MARKET WATCH

	29-03-2019	% CHANGE
Sensex	38,673	0.33
US Dollar	69.14	0.23
Gold	32,700	-1.19
Brent oil	68.37	1.87

NIFTY 50

	PRICE	CHANGE
Adani Ports	378.15	-3.15
Asian Paints	1492.70	-4.30
Axis Bank	777.25	-3.45
Bajaj Auto	2911.10	-37.70
Bajaj Finserv	7037.05	84.50
Bajaj Finance	3025.00	29.15
Bharti Airtel	333.10	3.15
BPCL	397.55	11.70
Britannia Ind	3085.50	-11.05
Cipla	528.90	3.30
Coal India	237.20	1.10
Dr Reddys Lab	2780.25	63.05
Eicher Motors	20547.70	-351.30
GAIL (India)	347.65	-10.65
Grasim Ind	857.95	27.80
HCL Tech	1087.45	4.55
HDFC	1968.25	23.80
HDFC Bank	2318.90	16.10
Hero MotoCorp	2553.15	27.40
Hindalco	205.50	3.15
Hind Unilever	1706.80	22.90
Indiabulls HFL	858.25	47.10
ICICI Bank	400.50	-0.05
IndusInd Bank	1780.00	-41.10
Bharti Infratel	313.40	-3.70
Infosys	743.85	6.05
Indian OilCorp	162.85	1.55
ITC	297.25	-2.75
JSW Steel	293.05	4.80
Kotak Bank	1334.50	-6.25
L&T	1385.30	-1.40
M&M	673.90	17.95
Maruti Suzuki	6672.55	76.30
NTPC	134.70	-1.05
ONGC	159.75	3.85
PowerGrid Corp	197.90	-0.35
Reliance Ind	1363.25	3.25
State Bank	320.75	1.75
Sun Pharma	478.85	3.40
Tata Motors	174.25	3.70
Tata Steel	521.00	14.70
TCS	2001.65	1.35
Tech Mahindra	775.90	4.20
Titan	1141.85	7.60
UltraTech Cement	3998.35	89.40
UPL	958.85	29.80
Vedanta	184.45	6.40
Wipro	254.80	0.05
YES Bank	275.10	-1.00
Zee Entertainment	445.50	2.70

EXCHANGE RATES

Indicative direct rates in rupees a unit except yen at 4 p.m. on March 29

CURRENCY	TT BUY	TT SELL
US Dollar	68.95	69.27
Euro	77.44	77.80
British Pound	90.37	90.79
Japanese Yen (100)	62.27	62.56
Chinese Yuan	10.27	10.32
Swiss Franc	69.24	69.57
Singapore Dollar	50.89	51.13
Canadian Dollar	51.39	51.63
Malaysian Ringitt	16.89	16.98

Source:Indian Bank

BULLION RATES CHENNAI

March 29 rates in rupees with previous rates in parentheses

Retail Silver (1g)	40.3	(40.7)
22 ct gold (1 g)	3025	(3049)

IN BRIEF

Status of SFL promoter reclassified

CHENNAI

The board of directors of Sundaram Finance Ltd. (SFL) on Friday approved a request from Barath Rengarajan, one of the promoters, seeking re-classification of his status in the company from that of promoter to 'public', the company said in a regulatory filing. Mr. Rengarajan, who currently holds 0.42% of company's equity, made a formal request a few days ago.

Share pledges on the rise as funds dry up

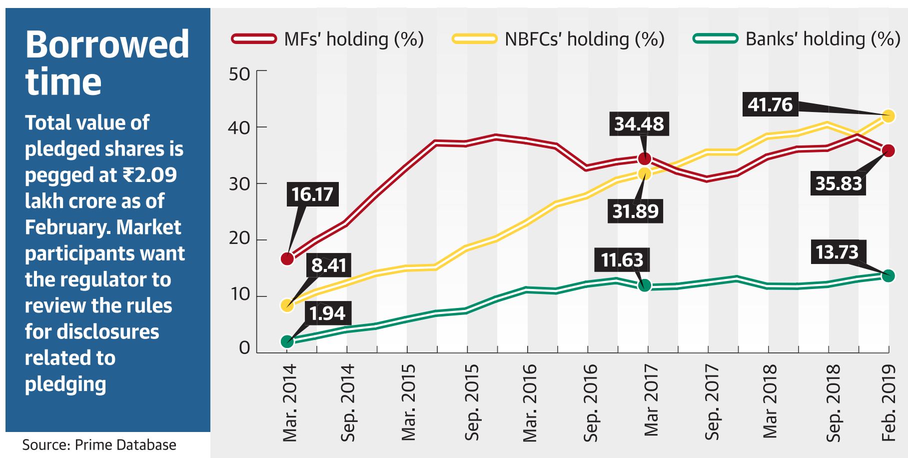
NBFCs see a sharp increase in shares pledged with them as mutual funds reduce their exposure

ASHISH RUKHAIYAR
MUMBAI

A volatile stock market with an underlying weak trend has made fund raising difficult for companies forcing promoters to increasingly resort to pledging their shares to raise finance.

Data show that for the first time the number of companies, wherein at least some part of promoter share is pledged, has crossed the 500-mark – 509 to be precise – on the National Stock Exchange (NSE) that has a little more than 1,900 companies listed.

Further, data from Prime Database show that while the total value of pledged shares was pegged at ₹2.09 lakh crore at the end of February, there were nearly 50 companies wherein more than 99% of the promoter share was pledged.



Source: Prime Database

Near 100% pledged

Companies such as Ankit Metal & Power, Bajaj Hindusthan Sugar, Gammon Infrastructure Projects, GTL Infrastructure, IL&FS Investment Managers, IVRCL, Reliance Naval & Engineering, Visa Steel, McDowell Holdings, Kwality, Alok Industries, Ballarpur Industries and Asian Hotels (North), among others, have almost all the promoter shares pledged.

Promoter pledging refers to the practice of promoters giving their shares as collateral to financial institutions – banks, non-banking finance companies (NBFCs), mutual funds – to raise funds to meet short-term capital requirements or, at times, even for capital expansion when other avenues are difficult to tap.

Incidentally, the share of pledged shares held by NBFCs has touched an all-time high of nearly 42% as mutual funds try to reduce their exposure in the segment.

The share of banks has also touched an all-time high of 13.73%, as on February 28.

Mutual funds have been in focus recently especially in terms of their exposure towards pledged shares as stocks of Zee Group entities, Dewan Housing Finance and Anil Ambani Group, among others, saw a steep decline in their share prices.

The Securities and Exchange Board of India (SEBI) is already examining the exposure of fund houses in this segment while mulling whether the regulations for mutual funds' exposure towards pledged shares need to be tightened.

MFs under lens

"Mutual funds had come under a lot of scrutiny over pledged shares and so fund houses have become slightly wary of this segment and seem to be reducing their exposure," said Pranav Haldea, managing director, Prime Database Group.

"Given the increased focus on mutual funds as also the stress which NBFCs are under in the last few months due to the IL&FS issue, market share seems to be moving to banks. While the share of banks is on the rise, banks are tightly regulated in terms of their exposure towards loans against shares," added Mr. Haldea.

Meanwhile, a section of market participants believe that the regulator should review the rules for disclosures related to pledging. The current framework makes it mandatory for the entities to disclose a pledge.

However, there is hardly any clarity about the reason or the purpose for which shares have been pledged.

"The whole aspect of pledging needs to be revisited. Currently, the entity discloses that a pledge has been created.

"There is, however, no disclosure about the objective or reason for the pledge," said J.N. Gupta, managing director, Stakeholders Empowerment Services (SES), a proxy advisory firm.

In Q3, current account deficit narrows to 2.5%

But it widens on year-on-year basis

SPECIAL CORRESPONDENT
MUMBAI

India's current account deficit (CAD) for the third quarter narrowed to 2.5% of the GDP compared with 2.9% in the preceding quarter, latest data released by the Reserve Bank of India (RBI) showed. In absolute terms, CAD was $16.9 billion in Q3 compared with $19.1 billion in the second quarter.

However, on a year-on-year basis, CAD in October-December period widened from 2.1% or $13.7 billion.

"The widening of the CAD on a year-on year (y-o-y) basis was primarily on account of a higher trade deficit at $49.5 billioncompared with $44 billion a year ago," the RBI said. Net services receipts increased by 2.8%, year-on-year.

Trade deficit

"Essentially, it was the trade deficit which is why the current account deficit number was increasing. If you look at the other components like software and remittances they have been very much on target," said Madan Sabnavis, chief economist, Care Ratings.

Net foreign direct investment was at $7.5 billion in Q3 of 2018-19, increased from $4.3 billion in Q3 of 2017-18, the data showed.

In Q3 of 2018-19, there was a balance-of-payment deficit of $4.3 billion.

"I think the overall balance of payment, which had a negative outflow of dollars, is going to change because of the higher FPI flow in March. That is going to reverse in the fourth quarter. CAD is likely to remain at 2.5% for the entire year," Mr. Sabnavis added.

In the third quarter of current financial year, portfolio investments recorded net outflow of $2.1 billion – compared with an inflow of $5.3 billion in Q3 last year - on account of net sales in the equity market.

For the April-December period of FY19, the CAD rose to 2.6% of GDP from 1.8% in April-December 2017 on the back of widening trade deficit, the RBI said.

PNB to part-sell stake in housing arm for ₹1,851 cr.

Lender has ₹8,600 cr. target this fiscal

PRESS TRUST OF INDIA
NEW DELHI

State-owned Punjab National Bank (PNB) said on Friday it would partially sell its stake in PNB Housing Finance to global private equity firm General Atlantic Group and alternative investment firm Varde Partners for ₹1,851.6 crore.

PNB has entered into agreements in relation to two independent transactions on March 29, 2019, for sale of 1,08,91,733 equity shares held in PNB Housing Finance (PNBHF) to General Atlantic Group at ₹850 per share for ₹925.80 crore, and the same number of shares to VardePartners for ₹925.80 crore, PNB said in a regulatory filing.

The bank has a target to fetch up to ₹8,600 crore this fiscal, which is ending on March 31, 2019, by selling stake in non-core assets.

PNB said these transactions are subject to satisfaction of customary conditions and post these transactions, it would continue to hold strategic stake of 19.78% of the paid-up capital of the housing finance subsidiary.

"PNB would continue to hold strategic stake of 19.78% of the paid-up capital of PNBHFL [as on December 31, 2018] and shall continue as a promoter and strategic shareholder of PNBHFL," PNB Housing Finance said in a separate regulatory filing.

Centre to borrow ₹7.1 lakh crore in FY20, says Garg

Higher borrowing is due to repayment programme; Centre sticks to FY19 fiscal deficit target of 3.4%

SPECIAL CORRESPONDENT
NEW DELHI

Gross borrowings of the government during the first half of financial year 2019-20 will stand at ₹4.42 lakh crore, which works out to 62.3% of the total target for the entire year, Economic Affairs Secretary Subhash Chandra Garg announced on Friday.

"At the rate of ₹17,000 crore per week for 26 weeks of the first half of the year, this amounts to ₹4.42 lakh crore, which is 62.3% of the gross borrowing programme of the government for FY20," Mr. Garg told the media. "The remaining ₹2.68 lakh crore will be the borrowing programme for the second half of FY20."

Gross borrowing

The gross borrowing of ₹7.10 lakh crore for the entire year is significantly higher than the ₹5.35 lakh crore borrowing programme for financial year 2018-19. In 2018-19, the government borrowed ₹2.88 lakh crore in the first half, and ₹2.47 lakh crore in the second half. Mr. Garg said that the gross borrowing amount is higher because of the repayment programme of the government and that the net borrowing is actually in keeping with the trend over the last five years.

"If you look at the five year statistics, the net borrowing has been more or less static," Mr. Garg said.

"The gross borrowing is higher because of the repayment programme. My recollection on net borrowings is that we are not even touching the highest that was touched in the last five years."

The government's repayment programme is ₹1.01 lakh crore in the first half of FY20 and ₹1.35 lakh crore in the second half. After accounting for this, the net borrowings stand at ₹3.41 lakh crore in the first half and ₹1.33 lakh crore in the second half.


S.C.Garg

"We will be introducing a new benchmark for 7-year securities in FY20," Mr. Garg added. "You would recall that in the current financial year, which is ending today, we had introduced two new benchmarks for two-year security and five-year security." Mr. Garg also announced that the government had made a change in the maturity buckets, increasing the previous 15-19 year bucket to 15-24 years. Therefore, the previous 20-year and over bucket would be extended to a 25-year and over bucket.

Fiscal deficit

In a separate announcement, the government said that its fiscal deficit for the first 11 months of the current financial year stood at ₹8.51 lakh crore, which is 134.2% of the full year target.

The fiscal deficit, which is the excess of the government's expenditure over its receipts, stood at ₹7.7 lakh crore in the previous month, which was 121.5% of the full year target.

"We stick to the 3.4% fiscal deficit target for the year," Mr. Garg said.

"As of now, that is what the target is. It will be finalised when the accounts for the last month are finalised. The last month sees a lot of changes since we receive a lot of direct and indirect taxes collections."

"FY19 (April-February) fiscal deficit at 134.2% of revised estimate is originating mainly from the receipt side," Devendra Kumar Pant, chief economist, India Ratings and Research, wrote in a note. "However, the slow pace of tax collections would keep pressure on the fiscal deficit. A higher GDP number than the one used in the Budget will help the government inch closer to the FY19 fiscal deficit [target] at 3.4% of GDP."

The government's receipts stood at ₹12.65 lakh crore in the April-February 2019 period, which is 73.2% of the target for the full year. In the same period of the previous year, the government had achieved 78.2% of the full year target by February-end.

The government's expenditure in the first 11 months of the financial year stood at ₹21.88 lakh crore, which is 89.1% of the target for the full year. It was 90.1% in the same period of the previous year.

Revival of full fleet crucial for turnaround of Jet Airways

Curtailed operation cannot support overheads

LALATENDU MISHRA
MUMBAI

Revival of Jet's full fleet is crucial for the projected turnaround of the airline as the overall cost is built into that.

Any lesser deployment of aircraft or even a near-full fleet would render the operation unviable, said people familiar with the running of the airline.

Before it flew into a financial crisis which ultimately led to the removal of the promoters from the board, the airline had 124 aircraft in its fleet. Owing to financial issues and non-payment of lease rentals, more than two-thirds of its fleet was grounded during most part of this month.

Progressive induction

On Tuesday, a day after its board approved the takeover by the lenders, Jet Airways had committed to the civil aviation ministry that it would fly 75 aircraft by the end of April from about 35 currently. It said it would progressively induct more aircraft. In the past two days, it has revived 50-odd flights.

"The entire schedule has to be maintained. Now the main focus is to bring in reliability in the schedule. From May, the airline has to get back to the original schedule, otherwise it will make no sense. It has to get to the critical mass. The establishment cost, rentals and employee cost have been built into the entire fleet," a person with knowledge of the matter said.

In the December quarter, when the near full schedule was in operation, Jet had spent ₹730 crore on aircraft and engine lease rental, ₹781 crore towards employee cost, ₹256 crore as finance cost, ₹687 crore as aircraft maintenance and ₹1,253 crore as other expenses. Thus, a curtailed operation cannot support the overheads.

Stabilising operations

"The intent is to get a clear picture of the near future. The ₹1,500-crore fresh loan will help us manage for the next four to five months because the business will generate cash. Now, all effort will be to stabilise operations," a senior official said.

Till Friday afternoon, the fresh loan was not credited to the airline. "It has been delayed due to some regulatory framework and money should come any time," an official said. The company will have to retain its existing fleet because of the uncertainty in delivery of the Boeing 737 MAX 8 planes it has ordered.

Jet had ordered 225 such aircraft, five of which have been delivered. But all these were not flying since they were grounded by lessors.

MAX delivery delay

"The MAX delivery issue is something that one has to deal with. Boeing will find a solution in two to three months, when Jet should be ready to accept the delivery. The delay in MAX delivery will delay the network expansion, but will not impact the current schedule," the official said.

It is still not known whether the airline will continue its ATR fleet of 16 aircraft. Nearly half of this fleet is operational.

Jet Airways on Thursday informed the stock exchanges that it had defaulted repayment of Foreign Currency Borrowing, believed to be $150 million, which it had availed towards working capital.

Jet shares on Friday remained unchanged at ₹269.35 on the BSE.

No change in interest rate on small savings

SPECIAL CORRESPONDENT
NEW DELHI

The government has left unchanged the interest rates on small savings schemes for the first quarter of the financial year 2019-20.

The Public Provident Fund and the National Savings Certificate will continue to yield an interest rate of 8%. The Kisan Vikas Patra will have an interest rate of 7.7%. The interest rate for the five-year Senior Citizens Savings Scheme will remain at 8.7%, and that on on savings deposits will remain at 4%. The Sukanya Samriddhi Yojana accounts will continue to offer an 8.5% interest rate. Term deposits of 1-5 years will yield an interest rate in the range of 7-7.8%.