Market Trends

STOCK INDICES		% CHANGE
Nifty 50	10724.4	0.20
Sensex	35808.95	0.19
MSCI India	804.570	0.77
MSCI EM	2311.70	0.75
MSCI BRIC	603.33	0.92
MSCI World	8475.45	0.10
SX 40	21052.85	0.20
Nikkei	20900.63	1.13
Hang Seng	27900.84	1.87
Strait Times	3239.74	0.41

Values in US $. Gross — At 7 pm IST

OIL ($) DUBAI CRUDE 64.64 0.49 Absolute Change

BOND 10-YR YIELD 7.36 0.03 Figures in %

GOLD RATE
Prices per Troy Ounce ($)

	US	India
OPEN	1315.50	1446.99
LAST*	1321.80	1455.81

*At 10.30pm, After adjusting for import duty, Indian spot gold higher by $1.83 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*
71.22	71.23

Market on Twitter@ETMarkets

Foreign investors await poll outcome before committing funds, says CLSA strategist

Slowdown in Domestic Equity Funds a Risk for India: Wood

Our Bureau

Mumbai: Indian markets are facing a risk that growing uncertainty about the outcome of the upcoming general elections will lead to a slowdown in inflows into domestic equity funds, which have been the main driver of the stock market since Prime Minister Narendra Modi was elected in May 2014, said CLSA's chief strategist Christopher Wood in his weekly newsletter 'Greed & Fear'.

"The latest data shows that such a decline is happening. This is clearly a growing risk in the short term, most particularly as many foreign investors will want to await the outcome of the pending elections," said Wood.

Average monthly flows into equity market by mutual funds during January-June 2018 stood at nearly ₹11,100 crore, but the average flow dropped to ₹8,500 crore during July-December 2018. Mutual funds bought local shares worth ₹6,800 crore in January and they have been net buyers of shares worth ₹1,300 crore in February till Wednesday, data showed.

The issue, Wood said, is not only whether the BJP would win but also that if the BJP is re-elected in a minority government, Prime Minister Narendra Modi's style in terms of running the government would be cramped.

The Hong Kong-based strategist said whoever governs India in the next five years will enjoy the dividends of significant structural reform implemented by Modi since 2014.

He said evidence of fiscal deterioration in India continues, with tax collections rising only 7% year-on-year in the first nine months of 2019-20, but neither the bond market nor the currency market seems unduly alarmed by this, even following the Reserve Bank of India's rate cut last Thursday.

The central bank cut repo rate by 25 basis points on February 7 and changed policy stance to 'neutral' from 'calibrated tightening'.

Investors seem to be taking the view that populist actions should be tolerated in the short term if they help get Narendra Modi re-elected in the April-May general elections, said Wood.

As for sectors, the CLSA chief strategist said that growth in non-banking financial companies (NBFCs) is undoubtedly slowing sharply as a consequence of the shock triggered by default of the triple A-rated IL&FS in September 2018.

With private sector banks looking to take market share from the NBFCs, it is not surprising to hear that prominent NBFCs are now lobbying to receive banking licences, said Wood.

Recent Exits in the MF Industry

MONTH	MF Inflow	MONTH	MF Inflow
Jan-2018	8,956.91	Jul-2018	3,995.02
Feb-2018	16,165.78	Aug-2018	4,087.28
Mar-2018	7,538.39	Sep-2018	11,392.38
Apr-2018	11,293.46	Oct-2018	24,047.32
May-2018	13,619.12	Nov-2018	4,895.60
Jun-2018	8,907.16	Dec-2018	2,918.97
Average	11,080.14	Average	8,556.10

(₹ crore) Compiled by: ETIG Database

RBI Pulls Up Yes Bank for Making Public Its Confidential Report

Disclosed report states no divergence in reported NPAs; RBI calls release 'misleading'

Our Bureau

Mumbai: The Reserve Bank of India has warned Yes Bank with regulatory action for making public its observation of the bank's risk assessment report (RAR), which had said there was no divergence between what the bank reported as non-performing assets and that identified by the regulator.

In a late evening notice to stock exchanges, Yes Bank said the central bank expressed its displeasure for disclosing the contents of the report since it was supposed to be confidential and did not give the full picture of the bank's position to the public. Yes Bank's stock soared 31% on Thursday, after the bank disclosed the RBI's observation.

"As the RAR report was marked 'confidential', it was expected that no part of the report and information contained therein be divulged except for the information in the form and manner of disclosure prescribed by regulations. Therefore, the press release breaches confidentiality and violates regulatory guidelines. Moreover, NIL divergence is not an achievement to be published and is only compliance with the extant income recognition and asset classification norms," the Yes Bank filing said, quoting from an RBI letter it received on Friday.

The RBI letter said the bank's press release did not reveal many lapses and was hence a deliberate attempt to mislead the public. "The RAR also identifies several other lapses and regulatory breaches in various areas of the bank's functioning and the disclosure of just one part of the RAR is viewed by RBI as a deliberate attempt to mislead the public. The issuance of the press release has, therefore, been viewed seriously by the RBI and could entail further regulatory actions," the RBI was quoted as saying.

The bank's announcement of zero divergence in FY18 was a pleasant surprise to investors after two years of high divergence numbers. In FY16, the bank reported gross NPAs of ₹749 crore, while the RBI's assessment showed it to be Rs 4,926 crore, leading to a divergence of ₹4,177 crore. For FY17, against the bank's reported number of ₹2,018.60 crore, the RBI assessment found it to be ₹8,374 crore.

SHORT TAKES

RBI Lifts Cap on FPI Investments in Corp Bonds

MUMBAI: The Reserve Bank of India (RBI) Friday withdrew the 20% limit on investments by FPIs in corporate bonds of an entity with a view to encourage more foreign investments. As part of the review of the FPI investment in corporate debt undertaken in April 2018, it was stipulated that no FPI should have an exposure of more than 20% of its corporate bond portfolio to a single corporate (including exposure to entities related to the corporate).

Individual Bankruptcy Norms in the Works: IBBI Chief

Our Bureau

Mumbai: Failure to repay home loans might drag future defaulters to dedicated bankruptcy courts as New Delhi is seeking to put in place a broad framework on individual insolvency two years after it revamped such laws for stressed companies.

Three sets of entities will fall under the individual insolvency code. They would include the personal guarantor to corporate debtors, proprietary firms and other individual borrowers, MS Sahoo, chairman of the Insolvency and Bankruptcy Board of India (IBBI), said on Friday.

"The work is progressing, but I cannot comment on any timeline," said Sahoo.

According to a market source ET spoke with, the insolvency rules to recover bad loans from individuals could only come after the impending general elections.

Sahoo was in Mumbai to launch a bespoke academic programme – the first of its kind in the world – that would graduate 40 insolvency professionals annually. ET had reported on January 15 about this programme.

The Indian Institute of Corporate Affairs (IICA) has launched the Graduate Insolvency Programme (GIP) for individuals aspiring to join the profession anywhere in the world.

"Even NCLT judges and professionals across industries will come to take classes," said Sumant Batra, managing partner of Kesar Dass B & Associates, a Delhi-based firm that is a member of the working group linked to the programme.

Cognizant Agrees to Pay $25 m to Settle SEC's Bribery Charge

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Mumbai: US-based Cognizant Technology Solutions has agreed to pay $25 million (₹178 crore) to settle charges towards violation of the Foreign Corrupt Practices Act (FCPA), the Securities and Exchange Commission (SEC) said.

The US regulator said Friday that two former Cognizant executives were charged for their roles in facilitating payments of millions of dollars in bribe to an Indian government official.

The SEC alleged that in 2014, a senior government official from Tamil Nadu demanded a $2-million bribe from a construction firm responsible for building Cognizant's 2.7-million-sq-ft campus in Chennai.

Cognizant president Gordon Coburn and chief legal officer Steven E Schwartz authorised the contractor to pay the bribe, and directed their subordinates to conceal the bribe by doctoring the contractor's orders, the SEC said. It also alleged that Cognizant authorised the construction firm to make two additional bribes totalling more than $1.6 million. The IT company allegedly used sham change order requests to conceal the payments it made to reimburse the firm.

"Bribery to further corporate goals is an illusory path to long-term success. While always the wrong choice, it is particularly egregious when senior executives chart that course for those they lead, as our complaint alleges here. We are committed to holding them accountable for their actions," said Charles E Cain, chief of the SEC Enforcement Division's FCPA Unit.

"With today's announcements, we've taken a major step forward in putting this behind us. We have learnt from it and we must now move forward," Cognizant chief executive Francisco D'Souza wrote in a mail to employees. "It's worth noting that this matter does not involve our work with clients and has not had an impact on our ability to provide the quality services our clients expect from us. I'd ask you all to now continue to remain focused on delivering to our clients in our usual, high quality way," he wrote.

The Department of Justice and the US Attorney's Office for the District of New Jersey announced the indictment of Coburn and Schwartz on criminal charges of violating and conspiring to violate the FCPA's anti-bribery and accounting provisions.

In the past, the SEC had slapped a penalty of $16 million on alcoholic beverages company Diageo for bribing officials in Asia, including India.

CASE DETAILS:
The Cognizant case relates to the period between 2014 and 2016.

In 2014, Cognizant authorised a contractor to pay a $2 million bribe to a senior government official for the issuance of a planning permit for a project in Chennai. The payment, along with a scheme to conceal a $2.5 million reimbursement to the contractor, was authorised by two senior executives at Cognizant's US headquarters.

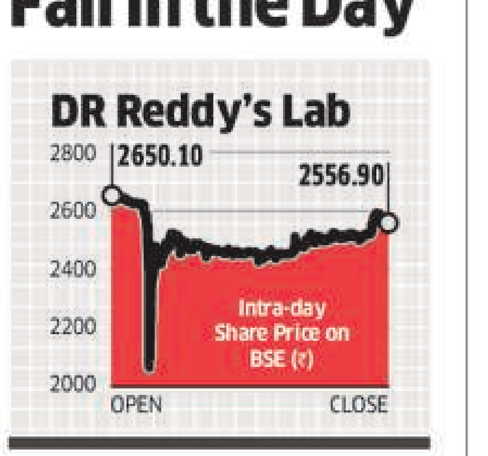
In 2013 and 2014, Cognizant's Indian subsidiary authorised the same third-party contractor to pay a bribe of about $770,000 to a government official for an environmental clearance for a project in Pune.

In 2015, the Indian subsidiary retroactively authorised and reimbursed the same third-party contractor for about $870,000 in bribes that it had paid to government officials for construction-related permits in Siruseri, Tamil Nadu. Cognizant received ill-gotten gains of about $16,394,351 as a result of the conduct, the SEC said.

The unlawful payments were paid from Cognizant India's bank accounts and were not accurately reflected in Cognizant's consolidated books and records. During the relevant period, Cognizant also failed to devise and maintain a sufficient system of internal accounting controls.

--Jochelle Mendonca in Bengaluru contributed to this report

Dr Reddy's Trims Losses After 30% Fall in the Day



Our Bureau

Mumbai: Shares of Dr Reddy's Laboratories recovered sharply after falling as much as 30% in intra-day trade and ended Friday 4% lower, likely pointing to easing concerns over an import alert after a US regulatory report on a key plant of the drugmaker.

The stock ended the day at ₹ 2,563.35 apiece after plunging in early trade. A Jefferies research note said that the US drug regulator had reiterated some concerns regarding Dr Reddy's Bachupally unit. The Bachupally observations include four repeat points, including one repeated from 2015 and 2017, said Jefferies.

"The observations are around the lack of thorough investigations, written records lacking details, employees not being trained and lack of infrastructure," the note said. Bachupally is a key plant for the drugmaker.

Concern raised over a US regulatory report led to the stock crash, which was discounted later resulting in recovery

"We don't think that it is serious enough to warrant an import alert," said Surajit Pal, analyst at Prabhudas Lilladher.

Jefferies said that Dr Reddy's should see a strong earnings recovery in FY20, led by the launch of generic suboxone.

But the stock is trading at 20 times FY20 estimated earnings, implying full multiples to the limited time earnings, it said.

"Product concentration for DRRD is high with 30% of FY21E EPS contributed by three products, where risks of competition and approval delays are high. Although DRRD is ahead of peers in the complex generic investment, execution – India, US compliance – has been below par," said Jefferies, retaining the 'underperform' rating, with a target price of ₹2,180.

MOVE IN ORDER TO MAINTAIN GOVT STAKE IN COS

Bharat 22 to Buy ₹2.5k cr Worth of Shares from Mkt

Following ETF's public offer, govt stake in component cos may slip below mandated 52%

Prashant.Mahesh
@timesgroup.com

Mumbai: Bharat 22 ETF is expected to buy shares worth Rs 2,500-3,000 crore from the open market to maintain government's stake at or over 52% in the state-run companies that are part of the exchange-traded fund, after its follow-on offer that closed on Thursday.

The fund's manager, ICICI Prudential Mutual Fund, would buy the shares from the open market to meet the government's requirement, while keeping the weight of its components at the current level, sources said.

The government offers part of its shares in 19 state-run and three non-state companies through the ETF under its disinvestment programme. The follow-on offer of ₹3,500 crore was subscribed more than 14 times, with the issuer getting 1.25 lakh applications worth ₹50,000 crore. It has decided to keep ₹13,000 crore of this, or ₹9,500 crore more than the initial target.

Based on the composition of the fund, this would reduce the government's stake in Engineers India, REC and Nalco below 52%, which it doesn't want to. Also, it has decided against reducing stake in ITC, one of the three non-state companies. That means, the fund manager will have to purchase shares of these four companies from the market to maintain the weight of the ETF components.

"GoI (Government of India) shall disinvest the shares of central public sector enterprises and public sector banks forming part of S&P BSE Bharat 22 Index (the underlying index) through this additional offering to the extent the shareholding of the GoI post-disinvestment is maintained at or above 52% of the paid-up share capital of those CPSEs and PSBs, and/or subject to any other limits/conditions specified by the GoI," ICICI Prudential said in a notice put up on its website.

Since the fund is buying shares at market price to maintain the weight, the discount offered to investors on the ETF units will come down to 3.9% from the 5% offered earlier.

As per sources, this purchase will cost ₹2,500-3,000 crore and will be done over three sessions starting Monday. "There is enough supply and liquidity in these with institutional investors," said a dealer at a domestic brokerage house.

However, the government's decision to use the ETF on a regular basis to raise funds hasn't gone down well with some fund managers. "On-tap Bharat ETF has only collapsed the value of PSUs, as there is permanent overhang of government selling," said Anand Radhakrishnan, chief investment officer at Franklin Templeton Investments India. "Indiscriminate selling is no disinvestment; time to rethink."

Page Inds Strong Growth Due to Change in Accounting Standards

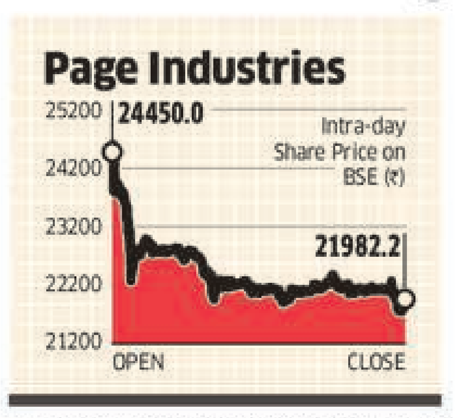
Our Bureau

Mumbai: Shares of Page Industries tumbled as much as 9% on Friday even after the company reported strong results for the quarter to December.

Some analysts said the move to Ind-AS 115 accounting standards resulted in higher revenue accretion. The company's decision to discontinue segmental disclosures also did not go down well with analysts.

The stock lost 8.26% to close at ₹21,982 on BSE. It has lost nearly 14% in the last three months.

After two quarters of weakness, Page Industries' performance has seen a sharp sequential recovery. The company posted a revenue and net profit growth of 19% and 22%, respectively, over the previous year.



Company's EBITDA margin improved 160 basis points year-on-year to 22.4%, led by 150 basis points year-on-year gross margin improvement and aided by higher sales of high-margin thermal wear products during the quarter.

Adoption of Ind-AS 115 standards resulted in reporting of Rs 33 crore more in revenue in the December quarter and a Rs 12.4-crore benefit in profit before tax.

Adjusted revenue growth would have been under 14%, according to analysts.

"Ind-AS 115 was adopted for revenue recognition, which is different from previous revenue recognition policy," said Sameer Kalra, founder of Target Investing. "This is policy change, which has positive impact on earnings, but such policy changes have worried investors." The decision to discontinue segmental disclosures should have been avoided, some analysts said.

NSA Reviewing Situation

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The diplomatic offensive would mean that, if required, envoys may travel to key countries to present information about Pakistan's role in fostering terror in Kashmir and elsewhere in India.

Foreign secretary Vijay Gokhale has opened conversations with the Delhi-based ambassadors of key countries, conveying to them that this was a highly provocative attack by Jaish, which enjoys the support of Pakistan Army.

India also revoked the MFN status accorded to Pakistan and summoned its high commissioner to hand him an official protest.

It was also decided that home minister Rajnath Singh, who went to Srinagar on Friday, will convene a meeting of all political parties on Saturday to demonstrate political unity. The Centre may also push for holding a special session of Parliament to condemn the attack.

Since Thursday, national security adviser Ajit Doval has held several rounds of meetings with the chiefs of Research and Analysis Wing (RAW), Intelligence Bureau and the armed forces to assess the situation. He has also been in touch with his counterparts in several countries, including the US.

ANAND MAHINDRA @anandmahindra
How easily we allow ourselves to believe that the world is 'normal' and that the small irritants & small victories in our daily routines are all that matter. One blast takes many lives & shatters all illusions.

SAJJAN JINDAL @sajjanjindal
The government should call for an emergency parliament session and abolish Article 370. Let the country see which party supports this and which doesn't. We have to draw the line right here!

GAUTAM ADANI @gautam_adani
Deeply saddened by the loss of our #CRPF bravehearts in a cowardly #KashmirTerrorAttack. My condolences & prayers to all those affected by the tragedy. I have complete faith that the govt & our defence forces will do everything possible to bring the perpetrators to justice.

NAVEEN JINDAL @MPNaveenJindal
Anguished by the news of terrorist attack in Pukwama that has resulted in the death of our brave CRPF personnel. My deepest condolences to the families and loved ones of the martyrs and prayers for the speedy recovery of the injured.

RONNIE SCREWVALA @RonnieScrewvala
Absolute horrified watching as the casualty count rises at this dastardly attack. Only the strongest of action and sustained counter attack to wipe the threat is called for. And this time we cannot just retaliate but keep the proactive step of sustained offensive

MOHIT BURMAN @imohitburman
Shocked and saddened to hear the news of the #Pulwama terror attack in which around 40 #CRPF personnel were martyred. My thoughts & prayers are with their grieving families. Wishing the injured a speedy recovery. #CRPFattack @crpfindia #CRPFConvoy #RIPBraveHearts #PulwamaAttack

LALIT JALAN @ljalan
LALIT JALAN RETWEETED MINHAZ MERCHANT
PM @narendramodi allowed a surgical strike after the #UriTheSurgicalStrikehttps://ci6.googleusercontent.com/proxy/gY6_8VqMc FvjYj0hChb2sa7ybe_Jl_cQ3E9fXJ0dg-Boi3cYUqg NzjVESddZgQbgZYNUZBduMy_o-_Kp_QAI6BkZmuApUds-4sunulwchcTCXQ= s0-d-e1-ft#https://abs.twimg.com/ hashflags/RSVP_URI_2018/RSVP_URI_2018.png. Why should we feel that this time it will be different?

EGM on February 21

▸▸ From Page 1

Jet Airways ended at Rs 232.55 on the BSE Friday, up 3%. The carrier didn't respond to queries.

On the Jet Airways earnings conference call Friday, the management declined to say who would be promoter after the change in ownership structure. "Jet Airways will continue the structure of a professionally run management reporting to the board of directors," CEO Vinay Dube said.

The person cited above pointed out that the Abu Dhabi Investment Authority (ADIA) has contributed a big chunk of the NIIF, which is anchored by the government of India. Etihad has reportedly told the banks that it wants Goyal out of the board and that its share of infusion be converted into shares at Rs 150 apiece.

The carrier's total debt amounts to about Rs 8,400 crore. As part of the deal, about Rs 6,000 crore of what it owes will be converted into long-term debt by the banks to be repaid over a period of 10 years. A substantial part of the infusion will be used to repay debt and meet other operational costs including salaries.

The Jet Airways board approved the deal in its meeting on Thursday and the airline has called an extraordinary general meeting (EGM) on February 21 to seek shareholder approval. It made a loss of Rs 732 crore in the October-December period, its fourth straight quarterly loss, the airline said Thursday.

Jet Airways, which is going through its worst financial crisis, has defaulted on loan repayments for December and has delayed employee salaries for several months, which was flagged off as safety risk in a Directorate General of Civil Aviation (DGCA) audit. The airline has also reportedly deferred deliveries of Boeing 737 MAX planes that were supposed to join its fleet by March this year. Jet Airways has placed an order for 225 Boeing planes. It has received five of them till date and had aimed to induct six more by March.

NCLT Had Approved RBSA as RP

▸▸ From Page 1

"It is a policy of the bank not to comment upon individual accounts and its treatment," said an SBI spokesperson in response to emailed queries.

Swedish telecom equipment maker Ericsson had dragged RCom to NCLT in May last year on the grounds that the telecom firm had not paid Rs 550 crore in dues for equipment supplied to it.

RCom has been unsuccessful in repaying creditors despite numerous attempts at settlements

NCLT had approved the appointment of consulting firm RBSA as the resolution professional for RCom and two of its subsidiaries — Reliance Infratel and Reliance Telecom — at the time.

RCom later got a stay on the insolvency proceedings by promising to repay Ericsson's dues within a stipulated time frame at the national company law appellate tribunal (NCLAT). Earlier this year, after its proposed deal with Reliance Jio fell through, RCom sought to withdraw its application from the NCLAT, but this was opposed by the Swedish equipment maker.

The dispute between the two parties is now being adjudicated upon by the Supreme Court.

RCom has been unsuccessful in repaying creditors despite numerous attempts at settlements. The proposed deal to sell spectrum to Mukesh Ambani's Jio that would have helped the company shed some of its debt has also failed to make headway.

RCom stopped wireless telephony services to customers in late 2017 and said it would only focus on its B2B offerings to reduce costs.