



**TECH VIEWS**  
**Above 10,940, Nifty Can Move Towards 11,117**



Charts suggest until the Nifty breaks below 10,700-10,660 support, the market is likely to continue its bullishness, said technical analysts. Stocks such as ACC, Ambuja Cement, ICICI Lombard General, Chola Fin, Shriram Transport, Ujivan and Bharat Forge could be looked on the long side.

► ON SMART INVESTING

**ACE FUND MANAGER** bullish on industrials, non-banking institutions and consumer stocks

## Indo-Pak Tensions may Increase BJP's Chances in Polls: Mobius

Sanam Mirchandani  
@timesgroup.com

**Mumbai:** The skirmish between India and Pakistan seems to have strengthened the popularity of Indian Prime Minister Narendra Modi, said emerging markets veteran Mark Mobius. Modi-led BJP will return to power for a second term this May, when general elections will be conducted in India, said the founder of Mobius Capital Partners.

India conducted air strike in Pakistan last week and in response to that Pakistan crossed the Line of Control. Escalating tensions had sparked heightened volatility in the Indian markets as well as



**INDIA vs Emerging Markets**  
Not perturbed by the likely fall in India's weight in the MSCI Emerging Market index

other overseas markets. "The interesting aspect is that despite the negative situation with regards to Kashmir this particular incident seems to streng-

then Modi's popularity because he stands for Indian nationalism etc. That is sort of positive aspect as far as the market is concerned, because he gets stronger majority

and is able to take office without having to have coalition or have coalition partners having too much power," said Mobius, former executive chairman of Templeton Emerging Markets Group in an interview with ET. "Then the reform movement can continue and that would be good for investors," said Mobius.

The satta market as of last week was betting that the BJP would win 260-270 seats in the upcoming general election. This figure stood at around 230 seats just after the interim budget on February 1, when the government presented a pro-rural budget.

Continued on ►► Smart Investing

**CATEGORISATION OF ₹16,000-CR DEBT AS 'AMBER'**

## L&T Fin to Move SC Against NCLAT's Order on IL&FS Debt

Co has ₹1,800 crore debt exposure to IL&FS group firms or its special purpose vehicles

Shilpy.Sinha@timesgroup.com



**Mumbai:** L&T Finance is challenging in the apex court a bankruptcy appeals bench ruling that allowed ₹16,000 crore of IL&FS debt to be categorised as 'amber', arguing that the contract has no room to qualify the stressed financier's outstanding loans based on solvency.

The National Company Law Appellate tribunal (NCLAT) approved three loan categories - green, amber and red - based on the ability of a particular company to repay debt and interest. L&T Finance has ₹1,800 crore of debt exposure to the IL&FS group companies or its special purpose vehicles (SPV).

"SPV loans getting classified under different categories have no basis in the contract," said a source close to the development. "The company is challenging the NCLAT order in the Supreme Court."

The NCLAT has asked the IL&FS board to ensure that companies with positive cash flow remain as going concerns and that their operations are not disrupted. Money from escrow accounts of SPVs will remain in individual accounts after meeting the operational expenses.

However, all companies of the group that fail to meet cash flow solvency test will remain under the moratorium granted by NCLAT. Approximately, the amount of loan that will fall under the Amber category is ₹16,000 crore. Loans under 'red' and 'green' categories amount to around ₹65,000 crore and ₹7,000 crore, respectively.

"None of our six projects are in the red list," said Dinanath Dubhashi, MD of L&T Finance. "The court and IL&FS have confirmed our view that none of our projects will have losses."

L&T Finance did not comment on the likelihood of its appeal before the apex court.

L&T Finance has exposure to six road SPVs and all of them are operational. Out of these six, four are annuity projects, where money comes directly from the government. Two are toll projects.

According to the IL&FS resolution framework report, green, amber and red are categories of companies based on their ability to meet payment obligations over the coming 12 months.

Companies that are able to pay all obligations have been categorised as green, companies only able to meet operational payments and senior secured debt obligations are categorised as amber and those that are unable to meet obligations to even senior secured financial creditors are categorised as red. According to the plan, IL&FS can service up to of ₹7,000 crore immediately.

The plan has assured that the seniority of SPV project lenders will be maintained during asset monetisation and these project lenders will get priority in kilter with the repayment waterfall mandated in law. The relevant section of the law says that senior secured creditor loans are cleared first and any surplus that remains thereafter is given to unsecured or subordinated creditors, and thereafter to the equity owners.

## Time for Some US Exposure: Analysts

**Financial planners** are increasingly recommending diversification of equity mutual fund portfolios geographically by investing in the US-based equity mutual funds.

Investing in the US gives an opportunity to own several high-class businesses and global companies, they said. Many large companies in areas like auto, technology, healthcare and internet are based in the US and European markets. Such funds give you a chance to bet on companies like Apple, Amazon, Mastercard, Visa, Alphabet, Microsoft and Facebook.

In the last one year, US-based funds have outperformed the Nifty. Franklin India Feeder - Franklin US Opportunities Fund has given a return of 18.46%, while ICICI US Bluechip Equity Fund has returned 17.11% compared to Sensex's 5.48%.

Though there is some sign of a slowdown in the US, analysts believe there is no likelihood of a recession as of now.

"There is evidence of an earnings slowdown emerging in the US. However, for many large US firms, 40-50% of their revenues come from outside the US," says Vishal Dhawan, founder, Plan Ahead Wealth Advisors. Given the run-up in US equities, he suggests investors build their exposure to US in a gradual manner over a period of time, through the SIP or STP route.

Many investors did not opt for international funds as the tax treatment was similar to debt funds. "With equity funds now subject to LTCG, the differential in tax has narrowed," says Rupesh Bhasali, head (distribution), GEPL Capital. For a holding period of less than 3 years, the investor is required to pay short-term capital gains tax on the profits at his/her tax slab. When the fund is held for more than 3 years, the investor will get the indexation benefit as the profit is treated as long-term capital gain. Post indexation, the gain is taxed at 20%.  
- Prashant Mahesh

### Franklin India Feeder - Franklin US Opportunities

Assets under management: ₹746 cr

Fund Manager: Grant Bowers, Sara Araghi

Top 5 stocks: Amazon, Mastercard, Microsoft, Alphabet Inc, Visa

1/3 year return: 18.46% / 17.42%

A fund of fund, this scheme directs investor money into the Franklin US Opportunities Fund. The fund follows a high conviction strategy focused on investing in leading US companies across the market-cap spectrum that have potential to benefit from multi-year growth trends or emerging profit cycles. The fund manager follows a bottom-up stock selection process and does not hesitate to go overweight on sectors that have high-growth potential.

Currently the fund is overweight on technology and healthcare with these two sectors accounting for half of the portfolio.

### ICICI Prudential US Bluechip Equity Fund

Assets under management: ₹249 cr

Fund Manager: Priyanka Khandelwal

Top 5 stocks: Amazon, Mondelez, Service Now, Microchip Tech, Comcast

1/3 year return: 17.11% / 15.45%

The scheme invests in large-cap securities with a market-cap greater than \$4bn. The investment strategy is a combination of bottom-up and top-down approaches without any sector preference. The fund manager identifies high-quality businesses that have strong balance sheets and possess the desired combination of attractive valuations and potential for multiple expansion. The portfolio consists of 40-50 stocks and may at any particular time, shift stock selection toward in sectors that appear to offer attractive value and appreciation potential.

The fund manager is bullish on FMCG (21%), software (15%) and healthcare (17%).

### Motilal Oswal Nasdaq 100 ETF

Assets under management: ₹121 cr

Fund Manager: Abhiroop Mukherjee, Ashish Agarwal

Top 5 stocks: Amazon, Microsoft, Apple, Alphabet Inc Class C, Facebook

1/3 year return: 11.55% / 19.61%

With the US being a developed market where active schemes struggle to beat the benchmark, some financial planners recommend investment in Nasdaq 100 available to Indian investors.

Motilal Oswal Nasdaq 100 ETF is a passive fund and invests in Nasdaq-100 index. The index has close to 45% exposure to technology stocks, which have exhibited strong revenue and earnings growth. Analysts believe the underlying story for the rise in the Nasdaq-100 is that the US economic growth is shifting from the traditional industries (basic materials and oil & gas) to the newer sectors (healthcare and technology). Since 2003, companies in Nasdaq-100 have recorded a revenue growth of 14% and earnings growth of 24%.

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