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Re-CAP

A weekly encapsulating capital market news
(Jan 12-17, 2015)

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FROM THE MANAGING DIRECTOR'SDESK

Dear Readers,

Capital follows Knowledge & Awareness

I am pleased to present the first ever issue of this unique e-weekly – 'Re-CAP'. This is the latest initiative of Pantomath Group towards spreading capital markets awareness and information.

Now-a-days, we are flooded with a plethora of updates and developments with dynamic speed on regular basis. While on the other hand, many a times, we miss on important developments because of sheer busy and hectic routine. Re-CAP encapsulates together important capital markets news stories and updates so that you can flip through the same at one go.

Our heartiest complements to the Pantomath Research Team for making this project a reality.

Trust you find this a useful read. Please do share your feedback at mahavir.lunawat@pantomathgroup.comSi

Cordially,

Mahavir Lunawat

Pantomath Advisory Services Group

SIX COMPANIES JOIN RS 2 LAKH CRORE MARKET-CAP CLUB SINCE MAY 16

ROBUST INFLOWS FROM FOREIGN INVESTORS SEE SENSEX BREACH 29,000 MARK

The number of companies with market capitalisation (m-cap) of over Rs 2-lakh crorehas more than doubled in past eight months to 11 after the Narendra Modi led-Bhartiya Janata Party (BJP) came to power at the Centre on May 16, 2014. In these eight months, four companies from financials - HDFCBank, State Bank of India (SBI), ICICI Bank and HDFC - besides Infosysfrom the information technology (IT) sector and Hindustan Unilever (HUL) from the fast moving consumer goods (FMCG) sector have joined the elite club taking the total tally to 11. Tata Consultancy Services (TCS), ONGC, ITC, Reliance Industries and Coal India formed had a market-cap of over Rs 2-lakh crore as on May 16, 2014. In contrast, during the peak of the previous bull market in 2008, there were only three companies – Reliance Industries, Oil and Natural Gas Corporation (ONGC) and NTPC - in this list. Housing Development and Finance Corporation (HDFC), the country's largest mortgage financier company, and Hindustan Unilever (HUL), the fast moving consumer goods major has been the latest entrants in this market-cap club in the past six sessions."The overall sentiment is so strong that the Nifty and Sensex have reached their lifetime highs. In our view, the markets are now rallying on hopes of several reforms measures expected to be announced in the upcoming Union Budget. Further, quantitative easing liquidity from European and Japanese central banks is expected to have trickle-down effect on emerging markets like India in the wake of slowdown in the Chinese and Russian economies," said Dinesh Thakkar, chairman and managing director, Angel Broking. The benchmark indices, which quoting at their lifetime high levels, have gained 21% since May 16 2014, the day the results of the Lok Sabha elections were announced. The Sensex crossed the 29,000 mark for the first time in history on Thursday. Analysts at Nomura, too, remain bullish on the Indian markets with end - December Sensex target of 33,500.

IN GOOD COMPANY

	Market-cap (₹cr) May16, '14	Market-cap (₹cr) Jan 22, '15	Stock (BSE, in ₹) Jan 22, '15	Stock (BSE, in ₹) % chg*
TCS	422,599	492,172	2,512.75	16.5
ONGC	329,343	301,495	352.40	-8.5
Reliance Ind	349,246	286,038	884.10	-18.2
ITC	284,367	280,119	350.35	-2.0
Infosys	181,582	252,171	2,195.70	38.2
Coal India	218,325	249,812	395.50	14.4
HDFC Bank	193,212	246,853	1,021.15	26.9
SBI	180,244	242,180	324.40	34.4
ICICI Bank	169,252	213,876	369.25	26.0
HUL	125,588	204,249	944.20	62.6
HDFC	138,188	201,191	1,279.80	44.5

*Change over May 16, 2014
Data complied by BS Research
Source : BSE/CapitalinePlus

"Our bullish stance on the Indian market for this year is based on our high conviction view that the improvement in India's macro environment over the past year is durable and will improve further. The lagged effect of the much needed complete overhaul of the political economy is a significant tailwind. The extent to which this is not yet priced in will provide upside to multiples, thus adding to market returns over and above earnings growth,"

said Prabhat Awasthi, managing director and head of equity research, NomuraFinancial Advisory in a recent report.

Meanwhile, the number of companies having m-cap of more than Rs one-lakh crore increased to 21 from 17 on May 16 last year. Axis Bank, HCL Technologies, Maruti Suzuki India and Kotak Mahindra Bank have joined Rs one lakh crore market-cap club. During the period, the overall m-cap of India's companies has swelled by Rs 22-lakh crore to Rs 102.95-lakh crore, of which the 21 companies with m-cap of more than Rs one-lakh crore account for 42%.

Analysts remain optimistic on the road ahead for the banking and the non-banking financial services sector. Credit Suisse, for instance, estimates the Indian consumer finance market to witness an 18% CAGR (compounded annual growth rate) to a $1.2 trillion opportunity by 2020.

While the market still remains still remains underpenetrated, the organised players (banks and NBFCs) have developed diverse products targeted at all segments of the income pyramid, across multiple secured and unsecured loan types and suggest that consumer lending can be a significant growth driver for Indian financials in the coming years, Credit Suisse says. HDFC Bank, Axis Bank and IndusInd Bank remain their top banking picks.- **(Source: Business Standard 23rd January 2015)**

SEBI EASES DELISTING HURDLE

Says 25% shareholders need not participate so long as all were made aware; some changes in other regulations, too

The Securities and Exchange Board of India (Sebi) through a board of directors meeting on Thursday, eased its recently introduced delisting regulations The regulator had asked acquirers to garner shares from 25 of every 100 shareholders in a company, irrespective of the amount of stake they held. It has now said this would not be applicable if it can be shown that all shareholders were contacted. J N Gupta, managing director, Stakeholders Empowerment Services, a proxy advisory firm, said the move was a positive. Proxy advisory firms often advise minority shareholders.

"The earlier requirement of compulsory 25 per cent public shareholder participation made delisting almost impossible...The government and the regulators should now devise ways of incentivising listed companies, so that they are encouraged to remain listed. The incentives could be in the form of lesser taxation or availability of cheap finance," he said. "SEBI has reacted to the outcry against mandatory participation by 25 per cent of public shareholders (holding shares in demat form). They have given greater leverage to companies and bankers but expect all public shareholders to be contacted. The Practical applicability will now have to be tested, said Mr. Amit Tandon founder & MD,
Institutional Investor Services, who deals with governance issues. Rules were also clarified for Issuance of certain kind of securities. Partly paid shares to public or to specific group of investors through a Rights Issue will require 25% of the money paid up front. The balance is to be paid in 12 months when the issue size is less than 500 cr. For warrants, the tenure was changed from 12 months to 18 months. Warrants will also require a 25% upfront payment. The regulator has also made provisions for reissuance of, and introduction of warrants on debt securities. The move is a bid to improve liquidity in such securities and provide flexibility for their redemption , said Sebi. It also made steps to change rules for trustees. This included allowing banks and public financial institutions to act as a trustee without obtaining registration, and in enhancing disclosures for securitised debt instruments. The regulator has given another 18 months for companies listed on regional exchanges to list themselves on bourses with nationwide terminals. -**Source-(Business Standard 23rd Jan2015).**

FUTURE DIVESTMENT MAY GO THE FPO ROUTE

Under the fast-track route, the offer document doesn't need to be cleared by the regulator

An official who did not wish to be named said allowing for fast-tracking of central public sector enterprise (CPSE) stocks would give more options for divesting government stake. "We had sought from the markets regulator to rationalise the FPO route to boost retail participation in disinvestment. The discussion paper by Securities and Exchange Board of India (Sebi) is encouraging," said a ministry official.

Sebi had, earlier this month, issued a discussion paper on speeding the approval processes for issue of securities. It had proposed to extend the fast-track route to CPSEs, without the requirement of a minimum average market capitalisation for public shareholding. Where any CPSE was not able to comply with any of these the regulator could not grant exemptions. Sebi had proposed a fast track route for Private companies with an average market capitalisation in excess of Rs 250 crore. Under this route, the offer document wouldn't need to be cleared by the regulator. Market experts say the timeline for an issue under the speedier route could be reduced from almost four months to only a week. Historically, the government on major occasions has opted for the easier and faster Offer For Sale (OFS) route for divesting stake. However, the lack of participation from retailfund investors has dampened the attractiveness of the route.Sebi data shows participation by retail investors — those investing less than Rs 2 lakh — has been very low in government disinvestment done through the OFS route.In the 10 government share sales done this way, considered quick and cost-effective for the seller, small investors have bought, on average, 1.4 per cent of the total shares sold. The biggest chunk was taken by institutional investors — mutual funds, insurance companies and foreign institutional investors.In contrast, retail participation in government disinvestment done through the FPO route has been encouraging. Participation by retail investors in the FPOs of Power Grid Corporation and Engineers India was oversubscribed by 35 per cent.

Source:-(Business Standard 24th Jan, 2015)

SEBI TO CONSULT CAS ON TAKEOVER VALUATIONS

MUMBAI: To ensure fair treatment of minority investors during takeovers of listed companies, Sebi has decided to seek help of CAs and merchant bankers for an independent valuation of the price offered to small shareholders by new promoters. For the purpose, Sebi would empanel eligible chartered accountant firms to take up work relating to valuation of shares under its takeover regulations that involve the entities buying a substantial stake in a listed company to make an open offer for minority shareholders as well. These CAs would also be consulted on valuation of assets in relation to schemes of arrangement undertaken by the listed companies.

Source-(The Economic Times 19th Jan, 2015)

OVERSEAS PORTFOLIO INVESTORS TWEAK THEIR INDIA STRATEGY

Cut stakes in IT and commodity-linked sectors, shift money to banks, infrastructure & oil cos

Overseas portfolio investors are changing their India strategy. While cutting stakes in more than a fourth of the companies they are invested in, fund managers have shifted bets from technology and commodity-linked sectors to banks, infrastructure and oil companies amid expectations the Reserve Bank of India (RBI) will cut rates further, having already done so on January 15.Foreign institutional investors' holdings in the quarter ended December

31, 2014, have fallen from the preceding quarter in 120 of the 460 companies in which they have stakes. About 60 companies have witnessed an increase, according to an ET study of shareholding patterns in 1,200 companies. Though FIIs cut stakes in more companies than they invested, analysts said data show they preferred to keep the money in India, a reflection of their confidence in the economic revival. In the quarter, they reduced stakes in large-caps, including Reliance Industries, Tata Steel, Infosys, Tata Power, Cairn India, Adani Enterprises, Tech Mahindra, IndusInd Bank, Suzlon Energy and Biocon. Hero MotoCorp, BPCL, HPCL, Axis Bank, SBI, ICICI Bank, and Kotak Mahindra Bank are among the 60 stocks in which they increased stake. “Now, India is tilting towards the domestic story from the exports story. Many export related stocks are stagnant, while banks and financial companies will ride the next... wave.FIIs, too, would go with the wind,“ said Raamdeo Agrawal, joint managing director, Motilal Oswal Financial Services.

“There is a change in FIIs' India investment pattern from IT and commodities stocks to interest rate sensitive stocks, which are early beneficiaries of a lower rate regime,“said Samir Arora manager, Helios Capital.FIIs invested about ` . 900 crore in October 2014, and 14,300 crore in November 2014, but turned net sellers in December 2014 to the tune of 965 crore.Fund managers said technology and commodity-linked companies have fallen out of FII favour because of stagnant growth and an uncertain outlook.FIIs are moving away from companies that are growing in single digit but trading at rich valuations. “Foreign investors are now focused on in single digit but trading at rich valuations. “Foreign investors are now focused on inexpensive banks, financial institutions and some of the infra stocks that are going to benefit in the long term from the government's new initiatives and the interest rate reversal cycle,“ said UR Bhat, managing director, Dalton Capital.

FIIs' favourite in the quarter was Hero MotoCorp, in which they increased their stake to 39.34% from 34.34%. They raisedtheir holdings in HPCL and BPCL by 4.82% and 2.63%, respectively, to record levels following the sharp fall in crude oil prices globally and domestic diesel price deregulation.

“This makes clear that foreign investors have changed their strategy for Indian markets. They sold holdings in underperformers and fundamentally weak companies, including a few big companies, but instead of taking money out of India, they invested in banks, NBFCs (non-banking finance companies) and select midcaps," said Arun Kejriwal, founder and CEO, Kris Research.For the second consecutive quarter, FIIs cut their stake in Reliance Industries -to 18.90% from 19.46% on September 30, 2014. In mid-caps, FII holding in KPIT Technologies fell from 24.79% to 14.42%. Some of the other stocks in which FII holding fell include Amtek Auto, Tilaknagar Industries, Hindustan Oil Exploration, Aban Offshore, Lanco Infratech and GVK Power, among others. Hero MotoCorp, BPCL, HPCL, Axis Bank, SBI and ICICI Bank are among stocks in which FIIs have increased stake-**(Source: The Economic Times , 19th January, 2015).**

F&O TRACKER FII CONTINUES TO REMAIN POSITIVE ONMARKETS

FIIs continue to buy even after the RBI cut rates a week ago, and in the midst of global volatility. The way liquidity is flowing into our markets from foreigners suggests that globally there are only few markets which are good to invest.

This liquidity may continue given the fact that the ECB announced its 60 billion monthly bond buying till September 2016.On Thursday, FIIs bought stocks worth `592.79 crore in the cash market. In index futures, they were net buyers of `901.84 crore with a rise in open interest (OI).Interestingly, they sold in index options. Unwinding was seen in 8600 and 8700 calls, which we believe are short call traders covering their positions. Strong build-up was seen in 8700 put and 9000 call.

With FIIs continuing to form longs in index futures and short strangle of 8700 put and 9000 call, it suggests that they continue to remain positive on markets and their strategies are positively biased.If we club above two implied volatility has been rising it indicates that some traders are still not convinced by this rally and are still clinging to their short positions.-**(Source:The Economic Times, 23rd January, 2015)**

SEBI EXPECTED TO REVIEW SME TRADING LISTING NORMS.

The Move Comes As Part Of Sebi's Attempts To Further Boost A Segment That Has Seen Impressive Growth Since Its Launch Nearly Three Years Ago

The Securities and Exchange Board of India (Sebi) is expected to review norms related to trading and listing of small and medium enterprises (SMEs) as part of its attempts to further boost a segment that has seen impressive growth since its launch nearly three years ago.

According to stock exchange officials and merchant bankers specializing in SME issuances, market participants have asked the regulator to lower the minimum trading lot size of Rs.1 lakh post listing and review the minimum 25% equity dilution, which is required at the time of listing. The capital market watchdog is keen to make the segment more conducive for issuers and investors, and has reacted positively to the suggestions, said two people who were part of the discussions between the regulator, exchange officials and market participants. They declined to be named.

An email sent to Sebi on Tuesday remained unanswered. Last week, speaking at an investment seminar, Sebi whole-time member Rajeev Agarwal said the regulator wants large SMEs to list and explore the capital market for funding. Both BSE Ltd and National Stock Exchange of India Ltd (NSE), launched separate SME platforms in March 2012 after Sebi announced easier listing and disclosure norms to help smaller companies tap the capital market. BSE has 83 companies listed on its SME platform, while NSE has only six. The market capitalization of the six companies listed on NSE's SME segment called Emerge is nearly Rs.400 crore while that of companies listed on BSE is Rs.8,808 crore. BSE saw the market capitalization of its SME segment cross Rs.10, 000 crore on Dec 12 last year. To expand the segment further, one of the concessions that exchange officials and bankers are seeking is a review of the requirement to dilute a minimum 25%.

"This is one of the most common concerns that we come across during our road shows across the country. SMEs do not want to test the waters with a high amount of dilution. Also, they feel that the minimum lot size of Rs.1 lakh could deter many genuine investors," said an exchange official, who did not want to be named as the issue is hey suggest that Sebi consider a lower minimum dilution at the time of listing, while specifying that a public float of 25% has to be ensured whenever an SMEs plan to migrate to the main board. "A policy reform required is to dilute the norm of minimum public shareholding from 25% to 10% for SMEs.

This is desired considering the mismatch between valuation of niche businesses run by promising SMEs and their immediate funding needs," said Mahavir Lunawat, managing director,

Pantomath Capital Advisors, a merchant banker specializing in SMEs. Exchanges are also suggesting that the class of investors allowed to invest in SME issues be widened. For instance, BSE has suggested to the regulator that the definition of nominated investors be widened to include wealthy individuals, non-institutional. investors, corporate bodies and merchant bankers, the exchange said in response to an emailed query. Currently only Institutional investors like mutual funds, private equity and venture funds are allowed to invest and trade in companies listed on the SME platforms.

"There are certain other policy changes such as lower trade size post listing and lower underwriting levels. The regulator can look at gradual relaxation with adequate safeguards related to liquidity, investor protection and merchant bankers' commitment etc," says Lunawat. Lunawat, who has managed more than 10 SME issuances, added that Sebi should encourage dual listing of SMEs on both BSE and NSE's SME platforms. Currently, SMEs can either choose BSE or NSE to list.

A BSE spokesperson said the exchange has submitted certain other suggestions as well, which include making market making mandatory for a minimum of 5-10 years instead of the present three-year period. A market maker is a firm that accepts the risk of holding a certain number of shares of a particular security to facilitate trading. The change in regulations being suggested come at a time when interest in listing on the SME platforms of BSE and NSE is rising. There is a fair amount of traction in the SME segment and the exchange is engaged with nearly 50-60 such entities, mostly from the manufacturing sector to ensure better quality, said Ravi Varanasi, chief of business development at NSE. As many as 19 companies have filed draft listing documents with BSE, said a spokesperson for the exchange.
In comparison, there have hardly been any initial public offers by large companies in the main market in recent years.

According to the NSE website there were a total of only 13 IPO in 2013 and 2014. Regulatory norms require companies that want to be listed on the SME platform to file a draft document only with the stock exchange and not with Sebi. Such companies also enjoy more liberal requirements for disclosure of financial numbers compared to the entities listed on the main bourse .

However the companies can eventuaaly switch over to the regular equity trading platform. Companies can migrate to main bolt after two years of listing and fulfilment of certain criteria like paid-up capital of more than Rs.25 crore. It is voluntary and some companies might evaluate since it's over two years since the segment was launched. Market participants continuously engage with the regulator to give feedback and suggestions on the regulatory aspect of the SME segment," said Varanasi. Three of companies—SRG Housing Finance Ltd, Bronze Infratech Ltd and Anshu Clothing Ltd—have completed two-and-a-half years on the BSE SME Platform and have applied for migration on the main board of BSE, said the BSE spokesperson. Last month, speaking at an event organized by the Association of Investment Bankers of India, Sebi chairman U.K. Sinha had said that merchant bankers should look at SME entities more seriously as they offer "large untapped potential" and that Sebi, along with the Indian Venture Capital Association and Small Industries Development Bank of India, has been visiting cities to understand the needs of SMEs.
Source-(Mint 22nd January, 2015)