

Demonetisation hammers top scrips



As Sensex returns dip into negative zone, over half of all BSE 200 stocks have erased their prior year-to-date gain

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The outcome of November 8, with the government banning the use of certain high denomination notes and Donald Trump the president-elect of America, have had a lasting impact on Indian equities.

Till that date, the benchmark Sensex on the BSE exchange had given a 5.6 per cent year-to-date (YTD) return for investors. By December 22, 2016 all the YTD gain had been erased; by Monday's trading session, the Nifty 50, benchmark on the other major bourse, the National Stock Exchange, had caught up with this.

As on Monday, December 26, the YTD returns of both the bellwether indices stand in negative territory -- the Sensex had a YTD loss of 1.2 per cent and the Nifty of 0.4 per cent. With this, the YTD gain in 106 of the top 200 stocks by market capitalisation on the BSE had also been erased. And, the hope for 2017 are also muted.

Some prominent stocks which have been under pressure for most of the year -- Reliance Communications, Wockhardt, Idea Cellular, Jet Airways, Jubilant FoodWorks -- saw their losses accentuate after November 8. Demonetisation, say experts, had had a large impact on equities. So much so that even scrips such as Bharat Financial Inclusion (former SKS Microfinance), Shriram Transport, DLF and Dewan Housing Finance, which had seen gains of 33 to 65 per cent from January 1 till November 8, saw a big reversal after the note ban. Their YTD losses are now between

two and nine per cent.

Experts believe that with the structural imbalance caused to the sectors in which these companies operate, pressure in 2017 is likely.

Interestingly, it's largely the cyclical scrips -- metals, oil and gas and select health care ones -- which are holding on to their yearly gain. Vedanta tops the list of 2016's winners so far, with a YTD gain of 131 per cent. Hindalco, Biocon, Hindustan Zinc, and Indraprastha Gas follow with gains of 67-79 per cent from January 1 till-now.

In this backdrop, says Nilesh Shah, managing director, Envision Capital, the expectation on returns for 2017 is muted. "Unlike in 2016, we are getting into the new year without much expectation," he says.

"For most of 2016, there was a definite hope of earnings improvement and a good monsoon helped the positive outlook. All that was disrupted due to demonetisation," says Santosh Singh, head of research at Haitong Securities.

U R Bhat, managing director, Dalton Capital Advisors, adds that the Union Budget of 2016 had also bumped up hope on earnings recovery in 2016. "None of this has happened. We are stuck in a zone

where most investors are revalidating valuations, as at least two quarters of flat earnings growth is ahead of us," he says.

Market participants say unless India Inc's earnings offer promise in the March quarter, the sentiment seems likely to stay. Shah feels out that apart from earnings improvement, the coming Union Budget will have much relevance for equities. "The government will have to do a lot more in the Budget," he states.

HOW THE WINNERS AND LOSERS STACK UP

Winners	CMP (₹)	Change (%)*	Losers	CMP (₹)	Change (%)*
Vedanta	208.55	131.0	Reliance Communications	33.05	-62.5
Hindalco	151.50	78.8	Wockhardt	635.40	-58.5
Biocon	894.10	72.6	Idea Cellular	69.40	-51.7
Hindustan Zinc	249.50	70.2	Jet Airways	340.55	-51.5
Indraprastha Gas	886.05	67.5	Jubilant FoodWorks	789.75	-46.8
Vakrangee	268.95	54.1	Aditya Birla Fashion & Retail	129.90	-43.7
YES Bank	1,101.50	51.7	Tata Elxsi	1,295.80	-42.3
Muthoot Finance	267.05	48.7	United Spirits	1,825.85	-38.9
JSW Steel	1,534.40	48.6	Blue Dart Express	4,252.65	-37.3
Hindustan Petroleum	413.35	48.3	Rajesh Exports	442.40	-35.1

CMP: Current market price (on December 26)
Compiled by BS Research Bureau

* Change: Year-to-date gains or losses
Source: Bloomberg