

Market Trends

STOCK INDICES	% CHANGE
Nifty 50	10794.95 <b>0.25</b>
Sensex	36009.84 <b>0.27</b>
MSCI India	819.5 <b>0.33</b>
MSCI EM	2245.44 <b>0.38</b>
MSCI BRIC	579.73 <b>0.10</b>
MSCI World	8086.62 <b>0.08</b>
SX 40	21169.21 <b>0.23</b>
Nikkei	20359.7 <b>0.97</b>
Hang Seng	26667.27 <b>0.55</b>
Strait Times	3198.65 <b>0.48</b>

OIL (\$)	BOND
DUBAI CRUDE	10-YR YIELD
61.18	7.59
1.82	0.00

GOLD RATE	US	India
OPEN	1287.6	1409.66
LAST*	1292.4	1411.51

\*At 10.30pm. After adjusting for import duty, Indian spot gold lower by \$ 10.13 to US Comex gold price on Friday. The premium on local gold is due to tight supply following import curbs.

FOREX RATE (₹/\$ Exchange Rate)	OPEN	LAST*
	70.41	70.50

Market on Twitter @ETMarkets

SHORT TAKES

Forex Reserves rise by \$268 M to touch \$369 B

**MUMBAI:** The country's foreign exchange reserves increased by \$268 million to \$396.084 billion in the week to January 4, mainly due to \$113 million rise in foreign currency asset, RBI data showed. Expressed in US dollars, foreign currency assets include the effect of appreciation or depreciation of non-US currencies such as the euro, pound and yen held in the reserves. The reserves had touched a record high of \$426.028 billion in the week to April 13, 2018.

RBI Imposes ₹3-crore Penalty on Citibank

**MUMBAI:** The Reserve Bank of India has imposed penalty of ₹3 crore on US-based Citibank's Indian operation for deficiencies in compliance with the RBI instructions on 'Fit and Proper' criteria for directors of the bank. However, this action is based on deficiencies in regulatory compliance and is not intended to pronounce upon the validity of any transaction or agreement entered by the bank with its customers, the central bank said.

Appoint ex-SC Judge for IL&FS Asset Sales: NCLAT

**NEW DELHI:** The National Company Law Appellate Tribunal (NCLAT) Friday suggested that all further proceedings for transfer of assets of crisis-hit Infrastructure Leasing and Financial Services Ltd (IL&FS) should take place under the supervision of a retired Supreme Court judge. "As it appears that a process required to be followed, similar to corporate insolvency resolution process, for the purpose of proper resolution of IL&FS and its subsidiaries," said a two judge bench headed by Justice S J Mukhopadhyaya.

Zydus Wellness to Raise up to ₹1,500 cr

**NEW DELHI:** FMCG firm Zydus Wellness plans to raise up to ₹1,500 crore through issuance of non-convertible debentures on a private placement basis. The company said it will raise funds in three tranches. "The fund raising committee...approved the specific terms of the issue of rated, secured, listed, redeemable, non-convertible debentures (NCDs) each having a face value of ₹10 lakh of the aggregate nominal value up to ₹1,500 crore," the company said.

UNIVERSAL BASIC INCOME

India Needs Better Resource Mobilisation: ADB India

**Our Bureau**  
**New Delhi:** India has the platform with Aadhaar and bank accounts in place for a universal basic income, but it needs to be reviewed how efficiently it can be done while mobilising resources and concomitant rationalisation of subsidies, Asian Development Bank country director for India Kenichi Yokoyama has said. Yokoyama said farm loan waivers are against the principles of economics and cannot effectively address agrarian distress. "ADB advocates direct cash transfers to beneficiaries as it cuts down leakages," Yokoyama said, adding that analysis has to be done how the universal income scheme can be launched most efficiently by reducing any inefficiency in the system. There are alternatives being implemented in Telangana and Odisha, he said. "There is a need to address the agriculture sector distress. But economic principle-wise, loan waiver is not an effective mean to address farm distress," he said. Amid the recent spate of farm loan waivers in various states, Reserve Bank of India (RBI) Governor Shakti

Infosys will Find it Difficult to Beat TCS in Growth This Year

UPWARD REVISION in CC revenue guidance for FY19 to 8.5-9% may cheer investors

Earnings Review

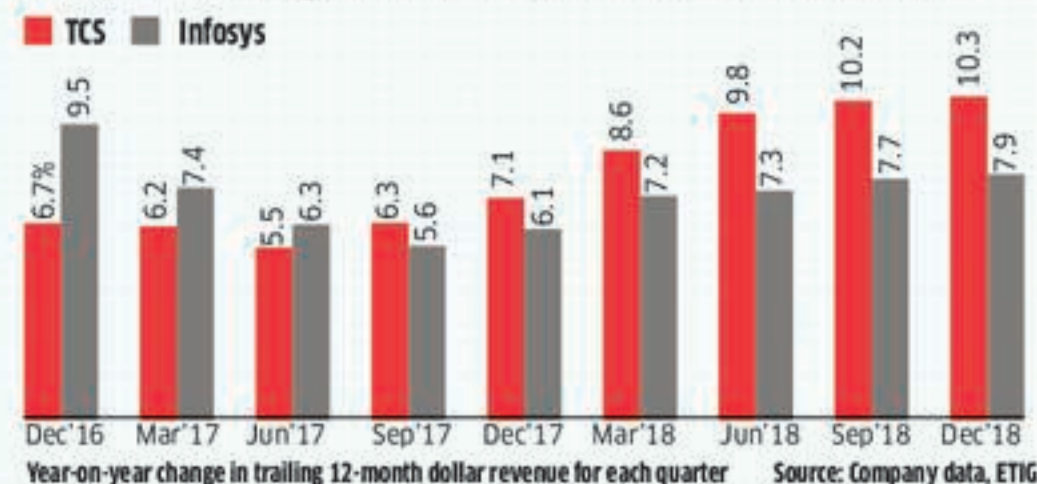
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**ET Intelligence Group:** Infosys showed stronger momentum in the dollar-denominated revenue than larger peer Tata Consultancy Services (TCS) for the December quarter in reported as well as constant currency (CC) terms.

The operating margin though fell significantly by 110 basis points to 22.6% following the adjustments pertaining to the fair values of Panaya and Skava, the two divisions that Infosys is in the process of selling.

Despite better sales traction, investors waiting for the company to report a better top-line growth in the current fiscal than TCS may have to wait. Given the slower growth in the previous quarters when compared with TCS, Infosys would find it difficult to overtake the

Improving Revenue Momentum



FUTURE BRIGHT

In the short-term, IT stocks may show greater volatility following the turbulent currency markets. The long-term trend however looks promising

latter in growth momentum for FY19. TCS may therefore post a better full-year revenue growth for the third consecutive fiscal in terms of reported currency rates.

While Infy's upward revision in the CC revenue guidance for FY19 to 8.5-9% growth from the earlier estimate of 6-8% growth may cheer investors, it was only a matter of time given the gradually rising year-on-year growth in revenue since the June 2018 quarter. The announcement of buyback at ₹800 per share and a special dividend of ₹4 for each share shows the company's commitment towards meeting its capital allocation guidance.

A continued traction in the digital revenue reported by TCS and Infosys augurs well since it

reflects the readiness of the country's top tier software exporters to adapt quickly to changing client needs. Both TCS and Infosys now earn nearly one-third of the revenue from the digital services.

In the short-term, IT stocks may show greater volatility following the turbulent currency markets. The long-term trend however looks promising.

CLSA CUTS MARGIN ESTIMATES BY 60-70 BPS Brokerages Slash Target Price of TCS by up to 16%

Several brokerages cut target price on Tata Consultancy Services by as much as 16% as the software major's margins disappointed investors.

The brokerages cut the target price by 0.5-16%. TCS' operating margin fell 90 basis points from the previous quarter to 25.6% in the quarter ended December. Shares of TCS fell 2.4% to ₹1,841.95 on Friday as a result, ending the day near its intraday low.

"Sharp margin contraction by 90 bps qoq (quarter-on-quarter) disappointed, largely due to higher subcontracting charges. Fewer

mega-deals than in the year prior, combined with signs of macro slowdown in the US, can lead to slower growth in FY2020," said Kotak Institutional Equities, retaining 'reduce' rating due to stretched valuations.

The brokerage has cut earnings per share estimate for FY19-FY21 period by 2-3% and trimmed margin assumptions by 70 basis points to 90 bps.

CLSA has cut margin estimates by 60-70 bps to reflect the growth-margin trade off.

Brokerages also believe that the premium that TCS trades at is substantial and there are

Brokerage	Rating		Target Price		Chg (%)
	Before result	After result	Before result (₹)	After result (₹)	
BNP Paribas	Buy	Buy	2,150	2,140	-0.47
Citi	Sell	Sell	1,795	1,785	-0.56
CLSA	Buy	Buy	2,500	2,460	-1.60
Credit Suisse	Neutral	Neutral	1,775	1,775	0.00
Emkay	Accumulate	Accumulate	2,100	2,100	0.00
Investec	Hold	Hold	2,290	1,930	-15.72
Jefferies	Buy	Buy	2,300	2,230	-3.04
Kotak Institutional Equities	Reduce	Reduce	1,950	1,825	-6.41
Nomura	Reduce	Reduce	1,840	1,780	-3.26

Source: Brokerage reports



risks related to macro and currency factors.

The steepest cut in target price came from Investec, which slashed the target price by nearly 16% and trimmed EPS estimates for FY20 and FY21 by 3.3-3.5%.

While cutting target price by 3% on TCS, Jefferies has maintained buy rating on the stock as it believes that the company is best placed to deliver double-digit revenue growth over FY19-FY21 among tier-1 IT companies.

CLSA believes that good deal-wins, expansion in scope, solid execution and strong commentary suggest TCS is likely to retain growth leadership into FY21. "We expect it to fully exploit strong demand and gain share from its unique position," said CLSA, retaining its buy recommendation.

- Sanam Mirchandani

Jet-Lenders Meet Fails to Sort Out Repayment Details

Airline, a borrower from a group of 26 bankers, owes

Our Bureau

**Mumbai:** Discussions between the debt-laden Jet Airways and lenders to the struggling carrier, led by the State Bank of India (SBI), are still inconclusive as bankers seek to recover dues that missed the repayment deadline in December.

Banks have classified Jet Airways in the SMA-0 category, which includes loans in default between 1 and 30 days, after the airline failed to pay its dues for the month of December.

"The loan is still in the operating portfolio. We have not moved it to stressed loans," said a senior executive at a large public sector bank. "We are in constant touch with the company and many rounds of meetings have taken place, but no concrete proposal is on the table yet."

Meanwhile, SBI and its invest-



ment banking arm SBI Capital Markets are discussing repayment plans with officials at Jet, although a resolution is yet to be reached, two people familiar with the discussions said.

Jet Airways is a borrower from a group of 26 lenders, its 2017-18 annual report said. It has debt of more than ₹8,000 crore on its books. Bankers say SBI, which has the largest exposure, is taking the lead in the negotiations. "The best-case solution is for some equity infusion, either

through existing shareholders or from someone else. It is still an early default; so, there is hope that normal payments will resume," said a second person familiar with the account.

Jet shares rose 4.67% to end at ₹254 apiece on BSE on Friday. Jet Airways has delayed payments of loans, salaries and plane lease rentals besides grounding planes, laying off staff, and shutting unviable routes.

People close to the development said Jet has been swapping engines on planes likely to be returned to lessors. But they said there has been no notice to repossess planes yet.

Jet has been rated in the default category by rating agency ICRA, which said the company has large upcoming debt repayments due between December 2018 and March 2019 (₹1,700 crore), FY2020 (₹2,444.5 crore) and FY2021 (₹2,167.9 crore).

Chawla at Helm from May 2016

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The court had granted two months to the CBI for obtaining permission from the authorities. The agency had on July 19 filed a chargesheet against former finance minister P Chidambaram, his son Karti and 10 individuals, including public servants, besides six companies over alleged irregularities and criminal conspiracy in the Aircel-Maxis deal case. This relates to allegations of bribery over the foreign investment by Malaysian telecom company Maxis in Aircel in 2006.

Prosecution sanction allows the court to decide on taking cognisance of the chargesheet against Chidambaram and the other accused.

Ashok Chawla took charge as chairman of the NSE in May 2016 from SB Mathur. The retired bureaucrat was at the helm when Chitra Ramkrishna unexpectedly quit as chief executive of the bourse citing personal reasons. The exchange remained headless for almost six months before Vikram Limaye took over. Prior to joining NSE, Chawla headed the Competition Commission of India.

MOVES COURT claiming RP has violated IBC provisions, and acted in an arbitrary manner in setting EMD of ₹100 crore

Seven Hills Sale: Founder Alleges Deviations by RP

Reena Zachariah & Divya Rajagopal

**Mumbai:** The attempt by SevenHills Healthcare's lenders to sell the company to billionaire BR Shetty's BRS Ventures Investment has hit a roadblock, with the founder and two others approaching the courts on the ground that the resolution professional overseeing the proceedings had allegedly deviated from the rulebook.

The Hyderabad bench of the National Company Law Tribunal (NCLT), which has been hearing all the parties, has reserved its order, posting the matter for a further hearing on January 23.

The estimated debt at SevenHills is Rs 1,200 crore. The lenders include State Bank of India, Allahabad Bank, Union Bank of India, Punjab & Sind Bank, UCO Bank, Canara Bank, Central Bank, and Bank of Maharashtra. The lenders could not be contacted immediately.

Last year, 18 entities had shown interest when the resolution professional sought bids for the hospital assets. However, there was one condition that required the interested party to give Rs 100 crore as a bid bond while submitting the resolution plan.

Because of this condition, only BR Shetty's firm submitted a resolution plan.

Sources said the bid bond amount was equivalent to the company's paid-up capital.

SevenHills was founded by the Andhra Pradesh-based entrepreneur Jitendra Maganti, who is also its managing director. In his objection petition, Maganti said the resolution professional (RP) has violated certain provisions of the Insolvency and Bankruptcy

Code (IBC). "The RP/CoC (committee of creditors) has also acted arbitrarily in setting an EMD (earnest money deposit) of Rs 100 crore, which could be forfeited even if the resolution applicant is not successful," the petitioner has said.

Maganti has also alleged that the RP has not followed a transparent process.

"The RP has also not disclosed to the CoC about the confidentiality agreement executed between the corporate debtor (SevenHills) and BRSVIL (BRS Ventures Investment Ltd) dated 27.02.2018, which had put BRSVIL at a competitive advantage with regard to other resolution applicants, despite having knowledge about the same," the petitioner has said.

Besides the founder, one of the bidders and Airo Holdings, a financial investor from Mauritius

holding a substantial stake in SevenHills, have also filed an objection petition before the court.

In Mumbai, SevenHills was built through a public-private partnership, and about Rs 1,000 crore was invested into the facility that failed to take off, with the municipal corporation suing the 1,000-bed hospital for non-compliance of the memorandum of understanding.

Despite being endorsed by a Bollywood superstar, SevenHills failed to become viable in Mumbai due largely to the hospital's location and alleged mismanagement. Policy-based price cuts in stents and knee implants added to the pressure.

MUNI BONDS offer 8.7% with a maturity of 5 years in 5th round of such fund-raising

Amdavad Municipal Body Raises ₹200 cr

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**Mumbai:** The Amdavad Municipal Corporation (AMC) has raised ₹200 crore by selling 'muni bonds', meant for funding urban infrastructure development.

With a maturity of five years, the bonds offer an interest rate of 8.7%. Rating agency Crisil has given the papers an AA+ (structured obligation) grade, the highest municipal bond rating in the country. Structured obligation (SO) offers additional support, adding to investor confidence.

"We've gone through an elaborate credit rating process," said Vijay Nehra, commissioner, Ahmedabad Municipal Corporation. "We are using this money (₹200 crore) in our contribution to the Atal Mission for Rejuvenation and Urban Transformation (AMRUT) project, which focuses on establishing a robust urban infrastructure for sewage, water supply and infrastructure solutions."

Multiple investors bid to buy such debt papers on the exchange platform, with the local body obtaining ₹1,085 crore worth of subscriptions, a person with direct knowledge of the matter said. The additional bids

were rejected, retaining the targeted size at ₹200 crore.

"One Gujarat district cooperative bank and a state-owned entity have subscribed the papers," the person cited earlier said.

AMC was the first municipal corporation in Southeast Asia to raise money through public issuances when it had raised ₹100 crore in 1998. This is the fifth time AMC has raised money through public issuance of bonds.

"We have a strong track record of raising money and paying back without any delays and defaults," said Nehra.

SBI Capital Markets and Tipson helped AMC to arrange the bond sale. Municipal bonds have been gaining momentum with local bodies from Maharashtra, Madhya Pradesh and Gujarat tapping the capital market.

Issuances of municipal bonds have been incentivised by the government to bring transparency and create a discipline in the financial performance of municipal corporations.

Panaya, Skava Sale Unlikely this Fiscal

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Experts are of the view that despite higher growth forecast and robust deal wins announced by the company, cost pressures are hurting margins. The decline in margins was made more acute due to the additional hit from earlier acquisitions of Israeli software maker Panaya and Skava, both of which have been on the block. For this quarter, the writeoff was ₹77 million or ₹539 crore, marking the third consecutive quarter where Infosys has taken a knock due to the botched sale plans.

The two units acquired during the tenure of former CEO Vishal Sikka are unlikely to be sold in fiscal 2019 as negotiations with prospective buyers over the past nine months have not yielded any results, so far. The reduction in attrition has gained favourable notice. "Another positive was reduced attrition, with standalone annualised attrition falling to 17.8% (19.9%), while consolidated attrition reduced to 19.9% (22.2%)." Harit Shah, senior research analyst with Reliance Securities, said.

However, the increased growth forecast for the company is still lower than the double-digit rate at which industry leader Tata Consultancy Services is expected to grow despite being twice the size of

Infosys in revenue terms. The National Association of Software and Services Companies expects the sector to grow between 7% and 9% in FY19.

The Bengaluru-headquartered company is continuing to invest in its main markets as it expects growth to continue. Any impending US economic slowdown is not being reflected in the commentary of its clients, the company said.

"We also see strong wins in digital. Our core services is also growing which is where we think we make a real difference in the market," Parekh said. "We have not seen our clients changing trajectory." Analysts are optimistic that Infosys' would grow faster in the next fiscal.

"Infosys surprises positively with strong top-line growth for the quarter, though margin performance misses the mark. Increase in revenue guidance and better exit rate for FY19, provides comfort on double digit growth in FY20," said Sanjeev Hota, AVP at brokerage Sharekhan by BNP Paribas.

"Buyback quantum seems to be below than expectation, however, will support the stock performance in medium term," he added.

CHANGE IN COMPENSATION

Infosys said it had changed the compensation of its key managers effective October 1, 2018 and had issued restricted stock units (RSUs) to its senior executives.

Presidents Mohit Joshi, Ravi Kumar S, general counsel Inderpreet Sawhney, HR head Krishnamurthy Shankar, interim chief financial officer Jayesh Sanghrajka and company secretary AGS Manikanta will receive aggregate compensation of ₹18.20 crore and target variable compensation of ₹13.6 crore.

In October 2016, Infosys had first announced aggregate compensation for key managerial personnel (KMPs), which then included former presidents Sandeep Dadlani and Rajesh Krishnamurthy. The 2016 announcement pegged aggregate compensation at ₹24 crore and target variable compensation at ₹20 crore. Infosys general counsel and chief financial officer have also changed since 2016. The company also granted ₹3.25 crore in RSUs to CEO Salil Parekh and 68,250 to chief operating officer UB Pravin Rao. The KMPs were also granted 372,100 RSUs.

Infosys also announced it would exit the entire minority investment made in Vertex Ventures for a consideration of \$5 million. The company had not disclosed how much it had invested in Vertex. Infosys has begun paring some of the investments made by the \$500-million Infosys Innovation Fund — such as ANSR Consulting.

Growth at 5% in Apr-Nov

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The first advance estimates of GDP released earlier this week showed the economy expanding at 7.2% in FY19 with second-half growth at 6.8% against 7.6% in the first six months. In its first forecast for 2019, the World Bank said India's growth will rise to 7.5% next year. Overall industrial production grew 5% in April-November period compared with 3.2% in the year earlier. Only 10 out of 23 manufacturing subgroups reported positive growth. Capital goods output, a proxy for investment activity, declined by a sharp 3.4% while consumer durables, an indicator of urban demand, fell 0.9%.

"The worrisome aspect is that much of the decline has come on account of capital and intermediate goods like machinery and electrical equipment, metal products, motor vehicles, and trailers," said Tushar Arora, senior economist at HDFC Bank.

Mining expanded 2.7% in November compared with 1.4% a year earlier, while electricity generation rose 5.1%. Production of intermediate items was down 4.5% on a base

of 6.5% growth in the same period last year.

"Despite the big decline, industrial production has fared much better this fiscal (5% average growth) compared with last (3.2%)," said Crisil chief economist DK Joshi. "But this is a blip and data should improve in the coming months. The Central Statistics Office's estimates of GDP growth for fiscal 2019 show industry growing robustly, led by manufacturing and construction."

RECOVERY QUESTIONS

Early indicators do not suggest a rapid recovery. Car sales fell 3% in December, as per the Federation of Automobile Dealers Associations. However, purchasing managers' indices have remained strong in December. Sunil Sinha, principal economist at India Ratings, said that industrial growth is still not on a sound footing due to the "high variability in industrial growth across sectors and within sectors on month-on-month basis". Rao said that, going forward, incrementally improving liquidity, normalisation after festive season related disruptions and spending tied to elections could support growth.