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Market Wrap March 05, 2018

Sugar stocks trade at 52 week low; metal and auto stocks drag domestic bourses end in red..

The domestic indices ended nearly 1% lower on Monday taking cues from its Asian counterparts.

The S&P BSE Sensex ended at 33,747, down 300 pts while the broader Nifty50 index settled at 10,359, down 99 points.

Among sectoral indices, the Nifty Metal index settled 3.28% lower led by a fall in shares of Jindal Steel & Power, Jindal Stainless (Hisar) and Steel Authority of India Limited. The Nifty Auto index too slipped 1.57% due to a fall in Tata Motors and Motherson Sumi Systems.

Sectors and stocks

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Shares of most sugar companies were trading at their respective 52-week lows on concerns of renewed pressure on the sweetener prices, if the final production would be higher than the current estimates. Balrampur Chini Mills, Dwarikesh Sugar Mills, Bannari Amman Sugars, Bajaj Hindustan, Mawana Sugars and Thiru Arooran Sugars are among 12 sugar stocks that hit their respective 52-week lows on the BSE in intra-day trade on Monday. The S&P BSE Sensex was trading 1% lower at 33,693 points at 01:07 pm. According to Reuters report, a survey of global and local dealers showed that India's sugar production is likely to rise to a record 29.2 million tonnes in the 2017/18 season, up nearly 12% from a previous estimate as Maharashtra's output could more than double.

Even as sugar production is estimated to grow by 33% in the sugar year 2018(SY), beginning from October 1, the operating profits of mills are likely to take a hit this fiscal due to higher cost of cane production, ICRA said in a report. However, ICRA said, there might be renewed pressure on the sugar prices, especially if the final production would be higher than the current estimates of around 27 million tonne.

Balrampur Chini Mills tanked 10% to Rs 105 on the BSE in intra-day trade after the stock turning ex-date for share buyback. The Company has fixed March 06, 2018 as the record date for determining the entitlement and the names of the eligible shareholders / beneficial owners to whom the letter of offer will be sent and who will be eligible to participate in the buyback. The board of directors of Balrampur Chini Mills at their meeting held on February 21, 2018 had approved buy-back of fully paid up equity shares upto 6.6 million equity shares having face value of Re 1 each at a price of Rs 150 per equity share. The Promoter and Promoter group intend to participate in the buy-back of equity shares of the company. The shareholding of the Promoter and Promoter group as on December 31, 2017 is upto 40.94% of the total equity of the company.

IDBI Bank hit a fresh 52-week high of Rs 91.50, up 14% on the National Stock Exchange (NSE) in intra-day trade, extending its past one month rally, after the credit rating agencies revised the upwards outlook of the bank to stable from negative. In past one month, the stock of state-owned bank has zoomed 51% from Rs 60.40, as compared to 2.8% decline in the Nifty 50 index. CRISIL on February 6, 2018 revised its outlook on the Tier II bonds (under Basel III), Infrastructure bonds, Lower Tier II bonds (under Basel II), Omni bonds, Flexi bonds, Upper Tier II bonds (under Basel II), Tier I Perpetual bonds (under Basel II) and the Fixed deposit programme of to 'Stable' from 'Negative', while reaffirming the ratings at 'CRISIL A+/CRISIL A/FAA'. CRISIL believes the government's recapitalization plans will improve the financial risk profile of IDBI Bank, help in meeting Basel III regulatory capital norms, and provide a cushion against expected rise in provisioning for non-performing assets (NPAs). Additionally, CRISIL believes that asset quality issues are peaking with incremental slippages to NPAs expected to taper in fiscal 2018 and 2019. This coupled with likely revival of credit growth in medium term will support IDBI Bank's performance. On February 9, CARE Ratings had revised its outlook on the Lower Tier II bonds to 'stable' from 'negative'. The revision in outlook is driven by significant capital support extended to the bank by the government under its recapitalization scheme of public sector banks, the rating agency said in release. Under the scheme, IDBI Bank is slated to receive capital of Rs 106 billion in the current financial year thereby providing substantial comfort to the capital position of the bank in light of elevated provisioning for NPAs as well as IndAS adoption, it added.

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Last week on February 27, Moody's Investors Service, ("Moody's") has affirmed the long-term local and foreign currency bank deposit rating of IDBI Bank at B1, and changed the outlook to positive from stable. The positive outlook factors in Moody's view on the expected evolution of IDBI's balance sheet, including a stabilization in asset quality and continued stable funding and liquidity positions. Given the positive outlook, IDBI's ratings could be upgraded in the next 12-18 months, if the capital infusion helps strengthen the bank's capital to a level above minimum regulatory requirements (including the capital conservation buffer) under Basel III standards, and/or the bank returns to profitability on a sustainable basis, Moody’s said in press release.

Global Markets

Asian investors dumped shares and drove to the safety of the yen and gold on Monday amid fears of a global trade war and worries of political uncertainty in Italy, risks that cloud the outlook for world growth.

The specter of a global trade war hit risk appetite, sending MSCI’s broadest index of Asia-Pacific shares outside Japan down 0.8 per cent to the lowest since mid-February. Japan’s Nikkei ended 0.7 percent lower at 21,042.09 while South Korea’s KOSPI faltered 1.1 per cent.

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