0.151%

Jan 13

70.855

Jan 13

0.02%

1.112

Jan 13

Inverted scale

ATKATS

TUESDAY, JANUARY 14, 2020

G-SEC

pressure

6.515

Jan 3

LAF

The benchmark yield

Bank borrowing under 2.1065%

The rupee depreciated 0.121%

rose due to selling

RBI short-term win-

on global cues

71.808

£/\$

the dollar

1.116

Euro rose against

dow rose by ₹60 crore

REVIVING PMC BANK

Sharad Pawar, NCP chief @PawarSpeaks Had a meeting with the Union Minister of State for Finance, Shri Anurag Singh Thakur (@ianuragthakur) in New Delhi to raise the issue of revival of PMC Bank. We had a constructive exchange of views on the topic.

AHEAD OF INFLATION DATA Money Matters

At 6.6%, benchmark yield closes at three-week high

BHAVIK NAIR Mumbai, January 13

THE BENCHMARK YIELD closed at a three-week high of 6.598% on Monday ahead of the release of the consumer price index (CPI) inflation data.

Dealers pointed out that higher CPI inflation expectations, coupled with a lack of OMO announcements, are driving the yields higher.

The December CPI inflation, which was released after bond market closing hours, shot up to 7.35% — the highest in almost five-and-a-half years. In November, the CPI inflation had stood at 5.54%. Though the market was expecting a higher CPI number in December, the broader consensus that stood at 6.8% was way below the number announced on Monday.

Independent market expert Gopikrishnan MS said the bond market cannot expect anything positive going ahead. "I think now that the December CPI has come out, forget rate cuts, there may even be talks of potential rate hikes. The only solace is that core inflation is still under control. But yields will definitely shoot up. We are running into the February Budget and the fear would be whether the fiscal deficit would be under

10-year bond yield (%) 6.615 **6.602** 6.598 6.590 6.565 6.540 6.515 6.490 6.465

The December CPI inflation, which was released after bond market closing hours, shot up to 7.35% the highest in over five years

government securities will hit the market. The benchmark yield will go up to 7% in some time," he said.

Bank of America's India country treasurer Jayesh Mehta told a television channel that the CPI number is quite shocking. "We are definitely seeing some hardening of yields. People were expecting (the CPI num-

if the yields come higher tomorrow (on Tuesday), that would be a buying opportunity. But with 7.35% print, I don't think anybody will look to buy. So, we would be seeing some dramatic uptick in yields. Now, we have the budget before the policy, we don't know the fiscal number side, how is the RBI going to support the bond market, that is going to be a big question mark," he said.

At the same time, dealers are pointing out that the lack of announcements regarding the OMOs has also dampened the spirits that has contributed to some bit of hardening in the yields.

The Reserve Bank of India announced three OMOs as part of Operation Twist so far since mid-December, where it simultaneously purchased and sold government securities. The central bank has purchased ₹30,000 crore of government securities so far as part of the OMOs. However, last week, RBI did not announce any OMOs.

PNB Gilts senior executive vice-president Vijay Sharma said the rate cuts may be over for now."What is hurting the yields is a combination of high CPI expectations and the fact that no Operation Twist has been announced over the last few days. The only solace for traders would be if the central bank announces the OMOs, at least on a fortcontrol and how much of extra supply of ber) at 6.50-6.75%. People would think that nightly basis if not on a weekly basis," he said. ble reputational loss to the bank," it stated. her husband Deepak Kochhar".

ICICI Bank seeks recovery of amounts from Kochhar

PRESS TRUST OF INDIA

Mumbai, January 13

THE ICICI BANK has approached the Bombay High Court seeking effect to "termination of appointment" of Chanda Kochhar as its managing director and CEO and also recovery of various amounts from her.

In a monetary suit filed on January 10, the bank sought dismissal of Kochhar's petition and stated that the issue can be decided in a commercial suit.

"ICICI has filed a suit seeking recovery of amounts towards the clawback of bonuses given to the petitioner (Kochhar) from April 2006 to March 2018 pursuant to the termination of the petitioner's services," the bank said in its affidavit.

A clawback is a provision in which incentive-based pay, like a bonus, is taken back from an employee by an employer following misconduct or declining profits.

The affidavit was submitted in response to a petition filed by Kochhar challenging her sacking, months after she voluntarily left the second largest private sector lender.

"On December 8, 2016, Kochhar executed a claw back agreement with the bank pursuant to which ICICI is entitled to a return of the previously paid variable pay or deferred variable pay from the petitioner in the event of a determination of a gross negligence or an integrity breach by Kochhar.

"The petitioner's conduct has caused substantial embarrassment to the bank and all the stakeholders, and has led to irreparaChanda Kochhar

The bank further stated that Kochhar flagrantly violated the ICICI Group Code of Business Conduct and Ethics.

"The petitioner (Kochhar) deliberately committed violation with a mala fide intent to obtain illegal benefits," it stated. The affidavit further said that

Kochhar's petition challenging her sack-

ing by the bank claiming violation of RBI rules is an "mala fide attempt" to secure valuable stock options of the bank. A division bench of Justices RV More and SP Tavade on Monday directed

Kochhar's advocate Sujoy Kantawala to go through the affidavit. It posted the matter for further hearing on January 20. Kochhar moved the HC on November 30,

2019, challenging "termination" of her employment by ICICI Bank, which also denied her remuneration for her alleged role in granting "out of turn loans worth ₹3,250 crore to Videocon Group which benefited

Rupee rises for fifth day, firms up 8 paise to 70.86 against dollar

PRESS TRUST OF INDIA Mumbai, January 13

market sentiment upbeat.

THE RUPEE ROSE 8 paise to close at 70.86 against the dollar on Monday as the upcoming US-China trade deal signing kept global

This was the fifth straight session of gains for the domestic currency, during which it has appreciated by 106 paise.

At the interbank foreign exchange market, the local unit opened on a strong note at 70.82, and shuttled between a high of 70.75 and a low of 70.93 during the day. It finally ended at 70.86, higher by 8 paise over its previous close. The rupee had settled at 70.94 against

the dollar on Friday. Emerging market currencies appreci-

ated as investors looked forward to the signing of the first phase of the much-anticipated US-China trade deal later this week.

The phase one of the trade deal with China includes the country buying \$200 billion worth of additional American products, US Treasury secretary Steven Mnuchin



said on Sunday.

A positive trend at the domestic equity markets and easing crude oil prices further supported the local unit, forex traders said.

"Rupee continued to trend higher against the US dollar following extended gains in domestic equities and on back of de-escalation of geopolitical tension between US and Iran," said Gaurang Somaiyaa, forex & bullion analyst, Motilal Oswal Financial Services.

Somaiyaa further noted that market participants will be keeping an eye on the

ANALYST CORNER

inflation number and an uptick could keep gains capped for the currency.

The dollar index, which gauges the greenback's strength against a basket of six currencies, rose 0.13% to 97.48.

Foreign institutional investors (FIIs) remained net buyers in the capital markets, purchasing shares worth ₹68.24 crore on Monday, according to provisional exchange data.

Brent crude futures, the global oil benchmark, fell 0.18% to trade at \$64.86

Quick

RBI remains net buyer of dollars in November THE RESERVE Bank of India (RBI)

remained a net purchaser of the dollar in November, buying \$6.928 billion from the spot market on a net basis, central bank data showed. The RBI had bought \$7.458 billion of the greenback and sold \$530 million in the spot market in the reporting month.

Former RBI ED Joshi joins Sa-Dhan governing body SA-DHAN, the largest micro-finance

industry body, on Monday announced the joining of development economist and former executive director (ED) Deepali Pant Joshi as an independent member of the governing body of the association.

StanChart appoints Khosla wealth management head

STANDARD CHARTERED Bank, India on Monday announced the appointment of Samrat Khosla as its new head of wealth management (WM). Samrat comes with a wide experience in segments such as distribution, products and WM, it said.

Pawar meets Thakur to discuss revival of scam-hit PMC Bank

Mumbai, January 13

PRESS TRUST OF INDIA

NCP CHIEF Sharad Pawar on Monday met Union minister of state for finance Anurag Singh Thakur to discuss possibilities of revival of the troubled Punjab & Maharashtra Cooperative (PMC) Bank. After the meeting in Delhi, the Rajya

Sabha member termed the discussion "constructive".

The PMC Bank has been put under restrictions by the Reserve Bank of India (RBI), after a multi-crore scam came to light following which the deposit withdrawal was initially capped at ₹1,000, causing panic and distress among depositors. The withdrawal limit was increased gradually to ₹50,000. "Had a meeting with the Union Minis-

ter of State for Finance, Shri Anurag Singh Thakur (@ianuragthakur) in New Delhi to raise the issue of revival of PMC Bank. We had a constructive exchange of views on the topic," Pawar tweeted. The fraud at PMC Bank came to light in

Septemberlast year after RBI discovered that the bank had allegedly created fictitious accounts to hide over ₹6,700 crore in loans extended to the almost-bankrupt Housing Development and Infrastructure (HDIL).

According to RBI, the PMC bank masked 44 problematic loan accounts, including HDILloan accounts, by tampering with its core banking system, and the

Banks' third-quarter results may look up,

supported by recoveries, treasury gains



NCP chief Sharad Pawar with MoS, finance, Anurag Singh Thakur during a meeting on Monday

accounts were accessible only to limited staff members.

Mumbai Police's Economic Offences Wing (EOW) and the Enforcement Direc-

torate have registered offences in the case. The EOW last month submitted a 32,000-page chargesheet against five per-

sons in the multi-crore PMC Bank scam.

The chargesheet has named the bank's former managing director Joy Thomas, former chairman Waryam Singh, former director Surjit Singh Arora, along with HDIL promoters Rakesh Wadhawan and

Sarang Wadhawan. The chargesheet includes the forensic audit report of PMC bank and documents of properties purchased by the accused bank officials with kickbacks received by them for giving undue favour to HDIL and the Wadhawans.

MoneyGram, EbixCash sign strategic pact to expand India presence PRESS TRUST OF INDIA

New Delhi, January 13

EBIXCASH AND MONEYGRAM International have entered into a strategic partnership for money transfer services, the companies announced on Monday. Under the partnership, MoneyGram

will be able to reach additional consumers through Ebix's 320,000 distribution outlets spread across 768 districts, 4,000 cities, and more than 75,000 villages - significantly increasing coverage in rural areas, a joint statement said.

EbixCash is a wholly-owned subsidiary of Ebix, Inc, a leading international supplier of on-demand software and e-commerce services to the insurance, financial, healthcare and e-learning industries.

MoneyGram International is a global provider of innovative money transfer services.

'IFRS to enable greater disclosure by insurance firms'

FE BUREAU Pune, January 13

INSURANCE COMPANIES IN the country will have to make greater disclosures under the new International Financial Reporting Standards (IFRS), Pravin H Kutumbe, member, finance & investment, Irdai, has said. He added that the insurance industry

players will not just disclose numbers but also the logic and reasoning behind these numbers. Kutumbe was speaking at the CD Desh-

mukh Memorial seminar organised by the National Insurance Academy here. Kutumbe urged the academy to conduct

more training programmes in corporate governance, enterprise risk management and risk-based supervision programmes. In the last two decades, 24 insurance

companies have come up in the country and most of them are poised for listing, and it is difficult to find how the value is created and under the new disclosure standards the value creation will be known, he pointed out. Three companies have got listed so far

and they are trading at high valuations and there are long-term valuation gains seen, he said. Understanding value creation in the insurance industry was a complex area and needed work on, he added. "An area we are worried about is the

stress coming into the industry and how to address that. This cannot be overlooked, considering what has happened in the financial services sector," Kutumbe said.

KNR Construction: Maintain 'buy' with higher TP of ₹374

MOTILAL OSWAL

KNR CONSTRUCTION HAS entered into a share purchase agreement with Cube Highways to sell its 100% stake in the Walayar road project. Total enterprise value of the deal stands at ₹530 crore. As of September 2019, debt on the project was at ₹140 crore. Thus, the equity value of the deal is estimated at ~₹390 crore or P/Inv of ~1x. This is in line with our valuation of the project. There are further NHAI claims and other governmental instrumentalities, which are a passthrough to KNR as and when realised. Taking this into account, the deal value may surpass our valuation of the project.

The transaction is likely to close in another two-three months. We factor in proceeds of ₹390 crore billion by March end 2020. KNR has already monetised three of its HAM projects. We expect the balance sheet to strengthen further with net cash position of >₹200 crore/500 crore by FY21/22. The company has the best balance sheet position among mid-cap road EPC companies. This should support premium valuations for KNR, in our view.

Given the company's strong order book position (OB/Rev: 3.1x) and superior execution capability, we expect revenue CAGR of 18% over FY19-22. Thanks to the strong balance sheet position, KNR is well positioned to bid for new projects as and when bidding commences in the road sector. We expect NHAI awarding to pick up by end-4QFY20 with total awarding of 4,000 km for FY20.

We lower our interest expense estimate and raise our revenue estimate by 2/3% for FY21/22 to factor in the asset sale. As a result, we increase our FY21/22 EPS estimate by 12%/13%. Note that we have built cushion in our Ebitda margin assumption (200bp decline over FY20-22). Also, we estimate a strong CAGR (FY20-22) of 18% in PBT but a lower 11% in PAT due to normalisation of tax rates to 25.2% (KNR's effective tax rate is lower as it has unutilised MAT credit) At CMP, the stock trades at FY21/22E P/E of 11.7x/9.7x (adjusted for valuation of the road assets portfolio). We maintain 'buy' with a higher target price of ₹374 based on SOTP-EPC business at 15x Sep'21E EPS and road assets at P/Inv of 1x.

Dabur: Likely to perform well in medium term

ICICI SECURITIES

AMID THE CURRENT demand slowdown, we reiterate Dabur as our preferred pick in Staples, given its strong bottom-up thesis. We believe it is likely to outperform in the medium term led by focus on execution under new CEO Mohit Malhotra. Dabur's power brand strategy appears significantly different from HUL (in the early 2000s) as it emphasises greater focus on core brands rather than defocusing on the non-core. Cluster-based approach through RISE programme provides another leg to growth. Strong positioning in Ayurveda and a faltering Patanjali bodes well for Dabur to capture the growth in the fast-growing naturals segment. We do note that weak performance in juices could be a drag in near term. Dabur remains our top pick in Staples along with Godrej Consumer.

Dabur has channelled its ad spend in driving higher growth in its eight power brands — media spends grew 20% for

power brands vs 6% for overall domestic business. We like Dabur's growth focus through increasing usage occasions for Chyawanprash, highlighting health benefits of Honey (innovate and increase food usage), launching different versions of Hajmola (Chat Cola) and Pudin Hara (Powder Fizz) and targeting new consumers (launch of products like Dabur Amla Kids Shampoo).

Regional focus through RISE helps Dabur embark on initiatives like using the Dabur Red Paste (over-indexed in South) as carrier pack to distribute other brands. Other examples include initiatives in North-East and South India.

Dabur was earlier losing market share in light hair oil to competitors, primarily Marico. Over the past year though, we see strong signals from Dabur to defend increasing focus on health and wellness

HYDERABAD

its market share through aggressive price actions in its coconut oil brand and strong marketing campaign targeting Marico. We believe the is the likely cause for the weak growth.

back of recoveries from chunky bad-loan accounts and gains in treasury income, analysts have said. At the same time, slippages may remain high for the quarter, with nonbanking finance companies (NBFCs) such as Dewan Housing Finance Corporation (DHFL) and Reliance Home Finance turning sour.

FE BUREAU

Mumbai, January 13

In a recent report, analysts at Jefferies wrote that Q3FY20 will see lumpy settlements — either through the insolvency route or otherwise — of around ₹76,500 crore from just four exposures, namely Essar Steel, Ruchi Soya, Prayagraj Power and RattanIndia Amravati. Barring RattanIndia, recovery in the

THE BANKING SECTOR'S profits are

likely to grow 15-20% year-on-year

(y-o-y) in the December quarter on the

other three accounts as a share of book



value ranges between 0.2% and 11% for different banks, with State Bank of India recovering 6.6% and ICICI Bank recovering 2.1%.

In an environment of muted credit growth and falling interest rates, banks are expected to see their margins shrink. "Yields could soften as MCLR cuts over the recent quarter get transmitted. Overall decline in the loan-to-deposit ratio and slower growth in high yielding retail loans

come from deposit rate cuts that have been taken over the previous quarters," Jefferies said. Analysts say margins could be better

for corporate banks. Emkay Global Finanin Q3 due to lower tax provisions."

ment securities (g-secs) continue to trend down, with support from Operation Twist, which should help public-sector banks (PSBs) report healthy treasury gains. "However, weakening economic trends and rising risk around inflation post flare-up in crude prices, may pose a risk to g-sec yields," the broking firm said.

could weigh on margins. The offset could

cial Services, "Corporate banks are likely to report stable better margins and lower NPAs (non-performing assets), mainly due to lumpy NPA resolution including Essar Steel. Most private banks have migrated to the new low tax rate regime with DTA (deferred tax asset) impact largely factored in Q2, and these private banks will benefit Emkay also said that yields on govern-