

TALKS IN ADVANCED STAGE; DEAL COULD BE WORTH \$400-500 MILLION

CPPIB, Allianz-Led InvIT in Talks to Acquire Sadbhav Infra's 12 Road Assets

Reghu Balakrishnan & Indulal PM

Mumbai: Canada's largest pension fund manager Canada Pension Plan Investment Board (CPPIB) is in advanced talks to acquire 12 operating road assets of Sadbhav Infrastructure Project Ltd (SIPL), in a deal worth \$400-500 million (₹3,000 crore), according to two persons aware of the development.

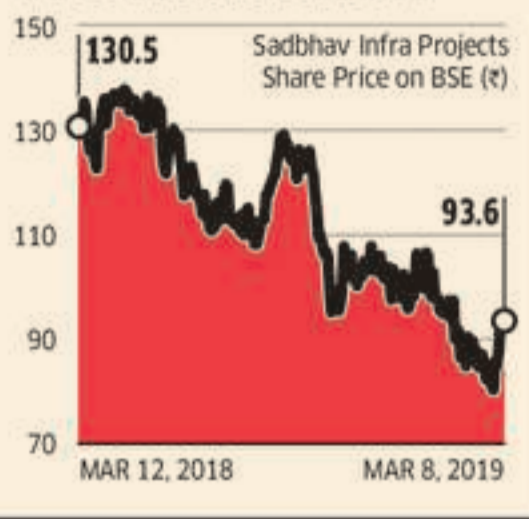
CPPIB, which has entered into exclusive talks with SIPL, will acquire Sadbhav's road assets through the infrastructure investment trust (InvIT), floated by L&T Infrastructure Development Projects Ltd, said one of the persons cited above. CPPIB and Allianz Capital Partners own about 55% of the InvIT units. InvIT was created af-

ter CPPIB bought into L&T toll road portfolio and subsequently hired it off into the independent vehicle, which is also the first private infrastructure investment trust called IndiaInfraTrust.

As on December 2018, listed company Sadbhav Engineering Ltd holds about 69% of SIPL, which is involved in the development, operation and maintenance of national and state highways and roads in Maharashtra, Gujarat, Rajasthan, Karnataka, Haryana and Telangana, besides border check posts in Maharashtra.

Negotiations are currently on over the quantum of units Sadbhav will also own in the InvIT, said sources directly involved in the proceedings. A decision over the semi-finished assets is also part of the

The Road Show



SIPL's portfolio has 23 roads projects

Sadbhav Engineering holds 69% in SIPL

CPPIB, Allianz own 55% units in the InvIT - IndiaInfraTrust

12 projects are operational with total lane kms of 3,338

Cube Highways, CDPQ were also in race for Sadbhav Infra stake

lateral negotiations that are to end by this month-end.

SIPL has a portfolio of 23 roads & highways build operate-transfer (BOT) and Hybrid Annuity Mode

(HAM) projects of which 12 are fully operational with total lane kms of 3,338, as on March 31, 2018.

Strategic investors such as Italy's Autostrade, Cube Highways, Cana-

dian pension funds such as CDPQ are in talks to acquire stake in Sadbhav Infra, ET had first reported in August. Morgan Stanley is the advisor in the sale process.

In a con-call with analysts in November, Nitin Patel, ED, SEL, had mentioned the company is open to sell a majority stake in SIPL.

Mails sent to Shashin Patel, chairman, Sadbhav Engineering, did not elicit any response till press-time, while spokesperson with CPPIB declined to comment.

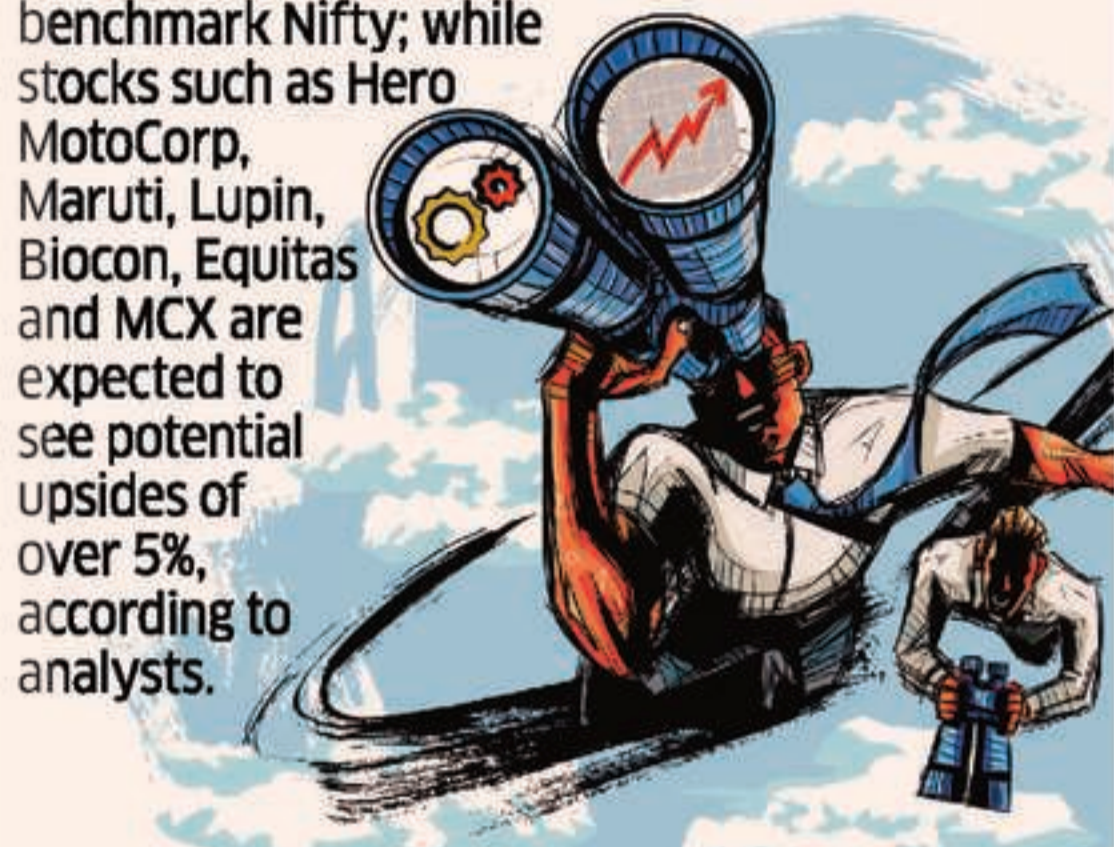
Sadbhav Infra posted a revenue of ₹2,276 crore in FY18 with a market cap of ₹2,296 crore as on March 8. The company has a total debt of ₹8,407 crore and enterprise value of ₹12,987 crore as on March 31, 2018.

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TECH VIEWS

Nifty Enjoys Crucial Support at 10,585 and 10,534 Levels

Technical charts suggest an upward trend towards 11,300-11,350 levels for the benchmark Nifty; while stocks such as Hero MotoCorp, Maruti, Lupin, Biocon, Equitas and MCX are expected to see potential upsides of over 5%, according to analysts.



SAMEET CHAVAN

CHIEF ANALYST - TECHNICAL & DERIVATIVES, ANGEL BROKING

Where are we? After an extended weekend, our markets opened flat despite SGX Nifty suggesting a gap-down opening on Tuesday.

In the last couple of days, the Nifty did not see any action, but we need to appreciate the fact that despite all Asian bourses correcting brutally on the last day, our markets managed to close safely above 11,000, which is highest weekly closing in six months.

What is in store? In the last few days, the index was consolidating, and mid-caps and small-caps started attracting traders' attention. Due to all this positivity, the Nifty has confirmed a breakout from the 'falling trend line' on daily chart. Thus, muted action in last two days should be construed as a pull back or a breather. Further, if we observe the daily chart meticulously, we can see a formation of 'megaphone' pattern. Recent supports of 10,583 and 10,585 being the base of the same and the higher trend line is extended

towards 11,300-11,350. Hence, a move towards this important junction cannot be ruled out in the days to come. Traders are advised to trade with a positive bias and expect 10,994-10,840 to act as a strong support zone now.

What should Investors Do? At this juncture, we like **Bajaj Finance** which has resumed its uptrend after a long consolidation. One can look to go long for a target of ₹2,920 with a stop loss at ₹2,695. From the same sector, **Bajaj Auto** seems to have picked up a strong momentum.

We expect the northward rally to continue towards ₹3,080 with a stop loss at ₹2,894. Also, it was good to see so many stocks from the cash segment showing some encouraging bounce-back. From this, we like **ITD Cementation** which is certainly gearing up for a strong up-move. We will not be surprised to see this stock giving decent gains in the near-term, and recommend it for a target of ₹142 with a stop should at ₹112.



VIPIN KHARE

DIRECTOR - RESEARCH, WILLIAM O'NEIL INDIA

Where are we? The week started with strong gains as the Nifty advanced 1.1% on Tuesday

with the easing of geopolitical tensions. The India Vix was down 8.2% during the week. At the end of the week, Nifty IT, Pharma, Energy, and Auto were in a rally. Only Nifty Metal and Financial Services were in rally attempt while Nifty Bank, Realty, and FMCG were in an uptrend under pressure.

What is in store? The Nifty is currently trading 1.8% and 2% above its 200- and 50-DMA's and has been trading in a range-bound area since November. On the upside, the next hurdle is at 11,118 after which a follow-through day can take the index near its all-time high of 11,760. On the downside, 10,585 and 10,534 serve as crucial support levels.

What could Investors Do? The Nifty Midcap and Smallcap are showing signs of turnaround and have gained more than 2% each in the last three weeks. The number of stocks that are trading above 50- and 200-DMA's have increased to 30 from 17 among Nifty Midcap 100, and to 23 from 7 among the Smallcap 100 in the last one month. Investors can shortlist some of the stocks from these categories and watch for breakouts. Normally, improved performance of the midcaps and smallcaps should improve the market breadth. **Take positions only in the stocks that are strong fundamentally and trading above their key moving averages.** Also, look at the price-volume action of stocks. Ideally, when a stock is advancing the volume should be higher than the average volume. While, going down, the volume should be below average.



SANDEEP PORWAL

TECHNICAL ANALYST, ASHIKA STOCK BROKING

Where are we? Against all the odds including geopolitical news flow, the Nifty staged a rally last week.

The cluster of moving averages viz. 50- & 200- DMA's placed at 10,820 and 10,864 acted as a trigger for a sharp reversal. Additionally, the broader market - Nifty MidCap & Nifty SmallCap - also had shown a relative strength and staged a much anticipated outperformance. The benchmark Nifty registered a weekly close above its psychological resistance of 11,000 mark.

What is in store? It's a sense of déjà-vu for the market participants; daily chart depicts the same reversal formation as it shown on and after February 7, following a sharp rally toward the 11,100 level. A falling retracement indicates (reference ring: 11,760-10,000) key

resistance at 11,100 level, which is 61.80% ratio - the golden ratio. In that case to call a resumption of up-move a successive higher closing above the mentioned level will be watched closely. However, technical set-up on higher frame charts and India VIX closing below 200-DMA indicate the bias remains positive.

What could Investors Do? Given the underperformance and the state of indecision of the last couple of months, the index may consolidate. However, stock specific actions shall continue. Among sectors, we see bargain hunting opportunities in the Nifty Auto & Nifty Pharma. We like Hero MotoCorp, Maruti, Lupin, Biocon, Equitas and MCX and expect potential upsides in tune of over 5%. Head & Shoulder Pattern on daily chart of Infosys shall keep its upside capped.

IN NO HURRY Powell Bolsters Case for Fed Rate Pause as Inflation Stays Muted



Bloomberg

Federal Reserve chairman Jerome Powell made clear he and his colleagues are in no hurry to adjust interest rates as growth slows and inflation stays muted, but said the US central bank would announce new details of plans for its balance sheet "reasonably soon."

In a speech late Friday in Stanford, California, Powell didn't mention the dismal US employment report for February released earlier in the day, saying measures of the labor market "look as favorable as they have in many decades," before reiterating the Fed's mantra on being patient.

"Despite this favorable picture, we have seen some cross-currents in recent months," he said in the prepared remarks. "With nothing in the outlook demanding an immediate policy response and particularly given muted inflation pressures, the committee has adopted a patient, wait-and-see approach to considering any alteration in the stance of policy."

He also said the rate-setting committee is "well along in our discussions of a plan to conclude balance-sheet runoff later this year."

Growth Slowdown Powell's remarks follow a spate of gloomy economic developments in the US and elsewhere that are validating the Fed's decision earlier this year to put interest-rate moves on hold for the time being after hiking four times in 2018. A possible warning sign in that data-dependent strategy appeared as the week came to a close.

The US Labor Department reported that employers added just 20,000 new jobs last month, the fewest since September 2017 and well below economists' estimates.

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IN DOLLAR TERMS INDEX HEAVYWEIGHTS ITC, AXIS BANK AND RIL SEE BIG GAINS LAST WEEK

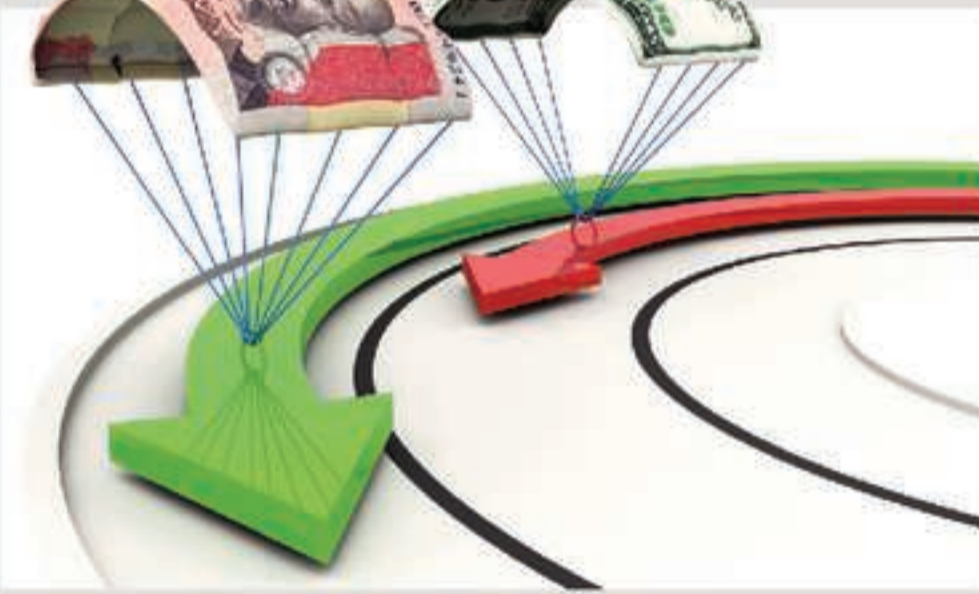
Bullish Sentiment, Rupee's Gain Take Nifty's 2019 Returns to Positive Zone

Indian markets have turned positive for the first time since the beginning of 2019. After a 250-point rally last week, supported by a 1% jump in the rupee against the US dollar, the Nifty has returned 1% since January 1 compared to a negative 2% a week ago. In rupee terms, the index is up 1.1% for the year till date.

The performance is mainly driven by the FIIs and index heavyweights like ITC, Axis Bank and RIL - up 7%, 4.5% and 4%, respectively, in the last one week in dollar terms. In terms of year-to-date performance, these stocks are up 2.3%, 16% and 12%, respectively. The biggest drags on the index in 2019 so far have been L&T, Maruti Suzuki and HUL - down 8.1%, 7.7% and 6.6%, respectively, in dollar terms.

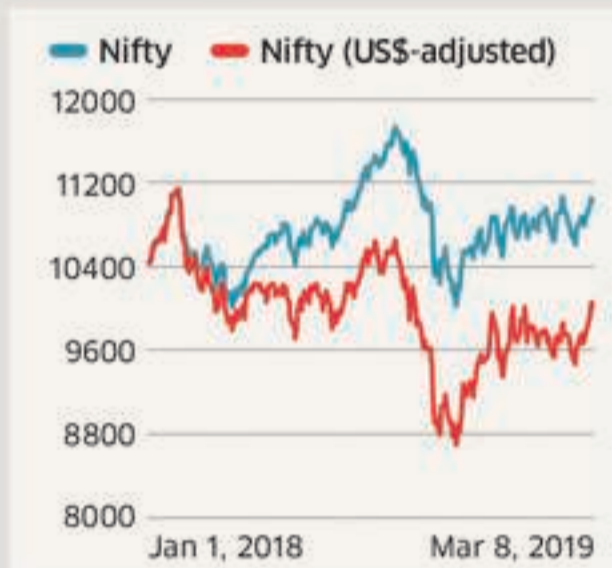
With the smart gains last week, India and the US are the only markets, among the 20 most followed global markets, that have given positive returns over the past one year. The Nifty has gained 0.1% in the past one year and the Dow Jones Industrial Index (US market) has gained 2.3%. This is despite the rupee falling almost 8% against the greenback during the same period. In rupee terms, the Nifty is up 8%. Also, India is the best performing market since early October, after rupee made a smart comeback against the US dollar. This will leave foreign investors, who own 45% of Nifty's free float, with very little to complain.

- Jwali Vyas & Shailesh Kadam



Company	1 Year Return (%)		YTD Return (%)		Oct 9 - Mar 8 Return (%)	
	INR	USD	INR	USD	INR	USD
HDFC Bank	20.6	12.0	-0.8	-1.8	9.7	16.3
Reliance Industries	39.0	29.2	13.0	11.8	16.2	23.2
TCS	32.1	22.7	6.3	5.2	-3.3	2.6
Infosys	23.2	14.5	7.2	6.1	-0.7	5.3
Kotak Mahindra Bank	14.7	6.5	-1.0	-2.0	11.7	18.5
ICICI Bank	25.0	16.1	1.8	0.8	21.1	28.4
Axis Bank	41.1	31.1	16.8	15.6	32.6	40.6
ITC	13.5	5.4	3.3	2.3	8.9	15.4
Maruti Suzuki India	-20.2	-25.8	-6.8	-7.7	4.2	10.5
Hindustan Unilever	31.5	22.2	-5.7	-6.6	12.3	19.1
IndusInd Bank	-10.1	-16.5	-4.7	-5.6	-5.3	0.4
HCL Technologies	3.5	-3.8	2.1	1.1	-7.9	-2.3
Larsen & Toubro	4.4	-3.0	-7.1	-8.1	9.6	16.3
Bajaj Finance	70.3	58.2	4.2	3.1	34.2	42.3

*Rupee made a bottom on Oct 9. Source: ETIG Database



Country	Dollar Adjusted Performance (%)		
	YTD	1 yr	Oct 9 - YTD
Indonesia [KLCEI]	-0.10	-11.86	0.90
India [Nifty]	1.04	0.05	12.43
Korea [KOSPI]	2.40	-17.26	-6.74
Japan [Nikkei]	3.63	-5.99	-12.18
Malaysia [JCI]	4.15	-5.32	7.48
South Africa [Jalsh]	4.28	-22.53	-1.21
Germany [DAX]	5.96	-15.66	-12.03
Thailand [SET]	6.04	-9.53	-6.09
Brazil [IBOV]	7.47	-6.52	-2.30
UK [FTSE]	7.91	-6.91	-9.78
France [CAC]	8.41	-9.09	-11.24
Hong Kong [HSI]	8.97	-8.02	-1.23
US [DOW]	9.20	2.32	-11.74
Russia [RTSI]	15.11	-11.96	-11.96
China [Shcomp]	21.86	-14.79	-7.76

Funds Likely to Launch Commodity Derivatives Schemes by Early FY20

Sebi on Mar 1 allowed MFs and portfolio managers to participate in agri and non-agri commodity derivatives

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Mumbai: The Securities and Exchange Board of India (Sebi) will amend the Mutual Fund Amendment Regulations of 2018 and the Portfolio Management Amendment Regulations 2016 enabling mutual funds and portfolio managers to participate in the agri and non-agri commodity derivatives segment (CDS) within a month. The regulator will then notify the same after intimating

the finance ministry; a person aware of the development told ET. Sebi approved MF and PMSes' participation at its board meet on March 1.

This means the ground for participation by the funds would be laid around the beginning of the coming fiscal year (FY20). "The changes to the relevant regulations will have to be made and the same will have to be notified. This should happen in a month's time," said the person. He added that discussions were also on for the introduction of index trading in commodities.

Sebi officials were not immediately available for comment.

ET also learnt that Sebi would soon issue a circular spelling out the commodities that would be made available for trading by the funds, position limits, margins applicable, etc. Certain sensitive agri commodities, which are subject to frequent government interventions and state-



wise stock holding limits, will be out of bounds for funds. But broad agri commodities such as wheat, sugar, etc, will be open for trade, said the person cited earlier.

All non-agri commodities will be available for them to trade in.

Market stakeholders expect institutional participation to deepen the 15-year old commodity derivatives segment. "Institutional participation will play an important role in adding liquidity and depth to the

commodity derivatives market, leading to enhanced efficiency in price discovery and risk management," said Mrugank Paranjape, MD, MCX, the country's largest commodity derivatives exchange.

NSE, the country's largest equity bourse, which launched a commodity derivatives segment in October last year, expects some of the funds to enter the fray soon.

"The matter of allowing funds has been under discussion for a while now and our sense is some of them could jump in fairly soon," said Ravi Varanasi, chief business development officer at NSE. "Also, they will be able to channel part of their funds, that wouldn't have otherwise been accessible, into this market. Their entry would thus increase both liquidity and depth and lend balance to the market."

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STRONG POSITIVE SEASONALITY EFFECT Nifty 50 posted positive returns in March & April in 8 of the past 10 years

Nifty Well Poised to Repeat its Positive Mar-Apr Show

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ET Intelligence Group: If history is any guide, the risk-reward ratio may be turning favourable for investors to increase their bets on equities in March and April, thanks to a strong positive seasonality effect.

The Nifty 50 has posted positive returns - averaging 6.1% - in March and April in eight of the past 10 years, according to data compiled by IDFC Securities.

The impact of the seasonality during this period is more accentuated in the Nifty Bank index of 12 stocks, the Nifty Midcap 100 and the 16-share Nifty Auto, which outperformed the

Nifty 50 index on at least eight occasions in the past 10 years. On the other hand, technology stocks on the Nifty IT index have remained the worst performers.

The average cumulative returns of the Nifty Bank in March and April was the highest among all sectoral indices, followed by the auto and mid-cap indexes. The average return of the Nifty Bank in March and April was 10.6% in the past decade.

The higher returns of the Nifty Bank suggest that the gains during these two months are primarily boosted by domestic cyclical stocks. Given that financial stocks account for almost one-third of the weight in the Nifty 50, any rally driven by the financials has a multiplier impact on



Upwardly Biased

Cumulative price performance of indices in March-April

(Fig in %)	Average return	Positive return in the past 10 years	Average positive returns
Nifty	6.1	8	8.9
Midcap	8.4	8	11.1
Bank Nifty	10.6	8	14.3
Technology	0.2	5	11
Pharma	5.1	8	7.2
Metals	6.8	5	20
Auto	8.9	9	10.9
FMCG	7	9	8.6
Energy	5	7	8.8

Source: IDFC securities