
Impact Of Covid-19 On Indian Stock Market

Mr. Anurag Dhillion¹, Dr Vikas Tyagi²

¹MBA University School of Business Chandigarh University

²Associate Professor University School of Business Chandigarh University

ABSTRACT

Securities exchange is one of the most adaptable parts in the budgetary framework of a country, and Stock Market assumes a significant job in economic advancement. Securities exchange is a center point where facilities are given to the speculators to buy and sell their Shares, Bonds and Debenture and so forth. In Stock Market different organizations are inclined to their undertaking through public issues Bombay Stock Exchange (BSE), the National Stock Exchange (NSE) and the Calcutta Stock Exchange (CSE) are the recorded stock market in India. These three are biggest Indian Stock Market. But now Indian economy is facing a problem i.e. Corona virus. Corona virus or COVID19 are an enormous group of infections that can cause sicknesses running generally in seriousness. Its 1st case was recorded in Wuhan city, China. After that the disease spreads around the world and on 21st January 2020, India records its first case of COVID19. This virus has drastically affected the world's economy. Before corona virus phase, average NSE index nifty 50 was near to 12000 points and BSE SENSEX was around 41000 points. But from 21st January to 31st march, NIFTY 50 and SENSEX were massively down by 31.954% and 31.1769% respectively.

1. INTRODUCTION

Trading in India began over from 1830's. It's in 1875, when some informal gathering of stockbroker sorted out themselves in an affiliation and which was later known as Bombay Stock Exchange which is now oldest stock exchange in Asia region. In 1956, The Indian government established the first principal stock trade exchange of the nation under Securities Contracts (Regulation) Act as Bombay Stock Exchange. But BSE had a low degree of transparency and poor clearing and settlement frameworks which caused an expansion in various fake cases aroundthen on Dalal Street. During this period there were huge scams which occurred in the securities exchange which raised cautions and soon there was a squeezing requirement for another Stock Exchange. Consequently, in 1988 this offered ascend to SEBI as a budgetary controller. This brought forth the National Stock Exchange (NSE)which was huge enough to contend with BSE and carry more transparency to the stock market. It was fused in 1992, become perceived as a stock trade in 1993, and exchanging started on it in 1994. The BSE launched its sensitivity index, the SENSEX (presently known as the S&P BSE SENSEX), in 1986 with 1978–79 as the base year. This is a list of 30 organizations and is a benchmark stock index, estimating the overall performance of the exchange. Its contender, NSE, propelled its benchmark exchange, the CNX Nifty, presently known as Nifty 50, in 1996. It includes 50 stocks and functions as the performance measure of the exchange. So basically the general public can estimate the state of the country's economy by analyzing the performance of the stock exchange i.e. if the NIFTY 50 and

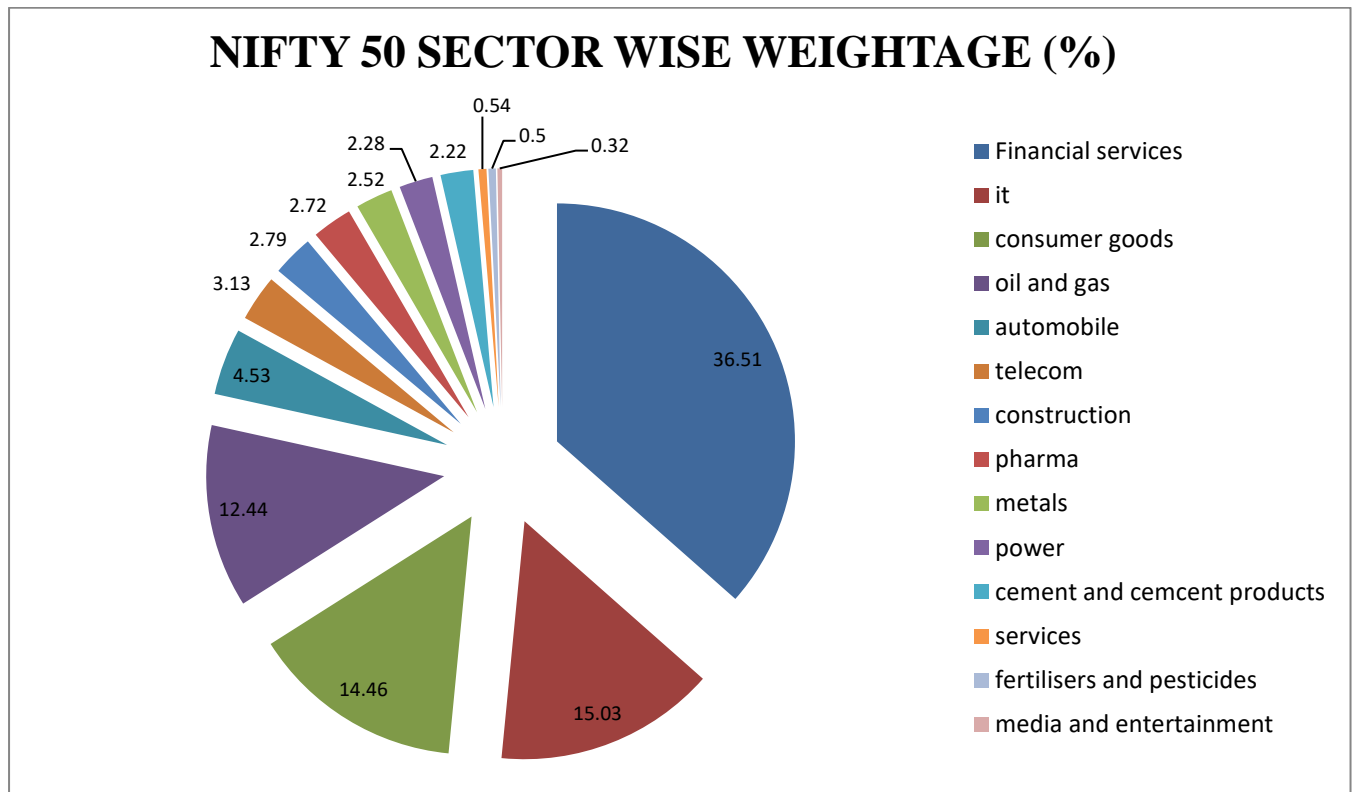
SENSEX are down for a long time we can state that India's economy is in slowdown phase and vice-versa. If I talk about Indian Stock Market condition in 2020, for now the picture is not good for Indians. Bank scams like PMC Bank scam and UPPCL employee provident fund (EPF) scandal previously discovered just weaken the indexes of Indian stock market. And amid of these frauds now India is facing a new problem i.e. Corona virus. Corona viruses can cause sicknesses running generally in seriousness are a colossal group of infections. On December 31 2019, Chinese authorities cautioned the World Health Organization of an outbreak of a novel strain of corona virus causing extreme disease, distinguished in Wuhan City located in Hubei Province of China, which was in this manner named SARS-CoV-2. Severe Acute Respiratory Syndrome (SARS). 1st report on COVID19 was published on 21st January by 2020 World Health Organization. And first affirmed instance of COVID19 intense respiratory illness was found in India on 29th January, who had a travel history to Wuhan City. As of 31st March there are complete 1071 affirmed instances of COVID19, where 29 affirmed demise is recorded till date. To prevent the spread of COVID19 and flatten its growth curve, a 21-day lockdown was imposed to put into effect self-distancing. It is natural that in the process, the economy is on complete bed rest. And this Lockdown severed a slowdown in the Indian economy. We will analyze the impact of corona virus on Indian stock market through the change in performance of NSE and BSE index.

2. OBJECTIVES

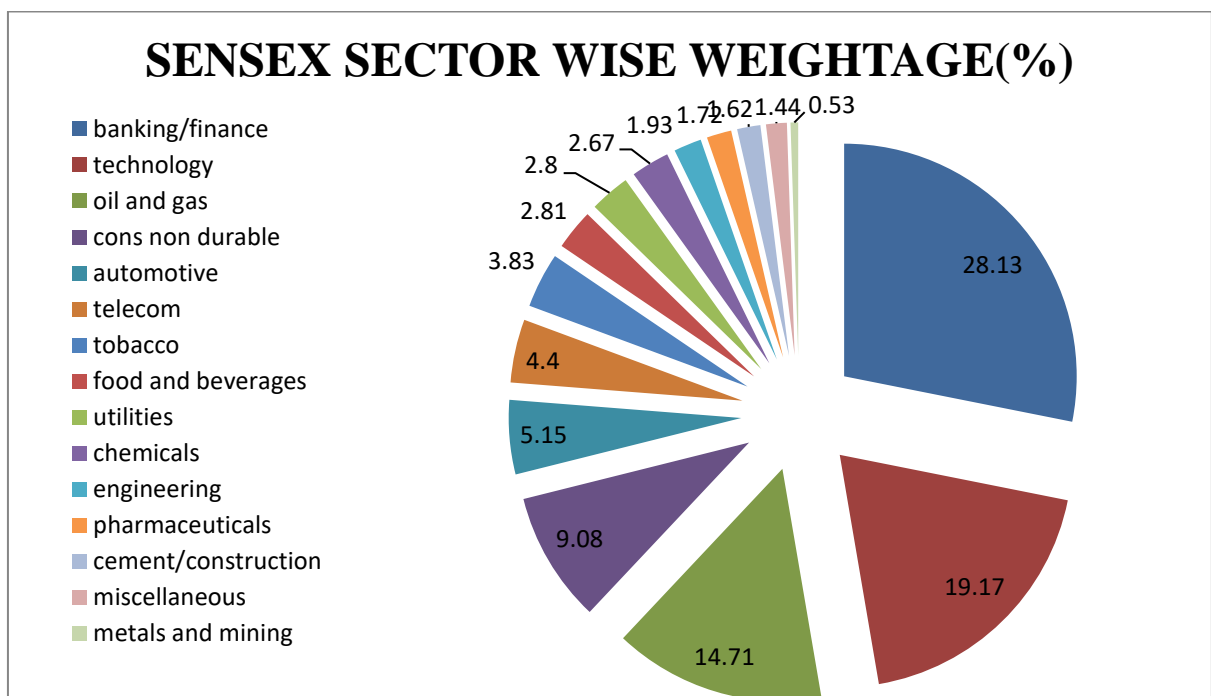
- To examine the current Indian Stock Market situation.
- To describe how Indian Stock Market is affected through corona virus.
- To analyze the impact of corona virus on Indian Stock Market.

3. IMPACT OF THE CORONA VIRUS ON THE INDIAN STOCK MARKET

The Indian stock market has shown negative impact of the recent global pandemic of Corona virus. To study the effect of covid19 on Indian stock market I will take indexes of national stock exchange and Bombay stock exchange i.e. NIFTY 50 and SENSEX respectively. Because Nifty 50 and SENSEX are formed by various companies of 14 & 15 different sectors respectively and carries different weight-age. I will scrutinize certain sectors which hold a major weight-age in these indexes and is affected most from COVID19 till date, which will give you an idea about the impact of COVID19 on overall Indian stock market.



(Source: National Stock Exchange, India)



(Source: Bombay Stock Exchange, India)

FS&IT (NIFTY-53.61/ SENSEX-47.30)

- In NIFTY 50 alone Financial Services and Information Technology contribute 53.61% to the general weight-age (Financial Services – 36.51% and IT – 15.03%). Also, in SENSEX, this division contributes 47.3%.
- Due to corona infection there might be diminished off-take of credits in a slowdown market and cautious consumer standpoint. There are stagnant NIMs (Net Interest Margin) in a low interest rate system and because of lower cross fringe exchange there is fall in revenue of transaction banking. And furthermore the cost income on dissemination of wealth items has also drop, because of unpredictability in the capital market. In IT industry, the extended Lunar New Year events in China have unfairly influenced the pay and advancement of domestic IT associations, functioning out of China. IT associations are vivaciously dependent on labor and can't work as a result of constraint in movement of people rising up out of lockdown and seclude issues. Hence, they can't complete or pass on the present activities organizations in time and are also declining new ventures. Further, the overall customers for Indian IT organizations in China have started probing for other expert organizations in substitute zones, for instance, Malaysia, Vietnam, etc.

CONSUMER GOODS (NIFTY-14.46/ SENSEX-11.89)

Consumer goods Company's weight-age in NIFTY 50 and SENSEX are 14.46% and 11.89% respectively. With quickening mass shutdowns and the alarming chance of a lockdown, customers are clustering at home and limiting every single social contact; demoralizing travel, parties/get-togethers; eating results to a dramatic stop as various states commanding restaurants/bars terminations. The lockdown circumstance has prompted customers stocking vital items at home prompting more demand at first. Further, brisk recuperation for F&B items is normal after this circumstance closes. A few brands may need to shut down for the moment or even have to close the stores, giving a chance to business rebuilding and store arranges redesign. Bolstered by expanding utilization of virtual technologies, internet shopping is probably going to continuously supplant offline shopping, making decentralization basic for the business. Additionally non-contact demand during the pandemic is required to help increase sales at minor stores that can host smaller groups one after another. Conversely, grocery store chains have guaranteed supply of items at standard costs.

OIL AND GAS (NIFTY-12.44/ SENSEX-14.71)

- For transport fuels, there is discernible slow-down driven by a) control in products movement, as auto and mechanical assembling has declined, anyway nourishment and shopper merchandise being fundamental would remain and b) fall in commuter movement, both mass and individual vehicle.
- Demand for turbine fuel will generously decrease as aviation has been painfully affected with global and domestic travel shut.
- LPG being a household and business fuel, its demand is originating from the two sides as individuals are at home/ordering in yet the other more extensive issue here is that LPG is likewise imported (40-half) so that would be affected from production network point of view.
- Natural gas for the most part utilized in urban communities, as PNG and CNG, and fertilizers which is generally imported (>50%) so there is sway from inventory network side anyway internationally costs have fallen.

AUTOMOBILE (NIFTY-4.53%/ SENSEX-5.15)

The shutdown in China has constrained import of various fragments affecting both Indian vehicle creators and auto section industry. However, current degrees of stock give off an impression of being sufficient for the Indian business. If the shutdown in China drives forward, it is depended upon to achieve an 8-10 percent tightening in Indian vehicle manufacturing in 2020. Regardless, for the juvenile Electric Vehicle industry, the impact of corona infection may be increasingly noticeable. Also China is captivating in the battery production network, as it speaks to around seventy five percent of battery manufacturing limits.

TELECOM (NIFTY-3.13%/ SENSEX-4.40)

- Telecom is one of the most fundamental services and sector at the hour of the worldwide pandemic. It has been a key empowering influence in helping governments and organizations in convenient correspondence, tracking and furthermore helping execute telecommute.
- With expanded flexibility of telecommuting as accessible option for a few organizations telecom organizations should equip front end packages; administration and customer acquisition funnel to satisfy need. This chance will helps in lay down of another working model, content utilization and helped business where telecom organizations can assume a vital role.
- The expanded broadband use at home has brought about strain on the system and overabundance of demand by 10%
- However, the telecoms are propping for sharp drop in subscriber increments. Demand for bandwidth is predicted to go up from existing clients.

CONSTRUCTION, CEMENT AND CEMENT PRODUCTS (NIFTY-5.01/ SENSEX-1.62)

- The real estate is one of the biggest employ generators in the nation and has a multiplier impact on around 250 united ventures. The segment is relied upon to add to around 13% to the nation's GDP by 2025 and turn into the third biggest all inclusive at USD 1 trillion by 2030.
- The housing sector is relied upon to see quieted demand with huge decrease in the new launches.
- With conceivable slow-down in the US and European economies, the current interest for commercial real estate may either get diminished or deferred till H2 of the present year.
- Hospitality segment is one of the early few to have confronted the most elevated effect of the pandemic flare-up, with the sector potentially gazing at an enormous monetary and business misfortune.
- Industrial (logistics and warehousing) part is also likely to get affected, however the bounce back for this portion is relied upon to be the most grounded, with organizations hoping to support investment risks in china.

PHARMA (NIFTY-2.72%/ SENSEX- 1.72)

Despite the fact that India is one of the top producers of medicine exporter in the world, the local Pharma industry relies enthusiastically upon import of mass prescriptions (APIs and intermediates that give tranquilizes their supportive worth). India imported around Rs 24,900 crore worth of mass medicine in FY19, speaking to approximately 40 percent of the general local usage. With India's API imports from China averaging pretty much 70 percent of its usage by regard, importers are at the risk of supply unsettling influences and unanticipated worth movement. For some fundamental anti infection agents and antipyretics, dependence on imports from China is almost 100 percent. These APIs require

enormous constraints of maturation boilers, USP of Chinese makers, giving a high ground to Chinese producers. Transport and following of transfers are so far questionable inside China whether interior or outward.

METALS (NIFTY-2.52/ SENSEX- 0.53)

- **Steel** – Construction, infrastructure and automobile sector represent 75 percent of steel utilization in India. The lofty slow-down in these segments is probably going to influence steel demand. Further, demand side issues are probably going to keep steel costs under strain. Interruptions in seaborne cargo may affect accessibility and costs of coking coal (which is mostly imported). Indian steel players with exposure to worldwide markets will be affected more. Small leveraged wipe iron players will likewise be gravely affected.

- **Aluminum and copper** – About 80 percent of the aluminum is devoured by construction, transport and electrical area. The area is probably going to see demand contract due to COVID-19 circumstance. Further, since aluminum costs are connected to worldwide indices, worldwide log jam is probably going to hit organizations' realization and profitability. Effect will be more intense on organizations with higher exposure to the vehicle division. Copper costs have fallen pointedly since January. India imports copper concentrate and the cost for that also has decreased. Be that as it may, exchange rate declining will hardly fix the crude material value advantage. More than 50 percent of copper is devoured by electrical division, which may likewise observe slow-down.

- **Iron Ore** – Iron ore sector in India was already reeled under mining lease expiry in March 2020. Demand slow-down due to COVID-19 circumstance will additionally influence costs and along these lines, profitability of organizations. Out of nowhere, the bid cost cited for the mines in the bartering will seem, by all accounts, to be extensively high

- **Coal** – Coal is an essential input to the power sector and subsequently supply disturbances are possibly going to be insignificant. Supply of coal at notified costs by CIL (Coal India Limited) will restrain any value effect of COVID-19. Nonetheless, demand slow-down by end-use areas, combined with ample inventories, will affect e-auction realization of CIL (~13 percent of volumes). The demand for coal in Q1 of FY21 might be lesser by 20 – 60 MT, contingent upon the span of the lock-down. On the off chance that the fall in cost of coal lingers because of demand correction, it is probably going to affect energy transition internationally. In addition the danger of increased energy costs and employment loss from closure of coal on a COVID-19-drove downturn might be too high a hazard for the political administration around the globe, including in India.

POWER (NIFTY- 2.28/ SENSEX- 1.93)

- Effectively stifled demand (5 year CAGR of 4.9 percent) will diminish further because of shutdown (if continued over longer time) of mechanical and business movement (which add to 50 percent demand).

- Being basic service, power generation is less likely to be affected. Surplus accessibility of power can be utilized to adjust influenced generation. Coal mining disturbance due to COVID-19 may prompt coal shortage in certain plants, influencing territorial power accessibility. Though, lower demand may counterbalance any inventory requirements.

- Around 62 GW thermal, 11 GW RE and transmission projects under construction likely to get deferred with delayed lockdown, subsequently affecting debt servicing and project feasibility.

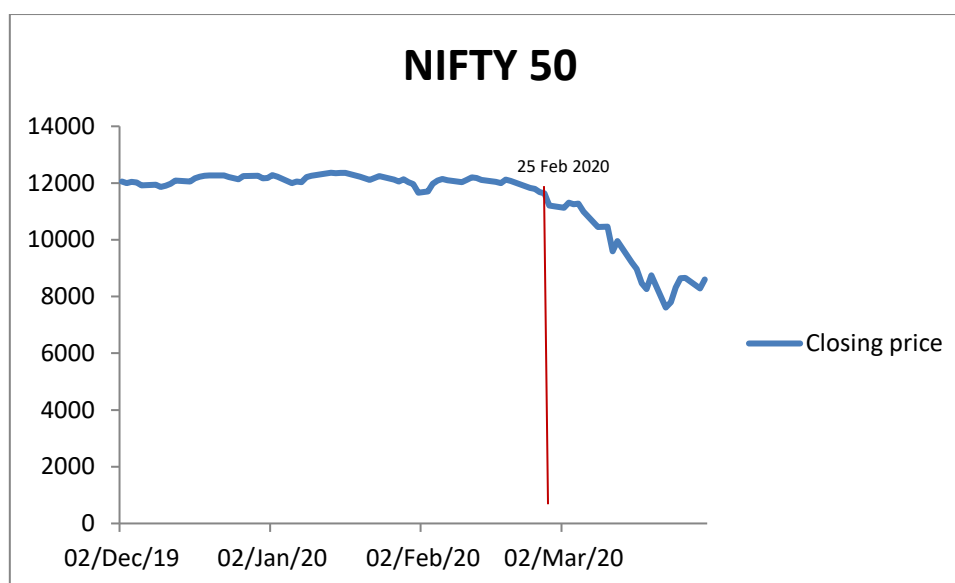
- Collection postponements and defaults likely by consumers (lower section household categories because of wage interruption; and business and industrial defaults because of

business discontinuity) which will squeeze monetarily feeble Discomfort. This will have a falling impact on payment to generators and debt service to FIs.

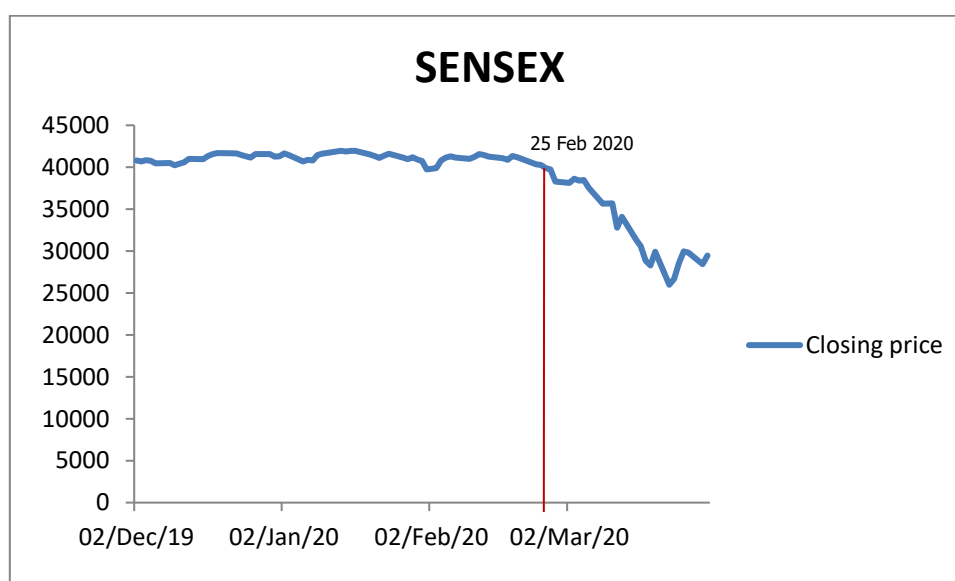
- Tariff update for utilities (due in March) will be conceded, prompting income deficiency (delay in public hearings and so forth.)
- Government spending plans might be challenged because of distraction on COVID-19 bringing about lower subsidy and conceivable postponement in payment of government dues.

PERFORMANCE OF INDICES OF INDIAN STOCK MARKET

As we see can see that every sector is drastically affected by corona virus and to measure the effect of it as a whole on Indian stock market, we will now analyze how indexes responds to it.



(Source: National Stock Exchange, India)



(Source: Bombay Stock Exchange, India)

- From 1st December to till 24th February both the indexes are performing well but right after 25th February both index starts taking a dip. And it becomes worse in next month, as many states imposed lockdown on 14th march and the country was put in a complete lockdown state from 25th March. As of 31st March, NIFTY 50 and SENSEX were at 8597.75 and 29468.49 respectively.

4. CONCLUSION

Indian stock market has been hurt by the corona virus and every sector has been hurt by the corona virus which gradually affected their performance. From 1st December 2019 to 31st march 2020, NIFTY 50 & SENSEX both took a dip of 31.954% and 31.1769% respectively, which is a result of bad performance of most of the sectors in this pandemic. Situations could have been worse but because of the early lockdown, imposed by the Indian Government, saved India from even more worse conditions. The more time it takes to find corona virus medicine, for that much of time, lockdown will have to be increased. And the longer the time period of lockdown, the more time it will take to Indian stock market to get back on track again.

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