

A Study on Impact of COVID - 19 on Stock Market of Top 10 Blue Chip Companies in India

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Abstract

Coronavirus (COVID-19) is a virus originating in China which has adversely impacted the entire world along with the global economy. By mid-March situations began to worsen as the number of cases raised very rapidly along with death rates every single day in India and in many other countries. From 5th March, The Government of various states of India began to announce lockdowns and curfews in order to avoid the spread. This as a result made a huge impact on markets in India. People purchased daily essentials and groceries in bulk to avoid further shortage. But other products such as luxury goods, apparels, automobiles, etc. incurred a downfall in their sales and hence margins went down which also affected profitability and as a result market share was affected.

Stock Market is a place where shares (securities) of all listed companies are traded on a day-to-day basis. It is the most versatile market in nature. Stock Market provides long-term capital to the companies by pooling funds from investors. COVID-19 has created a disastrous impact on the stock market of India. From this research we will study the impact on Top 10 Blue

Chip Companies – Indian Tobacco Company (ITC) Limited, Hindustan Unilever Limited (HUL), Reliance Industries, Tata Consultancy Services (TCS), Oil and Natural Gas Corporation (ONGC), Housing Development Finance Corporation (HDFC), Infosys, Eicher Motors, Sun Pharmaceuticals Industries Limited, and

State Bank of India (SBI).

During recession a blue-chip company is regularly less affected by unfavourable financial conditions. This study emphasis on the effect on share prices of the above mentioned companies that have been affected by COVID-19 pandemic. Stock/Share prices of 10 companies listed in ten different indices on National Stock Exchange (NSE) i.e. Indian Capital Markets have been considered. The data is collected for two quarters i.e. from October 2019 to March 2020.

Keywords: Blue Chip Companies, COVID-19, Equity Share Prices, National Stock Exchange, India.

Introduction

Due to COVID-19 the impact of shutdown is up to 53% of businesses are specified a certain amount in India on operations. There are many businesses like hotels and airlines that are cutting salaries and laying off employees. Within a month from 24 April the unemployment rate had increased up to 19%. In the lockdown there are 140,000,000 Indian lost employment.

In history Indian stock market faced its worst loss on 23 March 2020. 4000 points means 13.15% SENSEX fell and NSE NIFTY fell 1150 points (12.98) % NSE NIFTY fell. However, on 25 March, one day after a complete 21 day lock-down was announced by the Prime Minister, SENSEX posted its biggest gains in 11 years, adding a value

of ₹4.7 lakhs crore (US\$66 billion) core for investors. So in the topic we are doing a research on top` 10 blue chip companies which are - Indian Tobacco Company (ITC) Limited, Hindustan Unilever Limited (HUL), Reliance Industries, Tata Consultancy Services (TCS), Oil and Natural Gas Corporation (ONGC), Housing Development Finance Corporation (HDFC), Infosys, Eicher Motors, Sun Pharmaceuticals Industries Limited, State Bank of India (SBI).

Blue Chip Stocks allude to portions of companies with the huge market capitalization. These companies are generally less delicate to advertise changes contrasted with Mid Cap and Small Cap companies.

The term 'blue chip' originates from the round of poker where the blue betting chips hold the most noteworthy incentive on the table. So also, the Blue Chip companies speak to those companies from every industry that is entrenched, have stable profit and have the most noteworthy market valuation. Companies with huge market capitalization convey reliable rates of return, as a result of their high perseverance during tempestuous market swings. At the point when it's a bullish market, it comes back from value interests in enormous top companies that are superior to companies with low market capitalization.

The study made will help to know the impact of covid-19 on the stock market of blue chip companies.

Objective/Purpose of the study

- To analyze the share prices' behaviour of top 10 blue chip companies.
- To see the impact of COVID – 19 on the stock market of India.

Limitations

- The study is limited to some selected stocks of top 10 blue chip companies.
- The study is conducted for only two quarters i.e. quarter 3 and quarter 4. It's done for a short time span.

Literature Review

S. Mahendra Dev and Rajeswashri Sengupta (2020) – In their research, they conclude that some industries like aviation, tourism and hospitality have faced huge damage because of the COVID-19 outbreak, and even after lockdown, there industries are questionable about the extent to which they will be able to ride out this loss. Also some firms in private corporate sectors which are in their developing stage will struggle to survive as they have to pay rents, salaries, debts, etc. even if their revenues will be falling due to shifts in lifestyle of people and cut back on expenditures.

Many firms will be facing problems in clearing /paying their loans on time due to persistent fall in their revenues.

The equity market has been also hit adversely with new downfalls. "In March 2020, panic selling due to the pandemic shaved off 23% market capitalisation of companies listed on the National Stock Exchange (NSE) within the span of just a single month." The policy maker i.e. the Central and State Government should keep themselves prepared to expand the responses as and when this event unfolds so that impact of shock is minimised on both formal and informal sectors and put forward a way for a V-shaped recovery.

Dayong Zhang (2020) – In his studies, he has explained the significant impact of COVID – 19 on global financial markets. In this research paper, one can also see the volatility in global markets because of the outbreak of COVID-19. This pandemic has had a diverse impact on stock

markets of not only China but almost all individual countries' economies and stock markets. The risk level has increased substantially. There has been a dramatic movement in financial markets of countries from all over the world. The outbreak of pandemic and the economic losses associated with it has resulted in highly volatile and unpredictable markets. It has become necessary to reference policies to face this pandemic and level up the stock markets. Since there is no cooperation between countries, the global financial markets are being hampered.

Dr. S. Gunaseelan and Dr. N. Kesavan (2020) –

The researcher has conducted a study on business and economic recessions in India during the COVID – 19 pandemic. The study analyzes that due to COVID – 19, Indian economy has been negatively affected. But there are few service sectors that are contributing to uplifting our economy. At the same time there are possibilities of more downsides due to the economic recessions in the overall world.

Aqsa Manzoor and Zaira Manzoor (2020) - The study is conducted on 'The COVID-19' outbreak and affected countries' Stock Market Response. In this paper, the impact of COVID-19 on 21 leading stock markets is being studied. The study illustrates that the Asian countries are facing more negative abnormal returns as compared to other countries. Through this research we can also see that the confirmed cases of COVID-19 have an adverse effect on stock indices performances. We should also start thinking about ways to recover such financial losses and issues as soon as possible.

Shivaraju S and Rakesh H M (2014) – have conducted a study on equity share price behaviour

of selected stocks from different sectors like Automobile, Banking, IT, Oil exploration and Refinery, and Telecommunication. In this research they have tried to emphasise the importance of share prices for the expansion of the company and its contribution to the economy. From the study they reveal the daily fluctuations in the stock market and its volatility. The researcher tries to bring to our knowledge the various types of decisions that need to be taken while trading in the stock market. They also try to advise investors to take worthwhile decisions and to hold on the shares even if the market is in downtrends. As this trend will no longer remain the same and will grow in sooner time span.

Research Methodology

For doing the research 'Secondary Data' was used. Data required is collected from the internet i.e. websites and also from few articles. The data is obtained from National Stock Exchange websites.

For studying the impact of COVID – 19 on the stock market, the monthly closing prices of top ten blue chip companies listed on the national stock exchange are taken. The companies selected are as follows – Indian Tobacco Company (ITC) Ltd, Tata Consultancy Services (TCS), Hindustan Unilever Ltd, Reliance Industries, Oil & Natural Gas Corporation (ONGC), Housing Development Finance Corporation (HDFC), Infosys, Eicher Motors, Sun Pharmaceuticals Industries Ltd, and State Bank of India (SBI).

The monthly closing share prices of the above companies are taken for two quarters i.e. from

31st October 2019 to 31st March 2020.

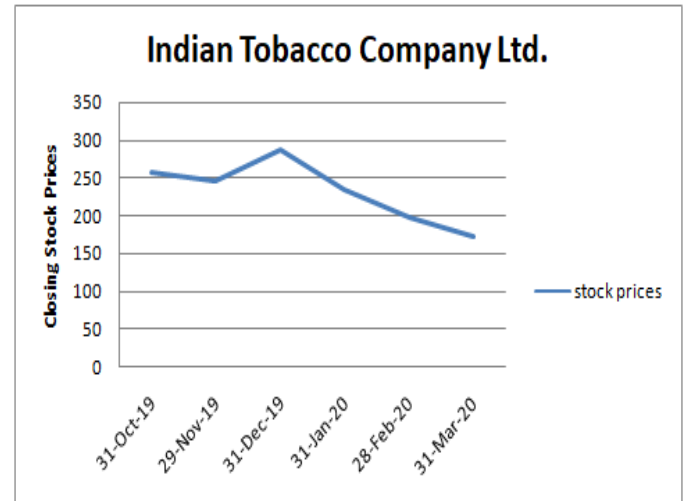
The companies selected are such companies which are nationally recognized and are well – established with sound financial conditions. Their market-capitalization rate is high and they are among the top performers in their respective sectors. In the recessionary periods, these blue-chip companies are less impacted by adverse economic conditions. Hence the sampling used for the study is judgmental sampling which is based on market capitalization rate of a company and its reorganization in the country.

The approach that will be used is ‘Quantitative approach’ where the data is captured in numbers and measured objectively. The sampling unit here will be the National Stock Exchange of India. The sample size is 10 companies.

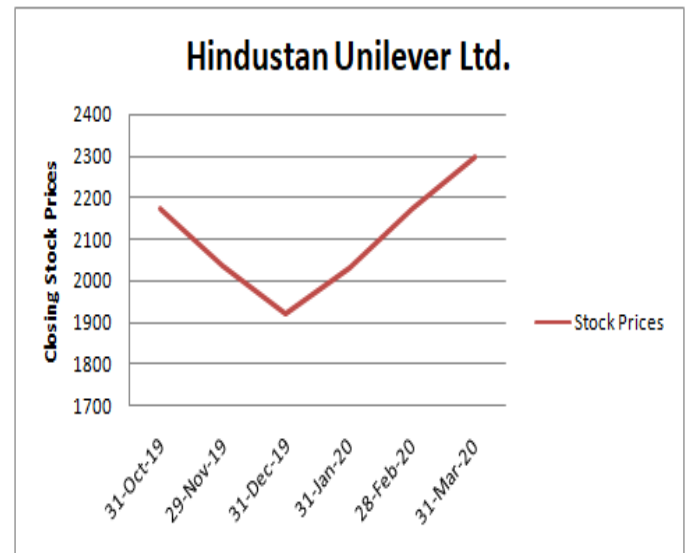
The research is limited only to India. The impact of the pandemic is studied only on Indian Stock Market (NSE).

Data Analysis

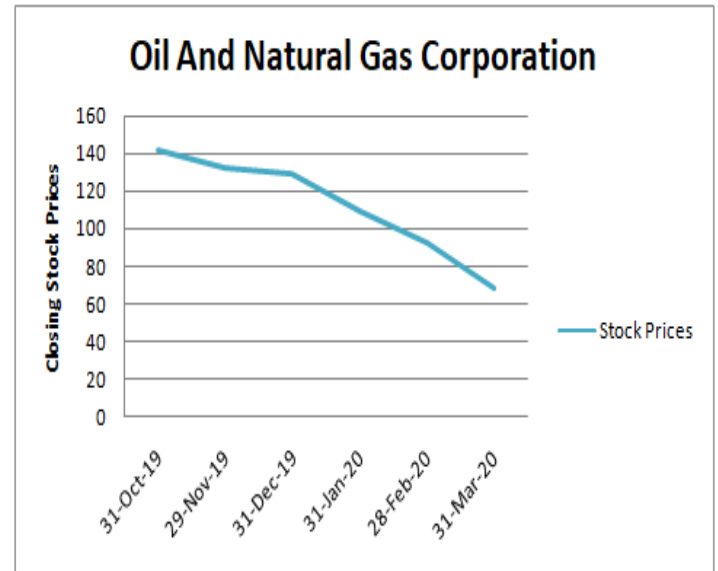
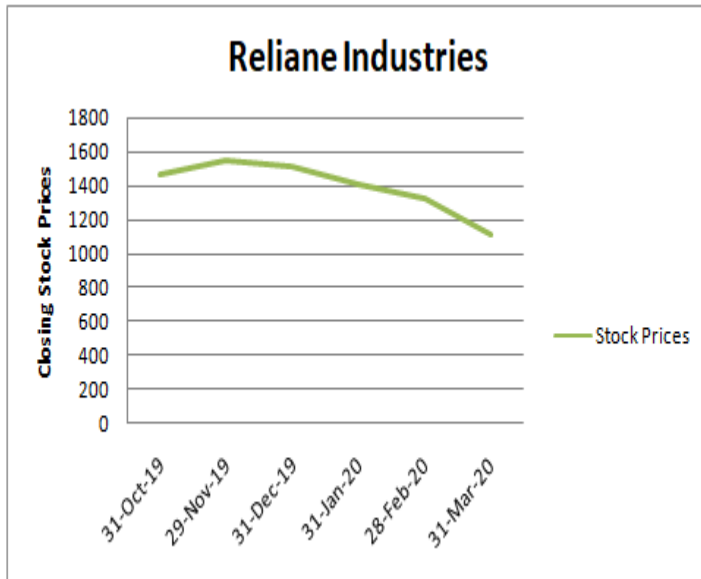
1. Indian Tobacco Company (ITC) Ltd



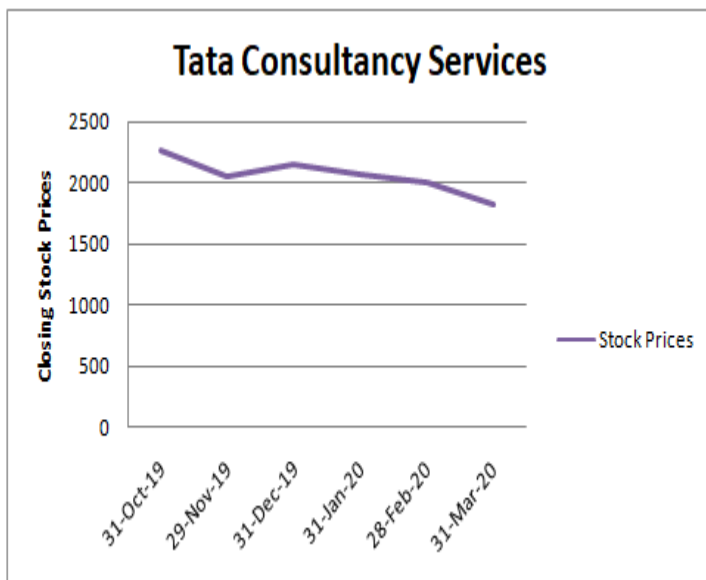
2. Hindustan Unilever Ltd.



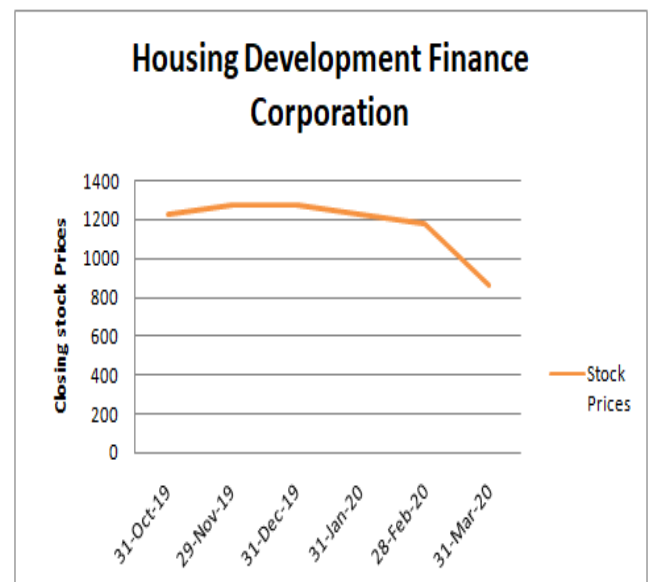
3. Reliance Industries



4.Tata Consultancy Services

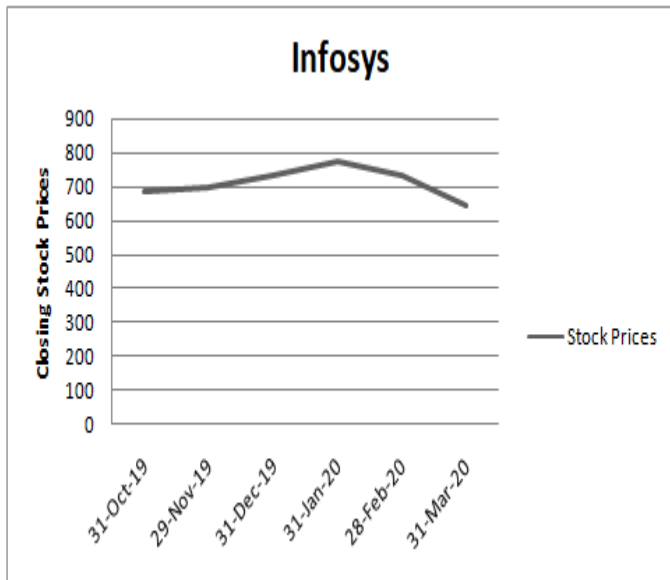


6. Housing Development Finance Corporation (HDFC)

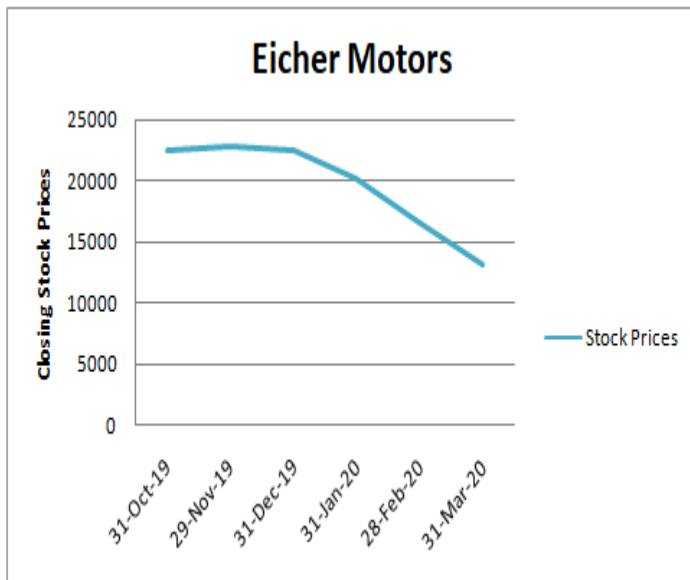


5. Oil and Natural Gas Corporation (ONGC)

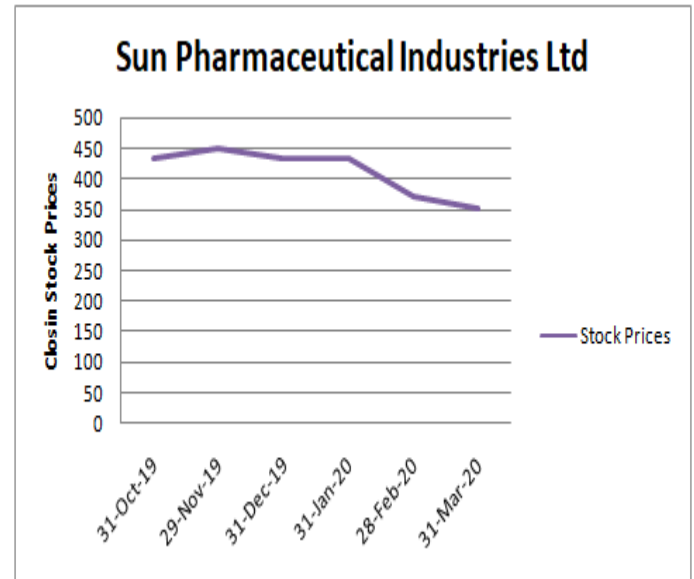
7. Infosys



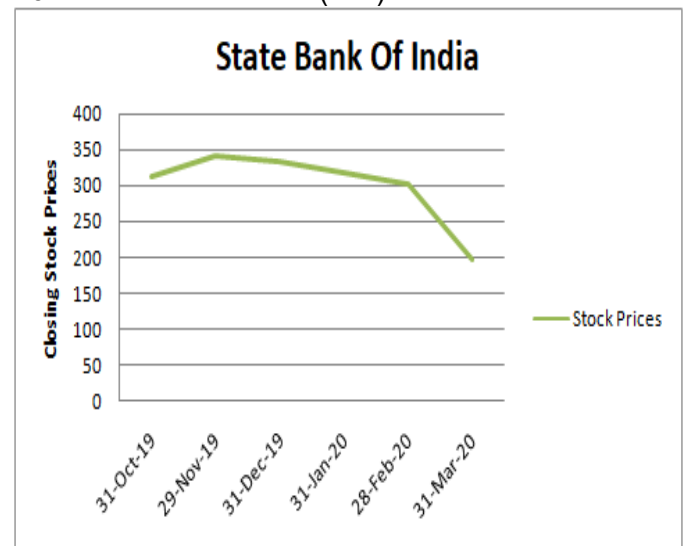
8. Eicher Motors



9. Sun Pharmaceutical Industries Ltd.



10. State Bank of India (SBI)



Findings/Observations

1. Indian Tobacco Company (ITC) is one of the top 10 Blue Chip companies, whose closing stock prices have fallen in the month of March. If we look at fig (1) above we can see that the share prices are constantly falling since November 2019 but at a smaller rate. But if we look at prices after January 2020 we can notice that it has started falling

drastically, which is due to the COVID – 19 pandemic in the overall world. Although the first case of Corona virus was detected in March in India, as the company is listed nationally it was significantly impacted due to the pandemic in the rest of the countries. In March 2020 share prices were lowest for the period. The market capitalization rate came to -33.73%. ITC has cut the prices of Savlon Sanitizers amid COVID – 19 outbreaks. Here according to me i think the most challenging task could be procurement of raw materials for production and hence no smooth functioning of production. Also labour is not available at the moment and factories are not working at their full capacity.

2. Hindustan Unilever is the only company whose share prices seem to be rising from January 2020. This company being a FMCG sector which contributes significantly to our GDP and is the fourth largest sector is not as badly hit as other sectors. The essentials items are hit to a lower extent hence the company is still in a better and growing stage as compared to other competitors. The closing share prices have been the highest in March 2020 as compared to previous quarter prices (refer to fig (2)). The change in market capitalization rate is 15.56%. The company has also reduced sanitizer prices by almost 65%.

3. Reliance Industries share prices seem to be falling since December 2019. The share prices have fallen drastically in March 2020. The reason for this can be due to non performance of Reliance's oil business. As we know since March the entire country is facing lockdown which ultimately affects transportation and hence oil businesses. But other segments like retail and telecom segment (Jio) helped Reliance Industries to get out of this situation. The profitability had gone down. The change in market capitalization rate is -16.7%.

4. Tata Consultancy Services (TCS) is a company providing IT services, business solutions and consulting. Again this company faced a downfall in the share prices for quarter 4. The closing share prices have gone down to 1826.10 in March 2020. The prices have been lowest in March as compared from October 2019 to March 2020. The company is facing decline in productivity due to the employees working from home and no revenue from foreign countries. The change in market capitalization rate is -3.1%. The pandemic has reversed the positive movement in the first half of the quarter of the company.

5. Oil and Natural Gas Corporation (ONGC) has been affected adversely due to the outbreak of COVID – 19. The production is hampered as the factories are refusing to take supplies. The gas sales have also gone down. This difference may be due to the internal consumption. Gas is used for power generation and reinjection in the wells. Hence there is a gap between production and sales. The change in market capitalization rate is 0.37%. The closing share prices are falling continuously since January 2020.

6. Housing Development Finance Corporation (HDFC) closing share prices have also been impacted. Even though the share prices are falling the net profit has risen by 18% in quarter 4 on year on year basis. There was no disappointment on loan growth, margins and asset quality. Its deposit franchisee continues to strengthen. Their deposits have increased by Rs. 80,000 crore in Q4. The change in market capitalization rate is -1.77%.

7. Infosys Ltd. is comparatively less affected due to the COVID – 19 outbreak. The share prices had gone up in January 2020 but in February they slashed. As Infosys is an IT company, their maximum revenue is generated from American and European countries. Corona virus has also affected

these countries' economy, due to which impact can be directly seen on Infosys and such other IT companies. This leads to a fall in revenue and profitability of the company. This will lead to a high pressure on IT companies even in the financial year 2020-2021. The closing share prices of Infosys for March 2020 are 641.50. The change in market capitalization rate is -3.14%.

8. Eicher Motor is an automobile company which has also been affected negatively due to the amid Coronavirus outbreak. The demands of this sector have been impacted to a huge extent due to lockdown. The cost is increasing due to the announcement of BS VI norms. These automobile companies cannot immediately pass on this cost to their customers which will affect their margins as well as volume. Eicher Motors's most popular product which is Royal Enfield had suspended all production activities till March 31. As the two-wheelers of Eicher Motors are premium products their demands are hugely impacted for the current period and might also be the same for next 4 to 6 months due to premium prices. The demand for most luxury products will tend to be low for the next 6 to 8 months as people are facing unemployment which is leading to income/salary issues and also economic activities are stagnant. The main problem for this sector is procurement of raw materials which generally come from Germany and Germany is one of the hubs for automobiles. Also it is one of countries which is pretty badly hit by COVID – 19 pandemic .The closing share prices of Eicher Motors have been highest in November 2019 and lowest in March 2020. The change in market capitalization rate is -3.41%.

9. Sun Pharmaceuticals Industries Ltd. is a pharma sector company. The demand of these products has been raised as people have started hoarding sanitizers and other necessary medicines and drugs.

Even though demand was high, production might not be able to meet the demand. India is one of the major exporters of generic medicines. Hence the demand is not only from the domestic market but also from abroad. Here the other problem which affects production is procurement of raw materials of which 70% comes from China, which disrupts the supply chain. Even though India found substitutes for raw materials that were imported from China, some governmental authorities did try to ban certain exports. The reason behind this was that we wanted to ensure that there is no shortage in our own country. Hence we can see that there is no major fall in the share prices of Sun Pharmaceuticals Industries Ltd. The highest closing price was 460.55 whereas the lowest closing price was 328.25. The change in market capitalization rate was 1.70%.

10.State Bank of India is a public sector bank which has a wide geographic reach and more than 24000 branches and has presence in more than 35 countries of the world. They are inefficient to use the capital as the return on capital employed is decreasing year by year. SBI has huge exposure to airlines and telecom sectors. Hence as and when companies in these sectors go down it creates problems for SBI. Also SBI is a major shareholder in a company which had just debuted on the bourses BSE and NSE which was SBI Cards. SBI Cards IPO which was expected to be a great success but unfortunately because of current economic situations it got listed at price below its issue price i.e. 20% discount on its issue price. This had an impact on financials on SBI as well. Therefore, we can observe a downfall in share prices of SBI from December 2019. The change in market capitalization rate is -3.72%.

Conclusion

Due to covid-19 blue chip companies stock market are affected badly not only Blue Chip Company but also the whole Indian economy has been affected negatively. This research is conducted to see the impact on the stock market of top 10 blue chip companies due to covid-19. Companies are suffering from financial losses. This study emphasis on the effect on share prices of the above mentioned companies that have been affected by COVID-19 pandemic. By which company revenue and profitability are declining. Here in this research we have seen that the ups and downs of share prices of top 10 blue chip companies. As we have seen before the covid-19 companies share prices are in a good position, since January most of the companies share prices started declining. There is more possibility of losses and it is going to be very difficult to recover the losses.

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