


Money Matters

G-SEC

Benchmark yield rose due to selling pressure

0.04%



6.613

6.508


Oct 3

Oct 11

LAF

Bank borrowing under RBI's short-term window fell by ₹159 crore

3.62%



3,907

3,853

3,832

3,932

4,617

4,391


Oct 1

Oct 10

₹/\$

The rupee appreciated on global cues

0.07%



70.896

71.016


Oct 3

Oct 11

€/£

The euro rose against the dollar

0.33%



1.0959

1.1042

Oct 2

Oct 11

NO CASH CONSIDERATION

Bank of Baroda MF arm to merge with BNP Paribas AMC

FE BUREAU
Mumbai, October 11

BARODA ASSET MANAGEMENT India, a wholly owned subsidiary of Bank of Baroda, on Friday announced its merger with BNP Paribas Asset Management India. Bank of Baroda and BNP Paribas Asset Management Asia have entered into binding agreements for the merger.

The transaction also includes merger of BNP Paribas Trustee India with Baroda Trustee India.

The joint statement said the strategic alliance allows both the companies to leverage each other's strengths to offer products specially designed for retail and institutional clients in India. This demonstrates their ongoing commitment to introducing new products to cater to the increasing investment appetite of investors.

"We are pleased to partner with a global organisation such as BNP Paribas Asset Management. We value their expertise and the robust investment and risk management processes they have to offer. This joint venture will allow us to create a stronger, more competitive asset management company in the Indian mutual fund industry with the large distribution network of Bank of Baroda and the expertise of BNP Paribas, coupled with the benefit of the firm's ability to source offshore funds," said PS Jayakumar, managing director and CEO, Bank of Baroda.

BoB also said there is no cash consideration in the proposed transaction and Bank of Baroda and BNP Paribas Asset Management Asia will hold 50.1% and 49.9%, respectively, of the paid-up share capital of the merged AMC.

Bank of Baroda in the exchange filing said the average asset under management (AAUM) of Baroda Asset Management India was ₹11,319.69 crore and for



Bank of Baroda managing director and CEO PS Jayakumar

BNP Paribas Asset Management India, it was ₹10,072.60 crore (including PMS/advisory) for quarter ended March 31, 2019.

Stock of Bank of Baroda on Friday ended at ₹90.80 up 3.42%, on the BSE.

In last September, Bank of Baroda had completed acquisition of 51% equity stake in both Baroda Pioneer Asset Management Company and Baroda Pioneer Trustee Company from UniCredit SpA. During FY2018-19, the total income of Baroda AMC was ₹50.19 crore, while for BNPP AMC, it was ₹96.12 crore.

"India is a key market in the region for BNP Paribas Asset Management. This strategic partnership reinforces both our local footprint and global outreach in the Asia Pacific. By leveraging Bank of Baroda's large number of branches for distribution and our global experience of managing assets across more than 30 markets, this partnership will enable us to offer products and services to a much larger investor base in India," said Ligia Torres, chief executive officer Asia Pacific, BNP Paribas Asset Management.

Sensex soars 247 points as trade truce hopes lift world markets

PRESS TRUST OF INDIA
Mumbai, October 11

THE SENSEX AND NIFTY finished with smart gains on Friday, largely in tandem with global markets, as hopes of a trade truce between the US and China buoyed the investor sentiment. After swinging more than 600 points in a volatile session, the 30-share Sensex ended 246.68 points, or 0.65%, higher at 38,127.08. The broader NSE Nifty rose 66.70 points, or 0.59%, to 11,301.25.

During the holiday-shortened week, Sensex advanced 453.77 points or 1.20%, while the Nifty gained 126.50 points or 1.13%.

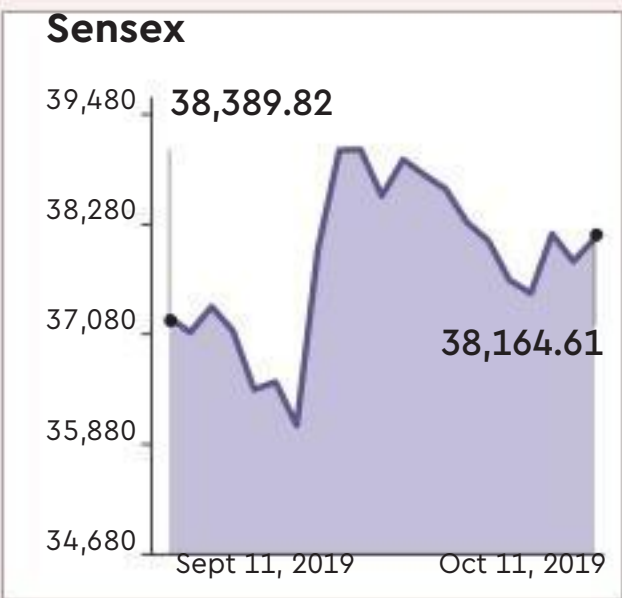
World equities rallied on Friday after US President Donald Trump offered a positive assessment of US-China trade talks. "We just completed a negotiation with China. We're doing very well. We're having another one tomorrow. I'm meeting with the Vice Premier over at the White House," Trump told reporters at the White House on Thursday.

The positive global cues helped offset a lacklustre start to the earnings season domestically, brokers said.

Infosys was the top gainer in the Sensex pack, rallying 4.19%, ahead of its quarterly earnings. Vedanta, Tata Motors, ONGC, Tata Steel, HUL, HCL Tech, Tech Mahindra and Bharti Airtel rose up to 3.96%.

On the other hand, Yes Bank, M&M, RIL, TCS, Hero MotoCorp, IndusInd Bank and NTPC declined up to 3.30%.

"Sensex closed in the green for the



week on the back of hopes of breakthrough in the US-China trade deal and expected government measures to revive credit growth before the festive season. Having said that, there has been caution in the equity markets about stress in the financial sector and likely weak Q2 FY20 earnings season. While the Street has built in the effect of slowdown in earnings numbers, but if actual earnings turn out to be worse, then markets could slip to lower levels and vice versa," said Sanjeev Zarbade, VP - PCG Research, Kotak Securities.

Sectorally, BSE metal, IT, teck, realty, FMCG, telecom, auto, finance and industrials ended up to 2.44% higher. Oil and gas, energy and utilities lost up to 0.41%.

Broader BSE midcap and smallcap indices followed the benchmarks, ending up to 0.38% higher.

Elsewhere in Asia, Shanghai Composite Index, Hang Seng, Kospi and Nikkei settled significantly higher.

Bandhan Bank zooms 15% on MSCI index addition reports

SHARES OF BANDHAN Bank zoomed 15% on Friday amid reports that the stock will be added to the MSCI index.

The scrip jumped 15.08% to close at ₹583.40 on the BSE. During the day, it advanced 19.99% to ₹608.30 - its upper circuit limit. On the NSE, it climbed 14.70% to close at ₹581.15.

In terms of the traded volume, 11.67 lakh shares were traded on the BSE and over one crore units on the NSE.

In a tweet on Friday, Motilal Oswal Financial Services said, "Bandhan Bank is getting added MSCI index effective October 16 on effect of Gruh Finance getting merged with Bandhan Bank."

Shares of Gruh Finance jumped 11.04% to close at ₹302.85 on the BSE.

Gruh Finance, the affordable housing finance arm of HDFC, was taken over by Bandhan Bank in a share-swap deal in January.



Quick View

Allahabad Bank cuts MCLR by 5 bps across tenures

ALLAHABAD BANK ON Friday reduced the marginal cost of funds-based lending rate (MCLR) by 5 basis points with effect from Monday. The bank's asset-liability management committee has reviewed the existing MCLR and decided for a downward revision of MCLR by 5 bps across different tenors, it said in a filing.

GeM signs agreement with Union Bank

GOVERNMENT E-MARKETPLACE (GeM) on Friday said it has signed a pact with Union Bank of India under which the bank will offer several services to it including transfer of funds. The commerce ministry launched the procurement portal GeM to increase transparency in public procurement of goods and services, which is estimated at about ₹8 lakh crore per year.

Muthoot Finance trade union strike in Kerala ends

THE TRADE UNION strike at Muthoot Finance came to an end on Thursday evening, with the union and the management coming to an agreement. Babu John Malayil, deputy general manager, Muthoot Group, told *FE* that all branches in the state functioned on Friday. More than 2,000 Muthoot Finance employees in Kerala were on a strike since August 20 demanding union recognition and formulation of a salary structure. Several conciliation meetings were convened by the state's Labour Commissioner, inviting representations from both the sides.

Ashok Kapur family ready to dilute Yes Bank stake

PRESS TRUST OF INDIA
Mumbai, October 11

EXTENDING FULL SUPPORT to the new management, Yes Bank's single-largest shareholder and co-promoter, Shagun Gogia, daughter of late Ashok Kapur, on Thursday said the issues of governance and transparency are fully dealt with now.

Gogia, who was recently inducted to the board of the lender, also said her fam-

ily was fine with lowering its shareholding below the present 8.33% in case a big investor comes on board at the end of the ongoing capital-raising exercise.

The bank has been in trouble for over a year now, after the Reserve Bank of India (RBI) turned down the re-appointment of co-promoter Rana Kapoor as chief executive and managing director, on worries over corporate governance and risk management, among others.

The present management is led by chief executive Ravneet Gill who took charge in March after Kapoor was asked to leave by January 31 by the monetary authority in August 2018.

"Regulatory compliance, risk management and governance functions are fully streamlined at present at the bank and I am 100% confident that governance and transparency issues are also behind us," Gogia said.

RBI discusses co-op banks' regulatory framework amid PMC Bank scam

PRESS TRUST OF INDIA
Chandigarh, October 11

THE RESERVE BANK of India's central board on Friday discussed in detail the regulatory and supervisory architecture of commercial and cooperative banks against the backdrop of ₹4,500-crore scam at PMC Bank.

The meeting of the central board, held in Chandigarh, came a day after finance minister Nirmala Sitharaman announced setting up of a panel to recommend legislative changes to ensure better governance at cooperative banks.

Besides, the board reviewed the current economic situation, global as well as domestic challenges, and various areas of operation of the RBI.

"In this context, the board also discussed in detail the current state of the financial sector with special focus on the regulatory



Governor Shaktikanta Das

and supervisory architecture of commercial and cooperative banks as also NBFCs," the central bank said in a statement.

The NBFC sector has been facing liquidity woes and other headwinds for many months following the IL&FS fiasco in the previous year.

The board, chaired by governor Shaktikanta Das, also discussed the role of payments banks and small finance banks in

enhancing financial inclusion.

The annual activity reports of local boards, various sub-committees of the board and functioning of a few central office departments were also deliberated upon. A strategy sub-committee of the central board of directors has been formed, the statement said.

RBI deputy governors NS Vishwanathan, BP Kanungo and Mahesh Kumar Jain attended the meeting.

Other directors of the Board - N Chandrasekaran, Bharat Doshi, Sudhir Mankad, Manish Sabharwal, Ashok Gulati, Prasanna Kumar Mohanty, Dilip S Shangvi, Satish Marathe, Swaminathan Gurumurthy, Revathy Iyer and Sachin Chaturvedi - were present.

Finance secretary Rajiv Kumar and economic affairs secretary Atanu Chakraborty too participated in the 579th meeting of the central board.

Forex reserves hit record high at \$437.83 billion

FE BUREAU
Mumbai, October 11

INDIA'S FOREIGN EXCHANGE reserves increased by \$4.239 billion to hit a record high of \$437.833 billion as on October 4, according to data from the Reserve Bank of India (RBI). In the previous week, the reserves had increased by \$5.022 billion to \$433.594 billion.

Foreign currency assets (FCA), which form a key component of reserves, rose by \$3.996 billion to \$405.611 billion. FCAs



are maintained in major currencies like the US dollar, euro, pound sterling and Japanese yen. Movement in the FCA occurs mainly on account of purchase or sale of foreign exchange by the RBI, income arising out of the deployment of foreign exchange reserves, external aid receipts of the government and revaluation of assets.

Gold reserves rose by \$232 million to \$27.178 billion.

Special drawing rights (SDR) from the IMF increased by \$1 million to \$1.429 billion.

ANALYST CORNER

Upgrade IndusInd Bank to 'buy', 12-month TP ₹1,730

DAIWA CAPITAL MARKETS

What's new: IIB posted 50% Y-o-Y growth in net profit for 2Q FY20, largely meeting market expectations. Net additions to NPLs in 2Q FY20 were very low, with only a 4bps Q-o-Q rise in GNPLs. Stressed loans exposure came down 60bps Q-o-Q to 1.1% of the loan book, and management guided for them to fall further to 0.8% of loans by October 2019 through scheduled repayments.

What's the impact: The bank benefitted from reduction in corporate tax rates. While it also had to provide for repricing of its deferred tax assets (DTA), it brought down the tax rate to 25.6% in 2Q FY20 from 34% in 1Q FY20. The bank took advantage of the low tax rate and accelerated provisioning on its GNPLs, leading to an improvement in provisioning coverage. The bank's exposure to Indiabulls Housing Finance stood at 0.27% of the loan book. Its exposure to Indiabulls Real Estate businesses stood at 0.45% of the loan book, and management expects it to come down to 0.2% in 3Q FY20. The bank's corporate loans grew only 8% Y-o-Y

(after adjusting for the sale of loans and repayments of stressed loans) in 2Q FY20. The large corporate loan book fell by 2.3% Y-o-Y and 3.8% Q-o-Q on a reported basis. Retail loans however, grew 34% YoY, led by 57% YoY growth in unsecured loans, 20% YoY growth in the vehicle loan book, and 32% YoY growth in microfinance.

What we recommend: We revise up our FY20-22E net profit by 6.3-9.8%, largely due to the lower tax rate for the bank. Recent concerns over the bank's stressed loan exposure have resulted in a share-price correction, but we expect the exposure in stressed loans to decline over the next 6 months. Hence, we maintain our 12-month TP at ₹1,730, based on a 3.4x PBR applied to our FY20E BVPS, and as it offers 41% upside potential, we upgrade our rating to 'buy' from 'outperform'.

How we differ: Investors have been concerned about the bank's exposure to some of the stressed corporate loans. However, we believe that management has been able to handle these stressed loans quite well, and that they will continue to come down in 2H FY20.

Vaccine, dental, urology drive pharma growth

JEFFERIES

INDIAN PHARMA GROWTH improved to 11.9% in September vs August: 9.5% as volume growth improved to c.3.5%. 2Q20 growth at 11% is the highest in past three years. Chronic therapies accelerated and are now growing above industry.

Vaccine, dental and urology were the fastest growing while gynac and derma slowest. Sanofi, Alkem and Novartis saw moderation in growth while TRP, Pfizer and DRRD saw most acceleration. Among large cap LPC, DRRD and SUNP grew above industry while Cipla below.

Indian pharma market growth accelerated in September to 11.9% vs 9.5% in August. The second quarter growth stood at 11%, the highest quarterly growth in past three years.

Positively, chronic therapies saw acceleration in September and grew ahead of industry after weakness over past 2 months. Acute therapies growth

was flat MoM. The improvement in growth was led by volumes which were up 3.5% vs 1.1% in Aug. Three of the top 20 corporates saw a YoY decline in volumes - Alembic, Cipla and Glenmark. Respi, Ophthal and Hormones saw Y-o-Y volume decline while Onco, Malaria, Vaccines saw double-digit volume growth. Pricing contribution to growth remained steady at 5.6%. New product contribution also remained steady at 2.9%.

Growth improved across therapies and only anti-infective, respi and malaria saw moderation. Vaccine, onco and derma saw the most acceleration. Chronic therapies like diabetes/cardio accelerated and grew ahead of industry. Vaccine, Dental and Urology were the fastest growing while Respiratory, Gynac and Derma were the slowest growing therapies. For 2Q20, Dental, Urology and Vaccine were the fastest growing while Onco, Gynac and Derma the slowest.