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Market wrap

Jan. 21, 2020

Cut in GDP growth forecast by IMF dent investor sentiments; broader markets also remain under pressure..

A cut in India's GDP FY20 growth forecast by IMF and Q3FY20 being mixed earnings season so far in the December quarter of FY20 (Q3FY20) dampened investor sentiments. Besides, subdued trade across Asian markets, too, had impact on the Indian equities. Heavy selling was witnessed across banking, automobile, and metal counters, including HDFC Bank, ICICI Bank, Infosys, Maruti Suzuki, and Tata Steel, kept indices in the negative territory on Tuesday.

The S&P BSE Sensex erased 205.10 points, or 0.49 per cent, to settle at 41,323.81 level. Tata Steel, Asian Paints, and Maruti Suzuki were the top laggards at the headline index. On the other hand, UltraTech Cement, HDFC, and IndusInd Bank ended the day as top gainers. In the intra-day trade, the Sensex hit a low of 41,301.63.

Market breadth remained in favour of declines with 1,393 stocks declining on the BSE, as against gain in 1,107 stocks. About 174 stocks remained unchanged at the BSE. The volatility index -- India VIX -- closed 3 per cent higher.

On the NSE, the Nifty50 slipped below the psychological level of 12,200 to end at 12,169.65 level, down 54.90 points or 0.45 per cent. All the key sectoral indices settled in the negative territory, barring Nifty Media index. Nifty Realty index (down 1.52 per cent) and Nifty Auto and Metal indices (down 1.3 per cent each) declined the most.

The broader markets, although in the red, outperformed the frontline indices. The S&P BSE mid-cap closed 0.25 per cent lower at 15,580.46 level, while the S&P BSE small-cap index settled unchanged at 14,651.78.

Sectors and stocks

Shares of housing finance companies were in focus in an otherwise subdued market on Tuesday after Can Fin Homes reported robust earnings for the third quarter (October-December) of fiscal 2019-2020. Can Fin Homes surged 17 per cent to hit a new 52-week high of Rs. 457 on the BSE after reporting a 40 per cent year-on-year (YoY) rise in net profit at Rs. 106.61 crore for Q3FY20. Net interest income (NII) was up 23.9 per cent at Rs. 169 crore against Rs. 136.11 crore in the same quarter last year. Net interest margin (NIM) increased to 3.42 per cent versus 3.31 per cent (YoY). The company's asset quality remained stable with gross NPA & Net NPA at 0.80 per cent & 0.59 per cent, respectively. The company's loan book surpassed the Rs. 20,000 crore mark with a clientele base of 1.55 lakh. The management said the company's focus now is on affordable housing with a proper mix of non-housing segments. Can Fin Homes propose to raise Rs. 1,000 crore through fresh equity via rights issue/qualified institutional placement (QIP) of by preferential issue.

Shares of Hindustan Aeronautics (HAL) climbed 10 per cent to Rs. 885, also its fresh 52-week high on the BSE on Tuesday, after receiving approval for enhancing working capital limit. "The Competent Authority has granted its approval for enhancement of working capital limit from Rs. 7,300 crore to Rs. 12,050 crore including issuance of commercial papers of maximum of Rs. 5,000 crore, as sanctioned by SBI and other consortium banks," HAL said in an exchange filing. With today's gain, the stock of the state-owned aerospace company has rallied 20 per cent in the past seven trading days, after ICRA assigned a long-term rating of double A and a short-term rating of A one plus for the company's bank facilities with stable outlook. "The assigned rating draws comfort from the majority ownership held by the Government of India (GoI) in HAL as well as HAL's strategic position as a dominant supplier of aircrafts, helicopters, engines, avionics and accessories as well as main provider of maintenance, repair and overhaul services to the Indian defence



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forces," the rating agency said in a rationale. The GoI's increased focus on indigenisation with the Make in India policy and the establishment of defence corridors and mandatory offset policy for defence procurement by GoI, augur well for the company's future growth. The company is of strategic importance to the Indian defence forces comprising the Indian Army, Indian Airforce, Indian Navy and Indian Coast Guard, on account of it being the sole domestic supplier of aircrafts, helicopters, engines, avionics and other accessories. It occupies a leadership position in the Indian aerospace and defence industry. The company is also engaged in providing maintenance, repair and overhaul (MRO) services for aircrafts and helicopters for its products as well as those which are directly purchased by the MoD from foreign OEMs.

Shares of Apollo Tricoat Tubes surged 6 per cent to Rs. 350 on the BSE on Tuesday after it reported an impressive 86 per cent quarter-on-quarter (QoQ) jump in its net profit at Rs. 17.5 crore for December quarter of the current fiscal year (Q3FY20). The home improvement innovation company had posted profit of Rs. 9.4 crore in the September quarter (Q2FY20). The company registered a healthy 49 per cent growth in revenues at Rs. 229 crore backed by a strong sales volume of 47,148 MTPA. On a sequential basis, volumes improved by 71 per cent in Q3FY20. EBITDA margin improved by 220 basis points to 12.4 per cent from 10.2 per cent in the previous quarter. EBITDA per ton during Q3 FY20 stood at Rs. 6,034, up 6 per cent QoQ. The figures for the corresponding period last year are not comparable as the company started commercial production from June quarter (Q1FY20) onwards. The management said the company is witnessing healthy demand for its niche product categories. Increasing contribution from the newly-launched products will not only help broaden the product mix, but will also boost sales momentum in the upcoming quarters. In addition, the existing and upcoming product segments of Apollo Tricoat are higher margin value-added products, given their niche product applications in India. Thereby, increased portfolio of these value-added segments will further improve profitability and margins for the company, going ahead, it added. The company is on-track to launch three other new innovative brands - Apollo Hybrid, Apollo Scaff and Apollo Alpha, which have various applications across segments including plumbing, scaffolding, green houses and for window frames.

Global markets

Global equities were too under pressure, wiping out all gains made at the start of the week. MSCI's All-Country World Index slipped 0.4 per cent, while Hong Kong's Hang sang fell 2.8 per cent.

Besides, Japan's Nikkei lost 0.9 per cent and Shanghai blue chips 1.7 per cent, with airlines under pressure. The caution spread to E-Mini futures for the S&P 500 which eased 0.5 per cent.

In Europe, the pan-European STOXX 600 dropped 0.7 per cent with all major sub sectors in negative territory.



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