

**Banking, NBFCs, Insurance companies continue to rally; Volatility index continues to decline..**

Domestic bourses rallied on expectations of a fiscal package coming soon. In addition, better-than-expected March quarter results (Q4FY20) of IndusInd Bank and Axis Bank-Max Financial deal aided rally in Financials.

The S&P BSE Sensex was up by 371 points or 1 per cent to settle at 32,114.52, with IndusInd Bank (up nearly 17 per cent) being the top gainer. HDFC, ICICI Bank, and Axis Bank were among the major contributors to the index's gains. On the flip side, FMCG major Hindustan Unilever (HUL), and Sun Pharma were the top drags. Nifty ended at 9,380.90, up 99 points or 1 per cent. Volatility index India VIX declined 7.6 per cent to 35.14 levels.

On the sectoral front, Nifty Private Bank index gained the most - up 3.56 per cent to 11,243.55 levels while Nifty Pharma fell the most - down over 2 per cent to 9,386.20 levels.

In the broader market, the S&P BSE MidCap index gained 0.8 per cent to 11,723 while the S&P BSE SmallCap index ended at 10,862.54, up 0.77 per cent.

Banks have borrowed Rs. 2,000 crore under the liquidity window opened for mutual funds on Monday, data released by the Reserve Bank of India (RBI) on Tuesday showed. The special repo window, under which banks can borrow up to 90 days to give loans or buy debt papers of mutual funds, remains open till May 11. The total amount banks can borrow is Rs 50,000 crore. Banks can bid under the facility on any working day. While there are still many days to go, the initial low response may suggest that the mutual fund industry has not yet faced redemption pressure, as was feared, according to a treasurer. This also bolsters the theory that the mutual fund crisis is a debt event limited to some schemes of Franklin Templeton.

**Key development**

"Axis Bank and Max Financial Services today announced the signing of definitive agreements to become joint venture partners in Max Life Insurance Company Limited (Max Life). The development will result in a mutually beneficial and enduring relationship between Axis Bank and Max Life and bring the stability of a long term partnership to India's fourth largest private life insurance franchise," the two companies said in separate regulatory filings.

Axis Bank said it would acquire an additional 29 per cent stake in Max Life Insurance, raising its total stake in the private life insurer to 30 per cent after the completion of the deal. Max Financial Services (MFS) is the holding company of Max Life and is listed on the stock exchanges. Currently, Max Financial Services presently holds 72.5 percent stake in Max Life. MFS does not engage in any other financial business except managing Max Life Insurance. "Axis Bank and MFSL intend to create long-term value for all shareholders of Max Life by working towards a merger of the company with Max Life," the statement said.

The joint venture arrangement will significantly improve Max Life's competitive position vis a vis its competitors, including the other large bank owned private life insurers. After the completion of these transactions, Max Life would become a 70:30 joint venture between Max Financial Services and Axis Bank.

Once the transaction is completed, Axis Bank will have the right to nominate three directors and MFS will have the right to nominate four directors on the Max Life Board. One nominee director of the promoter group on the MFS board will be a person identified by Axis Bank. The deal would have to be approved by both Reserve Bank of India and Insurance Regulatory and Development Authority of India. The respective legal teams of the banking and insurance regulator will also study the deal contours before giving their approval.

Axis Bank reported a loss of Rs. 1,387.78 crore for the quarter ended March 2020. The profitability was impacted largely due to spike in provisions, but higher other income, PPOP and NII limited the loss. The bank had reported a profit at Rs. 1,505.06 crore in corresponding period last year and Rs. 1,757 crore in December quarter. Net interest income increased 19.3 percent year-on-year to Rs. 6,807.74 crore. Advances grew 15 percent YoY to Rs. 5,71,424 crore as on March 2020, while retail loans rose 24 percent YoY to Rs. 3,05,400 crore (which accounted for 53 percent of the net advances) and corporate loan book growth at 11 percent YoY to Rs. 2,04,103 crore. "83 percent of corporate book is now rated A and above with 95 percent of incremental sanctions in FY20 being to corporates rated A- and above," said the bank. Total deposits on quarterly average basis grew by 19 percent and 17 percent YoY on period end basis, it added. On the asset quality front, gross non-performing loans as a percentage of gross advances dropped 14 bps sequentially to 4.86 percent in Q4FY20, and net NPAs declined 53 bps QoQ to 1.56 percent in March ended quarter. Axis Bank recognised slippages of Rs. 3,920 crore during Q4FY20, lower compared to Rs. 6,214 crore in Q3FY20. "Slippages from the loan book were at Rs. 3,418 crore and that from investment exposures stood at Rs. 502 crore. Corporate slippages stood at Rs. 1,839 crore," the bank explained. Recoveries and upgrades from NPAs during the quarter were Rs. 2,489 crore while write-offs



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were Rs. 1,270 crore. Consequently, net slippages (before write-offs) for the quarter stood at Rs. 1,431 crore compared to Rs. 3,792 crore in Q3FY20, while net slippages (before write-offs) in retail and SME stood at Rs. 305 crore and Rs. 107 crore respectively, the bank said. Provisions and contingencies during the quarter stood at Rs. 7,730.02 crore, increasing significantly by 185.1 percent year-on-year and 122.7 percent quarter-on-quarter. The bank said it made other provisions aggregating Rs. 3,526 crores in Q4FY20 of which Rs. 3,000 crore is towards COVID-19. "At March 31, 2020, the bank holds in aggregate additional provisions of Rs. 5,983 crores. It is pertinent to note that this is over and above the NPA provisioning included in PCR calculations, and the 0.4 percent standard asset provisioning requirement on Standard assets," it added.

### **Crude oil**

Oil prices plunged for a second day in a row on Tuesday on concerns about dwindling global capacity to store more crude and fears that demand may be slow to recover even after countries ease restrictions to combat the coronavirus pandemic.

Brent crude was trading below 83 cents, or 4.1 per cent, to \$19.16 a barrel following a 6.8 per cent slide on Monday.

US West Texas Intermediate (WTI) crude was down \$2.57, or 20 per cent, at \$10.21 a barrel. The contract plunged 25 per cent on Monday.

### **Indian rupee**

The Indian rupee was up by 7 paise to close at 76.18 against the US dollar on Tuesday, tracking positive domestic equities and a weak American currency in the overseas market. This is the second consecutive day of gain for the rupee, during which it has appreciated by 28 paise. At the interbank foreign exchange, the rupee opened at 76.33. During the session it touched an intra-day high of 76.14 and a low of 76.44.

### **Sectors and stocks**

Shares of IndusInd Bank rallied 18.05 per cent intra-day, to hit a high of Rs. 480.9, on the BSE after its better-than-expected operationally strong March quarter performance. The stock eventually ended at Rs 468.90, up 15 per cent. On the NSE, it ended at Rs. 476.95, up 17 per cent.

Shares of Max Financial Services and Axis Bank traded higher after the private sector lender said it would acquire an additional 29 per cent stake in Max Life Insurance. Max Financial Services, Max Life's parent company, will hold the remaining 70 per cent in the joint venture. At close, Max Financial Services stood at Rs 475.80, up over 5 per cent while Axis Bank ended over 6.6 per cent higher at Rs 455.55 apiece on the BSE.

Shares of Panacea Biotec advanced for the fourth straight day and were locked in 20 per cent upper circuit at Rs. 211 on the BSE on Tuesday on the back of heavy volumes. The biotechnology company's stock hit a 52-week high and surpassed its previous high of Rs. 210, touched on April 24, 2019. It has rallied 64 per cent in the past four trading days. In the past one month, Panacea Biotec's stock price has more-than-doubled from the level of Rs. 101. Panacea Biotec became one of the leading players in Vaccine therapeutic category in India. The company's product portfolio includes innovative products in therapeutic areas of oncology, organ transplantation, nephrology, diabetes, osteoporosis, cardiovascular diseases and pediatric vaccines. For 9MFY20, Panacea Biotec had reported EBITDA of Rs. 75.6 crore against loss of Rs. 11.3 crore during 9MFY2019. The company's vaccine business revenues grew 51 per cent to Rs. 101 crore during period, while overall revenues rose 24 per cent to Rs. 402 crore over the previous year period.

Shares of chemicals companies, mainly specialty and commodity, were in focus in an otherwise range-bound market on Tuesday on hopes of strong earnings for March quarter (Q4FY20). After securing the supply chain, logistics and mandatory compliance requirements, the chemicals companies have resumed operations at their manufacturing units since the first half of April. Aarti Industries, Vinati Organics, Transpek Industries, Bodal Chemicals, Nocil, Fairchem Speciality and National Peroxide gained over 9 per cent in intra-day deals on the BSE today.

Shares of Just Dial rallied over 11 per cent to Rs. 388 on the BSE after the company announced that it will consider share buyback proposal on Thursday.

### **Global markets**

Europe equities were up after a mixed session in Asia as governments inch toward letting businesses reopen and central banks step in with still more support for ailing economies.

MSCI's Asia ex-Japan stock index was marginally up by 0.4 per cent, while Japan's Nikkei index closed down 0.1 per cent.



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