# Arkets FRIDAY, JANUARY 17, 2020

#### FRESH BORROWING

David Rasquinha, managing director, Exim Bank

As a going concern, not only I have to refinance my borrowing but I also need to have fresh borrowings... for any typical year, our gross borrowing requirement is \$1.5-3 billion. In the next fiscal also, it is expected to be up to \$3 billion.

## **Money Matters**

# **G-SEC** The benchmark yield fell 0.362% due to buying support

**LAF** 3.31% Bank borrowing under **RBI's short term window** fell by ₹94 crore

The rupee appreciated

on global cues

70.93 71.70

0.16%

Inverted scale

0.152%

Jan 16

£/\$

The euro rose against

Quick

View

**Sical Logistics** 

Yes Bank buys 10.25%

stake in Coffee Day's

YES BANK has acquired a 10.25%

invocation of pledge of shares,

acquired 60,00,000 equity shares

having nominal value of ₹10 per

a listed company, namely, Sical

Logistics Ltd," the lender said in a

regulatory filing. Sical Logistics is

Sundaram Fin divests

entire stake in Equifax

an agreement for sale of its entire

mation company Equifax Credit

price of ₹67.43 per equity share.

"Sundaram Finance Ltd (SFL) has

for sale of its entire equity stake of

10% in Equifax Credit Information

Services Pvt Ltd," the company said in

a regulatory filing to the exchanges.

equity stake of 10% in credit infor-

Information Services (Equifax). The

company will be selling around 1.35

crore shares aggregating to 10%, for a

executed a share purchase agreement

engaged in providing dredging and

retail supply chain logistics solutions.

**CHENNAI-BASED Sundaram Finance** 

(SFL) on Thursday said it has executed

stake in Sical Logistics, a Coffee Day

Group company, by invoking pledged

shares. "Yes Bank Ltd has, pursuant to

share, constituting around 10.25% of

the post-issue paid-up share capital of

the dollar 1.1105 Jan 16 TRADE DEAL BOOST

# Sensex surges past 42k-mark

**YOOSEF KP** Mumbai, January 16

THE BENCHMARK INDICES continued to rise on Thursday, with the Sensex crossing the 42,000-mark in intra-day trades following the initial trade deal between China and the US.

The broader market has joined the rally on Dalal Street, with both Nifty Midcap and Smallcap indices outperforming the benchmarks in 2020. While the Nifty Midcap surged 5.2% since January 1, Nifty SmallCap has gained 7.5% during the same period. In the same period, the benchmark Nifty gained just 1.5%.

All of the 19 sectoral indices compiled by BSE gained on Thursday, barring BSE Metal, BSE Oil & Gas and BSE Basic Materials.

Markets have shed fears over rising geopolitical tensions and oil prices and are pinning hope on some triggers that the government could announce in the Union Budget. The market is also focusing on third-quarter earnings as some of the heavyweights are due to announce their numbers for the quarter this week. According to Siddhartha Khemka, head

- retail research, Motilal Oswal Financial Services: "We are witnessing sector-specific and stock-specific action as the third quarter earnings season progresses and as expectations to the run up to the Budget build-up for certain sectors."

Investors are looking forward to some form of a fiscal stimulus to boost growth and fiscal support to the economy," he said.

Sensex 107.48 108.0 Indexed to 100 43,000 41,932.56\_ 42,000 41,000 Nifty Midcap 105.16 40,000 101.54 39,000 Oct 16, 2019 Jan 16, 2020 Jan 16, 2020

some policy thrust to revive investments after economic growth fell to multi-year lows. Nomura expects a gradual recovery through 2020 with a lagged positive impact of monetary stimulus and policy thrust driving investment cycle. This recovery thesis is based on benign oil prices and supportive external environment.

High expectations from the Union Budget has further given legs to the rally this year. According to Gaurav Dua, senior V-P, Sharekhan, BNP Paribas, there is a growing demand for announcement of fiscal stimulus in the Union Budget.

"With RBI doing its bit by keeping the monetary stance accommodative and cutting interest rates sharply in 2019, the onus is also on the central government to provide

Both foreign and domestic institutional investors (DIIs) sold shares on Thursday. While foreign portfolio investors (FPIs) offloaded shares worth \$56 million, local investors sold equities worth \$26 million, provisional data on exchanges showed. However, so far in January 2020, the overseas investors have bought equities worth \$ 286.6 million against DIIs selling of \$139 million worth of shares.

At 41,932.56, the Sensex trades at a price-earnings multiple of 19.6 times oneyear estimated forward earnings. This compares with 12 times for Kospi and 14.7 for Jakarta Composite. Russian and Turkish equities were the cheapest in the emerging market with a forward price-toearnings ratio about seven times, Bloomberg data showed.

# Bond yields fall ahead of OMO announcement

**BHAVIK NAIR** Mumbai, January 16

THE BOND MARKET seems to have figured out how to erase unpleasant memories from the recent past. This is evident from the paring of recent losses made after the announcement of the huge spike in December CPI inflation at 7.35%. Though bond yields had closed 7 basis points higher on Tuesday, the market has now pared most of the losses in anticipation of the much-awaited OMO announcement under Operation Twist.

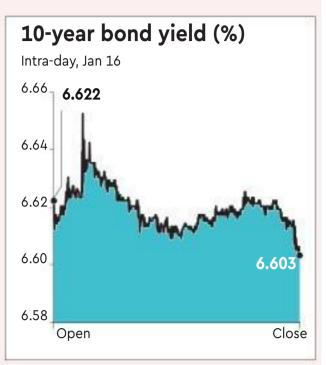
The benchmark yield fell seven bps over the last two days to close at 6.60% on Thursday, thereby erasing all the losses made after the announcement of the December inflation print.

As was anticipated by the market, the Reserve Bank of India (RBI) on Thursday evening announced the fourth OMO in the series where it will be looking to simultaneously buy and sell government securities worth ₹10,000 crore each. This time the central bank will be purchasing securities maturing in 2024 and 2029 while it will be selling securities maturing in 2021.

Siddharth Shah, head of treasury at STCI Primary Dealer, confirmed that the market was looking forward to the OMO announcement and this reflected in the yields.

"The market continues to expect anywhere between five and eight OMO announcements under Operation Twist and we still probably have space for one or two more announcements before the Budget. Indeed, the high CPI does remain on the back of the mind of the market but one has to see that the effect was mainly driven by food inflation. It will probably be ignored by the markets in the near term," Shah said. The bond market is now keenly awaiting

the borrowing programme for the next fiscal which will be one of the key triggers along with the CPI inflation print for coming months. Some experts are of the view that though the surge in December CPI inflation was led by food prices, inflation is likely to remain sticky in the coming months. The one thing that the market seems to have come to terms with is the fact that a rate cut looks highly unlikely in the upcoming monetary policy in February.



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Ananth Narayan, professor-finance at SPJIMR, said RBI is making its intent very clear by bringing in the fourth OMO under Operation Twist — it is working to bring down term premia. "At least in the short run, it is very diffi-

cult for the Indian debt markets to go against a determined RBI, and hence we might see some relief support to bonds However, the challenges are quite severe in the medium term. While most analysts expect food inflation and hence overall inflation to eventually stabilise at lower levels, I fear that 2020 could be the year where inflation continues to surprise on the upside.

"Secondly, the extent and quality of our fiscal balance is far worse than is acknowledged. GDP growth and credit growth will hopefully recover over the course of 2020. Given all these pressures, interest rates could eventually head higher," Narayan said.

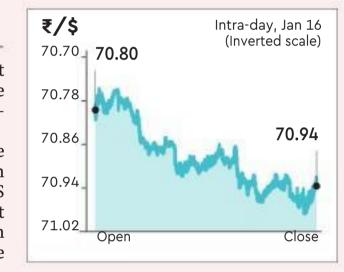
Foreign portfolio investors (FPIs) have been net sellers of Indian debt so far in 2020. According to Bloomberg data, FPIs have sold \$1.16 billion worth of bonds on a net basis this year.

## Rupee drops by 11 paise to 70.93 on dollar demand

PRESS TRUST OF INDIA Mumbai, January 16

**THE RUPEE FELL** by 11 paise to close at 70.93 against the dollar on Thursday due to strengthening crude oil prices and dollar demand from importers.

At the interbank foreign exchange market, the domestic currency opened on a strong note at 70.80 a dollar after the US and China signed an initial trade deal. But during the day, the rupee lost momentum and touched a low of 70.98 against the



American currency. The rupee finally settled the day at 70.93, showing a fall of 11 paise over its previous close. "The rupee erased early morning gains

and last quoted at 70.93 with loss of 11 paise as dollar buying seen by banks on behalf of the importers," said VK Sharma, head PCG and capital markets strategy, **HDFC Securities.** 

Forex traders said forex outflows and rising crude oil prices also weighed on the domestic currency. Brent futures rose 0.36% to \$64.23 per barrel.

Moody's puts Yes

review; lowers

Bank ratings under

# Non-food credit growth recovers slightly to 7.51%

**FE BUREAU** Mumbai, January 16

ing, the growth in non-food credit continues to languish around two-year lows, though it recovered marginally to 7.51% year-on-year (y-o-y) during the fortnight ended January 3, 2020, from 7.08% y-o-y in the previous fortnight.

**LOWER LENDING RATES** notwithstand-

During the comparable fortnight a year ago, the growth was as high as 14.47%, data from the Reserve Bank of India (RBI) showed. Outstanding loans to companies and individuals stood at ₹99.61 lakh crore on January 3, increasing from ₹98.62 lakh crore at the end of the previous fortnight while total bank credit including food credit stood at ₹100.45 lakh crore, according to provisional data released by the central bank on Thursday.

slightly slower pace of 9.78% **Deposits with** 

y-o-y to ₹132.10 lakh crore in the fortnight ended January 3. The pace of growth in the previous fortnight had been only slightly better 10.09%. During the comparable fortnight of 2018, deposits with banks had grown by 9.91%. The credit deposit (CD) ratio for the fortnight stood at 75.4%, slightly lower than 75.81% at the end of the previous fortnight.

It is noteworthy that credit growth has been trending down even as lending rates of banks fell through 2019 following rate cuts by RBI.

Analysts expect credit offtake to slip further. In a recent note, Icra said the y-o-y growth in bank credit is expected to decelerate sharply to 6.5-7% during FY20 from 13.3% during FY19, following limited incremental credit growth during the year so far.

(%, y-o-y) 16 14.47 Jan 3, 2020 Source: RBI

Credit and deposit growth

"A shift of large borrowers such as nonbanking financial companies (NBFCs) and housing finance companies (HFCs) to the

> muted economic growth, lowerworking capital requirements, as well as risk aversion among lenders, have compressed the incremental credit growth in FY2020," the rating agency said. Bankers, too, have begun to

moderate their growth expectations for the year. Earlier this year, State Bank of India (SBI) lowered its full-year growth forecast to a single-digit

figure from a double-digit one earlier. PKGupta, managing director, retail and digital banking, told FE earlier this month that the bank has been seeing poor utilisation of working capital. "We expect a pickup in Q4. We had substantial growth last year, so credit growth would be lower this year due to base effect. Therefore, it may be single digit only. Double-digit credit growth

would be a challenge," Gupta said.

However, deposits with banks grew at a banking system for their funding requirements, had boosted bank credit growth in FY2019. However, factors such as banks grew at a

to CAA2 from B3.

"Yes Bank is in discussions with a numface upward pressure", Moody's said.

If a private sector solution is unsuccessful, and a regulatory led resolution is implemented, Moody's expects that the Indian authorities will strive to maintain systemic stability and avoid losses to depositors and senior creditors.

#### credit assessment **FE BUREAU** New Delhi, January 16 MOODY'S INVESTORS SERVICE on Thursday placed Yes Bank's long-term for-

eign currency issuer rating of B2 under review, with the direction uncertain.

The ratings agency also placed the bank's long-term foreign and local currency bank deposit ratings of B2, and its foreign currency senior unsecured MTN program rating of (P)B2, under review, with the direction uncertain.

Moody's also downgraded Yes Bank's baseline credit assessment (BCA) and adjusted BCA to CAA2 from B3.

The placing of Yes Bank's deposit rating of B2 under review reflects Moody's expectation that the bank's standalone viability is getting increasingly challenged by its slowness in raising new capital. Moody's points out that the potential credit risk to the bank's senior creditors is uncertain, because there are a number of diverse scenarios that could affect the rating in either positive or negative directions. Moody's said because the viability of the bank absent a large capital injection is in question, Moody's has downgraded the bank's standalone credit profile or its BCA

ber of investors to raise new equity capital, which would be credit positive if executed successfully. If the bank successfully recapitalises and repairs and cleans its balance sheet, its ratings could stabilise or

#### Karnataka Bank Q3 profit drops 12%

a 12% decline in its net profit at ₹123.14 crore for the third quarter ending December 31, 2019, on account of rise in bad loans.

The Mangalore-headquartered bank had reported a net profit of ₹140.41 crore in the year-ago period, the bank said in regulatory filing. However, the total income of the bank rose to ₹2,023.68 crore from ₹1,815.79 crore in the same quarter a year ago. The gross non-performing asset (NPA) of the bank rose to 4.99% of assets from 4.45% in the year-ago period. Similarly, the net NPA, too, increased to 3.75% from 3% during September-December 2018. — PTI

### **ANALYST CORNER**

# L&T Infotech: Reiterate 'buy' on client rebound, deal wins

**MOTILAL OSWAL** 

deal wins are key positives for L&T Infotech. Continue expecting industry leading growth; robust growth in the top account alleviates concerns around client-specific issues. Besides, strong/ broad-based client addition across buckets and encouraging deal wins will likely translate into industry leading growth. We see further scope for margin expansion driven by better utilisation. We upgrade our EPS estimate by ~6% for FY20-22, given the large deal win momentum and the decent

**TOP CLIENT** rebound and encouraging

outlook in the top client. Reiterate 'buy'. Revenue increased 14.2% y-o-y (our estimate: +10.2%), Ebit margin came in at 16.2% (our estimate: 15.7%), while PAT growth was stagnant (our estimate: -3%). Organic revenue exclusive pass-through increased 6.4% q-o-q CC. Growth was broad-based across most verticals and service lines. The uptick in spends at the top client, combined with a few large deal rampups among the top 10 clients, is the key growth driver. Growth in Europe (+1.8% q-o-q CC) was surprisingly soft. Ebit margin expanded ~70bp g-o-g.

largely driven by operating leverage, higher utilisation and currency benefit Key margin headwind was lower margins associated with pass-through revenue. In line with the industry trend attrition moderated by 70 bp to 17.7%

Strong growth in the top account was led by a new project. In the ongoing consolidation, the management indicated LTI is on the positive side. It is optimistic on continued growth momentum. The firm is seeing a rise in spending in discretionary areas of BFSI. Concerns about US presidential polls have so far not come up in conversation with clients. LTI will continue to be a growth company with focus on S&M investments. It sees some more headroom for operating leverage with growth. Industry leading growth will defend rich multiples. Moderating attrition also comes in as a positive. Recent large deal wins hint at strong growth over the next 12 months. Besides, LTI's recent client addition across buckets was the strongest and broad-based v/s comparable prior periods. Industry leading growth + prudent capital allocation should defend rich multiples. We arrive at a fair valuation of 19x one-year forward P/E, at a 15% discount to TCS. Maintain 'buy'

## Bajaj Auto: Lower battery costs likely to woo e-scooter buyers

KOTAK INSTITUTIONAL EQUITIES

**BAJAJ AUTO** has launched its first electric scooter Chetak priced at ₹1 lakh-₹1.2 lakh, a price similar to that of Ather S450. The e-scooter will be available in two variants, Urbane and Premium. The running cost for e-scooter is far lower than a gasoline one, but we believe higher upfront costs due to higher battery prices and additional cost of battery replacement after five years due to degradation will delay the transition towards e-scooters in India. It will be first launched in Bengaluru and Pune and sold via the existing KTM distribution network. The company has set up 13 dealerships in Bengaluru and 4 in Pune. The e-Chetak is equipped with a 3 kW-hr lithium ion battery with realworld range of 95 km in Eco mode and 85 km in Sport mode. The time required to charge the e-scooter is 5 hours for 100% and 1 hour for 25%.

Bajaj e-scooter's premium variant is priced at ₹1.2 lakh (ex-showroom)

New Delhi

whereas Ather S450 is priced at ₹1.1 lakh (ex-showroom). Ather S450 has 3 riding modes — Eco offering 75 km range, Ride and Sport with range of 65 km and 55 km, respectively. It has a DC fast-charging facility, which can charge at a rate of 1 km/minute; Bajaj e-Chetak doesn't support fast charging. The escooter's battery comes with a warranty of 3 years/50,000 km. After 50,000 km, there will be battery degrade due to which the range of e-scooters will come down and the customer will incur additional costs. Our current cost of analysis for e-scooter vs Honda Activa FI implies breakeven of ~5 years at the current landing cost of \$250 per kW-hr for batteries. Since breakeven for a customer is >3 years, economics for e-scooters is not favourable vs gasoline ones currently. But if battery prices drop to \$150 per kW-hr, breakeven for e-scooters will come down to ~2.5 years, at which point consumers may shift to escooters. Lower battery prices remain a key for success of e-scooters in India.

#### Exim Bank to raise up to \$3 bn from overseas borrowings THE EXPORT-Import Bank of India

(Exim Bank) is looking to raise up to \$3 billion (about ₹21,000 crore) from overseas borrowing in next financial year (2020-21), a top official said. The bank has raised \$1.7 billion (about ₹11,900 crore) of overseas borrowing through bond issuances and foreign loans in the current financial year.

#### Federal Bank elevates Shalini Warrier as ED

KOCHI-BASED private sector lender Federal Bank on Thursday announced elevation of Shalini Warrier as an executive director. The bank received approval of RBI in this regard, the lender said in a statement. Warrier has been the chief operating officer of the bank since November 2015, and also holding the additional responsibility of business head of retail banking since May 2019.

financialexp.ep4

#### South Indian Bank Dec qtr profit up 8% Announcing the results, MD and CEO Kochi, January 16

slightly slower

pace of 9.78%

y-o-y to ₹132.10

lakh crore in the

fortnight ended

January 3

**SOUTH INDIAN BANK** on Thursday announced a 8% year-on-year increase in its third quarter net profits at ₹90.54 crore.The Kerala-based lender has reported a net profit of ₹83.85 crore during the corresponding period of the previous year.

Operating profit for the third quarter has grown by 15.4% from ₹332.01 crore in the year ago period to ₹383.14 crore. The net interest income registered a

growth of 15.81% year-on-year while other incomes registered a growth of 18.02%. The gross non-performing assets of the Bank stood at 4.96% and net NPA stood at 3.44% as on December 31, 2019.

VG Mathew said the bank has crossed the landmark of ₹1,50,000 crore of total business as on December 31, 2019. He added that on the advances side, the focus of the bank remains on the retail, agri and MSME portfolios and the same is visible in the growth numbers in these portfolios. "Bank has also been able to meet the

targeted levels of recovery/upgrades which has helped in containing the GNPA level at 4.96%. The provision coverage ratio of the bank has improved to 50.37% from 41.17% a year ago. Bank has a clear action plan for further improving the provision coverage ratio in a phased manner," he said. —FE BUREAU

KARNATAKA BANK on Thursday reported