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Re-CAP

A weekly mailer encapsulating capital market news

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LAUNCHPAD - Google to mentor 100 start-ups in India

Google will mentor 100 early-stage start-ups in India this year through its globally successful mentorship programme called Google Launch pad. The first Launch pad programme was flagged off in Bengaluru on Monday. Google will host four such events in the city this year, the maximum number that it has held so far in a single city anywhere in the world.

Globally, Google Launch pad has mentored over 350 start-ups in the last two years across Rio, Tel Aviv, Barcelona, Berlin and Paris. It plans to host 60 Launch pad events this year, said Amir Shevat, global start-up programme manager.

Launch pad is a five-day intensive mentoring programme for early-stage start-ups focused on areas including product strategy , user experience & user interface, technology , and go-to market. The mentors will be available to the start-ups for another three months for consultation. Google has shortlisted 20 start-ups for its first edition, from 1,450 applications it received last year.

"Some 18 out of the 20 selected start-ups are based out of Bengaluru, and 28% of the applicants were from the city .So we want to focus on Bengaluru, which is clearly emerging as the next Silicon Valley, "said Sunil Rao, country head of the start-up programme in Google India. He said through the programme, Google wants to create a high-quality hyper local mentor network that's self-sustaining. "We will do everything except funding, "he said. Selected start-ups also get Google Cloud and Google Analytics credits. The first event will culminate with a pitch day where a jury will rank the top three startups.Rao said over 45 mentors would be part of the first Launch pad edition. "Google employees comprise of around 15% of the mentors, while the remaining are domain experts from the industry, "Rao said.-***(Source: The Times of India February 3, 2015).***

BUYING A HOUSE OVERSEAS EASIER NOW

RBI Increases Forex Remittance Limit To $250,000Year As Reserves Swell

Buying a house overseas, which used to be the preserve of the super rich, has now become a lot easier for wealthy Indians with the Reserve Bank of India doubling the foreign exchange remittance limit to $250,000 per individual per year. In other words, a family of four can remit $1 million (equivalent of Rs 6.2 crore) every year to purchase assets overseas.

With this move, the rupee has become almost fully convertible for most Indians. The funds remitted overseas can be used for almost any activity barring a few such as speculation in exchanges, funding terror groups or for remittances to Bhutan, Nepal, Mauritius and Pakistan.
According to Bank of India chairperson V R Iyer, the increase in the liberalized remittance scheme to $2.5 lakh reflects the confidence of the regulator in consistency in foreign inflows.

RBI governor Raghuram Rajan said on Tuesday the foreign currency remittance limit was relaxed following a review of the external sector outlook and as a further exer cise in macro prudential management. The central bank also said that it will ask the government to subsume under this limit various remit tances that an individual is allowed under the Foreign Exchange Management Act, which include donations, gift remittances and exchange facilities for those seeking employment overseas and for maintenance of close relatives abroad. Until now, this facility was in addition to remittance limits already available for private travel, business travel, studies, medical treatment, etc as described in Schedule III of Foreign Exchange Management (Current Account Transactions) Rules, 2000.

An improvement in the country's foreign exchange reserves has emboldened the RBI to increase the limit. Announcing his policy , Rajan said the following the drop in oil prices the current account deficit has been comfortably financed by net capital inflows, mainly in the form of buoyant portfolio flows and supported by foreign direct investment inflows and external commercial borrowings.

"Accordingly, there was accretion to India's foreign exchange reserves to the tune of $6.8 billion in Q3," said Rajan. The sensex fell 122 points on Tuesday to close at 29,000 because of RBI's decision to maintain status quo on rates and a sell-off in public sector banks due to worsening

asset quality. FII selling added to the day's slide, dealers said.

The day's session started on a better note with the index opening about 100 points higher. After the RBI said that it was keeping the key policy rates unchanged due to lack of data since its last rate cut, the index started giving up gains and at one point was down over 200 points.
In volatile trades, finally the index closed 0.4% lower with banking and financial services sector stocks among the top laggards.

While FIIs were net sellers in the stock market, in the debt segment they got more freedom to invest in the government securities market. In its policy, RBI allowed foreign investors to plough back their interest earnings from gilts into the same instrument, in effect increasing their exposure limit in government securities.***-(Source: The Times of India February 4, 2015)***

ELECTRONICS MANUFACTURING GEARS UP FOR CHANGE BUT SKILL GAP REMAINS

Industry plans to move to high-value manufacturing and reduce imports

With the Centre's 'Make in India' initiative encouraging self-sufficiency in manufacturing, the ESDM (electronic system design & manufacturing) industry is gearing up to move from low-value to high-value manufacturing. Currently, 65-70 per cent of the $90 billion ESDM market in India relies on imports. This is expected to be reduced to 50 per cent by 2016 by increasing local manufacturing and moving to high-value manufacturing. However, industry stalwarts say, that this will be possible only if the skill gap in the ESDM industry is addressed.

Jaswinder Ahuja, Corporate Vice-President and Managing Director, Cadence Design Systems India, said: "We are well placed in terms of raw talent but there is a huge gap at the skill level because engineering graduates lack industry exposure to real-life projects. We require engineers who are skilled in VLSI design and who can be productive as soon as they join the industry."

Design aware

Cadence has established a university Programme to train readily employable 'design-aware' manpower for the ESDM industry. Over 350 engineering institutes are currently training their VLSI students on Cadence electronic design automation (EDA) platforms.

As the ESDM ecosystem develops, the need for technical expertise such as, layout, assembly and test arenas will also arise. "The ESDM industry is essentially skill-based, where we need both high-end skills for design and manufacturing as well as skills in the layout, assembly and test arena," Pradip Dutta, Corporate Vice-President, Synopsys Inc and MD, Synopsys India told Business Line . Stating that the shop-floor skill set in the country is still not the most organised, he said, "We would be creating millions of jobs in this space in the next decade and hence we should not only create more IITs but also more government-run Industrial Training Institutes."To build a talent pipeline, IESA, the trade body representing the Indian ESDM industry, signed MoUs with Electronics Sector Skills Council of India, Visvesvaraya Technological University and RV-VLSI Design Centre. Aninda Moitra, President and Managing Director, Applied Materials India, said, "For the semiconductor manufacturing ecosystem to be sustainable, the government, in partnership with the industry and academia should create a R&D centre that provides technology research and R&D scale manufacturing capabilities.*"-(Source: The Hindu Business Line February 6, 2015)*

SEVEN SMAL-CAP STOCKS THAT HAVE CAUGHT THE FANCY OF FIIS

Over the past two years, small-cap stocks have rallied quite a lot more than large-caps. The CNX Smallcap index has returned 75% during the period compared with 46% return of the benchmark CNX Nifty. Foreign institutional investors (FIIs), who usually show interest only in larger companies, too, were keen to participate in the stupendous rally in small-caps.

According to an ET Intelligence Group analysis, FIIs have increased their holdings in at least seven small-cap companies in the past two years. Their stake in these companies has, in fact, increased in each of the three quarters to December 2014..Here's a low-down on what makes these companies special and what to expect from them in future.

Wonderla Holidays

Promoted by the founders of V-Guard Industries, Wonderla Holidays is the only listed amusement park player in the country. In the last five years, the net sales of its parks in Kochi and Chennai have grown at a CAGR of 25% to Rs 153 crore in FY14; net profit has risen at a CAGR of 37.9% to Rs 39.8 crore. It has achieved this without straining its balance sheet as the company is debt-free. The amusement park business is capital-intensive and there are strict entry barriers. Right from securing land to obtaining clearances to construction of an amusement park, it takes over five years. Wonderla Holidays' amusement park at Hyderabad is expected to open by April next year. This should boost its revenues in the coming quarters.

Eveready Industries India

Battery manufacturers had lost pricing power in the past decade due to high competition. But with recent developments suggesting they can again command pricing power, the stock of Eveready has come under investor focus. The company is market leader in the battery space, with a market share of nearly 50%. After the new management took over, the company has aggressively increased product prices — cumulatively by 20% — in the past 20 months. It plans to be debt free by FY18. The stock is trading at 16 times FY16 projected earnings, which is at significant discount to its peers.

Inox Leisure

With 365 screens, Inox LeisureBSE -0.34 % is the second-biggest player in the multiplex space with 18.2% capacity of the total domestic screens. This gives it huge negotiating power in terms of revenue sharing with producers and distributors. The company plans to add 50-60 screens every year to take its screen count to 546. This should take at least four years. With an average ticket price of Rs 175 and footfalls of 11.6 million, this would enhance Inox's revenue. Inox trades at FY16 price-earnings multiple of 26.3, slightly higher than its peer PVR, which is trading at 24.9.

Speciality Restaurants

The only listed company in the fine-dining segment, Speciality Restaurants is an urban consumption story. It is known for its flagship Chinese food brand Mainland China. It has expanded its food offerings to Asian, Thai, Burmese and all-day dining under brands such Sigree Global Grill and Hoppipola. The focus on non-Indian cuisines helps it differentiate itself from other players. Speciality Restaurants will be one of the key beneficiaries of the growing tendency of Indian families to eat out. On valuation, it is trading at a PE of 21.4 for Fy16; Jubiliant FoodworksBSE 3.08 % trades at 48.9.*-(Source: The Economic Times: February 5, 2015)*

INDIAN ACCOUNTING STANDARDS NOTIFICATION IN A MONTH: MCA

The government is planning to come out with a notification for implementation of the proposed Indian Accounting Standards (Ind-AS) in a month's time, a top government official said today.

"The notification for Ind-AS is going to happen in a month," Ministry of Corporate Affairs Joint Secretary A S Bhatia said on the sidelines of a seminar on corporate governance organised by the CII and the Institute of Cost Accountants.

Ind-AS adoption will bring India at par with more than 105 countries where International Financial Reporting Standards are mandatorily followed. The government's commitment to adopt Ind-AS will further strengthen India's ability to attract foreign capital and access global capital markets. "All IFRS standards had been adopted while in two areas - forex exchange and agriculture - the standards had been adopted after being curved-out to suit Indian conditions," ICAI council member Abhijit Bandyopadhyay said.

The National Advisory Committee on Accounting Standards has given its approval. This shall be applied to the companies of financial year 2015-16 voluntarily and from 2016-17 on a mandatory basis for all listed entities over networth of over Rs 500 crore. In the next year, the standards will be applicable to all listed companies and unlisted companies having networth of over Rs 500 crore and followed by that unlisted entities over Rs 250 crore networth has to follow the new accounting rules.

Meanwhile, Bhatia said the notification for certain exemptions for government companies, private, Section 8 and Nidhi companies were pending and the department was trying to speed up. "There is a technical requirement to wait till Parliament's budget session that will continue till May," he said.-***(Source: The Economic Times February 6, 2015).***

BSE TO SHIFT 53 COS TO RESTRICTED TRADE SEGMENT; NSE TO MOVE 8

No speculative trading allowed in these scrip; delivery and payment are mandatory

Top stock exchange BSE has decided to shift stocks of 53 companies to the restricted trading segment from February 10 to ensure safety in capital markets and safeguard the interest of investors.

Another leading bourse National Stock Exchange (NSE) would also move eight securities to this category from next week.

Stocks that would be transferred on both the bourses include Era Infra Engineering, FCS Software Solutions,Intrasoft Technologies and Shri Lakshmi Cotsyn.
In two separate circulars, BSE and NSE said it would be shifting 53 scrips and stocks of eight companies, respectively to the trade-for-trade or the 'T' group segment.

Under the trade-for-trade segment, no speculative trading is allowed and delivery of shares and payment of consideration amount are mandatory. The decision is part of a surveillance review to ensure market safety and safeguard the interest of investors, the bourses said.
"Trading Members should note that transfer of scrips for trading and settlement on a trade-to-trade basis is purely on account of market surveillance measure and it should not be construed as an adverse action against the company," the bourses said.

"Further, this is a temporary measure and will be reviewed periodically depending on market conditions," they added.
Besides, BSE and NSE also issued a list of stocks that would continue in the trade-for-trade segment on their respective platforms. While BSE has identified 206 companies whose securities will remain under restricted category, NSE has listed nearly 80 companies.-***(Source: Business Standard February 6, 2015)***

FTIL'S PLEA TO STAY FMC ORDER REJECTED BY SC

FMC recently deemed FTIL as not fit and proper to hold stakes in any exchange after the NSEL crisis

The Supreme Court on Friday rejected a plea of Financial Technologies (FTIL) to stay the Forward Markets Commission (FMC) order that it was not "fit and proper" to run any exchange. FTIL later withdrew its petition at the SC.

FMC had also directed FTIL to divest all its shares over a two per cent stake in the Multi Commodity Exchange (MCX), promoted by FTIL, and in any other commodity exchange.

The company's other petition, challenging the Securities Appellate Tribunal (SAT) order that endorsed an order of the Securities and Exchange Board of India (Sebi) to divest its shares in bourses was admitted for a hearing.
The SC bench of judges Vikramjit Sen and C Nagappan noted FTIL's petition against the FMC order was posted for hearing before the high court at Mumbai in May, and that may be expedited.

Incidentally, FTIL had entirely sold its stake in MCX last July, as well as those in other exchanges. All these developments were a sequel to the payments scandal at National Spot Exchange (NSEL), also promoted by FTIL. Jignesh Shah, the then chairman of FTIL, was also barred from holding a management position in any exchange.

Counsel A M Singhvi for FTIL argued the order to divest shares had a cascading effect and other regulators had passed 'copycat' directions. This forced the company to sell shares at distress rates. He contended FMC had no statutory power to pass such an order.

Sebi counsel Shyam Divan noted FTIL had already complied with the order of FMC and so, there was no need for an interim stay. The high court had already rejected the prayer and the main petition will be decided there. The judges then allowed FTIL to withdraw its petition.-***(Source: Business Standard February 6, 2015)***

SENSEX FALLS FOR 6TH DAY, OFF 964 POINTS FROM HIGHS

Concerns that the BJP may face defeat in Delhi assembly elections also weighed on investor sentiment

The Indian markets on Friday ended lower for a sixth straight day due to disappointing third quarter numbers posted by blue-chip companies, including Tata Motors. Concerns that the Bharatiya Janata Party (BJP) might face defeat in the Delhi Assembly elections also weighed on investor sentiment.

The benchmark BSE Sense ended 133 points, or 0.5 per cent lower to 28,717.91. The NSE Nifty closed 50.65 points, or 0.6 per cent lower at 8,661.05. The benchmark indices posted a second straight weekly loss, mainly dragged by weak corporate earnings and increase in bad loans at state-owned banks. The Sensex has come off 964 points from its all-time high of 29,681.77 touched on January 29.
The India VIX index, a gauge for market volatility, rose four per cent during the week to 20.68. Market players said investors turned cautious ahead of the Delhi polls scheduled for Saturday. Many fear if the BJP is defeated, it could trigger a correction in the market.

"Below-expected quarterly numbers were largely responsible for poor show this week. The PSU bank numbers raised concerns over their asset quality. Tata Motors' results also failed to meet expectations," said Dipen Shah, head- private client group research, Kotak Securities.

"Going ahead, markets will focus on the outcome of the Delhi Assembly elections, remaining quarterly numbers and the Budget. A growth-oriented Budget with structural reforms will lead to further re-rating of the markets. However, any disappointment in the Budget will be a negative for the markets."

Shares of Tata Motors fell five per cent lower, most in four months, after its profits missed analysts' expectations. Most state-owned banks, which posted their earnings earlier during the week, reported a jump in bad loans and lower profits. The BSE Auto and Banking Index fell the most at 2.8 per cent and 1.3 per cent, respectively. Power stocks also saw a sell-off on Delhi elections worries. The Aam Aadmi Party (AAP), considered to be the front-runner, has promised cut in rates and to audits power companies.

"Poor third quarter results from a number of companies have impacted market and high-beta stocks. Investors have turned cautious towards banking, metal and automobile space," said Vinod Nair, head-fundamental research, Geojit BNP Paribas Financial Services

Most opinion polls peg Arvind Kejriwal-led AAP to win the Delhi elections. If the opinion polls turn out to be true the market could come under further selling pressure.

"We think the market is likely to see a correction of around 5 per cent over next two months on account of supply of paper, rich valuations and weak earnings. A loss in Delhi polls for the BJP could further provide an excuse for the correction," said Bank of America Merrill Lynch had said in an investor note dated February 4.- ***(Source: Business Standard February 6, 2015)***

SAT RESERVES DLF ORDER

The real estate major had appealed against a SEBI order which barred the company and key officials from the market for three years

The Securities Appellate Tribunal (SAT) has reserved its order in DLF's appeal against the stock market regulator.
The real estate major had appealed against a Securities and Exchange Board of India (Sebi) order which barred the company and key officials from the market for three years. The ban was on account of disclosure violations related to its 2007 initial public offer (IPO).The order is typically reserved after both sides have completed arguments, and the tribunal is now set to consider the merits of the same before passing a final order.

The appeal follows a case filed by one K K Sinha. He had alleged a DLF subsidiary was involved in a land deal in which he is alleged to have been cheated of Rs 34 crore. He filed a police complaint in this regard. The regulator said

this should have been disclosed to investors at the time of its IPO.
The company had raised Rs 9,000 crore by selling shares to the public through this maiden offering. The ban from dealing in securities had resulted in the company being unable to access the capital had invested in mutual fund schemes. Fund houses had declined to allow redemption since MF units are technically securities and, therefore, come under the SEBI ban on DLF dealing. This was later allowed.

DLF shares were down 3.25 per cent to close at Rs 163.85 apiece on Friday; according to BSE data.-***(Source: Business Standard February 6, 2015)***

BSE TO BE 10,000 TIMES FASTER IN NEXT 3 YEARS: CEO ASHISH CHAUHAN

Emphasising that "speed and execution" were the essence of stock exchange business, Ashishkumar Chauhan, managing director and CEO of Bombay Stock Exchange (BSE) on Friday said BSE under him has become 10 times faster than its rival the National Stock Exchange. In the next three years, BSE plans to become 10,000 times faster.

"Speed is the essence of stock exchange business.During the last 20 years, BSE was slower than the NSE… Five years back when I joined the BSE, we were 30 times slower than the NSE. BSE used to give a response time of 300 milliseconds, while NSE had a response time of 10 milliseconds. So we were slower in giving information and execution. If your response and execution time is slower who will come to you. So between 1994 and 2014, people slowly moved over to the NSE, because if you stayed at BSE you will not make profits. The other guy who is getting faster information and execution will corner the profits," said Chauhan while retracing the history of BSE while speaking on the topic of "Indian Capital Market Evolution & Path Forward," he said while delivering a lecture at Nirma University in Ahmedabad

Addressing an audience largely consisting of students from the University, the CEO of BSE said that in the last few years, the Bombay-based exchange has overcome a number of hurdles including absence of a pan-India distribution network and dealing with a manpower that was not "IT-savvy". "We worked hard for three years to upgrade from 300 milliseconds to 10 milliseconds. By that time, NSE went from 10 milliseconds to two milliseconds, so again we were slower by five times (compared to NSE)," he said.

"We then changed our technology which was not easy…. and today BSE is 10 times faster than NSE, i.e. from 2014 onwards. So, 10 milliseconds we went to 200 micro-seconds, while NSE remained at two milliseconds. So we are now faster in getting and giving information. In next three years, we will give you a response time of one-tenth of what it is today. So from 200 micro-seconds, we will go to 20 micro-seconds and that will make us 10,000 times faster than our current speed," Chauhan said about BSE that had entered into a strategic technology alliance with Eurex in March 2013 and deployed a new generation trading system."Earlier, our capacity was 5000 orders in a second. Today it is 5 lakh orders in a second and a response time of 200 micro seconds. Just to give you a scale, if IRCTC does 5 lakh railway bookings in a day, it is considered to be a great day for them. At present there is no such system in the country today (like the one we have)," he said adding that BSE's technology was "scalable" and can easily move up to 50 lakh orders in a week's notice by "adding a few Intel boxes".

"Today the top of the line global exchanges across the world are 80-90 microseconds. So on a fastest basis we are 120 microseconds, and on an average we are able to do about 180 microseconds. So we are pretty close to them," he told The Indian Express when asked where BSE stands globally. He said the volumes of orders of BSE were not only higher than most of the exchanges, but the cost of operations was also cheaper. BSE currently has a market capitilsation of Rs 103 lakh crore, making it the ninth largest entity of its kind in the world.***-(Source: The Financial Express Ahmedabad | February 6, 2015)***

EARNINGS TURNAROUND STILL AT LARGE AS DEC QUARTER FAILS TO IMPRESS

The latest earnings season is turning out to be a dud with increasing number of negative surprises. The third quarter (fiscal 2014-15) numbers have so far disappointed the market with about one in every three BSE 100 companies that reported their quarterly numbers so far, posting a decline in their year-on-year net profit.

Reflecting this trend, a Bloomberg compilation of actual Q3 earnings against Street expectations for 200 odd companies indicates that cumulative earnings have lagged expectations by 14.8%, the highest negative surprise since the last eight quarters. While 72 companies included in the list managed to either meet or surpass earnings expectations, as many as 131 companies reported earnings that were below expectations. While the negative surprises were spread across sectors, unlike the last two quarters, financial services and consumer goods companies also added to the disappointment in Q3. In the financial services space, asset quality concerns re-emerged as most public sector banks, including, Bank of Baroda, Punjab National Bank, Union Bank, United Bank and UCO Bank witnessed higher provisioning towards bad loans and increased nonperforming assets.

Amongst the private banks, even as ICICI Bank reported record quarterly profit, a sequential increase in its net NPA for the quarter to 1.27% disappointed the Street. Despite reporting an over 25% y-o-y growth in net profits, earnings of both IndusInd Bank and Kotak Mahindra Bank were below consensus expectations as per Bloomberg data.

Hindustan Unilever and ITC delivered the biggest shocks this earnings season, sending their stocks plummeting as numbers were announced. While HUL's 3% y-o-y volume growth for the three months disappointed the Street, both the topline and bottomline for ITC failed to meet analyst estimates as the cigarette maker faced pressure in the business segment, due to sharp increase in value added tax (VAT) in Tamil Nadu, Kerala and Assam.

The 11% y-o-y growth in the net earnings of Asian Paints during the December quarter was also below expectations as the largest paint company in India reported a single digit volume growth in the decorative paints segment due to sluggish domestic demand. Oil & gas producers, Reliance Industries and Cairn India both reported decline in quarterly profits on expected lines. Below expectations revenue growth from TCS and an over 25% y-o-y drop in the quarterly profit of Tata Motors also emerged as negative surprises of the earnings season.***-(Source: The Financial Express| February 6, 2015)***