PHARMA WATCH

NOVARTIS GETS NOD FOR GENE THERAPY

Washington: Swiss pharmaceutical company Novartis on Friday announced it had received US regulatory approval for a gene therapy that treats a rare childhood disorder and has a price tag of $2.1 million, making it the most expensive drug in history. **PTI**

MARKET SENTIMENT UPBEAT SINCE EXIT POLLS PREDICTED NDA RETURN

Foreign portfolio investors enter the markets while DIIs book profits

SANDEEP SINGH
NEW DELHI, MAY 25

THE EXIT polls that provided indications of a return of the Narendra Modi-led NDA with a comfortable majority not only lifted the market sentiment, but also caused a reversal in investment trend of foreign portfolio investors (FPIs).

As FPIs invested a net Rs 2,026 crore a day after the elections results got clear, experts say that Indian markets may see a continued flow of FPI money, following the clarity on political stability and prospect of stable crude oil prices.

While FPIs had pulled out a net of Rs 5,912 from Indian equities between May 1 and May 17, they pumped in a net of Rs 5,890 crore since the exit poll results were made public on Sunday, May 19, thereby making up for the entire outflow seen during the month prior to the exit polls.

On the other hand, domestic institutional investors (DIIs) have been seen taking contrary positions. DII investment data accessed from the stock exchanges shows that while DIIs were made strong investments before the exit polls, they have been busy booking profits since the exit poll outcome led to a rally in the market.

Between May 1 and May 17, DIIs invested a net of Rs 8,872 crore. However, last week, they sold equities worth a net of Rs 2,579 crore.

A dip in FPI inflow in the first half of May, following US sanctions on Iran, trade war between US and China and election outcome uncertainty in India also had a significant impact on the movement of premier indices.

While the Sensex at the BSE fell by 1,638 points, or 4.2 per cent, between May 1 and May 16, it jumped sharply following the exit poll outcome.

In the six trading days between May 17 and May 24, it gained 2,041 points, or 5.45 per cent, to close at 39,434 on Friday, also touching the 40,000-mark on Thursday. The Nifty too breached the 12,000 mark on Thursday.

The indices witnessed big swings during last week, following the outcome of exit polls on Monday and the election result on Thursday. If the Sensex jumped 1,421 points or 3.75 per cent on Monday, it jumped another 1,014 points or 2.6 per cent intra-day on Thursday, as results showed a clear majority for the NDA.

The market, however, witnessed profit-booking in the second half of the result day, following which the Sensex closed the day with a loss of 299 points or 0.76 per cent.

On Friday, FPIs were back in the market and as the Sensex jumped 623 points or 1.6 per cent, market participants say that investors have started to take medium to long term position in Indian equities. Besides continuation of reforms and policy stability, market experts say that the prospect of another rate cut by the Reserve Bank of India in its forthcoming monetary policy in June has also started playing on the minds of investors. While the allocation of ministries will be closely watched, it will be important to see that what new reforms or policy changes does the Modi government announce in its first budget of its second term.

INVESTOR BEHAVIOUR PRE AND POST EXIT POLL

Day	FPIs	DIIs
May 24	2,026	-195.35
May 23	1,439	-593.5
May 22	-741	-157.7
May 21	1,560	-1,090.3
May 20	1,606	-542.7
Post exit poll	5,890	-2,579
Pre Exit Poll (in May)	-5,912	8,872

All figures in Rs crore

EXPLAINED E.

All eyes to be on policy decisions now

THOUGH FOREIGN portfolio investors started investing in Indian markets after the general election outcome, factors such as another rate cut by the Reserve Bank of India, portfolio allocation in the new government, reform initiatives and fiscal discipline in the first budget of Modi government's second term will be keenly watched.

NTPC posts 48.7% jump in Q4 net at ₹4,350.3 crore

ENS ECONOMIC BUREAU
NEW DELHI, MAY 25

STATE-OWNED POWER firm NTPC on Saturday posted a 48.7 per cent rise in its standalone net profit at Rs 4,350.32 crore for the quarter ended March 2019, compared to the year-ago period, mainly on the back of lower expenses. In January-March 2018, the company's standalone net profit was Rs 2,925.59 crore, a statement by NTPC said.

The company's total income slipped to Rs 22,545.61 crore in the March quarter from Rs 23,617.83 crore year ago. Expenses fell to Rs 19,008.44 crore in the quarter from Rs 20,229.26 crore a year ago. For 2018-19, standalone net profit rose by 13.60 per cent to Rs 11,749.89 crore compared to Rs 10,343.17 crore in the previous year. For FY19, total income stood at Rs 92,179.56 crore, up from Rs 85,207.95 crore during the preceding fiscal

As against Rs 10,501.50 crore in the previous financial year, consolidated net profit of the firm rose to Rs 12,633.45 crore in 2018-19.

Further, the previous fiscal recorded a total consolidated income of Rs 97,537.34 crore, up from the Rs 89,641.59 in the 2017-18 fiscal.

EXPENSES DOWN TO ₹19,008.4 CR

- **NTPC's total income fell to ₹22,545.61 crore in the March quarter, from ₹23,617.83 crore a year ago. Expenses fell to ₹19,008.44 crore in the quarter from ₹20,229.26 crore a year ago**
- **For FY19, standalone net profit rose by 13.60% to ₹11,749.89 crore compared to ₹10,343.17 crore in previous year**

Meanwhile, the Board of Directors of NTPC Ltd has recommended a final dividend for 2018-19 at the rate of 25 per cent of the paid-up share capital — i.e. Rs 2.50 per equity share of the face value of Rs 10 each — subject to approval of shareholders in the Annual General Meeting, which is scheduled to be held in August this year.

The final dividend is in addition to the interim dividend of Rs 3.58 per equity share for 2018-19 paid in February 2019.

This is the 26th consecutive year of dividend payment by the company.

The gross power generation of the NTPC Group for the 2018-19 fiscal was 305.90 billion units (BUs) as against 294.27 BUs during the previous financial year.

The average power tariff of the state-owned power firm was Rs 3.38 per unit in the fiscal under review. The company's plant load factor or capacity utilisation (PLF) of coal based projects dropped to 77.58 per cent in March quarter from 79.03 per cent year ago.

During the 2018-19, the company's PLF of coal fired power plants also declined to 76.68 per cent from 77.90 per cent in 2017-18. The company's domestic coal supply increased to 46.94 million tonnes in March quarter from 44.36 million tonnes year ago.

During the last fiscal the company's domestic coal supplies also increased to 175.05 million tonnes from 168.21 million tonnes.

Coal imports by the company also went up slightly to 0.66 million tonnes in March quarter from 0.10 million tonnes year ago. During the last fiscal, the company's coal imports also increased to 1.05 million tonnes from 0.32 million tonnes in 2017-18.

The NTPC Group's total installed capacity has increased to 55,126 mega watt (MW) as on March 31, 2019 from 53,651 MW as on March 31, 2018. **WITH PTI**

BRIEFLY

₹151.1 cr Q4 profit for Fortis Healthcare

New Delhi: Fortis Healthcare has reported a consolidated net profit of Rs 151.19 crore for the quarter ended March 31, 2019, as against a net loss of Rs 914.32 crore in the corresponding period of the previous fiscal. Consolidated revenue from operations in the quarter under review increased to Rs 1,184.15 crore from Rs 1,086.38 crore in the same quarter a year ago, Fortis Healthcare said in a regulatory filing to BSE.

NIIT Ltd Q4 net profit up 18% to ₹23 cr

New Delhi: NIIT Ltd Saturday said its consolidated net profit rose 18 per cent to Rs 23.2 crore in the March quarter, helped by increased productivity and turnaround in its skills and careers business. The firm had posted a net profit of Rs 19.7 crore in the year-ago period. Its revenue grew 8 per cent to Rs 239.7 crore in the quarter under review from Rs 222.8 crore in the year-ago period, NIIT said. NIIT Ltd, which announced sale of its shares in NIIT Technologies in April, said the company received gross proceeds of Rs 2,020.4 crore in cash from the transaction.

Salzer buys 72% in Kaycee Industries

Coimbatore: City-based Salzer Electronics has acquired 72.32 per cent stake in Kaycee Industries Limited of CMS group, which has been involved in industrial switches for over 75 years. **PTI**

Manpasand Beverages' top officials held

New Delhi: The Vadodara Goods and Services Tax (GST) commissionerate said it arrested Manpasand Beverages' managing director Abhishek Singh and the company's chief financial officer Paresh Thakkar for availing fraudulent credit through dummy companies that led to tax evasion of Rs 40 crore involving a turnover of Rs 300 crore. The company has a market capitalisation of Rs 1,200 crore. **ENS**

'States' share of market borrowing up at 91% in FY19'

The dependence of states on market borrowing to finance their fiscal deficit increased to 91 per cent in the financial year ended March 2019, says a report by Care Ratings

STATES IN FY19:
- Budgeted fiscal deficit was around 2.5 per cent or Rs 4,86,500 crore
- Budgeted borrowing from market was Rs 4,40,700 crore, representing a share of 91 per cent
- Gross borrowings market, as per revised estimates, stood at Rs 4,78,300 crore
- Share in total borrowings rose to 45.6 per cent, from 25.9 per cent in FY14

STATES IN FY18:
- Budgeted fiscal deficit was Rs 5,14,300 crore
- Budgeted market borrowing was Rs 3,85,300 crore, representing a share of 75 per cent

8.33% weighted average yield: In FY19, the weighted average yield for all states was 85 basis points higher at 8.33 per cent compared to 7.48 per cent in FY17

12 states had lower cost of borrowing than the 8.33 average

17 states saw higher cost of borrowing than the 8.33 average

Centre's dependence on market borrowings falls: In FY19, the Centre's dependence on market borrowings to finance its fiscal deficit came down as there has been recourse taken under the National Small Savings Fund (NSSF)

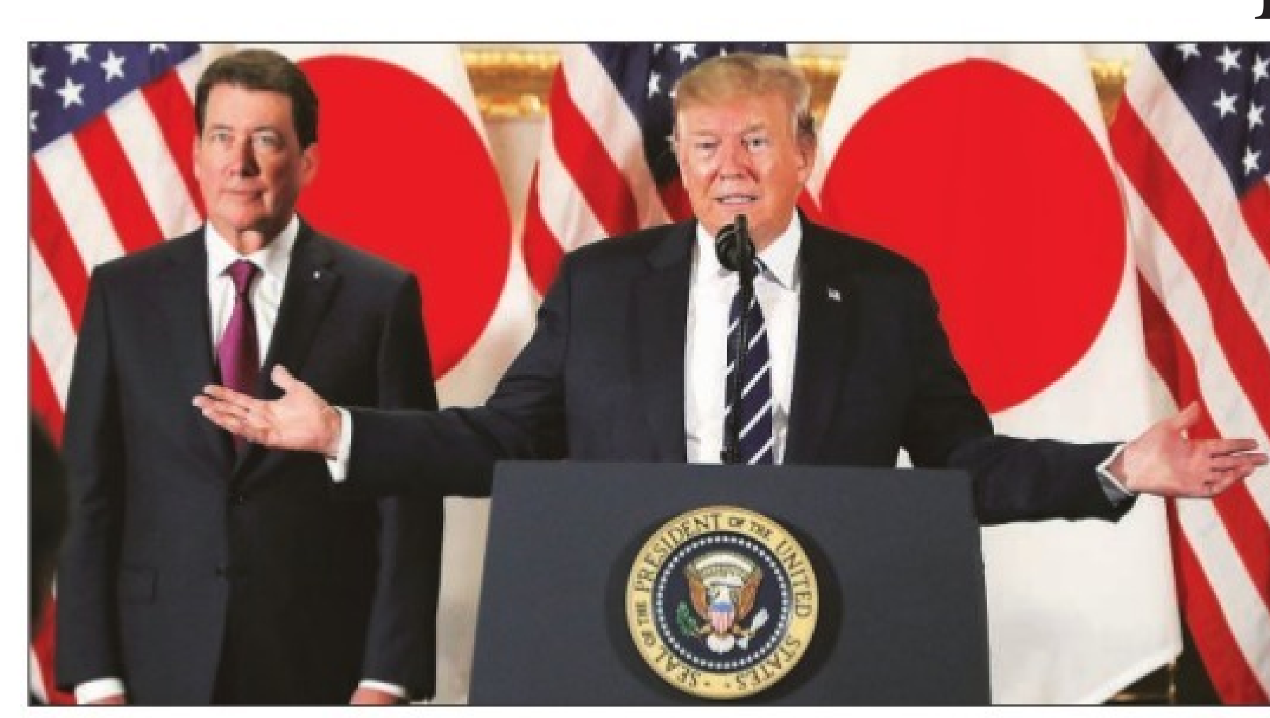
CENTRE IN FY19:
- Budgeted fiscal deficit was Rs 6,24,300 crore
- Market borrowing was Rs 3,99,100 crore, representing 63.9 per cent
- Gross borrowings stood in the range of Rs 5,80,000-5,90,000 crore

6.7% CAGR in 5 years: The combined borrowing grew at a compound annual growth rate (CAGR) of 6.7 per cent in the last five years. In FY19,
- Centre's market borrowing grew flat at a CAGR of 0.26 per cent
- Borrowing by states rose sharply at a CAGR of 19.5 per cent

90% borrowing by 15 states: Over the last few years, 15 states accounted for around 90 per cent of the total borrowings of all states put together, including Uttar Pradesh, Gujarat, Tamil Nadu and Karnataka among others

US PRESIDENT ADDRESSES BUSINESS LEADERS IN JAPAN

Japan has had a substantial edge ... we hope to address this trade imbalance: Trump



US President Donald Trump speaks with Japanese business leaders in Tokyo, Saturday, as US Ambassador to Japan William Hagerty listens. *AP*

REUTERS
TOKYO, MAY 25

US PRESIDENT Donald Trump urged Japanese business leaders on Saturday to increase their investment in the United States while he chided Japan for having a "substantial edge" on trade that negotiators were trying to even out in a bilateral deal.

Trump arrived in Japan on Saturday for a largely ceremonial state visit meant to showcase strong ties even though trade relations are problematical. In the evening, the Tokyo Sky Tree tower was lit up red, white and blue in Trump's honor. Shortly after arriving at the airport to a red-carpet welcome, Trump attended a reception at the residence of US Ambassador William Hagerty that the White House said included Japanese business executives from Toyota, Nissan , Honda, SoftBank and Rakuten.

Trump told the company officials there had never been a better time to invest in the United States and repeated a complaint that the Federal Reserve's policies had kept US economic growth from reaching its full potential.

With trade talks ongoing, Trump also got in a dig at Japan and said he wanted a deal to address the trade imbalance between the two countries.

"Japan has had a substantial edge for many, many years, but that's OK, maybe that's why you like us so much," he said.

"With this deal we hope to address the trade imbalance, removing barriers to United States exports and ensure fairness and reciprocity in our relationship," Trump said. Trade is one of Trump's signature issues, and encouraging foreign investment in the United States is a hallmark of his trips abroad.

Trump will meet Japanese Prime Minister Abe Shinzo on Sunday for a round of golf, a sumo tournament and a private dinner.

The two men share a warm relationship, which the Japanese leader aims to emphasize as Washington considers tariffs on Japanese auto exports that the Trump administration views as a potential national security threat.

Trade is likely to be addressed during a formal meeting on Monday between Trump and Abe, but even a partial trade agreement isn't expected, said Trade Minister Toshimitsu Motegi after meeting his counterpart, US Trade Representative Robert Lighthizer, in Tokyo on Saturday.

Motegi said there was no discussion of Trump's decision to declare some auto imports a national security threat. "We deepened our understanding of each other's positions on trade. However, we're not in complete agreement," Motegi told reporters following the talks. "There are still some gaps. We need to work to narrow our differences."

The United States is in the middle of an expensive trade war with China, and trade tensions simmering with Japan and the European Union.

Trump's Japan trip is largely ceremonial in nature. The president will become the first foreign leader to be received by new Japanese Emperor Naruhito since he inherited the throne earlier this month; he and Harvard-educated Empress Masako will host an elaborate dinner for the Trumps on Monday night.

A medium-strength earthquake hit eastern Japan, causing buildings to shake in Tokyo, hours before Trump's arrival.

The epicenter was southern Chiba, southeast of the capital, the prefecture where Trump is due to play golf on Sunday.

'US-China trade war offers big opportunity for Indian exports'

K J M VARMA
BEIJING, MAY 25

INDIA SHOULD cut interest rates further and adopt consistent policies for the export of agricultural produce to enable Indian exporters to take advantage of the current US-China trade war, industry body Ficci's President Sandip Somany said Saturday.

Currently on a business trip to China, Somany also said the NDA government in its second term should focus on getting big ticket investments from China, specially in capital goods sector, and motivate Chinese machinery manufacturers to set up plants in India.

The US-China trade war, where both nations have slapped billions of dollars worth of tariffs on each other's exports, offers a big opportunity for some category of Indian exports to make a dent in both US and Chinese markets, he told *PTI* here.

Somany, who is the vice chairman and MD of HSIL Limited, also met Indian Ambassador to China Vikram Misri and Secretary of China's Boao Forum for Asia, Li Baodong. If the US-China trade war continues, it offers good opportunities for Indian exports in certain areas, he said.

"If you are competitive, we can replace China in those areas. But the government has to be supportive because production costs are high which makes our goods not competitive. Our interest rates are at life time highs, which makes our goods not competitive. That is an issue. Our inflation rate is low, running around 3 per cent. What is the need for banks to lend at 10, 11 per cent? It is uncalled for," Somany added. **PTI**

China says US demand on SOEs is 'invasion' on economic sovereignty

REUTERS
BEIJING, MAY 25

THE UNITED States has called on China to curb the development of its state-owned enterprises (SOEs), a demand that China sees as an "invasion" on its economic sovereignty, Chinese state news agency *Xinhua* said on Saturday.

Trade tensions between Washington and Beijing escalated sharply earlier this month after the Trump administration accused China of having "reneged" on its previous promises to make structural changes to its economic practices. Washington later slapped additional tariffs of up to 25 per cent on $200 billion of Chinese goods, prompting Beijing to retaliate.

As trade talks stalled, both sides have appeared to be digging in. China has denied it had walked back on its promises but reiterated it would not make concessions to "matters of principles" to defend its core interests, although no full details were given.

"At the negotiating table, the US government presented a number of arrogant demands to China, including restricting the development of state-owned enterprises," Xinhua said in a commentary.

SOEs in China enjoy not only explicit subsidies but also hidden benefits such as implicit government guarantees for debts and lower interest for bank loans, analysts and trade groups say. "Obviously, this is beyond the scope of trade negotiations and touches on China's fundamental economic system," *Xinhua* said.

China's top banking regulator says yuan bears will suffer 'heavy losses'

REUTERS
BEIJING, MAY 25

CHINA'S BANKING and insurance regulator said on Saturday it did not expect a persistent decline in the yuan and warned speculative short sellers they would suffer "heavy losses" if they bet against the currency.

The yuan has lost more than 2.5 per cent against the dollar since the festering China-US trade dispute intensified earlier this month. It is now less than a tenth of a yuan away from the 7-per-dollar level authorities have in the past indicated as a floor.

"Short-term fluctuation of the yuan exchange rate is normal, but in the long-run, China's economic fundamentals determine that the yuan will not depreciate persistently," Xiao Yuanqi, the spokesman for the China Banking and Insurance Regulatory Commission (CBIRC), told a finance forum in Beijing.

"Those who speculate and short the yuan will for sure suffer heavy loss."

Xiao was reading from a script prepared for Guo Shuqing, CBIRC's chairman and the Communist Party chief of the People's Bank of China (PBOC). Guo was scheduled to give a speech at the same forum but couldn't make it due to last-minute arrangements.

"Short-term fluctuation of the yuan exchange rate is normal, but in the long-run, China's economic fundamentals determine that the yuan will not depreciate persistently ... Those who speculate and short the yuan will for sure suffer heavy loss"

XIAO YUANQI
SPOKESMAN, CHINA BANKING AND INSURANCE REGULATORY COMMISSION

Sources have told *Reuters* China's central bank will use foreign exchange intervention and monetary policy tools to stop the yuan weakening past the key 7-per-dollar level in the near-term.

A defence of the 7 level could help boost confidence in the currency and soothe investor fears about the yuan, even as souring trade relations with Washington make competitive devaluation a compelling option for Beijing.

Xiao also said Beijing must look out for hot money moving in and out of the country, as well as large amounts of capital flowing into the frothy real estate market.

"We must be especially vigilant about money from overseas moving in and out in large quantities, and hot speculative money, and we must resolutely fight bubbles in real estate and financial assets," he said.

Chinese policymakers have struggled to manage bubble risks in the property market, the world's largest, without hurting growth in the sector, which is crucial for the wider economy.

With talks stalled between Washington and Beijing, and U.S President Donald Trump threatening to slap tariffs of up to 25 per cent on all Chinese imports, investors are nervously reassessing risks amid growing fears about their damaging impact on the global economy.

Washington slapped higher tariffs on $200 billion in Chinese goods earlier in May, prompting Beijing to retaliate. But Xiao said the impact of additional US tariffs on China's economy, the world's second-largest, would be "very limited" even if the tariffs were levied "to their extreme level".

"First of all, most of the (Chinese) products exported to the United States are very suitable for domestic sales. China is in the middle of a 'consumption upgrade', so a huge market with rapid expansion will absorb a large amount of them without 'crowding out' existing consumers," he said.