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Market wrap

Feb. 10, 2020

Negative global cues dampen investor sentiments; metal stocks remain under pressure..

Benchmark indices dipped on negative global cues as uncertainties around coronavirus weighed on investor sentiment. The number of deaths from China's new virus epidemic jumped to 902 after the hardest-hit province of Hubei reported 91 new fatalities.

The S&P BSE Sensex witnessed a fall 162 points or 0.39 per cent to end at 40,980. During the session, the index witnessed 373-point swing. NSE's Nifty50 index ended at 12,031.50, down 67 points or 0.55 per cent. Metal stocks such as Tata Steel, Vedanta, SAIL, National Aluminium Company, (NALCO), and MOIL witnessed heavy selling after China's metal association on Friday said that the country's nonferrous metal output will fall at least 10 per cent YoY in February owing to coronavirus. Tata Steel also took a knock on poor Q3 numbers. The company posted loss of Rs 1,229 crore for December quarter. Shares of the company finally settled at Rs 444 apiece on the BSE, down around 6 per cent.

On the upside, Avenue Supermarts pipped Bajaj Finserv in terms of market capitalisation (m-cap). The stock zoomed 11 per cent during the session to hit a fresh 52-week high of Rs. 2,537 on the BSE. At close, the stock stood at Rs. 2,484, up over 8.6 per cent while the m-cap was at Rs 1.5 trillion-mark.

Crude oil

In commodities, Brent crude futures eased 0.5 per cent to US\$54.22 a barrel while US crude futures fell 0.7 per cent to US\$49.97 a barrel. Since January 17, oil prices have fallen by 14 per cent while copper is down around 10 per cent.

Sectors and stocks

Shares of Alkem Laboratories surged 8 per cent to hit a new high of Rs. 2,699, on the BSE, on Monday after it reported a strong 56.8 per cent year on year (YoY) growth in consolidated profit before tax (PBT) at Rs. 40.46 crore for the December quarter (Q3FY20). We had recommended Alkem Laboratories at Rs. 1,670 on June 2019 at Moneycontrol website(<https://www.moneycontrol.com/news/business/markets/bet-on-alkem-laboratories-could-give-21-return-in-one-year-ajcon-global-4149821.html>).

The pharmaceuticals company had PBT of Rs 25.81 crore in the year ago quarter. Meanwhile, the board of directors of the company declared an interim dividend of Rs 22 per equity share for the financial year 2019-20. The company has fixed Saturday, February 15, 2020 as the record date for the purpose of payment of interim dividend. Alkem Labs posted a 88.6 per cent YoY jump in its consolidated net profit at Rs 382 crore during the quarter under review on the back of healthy revenue growth and significant improvement in earnings before interest, tax, depreciation, and amortisation (Ebitda) margins. Revenue from operations, meanwhile, grew by 13.3 per cent YoY during the quarter, accompanied by 450 basis points YoY improvement in Ebitda margin to 20.8 per cent from 16.3 per cent in the previous year quarter. The management said the company's outperformance in the Indian market is driven by strong brands, effective sales and marketing strategies, and new product launches. In the US market too, it grew at a healthy pace on the back of new product launches. The company's efforts towards cost optimization and process improvement are steadily reflecting in financials, it added.

Shares of multiplex chains INOX Leisure rallied 6 per cent to hit a new high of Rs. 450 on the BSE on Monday. The stock extended its Friday's 3 per cent gain after the company reported blockbuster performance in December quarter (Q3FY20). Excluding the Ind-AS impact, the company's EBITDA during the quarter jumped 25 per cent year on year (YoY) at Rs. 108 crore. Ebitda margin improved to 20.8 per cent from 20.0 per cent



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in year ago quarter. Profit after tax recorded a robust growth of 40 per cent at Rs 51 crore over the previous year quarter, back of higher revenue. Total revenues came at Rs 518 crore, reporting an impressive 19 per cent growth, on a YoY basis. The management said the performance of the quarter once again emphasized the significance of content, with numerous movies doing well at the box office. Besides content, INOX's consistent screen addition and efforts to take the cinema experience to new levels also added to the third quarter's performance, the company said. In the past five months, the stock has outperformed the market by surging 60 per cent, as compared to 10 per cent rise in the benchmark index.

Trent was trading higher for the third straight day, up 5 per cent on the BSE on Monday to hit a new high of Rs. 697 in an otherwise weak market. The stock of the Tata Group company has rallied 18 per cent in the past three trading days after reporting 38 per cent year on year (YoY) growth in its standalone net profit at Rs. 56 crore in December quarter (Q3FY20). Revenue from operations jumped 32.5 per cent to Rs. 870 crore on YoY basis. In August 2019, Trent's promoter, Tata Sons, invested Rs. 950 crore in the company by acquiring 23.17 million shares at a price of Rs. 410 per equity share on a preferential basis. The company had said it is witnessing positive traction for its lifestyle retail concepts and consequently pursuing a substantially accelerated growth programme across the Westside, Zudio and Star formats. The foregoing fund raising proposal was considered by the board in the context of the company's funding requirements given the growth plans. Trent is likely to mobilize about Rs. 600 crore through qualified institutional placement (QIP) issue. On June 13, 2019, the company's board of directors appointed a committee of the board to explore options to raise additional funds not exceeding Rs. 600 crore in FY 2019-20 by issue of equity shares or other securities including through qualified institutional placement, rights issue or any other permissible mode or a combination thereof.

Shares of Tata Steel were down by over 4 per cent on Monday as the firm posted consolidated loss of Rs. 1,229 crore for the quarter ended December 31, 2019 (Q3FY20) against a profit of Rs. 1,753 crore in the year-ago period. It reported a consolidated loss before tax of Rs. 236 crore in the December quarter, against a profit of Rs. 3,140 crore in the same period a year ago, on the back of lower sales. Consolidated net sales in the period stood at Rs. 34,774 crore, down 9 per cent from the same period a year ago, as lower steel demand and weak prices of the commodity hurt the top line. "During 3QFY20, global economic growth further slowed down amidst heightened concerns of a US-China trade war. Regional steel prices were down as steel demand was affected by weaker industrial output in key markets. However, Chinese apparent steel consumption remained steady and steel exports stabilized below 5 million tons a month," Tata Steel said in its press release. "Tata Steel delivered strong growth in volumes despite poor macroeconomic conditions in India as well as globally. In India, our business model helped us counter the slowdown as we successfully penetrated new markets and expanded our customer universe. We were also able to maintain our sales to the auto segment despite the sluggishness faced by the auto industry. Both our acquisitions, Tata Steel BSL and Tata Steel Long Products, continue to deliver operational improvements and achieve milestones in the market place. However, our European operations made a loss as it felt the brunt of the overall slowdown and the consequent shrinking of spreads. This adversely affected our consolidated performance," said T V Narendran, CEO & Managing Director. The Indian economy remained weak during the quarter and domestic steel prices reached a nadir in October 2019. However, steel prices are on an upward trend since November with inventory rationalization and increase in government spending. Market sentiments have improved as recent PMI manufacturing and bank credit growth data suggest pick-up in activity levels ahead, the release added.

Shares of state-owned Steel Authority of India Ltd (SAIL) slumped 6.1 per cent to Rs 45.65 on the BSE on Monday amid reports that the government could off-load 5 per cent of its stake in the company, through an offer for sale, which could fetch about Rs. 1,000 crore to the exchequer.

Shares of Mahindra & Mahindra (M&M) slipped 5 per cent to Rs. 538 on the BSE on Monday after the automaker reported a 73 per cent year on year (YoY) drop in its consolidated net profit at Rs. 380 crore in



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December quarter (Q3FY20). It had net profit of Rs. 1,396 crore in the year-ago quarter. The company's reported net profit during the quarter was impacted by Rs 600 crore due to the provisions made towards impairment of certain investments. Its consolidated revenues declined 6 per cent at Rs. 12,120 crore on YoY basis. Operating margin improved to 14.8 per cent from 13.2 per cent in the corresponding quarter of previous fiscal. The management said the unseasonal rains in the month of October 2019 did some damage to the Kharif crop, but the sentiment in the agri and rural economy is fairly upbeat with good sowing of Rabi crops supported by very good water reservoir levels and government announcement for thrust on infra projects.



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