing the financial health of the industry, we believe tariffs must go up further for enabling the industry to invest in emerging technologies," said Gopal Vittal, MD and CEO, India & South Asia, Bharti Airtel.

Tata Motors surged nearly 8 per cent in the intra-day session on Wednesday. The auto major unveiled a series of cars and commercial vehicles at the Auto Expo 2020. The company launched the much-anticipated Harrier 2020 at an introductory price of Rs. 13.69 lakh for Manual and Rs. 16.25 lakh for Automatic. Besides, the automobile company also showcased seven-seater SUV Gravitas, Tata Sierra, and Tata HBX micro SUV. Tata Motors on Saturday reported a 17.74 per cent decline in total sales at 47,862 units in January. It had sold a total of 58,185 units in January 2019, the company said in a statement. Total domestic sales were down 18 per cent at 45,242 units as compared to 54,915 units in January last year, it added. Passenger vehicle sales in the domestic market during the month stood at 13,894 units as against 17,826 units in the same month of the previous year, down 22 per cent. For the quarter ended December 31, 2019, the company reported a



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consolidated net profit of Rs. 1,755.88 crore, mainly helped by higher Jaguar Land Rover (JLR) sales in China, but warned of general economic slowdown continuing to impact domestic auto industry. Its consolidated total revenue from operations stood at Rs. 71,676.07 crore in the December quarter compared to Rs. 76,915.94 crore in the same period a year ago.

Shriram Transport Finance Corporation (SHTF) continued its rally for a second consecutive session, rising nearly 9 percent intraday on February 5, on strong Q3FY20 result with the company showing improved growth and asset quality in the third quarter.

Shares of SRF hit a new high of Rs. 3,962, rallied 6 per cent, on the BSE on Wednesday after its Board approved capital expenditure plan worth of Rs. 238 crore. "The Board has approved a proposal to set up dedicated facilities to produce intermediates catering to the agro-chemicals segment at an aggregate cost around Rs. 238 crore," SRF said in exchange filing. The project proposes a capacity addition of 2150 MTPA (million tonnes per annum) within a period of 10 months, i.e., by the end of November, 2020. The project is being financed by a mix of debt and internal accruals, it added. SRF, with an annual turnover of Rs. 7,541 crore, is a chemical based multi-business entity engaged in the manufacturing of industrial and specialty intermediates. The company's diversified business portfolio covers technical textiles, fluorochemicals, specialty chemicals, packaging films, coated and laminated fabrics. For the quarter ended December 2019 (Q3FY20), SRF reported a healthy 40.3 per cent year on year (YoY) growth in its consolidated net profit at Rs. 259 crore on the back of a strong operational performance. However, revenue during the quarter grew 2.3 per cent at Rs. 1,851 crore on YoY basis. EBITDA margin improved 380 basis points to 21.4 per cent from 17.6 per cent. The company re-measured its deferred tax balances and availed a credit of Rs. 123 crore net of MAT adjustment due to which profit after tax growth came in at 125 per cent YoY to Rs. 345 crore. The management said the revival of the specialty chemicals business remains on course. The packaging films business benefitted from a favorable demand scenario. The company remains reasonably optimistic going forward. In the past four months, the stock of SRF has zoomed 50 per cent, as compared to a 9 per cent rise in the S&P BSE Sensex.

Shares of Bharat Petroleum Corporation (BPCL) gained for the third straight day on the BSE after reports said that Russia's largest oil producer Rosneft was keen to bid for the state-owned oil marketing company. The stock ended at Rs. 501, up 4.7 per cent.

On the other hand, Indian Oil Corporation has signed a deal with Russian oil major Rosneft that gives it an option to buy up to 2 million tonnes, or 40,000 barrels per day (bpd) of crude in 2020, the Indian oil minister said on February 5. "This is just the beginning," Dharmendra Pradhan said, after meeting with Rosneft Chairman Igor Sechin in New Delhi.

Shares of Zee Entertainment Enterprises (ZEEL) were under pressure for the second straight day on Wednesday. The stock fell over 7 per cent to Rs. 227 on the BSE amid media report that the corporate affairs ministry has ordered an inspection of the financials of the company.

Global markets

European stocks jumped sharply on reports that a Chinese university found a drug to treat people with the new coronavirus and researchers in the UK saying they made a "significant breakthrough" in finding a vaccine, several London-based traders said. US stock futures also turned positive, rising 0.5 per cent.

Earlier, Asian stocks steadied as Chinese shares moved higher on hopes of additional stimulus to cushion the economic blow from a coronavirus outbreak.



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