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## Corona Virus Impact on Indian Stock Market and Industry during Pandemic: A Case Study

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**Abstract: Case Description:** The primary subject matter of this case was to analyze the impact of novel Corona Virus (COVID'19), the worldwide pandemic on Indian investors with analyzing gains and losses (if any). The case also highlighted its impact on the Indian Stock Market's various sectors and industries for two months (January 23, 2020 to March 23, 2020) and predictive industrial analysis. The discussion included an analysis of NSE and BSE's indices focusing four sectors during lockdown in India, and the Indian government's action during this pandemic situation. The market had been faced a downturn in between these two months; transportations and logistics industries had also been reported as a major decline. Furthermore, the case also included an examination of problems that arise in the Indian stock market like Indian investors' gain or loss, financial strategies for corrective action and opportunities and challenges available for listed companies. The list of assigned questions and suggested solutions will lead students through this pandemic impact on the Indian financial market and will prepare them to make strategic recommendations. This case can be discussed in 90 minutes session and give insight into the stock market movements and industrial changes due to COVID'19.

**Case Synopsis:** The novel Corona Virus (COVID'19) was a worldwide pandemic declared by the World Health Organization (WHO). This was detected by China in its Wuhan city in December 2019. This pandemic has been impacted the whole world very rapidly majorly in China, Italy, USA, Spain, France, Germany and India. As per the collected data, more than 1,929,633 people affected worldwide and 10,981 cases reported in India. The government of India announced curfew and lockdown time to time for the country's prevention. In between these two months, India has faced many intense challenges in different ways such as downfall in the Indian financial market, nationwide lockdown, industrial changes, consumption rate, deaths etc. due to the pandemic. India also faced financial and economical issues due to this investors' investing patterns affected by COVID'19.

**Keywords:** COVID'19, Stock Market, Industry, Investors, Listed Companies, Financial Strategy

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### CASE BODY

#### Academic Level

This case is suitable for a discussion in the classroom, debate, a verbal presentation or a written project about finance analysis. This case is appropriate for the management, economics and commerce students at the level of both graduate and postgraduate. As everyone is affected by COVID'19 directly or indirectly, most of the students will be aware of its impact, especially over the economy. Discussion over this case will be very effective and lively through monitoring the ups and downs in the financial market.

#### Teaching Objectives

The most important teaching objective of this case is to strengthen the students in financial market research method. Focused objectives are as follows:

- To help students in identifying the impact of COVID'19 pandemic on Indian stock market and industry.
- To help students in understanding and analyzing the Indian investors' gain or loss during this period.
- To provide students the opportunity to develop and assess financial strategies to take corrective actions.
- To help students in observing the opportunity and challenges available for the listed companies after this pandemic situation.

#### Teaching Method

**Team:** Students may present the case individually or in a Team of not exceeding 4 persons.

This case can be taught in any of the ways:

**(a) Way 1:** This case may be read and discussed in the class along with the questions to be discussed in the class. Students may be asked to follow the given schedule:

S.N	Activity	Time
1	Reading this case	15 Min
2	Discussion over the suggested answers of given questions in the case	20 Min
3	Analysis through Online Terminals or secondary sources	15 Min
4	Presentation	20 Min
5	Summarizing, review and Q&A	20 Min
	<b>Total Time</b>	<b>90 Min</b>

**(b) Way 2:** The case may be allotted to a team of 4 students a day before for a written report and presentation to the class on the next day. The schedule may be as follows:

S.N	Activity	Time
1	Reading this case (A day before)	Self / in group / at home
2	Discussion over the suggested answers of given questions in the case	
3	Analysis through Online Terminals or secondary sources	
4	Presentation (in class)	20 Min
5	Summarizing, review and Q&A (in class)	20 Min
	<b>Total Time</b>	<b>40 Min</b>

The teacher / instructor are suggested to illustrate / summarize conclusions after the presentations. Marks may also be awarded accordingly.

## INTRODUCTION

The Novel Corona Virus was a global pandemic, detected in the city of Wuhan, China in December 2019. This virus came into existence due to the reaction of animals' experiments, especially on fishes. At the initial stage, it was effected one person of Wuhan city and later on it was spread very rapidly in Wuhan. World Health Organization (WHO) affirmed COVID' 19 a pandemic on March 11, 2020 and have declared it a virus that spreads human to human.

As per the recent data, Corona Virus had affected more than 2,109,074 people worldwide and out of these more than 137,060 had been deceased and approximately 526,747 people had been recovered but the rest of all were under serious condition. This pandemic had made affected more than 200 countries since inception. (COVID-19 World, 2020)

In India, the Corona Virus pandemic was reported on January 30, 2020, in Kerala, which was successfully recovered. Later on, two new cases had been reported in Kerala and then gradually this virus spread very fast. As per the recent data<sup>1</sup>, there had been more than 10,824 active cases that had been reported out of those approximately 420 had been deceased and 1,514 had been successfully recovered and remaining were still under the isolation ward (Government of India, 2020).

This pandemic had impacted the entire world as well; Italy, United States of America, Russia, China, and India were the major affected countries. This global pandemic affected all sectors such as Telecommunication, Education, Finance, Technology, Events and Entertainment, Religious, Sports, Transportations, and others also. Initially, the prime minister of India had announced the one-day curfew on 22<sup>nd</sup> March 2020 and then announced lockdown to the whole country for 21 days. It was a very prudent decision of the Indian government, but it had affected the Indian economy as well. The stock market prices, market value of shares and indices had been affected by this pandemic. The Gross Domestic Product (GDP) growth in 2020 was projected to 2.5% (India's Highlights, 2020) and according to Confederation of Indian Industry (CII), GDP could fall even below 5% in FY 2021, hence prominent strategic actions were required to be taken urgently in financial policy (Biman.Mukherji, 2020).

Indian investors usually invest in risky assets or risk-free assets that were also affected by COVID'19. There were less than 1% of total populations who directly invest in the stock market and the percentage would be 2-

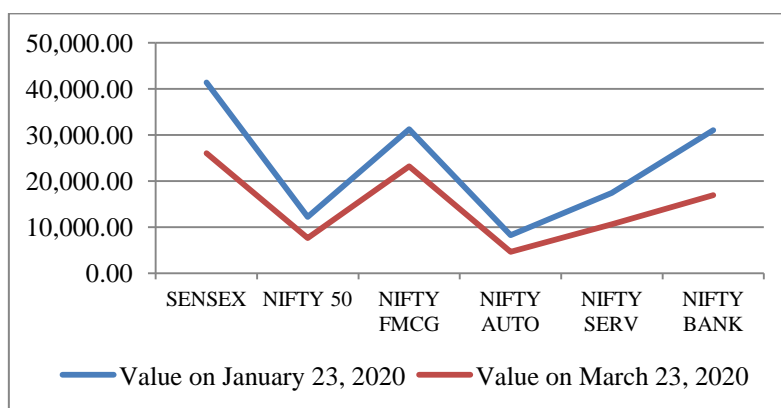
3% if we consider those who indirectly invest in the stock market through mutual funds, LICs and other similar investments available in India.

### Market Movement

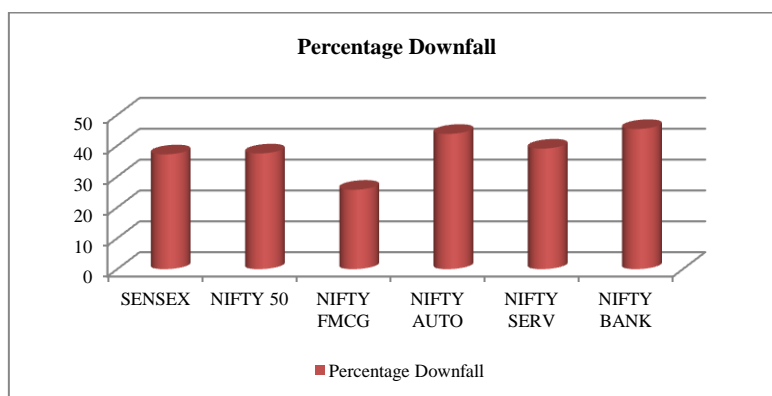
The Indian stock market is generally affected by news, trends, demand, production, government policies and so many reasons. COVID'19 had also affected the stock market and price fluctuation in market indices. In this case, two months (January 23, 2020 to March 23, 2020) of stock market data have been extracted from different resources. For this case, the data of Bombay Stock Exchange (BSE) indices, National Stock Exchange (NSE) indices, fast-moving consumer goods (FMCG) sector, automobile sector, service sector, and banking sector was taken for the discussion purpose. The market value of these sectors has been extracted and shown as below:

**Table: 1 Market Indices Value for two months (January 23, 2020 to March 23, 2020)  
(Values in Rupees)**

Sector/Indices	Value on January 23, 2020	Value on March 23, 2020	Percentage Downfall
SENSEX	41,386.40	25,981.24	37.22
NIFTY 50	12,180.35	7,610.25	37.52
NIFTY FMCG	31,226.90	23,184.05	25.75
NIFTY AUTO	8,241.75	4,626.50	43.86
NIFTY SERV	17,406.60	10,603.50	39.08
NIFTY BANK	31,004.05	16,917.65	45.43



**Fig.1: Market Indices Value for two months (January 23, 2020 to March 23, 2020)**



**Fig.2: Percentage Downfall in two months (January 23, 2020 to March 23, 2020)**

### Bse Sensex

The price of SENSEX had been slashed from Rs. 41,386.40 on January 23, 2020 to Rs. 25,981.24 reported on March 23, 2020. BSE market faced the 37.22 percent downfall only in the duration of two months. It was a huge downfall in the stock market history after the 2007-08 financial crises. Many investors had lost out their money due to this downfall.

### **Nse Nifty 50**

In the case of NSE, the price of NIFTY 50 on January 23, 2020 was Rs. 12,180.35 and the price on March 23, 2020 was Rs. 7,610.25. During these two months, the market had faced huge downfall due to COVID'19. Apart from NIFTY 50 and SENSEX, the specific sectors of NSE had also been affected by this pandemic.

### **Nifty Fmcg**

FMCG sector is very common and very less fluctuating because of its demand and consumption. In the month of January 2020 it had been reported at Rs. 31,226.90 and Rs. 23,184.05 had been reported on March 23, 2020. It had reported 25 to 26 percent decline in the history of the stock market, which was very huge for this sector.

### **Nifty Auto**

COVID' 19 had affected all sectors of the market due to the low demand and consumption. In the month of January 2020 it had been reported at Rs. 8,241.75 whereas on March 23, 2020 it had been reported at the value of Rs. 4,626.50 The automobile sector was continuously declining from July 2019 due to some industrial issues but as the COVID' 19 affected the Indian economy, this sector had been affected with huge fall i.e. approximate 44 percent.

### **Nifty Serv Sector**

The service sector was earlier at the value of approximates Rs. 17,406.60 on January 23, 2020 whereas on March 23, 2020 it had been reported at the value of Rs. 10,603.50. The service sector includes banks, financial services, technical services, education, and other types of service providers. It contributes near about 60 percent to the GDP of India which plays an important role in the growth of the economy as well. However, it has been seen that nearly 39 percent downfall due to the COVID' 19.

### **Nifty Bank**

On March 23, 2020 the closing balance of banking sector was Rs. 31,004.05 and after two months with the impact of COVID'19 the price had been slashed to Rs. 16,917.65 reported on March 23, 2020 had the 45.43 percent decline which was highest decline among other sectors.

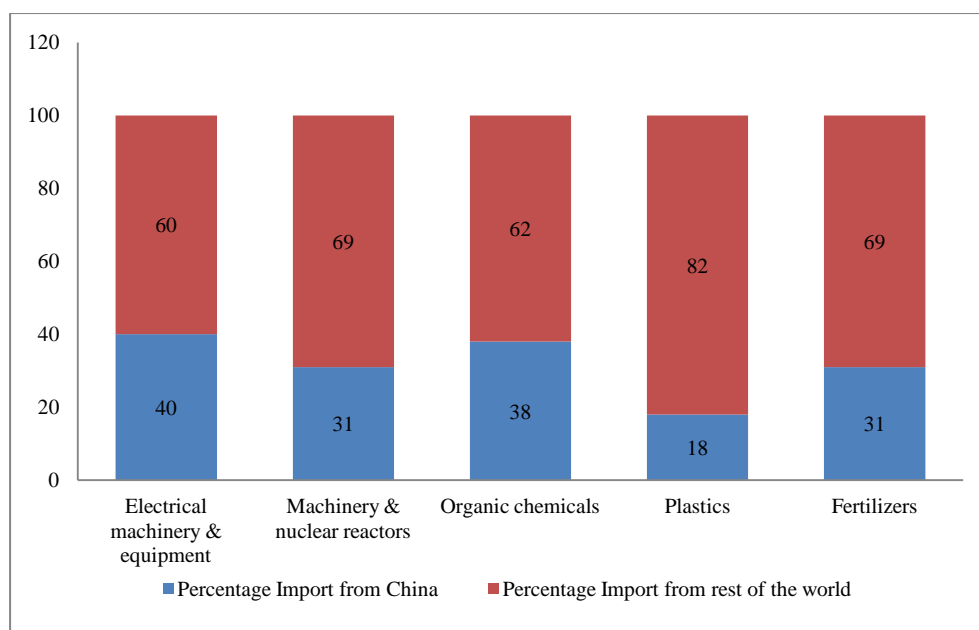
Focusing on the Indian stock market and its relative indexes, it seems nearly about 40 percent downfall in the overall market. As the impact of the Corona Virus increased in the country, the market position deteriorated. It had been seen that in the month of March the prices of all sectors had been declined. It may interpret that the market position was not so good to invest and at that time investors were not investing due to need of their daily essentials and cash savings.

### **Industrial Impact**

The primary sector's contribution to the GDP is 18.57 percent, which includes agriculture, forestry, fishing, and mining; 27.03 percent is of the secondary sector to the GDP, which includes manufacturing, electricity, gas, water supply, and construction; and 54.40 percent is of the tertiary sector to the GDP, which includes various services such as hotels, hospitality, communication, financial services, real estate, and public administration etc. (Sector-wise contribution of GDP of India, 2019)

China is the largest import source for India that is approximate 13 to 14 percent and USA is approximately 6 to 7 percent. India china trade relationship had been one of the strong trade relations in the world. Since COVID' 19 had the highest impact on major countries therefore trade relations between the countries, production capacity and India's consumption rate had also been affected.

The following graph (Fig: 3) shows the percentage of top imported commodities from China and the rest of the world to India for the year 2018-19. It has been shown the five major commodities which had the leading percentage in imported goods from China. Electrical machinery equipments and organic chemicals were the major ones among them.



**Fig. 3. Top Imported Commodities from China**

Source: (KPMG, 2020)

As per the data given in fig: 3, nearly 38 to 40 percent of the electronics and organic chemicals were imported from China which was the leading one. Rest other commodities had 30 percent which include fertilizers and machinery and 18 percent plastics were imported from China. These imports had been declined by the same percentage due to the government banned the transportation from China.

Apart from Chinese imported goods, Indian industries and production plants had also been affected by this pandemic. As the consumer had diversified their income towards the need of daily essential commodities, therefore, luxurious and occasional or seasonal demand had been affected.

**Table: 2 (Industries' Contribution to GDP and its downfall due to COVID 19)**

Industry	Contribution in GDP (Percentage)	Decline (Percentage)
Transportation and Logistics	14	70 to 80
Aviation and Tourism	9.2	25
Consumer Durables, Electronics and Internet Business	10	15
Agriculture, poultry and seafood	15.87	30
Automobile and components	7.1	25
Telecommunication	6.5	No Significant Impact

(Source: (G. Seetharaman, 2020), (KPMG, 2020))

The above table (Table: 2) shows the contribution of various industries to the GDP and their percentage downfall due to the pandemic. Here it may interpreted that huge downfall had been shown in the transportation and logistics industry due to no transportation among countries. The second major downfall had been reported in the poultry and seafood industry. The reason behind this decline was the inception of the pandemic. Rest other industries had also been affected by the COVID'19 either directly or indirectly but Indian market could face the paucity of various resources.

### Lockdown in India

The inflation in India was expected to down to next four months low from March, 2020 especially on food and fuel prices due to a nationwide lockdown for 21 days announced on March 25, 2020 by the prime minister of India (India's inflation likely fell to a four-month low in March: Poll, 2020).

As the positive cases of corona virus were increasing day by day, on April 14, 2020 prime minister of India had announced the 19 days further extension for lockdown in the country.

The unexpected nationwide lockdown had stopped all businesses, transportation, employability, production and daily required working. It had affected the Indian economy almost USD 4.64 billion every day and till the whole lockdown, it was estimated that there could be a loss in GDP of almost USD 98 billion (Nationwide lockdown

to cost Indian economy \$4.64 bn every day: Acuite Ratings, 2020). However, for daily needs and essentials Indian government had given relief to buy those things but only in between the scheduled times although this relaxation had not affected the market position very much.

#### **Government's Actions in Lockdown**

- The ministry of finance and Reserve Bank of India (RBI) had announced the three months ease facility in payments of EMIs for borrowers due to the lockdown from April 2020 to June 2020. (Coronavirus impact | Finance ministry, RBI consider easing NPA classification duration to 180 days: Report, 2020). Many public and private banks had given this facility to the borrowers. These three months loan moratorium period had proven relaxing for those who are unable to earn in this period such as daily wage earners and low salary employed. As people were facing the paucity of money in their bank accounts due to lockdown, there was no earning source that's why they fulfilled their daily needs rather than to new invest
- The government of India had also decided to accept the foreign fund into PM CARES Fund (the Prime Minister's Citizen Assistance and Relief in Emergency Situations Fund) which was designed to confrontation this pandemic situation.

#### **CASE DISCUSSION/ASSIGNED QUESTIONS**

**Question 1:** Considering the COVID'19 pandemic situation, what major impact you can identify on the Indian stock market and industry?

##### **Suggested Answer:**

Almost every sector had been affected by this pandemic situation. Stock market indices value, company's share price, investors' profits, current industrial growth, future industrial growth estimation, GDP rate of India had been affected by the COVID'19. The reasons behind this effect were lockdown in India, consumption rate, fear of disease as of other countries and fear of rapid spread in India.

Considering these reasons, people had diversified their income towards cash investment rather than long term investments or investment in the share market; on the other side industries had also faced the rigor lockdown, there had been no production activity for this reason.

**Question 2:** What kind of Indian Investors were able to generate gain or loss during this pandemic period?

##### **Suggested Answer:**

The Market is neither bad nor good. It depends on the perception and analysis of investors. Some people lose their money that means some others earn. As for now, the stock market prices were decreasing which might be profitable for investors in the future. Those investors having experience about the market movements can reap the benefits like, IRCTC (Indian Railway Catering and Tourism Corporation), listed at twice its offer price of Rs.320. By the end of February 2020, it pointed to almost Rs.2000 but by March 23, 2020 it declined nearly 50 percent.

Therefore, such a company's shares can be a huge profitable boom for the investors for long term investing.

**Question 3:** What strategy would you like to adopt to take corrective actions in the Indian financial market?

##### **Suggested Answer:**

Among equities, investors can adopt a "Barbell Strategy" which means, owing to a mix of high-quality growth stocks at the one end and buy beaten down 'Relative Value' or 'Mean Reversion' plays such as corporate banks, PSU companies, pharmacy companies, and utilities

COVID-19 was a disaster like financial tsunami that had washed up all the stability of the market and was in a continuing stage so it could be a problem for the investors as we don't know for how long this virus will stay and also can't predict where the market will go during this epic period. Therefore, it is good to be a long term investor and not to take it very liberally.

**Question 4:** What opportunities and challenges are available for the listed companies after this pandemic situation?

##### **Suggested Answer:**

COVID'19 had affected the market value of all listed companies due to low demand and production. But after this pandemic situation, companies face various challenges and opportunities also.

##### **Opportunities**

After this rigor lockdown, there are huge opportunities such as for manufacturing firms, to reach at adequate production level; for service sectors' firm, employability ratio; for banking and financial services firm, EMI's payback would be an opportunity to get back the position in the market.

##### **Challenges**

