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# Impact Of Positive News On Stock Prices Of Pharmaceutical Sector In Nse During Covid-19

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**Abstract:** *COVID-19 has hit the global economy and the emotions of the world stock market tremendously. Indian Financial market faced a deep steep based on global cues and just before the lockdown in India. Sharp volatility was observed on daily basis but since long an underperforming pharmaceutical sector substantially increased globally based on news. The research tries analysing how positive news has helped pharmaceutical sector stocks to become multibaggers during pandemic. The sample period taken for the study is 6 months from (January, 2020- June, 2020) three months before lockdown and three months after lockdown in India. The index was 41, 306 on January 1, 2020 and on the day of lockdown March 25, 2020 index has fallen to 28, 535 but still it helped pharmaceutical sector to grow substantially.*

**Keywords-** *Pandemic, Positive News, Global Cues, Market Index, Pharmaceutical stocks*

## 1. INTRODUCTION

Coronavirus disease is an infectious disease (COVID-19) that spreads frequently and rapidly across the globe. This led the Government to push the people of their country around the world for a prolonged period to minimize their everyday actions. The spread of the disease temporarily curbs both export and import directly affecting the world economy. This series of measures taken to escape COVID-19 contributes to a reduction in the cash flow of individuals, and also due to the lack of imports and exports, the majority of companies have lost their material sources and labour for their daily operations, and the main income of foreign currency tourism has also been fully lost.

It is the largest financial loss for India and all other countries. Most international investors are therefore switching their investment mode from equity to other modes such as gold and other commodities because of COVID-19, the share market is now facing a huge blowdown. Due to COVID-19, the average price and the total amount traded on the Indian stock exchange have been affected. Therefore, to prevent any future problems, it is important to recognize the changes that have arisen in the economy. The stock market data after COVID-19 were compared with those before COVID-19.

The research work was mainly focused on the pharmaceutical sector alone. The Bombay Stock Exchange, Sensex Index, and the National Stock Exchange Index, Nifty, are two major stock indices in India. The Bombay Stock Exchange and National Stock Exchange on 23 March 2020 where there was a massive drop in the Sensex index to 13.2 percent. This was the second-highest single-day drop after the negative news of the Harshad Mehta Scam in

1991. Similarly, during this period, Nifty also declined to almost 29%. The impact of COVID-19 on The factories has minimized their production, labor, and supply which has ultimately affected the chain and routes of demand and supply due to which lockdown policy was adopted by the government. Again, people also reduce their consumption habits, leading to demand-side shock, because of the uncertainty prevailing among humans. Studies have also found that only the demand chain was affected by the entire previous pandemic.

The pharmaceutical sector which was moving at a slow pace of growth eventually raised globally during the pandemic based on the news many pharmaceutical stocks become multi-baggers. The covid-19 pandemic has taken a toll on different industries, but so far in 2020, the pharmaceutical industry has extensively performed well and producing stellar results. Since the beginning of 2020, The Nifty Pharma has been the highest performing index with returns of around 19% this year, even as all other sectoral indices are in the red. Sectors such as metals and automobiles, with annual output, slipped to 41.27 % and 34.81 %, respectively, are down in bold red. Investor interest in pharma stocks comes at a time when the Covid-19 pandemic continues to spread across the world and attempts to find a reliable solution that has been stepped up by countries and the pharmaceutical industry. Many top gainers hit their 52 weeks high during the pandemic. In this research, we have two pharma companies based on market capitalization June 2020 (INR Crores)

- Sun Pharmaceuticals
- Dr. Reddy's Laboratory

Apart from these companies, we have analyzed the nifty pharma index which comprises many pharmaceutical stocks and according to their consolidated performance the index move upside and downside which mirrors the strength and weakness in that particular sector. While the sector was facing a downward trend whereas pharma was taking a flight as pandemic fears the market and the only hope was coming from health Industry, every company was trying its level best to create vaccine and medicines to combat with virus and Indian stock market which shows strength based on positive news so whenever a company with foreign collaboration or in house announce its vaccine and medicine trail the stock rises until their upper freeze as investors blindly invest in that company. This research data is taken for six months from January 1, 2020, to June 30, 2020, approximately 3 months before the lockdown and three post lockdown announcement which will assist us to analyse the right scenario of the situation before and post lockdown announcement.

## **2. REVIEW OF LITERATURE**

In a paper entitled "Effects on Indian Stock Returns of COVID-19 Virus Cases and Oil Price Shock." Approach to structural VAR. For the analysis, researcher used secondary data and used the structural VAR model to analyse the data. The study found that the coefficient of COVID -19 was positive and statistically important, and the oil price shock was also positive and significant. The oil price coefficient also influences all anomalies in the coefficient of COVID-19. [1]

In a study on the topic, "GST India - GST Benefits and Impact on Indian Economy", the researcher pointed out that this COVID-19 outbreak influenced the world as a whole and was felt in the industry. The world's second largest economy, China, is sluggish. Organizations for planetary health call the epidemic a national emergency. In India, as a regional player, we might have felt the supply chain disruption from China and the effects of China. The effect on economic activity of the pandemic can be felt far beyond the areas of aviation, transport,

tourism and hospitality. The analyst has different approach for the first quarter result of the oil prices from January to March. [2]

In a study on “The Covid-19 Spill over: Effects on the Global Economy”, the researcher pointed out issues of restrictive measures, monetary policy measures, fiscal policy measures and public health measures adopted during that time, they are focused on real world observations. The research empirically investigates the effect of social distancing policies on economic activities and stock market indices. The research explores empirically the impact of social distancing policies on economic activities and stock market indices. The results showed that the rising number of days of lock-up, monetary policy decisions and foreign travel restrictions had a major effect on the level of economic activity and on closing, opening, lowest and highest stock prices. [3]

In a study based on Iran entitled, “Fundamentals and stock return in pharmaceutical companies”, the researcher stated that, A panel data model of Iranian industry Confirmed that multiple factors, such as net profit margins, operating cycles, working capital, inflation rates, etc., depend on the return on pharmaceutical stocks. However, this research remains silent on variable market data. Positive shocks, such as GDP and cash supply, would have a positive impact on the return of pharmaceutical companies, in the words of Masoumi, Azar, Reza Pour and Mehrara (2019).[4]

### **3. OBJECTIVES OF THE STUDY**

- To examine stationarity of pharmaceutical sector index during before and after COVID-19 lockdown in India
- To analyze the volatility index price of pharmaceutical sector during pre and post COVID-19 lockdown announcement.
- Analyze the impact of COVID-19 on pharmaceutical sector
- To measure the influence of prices during COVID-19 of pharmaceutical sector

#### **Research Methodology**

The present study is based on the secondary source of data. For the preparation of this research paper, Journals, Research articles, newspapers and relevant health care organization websites have been accessed to make this study and effective one. The research design is descriptive

#### **Research Design: Descriptive**

Knowledge is interpreted as it is in descriptive research design without influencing multiple variables. This is the form of data where it is not possible to adjust various variables. Descriptive research design has therefore been chosen.

Sample Design: Sampling of non-probability

Data compiled from NSE website from where the complete index level, stock level and volume data are kept for comparisons and analysis.

Topic-related equity research reports and books.

### **4. FACTORS IN STOCK PRICES CAUSING MOVEMENTS**

#### **1. Recent Data**

Knowledge is a secret, because it offers the market a reason to value the stock at a certain price level. Public is very much aware, in particular, of those who are involved and invested in the financial markets, and this information and knowledge is certainly an influence on earnings and industry (specially in future)

#### **2. Uncertainties**

It is far from clear that the organisation will make money in the future. The uncertain future of the business will also bring some uncertainty about share prices during a period in which little new knowledge is available. Companies that have set a track record will appear to show less instability as measured by uncertainty.

### 3. Psychological Variable

Humans are behind the operations of the industrial sector. This indicates that human attributes are also factors in the way share prices change. Understanding human psychology is especially important in evaluating investment opportunities, as human psychology generates and accentuates many of the opportunities that investors can capitalise on.

### 4. Offer and Demand

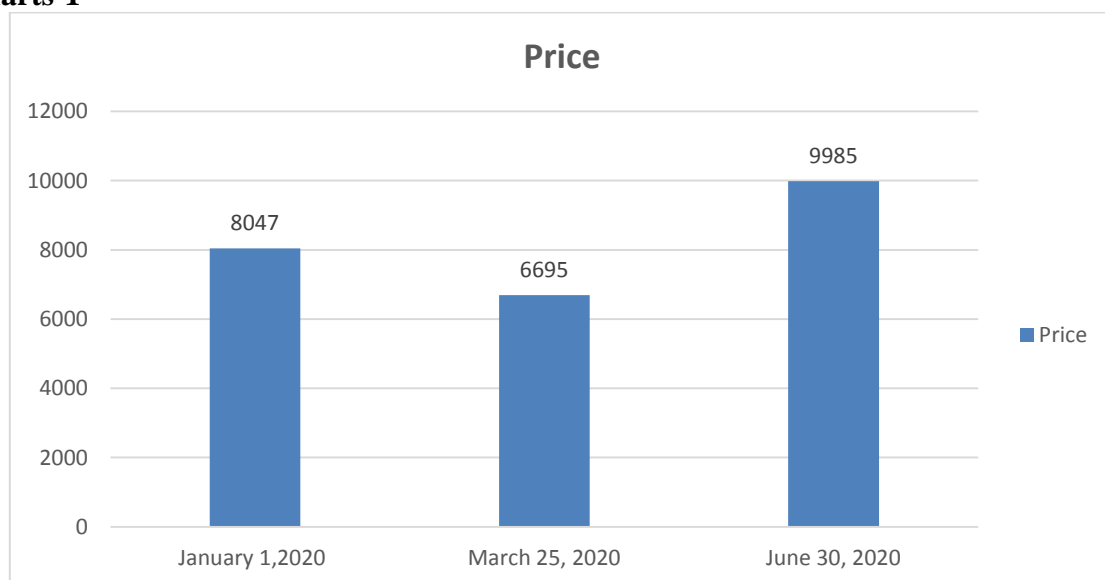
While common stocks such as RIL and HDFC trade thousands of shares every day, the majority of the stocks in which the investor is interested in investing do not have a high value of liquidity. As a result, stocks exchanged at a lower share value are more volatile on the basis of supply and demand. If a large shareholder decides to sell a large number of liquidity-poor shares to the public, the shareholder may drastically alter the share price.

## 5. FINDINGS

**Table-1 [5]**

<b>Nifty Pharma Index</b>			
	<b>Month</b>	<b>Price</b>	
<b>1</b>	<b>January 1,2020</b>	<b>8047</b>	<b>Research Beginning</b>
<b>2</b>	<b>March 25, 2020</b>	<b>6695</b>	<b>Lockdown Beginning</b>
<b>3</b>	<b>June 30, 2020</b>	<b>9985</b>	<b>Last day of Research Period</b>

### Charts-1



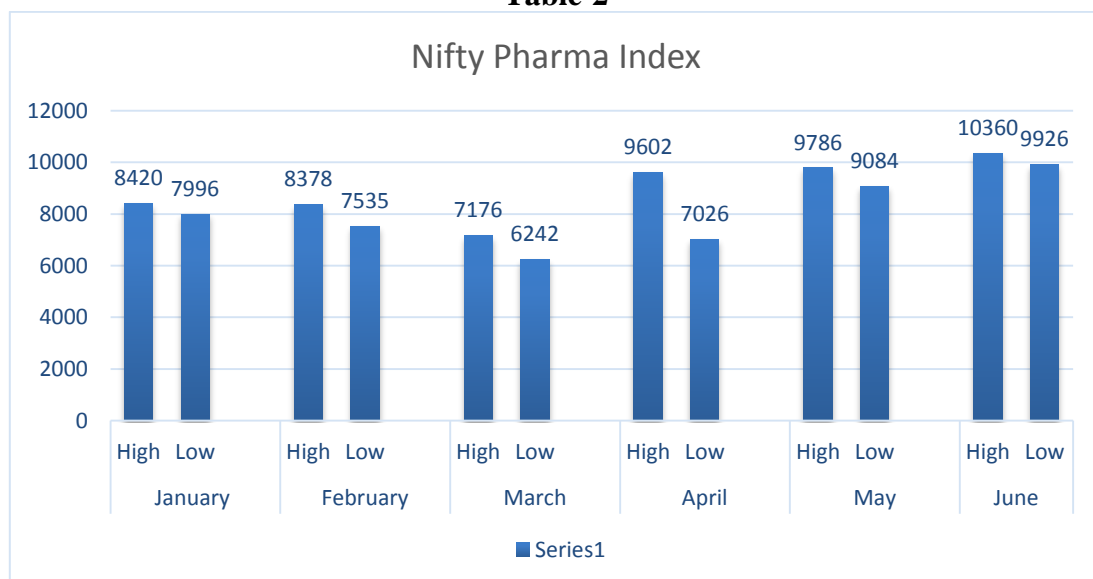
In the beginning of the year 2020 and research, the nifty index stands on 8047 approximately three months before the lockdown in India and in the month of March when the global cues were negative due to pandemic the index falls to 6695 and from now when the other sectors like automobile, telecom, metals etc touches their 52 week low the nifty pharma started to rise and flourished during the most depressing time amid the global crisis. After 3 months of lockdown on June 30, 2020 the nifty index rises to 9985 when sensx index was 34,915. This

clearly indicates that though pandemic crisis has affected the entire sector but nifty pharma continue to rise in the safe zone clearly indicating a positive trend.

**Table-2 (Nifty Pharma Index- High and Low) [6]**

<b>1</b>	<b>January</b>	<b>High</b>	<b>8420</b>
		<b>Low</b>	<b>7996</b>
<b>2</b>	<b>February</b>	<b>High</b>	<b>8378</b>
		<b>Low</b>	<b>7535</b>
<b>3</b>	<b>March</b>	<b>High</b>	<b>7176</b>
		<b>Low</b>	<b>6242</b>
<b>4</b>	<b>April</b>	<b>High</b>	<b>9602</b>
		<b>Low</b>	<b>7026</b>
<b>5</b>	<b>May</b>	<b>High</b>	<b>9786</b>
		<b>Low</b>	<b>9084</b>
<b>6</b>	<b>June</b>	<b>High</b>	<b>10360</b>
		<b>Low</b>	<b>9926</b>

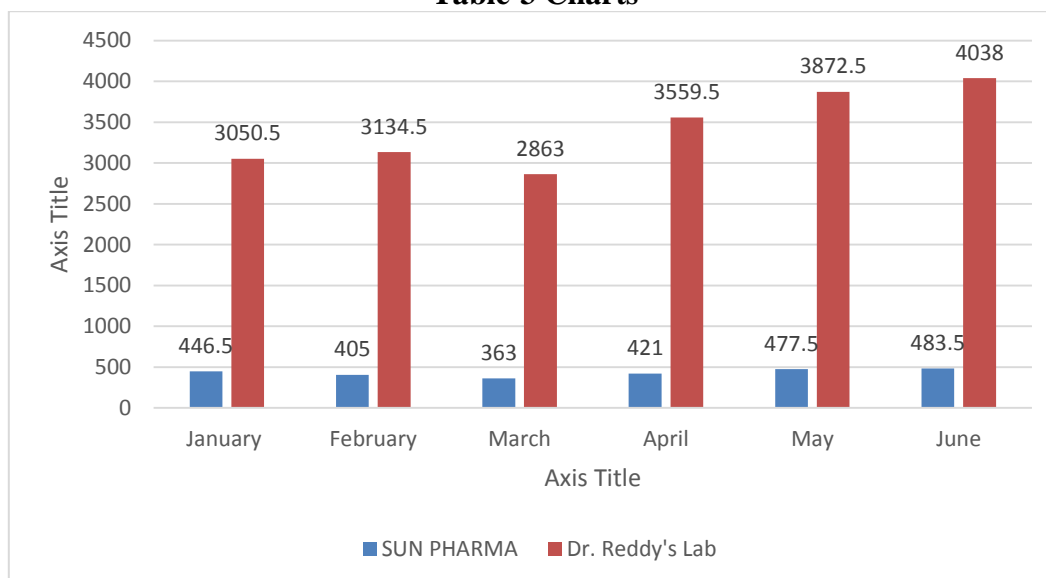
**Table-2**



This table has extensively analysed Nifty Pharma index-high and low levels during the consecutive 6 months of research period from January 01, 2020 to June 30, 2020. In the table- 2 chart the lowest level of the index was seen during the month of March, 2020 where the high was 7176 and low was the minimum of 6242 which was the lowest since 2013. When the other index was touching the rock bottom nifty pharma started rising due to positive news creating the demand in the sector due to ongoing pandemic. Stocks including top 12 giant companies in the index touched their 52 week high post march. In June 2020, nifty pharma rise high to 10360 with low 9926 which indicate the levels since January. Since there was no vaccine during that period but the index respond well on the basis of claims companies made

**Table-3 (Mean Deviation of Two leading Pharmaceutical Companies- Based on Capital)**

Month	SUN PHARMA	Dr. Reddy's Lab
January	446.5	3050.5
February	405	3134.5
March	363	2863
April	421	3559.5
May	477.5	3872.5
June	483.5	4038

**Table-3 Charts**

In Chart 3- two major companies have been taken on the basis of company with highest capital in the said sector 1. Sun Pharmaceuticals 2. Dr. Reddy's Laboratory. Means deviation is extracted from January 2020 to June 2020 on the basis of their highs and lows which consolidated represents the price variation. It is somewhere represents exactly the nifty pharma index is representing. It was bottom low during March and makes a positive trend post march to regain its strength whereas exactly same story happened with Dr. Reddy's Lab from March to June during the sensitive time of lockdown in India the price of Dr. Reddy's Lab rises to 41% from the month of March to June 2020. From Chart 1 to Chart 3 same positive trends are taking place which represents the same positive factor increasing the price in the complete Pharmaceutical Sector. [7]

## 6. CONCLUSION

This research indicates that with the benchmarking index Nifty, the pharmaceutical stocks are retaining a general momentum. There is a general belief, however, that the demand for pharmaceutical stocks should increase during a pandemic of certain diseases. The general hypothesis of this study is that the market will respond positively to favourable news. With declining general market patterns, the general demand for pharmaceutical stocks will increase during the crisis time. This general understanding has so far not worked with respect to Covid 19. Since Covid-19 is an outbreak for which appropriate vaccine/medicine has not yet been invented. As a result, the Covid-19 outbreak would not raise the general availability of vaccines or medicinal drugs. Secondly, when Covid-19 reached its worst in China, the Indian

pharmaceutical industry's pro-it margin was taken back. Since Indian pharmaceutical companies rely heavily on Chinese pharmaceutical ingredients, the shortage of essential components needed for production has been caused by the break-in supply chain. We propose that backward integration and investment in R&D activities will assist Indian pharmaceutical companies to sustain themselves in the long term. It is also revealed that, despite the general falling market trend, businesses with a good brand image are continuing throughout the crisis time. The positive news in association with the COVID drug increase the investors support in the stock and sector attracting money which move the bulls upward. The chart representation proves that stock prices fall during lockdown month as panic was created in the global market due to pandemic but as the only associated sector to combat this pandemic crisis was pharmaceutical which showed strength and grabbed the faith of investors which helped the sector to sustain and earn maximum amid global crisis.

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