

February 23, 2018

Market View

Can PNB event derail Nifty and Sensex?

Punjab National Bank (PNB) event has definitely raised debate across the spectrum about various aspects of corporate governance, health of PSU banks, regulatory approach, etc. While that debate will persist for a while, we tried to look at numerical impact of PNB event on Nifty and Sensex.

If one looks at Nifty and Sensex composition, at present SBI is the only PSU bank in these indices. That too, the weightage of SBI in Sensex is just at 2.9% and in Nifty at 2.3%. This reflects how small PSU banking representation on Nifty and Sensex performance is.

While one cannot rule out the “*sentiment*” impact of PNB event on Sensex and Nifty, going purely by the “*numerical argument*”, the adverse impact on Sensex and Nifty is quite limited with PNB event. Hence, with sour sentiment of PNB event if markets correct further, we feel BUYING should be the approach than SELLING, in quality stocks.

Centrum Wealth Research

Exhibit 1: Sensex Composition

Co Name	Free Float Mkt Cap (₹ Crore)	% Weight
HDFC Bank	3,55,055	10.3%
ITC	3,25,436	9.4%
Reliance Industries	3,10,027	9.0%
HDFC	2,94,724	8.5%
Infosys	2,19,670	6.4%
ICICI Bank	2,04,342	5.9%
L&T	1,80,468	5.2%
TCS	1,51,793	4.4%
Kotak Mahindra	1,41,338	4.1%
Maruti	1,15,636	3.3%
SBI	98,486	2.9%
HUL	94,328	2.7%
Axis Bank	88,306	2.6%
IndusInd Bank	80,101	2.3%
ONGC	76,404	2.2%
M&M	68,286	2.0%
Tata Motors	66,737	1.9%
Sun Pharma	58,565	1.7%
Yes Bank	57,669	1.7%
Bharti Airtel	55,054	1.6%
NTPC	50,665	1.5%
Tata Steel	50,210	1.5%
Asian Paints	49,890	1.4%
Hero Moto	45,105	1.3%
Bajaj auto	44,211	1.3%
Power Grid	43,586	1.3%
Coal India	40,182	1.2%
Wipro	34,461	1.0%
Adani Ports	28,000	0.8%
Dr Reddys Labs	25,959	0.8%
Total	34,54,694	

Source: BSE, Centrum Wealth Research

Exhibit 2: Nifty Composition (w.e.f. 2 Apr'18)

Co Name	Free Float Mkt Cap (₹ Crore)	% Weight
HDFC Bank	3,55,055	8.4%
ITC	3,25,436	7.7%
Reliance Industries	3,10,027	7.3%
HDFC	2,94,724	6.9%
Infosys	2,19,670	5.2%
ICICI Bank	2,04,342	4.8%
L&T	1,80,468	4.3%
TCS	1,51,793	3.6%
Kotak Mahindra	1,41,338	3.3%
Maruti	1,15,636	2.7%
SBI	98,486	2.3%
HUL	94,328	2.2%
Axis Bank	88,306	2.1%
IndusInd Bank	80,101	1.9%
ONGC	76,404	1.8%
IOC	76,182	1.8%
M&M	68,286	1.6%
Tata Motors	66,737	1.6%
Vedanta	60,312	1.4%
Sun Pharma	58,565	1.4%
Yes Bank	57,669	1.4%
Bharti Airtel	55,054	1.3%
HCL Tech	53,357	1.3%
Hindalco	53,071	1.3%
NTPC	50,665	1.2%
Tata Steel	50,210	1.2%
Asian Paints	49,890	1.2%
Hero Moto	45,105	1.1%
Bajaj auto	44,211	1.0%
Grasim	43,621	1.0%
Power Grid	43,586	1.0%
Ultratech	42,841	1.0%
BPCL	42,733	1.0%
Indiabulls Housing	40,743	1.0%
Coal India	40,182	0.9%
Tech Mahindra	37,739	0.9%
Eicher Motors	36,113	0.9%
Gail	36,107	0.9%
Titan	34,791	0.8%
Wipro	34,461	0.8%
Bajaj Finance	33,485	0.8%
Bajaj FinServ	33,383	0.8%
Zee Entertainment	31,022	0.7%
Cipla	30,125	0.7%
HPCL	28,568	0.7%
Bharti Infratel	28,247	0.7%
Adani Ports	28,000	0.7%
Dr Reddys Labs	25,959	0.6%
UPL	25,012	0.6%
Lupin	19,493	0.5%
Total	42,41,639	

Source: NSE, Centrum Wealth Research

Appendix

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Kavita Ravichandran
 (022) 4215 9842; Email ID: compliance@centrum.co.in

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REGD. OFFICE Address Bombay Mutual Bldg., 2nd Floor, Dr. D.N. Road, Fort, Mumbai - 400 001	Corporate Office & Correspondence Address Centrum House 6th Floor, CST Road, Near Vidya Nagari Marg, Kalina, Santacruz (E) Mumbai 400 098. Tel: (022) 4215 9000 Fax: +91 22 4215 9344
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