

MARKET WATCH

	12-06-2019	% CHANGE
Sensex	39,757	-0.48
US Dollar	69.34	0.14
Gold	33,570	0.6
Brent oil	60.75	-2.36

NIFTY 50

	PRICE	CHANGE
Adani Ports	424.95	-1.35
Asian Paints	1425.45	-0.05
Axis Bank	813.55	-1.25
Bajaj Auto	2944.50	-42.65
Bajaj Finserv	8245.60	-25.05
Bajaj Finance	3505.85	-46.00
Bharti Airtel	359.90	-3.35
BPCL	381.00	-6.00
Britannia Ind	2996.90	16.60
Cipla	561.60	1.75
Coal India	257.00	-1.75
Dr Reddys Lab	2589.70	-16.15
Eicher Motors	20105.95	26.05
GAIL (Ind)	310.10	-4.00
Grasim Ind	888.30	-1.80
HCL Tech	1108.10	0.20
HDFC	2181.95	-7.90
HDFC Bank	2427.05	-21.35
Hero MotoCorp	2728.05	-48.10
Hindalco	199.30	-0.30
Hind Unilever	1847.10	7.30
Indiabulls HFL	621.05	-53.50
ICICI Bank	418.00	-3.35
Indusind Bank	1569.85	-20.75
Bharti Infratel	273.25	-9.90
Infosys	753.80	-1.10
Indian Oil Corp	162.55	0.05
ITC	279.95	0.10
JSW Steel	271.25	-2.10
Kotak Bank	1483.50	-24.20
L&T	1509.25	-15.05
M&M	632.20	-4.65
Maurti Suzuki	6852.00	-126.30
NTPC	134.40	-0.90
ONGC	170.85	1.60
PowerGrid Corp	191.15	-2.50
Reliance Ind	1332.15	3.00
State Bank	344.00	-3.10
Sun Pharma	391.40	1.45
Tata Motors	169.05	-1.70
Tata Steel	505.85	13.35
TCS	2260.90	8.10
Tech Mahindra	747.95	-14.15
Titan	1288.85	3.90
UltraTech Cement	4569.10	-15.65
UPL	1020.75	-13.75
Vedanta	170.10	0.75
Wipro	298.00	0.30
YES Bank	134.75	-4.80
Zee Entertainment	342.85	-3.35

EXCHANGE RATES

Indicative direct rates in rupees a unit except yen at 4 p.m. on June 12

CURRENCY	TT BUY	TT SELL
US Dollar	69.14	69.46
Euro	78.29	78.65
British Pound	88.14	88.56
Japanese Yen (100)	63.80	64.10
Chinese Yuan	9.99	10.04
Swiss Franc	69.58	69.91
Singapore Dollar	50.68	50.92
Canadian Dollar	51.99	52.23
Malaysian Ringgit	16.62	16.72

Source: Indian Bank

Debt downgrades at a record high

Mutual funds have large exposure to such instruments thereby impacting NAVs

ASHISH RUKHAIYAR
MUMBAI

The recent downgrades of debt papers of well-known conglomerates are not isolated instances as the current year has seen a record in terms of the number of such downgrades of debt instruments.

Data from Prime Database shows there have already been 163 instances of such downgrades in the current year till date, which is more than twice compared to last year when 61 instances of downgrades were witnessed.

Some of the well known corporates whose debt papers have been downgraded in 2019 by rating agencies include Yes Bank, Wockhardt, Diligent Media Corp, Eveready Industries, Jet Airways and Peninsula Land apart from the prominent ones

Cause for concern

There have already been 163 instances of such downgrades in the current year till date, which is more than twice of last year

Year	Upgrades	Downgrades
2015	36	16
2016	29	14
2017	20	17
2018	105	61
2019	87	163

SOURCE: PRIME DATABASE



like Anil Dhirubhai Ambani Group entities, Essel Group and the most recent instance of Dewan Housing Finance.

To be sure, the data has taken into account all kinds of downgrades and does not limit only to a downgrade to default rating.

Interestingly, the rise in the number of downgrades in 2019 has come with a cor-

responding fall in instances of upgrades, which was not the norm last year.

Rating upgrade

This year, there have been 87 instances of rating upgrade, lower than last year when over 100 debt securities saw an upgrade. "There has been a large number of downgrades in the recent months," said

R. Sivakumar, head, fixed income, Axis Mutual Fund. "It looks like we are still seeing the fallout of the IL&FS matter and so the market is quite cautious right now," he added. From an investor perspective, the increasing downgrades are a cause for concern as mutual funds have a large exposure towards such instruments and large instances of downgrades affect portfolio selection and thereafter the net asset value of the scheme.

"Till a few months back the spread between a AA and AAA rated instrument had dipped to 50 basis points, which was quite lower than the historical average. While currently it is around 150 basis points, the challenge is downgrades have increased thereby pushing up the risk curve," said Mr. Sivakumar.

IDBI Bank cuts MCLR by 5-10 bps across various tenors

PRESS TRUST OF INDIA
MUMBAI

Life Insurance Corporation of India (LIC)-owned IDBI Bank on Wednesday reduced its marginal cost of funds based lending rate (MCLR) by 5-10 basis points across various tenors, with immediate effect.

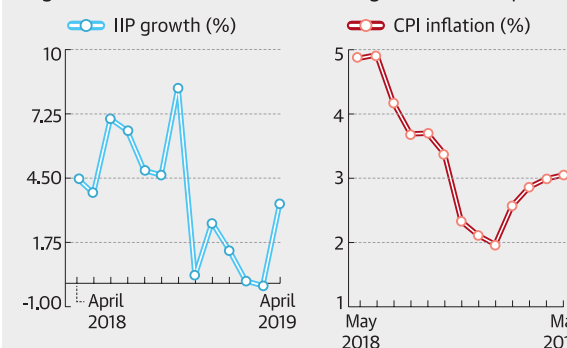
The lender has reduced its one-year MCLR or the minimum lending rate to 8.95%.

The one-year MCLR is the benchmark against which most customer loans such as auto, personal and home loans are priced.

New overnight, one-month, six-month rates are 7.90%, 8.15% and 8.60% respectively, the bank said in a release.

A picture in contrast

Industrial activity rebounded in April 2019 to a six-month high while retail inflation rose on a slight rise in food prices



SOURCE: CMIE

Industrial growth recovers, CPI inflation up

Food prices show slight increase

SPECIAL CORRESPONDENT
NEW DELHI

Industrial activity rebounded in April 2019 to grow to a six-month high of 3.4%, driven by a turnaround across all the sectors measured, according to official data released on Wednesday.

Separate data release showed retail inflation in May 2019 accelerated marginally to 3.05% driven by a slight rise in food price inflation.

Growth in the Index of Industrial Production (IIP) returned to positive territory in April following a contraction of 0.1% in March. Within the index, growth in the manufacturing sector stood at 2.8% in April compared with a contraction of 0.4% in the previous month. Mining sector saw growth accelerating to 5.1% from 0.8% over the same period.

"The recovery in the IIP is mostly due to the fact that with the new financial year having started, the government might have been able to spend through the approvals of the interim budget," D.K. Srivastava, chief policy advisor, EY India, said. "Those decisions that were postponed would have been

taken up and so, that would have spurred demand. If you look, most of this growth would have been due to public expenditure."

Election spending

"In April and May, the election spending would have also spurred demand," Mr. Srivastava added. "And in the first few months of the new financial year, there will likely be front-loading of government expenditure, and so, this growth could continue for about three months.

Retail inflation as measured by the Consumer Price Index (CPI) quickened to a seven-month high of 3.05% in May 2019, up marginally from the 2.99% registered in the previous month. Within the index, inflation in the 'food and beverages' segment accelerated to 2.03% from 1.38% over the same period. The fuel and light segment, however, saw inflation easing somewhat to 2.48% in May from 2.56% in the previous month. 'Pan, tobacco, and other intoxicants' and the 'clothing and footwear' segments, saw inflation easing marginally in May.

Jalan panel report on RBI reserves by June end

Bank has ₹9.6 lakh cr. surplus capital

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NEW DELHI

The Bimal Jalan committee, which is looking into the size of capital reserves that the RBI should hold, will have one more meeting before finalising its report to be submitted to the apex bank by the month-end.

The six-member panel, under former RBI Governor Jalan was appointed on December 26, 2018, to review the economic capital framework (ECF) for the Reserve Bank after the Finance Ministry wanted the RBI to follow global best practices and transfer more surplus to the government.

The RBI has over ₹9.6 lakh crore surplus capital

with it.

"The ECF panel will meet one more time and will submit the report by month-end," an official told reporters here after the meeting.

The ECF panel was mandated to submit its report to the RBI within 90 days of its first meeting which took place on January 8. Following this, the panel was given a three-month extension.

Asked about the reason for delay in finalisation of the report, the official said, "There may be differences of opinion, but that is being discussed". Other members include Rakesh Mohan, former Deputy Governor of RBI and Finance Secretary Subhash Chandra Garg.

Stock exchanges to impose trading restrictions on Jet shares

'Firm couldn't provide prompt response on various rumours'

PRESS TRUST OF INDIA
NEW DELHI

Stock exchanges will impose restrictions on trading in Jet Airways shares from June 28 as part of preventive surveillance measures to curb excessive volatility, according to a circular. Jet Airways suspended operations in April and lenders are working on ways to revive the airline.



5% price band."

Trade for Trade

In a circular, NSE said shares of the company would be shifted from "Rolling Segment to Trade for Trade Segment, wherein the settlement in the scrip will take place on gross basis with 100% upfront margin and

There are restrictions in trading of shares that are under 'Trade for Trade' segment. The decision has been taken jointly by the exchanges and would be effective from June 28, it said.

According to the circular, the company has failed to

provide prompt responses to queries of exchanges regarding various rumours.

The responses received "are not clear and satisfactory," it added. Also, the company is not in a position to consider and approve audited financial results for the year ended March 2019 and there are also observations made by the airline's auditor. "There are concerns with regard to continuity of flow of information about the company which is very vital for the appropriate price discovery in the scrip. Hence, trading in the scrip may not reflect the actual status of the company," the circular said.

NMDC halts iron ore production at all its mines except Kumaraswamy

Protest by tribals brings production to halt in Chhattisgarh

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HYDERABAD

Barring Kumaraswamy Mines in Karnataka, production of iron ore by NMDC came to a standstill as the state-owned company halted production at Bailadilla Range in Dantewada in Chhattisgarh also due to protest by tribals.

The miner is losing 70,000 tonnes of iron ore production from Chhattisgarh and already losing 0.5 million tonnes per month from Donimalai mines in Karnataka since November last year, official sources said.

Earlier, NMDC suspended iron ore-mining from its Donimalai mine following the state government's decision to impose 80% premium on the ore sales from that mine in November 2018. Lately, the miner suspended pro-



Big blow: There is a production loss of about 70,000 tonnes of iron ore per day due to the tribal unrest in Chhattisgarh.

duction at Bailadilla Complex consisting of Bachel and Kirandul mining blocks in Chhattisgarh following the agitation by tribal groups against the iron ore mining on hills in the Deposit No.13, official sources said.

"There is a production loss of about 70,000 tonnes of iron ore per day due to tribal unrest at Bailadilla Range

in Dantewada in Chhattisgarh. The mining was suspended in Bachel mines since June 11 while it was stopped at Kirandul mines from June 7," the sources told PTI. Thousands of tribals, under the banner of Sanyukt Panchayat Samiti, resorted to protest against iron ore mining on hills in deposit no. 13 since June 7.

Reckitt picks PepsiCo exec as CEO

REUTERS

Consumer goods group Reckitt Benckiser has picked PepsiCo executive Laxman Narasimhan as its next chief executive, becoming the latest industry heavyweight to turn to a company outsider to tackle faltering growth and new media-savvy rivals.

Mr. Narasimhan, PepsiCo's global chief commercial officer, is the first external candidate to be appointed as CEO at Reckitt ever since it was formed in 1999. The 52-year-old takes over as CEO on Sept. 1, replacing Rakesh Kapoor, 60, who has led Reckitt for more than eight years and said in January he would retire this year.

Analysts welcomed the appointment, saying the new CEO would inject a fresh perspective to a company facing industrywide challenges to growth.

Easy money can't revive economy: SBI report

'More direct and quicker fiscal measures required to push sagging growth'

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MUMBAI

State Bank economists have opined that an easy monetary policy will be ineffective to push the sagging growth engine and that what is needed is more direct and quicker fiscal measures.

The financial system is "in need for some serious repair" and the government should use the forthcoming budget for the same.

"... an easy monetary policy with a reasonable tight fiscal deficit will be ineffective in addressing the existing demand slowdown," they said in a note on Wednesday.

Support from the monetary policy - the RBI cut its key rates for the third time in 2019 and also changed the policy stance to accommodative last week to a nine-year low - is most welcome,



Policy support: RBI changing policy stance to accommodative last week is most welcome, the report said. *PAUL NORONHA

the report said, underlining the need for help on the fiscal front.

"We believe fiscal channel is more direct and quicker and financial system is in need of some serious repair," the report said, adding "the government would do better with reasonable fiscal deficit assumptions and should be very clear of the fiscal conso-

lidation path."

Plummeting growth

Growth plummeted to a nearly five-year low at 5.8% for the March quarter, pulling down the full-year GDP for FY19 to a low 6.8%.

Questions have also been asked about the growth numbers by Former Chief Economic Advisor Arvind

Subramaniam, who said the growth numbers during the Modi government's first innings till FY17 had been inflated by a whopping 2.5 percentage points.

All eyes are on the budget as regards the policies which the new government may adopt.

The ongoing crisis in the non-banking finance companies, which constitute up to a fifth of the overall lending in the economy, according to some watchers, needs immediate attention to revive the fortunes of the financial system, it said.

The note warned there were some "limiting factors" like the Food Corporation's massive borrowings from the National Small Savings Funds, which is already in excess of ₹2 lakh crore or 1 percent of GDP.

IN BRIEF



Honda Motorcycle unveils BS VI Activa

NEW DELHI
Honda Motorcycle and Scooter India on Wednesday unveiled its first BS VI-compliant two-wheeler — Activa 125 BSVI — ahead of the April 2020 deadline. "With the unveiling of new Activa 125 BSVI, Honda will begin this transition to BSVI emission norms," Minoru Kato, president and CEO, Honda Motorcycle and Scooter India said. The new scooter will be 10-15% more expensive than the BS IV version.

CavinKare unveils milkshake variant

CHENNAI
CavinKare has unveiled Cavin's Milkshake Lite with no added sugar to further strengthen its market share in the dairy segment. The ready-to-serve drink comes in three flavours — vanilla, strawberry and chocolate — in a 180ml tetra pack that is priced at ₹40 a piece. With this launch, we are aiming at a 3%-5% increase in our market share and further strengthen market position," said B.P. Ravindran, business head — beverages and dairy.

Canon India eyes 25% of inkjet printer market

NEW DELHI
Canon India is targeting a 25% market share of the inkjet printer market in India, which is pegged at about 1.8 million units, this year. "India is one of the fastest growing inkjet business for Canon, especially among emerging markets...in future, given the size of population and GDP rise, we see opportunities in the Indian market," Tamaki Hashimoto, group executive of consumer inkjet group and executive officer, Canon Inc., told *The Hindu*.

Wipro foresees tough challenges

Failure to develop new services, enhance existing ones will take a toll on business, says tech major

MINI TEJASWI
BENGALURU

Tech major Wipro anticipates tough challenges in the global marketplace that witnesses rapid technological changes and changing client preferences.

The company said its future success would depend on its ability to anticipate challenges in advance, enhance its existing service offerings and develop new product and offerings to meet changing client requirements.

Stressing the importance of cost management, it said any failure to cope with the evolving IT environment, particularly Internet of Things, Artificial Intelligence, cloud computing, etc., could have an adverse effect on the company.

"Our business will suffer if



Future tense: Failure to quickly respond to market changes may render its services obsolete, Wipro felt. ■ G.R.N. SOMASHEKAR

we fail to anticipate and develop new services and enhance existing services in order to keep pace with rapid changes in technology and the industries on which we focus," the tech major said in its annual report.

The company said it would be unsuccessful in stimulating customer demand for new and upgraded products, or seamlessly managing new product introductions or transitions, if it failed to quickly respond to

market changes. Under such a situation, products, services or technologies that are developed by competitors may render its services non-competitive or obsolete, stated the company.

Elaborating on possible risk factors, the company in its stock market filing said, "Our failure to address the demands of the rapidly evolving information technology environment, particularly with respect to digital technology, the Internet of Things, Artificial Intelligence, cloud computing, storage, mobility and applications, analytics, augmented reality, automation, blockchain and quantum computing could have a material adverse effect on our business, results of operations and financial condition."

On cost cutting, Wipro said its cost management strategies would include maintaining appropriate alignment between the demand for services and resource capacity, optimising the costs of service delivery through automation and deployment of tools, and effectively leveraging its sales, marketing and general and administrative costs (SG&A).

\$330 mn on expansion

The tech major invested \$329.4 million towards purchase of property, plant and equipment during fiscal ended March 31.

Additionally, the company had contractual commitments of \$179.9 million related to capital expenditures on construction or expansion of its software development and other facilities.

PWC quits as auditor of two Anil Ambani firms

Not okay with response on observations

PRESS TRUST OF INDIA
NEW DELHI

Anil Ambani-led Reliance Capital and Reliance Home Finance on Wednesday said Pricewaterhouse & Co. (PWC) has resigned as statutory auditor of both the companies.

PWC has put in its resignation, with effect from June 11, 2019, citing unsatisfactory response to "certain observations" made by it as a part of the ongoing audit for fiscal 2018-19, the two companies said in their respective regulatory filings to stock exchanges.

Firms don't agree

Both Reliance Capital and Reliance Home Finance said they do "not agree with the reasons given by PWC".

While the board of direc-



Anil Ambani

tors of Reliance Capital has noted and accepted the resignation, Reliance Home Finance said its audit committee and board will meet on Thursday and decide upon the new auditor. PWC also stated that the companies said that they might initiate appropriate legal proceedings against the firm, according to the filings.

Indian Bank to focus on strong growth, profitability in FY20

Eyes increasing CASA deposits, fee income

N. ANAND
CHENNAI

Indian Bank will strive for strong growth this fiscal with focus on profitability, according to its managing director and CEO Padmaja Chunduru.

"The prime focus this year will be on increasing the current and savings deposits (CASA) and fee income, accelerating recovery in respect of impaired assets and containing the level of non-performing assets (NPA)," Ms. Chunduru said in her message to the shareholders.

"The growth in business should culminate in improv-



Padmaja Chunduru

ing the bottom line of the bank," she added.

During the current fiscal, the bank would strive for a healthy growth across corporate and retail, agriculture and MSME (RAM) segments. In FY19, the RAM sector con-

stituted 58% and corporate 42%. Plans were on to set up corporate branches for handling exclusive large borrower accounts with exposure of ₹50 crore or more at select metro centres to improve quality credit dispensation and bottom line, she said.

Going forward, focus would be on forging partnerships viz. co-origination of loans in collaboration with NBFCs, tying up with builders/vehicle dealers and tractor manufacturers and exploring cross-sell options through tie-ups with insurance companies for sale of Bancassurance products in life and non-life, she said.

'L&T offer price fair, reasonable'

SPECIAL CORRESPONDENT
BENGALURU

The independent directors' committee (IDC), set up by tech firm Mindtree, has deemed Larsen & Toubro's (L&T) open offer as "fair and reasonable."

The IDC said the offer price of ₹980 was in accordance with regulations under Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers Regulations, 2011), as per a filing.

The IDC said, considering the market prices for equity shares on June 10 in BSE and NSE were at ₹974 and ₹975 respectively, the offer price of ₹980 was fair and reasonable.

Blue Star eyes 10% market share in home water purifiers

Rolls out 34 models; to spend ₹30 crore on marketing

SPECIAL CORRESPONDENT
CHENNAI

Blue Star Ltd. has drawn up plans to capture about 10% market share in residential water purifier segment by 2020-21 and enter the commercial water purifier segment soon, said a top official.

"We entered into residential water purifier segment during October 2016. We are aiming for 5%-6% market share this fiscal and double it by FY21," said B. Thiagarajan, managing director, Blue Star Ltd.

As per the plan, Blue Star would invest about ₹30 crore in advertising and



B. Thiagarajan

2016, the firm had sold 70,000 units and now it plans to sell 1.20 lakh units in FY20.

Various price points

For this, the company launched 34 new models, including variants that enrich water with essential minerals. It covers various price points starting from ₹7,900 to ₹9,900 in the ultra violet (UV) range.

According to Mr. Thiagarajan, the electric residential water purifier market was pegged at around ₹5,000 crore with a compounded annual growth rate of 8%-9%.

sales promotion in FY20, increase the number of stores to 5,000, raise the number of store sales representatives to 1,000 and service franchises to 500.

Starting from October