

Financials rally on RBI's liquidity support to Mutual Funds; Crude oil price declines..

Indian equities ended in a positive terrain led by rally in financial stocks after the Reserve Bank of India (RBI) announced it will open a special liquidity window of Rs. 50,000 crore to ease pressure on mutual funds, which are facing liquidity strains due to heightened volatility in capital markets in the wake of the Covid-19 outbreak.

The S&P BSE Sensex rose 416 points or 1.33 per cent to settle at 31,743. On the NSE, the frontline Nifty50 index ended at 9,282, up 128 points or 1.40 per cent.

Nifty Bank was up by 494.50 points or 2.52 per cent to 20,081 levels while Nifty Private Bank index rallied by 315 points or 3 per cent to 10,857.55. Among individual names, IndusInd Bank gained 6.56 per cent per cent to Rs. 408, Axis Bank was up by 5.5 per cent to Rs 426, while ICICI Bank gained 3.42 per cent.

In the broader market, the S&P BSE MidCap index settled at 11,630, up 1.44 per cent and the S&P BSE SmallCap index climbed 1.37 per cent to 10,780 levels.

India VIX declined 3 per cent to 37.93 levels.

Key development - RBI Announces Rs. 50,000 crore Special Liquidity Facility for Mutual Funds (SLF-MF)

Heightened volatility in capital markets in reaction to COVID-19 has imposed liquidity strains on mutual funds (MFs), which have intensified in the wake of redemption pressures related to closure of some debt MFs and potential contagious effects therefrom. The stress is, however, confined to the high-risk debt MF segment at this stage; the larger industry remains liquid. The RBI has stated that it remains vigilant and will take whatever steps are necessary to mitigate the economic impact of COVID-19 and preserve financial stability. With a view to easing liquidity pressures on MFs, it has been decided to open a special liquidity facility for mutual funds of Rs. 50,000 crore.

Under the SLF-MF, the RBI shall conduct repo operations of 90 days tenor at the fixed repo rate. The SLF-MF is on-tap and open-ended, and banks can submit their bids to avail funding on any day from Monday to Friday (excluding holidays). The scheme is available from today *i.e.*, April 27, 2020 till May 11, 2020 or up to utilization of the allocated amount, whichever is earlier. The Reserve Bank will review the timeline and amount, depending upon market conditions.

Funds availed under the SLF-MF shall be used by banks exclusively for meeting the liquidity requirements of MFs by (1) extending loans, and (2) undertaking outright purchase of and/or repos against the collateral of investment grade corporate bonds, commercial papers (CPs), debentures and certificates of Deposit (CDs) held by MFs.

Liquidity support availed under the SLF-MF would be eligible to be classified as held to maturity (HTM) even in excess of 25 per cent of total investment permitted to be included in the HTM portfolio. Exposures under this facility will not be reckoned under the Large Exposure Framework (LEF). The face value of securities acquired under the SLF-MF and kept in the HTM category will not be reckoned for computation of adjusted non-food bank credit (ANBC) for the purpose of determining priority sector targets/sub-targets. Support extended to MFs under the SLF-MF shall be exempted from banks' capital market exposure limits.

Franklin Templeton Mutual Fund, which closed six of its debt funds citing redemption pressures and lack of liquidity in the bond markets, on Monday said it is committed to returning investor money at the earliest. It said that winding up of the schemes does not mean that investor money is lost. "We are committed to doing all we can to return money in the schemes that are wound up at the earliest to investors, and to regain your trust in our brand," Franklin Templeton Asset Management (India) President Sanjay Sapre said in a note to investors. The asset manager shut down its six schemes Franklin India Low Duration Fund, Franklin India Dynamic Accrual Fund, Franklin India Credit Risk Fund, Franklin India Short Term Income Plan, Franklin India Ultra Short Bond Fund and Franklin India Income Opportunities Fund on Thursday. The six debt schemes had assets under management of over Rs. 25,000 crore. The asset manager blamed redemption pressures and lack of liquidity in the bond markets for the "voluntary" action. "Franklin Templeton has been an early and patient investor in India. We have worked to build a long-term business in India over our 25+ year history here. This is also reinforced by the fact that over 33 per cent of our global workforce is based in India," Sapre said.

Crude oil

Crude oil price declined on concerns about scarce storage capacity and global economic doldrums from the coronavirus pandemic. US oil futures led losses, falling by more than \$2 a barrel on fears that storage at Cushing, Oklahoma, could reach full capacity soon. US West Texas Intermediate June futures fell \$2.42, or 14.3%, to \$14.52 a barrel. Brent crude was down 90 cents, or 4.2 per cent, at \$20.54 a barrel. The June Brent contract expires on Thursday.



Indian rupee

The rupee appreciated by 21 paise to close at 76.25 against the US dollar on Monday, tracking positive domestic equities and weakening of the American currency in the overseas market. The uptick in the currency was largely due to expectations of more stimulus measures from central banks to support their respective economies reeling under the COVID-19 pandemic. At the interbank foreign exchange, the rupee opened higher at 76.14 and touched an intra-day high of 76.05 in morning trade. The rupee, however, pared some initial gains and finally settled at 76.25, registering a rise of 21 paise over its previous close. On Friday, the rupee had settled at 76.46 against the US dollar.

Sectors and stocks

Shares of Pfizer rallied by 10 per cent to Rs. 4,842 on the BSE in the intra-day trade on Monday after its board declared a special dividend of Rs. 320 per equity share of Rs 10 each i.e. 3200 per cent for the financial year ended March 31, 2020. The company has fixed May 8, 2020 as the record date for ascertaining eligible shareholders to get the said special dividend and will be given electronically through bank transfer on Tuesday, May 19, 2020, it added. "The said special dividend will be paid to the eligible shareholders electronically through bank transfer on Tuesday, May 19, 2020. The stock of the pharmaceutical company was trading close to its 52-week high of Rs. 4,930 touched on March 3, 2020.

Shares of ICICI Prudential Life Insurance Company ended over 12 per cent to Rs. 377.55 apiece on the BSE even as its net profit declined 31 per cent for the March quarter of FY20 (Q4FY20) to Rs. 179 crore impacted by weak business trends due to the lockdown in March. the company had net profit of Rs. 261 crore in the year-ago period.

Shares of Mindtree was up by 13 per cent to Rs. 881.40 on the BSE after the company posted 4.3 per cent quarter on quarter (QoQ) revenue growth at Rs. 2,050 crore for the quarter ended March 2020 (Q4FY20). Besides, it posted a net profit of Rs. 206.2 crore, a rise of 4.7 per cent sequentially.

Shares of Navin Fluorine International hit a new high of Rs. 1,683, rallying 12 per cent on the BSE on Monday in the intra-day deal on the back of heavy volumes. The stock of commodity chemicals firm surpassed its previous high of Rs. 1,629 touched on February 26, 2020. It had rallied 71 per cent from its low of Rs. 980 hit on March 23 in the intra-day trade. Navin Fluorine International had re-commenced its operations of manufacturing operations at the company's facilities at Bhestan, Gujarat and Dewas, Madhya Pradesh from April 14, 2020 after obtaining requisite permissions, as applicable, from concerned Government authorities. In February, the company had entered into a US\$410 million (Rs. 2,900 crore) multi-year contract with a global company for manufacture and supply of a high performance product (HPP) in the fluorochemicals space. The contract was for a period of 7 years and this product is not part of Navin Fluorine's existing product portfolio. Navin Fluorine primarily focuses on fluorine chemistry - producing refrigeration gases chemicals inorganic bulk fluorides specialty organofluorines and offers Contract Research and Manufacturing Services (CRAMS). For 9MFY20, Navin Fluorine had posted 16 per cent year-on-year (YoY) jump in its consolidated profit before tax (PBT) at Rs. 195 crore. Operational revenues during the period had increased 6 per cent to Rs. 785 crore on a YoY basis. EBITDA margin improved 237 basis points to 24.8 per cent from 19.6 per cent.

Shares of multiplex operators including PVR and Inox Leisure hit their respective 52-week lows on the BSE on Monday, in an otherwise firm market, on media reports that about six states want lockdown extended beyond May 3, 2020. In the past two months, Inox Leisure and PVR have tanked 57 per cent and 53 per cent, respectively on concerns of the impact of the Covid-19 outbreak on the firms' revenues and cash accruals on account of closures of cinemas.

Global markets

Asian equities were up on Monday as the Bank of Japan (BOJ) announced more stimulus steps to help cushion the economic impact of the coronavirus. The BOJ said, it will boost by three-fold the maximum amount of corporate bonds and commercial debt it buys to 20 trillion yen (\$186 billion). The central bank also clarified its commitment to buy unlimited amounts of government bonds by scrapping loose guidance to buy them at an annual pace of 80 trillion yen, it said.

MSCI's broadest index of Asia-Pacific shares outside Japan rose 1.81 percent, taking back a chunk of last week's 2.6 percent decline. Japan's Nikkei gained 2.71 percent, Hong Kong's Hang Seng was up 1.88 percent, Australia's ASX 200 up 1.5 percent and South Korea's Kospi rallied 1.79 percent.



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