

Samvat 2075 ends with tepid returns for bulls

SACHIN P MAMPATTA
Mumbai, 25 October

A year marked by elections and all-time highs on key benchmark indices has ended up as a relatively muted year for some of the biggest investors in India's stock markets.

Gains have moderated in the September quarter after successive quarters of upside. Business Standard looked at holdings of five key investors based on data from nseinfobase.com on large non-promoter shareholders. They include Rakesh Radheshyam Jhunjhunwala, Ashish Dhawan, Ashish Ramchandra Kacholia, Rajiv and Dolly Khanna, and Vijay Kishanlal Kedia. The numbers capture mandatory disclosures in companies where their stake exceeds one per cent. There may be other holdings where the stake is lower than this threshold, but the trend can give a broad indication of how their portfolio is likely to have moved.

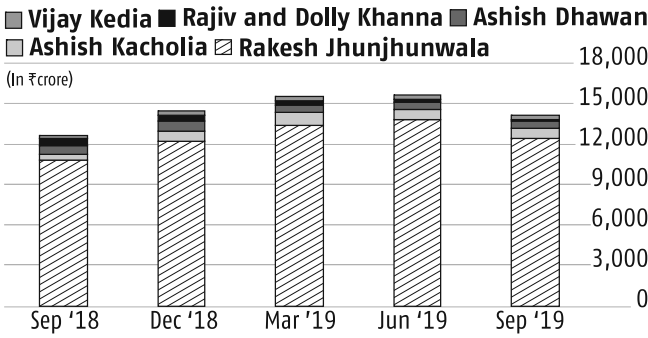
The total disclosed value of five key investors' portfolios was ₹12,694 crore, according to data from corporate tracker nseinfobase.com as of September 2018, the latest shareholding before Samvat 2075 began. This rose for the next few quarters till June. It may have since shown a marginal decline shows the September 2019 data for 1,584 out of 1,644 companies listed on NSE whose shareholding pattern was available by 22nd October. The combined value is still up 11.2 per cent to ₹14,115 crore over the last year. Individually, Jhunjhunwala is up 14.9 per cent during the year to ₹12,381 crore based on data available so far. Dhawan is up 68.4 per cent to ₹810 crore, also assisted by fresh investments. Kacholia is down 23.4 per cent to ₹515 crore, Rajiv and Dolly Khanna are down 74.6 per cent to ₹116 crore and Kedia is down 6.2 per cent to ₹294 crore.

A combination of portfolios which were geared to smaller companies that didn't do as well as those



IMAGE:ISTOCK

MODERATING GAINS



represented by the Sensex and the Nifty, as well as stock-specific issues may have weighed on their portfolios. The portfolios peak in June 2019 was the quarter right after elections. The Bharatiya Janata Party had come to power with a higher majority than in 2014. This fuelled hopes of market-friendly reforms. Issues with consumer demand, and limited investment has coincided with a slowdown in growth. The gross domestic product growth slowed to a multi-year low of five per cent in June.

The market has since been affected by an increase in the surcharge levied on foreign portfolio investors, which resulted in them being net sellers by over ₹30,000 crore before it was finally rolled back.

Individually, the biggest gains at the market peak was in the portfolio of Rakesh Jhunjhunwala. It was up ₹3,042 crore or over 28 per cent since September 2018. Most of this was led by a single stock —

Titan. Another big investor Ashish Dhawan saw his disclosed portfolio value rise by 57.8 per cent to ₹759 crore as of June. His bets on financials have risen over the quarters. For example, his stake in Equitas Holdings is up from 1.47 per cent in September 2018 to 2.93 per cent in September 2019. His stake in Karur Vysya Bank is up from 1.63 per cent in December 2018 to 1.89 per cent in September 2019. Ashish Kacholia and investing couple Rajiv and

Dolly Khanna showed a decline in the disclosed value of their portfolio in June, while Vijay Kedia's remained the same.

Experts say that smaller companies, many of whom have underperformed, may continue to face a difficult time in terms of their future outlook. This may weigh on these portfolios which are geared towards smaller companies.

The investors did not immediately reply to a request for comment.

Gone awry

Many large bets at the beginning of last year haven't fared well in subsequent quarters, for the top investors.

ASHISH DHAWAN



There has been a steady increase in the disclosed value of his holdings despite some bets not doing as well as others. Financial services remain a key theme.

Top holdings *	Chg in value (%)
IDFC	-12.1
Greenlam Ind.	-4.7
Equitas Holdings	-7.5

RAKESH JHUNJHUNWALA

A majority of his bets are in the small and mid-cap space. The saving grace has been a large allocation to Titan, which has outperformed over the last year.

Top holdings *	Chg in value (%)
Titan	57.544
Lupin	-13.706
Escorts	-4.931



ASHISH RAMCHANDRA KACHOLIA

There are a lot of little-known names in the portfolio. Reducing stake in some falling stocks may have helped cushion the portfolio.

Top holdings *	Chg in value (%)
Nocil	-30.0
Birlasoft	-49.0
KEI Industries	45.8



RAJIV AND DOLLY KHANNA



Some of the largest bets have seen steady trimming over the last few quarters. Stake is being reduced in key holdings.

Top holdings *	Chg in value (%)
Rain Industries	-50.3
Manappuram Finance	98.8
Radico Khaitan	-21.6

Source: nseinfobase.com, Capitaline, Business Standard calculations
* Data on the biggest bets just before the start of the Samvat for these investors based on September 2018 holdings. It shows how similar bets by any other individual, based on the portfolios of these prominent investors, would have fared during the year.

VIJAY KISHANLAL KEDIA



A buy-and-hold attitude is evident in unchanged numbers for holdings every quarter. A retail bet has paid off even in choppy markets.

Top holdings *	Chg in value (%)
Sudarshan Chemical Ind.	7.5
Repro India	7.7
Everest Industries	-40.4

IN BRIEF

HDFC AMC sees 44% jump in profit before tax to ₹427 cr



HDFC Asset Management Company (AMC) — the country's largest fund house — on Friday reported 44 per cent year-on-year (YoY) rise in profit before tax (PBT) at ₹427 crore. The company reported 79 per cent jump in profit after tax (PAT) for quarter—ending September. The recently lowered corporation tax rates aided in

the significant improvement in PAT numbers. Meanwhile, the firm also took a provision of close to ₹25 crore on its balance-sheet exposure to Essel group firms' non-convertible debentures. As of September 30, 2019, the firm managed ₹3.6 trillion of assets, which was 25 per cent higher than September 30, 2018. The firms' industry market share stood at 14.9 per cent. Among individual investor segment, the firm held market share of 15.6 per cent. It sourced 12.7 per cent of its assets from beyond the top-30 cities. **PTI**

ICICI Bank m-cap tops ₹3-trillion mark for the first time

The market capitalisation of ICICI Bank crossed the ₹3-trillion mark for the first time on Friday. The stock gained 3.2 per cent to end at ₹469, valuing the stock at ₹3.03 trillion. The private sector lender is the eighth most value stock in the country. Shares have rallied 21 per cent since the lowering of corporation tax on September 20. In recent trading sessions as well the stock has seen huge buying interest on reports that its MSCI will increase its weightage in the MSCI Emerging Market index next month. **BS REPORTER**

...Bank sells entire stake in GST Network to 13 state govts

ICICI Bank on Friday said it has exited the GST Network, the company facilitating collection of the indirect tax, by selling its entire 10 per cent stake to 13 states. The sale is for aggregate cash consideration of ₹1 crore, it said in a regulatory filing. The stake transfer will be completed by March 2020—end, it said. ICICI Bank has exited the company following the Central government's decision to make GST Network into a public sector entity last year. Now, the Centre will own a 50 per cent stake in it and the remainder will be held by the states on a pro-rata basis. **PTI**

Sebi levies ₹22-lakh fine on 3 entities for fraudulent trade

Capital markets regulator Sebi has levied a total penalty of over ₹22 lakh on three entities for indulging in fraudulent trading in the illiquid stock options segment on the BSE. The regulator imposed a fine of ₹12.2 lakh on Excell Steel and ₹5 lakh each on Gokul Financial Advisors and Universal Enterprises. The orders follow a probe by the regulator from April 2014 to September 2015 after it observed large scale reversal of trades in illiquid stock options segment on the bourse that led to creation of artificial volume. **PTI**

German Chancellor Angela Merkel to be in India on Nov 1

German Chancellor Angela Merkel will pay a day-long visit to India on November 1 during which she will hold talks with PM Narendra Modi with a focus on strengthening ties in key sectors such as trade, energy and defence. Prime Minister Modi and the German chancellor will co-chair the Fifth Biennial Inter Governmental Consultations (IGC) during the visit, the Ministry of External Affairs said in a statement. The chancellor will be accompanied by several ministers and state secretaries as well as a high-powered business delegation. **PTI**

The first of a 2-part series looks at the opportunities and challenges for BSNL

Revival kitty could transform BSNL into a new challenger

SURAJEET DAS GUPTA
New Delhi, 25 October

The government's decision to revive Bharat Sanchar Nigam (BSNL) with a ₹70,000-crore package could unleash a new challenger into the telecom sweepstakes at a time when a debate is already underway on whether India will soon move from a three-player to a two-player market.

The package includes money for voluntary retirement, the issuance of 4G spectrum, raising long term bonds, and monetising the company's real estate assets.

With a subscriber base of 8.79 million wired broadband subscribers, BSNL is already by far the largest player in the business — nearly three-and-a-half times bigger than its nearest rival Bharti Airtel with 2.41 million subscribers.

What's more, BSNL, along with Mahanagar Telephone Nigam Ltd (MTNL), has over 13 million subscribers who use fixed line phones and it has a 65 per cent share of this market, not to mention the fact that it has the potential of converting all of them to broadband customers.

When trying to arrange last mile connectivity to these phones, the company does not face the difficulties that private telcos face in getting Right of Way permission to reach households. This does not mean it is all going to be smooth sailing for BSNL. It has to watch out for the fact that Bharti Airtel is converting the last mile from copper to fibre and offering fibre-to-the-home (FTTH). In the next three years, Bharti Airtel will target over 20 million addressable homes (only 25-30 per cent get converted into subscribers) for FTTH.

Even if Bharti Airtel succeeds, its numbers will only be close to what BSNL already has. Reliance Jio has also joined the party but its ambition is to reach 25 million households in the first phase. Currently it has over 0.5 million wired households.

THE PACKAGE

- It can leverage its No.1 position in fixed broadband an take on Airtel and Jio by providing fibre-to-the-home services
- The company can upgrade its 2G and 3G users to take 4G improving its average revenue per user
- It can grab 300 million 2G customers with

- incumbents and move them away with their 4G offering
- The telco, however, will take a year to set up the 4G network
- It could monetise its tower infra and also be one of the tenants
- Even after VRS it has to deal with a bloated employee base



For BSNL to become a significant player in the FTTH space, it has to upgrade the backbone by converting its copper last mile to fibre. This requires identifying potential cities and areas where there is a market. It also has to invest money in fibre but it is fortunate in that the capital costs are not likely to be too high because it has the advantage of being able to use the fibre laid down by competitors now that telecom infrastructure sharing is a reality.

Another thing it has to do is offer faster and reliable speeds. Finally, it has to tie up with content creators and Over the Top players such as Bharti Airtel to compete with Jio offering bundled packages to its consumers — and do this at a competitive price.

The other opportunity for a revived BSNL lies in the mobile business itself. With a stable 10

per cent mobile subscriber share of the market — despite the Jio blitzkrieg — it has over 150 million predominantly 2G and some 3G customers.

BSNL can move its loyal customer base up to 4G (as the government will give it 4G spectrum), allowing it to push up its ARPU. This in turn will help it increase its revenue market share, currently pegged at 10 per cent based on this year's June quarter.

While still on the subject of 2G customers, BSNL can also try to win over the more than 300 million 2G customers from competing incumbent operators

as they increasingly shift to 4G. Financially distressed Vodafone Idea has a substantial portion of these 2G subscribers. The latest Supreme Court ruling saying telecom companies have to pay out over ₹29,000 crore to the government as AGR with interest and penal-



ties is only going to add to Vodafone's tribulations. With its strong presence in rural markets, BSNL is in a good position to lure these 2G subscribers of Vodafone-India and other operators into its fold. That said, even if BSNL has all its strategies in place, it will take it over a year to lay down a reasonable 4G network across key parts of the country.

Equipment manufacturers estimate it needs an investment of \$1 billion for this. If the figure seems low, it is primarily because BSNL does not have to make any major investments in tower infrastructure. It already has 68,000 towers (though some need to be upgraded). Alternatively, it could copy its rivals by spinning off the towers into a separate business and monetising the assets while remaining a tenant. With many telcos shutting down, there are a lot of tower tenancies up for grabs at very reasonable rates.

Yet another area BSNL can pursue is new subscribers. Rural mobile density in India is still only 56 per cent. The company can capitalise on its strong network to attract new customers.

The dead weight that may hold BSNL back is its bloated workforce. With over 198,000 employees, its salary costs account for over 70 per cent of its income. Aware of this issue, the government has provided ₹29,937 crore for a voluntary retirement scheme which could bring the number of employees down by half.

Yet even that happens, its workforce will still be far higher than competitors like Bharti Airtel and other telcos. Estimates suggest they spend only five per cent of their income on wages.

The voluntary retirement scheme is a step in the right direction but BSNL will have to continue reducing its costs if it wants to offer competitive tariffs without losing money.

Concluding part on Wednesday

Trai wants 5 MHz spectrum for rlys in 700 MHz band



MEGHA MANCHANDA
New Delhi, 25 October

The Telecom Regulatory Authority of India (Trai) on Friday suggested that the Indian Railways be given 5 megahertz (MHz) of the premium 700 MHz spectrum band, a third of the quantity sought by the transporter.

Trai said the spectrum may be assigned on an administrative basis, for captive use only and not to offer any commercial services such as Wi-Fi onboard. The 700 MHz spectrum has high indoor penetration. Of the 35 MHz (paired) spectrum available in 700 MHz band, 5 MHz (paired) spectrum may be allocated to the Railways for implementing modern signalling system, Internet of Things-based asset monitoring services, passenger information display system and live feed of video surveillance of a few coaches at a time, Trai said in its recommendation.

Trai suggested that spectrum charges be levied on "formula basis" as prescribed by the Department of Telecommunications (DoT) for royalty charges and licence fee for captive use. The remaining 30 MHz (paired) in 700 MHz band may be put up for bidding in the forthcoming auction. The regulator said the 1.6 MHz spectrum already assigned to the Railways in the 900 MHz band may be taken back after migration to the long-term evolution-based network is complete.

Trai felt that since the Railways would use the assigned the spectrum along

its rail track network and stations only, the DoT may explore the possibility of assigning the same spectrum to other entities.

The regulator had sought stakeholders' comments on whether the Railways should be given the spectrum for free, many of whom said no.

Releasing its recommendations on allotment of spectrum to the Railways for public safety and security services, Trai noted that the telecom department in February this year had informed that Railways has proposed to install an ultra-high-speed Long Term Evolution-based corridor along their network for 'train-ground' and 'train-train' communication.

The Railways had urged the telecom department to reserve 15 MHz of spectrum in 700 MHz band for the purpose, and to start with 10 MHz being allocated free of cost. The Railways had emphasised that the proposal was devoid of any commercial gain, and instead aimed at enhancing security and passenger amenities.

The government then requested Trai to provide its recommendations on administrative allotment of spectrum to the Railways and the quantum, price, appropriate frequency band for the same.

The 700 MHz spectrum went unsold in the 2016 auctions as the operators felt that the base price was too high. Trai in its recommendations for the upcoming auctions has reduced the price of this spectrum by 40 per cent to ₹6,568 crore per MHz all-India from ₹11,485 crore in 2016.