

Friday's relief rally after Adani shock leaves investors richer by ₹7.27 trillion

Ram Sahgal, Dipti Sharma | 22 Nov 2024



Adani Enterprises and Adani Ports gained 2% each on Friday, although Adani Green Energy, the company at the centre of the US bribery allegations against the Adani group, ended the day 8.2% lower. (Pixabay)

Mumbai: Indian markets were quick to recover from the shock of the Adani group bribery charges, surging to a nearly six-month high and snapping off a two-week slump on Friday. Investors turned wealthier by ₹7.27 trillion in Friday's relief rally.

The recovery was marked largely by short covering and some buying in large-cap stocks in sectors like oil and gas, banks, information technology, and fast-moving consumer goods, ahead of the Maharashtra election outcome on Saturday. Analysts said an extended bout of short covering could propel the indices higher.

Adani group stocks fared better than on Thursday, when the ports-to-renewables conglomerate lost ₹2.24 trillion in market cap after US prosecutors indicted chairman Gautam Adani and other executives in an alleged \$250 million bribery scheme. On Friday, Adani group companies saw a relatively lower market cap erosion of ₹10,365 crore.

The Adani group has termed the allegations as “baseless”.

The Nifty 50 gained 2.39% or 557 points to end Friday's trading at 23,907.25, while the Sensex rose 2.5% to settle at 79,117.11.

Stocks that drove the relief rally included Reliance Industries, Infosys, ICICI Bank, ITC, and Tata Consultancy Services, which contributed to over two-fifths of the Nifty's gains.



Sunil Singhania, founder of asset management firm Abakus, however, said sectors that appear promising may not perform well in the short term, and vice-versa.

“For example, despite strong fundamentals, the banking sector has underperformed, though we remain optimistic about it. On the other hand, while the IT sector results have been underwhelming, the sector has performed exceptionally well, where we maintain equal-weight,” he said.

The Adani heavyweights

Index constituents Adani Enterprises and Adani Ports settled 2% higher at ₹2,229.16 and ₹1,137.5 per share on Friday, Adani Green Energy, the company at the centre of the US allegations, ended the day 8.2% lower at ₹1,052.4 per share.

Bonds of Adani Ports maturing on 4 August 2027 were trading higher by 11 cents at \$92.16, and those of Adani Green Energy UP were up 24 cents at \$86.4.

The market short covering on Friday was underscored by relatively lower provisional buying of ₹1,722.15 crore by domestic institutional investors. Foreign institutional investors continued to sell, offloading ₹1,278.37 crore worth of shares. Alongside the insignificant net buy figure between the institutional investors, Nifty active futures contract shed 6.09% in open interest (outstanding trader positions) as the market recovered.

A decline in open interest accompanied by a price rise indicates short covering.

“The short covering comes a day ahead of the state (Maharashtra) poll results, suggesting that those covering their shorts probably didn’t want to be caught on the wrong foot,” said Andrew Holland, chief executive of Avendus Capital Public Markets Alternate Strategies.

However, amid Friday’s rebound that followed a nearly 10% decline from September’s record high for the benchmark indices, market mavens expect a selective bottom-fishing in key stocks.

“We have been of the view for the past few months that a correction was due. But I am positive on a one-to-two-year basis,” said Devina Mehra, founder of investment firm First Global. “But you have to be careful on the frothy areas of the market because in any correction there are those stocks which never come back to their highs.”

Asked about buying the dip, Mehra said that following the current correction, investors could consider buying but on a calibrated basis, “selecting stocks and sectors very carefully”.

Ace investor Vijay Kedia said on the sidelines of the Mint Money Festival event in Mumbai on Friday that the market remained in uncertain territory and could take another 3-4 months to recover.