



AJCON GLOBAL  
YOUR FRIENDLY FINANCIAL ADVISOR

## Market wrap

April 24, 2020

### **Banks, NBFCs, AMCs, Insurance companies decline significantly; no sight of fiscal stimulus package yet..**

Indian equities ended in negative terrain on Friday led by weak global cues and domestic developments. Sentiments also got hampered after a potential antiviral drug to treat COVID-19 reportedly failed its first trial. Market participants are concerned about the sharp rise in coronavirus cases as it would have long term impact on the global as well as domestic economy. The number of coronavirus cases around the world has crossed 27 lakh. In India, over 23,000 cases have been reported so far. The silver lining for India is the high recovery rate as against other countries.

The decision of Franklin Templeton Mutual Fund (MF) yesterday to wind up six of its debt schemes also eroded sentiment. However, The Association of Mutual Funds of India (AMFI) assured investors that majority of Fixed Income Mutual Funds AUM is invested in superior credit quality securities and schemes have appropriate liquidity to ensure normal operations and hence, investors should remain invested in Mutual Funds to create wealth over the long term. "In the current environment, it has been difficult to generate liquidity, especially for credit papers, which are low on the credit curve," said Sanjay Sapre, president at Franklin Templeton MF. As the cost of generating liquidity in such funds would have had a negative impact on the existing investors, the fund house decided to take the call. "Significantly reduced liquidity in the Indian bond markets for most debt securities and the unprecedented levels of redemptions following the Covid-19 outbreak and the lockdown have compelled us to take this decision," Sapre said. The schemes being wound up are Low Duration Fund, Dynamic Accrual Fund, Credit Risk Fund, Short Term Income Fund, Ultra Short Bond Fund, and India Income Opportunities Fund.

The S&P BSE Sensex ended 536 points or 1.7 per cent lower at 31,327.22 levels while the NSE's Nifty ended at 9,154.40, down 159.5 points or 1.7 per cent.

Among individual stocks, Bajaj Finance (down 9 per cent) and IndusInd Bank (down over 6.5 per cent) were the top Sensex laggards. HDFC slipped 5 per cent and HDFC Bank ended nearly 2 per cent lower. On the other hand, Reliance Industries (up over 3 per cent) was the lead gainer.

Sectorally, barring Nifty Pharma, all the other indices on the NSE ended in the red. Nifty Bank slipped 3.36 per cent to 19,587 levels while Nifty PSU Bank index declined around 4 per cent to 1,263. Nifty Financial Services index declined nearly 4 per cent to 9,432 levels.

In the broader market, the S&P BSE MidCap index fell 1.77 per cent to 11,464 while the S&P BSE SmallCap index ended at 10,634, down 151.5 points or 1.4 per cent.

Around 116 stocks have hit new 52-week low on BSE including Bajaj Finance, Bank of Baroda, Spandana Sphoorty Financial and Aditya Birla Fashion among others. 336 stocks have hit lower circuit of BSE including names like Graphite India, KRBL, HEG, Welspun India, IRCTC, Edelweiss Financial and Mas Financial Services.

### **Crude oil**

Brent crude was trading down 73 cents, or 3.42 per cent, at \$20.60 after hitting a session high of \$22.70/bl earlier and jumping 5 per cent on Thursday. US oil fell by 84 cents, or 5.09 per cent, to \$15.66 a barrel, having surged 20 per cent in the previous session.

### **Indian rupee**

The rupee was down by 40 paise against the US dollar to settle at 76.46 (provisional) on Friday, tracking weak domestic equities and a strengthening greenback overseas. The rupee opened lower at 76.30 at the interbank forex market and then fell further to 76.47 and finally closed at 76.46, down 40 paise over its last close.

### **Sectors and stocks**

Shares of pharmaceutical companies continued to rally on Friday after Alembic Pharmaceuticals reported robust earnings for the quarter ended March 2020. Shares of Alembic Pharmaceuticals continued to rise on Friday and rose 8.8 per cent on the BSE to hit a fresh 52-week high of Rs. 743. The stock has rallied by more than 20 per cent in the past two trading days and is nearing its all-time high level of Rs. 792, hit in July 2015. Alembic Pharma's consolidated profit before tax (PBT) more than doubled to Rs 298 crore in the January-March quarter (Q4FY20), on the back of healthy revenue. The drug maker had a PBT of Rs 139 crore during the same quarter in the previous fiscal. The company's total revenue during the quarter under review grew 30 per cent year-on-year at Rs 1,207 crore against Rs 927 crore in the corresponding quarter of previous year. The company's earnings before interest, taxes, depreciation, and amortization (EBITDA) margin expanded 900 basis points to 28 per cent from 19 per cent in the previous fiscal. The management said the company has recorded highest ever revenue and profit for a financial year. This was led by strong growth in the US generics business. During the fourth quarter the



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company saw India and rest of world (ROW) business also get back to a robust growth, it said. Besides Alembic Pharma, Sun Pharmaceutical Industries and Laurus Labs also hit their respective 52-week highs on the BSE today. Strides Pharma Science, Alkem Laboratories, Ajanta Pharma, Lupin, Ipca Laboratories, Jubilant Life Sciences and FDC were up in the range of 5 per cent to 10 per cent on the BSE.

Shares of Bharti Infratel stock failed to hold on the gains and declined over 8.6 per cent to end at Rs. 152.10 (intra-day high was Rs. 172.80) on the BSE. The telecom tower company recorded consolidated revenue of Rs 3,624 crore, up 0.7 percent YoY, during the quarter under review. It had registered revenue of Rs 3,600 crore in the corresponding quarter of 2018-19. The company's EBITDA witnessed a rise of 23 per cent on YoY basis to Rs. 7,442 crore, while operating free cash flow grew 2 per cent to Rs 4,315 crore. The company also declared the third interim dividend of Rs 4.10 per equity share. This along with the two interim dividends of Rs 3.65 and Rs 2.75 would result in total dividend of Rs 10.5 per equity share for FY20. The company also said it adopted a new accounting system from April 1, 2019 and hence the result for 2019-20 is not comparable with past periods. Bharti Infratel again extended the deadline for merger with Indus Towers by two more months to June 24. Commenting on the results, Akhil Gupta, Chairman, Bharti Infratel, said, "During the year both Bharti Infratel and Indus Towers witnessed an increase in gross additions both on towers and co-locations on a year-on-year basis. We believe this is a harbinger of the future especially as witnessed in the current environment of the Covid-19 crisis, where the nation's dependence on wireless networks has been further elevated".

Shares of financials including banks, non-banking financial companies (NBFCs), housing finance companies, micro finance institutions, and assets management companies (AMCs) were under pressure, falling up to 10 per cent on the BSE after Franklin Mutual Fund (MF) shut 6 of its debt schemes over redemption pressure and liquidity crunch. Individually, Nippon Life India Asset Management, Cholamandalam Investment and Finance Company, Ujjivan Financial Services, Mahindra & Mahindra Financial Services, Bajaj Finance, HDFC Asset Management Company, L&T Finance Holdings and LIC Housing Finance Company were down in the range of 5 per cent to 10 per cent on the BSE. Meanwhile, ICICI Bank, IndusInd Bank, Bajaj Finserv, Shriram Transport Finance Company, IDFC First Bank, Axis Bank, ICICI Prudential Life Insurance Company and Housing Development Finance Corporation (HDFC) were down 4 per cent each. Last week, credit rating agency S&P Global Ratings had cut its outlook to 'negative' on Axis Bank and ICICI Bank asserting that the Covid-19 pandemic will lead to deterioration in asset quality for Indian lenders. It had also lowered its outlook to 'negative' on Shriram Transport Finance Company, Bajaj Finance, Manappuram Finance, Muthoot Finance and Power Finance Corporation. "Indian banks face increasing risks stemming from challenging operating conditions following the Covid-19 pandemic. We expect a flattish U-shape economic recovery. Risks remain on the downside and could lead to few banks being downgraded," the agency said.

Shares of Bajaj Finance fell below Rs. 2,000 mark for the first time in nearly two years after plunging 9 per cent to Rs. 1,972 on the BSE on Friday amid concerns of elevated uncertainties around the company's growth and asset quality. The NBFC's stock was trading at its lowest level since May 17, 2018. In the past two months, the stock has tanked 59 per cent. Historically, the April-June quarter (Q1) is the largest contributor to assets under management (AUM) growth for Bajaj Finance, with roughly 40 per cent contribution to the total AUM growth, which will be a wash-out quarter during FY21. Also, the Reserve Bank of India (RBI) moratorium poses a greater risk for Bajaj Finance by providing longer disruption in the financial discipline of low-income borrowers of the company. Last week, S&P Global Ratings revised the outlook on Bajaj Finance to negative and affirmed the 'BBB-/A-3' ratings. "The negative outlook on Bajaj Finance reflects our view that there is a one-in-three chance that we will lower the rating over the next 12 months due to rising economic risks in the Indian financial sector. We do not factor any extraordinary support from the group given that the group entities are regulated or listed entities, which restrict their ability to provide support to Bajaj Finance in the case of an extraordinary event," S&P Global Ratings said in release dated April 17, 2020.

Shares of Mahindra CIE declined by 5 percent after the auto component maker reported an 86.47 percent decline in consolidated profit at Rs 20.79 crore in the March quarter.

### **Global markets**

Asian equities and US stock futures fell on Friday on negative cues about progress in the development of drugs to treat COVID-19 and new evidence of US economic damage caused by the coronavirus pandemic.

MSCI's broadest index of Asia-Pacific shares outside Japan was down 0.4 per cent. US stock futures, the S&P 500 e-minis, were down 0.56 per cent.

Euro Stoxx 50 futures were down 2.23 per cent, German DAX futures slipped 2.19 per cent and FTSE futures fell 1.36 per cent.



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