

Sensex falls 383 pts, NBFC stocks get battered again

Rupee 13 paise lower at 73.61/dollar

ENSECONOMIC BUREAU

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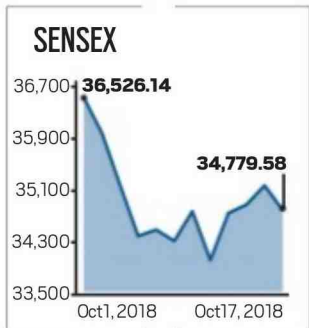
SNAPPING ITS three-day gain, the benchmark Sensex plunged 383 points amid heavy selling in financial, real estate and auto stocks as rising crude prices, liquidity woes and rupee volatility hit the sentiment. The index swung nearly 880 points both ways on alternate bouts of buying and selling during the session even as the rupee surrendered all the gains made during the day and settled 13 paise lower at 73.61 against the US dollar on capital outflows and strengthening of the dollar.

After opening strong at 35,543.38 points, the Sensex advanced to hit a high of 35,605.43 points in early trade on the back of better-than-expected Q2 earnings posted by tech major Infosys on Tuesday. However, emergence of selling by investors across-the-board, mostly of a profit-booking nature, gave up session's gain to hit a low of 34,727.16 in late afternoon trade, before settling 382.90 points, or 1.09 per cent, down at 34,779.58.

The index had risen nearly 1,161 points in the past three sessions on the back of unabated buying by domestic institutional investors (DIIs) and rebound in global equity markets. The broader NSE Nifty also dived by 131.70 points, or 1.24 per cent, to close at 10,453.05. Intra-day, it reclaimed the 10,700-mark to scale a high of 10,710.15 and a low of 10,436.45.

Shares of non-banking financial companies (NBFCs) came under massive selling pressure on Wednesday, plunging up to 13 per cent on liquidity concerns. Shares of Indiabulls Housing Finance plummeted 13.17 per cent, followed by DHFL 12.34 per cent, Mahindra & Mahindra Financial Services 7.74 per cent and Cholamandalam Investment and Finance Company 6.63 per cent on the BSE. Among others, Ujjivan Financial Services declined 6.29 per cent, Shriram Transport Finance Company fell 5.98 per cent and Can Fin Homes dipped 4.56 per cent. NBFCs are facing enormous liquidity crunch in the wake of IL&FS crisis. In the broader market, the BSE Sensex snapped its three-day gains, plunging 383 points.

"The market slid below 10,500 mark as rise in oil price and volatility in the rupee influenced investors to book profit. Global market remain mixed



ahead of the release of FOMC minutes later in the day to get cues about rate hike trajectory," said Vinod Nair, head of research, Geojit Financial Services.

Hemang Jani, head of advisory, Sharekhan, said: "The Nifty 50 index lost more than 130 points with banking and auto stocks declining the most. Post the IL&FS crisis, NBFC stocks have corrected sharply owing to fears of asset liability mismatch and a higher cost of borrowing. On the macro front, concerns continue to remain on higher oil prices, while a widening fiscal deficit and global trade wars also kept markets volatile. Markets will take cues from the ongoing Q2 earnings season and upcoming general elections and will continue to be volatile in the short term."

The BSE realty index emerged as the worst performer, losing 3.17 per cent, followed by auto 3 per cent, infrastructure 2.59 per cent, oil & gas 2.42 per cent, metal 2.04 per cent, PSU 1.97 per cent, bankex 1.81 per cent, capital goods 1.60 per cent, healthcare 1.56 per cent, power 1.25 per cent, consumer durables 1.17 per cent and teck 0.23 per cent. However, FMCG index rose 0.11 per cent. A similar trend was witnessed in the broader markets as investors preferred to take away profits after recent gains pulling down the small-cap index by 2.47 per cent and mid-cap by 2.36 per cent. Stock exchanges will remain closed on Thursday on account of Dussehra.

VK Sharma, Head PCG & Capital Markets Group, HDFC Securities, said, "the rupee gave away morning gains following weaker Chinese yuan and domestic equity market. There was some relief from crude oil which fell half a percent after three days of gain after OPEC's secretary general said the market will remain well-supplied. Liquidity deficit is expected increase to Rs 54,000 crore by end-October from Rs 8,300 crore at end-September, after accounting for the RBI's planned Rs 36,000 crore rupee injection."