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Market wrap **Feb. 27, 2020**

Global equities continue to bleed on menace of Coronavirus which has shattered investor sentiments..

Global equities remain under pressure led by fears of coronavirus turning into a pandemic owing to rapid spread of the deadly virus outside China dented investor sentiments. Further, expiry of futures & options (F&O) contracts for February series, too, added volatility to the stocks.

The S&P BSE Sensex lost another 143 points or 0.36 per cent to settle at 39,746, with ONGC (down over 2.5 per cent) being the top loser and Sun Pharma (up over 3.5 per cent) the biggest gainer. Of 30 stocks in the index, 20 ended in the negative territory and rest 10 in the green. NSE's Nifty index ended at 11,633 levels, down 45 points or 0.39 per cent.

Market breadth was tilted in favour of declines as out of 2,589 companies traded on the BSE, 1,578 declined and 849 advanced while 162 remained unchanged.

In the broader market, the S&P BSE MidCap index fell 0.65 per cent to close the session at 15,072 while the S&P BSE SmallCap index lost 120 points or 0.83 per cent to close at 14,209.

Among sectoral indices, barring Pharma and FMCG, all the other indices ended in the red with media and PSU Bank stocks taking the biggest knock. Nifty PSU Bank index dropped over 2 per cent to 2,049 levels. Nifty Pharma index gained over half a per cent to 7,885 levels while Nifty FMCG ended at 29,981, up 0.05 per cent.

Crude oil
Crude oil fell more than 1 per cent to its cheapest in over a year owing to poor global growth outlook.

Sectors and stocks
Shares of select public sector undertaking (PSU) companies have bounced back up to 29 per cent from their respective intra-day lows on Thursday on heavy volumes. Mishra Dhatu Nigam Limited (Midhani), NLC India, Bharat Dynamics, MSTC and IRCON International were up between 9 per cent to 29 per cent from their intra-day lows today. Midhani hit the upper circuit of 20 per cent at Rs. 253, also its new high on the BSE on Thursday on heavy volumes. In the process, the stock surpassed its previous high of Rs. 249, recorded on February 20, 2020.

Shares of Aarti Drugs rallied 9 per cent to near five-year high of Rs. 813 on the BSE on Thursday in an otherwise weak market on expectation of strong volume growth to continue and reflect in revenue and earnings. The pharmaceutical firm's stock was trading at its highest level since April 15, 2015. In the past five days, the stock has surged 26 per cent, as compared to 4.4 per cent decline in the benchmark S&P BSE Sensex. The stock hit an all-time high of Rs. 874 in April 2015. In the October-December 2019 (Q3FY20) quarter, Aarti Drugs recorded consolidated quarterly revenue of Rs 474 crore with year-on-year (YoY) growth of 24.6 per cent. The entire 19.4 per cent YoY growth of the API segment was driven by volume growth. Formulation segment revenues grew by around 72 per cent on YoY basis. The EBITDA (earnings before interest, tax, depreciation, and amortization) margin during the quarter expanded 61 basis points YoY at 14.3 per cent, while absolute EBITDA grew 30 per cent to Rs. 67.5 crore. The company's net profit rose 52 per cent to Rs. 31.7 crore on YoY basis. The company expects to improve on its gross margins in the near future due to better efficiencies in production. It recently expanded its anti-diabetic capacity and successfully scaled up its production quantities for the same. As expected, export markets are opening up for the formulation division and it will drive the margins for that division, it said.

Shares of Cipla were trading lower for the fifth straight day, down 3 per cent at Rs. 409 on the BSE on Thursday. The company on Wednesday said it received a warning letter from United States Food and Drug Administration (USFDA) for its Goa manufacturing facility. The stock of the pharmaceutical company was trading close to its 52-week low of Rs. 390 touched on October 11, 2019. In the past five trading days, Cipla slipped 8.5 per cent, as compared to a 4 per cent decline in the benchmark S&P BSE Sensex and 3 per cent fall in the S&P BSE Healthcare index. "The Goa manufacturing facility inspection conducted from 16-27 September 2019 by the USFDA, the Company has received a Warning Letter from USFDA," Cipla said in an exchange filing. The Company remains committed to maintain the highest standards of compliance and will work closely with the agency to comprehensively address all the observations, it added. The Goa facility has received 12 Form 483s across its 10 units. Further, in January, the US FDA classified the facility as official action indicated (OAI). The stock has underperformed in the last three months by falling 10 per cent against the broader market, given weak nine months results, negative newsflow on gVolatren and FDA issues at its Goa plant.

Shares of Graphite India continued to remain under pressure and slipped 5 per cent on Thursday to hit a 30-month low of Rs. 242 on the BSE on concerns of weak earnings going forward. The stock of the graphite electrode maker was trading at its lowest level since August 22, 2017. In the past five weeks, it has tanked 25 per cent after reporting a consolidated net loss of Rs. 353 crore in the December quarter (Q3FY20), due to steep fall in electrode prices. This was Graphite India's first quarterly loss in more than a decade. Earlier, in June 1997 quarter, it had posted net loss of Rs. 2 lakh. The lower volumes and realization has impacted the sales and margins as compared to same period last year. In addition, EBITDA was impacted due to fair value adjustment of inventory amounting Rs. 490 crore in Q3FY20. The management said that during the quarter, the company's performance was significantly impacted due to lower volumes and realizations. With the global and domestic steel market turning tough, and the resulting fall in demand for electrodes, Graphite's Q3FY20 production declined by 6,400 tons to 10,800 tons; capacity utilisation slipped to 54 per cent. Also, over-capacities in the industry led to tightly squeezed realisations for all. Graphite India's realisation slipped to $7,594 a tonne, $4,886 lower than a year ago.

Shares of Mahindra CIE Automotive, the automotive components supplier, declined 8.5 per cent to Rs. 129 apiece on the BSE on Thursday after the company reported 91 per cent year-on-year (YoY) fall in its consolidated net profit at Rs. 12.6 crore for the quarter ended December 31, 2019 (Q3FY19). The company had posted profit of Rs. 142 crore in the year-ago period. Profit before tax (PBT) for the quarter under review stood at Rs. 121.5 crore, down 33 per cent against Rs. 182 crore logged in the corresponding quarter of the previous fiscal. Total consolidated revenue slipped 13 per cent to Rs. 1,729 crore YoY.

Global Markets

Global equities continued to remain under pressure. Oil prices fell and US Treasuries rallied into record territory as more signs of the global spread of the coronavirus heightened fears of a pandemic. E-mini futures for the S&P 500 were down 1.4 per cent and Europe appears set for a catch-up slump. EuroSTOXX 50 futures fell 2.7 per cent and FTSE futures skidded 2.3 per cent. MSCI's broadest index of Asia-Pacific shares outside Japan fell 0.5 per cent and is down more than 4 per cent for the week.

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