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SMART INVESTING
Investors Get High on Liquor Stocks as Poll Season Nears

MID-CAPS COULD SEE A RELIEF RALLY in March; Nifty may consolidate between 10,700 & 11,000, say experts

An Edgy St Rolls Over Fewer F&O Bets

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Mumbai: Traders carried forwards fewer derivative bets to the March series on expiry of the February series on Thursday on account of the tensions between India and Pakistan. The rollovers in the Nifty index on a provisional basis at 62% were lower than the three-month average due to unwinding of long positions in the index but the cost of carrying forward positions increased in the series. Analysts said the index is likely to consolidate between 10,700 and 11,000 level in the March series but midcaps and large cap stocks outside of the top 50 companies, which have seen a sharp correction, could make a comeback.

"Long positions have been carried forward to the next series, but because of higher volatility, we have seen good number of positions being closed as well. There is relatively lesser leverage now," said Amit Gupta, head of derivatives at ICICIdirect.

The Nifty ended down 14.15 points, or 0.1%, at 10,792.5 and the Sensex ended down 38 points, or 0.1%, at 35,867.4.

The index fell 0.4% in the February series. The Nifty had gained 0.5% in the January series and fell 0.7% in the December series.

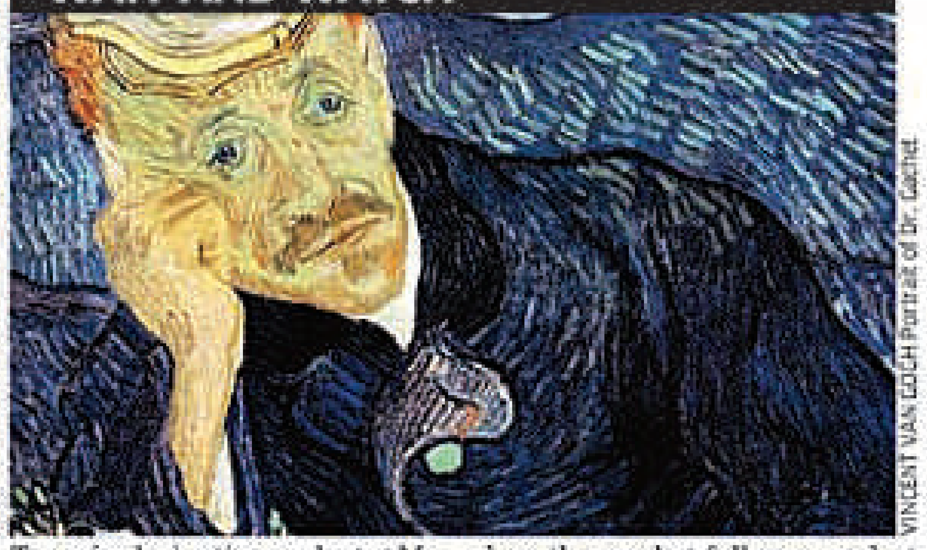
"This is the third straight series of nearly flat close. It cannot be said if 11,000 will be broken decisively," said Sneha Seth, derivative analyst at Angel Broking. Seth said if the Nifty breaks the band of 10,700-10,950 on either side, a big move can come.

The media sector was the biggest gainer in the series, with Nifty Media index gaining 13.4%.

Volatility also spiked in the February series, with India VIX touching 19.98 Wednesday.

"Geopolitical concern is the only factor that can keep the market volatile in March," said Chandan Taparia, derivative analyst at Motilal Oswal.

WAIT AND WATCH



VINCENT VAN GOGH Portrait of Dr. Gachet

Taparia said rollovers were comparatively lower as indices have been stuck in a range for some time and due to geopolitical tensions.

Market participants said despite the tensions in the last three days the market fall was modest on hopes that further escalation is unlikely. The after-market hour announcement on Thursday by Pakistan to release India's captured pilot could be taken as sign that geopolitical crisis between the two nuclear-armed nations will not escalate further.

The highest concentration of open positions among Nifty options in March series is at the 10,600 strike while among call options, the highest number of open positions are at the 10,950 strike.

"Till 10,700 is not broken, the trend will be positive and momentum will set in only if 10,950 is broken on the higher side," said Ashish Chaturmohta, head-technical and derivatives at Sanctum Wealth Management.

"Positions are light this time. When positions are light and positive news comes in, then it creates a positive momentum in the market," said Chaturmohta. He believes stocks in Nifty Next50 and Nifty Junior index could see buying in March series.

Gupta of ICICIdirect said midcaps could see a relief rally in the new series while Nifty index could consolidate. The BSE MidCap index fell 1.7% in the February series, though some recovery was seen during the series.

Market Trends

STOCK INDICES		% CHANGE
Nifty 50	10792.5	0.13
Sensex	35867.44	0.11
MSCI India	822.84	0.63
MSCI EM	2366.64	0.59
MSCI BRIC	619.47	0.37
MSCI World	8651.26	0.08
SX 40	21135.33	0.17
Nikkei	21385.16	0.79
Hang Seng	28633.18	0.43
Strait Times	3212.69	1.15

Values in US $, Gross — At 7 pm IST

OIL ($)
DUBAI CRUDE
65.64
0.41
Absolute Change

BOND
10-YR YIELD
7.41
0.07
Figures in %

GOLD RATE
Prices per Troy Ounce ($)

	US	India
OPEN	1321.70	1464.75
LAST*	1327.60	1461.76

*At 10.30pm, After adjusting for import duty, Indian spot gold higher by $1.40 to US Comex gold price on Thursday. The premium on local gold is due to tight supply following import curbs.

FOREX RATE (₹-$ Exchange Rate)

OPEN	LAST*
71.26	70.75

POST-ACQUISITION of key cement assets, UltraTech's operations geared to make the most of improving prices and demand from infra and construction sectors

Acquired Assets and Rising Prices may Trigger Investor Interest in UltraTech

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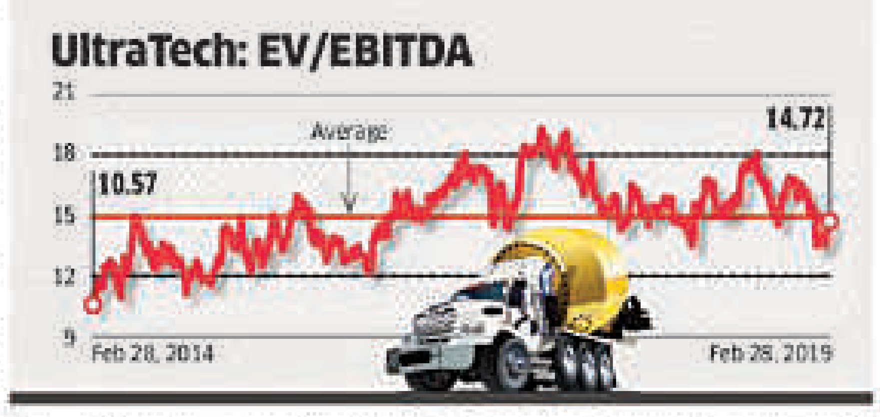
ET Intelligence Group: When there is renewed interest in the stock of a sector leader, it is an indication of improving fundamentals in that sector.

This is exactly the case with India's largest cement manufacturer by capacity, UltraTech Cement. In the three years through this January, the stock had underperformed the Nifty50 index. In the past one month, however, the trajectory has changed and it gained 12.6% against a 1.2% rise in the Nifty.

ET ANALYSIS

This new interest in UltraTech can be attributed to three main factors: improving prices, gains from the assets it acquired in the recent past and cost savings.

After a long time, cement manufacturers have not only been able to increase prices, but also sustain it. This is a favourable sign as analysts believe the industry is entering a demand cycle wherein manufacturers would be able see improvement in price realisations at improved utilisation levels. This should boost their operating profit (EBITDA) per tonne in the coming quarters.



In light of these facts, and post-acquisition of key cement assets, UltraTech's operations are geared to make the most of the improving cement prices and stable demand from infrastructure-related and slightly improved construction activities in real estate (largely low-cost housing). In a recent communication with analysts, the company's management presented information about its acquired cement assets and cost-savings measures.

The company said its subsidiary, Ultratech Nathdwara (erstwhile Binani Cement with a capacity of 6.25 mt, which it acquired in November last year) has shown improvement in realisations and capacity utilisations. The unit's realisation since the acquisition has improved to ₹600 per tonne from ₹100 and utilisation to 60% from 50%. This is largely because of the rebranding of Binani Cements' assets.

UltraTech is likely to fully integrate another asset it acquired, Century Cement (14.6 MT), by the first quarter of FY20. At present, there is a gap ₹Rs10-15 per kg between the cement price of Century Cement and UltraTech. The company has stated that the EBITDA per tonne generated by Century's asset was likely to improve by ₹300-400 per tonne from ₹367 when UltraTech acquired it. Also, the fall in crude oil prices should boost savings for UltraTech that operates multi-fuel plants. In all, the company is expected to save cost by ₹60-70 per tonne. In times when demand is improving and price hikes are sustaining, the improved performance of its acquired assets and cost savings should boost UltratTech's earnings.

Analysts estimate UltraTech's EBIDTA per tonne to improve to ₹940 by the end of FY20 from the estimated ₹870 this fiscal year. On a one-year forward basis, the stock is trading at an EV/EBIDTA of 14.7, which is a 1.5% discount to its five-year average.

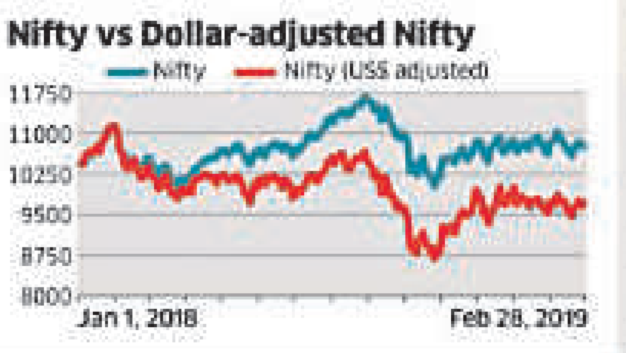
WEEKLY RETURN IN DOLLAR TERMS REMAINS FLAT

Nifty Still the Worst Performer Among Major Peers in '19

Returns Chart

COMPANY	Jan 1 - Feb 28 (% Return) INR	Jan 1 - Feb 28 (% Return) USD	1 Year (% Rtn) USD	Oct 9 - Feb 28 (% Rtn) USD
HDFC	-8.3	-10.0	-0.8	14.6
HDFC Bank	-3.0	-4.8	7.1	12.8
Reliance Indu	9.8	7.8	19.8	18.8
TCS	4.3	2.4	18.0	-0.2
Infosys	10.4	8.4	16.6	7.6
Kotak Bank	-3.1	-4.9	2.0	15.1
ICICI Bank	-4.0	-5.8	5.6	20.0
Axis Bank	13.1	11.0	24.5	35.0
ITC	-2.3	-4.2	-3.1	8.2
Maruti Suzuki	-8.6	-10.3	-29.1	7.4
HUL	-4.0	-5.8	20.3	20.2
IndusInd Bank	-7.5	-9.2	-19.7	-3.4
HCL Tech	9.5	7.5	2.8	3.9
L&T	-10.2	-11.8	-9.1	11.5
Bajaj Finance	-0.3	-2.2	47.1	35.0

ANIRBAN BORA



A Global Comparison

COUNTRY	YTD %Chg.	1 Yr %Chg	Oct 9 - YTD
India (Nifty)	-2.02	-5.24	12.43
Indonesia (KLCI)	3.32	-10.08	0.90
Japan (Nikkei)	5.81	-6.66	-12.18
Korea (Kospi)	6.27	-12.89	-6.74
Mexico (Mexbol)	6.63	-10.27	-16.83
Germany (DAX)	8.28	-13.54	-12.03
UK (FTSE)	9.58	-5.48	-9.78
US (DOW)	11.39	3.82	-11.74
Brazil (IBOV)	15.09	-0.84	-2.30
Russia (RTSI)	17.28	-20.77	-11.96
China (Shcomp)	21.34	-14.55	-7.76

India's 2019 underperformance, relative to other global equity markets, continued this week. While all other indices gained, the Nifty, after adjusting for the dollar movement, remained flat during the period. Of the 20 most tracked global indices, Nifty is the only benchmark in the red since the beginning of the year – with dollar returns of negative 2%. Most other indices are up 3.3% to 21%, with the Shanghai Composite Index (China) being this year's best performer.

After gaining sharply from October 9, 2018, to January 1, 2019, the rupee has remained soft against the US dollar. It was at 70.75 on Thursday, down from 69.4 on January 1, 2019.

Two index heavyweights from the HDFC group – HDFC Bank and HDFC - are down 10% and 5%, respectively, in dollar terms, and their tepid performance has contributed to the Nifty's dull dollar show. Between them, these blue chip financiers make up 18.3% of the Nifty. Other major losers include L&T, Maruti Suzuki and Kotak Mahindra Bank – down 11.8%, 10.3% and 9.2%, respectively.

To be sure, the declines in these stocks were offset by gains at other heavy weight index companies including Reliance Industries, Infosys and Axis Bank – up 7.8%, 8.4% and 11%, respectively.

Despite a weak start to 2019, India continues to remain among the best performing markets since the beginning of October, with 12.4% dollar gains.

– Shailesh Kadam & Jwalit Vyas/ ETIG

SEBI REGISTRATIONS TO IMPACT FREEDOM OF THE PLATFORMS

Crowd Funding Platforms Rush to Sebi for Alternative Investment Fund Tag

Move comes after the regulator pulled them up for not following private placement norms

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Mumbai: Top crowd funding platforms lined up to register themselves as alternative investment funds (AIFs) after the Securities and Exchange Board of India (Sebi) pulled them up for not following private placement norms. All major crowd funding platforms, including OneCrowd, Let's Venture and Angel List, have registered with Sebi as (AIFs) in the last few months, said two people privy to the development.

This brings a major part of early start-up funding under market regulator Sebi's purview and places serious restrictions on the ability of these platforms.

Sebi registrations will impact the freedom of these platforms that typically cater largely to smaller start-ups. For instance, as an AIF, these platforms will be able to pool money only from those individuals who have a minimum liquid networth of Rs 2 crore. Further, the minimum size of investment has to be Rs 1 crore.

Restrictions also apply on companies where these platforms can invest money. As a registered AIF, crowd funding platforms can only make investments in companies that fall under the definition of startup prescribed by the Department of Industrial Policy and Promotion (DIPP). Also, only those investors with proven experience in the early stage funding are allowed to put money through such vehicles.

"The compliance burden on the crowd funding platforms has also gone up as we are expected to file term sheets, pay various registration costs," said the founder of a Mumbai-based crowd funding platform. "But we had to toe the line after Sebi sent us notices for violating fund raising norms."

In 2016-17, Sebi had sent show cause notices to several crowd-funding platforms, including technology providers such as LinkedIn, for facilitating fund raisings that are in violation of Sebi rules.

As per the Companies Act, a company can allot securities to not more than 200 people in a financial year through private placement. If the number crosses 200, such issuance would be deemed as public offer and Sebi's fund raising norms shall have to be followed. The crowdsourcing platforms often collect money from hundreds of angel investors but do not follow the public placement norms.

"The bigger concern was that the crowdsourcing platforms facilitate and execute the transactions and hence their activity could be construed as equivalent of a stock exchange," said the founder cited above. "In such a scenario, we will be mandated to meet all the norms applicable for stock exchanges including minimum networth of Rs 100 crore."

Another source cited above said Sebi's intention was not to restrict the freedom of such new-age platforms but only to create accountability if anything went wrong. "The platforms were raising public money and investing in unlisted companies. There is an inherit risk of fraud in such transactions," he said.

Continued on ▸▸ Money Matters

Sebi Mulls 'Regulatory Sandbox' for AI, Blockchain

PTI

New Delhi: To make best use of latest technologies, the Securities and Exchange Board of India is considering a 'regulatory sandbox' approach to allow greater but well-regulated use of new innovations such as blockchain and artificial intelligence in the securities markets.

Regulators in major financial markets have established regulatory 'sandbox' or testing environment for furthering financial technology and adoption. Officials said Sebi is of the view that innovation in financial technologies like blockchain for settlement, artificial intelligence including robo-advisory, e-wallets, security systems for intermediaries and market infrastructure institutions, resolution of complaints, outsourcing and development of new technology can be better done through a 'sandbox' mechanism.

BoI, UBI Staff may Get Canara Bank Loans to Buy Shares of Their Banks

Special Canara Budget Scheme priced at 8.7% per year, which is the bank's one-year MCLR

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Kolkata: State-owned lenders Bank of India and Union Bank of India appear to have made arrangements with Canara Bank to provide collateral-free loans to their respective employees, a veiled move to fund purchase of shares under Employee Stock Purchase Scheme (ESPS).

Regulations do not allow banks to offer loans to their own employees for purchasing shares under ESPS. Both Bank of India and Union Bank of India have informally told their employees that they may take loans from Canara Bank should they want to purchase shares, two people familiar with the development told ET.

The move reflects the desperation by the lenders while several other state-owned banks had earlier faced lukewarm response on their ESPS amid their financial stress.

Bank of India even disbursed February staff salary in the mid of the month apparently to encourage employees buy shares. The BoI issue of ₹10-crore equity shares opened on January 15 and closed Thursday. Canara launched the scheme for BoI employees in mid-January.

At ₹80 per share, BoI was looking to raise up to ₹800 crore. Union Bank looks to raise ₹600 crore by issuing up to eight crore equity shares.

The loan – christened Special Canara Budget Scheme – is priced at 8.7% per year, which is the bank's one-year marginal cost based lending rate.

Continued on ▸▸ Smart Investing