An Initiative by PANTOMATH Advisory Services Group

Re-CAP

A weekly mailer encapsulating capital market news

(March 8th -14th, 2015)

Amongst BSE's Top Five Performers in Merchant Bankers 2013-14 | PANTOMATH SMEX-30 | Amongst 25 Most Promising FINANCIAL CONSULTANTS - Consultants review

FROM THE MANAGING DIRECTOR'SDESK

We received overwhelming response on Re-Cap. We thank Readers and well-wishers to make use of this unique initiative and also share their feedback with us.

Your continuing feedback will help us improve Re-Cap even better.

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

Trust you find this a useful read. Please do share your feedback atmahavir.lunawat@pantomathgroup.com

MARKET HIT A LOW AS RATE CUT HOPES FADE ON HIGH INFLATION

Sensex's worst weekly fall at 946 points as rate-sensitive stocks take a hammering

Disappointing consumer inflation numbers dampened market sentiment as expectations waned of another interest rate cut in the medium term. Rate-sensitive stocks such as those of banks and capital goods makers took a beating in the absence of any fresh triggers, with the Budget and the rate cut that followed now in the past. The benchmark BSE Sensex posted its biggest weekly slump this year, dropping 3.21%, or 945.65 points. On Friday, it fell 1.48% to close at 28,503 points. The broader NSE Nifty fell 1.46% to end at 8,647 points. "Disappointing consumer inflation numbers, falling value of the rupee against the dollar, high market valuations have disappointed the street and triggered the selloff we witnessed on Friday " said P Phani Sekhar, fund manager at Karvy Stock Broking.

Capital goods stocks were the worst performers -BHEL dropped 3.41% to 254 and Larsen & Toubro fell 3.11% to Rs 1,693. Among banks, Axis Bank ended 2.51%.down at Rs 570 and ICICI Bank dipped down at Rs 330. "The ongoing correction is the consolidation phase which our markets need to witness," said Nilesh Shah, managing director and CEO, Kotak Mahindra Asset Management Co.

"We are now looking at just about 5% earnings growth in FY15 compared to 15% growth estimate at the beginning of the year. However, markets are now looking forward to FY16 and FY17 earnings. " While retail inflation accelerated to 5.37% in February, industrial production growth hit a three-month low in January, the government said in data released March 12.

The inflation number prompted economists to suggest that RBI may hit pause on the rate-cutting cycle for now, having made two reductions so far this year.Traders also attributed the selling to adjustments ahead of the approaching March 31 financial year-end. Brokerage houses that maintain proprietary trading books make such moves in sync with capital gains and losses, especially at this time of the year.

"Major technical indicators are still in sell mode and on Friday, when markets opened with an upside gap, investors have booked profits, which caused the selloff," said Alex Mathews, head of research at Geojit BNP Paribas Financial Services.

Analysts across brokerages also said market valuations appear stretched in the near term and investors who hold stocks with gains of more than 20% should book profits and buy later on declines.

Worries that weighed on investors included US interest rates and whether the government will be able to get more reform measures through Parliament, following the passage of the insurance bill in the Rajya Sabha on March 12, analysts said. The government lacks a majority in the Upper House and has been facing difficulty in getting legislation approved there.Unlike India, Asian markets ended positive. Japan's Nikkei rose 1.38% while China's Shanghai Index was up 0.71%. FIIs have remained net buyers of Indian shares-of Rs. 66 crore on Friday, according to provisional stock exchange data. Domestic institutional investors were net sellers of equities worth Rs. 71 crore.

(Source: The Economic Times March 14, 2015)

NSE PULLS UP BROKERS FOR NOT SETTLING ACS AS AS PER NORMS

The National Stock Exchange (NSE) has pulled up some broker-members for not adhering to the requirement of settling client accounts once a month or a quarter. The bourse said shortfall in money payable to clients indicates "serious liquidity concerns". The NSE said it had received several complaints from investors against some broker members about non-receipt of funds and securities. It did not name the brokers. The exchange said the findings were also based on its inspections and the half yearly audits conducted by member-appointed internal auditors. "It is observed that the funds available with the members was reported to be short of the amount payable to the clients as per the settlement cycle, which indicates serious liquidity concerns," the NSE said in a circular. It has directed broker-members to ensure the funds and securities available in the clients' bank and beneficiary accounts, together with balances available with the clearing member and funds with clearing corporation, are not less than the funds and securities payable to the clients at all times. Besides, brokers have to reconcile client beneficiary accounts and the register of securities on a quarterly basis and maintain complete trail and documentation of such reconciliation, it said.

"Any discrepancy between amounts securities payable to clients and the actual balances available in client banks & beneficiary accounts together with the balances available with clearing member clearing corporation and any instance of actual settlement not done shall be viewed very seriously," the NSE said.

(Source: The Economic Times, March 13, 2015)

ADLABS CUTS IPO PRICE BAND, EXTENDS OFFER DATE ON MUTED RESPONSE

Adlabs Entertainment, which operates theme park Imagica near Mumbai, has pushed the closing date of its initial public offer (IPO) and cut the issue price band as the share sale failed to garner enough bids. The company slashed the price band of its 2.03crore share IPO to Rs 180-215 per share from Rs 221-230 and extended the closing date to March 17. The issue was originally scheduled to close on Thursday. Adlabs attributed the issue price revision to high market volatility. "The price revision, accompanied with the extension of the issue period, will make the issue pricing more investor friendly and will enable a wider set of investors, including institutional and non-institutional investors, to participate, "a company spokesperson said. At 6 pm on Thursday, the retail portion was subscribed 1.1 times, the institutional portion was subscribed 0.40 times and the non-institutional investors' segment was subscribed 0.11 times. But, analysts who recommended against investing in the IPO are still not impressed with the price cut.

"Even after the reduction in the offer price, the IPO price is expensive when compared with Wonderla Holidays' and international peers like Euro Disney and Walt Disney," says Ravi Shenoy, vice-president (Midcaps), Motilal Oswal Financial Services, which has an `Avoid' rat ing on the issue.With lower funds now being raised through the IPO, analysts believe the company's deleveraging process will be slower.

"Due to the huge debt, interest costs and depreciation will be high. It will take some time for footfalls to rise and, hence, the near-term volume growth will be slow. This is likely to keep the bottom line in the red in the near term," said Amarjeet Maurya, analyst, Angel Broking, which continues to recommend investors to avoid the issue. Adlabs Entertainment has a debt of . 1,256 crore, said analysts. Through this ` IPO, Adlabs intends to de-leverage its balance sheet by Rs 330 crore.

(Source: The Economic Times, March 13, 2015)

OPERATORS WATCH OUT: YOUR TRADES WILL BE LINKED TO PAN

National Stock Exchange brings in new monitoring system to curb self-trading, fake deals

Stock market operators will soon find it tough to rig share prices without coming under the regulatory radar. India's largest bourse, National Stock Exchange (NSE), will soon alert brokers that all trades will be directly linked to investors' Permanent Account Number (PAN) over and above the existing system of a unique client code. The move is aimed at clamping down on dubious trades that result in misleading volumes and help individuals convert illegitimate cash into legal money and even lower taxable income with fake losses. Currently, trades are executed on the basis of the client code, assigned by a brokerage to every member. But, since investors can open trading accounts at multiple brokerages, they can have that many client codes.

Though capital market regulator Sebi has cracked down on several trades on stock exchanges that were used to convert black money into white, the surveillance departments of the regulator and the stock exchanges have found it tough to monitor questionable trades on a live basis. With the introduction of PAN as a monitoring feature, instances of self-trading may be minimised as every investor has only one PAN.

"It will help watch trades almost on a live basis and can be a good tool to prevent such suspicious trading," said the managing director of a listed brokerage. When contacted, an NSE spokesman said, "Yes, we have monitored self-trade monitor ing mechanism. In future, we can even improve upon this PAN-based system on the advice of the regulator.' The exchange will introduce the PAN-linked trades in all segments -stocks, currency futures, equity F&O, interest rate futures (IRF).

NSE has implemented a periodic alert mechanism to alert members doing self trades beyond predefined threshold levels in each stock or contract. Such alerts are made three times a day. For trades done between 9.30 am and 11 am, the alert is issued at 11 am.

The next alert is at 1.30 pm for transactions done between 11 am and 1.30 pm. The final one is during the market close for trades between 1.30 pm and 3.30 pm. If the member does not take action to restrict or eliminate self-trade, the exchange would take graded regulatory actions like issuing warning letter, summoning and finally leading to temporary suspension.

The move to use PAN comes after instances of unusual activity in deep out-of-themoney options in one of the exchanges. It was felt that exchanges should actually move beyond the conventional approach of only looking at `trading member-client code' combination. Sebi has been investigating several small companies listed on stock exchanges and has banned a few for their alleged role in enabling conversion of unaccounted cash into legitimate money.

Many of these companies had no businesses or had little revenues but their share prices had jumped multiple times. Sebi found that many of these shell companies had generated fictitious long term capital gains for individuals.

(Source: The Economic Times March 12, 2015)

GOVT DECLARES AIR INDIA, MTNL SICK; TO SHUT DOWN FIVE PSUs

Obsolete plants, interest burden, among others cited as reasons; three units of HMT to be closed

National carrier Air India and state-run telecom company MTNL have joined the list of sick central public sector enterprises (CPSEs), the government told the Lok Sabha on Tuesday. It also said that five CPSEs, including three units of Hindustan Machine Tools (HMT) will be shut soon.

Minister of state for heavy industries Anant Geete said there were 65 units in the list of sick public sector units (PSUs) as of March 31, 2014.

"The reasons for their sickness vary from enterprise to enterprise and included obsolete plants and machinery , heavy interest burden, resource crunch, surplus manpower and shortage of working capital," he said. The government has budgeted Rs 3,205 crore for infusion into Air India in FY16 compared with . 6,380 crore in the current fiscal.` A CPSE is declared sick after it has accumulated losses in any financial year equal to 50% or more of its average net worth during four preceding years. The accumulated losses of Air India stood at Rs 5,388.82 crore in 2013-14, as against Rs 5,490 crore in 2012-13 and Rs 7,559 crore in 2011-12.

MTNL posted a profit of Rs 7,821 crore in 2013-14, mainly due to exceptional items -or write back of provisions on account of pension ary liabilities and spectrum amortization costs--of Rs.11,621 crore. Last year, the government had approved refund of Rs. 4,533.97 crore to

MTNL against surrender of broadband spectrum, for which it was to pay the same amount in 2010. The company had reported a loss of Rs 5,321 crore in 2012-13, as against Rs.4,109 crore in 2011-12.` In case of companies that are being closed, Geete said the government is offering their employees a "very good" VRS package.

As per the ministry of heavy industry and public enterprises, the board for reconstruction of public sector enterprises (BRPSE) has recommended revival packages for 48 CPSEs, which has been approved by the government. Geete said the concerned administrative ministries "prepare proposals for revival or otherwise of sick companies on case-to-case basis and obtain approval of the government".

The list of sick PSUs includes Scooters India, Hindustan Shipyard, ITI and Hindustan Cables. As per the Public Enterprises Survey 2013-14, losses at sick loss-making CPSEs declined 29.78% to . 20,055 crore in 2013-14 from Rs 28,562 crore in 2012-13. There were 290 CPSEs in 2013-14, out of which 234 were in operation. Rest of the CPSEs were under construction.

(Source: The Economic Times, March 11, 2015)

THREE INDIAN COS IN WORLD'S MOST ETHICAL COMPANIES' LIST

Three Indian Cos in World's Most Ethical Companies' List

Three Indian companies Wipro, Tata Steel and Tata Power have been named among the World's Most Ethical Companies by the Ethisphere Institute, a global leader in defining and advancing the standards of righteous business practices. The designation of "World's Most Ethical Companies" recognises those organisations who truly go beyond making statements about doing business "ethically". In 2015, there were as many as 132 honorees across 21 countries and five continents representing over 50 industries.

(Source: March 10, 2015, The Economic Times)

FINMIN MULLING IPOS IN 3 STATE-OWNED FIRMS IN FY16

Finance ministry considering IPOs for HAL, RINL, THDC as part of Rs 69,500-cr stake-sale target

The finance ministry, which has set a Budget target of raising Rs 69,500 crore through disinvestment in 2015-16, is trying to revive plans for initial public offerings (IPOs) in three central public sector enterprises (CPSEs) — Hindustan Aeronautics (HAL), Rashtriya Ispat Nigam (RINL) and THDC India.

The proposal to sell a 10 per cent stake in HAL has been discussed for two years, while public debuts of RIN Land THDC (each by sale of 10 per cent shares) were considered for 2014-15 as well. None of these plans materialised, for a number of reasons.

Now, officials in the finance ministry's department of disinvestment (DoD) are again setting the ball rolling for these three proposals, Business Standard has learnt.

(Source :- Business Standard, March 10, 2015)

PUBLIC OFFERING PLAN

Finance ministry considering IPOs for HAL, RINL, THDC as part of Rs 69,500-cr stake-sale target HAL stake sale was originally proposed in FY14; RINL, THDC were part of FY15 disinvestment plan IPOs of all three were deferred due to various reasons officials will meet defence ministry counterparts soon to discuss the HAL IPO Officials will hold similar meeting with UP finance department for THDC stake sale RINL, which suffered damages in Cyclone Hudhud, will be taken on board for discussions on IPO

The total proceeds from the three offerings are expected to be around Rs 6,000 crore. Half of that is expected to come from the sale of stake in HAL, while RINL and THDC are expected to bring in the rest.

"Even before the year starts, DoD has prepared a pipeline of minority stake sales worth Rs 30,000 crore (in listed PSUs). These are in various stages of approval. That allows time to put IPOs back on the table," said a senior government official, adding there, though, were some stumbling blocks.

Sources say the IPO of HAL, a defence behemoth and India's only manufacturer of military aircraft, has been put on the back burner as the defence ministry is not keen on selling stake in one of its marquee organisations.

Officials from DoD would likely meet their counterparts from South Block soon to hear their concerns, and push for the need to take the company public, the official said, adding the date for such a meeting had not yet been decided. Similarly, sources said there was unwillingness on the part of the Uttar Pradesh government to take THDC public.

(Source: Business Standard, March 10, 2015)

PREFERENTIAL ALLOTMENTS SET TO HIT FIVE-YEAR LOW

Quantum of capital raised likely to be lowest since FY10

Preferential equity issuances are likely to hit their lowest mark in five years, if the trend so far in this financial year is anything to go by.Companies have raised a total of Rs 17,346 crore through 171 issuances in the first 10 months of the financial year (FY15), according to statistics from Prime Database. If the same trend continues, the capital raised by the end of the year would be less than Rs 20,000 crore. This is the lowest amount of capital raised since FY10 when companies raised Rs 15,294 crore.

Companies raise money in a preferential issue through sale of securities to a specific group of investors, rather than making the offer available to everyone. The investors are often promoters or others who have a longer term view on the prospects of the company. The fall in capital raised through preferential equity issuances come even as alternative capital raising avenues have gained traction. Companies raised Rs 26,936 crore through qualified institutional placements in FY15. Incidentally, this is also the highest amount of capital raised through the route since FY10.

Experts have attributed the rise in QIPs to the bull market which has taken the BSE's Sensex to ever higher peaks over the course of the year. The Sensex is an index whose movements are seen to be representative of how the market is doing. It crossed an all-time high of 30,000 earlier in the week. It is currently at 29,448.95.

Sebi may further tighten preferential issue norms

A qualified institutional placement is a process by which shares are sold to a select group of institutional investors. It is seen as a relatively quick way for companies to raise capital since fewer regulatory clearances are required.

The fall in preferential allotments have also coincided with recent regulatory action against fraudulent use of the route. The Securities and Exchange Board of India has recently moved against a number of companies who looked to use the preferential allotment route for money laundering purposes.

This included First Financial Services, Radford Global and Moryo Industries." funds were brought in...through preferential allotment and invested in the shares of connected companies...for purposes other than those disclosed. The route resulted in tax-free ill-gotten gains (and)...was a well devised scheme to convert illegitimate into legitimate money by misusing the stock exchange mechanism." said one such regulatory order.

The regulator also passed a similar order against Kamalakshi Finance Corp (KFCL) in February.

"The prima facie modus operandi appears to be same as that used in the matter of Moryo Industries...the stock exchange mechanism was used for the purpose of generating bogus LTCG (long term capital gains tax) which is tax exempt..," it had said. The regulator is said to be looking at other companies said to be involved in similar practices.

(Source: Business Standard, March 9, 2015)

KARNATAKA TO GET SIX MORE INCUBATION CENTRES FOR MSME

The state govt is giving an impetus to skill development along with the setting up of incubation centres

Government has decided to increase the number of incubation centres in Karnataka from four to 10 as part of its efforts to boost the micro, small and medium enterprises (MSME) sector, Union Minister for MSME Kalraj Mishra said today.

"We have decided that we will run 500 incubation centres in the country; today on women's day I'm announcing that in Karnataka we will be have 10 incubation centres, and as of now there are only four," he said. Speaking at an event organised by the Confederation of Women Entrepreneurs (COWE), Karnataka Chapter here, he said his ministry was working towards encouraging rural, women and youth entrepreneurship.

"Our government is giving an impetus to skill development along with the setting up of incubation centres," he added. The Union government in October last year had said it will be opening 500 incubation centres in the country, for boosting the MSME sector.

Stating that this year's Union Budget had given importance to the MSME sector, Mishra pointed out to the proposal to create a refinancing agency, Mudra Bank with an initial corpus of Rs 20,000 crore to provide credit facilities to businesses owned by entrepreneurs from SC/ST categories, among others. He also said that a thought had been floated that an 'MSME Day' should be celebrated. "I support it and we will think about it."

(Source: Business Standard, March 8, 2015)