On November 8th, 2016, Government of India announced its decision to discontinue the legal tender status of Rs 500 and Rs 1000 notes. The primary objectives to discontinue were eliminating fake currency notes, inflicting losses out of black money and disrupting terror activities. Later, it tacked on: turning India into a less cash economy and enabling growth in bank credit. The barometers of Indian stock markets BSE SENSEX and NIFTY dropped down by 300 and 90 points respectively the next day of the announcement. The Nifty Realty and BSE Realty index gapped down after the day of the demonetization by 11% & 8% respectively. The Nifty Bank and BSE Bankex Index dropped by 5.3% and 5 % respectively. This paper attempts to measure the impact of demonetization on several stock sectors. Among the 19 sector indices of the Bombay Stock Exchange, 14 were selected for analysis. The study reveals that the sector returns and volatility prior and post demonetization do not have high fluctuations. Though some of the indices dropped the next day, they recovered