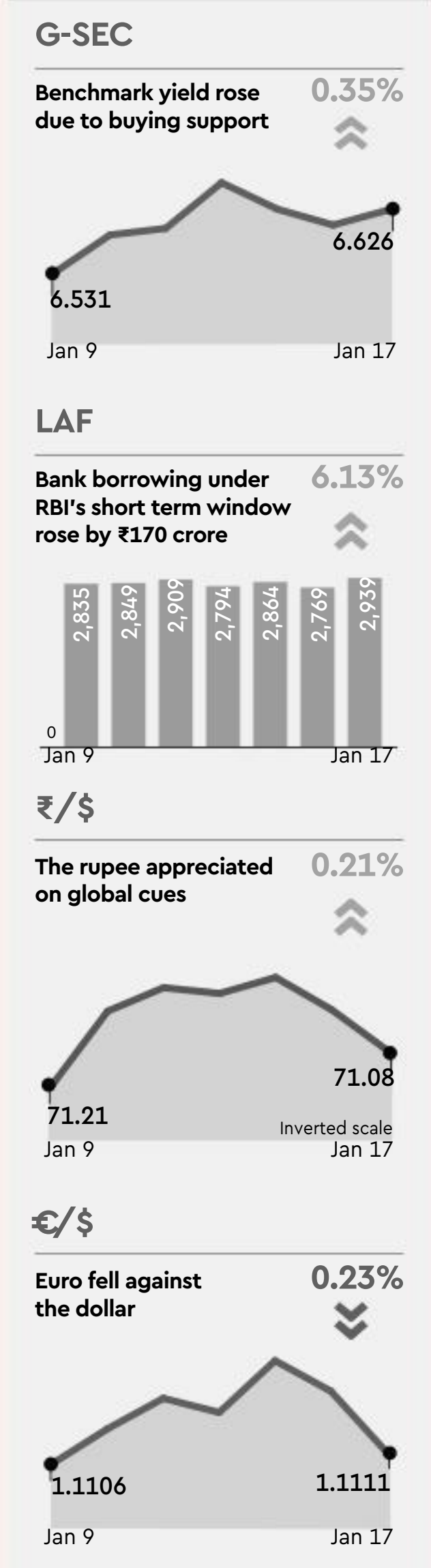


Money Matters

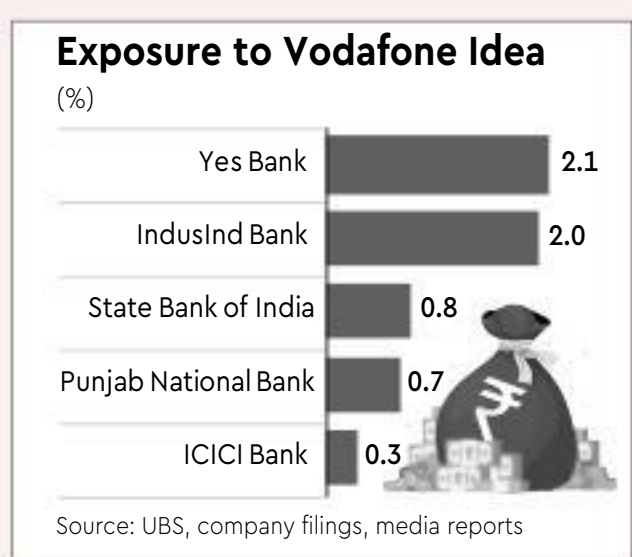


Quick View

**Forex reserves rise to record high of \$461.21 billion**

FOREIGN EXCHANGE RESERVES rose by \$58 million to reach a life-time high of \$461.21 billion for the week ended January 10, according to the RBI data. In the previous week, the reserves had increased by \$3.689 billion to \$461.15 billion. In the reporting week, reserves rose despite a decline in foreign currency assets, which are a major component of the overall reserves.

Banks face risk from \$13-billion telecom dues: UBS



**ABHISHEK VISHNOI**  
Singapore, January 17

**THE SUPREME COURT'S** rejection on Thursday of an appeal by wireless carriers to review \$13 billion they owe to the government raises risks for lenders to the companies, according to UBS Group AG.

Payment of the dues may erode the telecom operators' cash flows, especially those of Vodafone Group's India venture. Under the October verdict, Vodafone Idea has to pay \$4 billion, while Bharti Airtel has to give \$3 billion by the end of next week. The court also rejected requests to rehear petitions seeking relaxations on the deadline.

"IndusInd, YES, SBI appears to have relatively high exposure to Vodafone Idea," analysts Vishal Goyal and Ishank Kumar wrote in a note. For the banking system, loans outstanding to the telecom sector were ₹1.1 lakh crore or 1.3% of total loans in September, the note added. IndusInd Bank, Yes Bank and Punjab National Bank are the least preferred stocks in the sector, according to the UBS note. **BLOOMBERG**

DHFL CoC to vote on selling company in three parts

**FE BUREAU**  
Mumbai, January 17

**THE COMMITTEE OF** creditors (CoC) for Dewan Housing Finance Corp (DHFL) is looking to vote on a proposal of inviting bids for the company in three parts, sources close to the development told *FE*. The Reserve Bank of India (RBI)-appointed administrator R Subramaniakumar presented the proposal during a meeting on Thursday January 16 that will seek to invite bids for the company in three parts — retail, non-retail and slum rehabilitation authority (SRA) project loans, the source added.

The committee of creditors held the meeting to discuss the criteria for potential bidders for the beleaguered NBFC. After the result of voting is declared, the process of inviting expression of interest (Eoi) will begin, said the source.

*FE* has learned that the committee of creditors approved proposals on cost that would be incurred by the company during



**The troubled mortgage lender has so far received claims for ₹92,404 crore from creditors, which included financial creditors, operational creditors, deposit holders along with employees and workmen**

the resolution process. This includes ₹75 lakh per month for advisor to administrator – EY India. The CoC also approved

fees to legal adviser AZB Partners which amounted to ₹11,500 per hour on a blended basis. The administrator informed the CoC on December 30, 2019 that DHFL's assets under management stood at ₹1,19,952 crore.

The troubled mortgage financier has so far received claims for ₹92,404 crore from creditors, which included financial creditors, operational creditors, deposit holders along with employees and workmen. DHFL has received ₹45,550.07 crore from bondholders and ₹41,342 crore from lenders.

The NCLT, Mumbai, had admitted DHFL for the insolvency resolution on December 2, 2019 after the Reserve Bank of India's direction under Section 227 of the IBC. Lenders initially tried to resolve DHFL's stress as per the RBI's prudential norms on stressed assets resolution. A resolution plan was then approved by DHFL's board in September, which proposed a conversion of debt to equity, leading to lenders acquiring a 51% stake in the company.

RBI should act as lender of last resort, provide liquidity to NBFCs: SBI

**PRESS TRUST OF INDIA**  
Mumbai, January 17

**WITH DIFFICULTIES IN** NBFC sector continuing, economists at State Bank of India (SBI) on Friday pitched for the Reserve Bank of India (RBI) to play its role as the lender of last resort, something the central bank has avoided since the start of troubles in 2018.

In its report on Budget expectations, economists said the RBI should "seriously think" of providing liquidity to non-banking financial companies (NBFCs) against assets held by lenders. "Given the crisis of confidence in the financial markets, it is imperative that central banks don't forget their primary function of being the lender of the last resort," they said.

The NBFC sector has been impacted since August 2018 after the collapse of infrastructure lender IL&FS.

So far, RBI has refused to play its role as the lender of last resort, terming the problem at select NBFCs as one created because of asset-liability mismatches, where entities depended on short-term liabilities to fund long-term assets and found the going



difficult with hike in rates.

A slew of analysts have blamed the slowdown in lending by the liquidity-starved NBFCs for the fall in consumption, which is among the factors resulting in dip in the GDP growth.

The SBI report included help for NBFCs as part of its fiscal policy suggestions ahead of the February 1 Budget. It suggested a formal arrangement can be worked out wherein the government can commit to adjust haircuts that come banks' way by settling it with RBI's dividend transfers.

The economists said the measures taken so far by the government and RBI have been

Rupee falls 15 p on strong dollar, dearer crude oil

**PRESS TRUST OF INDIA**  
Mumbai, January 17

**THE RUPEE FURTHERED** its losses for the second straight day, dropping 15 paise to close at 71.08 against the US dollar on Friday amid strengthening of the American currency overseas and rising crude prices.

At the interbank foreign exchange market, the rupee opened lower at 70.98 and lost further momentum to touch a low of 71.10. It finally settled the day at 71.08, showing a fall of 15 paise over its previous close. During the week, the rupee lost 14 paise.

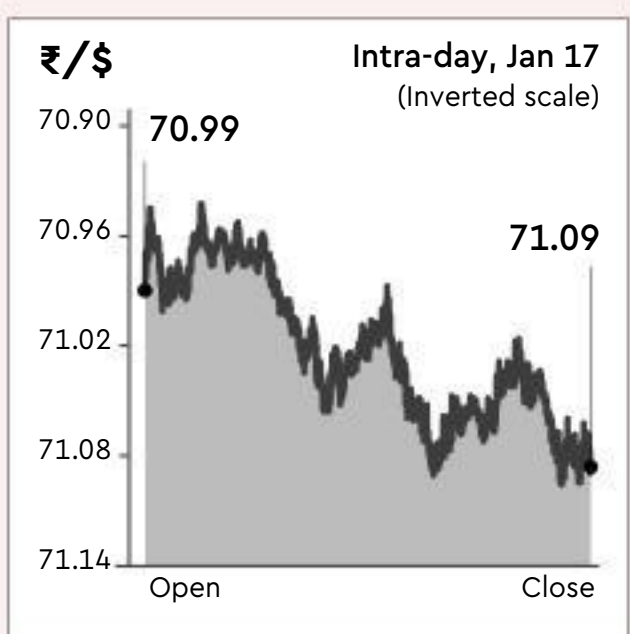
Global crude benchmark Brent was trading 0.51% higher at \$65 per barrel.

The dollar index, which gauges the greenback's strength against a basket of six currencies, rose 0.17% to 97.48.

The 10-year bond yield was at 6.63%.

"The greenback rose after data showed retail sales in the US picked in December. From the US, market participants will be keeping an eye on industrial production and housing numbers and better-than-expected number could extend gains for the dollar," said Gaurang Somaiyaa, forex and bullion analyst at Motilal Oswal Financial Services.

Forex traders said the rupee was trading lower despite the US-China signing the



Phase-1 trade deal as huge uncertainty still remains, which might make it difficult for China and the US to reach a comprehensive trade deal.

The US Wednesday signed the first phase of a trade deal with China, which President Donald Trump described as historic, concluding more than a year of tough negotiations between the two largest economies of the world.

Foreign institutional investors bought equities worth Rs 264.26 crore on a net basis on Friday, according to provisional exchange data.

Higher hedging costs risk derailing India dollar debt binge

**ANURAG JOSHI**  
Mumbai, January 17

**A RECORD OVERSEAS** debt binge by Indian companies risks losing steam as rising hedging costs make those borrowings costlier than local debt.

Five-year annualised dollar-rupee hedging costs have risen to 4.8%, close to the highest since May 2017, according to QuantArt Market Solutions, a Mumbai-based advisory firm.

While there has been no slack in the pace of dollar bond sales by local companies so far, prospective issuers are keeping a close watch on the costs as rates to borrow in local markets ease.

"If hedging costs keep rising, it makes it

difficult for borrowers to carry the exchange rate risk," said Samir Lodha, chief executive officer at QuantArt. "Conservative companies will stay away from the dollar bond market, once they compare the relative value of onshore and offshore borrowings."

The spoiler is coming at a time when the government is still working on bringing confidence back into the local credit market that went into a seizure about 18 months ago.

Meanwhile, the rate at which highly rated companies can borrow in the local market has eased by about 130 basis points in the past year, a favourable move for Indian firms that are facing a record \$92-billion wall of bonds maturing in 2020. **BLOOMBERG**

focused on long-term strengthening of NBFC sector. They pitched for deferment of principal repayments by 50 important NBFCs and housing finance companies for a specified period.

Among other measures, SBI economists recommended the government to focus on growth and not on meeting the fiscal deficit target, warning that not doing so can aggravate issues of growth slowdown. They advocated for fiscal deficit to be budgeted at an elevated 3.8% for 2020-21, which is the same level as its revised estimate of 3.8% which will be met in 2019-20.

The government should adopt a new fiscal consolidation path from FY22 which will look at 0.20% narrowing of the fiscal gap every year till FY25, they said.

Meanwhile, the Supreme Court's refusal to grant relief for telecom service providers can have "significant financial market disruptions if any of the telecom players makes a decision to discontinue". Such a move can prove to be a drag on consumption growth, which was supposed to revive in 2020-21, they said.

Irdai chairman Khuntia cautions insurers against predatory pricing

**PRESS TRUST OF INDIA**  
New Delhi, January 17

**INSURANCE REGULATORY AND** Development Authority of India (Irdai) chairman SC Khuntia on Friday cautioned insurers against indulging in predatory pricing, saying it is not a sustainable model while citing examples of airline and telecom sectors. Highlighting that the insurance industry is different from other business, he said if an insurer fails, it has bearing on customers as well.

"I would like to give a word of caution here. Though your (insurance brokers) share is very high in group health insurance, the loss ratio in group health insurance is also very high. Probably, it is not very sustainable at present," he said at an event organised by the Insurance Brokers Association of India here.



"So the insurance companies, intermediaries and policyholders need to unite to create a sustainable atmosphere. In other industries, if there is unfair competition, the industry suffers but the clientele don't suffer. While this has happened in airlines and telecom industries, but we cannot afford that kind of a situation in the insurance industry because insurance is an industry for protection," Khuntia said.

"So if the industry suffers, then clientele also suffers. And as a regulator, we would not like that to happen. One should not overcharge and also not undercharge," he said, adding, there is need to create efficiencies so as to bring down premium and minimise the risk. "Regulator will have to ensure that the industry runs sustainably. There will be a host of actions, not one kind of action, but we will ensure the health of the industry does not deteriorate," Khuntia said.

EXPERT VIEW

So, if the industry suffers, then clientele also suffers. And as a regulator, we would not like that to happen. One should not overcharge and also not undercharge.

—SC Khuntia, chairman, Irdai

L&T Finance Q3 net up a tad at ₹591 cr

**PRESS TRUST OF INDIA**  
New Delhi, January 17

**L&T FINANCE HOLDINGS** on Friday reported a marginal 1.8% rise in its consolidated net profit to ₹591.47 crore during the third quarter ended December 31, 2019. The net profit in the year-ago period stood at ₹580.96 crore.

Total income of the company during the quarter under review increased to ₹3,735.79 crore, against ₹3,445 crore.

Average assets under management (AUM) increased to ₹71,587 crore from ₹69,080 crore in the corresponding quarter a year ago, the company said in a statement.

"NBFCs with strong parentage, AAA credit rating and prudent business practices have stood out and asserted their strength over the past year... we have shown consistent performance across our focused businesses while building our inherent strengths to ensure better-than-industry performance when demand picks up," L&T Finance Holdings MD Dinanath Dubhashi said.

The company raised more than ₹10,000 crore in long-term borrowing in the third quarter, the highest quarterly borrowing since 2016-17, it said.

ICICI Lombard Q3 net profit rises 23%

ICICI Lombard General Insurance Company on Friday reported a net profit of ₹294 crore for the third quarter of the current fiscal, a rise of 23% from the previous year, reports **fe bureau** in Mumbai. However, gross direct premium income (GDPI) was at ₹3,693 crore in the quarter, compared with ₹3,699 crore in the year-ago period, a fall of



0.2%.

ICICI Lombard in an exchange filing said categories like motor insurance, health retail and crop insurance saw underwriting losses, while fire, marine and health group and corporate, among others, witnessed underwriting profits for the quarter under review.

"Excluding the crop segment, GDPI of the company increased to ₹3,672 crore in Q3 FY2020, compared with ₹3,389 crore in Q3 FY2019, registering growth of 8.3%. The industry growth (excluding crop segment) for Q3 FY 2020 was 10.9%, a company press release said.

In terms of product mix, motor insurance, which includes mother third party and motor own damage, was at 50% for the nine months of FY20.

The combined ratio of the company stood at 98.7%, compared to 95.9% in Q3 FY2019. While the combined ratio was 100.5% in 9M FY 2020, compared to 98.7% in 9M FY2019, primarily on account of long-term motor policies and losses from catastrophic events in the previous quarters.

A combined ratio below 100% indicates underwriting profit, while a ratio above 100% shows that more money in claims is being paid out than is being received from premiums.

13 firms to list ₹4,750-cr CPs on BSE

**THE BSE ON** Friday said 13 companies, including SAIL, Reliance Jio and Power Grid Corp, have filed applications with the bourse to list their commercial papers (CPs) for a total issue size of ₹4,750 crore.

Power Grid Corp, Reliance Jio, Britannia,

ICICI Securities, SAIL, Balrampur Chini, Kotak Mahindra Prime and JSW Steel made applications to list their CPs for issue size of ₹1,200 crore, ₹550 crore, ₹500 crore, ₹500 crore, ₹350 crore, ₹300 crore and ₹250 crore, respectively. **PTI**

ANALYST CORNER

Downgrade Cyient to 'neutral', EPS estimate cut

**MOTILAL OSWAL**

**COMMENTARY AROUND HEADROOM** for margin expansion (250bp from FY20 level) is disappointing. This expansion should be largely led by the absence of restructuring costs in FY21, implying no material net benefits from cost rationalisation. Also, the ongoing forced attrition may impact employee morale, posing further growth challenges (like in case of Cognizant). We cut our EPS estimate for FY20-22 by 3%.

Given the subdued outlook on growth/margins and the potential risks because of softer aspects, we Downgrade to Neutral, valuing it at 11x one-year forward P/E.

Revenue declined 6% Y-o-Y to \$155m, in line with our estimate. Overall revenue decline was largely led by the sharp reduction in DLM (~37% QoQ). Within services, key verticals like A&D (~5% QoQ, USD) and transportation (~15% QoQ, USD) reported a sharp decline.

The impact was partly offset by strength in communications (~12% QoQ, USD) and E&U (~9% QoQ, USD). Benefits from cost optimization (~30 bps) in 3Q are disappointing.

Reiterate 'buy' on TGBL, revised target price ₹450

**ICICI SECURITIES DIRECT**

**TATA GLOBAL BEVERAGES** (TGBL) received National Company Law Tribunal (NCLT) approval for merger with Tata Chemicals' (TCL) consumer business. TCL's consumer business has been growing at a strong ~20% over the last two years, backed by robust growth in volumes across salt, pulses and spices. It has been maintaining its operating margins around 16%, much higher than TGBL's ~13% (as on H1FY20).

Though pulses and spices segments are smaller in size, we believe these underpenetrated and high growth categories would aid TGBL's growth. We believe investment behind new categories (Tata Dx detergent powder and Tata Nx sugar-free natural sweetener) including other newer segments, would be the key to growth, going ahead.

India business to gain led by robust tea segment growth. TGBL commands

20% market share in the Indian tea segment.

It expects to continue to grow above industry led by new launches and focus on premium tea varieties. The branded tea business has delivered robust volume growth of 8% in H1FY20 driven by market share gains, inorganic growth, product innovation and focus on premiumisation.

TGBL's India business revenue contribution has increased from 47% in FY19 to ~52% in H1FY20 with impressive EBITDA margins of 13.5%. The company has been exiting non-core international markets (exit loss-making China, Russia and Czech Republic subsidiaries and stake divested in its Sri Lankan plantations), which has been a drag on sales growth. We have valued TGBL on an SOTP basis, valuing the India domestic business (including TCL's consumer business) at 5x FY22E sales. We reiterate our 'BUY' rating on the stock with a revised target price of ₹450 per share.