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Market wrap

Jan. 16, 2020

Rally witnessed in midcaps and smallcaps; FMCG stocks too join the party..

Domestic bourses end in green amidst volatility trading as investors looked to adjust their positions on the day of weekly expiry. The benchmark indices scaled fresh life-time highs today supported by gains in heavyweights such as Reliance Industries, HDFC Bank, Hindustan Unilever, and Bharti Airtel. Positive global cues especially the signing of the US-China trade deal after 18 months of tension boosted investor sentiments.

The S&P BSE Sensex touched the crucial level of 42,000 in the intra-day trade today, and continued its run to hit a high of 42,059.45. The index, however, closed at 41,932.56 level, up 59.83 points or 0.14 per cent. At close, Nestle (up 3.36 per cent), Bharti Airtel (1.5 per cent), and HUL (1.5 per cent) were the top gainers at the 30-share index, while NTPC (down nearly 2 per cent), Tech M (1.6 per cent), and Tata Steel (1.5 per cent) were the top laggards.

On the NSE, the broader Nifty50 index hit a fresh high of 12,389.05-mark. The index, eventually, settled at 12,355.50-mark, up 12.20 points or 0.099 per cent. All the key sectoral indices closed the day with gains, except Nifty Metal index (down 1.32 per cent) that slipped on profit booking. Nifty Media index was the top gainer, up 1.42 per cent, on the NSE, followed by Nifty Realty index (up 0.67 per cent).

For the broader markets, Thursday turned out to be another day for outperformance. The S&P BSE small-cap index surged nearly 1 per cent in the intra-day trade today before settling 0.78 per cent higher at 14,647.54. The S&P BSE mid-cap index, on the other hand, ended at 15,625.23 level, up 0.77 per cent. It had gained 0.9 per cent in the intra-day trade.

Key development – Negative for telecom companies

The Supreme Court on Thursday dismissed review petitions of top telecom firms including Bharti Airtel and Vodafone Idea seeking review of its earlier order asking them to pay Rs. 1.47 trillion in past statutory dues by January 23, 2020. The apex court had on October 24, 2019 ruled that statutory dues need to be calculated by including non-telecom revenues in what is known as adjusted gross revenues (AGR) of telcos. A bench comprising Justices Arun Mishra, S A Nazeer and M R Shah in-chamber hearing did not find merit in the review plea and dismissed it. The telecom companies had sought an open court hearing on their review petition but the Supreme Court decided to stick to its convention of doing an in-chamber hearing. The apex court had on October 24 last year upheld the AGR definition formulated by the DoT and termed as "frivolous" the nature of objections raised by telecom service providers. Bharti Airtel, in its plea, had sought review of the directions on aspects of levy of interest, penalty and interest on penalty relating to AGR, a source related to the development had said.

Sectors and stocks

Shares of Bharti Airtel gained 2 per cent to Rs. 477 on the BSE on Thursday after a successful fund raising exercise through completion of qualified institutional placement (QIP) and pricing of foreign currency convertible bonds (FCCBs). The stock of the country's largest integrated telecommunications company was trading close to its 52-week high of Rs. 486, touched on December 2, 2019. Bharti Airtel raised US\$2 billion (approx. Rs. 14,000 crore) through the QIP route. The company issued 323.6 million equity shares at the price of Rs. 445 per share. Post the QIP issues, the holding of promoter and promoter group will be 58.98 per cent as against 62.70 per cent. The company said the net proceeds of the fund raised will primarily be used to augment the company's long term resources and strengthen the balance sheet, servicing and for repayment of short term and long term debts capital expenditures, statutory dues and long term working capital requirements. On Monday, January 13, 2020, rating agency Crisil removed its rating on the long-term bank



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facilities and non-convertible debentures (NCDs) of Bharti Airtel from 'Rating Watch with Negative Implications', while reaffirming the rating at 'CRISIL AA' and assigning a 'Stable' outlook.

Shares of fast moving consumer goods (FMCG) companies were trading actively on the Nifty FMCG index, which was trading higher for the eighth straight day, on Thursday on expectations of recovery in demand. According to Care Ratings, factors such as favourable monsoons, expectation of tax rate cuts –including GST and personal income tax, and announcements in Union Budget of FY21 in favour of rural economy shall play a crucial role in uplifting consumer sentiment and reviving demand.

Shares of Nestle India hit a new all-time high of Rs. 15,330 after gaining 3 per cent on the BSE on Thursday amid expectations of another good quarter. The packaged foods company is scheduled to announce its October-December quarter (Q4CY19) results on February 13, 2020. The stock has surpassed its previous high of Rs. 15,147, recorded on October 31, 2019. In the past month, Nestle India has outpaced the market by gaining 10 per cent, as compared to 2 per cent rise in the S&P BSE Sensex. A sharp surge in stock price has seen the company's market capitalisation balloon to near Rs. 1.5-trillion mark. Currently, Nestle India stands at 20th position in overall ranking of listed companies with market cap of Rs 1.47 trillion, BSE data shows.

Dabur India and Jubilant FoodWorks hit their respective 52-week highs today, while Tata Global Beverages and Nestle India were trading close to their 52-week highs on the National Stock Exchange (NSE). That apart, Emami, Marico, Britannia Industries and Hindustan Unilever (HUL) from the FMCG index were trading higher in the range of 1 per cent to 2 per cent.

Global markets

Global equities were nearing record high on Thursday after the United States and China signed an initial deal to defuse their 18-month trade war. MSCI's broadest index of world stocks firmed 0.03 per cent in Asia, while its index of Asia-Pacific shares outside Japan rose 0.13 per cent. Japan's Nikkei rose 0.14 per cent while mainland China's Shanghai composite index was almost flat. The pan-European STOXX 600 index was up 0.1 per cent and German DAX futures ticked up 0.1 per cent in early trade.



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