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Market wrap **March 11, 2020**

Significant volatility witnessed owing to rise in COVID-19 cases and fall in crude oil prices; Oil and Gas PSUs reel under tremendous pressure..

Domestic bourses witnessed significant volatility and ended in red on Wednesday; however, buying in index heavyweights such as Reliance Industries (RIL), ICICI Bank, HDFC Bank, and HUL provided some cushion.

The S&P BSE Sensex ended at 35,697, up 62 points while NSE's Nifty ended just 7 points higher at 10,458 levels. On the Sensex pack, Hero MotoCorp ended as the top gainer (up 4 per cent) while Tata Steel emerged as the biggest loser (down over 7 per cent). Of 30 stocks, 13 ended in the green and rest 17 in the red.

Market breadth remained in favour of sellers as out of 2,643 companies traded on the BSE, 1,427 declined and 1,050 advanced while 166 remained unchanged. As many as 560 securities hit 52-week low today and 21 stocks hit their 52-week high on the BSE.

In the broader market, the S&P BSE MidCap index ended at 13,433, down 0.9 per cent while the S&P BSE SmallCap index ended over 0.36 per cent lower at 12,725 levels.

Among sectoral indices on the NSE, PSU banks, realty, metal and auto stocks witnessed declines while media stocks rallied. Nifty Media advanced over 1.7 per cent to 1,450 levels. On the other hand, Nifty PSU Bank index slipped around 4 per cent to 1,623 levels.

Crude oil
Oil prices fell, giving up earlier gains, after Saudi Aramco said it had been directed by the energy ministry to raise its production capacity by a million barrels per day.

Sectors and stocks
Reliance Industries (RIL), the oil-to-telecom behemoth, surged around 6 per cent to Rs. 1,178.40 apiece on the BSE on Wednesday. RIL had hit a 52-week low of Rs 1,094.95 on Monday (March 9) owing to crash in crude oil prices after Saudi Arabia and Russia triggered a price war.

Shares of YES Bank rallied over 30 per cent for the second straight day and surged 39 per cent to Rs. 29.60 on the National Stock Exchange (NSE) on Wednesday. YES Bank's stock price has surged a mammoth 424 per cent from Friday’s low of Rs. 5.65, after the government-owned State Bank of India (SBI) said it will pick a 49 per cent stake in the troubled private lender as part of a revival scheme framed by the Reserve Bank of India (RBI). “YES Bank has 255 crore shares of Rs 2 per share. SBI will be issued 245 crore shares at a price of Rs 10 per share for Rs 2,450 crore. This will be 49 per cent of the share capital of the Reconstructed Bank. SBI shall not reduce its holding below 26 per cent before completion of three years from the date of infusion of the capital,” SBI said in a press release. Meanwhile, YES Bank has enabled its inward IMPS/NEFT services. Customers can now make payments towards YES Bank credit card dues and loan obligations on other accounts. Earlier, the new YES Bank administrator Prashant Kumar had said that the moratorium imposed by the RBI could be lifted before the end of this week.

Shares of RBL Bank surged up to 15 per cent to Rs. 239 on the BSE in Wednesday's early morning deals, after the private sector clarified that the bank is "financially strong and well-capitalized". RBL Bank's stock hit an all-time low of Rs 199 on Monday, March 9, 2020. It had fallen below its IPO price of Rs 225 per share. In the past two trading days, the stock has tanked 31 per cent, against 7 per cent decline in the S&P BSE Sensex in the same period. “We wish to re-emphasize that RBL Bank is a fundamentally strong institution. Rumors around financial health and stability of the institution especially in social media seem to be misplaced, motivated and not based on facts," RBL Bank said in an exchange filing today. The bank said it remains adequately capitalized with a capital adequacy ratio of 16.08 per cent with Tier-1 at 15.02 per cent, significantly higher than the prescribed regulatory requirement of 11.5 per cent and 9.5 per cent, respectively. There has been no material adverse change in the asset quality since the announcement of the October-December quarter (Q3FY20) financial results on January 22, 2020 and guidance remains consistent, it said.

Shares of oil and gas companies were reeling under pressure, hitting fresh lows on Wednesday, after a sharp plunge in oil prices cast showdown on their earnings prospects. GAIL (India) slipped 9 per cent to Rs. 91.25, followed by Oil India (6 per cent to Rs. 85.55) and Oil and Natural Gas Corporation (ONGC) (2 per cent at Rs. 73) on the BSE. In the past one week, ONGC and Oil India tanked 22 per cent each, while GAIL (India) plunged 13 per cent, as compared to a 7.5 per cent decline in the S&P BSE Sensex. The virtual break-up of the Organization of the Petroleum Exporting Countries (OPEC)-Russia alliance amid the Covid-19 disruption led to oil prices crashing to the $ 30s. In the recent management call, ONGC guided that the breakeven cost was US$40.05/bbl in FY19 with opex at US$12.8/bbl, depreciation, depletion, and amortization (DD&A) at US$9/bbl and levies at US$18-19/bbl. For ONGC Videsh, it may be US$34-35/bbl. It has been further estimated that the outbreak of COVID-19 is expected to have a major adverse impact on global economic and oil demand forecasts in 2020, particularly for the 1st and 2nd quarters of the calendar year, according to CARE Ratings. "It has been forecasted that global oil demand growth in 2020 will be less than 0.48 million barrel per day (mb/d), from 1.1 mb/d forecasted in December 2019 given the shutdown of factory operations in China, travel restrictions imposed and undertaken which has affected other economic activities around the world", the rating firm said in an analysis on the outcome of the (Extraordinary) OPEC+ meeting.

Shares of information technology (IT) companies were under pressure on Wednesday with sector giant Tata Consultancy Services (TCS) and Wipro hitting their respective 52-week lows on the National Stock Exchange (NSE) in the early morning trade on concerns over potential impact from COVID-19 (Coronavirus). Nifty IT index, the top loser among the key sectoral indices, too hit its 52-week low of 14,356, down 3.4 per cent on the NSE. The index was at its lowest level since January 15, 2019, when it had touched 14,262 points in the intra-day trade. In comparison, the benchmark Nifty50 index hit an intra-day low of 10,334 points, down 1.1 per cent. Among the individual stocks, TCS hit a 52-week low of Rs. 1,920, down 2.6 per cent, while Wipro slipped 5 per cent to Rs 204 on the NSE. Infosys, Tech Mahindra and HCL Technologies were down in the range of 5 per cent to 6 per cent in early morning trade today.

Shares of Tata Motors slipped below the Rs. 100-mark, for the first time since September 4, 2009, to quote at Rs. 98.65 on the BSE on Wednesday. The stock skid 7 per cent in the intra-day session today. The stock of the automobile firm has fallen 21 per cent in the past three trading days after the company lowered its FY20E EBIT (earnings before interest and tax) margin guidance for Jaguar Land Rover (JLR) by 1 per cent (from around 3 per cent prior guidance) due to a steep decline in China retail (-85 per cent Y/Y) and supply-chain disruption. Tata Motors, in a press release on March 6, 2020, informed the exchanges about the impact of Coronavirus outbreak on JLR and the India business. While Tata Motor's China business of JLR was sharply down, the company has begun to see impact in other markets as well. For the India business, it expects 4QFY20 to see further impact (due to Coronavirus) on already expected weak performance due to BS-VI transition. Thus far in the calendar year 2020, Tata Motors has underperformed the market by falling 50 per cent, as compared to a 15 per cent decline in the S&P BSE Sensex.

ABB India share price touched a 52-week low of Rs 1,098.60, falling 2.5 percent intraday on March 11 after the company board approved sale of solar inverter business on slump sale basis. In the meeting held on March 9, the company board has approved the proposal to sell company's solar inverter business as a going concern on slump sale basis to a wholly-owned Indian subsidiary of Italian Company, FIMER S.p.A viz, "Marici Solar India Private Limited", for the value of Rs. 100.6 crore and on such terms and conditions as contained in the

Business Transfer Agreement (BTA) to be executed in due course. This business transfer will be effective on April 1, 2020. For the FY 2019, the solar inverter business had a turnover of Rs 664 crore which is approximately 9 percent of the total turnover of the company.

Shares of Raymond touched a 52-week low, falling 6 percent on March 11 after the company's lifestyle business CEO decided to step down. Sanjay Behl has decided to step down from his current role after serving for 7 years in the company, Raymond said in a press release.

Shares of Wonderla Holidays hit a 52-week low today. The company's share price declined 2.5 percent it has decided to temporarily close the Kochi Park from March 11 to 20, 2020 in view of the emerging situation in the State of Kerala, consequent to the reported Corona Virus cases.

Global Markets

Asian equities and Wall Street futures fell on Wednesday, as growing skepticism about Washington’s stimulus package to fight the coronavirus outbreak knocked the steam out of an earlier rally. Gains faded away in Asia, with US stock futures falling 3 per cent and MSCI’s broadest index of Asia-Pacific shares outside Japan down 1.3 per cent. Australian shares were down 3.6 per cent, while Japan’s Nikkei stock index slid 2.27 per cent. In Europe, shares rose for the first time in five sessions, as Britain became the latest country to cut interest rates in a bid to contain the economic damage from the coronavirus epidemic.

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SEBI registration Number: INH000001170 as per SEBI (Research Analysts) Regulations, 2014.

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