



### TECH VIEWS

## 'Stay Long on Nifty for Target up to 11,250'



### JAY THAKKAR

Bank Nifty is likely to head towards 27,400-28,000 levels. Mid-cap and Small-cap Indices are also expected to continue their upward journey.

### SWAPNEEL V MANTRI

On the downside 10,690-10,650 is the support zone for Nifty. Axis Bank, Bharati Airtel showing positive signs and can be accumulated at current levels for higher targets.

### VIKAS JAIN

Among sectors, we are positive on auto, metals and pharma as the risk-reward remains favourable from current levels.

►► ON SMART INVESTING

## Cap Goods, Infra Not Out of the Woods Yet

Many investors are looking at the capital goods and infrastructure sector with renewed interest because of cheaper valuations compared to consumer sector. But, analysts are not so sanguine on these stocks as announcements of new orders are likely to remain weak.

On ►► MONEY MATTERS

# ICICI Bank and ICICI Venture Funds Quit Race for IL&FS Arm

Move to avoid conflict of interest as ICICI Bank chairman GC Chaturvedi is also on board of IL&FS

Shilpy Sinha & Baiju Kalesh

**Mumbai:** ICICI Bank and ICICI Venture Funds Management have pulled out of the race to buy the securities and private equity businesses of Infrastructure Leasing & Financial Services (IL&FS) due to a likely conflict of interest as the bank's chairman GC Chaturvedi is also on the recast board of the debt-laden financier, two people with direct knowledge of the development said.

"The chairman of ICICI Bank GC Chaturvedi is on the board of IL&FS now, which is raising a conflict of interest," said a source close to the development. "ICICI Bank, which is one among the dozen buyers of the securi-

ties business, has pulled out after submitting the bid."

The IL&FS board, under its chairman Uday Kotak, has raised the issue of the conflict of interest.

HDFC Bank, Axis Bank, and Rakesh Jhunjhunwala-owned Rare Enterprises are among those seeking to buy the securities business of IL&FS.

ICICI Venture Funds Management Company, one of India's largest private equity funds and the bank's private-equity arm, has also decided against bidding for the private equity business of IL&FS, citing the same conflict of interest. IL&FS Investment Managers, the IL&FS private equity fund that manages around \$2 billion, has been put on the block by the newly constituted board.

ICICI Bank did not respond to emails. IL&FS Securities Services Ltd (ISSL) is the first IL&FS subsidiary to be put on the block as the financially struggling infrastructure lender's new management seeks to sell assets as part of the plans to raise funds for paying down its ₹91,000-crore debt.

Continued on ►► SMART INVESTING

## ET POLL

**OUTCOME OF GENERAL ELECTIONS** the biggest concern; none of the participants expects market indices to end the year lower

# Bank, Consumption, IT & Pharma Most Favoured

Our Bureau

**Mumbai:** Stock investors could notch up gains in 2019 but they may have to brace for sharp swings amid uncertainties over the general elections and the US economy. A majority of 26 top money managers and research heads of brokerages polled by ET, however, said the Nifty will run up by 6-17% by December, eclipsing previous records. Axis Bank, HDFC Bank, ICICI Bank and Infosys are among their top stock picks for 2019.

The market is expected to be wobbly before the general elections in May as the performance of the Bharatiya Janata Party (BJP) in recent state polls has led to uncertainty about its prospects on the national stage, said most poll participants.

"The market will take into account political risk in the run-up to elections, so there will be higher uncertainty," said Nitesh Shah, MD, Kotak Mahindra AMC. "The biggest concern is the formation of the government after the elections and the economic agenda."

A good number of those polled forecast the Nifty to be between 11,500 and 12,700 points by the end of 2019. The Nifty closed at 10,727 on Friday. A fourth see the Nifty at 11,500, 17% at 12,000, 25% at 12,500 and 17% at 12,700.

The Nifty hit a lifetime high of 11,760 on August 28 last year. The

## Market Pulse

Which asset class looks most attractive?



Three sectors to avoid in 2019



Top stock picks for 2019

Axis Bank, HDFC Bank, ICICI Bank, Infosys, L&T, Power Grid, SBI

Three sectors to pick in 2019



**PARTICIPANTS:** Ambit, Angel Broking, Antique, Bonanza, Centrum, Dolat Capital Markets, Edelweiss, Geojit, GEPL Capital, HDFC Securities, ICICI Securities, IDBI Capital, IDFC MF, IIFL, Karvy Stock Broking, Kotak Securities, Mirae AMC, Motilal AMC, Motilal Oswal, Nirmal Bang, Quantum MF, Reliance Securities, SBI Caps, Sundaram MF, UBS, Way2Wealth

Sensex rose to a record of 38,989.65 on August 29.

The most optimistic Nifty projection is 14,000, the most pessimistic is 11,000. Nobody expects the market indices to end lower.

The three big concerns for 2019 are local political uncertainty, concerns about a US slowdown and a further delay in corporate earnings growth, according to those polled.

About 72% of the poll participants felt that the BJP's performance in recent state elections has increased uncertainty about the outcome of the general elections. It lost power in three key states—Rajasthan, Madhya Pradesh and Chhattisgarh.

## SECTOR PREFERENCES



Poll participants expect the banking sector to lead the way in 2019 with the sector being the top pick for 34% of them. Consumer discretionary, capital goods, information technology, pharmaceuticals and auto are the other preferred sectors. They advise that metal, telecom, infrastructure, non-banking finance companies and real estate be avoided.

Foreign brokerage CLSA said this has heightened election-related uncertainty. Any non-Narendra Modi government in 2019 would most likely be a coalition of regional parties, which would be viewed as unstable and impact investor sentiment, said CLSA India strate-

gist Mahesh Nandurkar. As a result of the increased uncertainty, 58% of poll participants expect the market to fall in the run-up to the elections.

Continued on ►► SMART INVESTING

## YIELDS MAY FALL BELOW THE PSYCHOLOGICAL 7% MARK

# Street Expects Rupee to Trade in 69-73, Bond Yield to Fall 25-45 bps

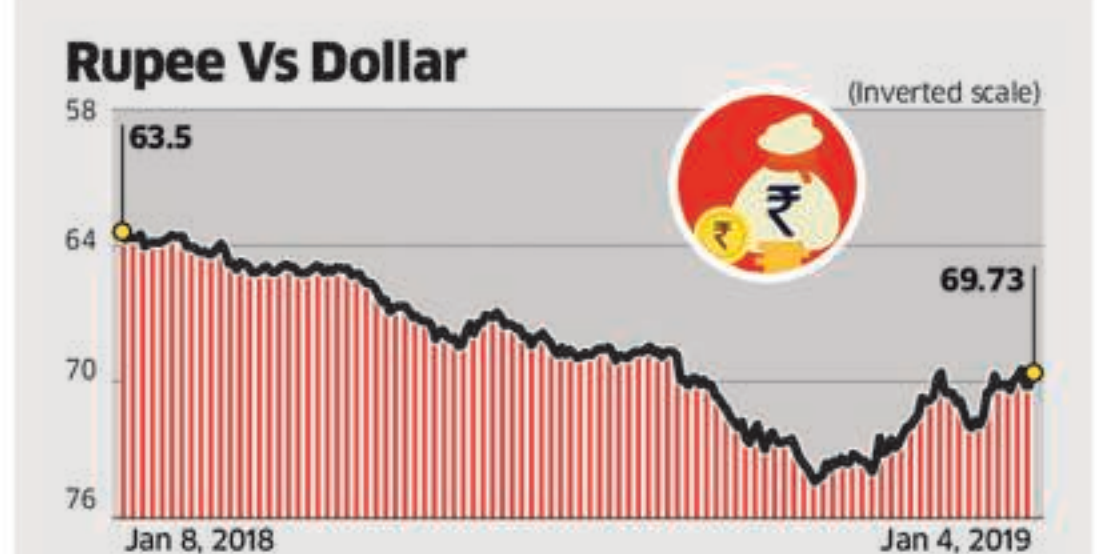
About half the participants expect interest rates to decline by 50 bps

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**Mumbai:** Restrained inflation, soft crude oil prices, and the likelihood of slowing global growth should lower the bond yields in India, where uncertainties about the outcome of this summer's general elections could make the rupee a bit more volatile, an exclusive ET survey of market experts showed.

The majority of the 25 participants polled in the survey said the benchmark bond yield could fall 25-45 basis points from the current level of 7.45%. The more optimistic participants also believe that the gauge could drop below 7%. The rupee, meanwhile, could trade in the 69-73 range to a dollar, with political uncertainty having an exaggerated impact on the local currency in the run-up to the summer's nationwide balloting.

"We may enter a soft interest-rate regime this year," said Soumya Kanti Ghosh, the Group Chief



Economic Adviser, SBI. "Yields will remain largely range-bound, with a downward bias. Inflation continues to surprise on the downside."

Yields may fall below the psychological mark 7% (please see table), expect five respondents - Bank of Baroda, Bank of America, Lakshmi Vilas Bank, Mirae Assets and Trust Capital.

Retail consumer prices plunged to a 17-month low in November to 2.33%, undershooting the central bank's projections. In its August monetary policy last year, the central bank had set its task as achieving the medium-term target for consumer price index (CPI) inflation of 4%, within a band of +/-2%, while supporting growth.

"Global economic conditions re-

main uncertain currently. There are contrarian views over the US economy," said Ghosh.

The latest US job data, published last Friday, pointed to a stronger US economy than previously thought, although the odds are still short on no further fund rate increases in 2019.

Back home, slumping global crude oil prices and low inflation may lead to a reduction in the cost of financing.

"The rate view is positive given the global macro backdrop of a synchronized slowdown in major economies," said B Prasanna, ICICI Bank group executive and head for markets. "If crude oil continues to remain soft, it definitely opens up the possibility of a rate cut down

the line. So, the base case is for the MPC (Monetary Policy Committee) to change its stance to neutral in the February policy."

About half the participants expect rates to decline about 50 basis points. Global crude prices peaked at \$86 per barrel on October 3, but have entered the bear market since. Such a sharp fall has lowered broader market concerns over India's current account deficit.

"We could see at last a revival of foreign portfolio investor inflows amid the improving macro conditions," said Bhaskar Panda, senior VP, Treasury Advisory Group, at HDFC Bank. "Elections could affect the exchange rate movements, but will not change the fundamentals of the Indian economy."

The rupee is likely to trade in the range of 69 to 73 to a dollar, said most of the poll participants, who expect bouts of volatility in the run-up to the general elections, expected in April-May. The uncertainty could send the rupee closer to its record low of 74.48, hit on October 11 last year.

The rupee would face headwinds going into the elections, with the currency being pushed to 73-74. However, a weak dollar later should help it recover a bit, said MS Copikrishnan, head of FX, rates and credit trading at Standard Chartered Bank.

**REGULATORY ISSUES** could still throw a spanner in the works

# Bandhan Bank in Advanced Talks for Gruh Fin Merger

Shilpy Sinha & Atmadip Ray

**Mumbai / Kolkata:** Bandhan Banks' talks with HDFC to either buy into or merge with Gruh Finance, a mortgage-lender for the less affluent, have reached an advanced stage, although the regulatory response to the proposal would decide the fate of the transaction, two people familiar with the matter told ET.

"The talks regarding the deal between Bandhan Bank and Gruh Finance have reached an advanced stage," said a source close to the development. "However, there is no clarity on whether the deal will get regulatory and stakeholders' approvals, and within what timeframe."

The deal, if it were to secure regulatory approvals, could be announced soon.

Bandhan Bank, which started operations in 2015, is exploring the M&A route to meet the regulatory guidelines on trimming promoter shareholding. The proposed transaction would help Bandhan reduce its promoter holding in the lender from the existing 82.28%. The promoters need to bring down their stake to 40%.

HDFC, India's mortgage-lending pioneer, owns 21% in HDFC Bank and 2% of RBL Bank. The regulator may demand a plan of action to ascertain what HDFC intends to do with its high stake in Bandhan Bank. If the merger happens at the current market cap, HDFC would own around 15% in Bandhan Bank.

"The deal will require exemption from the Reserve Bank of India for HDFC to own more than 5% stake in Bandhan Bank and the regulator will insist on a plan of action defining the timeline for a reduction of its stake in the merged entity," said another source aware of the development.

## NAMES TO BE SENT TO RBI ON JAN 9

# 'Rajesh Sud and Rajat Monga in Race to Head Yes Bank'

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**Mumbai:** Rajesh Sud, former MD and CEO of Max Life Insurance, and current Yes Bank executive director Rajat Monga are in the race to head the private sector lender, as the incumbent CEO Rana Kapoor steps down on January 31 following a central bank advisory, said two people in the know of the development.

The bank has to send its recommendation on the managing director and chief executive to the Reserve Bank of India after its board meeting on January 9. The bank has formed a search and selection committee to find a new CEO.

"Rajesh Sud and Rajat Monga are said to be in race to head Yes Bank and their names will be sent to RBI on January 9," said a source close to the development.

The central bank had cut short the term of CEO Rana Kapoor without specifying any reasons. Mint Road was apparently unhappy with the policies on reporting bad loans and had denied a full term to Kapoor.

Sud had resigned as MD and CEO in September 2018 to pursue other career opportunities. He was the founding member of Max Life Insurance and served as the managing director for close to a decade.

Before joining Max Life Insurance, Sud was the head of the asset finance business at ANZ Grindlays Bank. He started his career with Bank of America and held various positions. He was a part of the transition team that managed the successful sale of Bank of America's consumer banking business to ABN Amro Bank and served as the head of consumer banking.

Rajat Monga, on the other hand, has been with the bank since inception in 2004. He serves as senior group president of financial markets at Yes Bank and has also been its CFO.

The committee has been mandated

The central bank had imposed curbs on Bandhan Bank for its failure to adhere to the deadline to lower the promoter holding, making it mandatory to seek the regulator's approval before it opened new branches. The curbs included a freeze on the chief executive's remuneration.

HDFC, India's mortgage-lending pioneer, had in the past said that as a business strategy, Gruh Finance explores various business opportunities for the sale of its loan assets and other feasible modes of organic and inorganic growth.

Executives at both HDFC and Bandhan Bank did not reply to text messages late Sunday evening.

## REDUCING STAKE

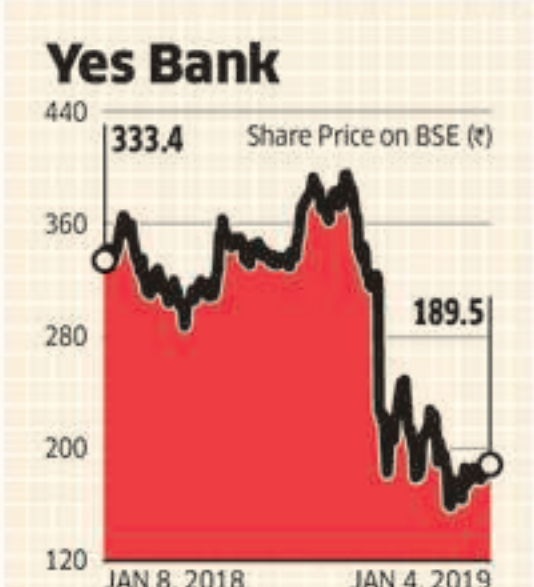


The proposed transaction would help Bandhan reduce its promoter holding from the existing 82.28%

Gruh Finance has a market capitalisation of ₹23,337 crore while Bandhan Bank is valued at ₹63,000 crore, as per Friday's closing.

HDFC's holding in Gruh currently stands at 57.9%. Gruh is a housing finance company in the affordable housing segment, with a retail network of 194 offices spread across 11 states. As of March 31, 2018, the loan book stood at ₹15,568 crore compared with ₹13,244 crore in the previous year—an increase of 18%. Gross non-performing loans stood at 0.45% of the total loans outstanding.

The average size of loans disbursed during the year was ₹9.4 lakh. For the year ended March 31, 2018, Gruh reported a profit after tax of ₹383 crore.



to evaluate both internal and external candidates and make suitable recommendations to the Board of Directors within stipulated timelines for RBI's final approval.

In October, RBI had reaffirmed that a successor to Yes Bank's MD and CEO Kapoor be appointed by February 1, 2019. The two estranged promoters Madhu Kapur and Rana Kapoor are talking to settle the selection of the CEO and chairman.

The Nomination and Remuneration Committee (N&RC) and Board of Directors have finalised the recommendation for "Non-Executive Part-Time Chairman position and shall be promptly seeking requisite approvals from the Reserve Bank of India," Yes Bank had said in a statement.

Brahm Dutt is said to be the front runner for the post of non-executive chairman of the bank. Dutt, a former IAS officer, has been on the board of Yes Bank since 2013.

If the central bank approves Sud's candidature, he will become the third life insurance CEO to head a private sector bank this year. In October, Sandeep Bakhshi took over as MD and CEO of ICICI Bank from ICICI Prudential Life Insurance, and Amitabh Chaudhary has moved in to head Axis Bank from HDFC Life.

## GOVT MAY PUSH state-run units to go for more buybacks or higher dividends to bridge the revenue-expenditure gap

# PSU Buybacks, Dividends may Surge as Deficit Widens

## ET ANALYSIS

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**ET Intelligence Group:** Fiscal deficit higher than budgeted may prompt the government to push PSUs for buybacks or higher dividends.

The gap between government expenditure and revenues at the end of November stood at ₹6.48 lakh crore against the budgeted ₹6.24 lakh crore (3.3% of the GDP). Going by the fiscal trend and latest data points, it looks highly likely that the deficit could be breached.

NMDC, NHPC, Oil India, BHEL, NALCO, NLC, Cochin Shipyard, KIOCL and ONGC have already announced buybacks. IOC recently announced (December end) an interim dividend. On the day of the announcement, the stock traded at a dividend yield of 5%.

There could be more buybacks or

## Cash Call

Company	Net cash (₹ cr)	GOI stake (%)	FY18 Dividend Yield (%)
Coal India	30,142.9	78.3	5.8
BHEL	11,181.9	63.1	2.2
Hindustan Aero	5,641.0	90.0	2.9
NMDC	4,960.9	72.4	3.6
Rites	3,540.4	87.4	0.0
Engineers India	2,562.2	52.0	2.5
NBCC (India)	2,481.9	73.8	0.6
MOIL	2,162.4	65.7	2.9

Source: ETIG Database

dividends in the pipeline, allowing investors to make good returns on dividends and buybacks in the current volatile markets.

Based on the cash reserves and debt and dividend/buyback history of PSUs, ETIG has identified more PSUs that could announce

dividends or buybacks soon.

Coal India, HAL, RITES, NBCC, Engineers India, NBCC and MOIL have given interim dividends, but the final dividends could be huge from these companies. The gains may vary on the amount of cash these PSUs give out.



## Crude's Best Week Since 2016



Brent crude surged to its best weekly gain in more than two years, as encouraging economic news out of the US helped oil markets turn the page on 2018's price collapse. The global benchmark closed higher on Friday, ending the week up 9.3% for its best showing since December 2016. Oil rallied alongside the US stock market following a strong jobs report and dovish Fed comments. ►► FINANCE & COMMODITIES