An Initiative by
PANTOMATH Advisory Services Group

Re-CAP
A weekly mailer encapsulating capital market news
May 4th - May 9th, 2015

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

FACTORIAL CASE: SEBI REACHES OUT TO SEC

BS REPORTER Mumbai, 8 May: The Securities and Exchange Board of India (Sebi) has reached out to its US counterpart, the Securities and Exchange Commission (SEC), seeking assistance in an insider trading investigation involving an offshore hedge fund. It has requested SEC for help in getting chat transcripts from Bloomberg to help its investigation. "The Sebi counsel states the investigation in the present case involves cross-border investigation and since Bloomberg, which has its headquarters in New York City, US, has refused to share information required for this case, Sebi has sought the assistance of the SEC in the matter. As a result, it will take four to five months to complete the investigation", said a Securities Appellate Tribunal (SAT) order. SAT has asked the stock market regulator to complete its investigation into alleged insider trading involving Factorial Master Fund within two months. It has also asked the regulator to take appropriate action if needed. Earlier, Sebi had barred Factorial Master Fund from accessing the capital market on allegations of insider trading. The fund is said to have acted on the basis of advance information about an offer for sale by L&T Finance Holdings to make a profit of about ₹ 20 crore.

Source: Business Standard
May 08, 2015

SENSEX STAGES DRAMATIC REBOUND, UP 500 POINTS

VALUE BUYING LEADS TO BIGGEST SINGLE-DAY GAIN SINCE JAN 15; FIIS REMAIN NET SELLERS

BS REPORTER Mumbai, 8 May The markets posted their highest single-day gain in about four months, as investors rushed to buy beaten down stocks after benchmark indices fell to lows seen in October 2014, following a two day correction. Most global markets also ended with gains, as investor risk appetite improved and stability returned to the bond market. In China, clamour for economic stimulus to avert a slowdown grew. The BSE Sensex closed at 27,105.39 on Friday, up 506 points, or 1.9 per cent, the most since January 15. The 50-share National Stock Exchange rose 134 points, or 1.67 per cent, to 8,191.5. Both the indices ended positive for the week, ending their three-week losing streak. "Markets have been volatile because of the liquidity adjustment globally. We believe it will stay like this for some more time", said Pankaj Pandey, head of research, ICICI Direct. A rise in sovereign bond yields in developed markets such as the US and Europe led to turmoil in financial markets, as it sparked a sell-off in risky assets. Even as the market charted a recovery, foreign investors continued to take out money, though the selling subsided. Provisional data showed foreign institutional investors (FIIs) sold shares worth `438 crore, adding to their previous 10-day selling tally of `12,000 crore. Global funds are reducing their exposure to the Indian market due to its poor run since March. Michael Strobaek, global chief investment officer at Credit Suisse, said the organisation's view on India had turned from outperform to neutral. The Indian market has failed to sustain the outperformance seen last year. A slow economic recovery, subdued earnings by companies and concern over retrospective taxation has seen the markets erase their gains, turning into one of the worst-performing global markets. "Markets had been in the oversold region and so, the subsequent rebound we saw was expected. Things have not changed on the ground. The weakness is due to withdrawal by FIIs, which we believe could continue for some more time", said Deven Choksey, managing director, KR Choskey Associates. The gains seen on Friday were across the board, with more than two stocks gaining for every declining stock. Among blue-chip stocks, Hindustan Unilever gained the most in two weeks, following its earnings for the March quarter exceeding expectations. Among other gainers were Tata Motors (five per cent), ICICI Bank (four per cent) and Cipla (four per cent). Hero MotoCorp and Oil and Natural Gas Corporation ended with loses. Though the markets had come off about 10 per cent from their highs, the outlook remained hazy, experts said. They add market will eye the government's ability to push ahead key legislation such as the constitutional amendment Bill for a goods and services tax (GST) and the land acquisition Bill. The market is also hoping for a speedy resolution to the FII tax issue, for which the government has set up an expert group. "A potential stalemate on the GST and land acquisition Bills could dampen market sentiment. If these Bills, particularly the one on GST, is passed by Parliament next week, there could be some optimism in the market", said.

Source: Business Standard
May 08, 2015

SENSEX UP 506 PTS ON GOVT'S ASSURANCE OF STABLE TAX REGIME

The sensex and nifty rebounded sharply on Friday after the government assured that it was committed to a stable tax regime and said it was setting up a committee to address the issue of retroactive taxes on foreign investors. In late trades, short covering by speculators also helped further push up the indices as the sensex closed 506 points higher at 27,105 while the nifty closed at 8,192, up 134 points. The gains in the Indian market -which till Thursday was the worst market globally in 2015 in terms of returns -came despite a Rs 438-crore net selling by FIIs. Since the controversy about imposition of MAT on FIIs gained traction in early April, FIIs have net sold stocks worth about $2 billion in the Indian market. This had pulled the sensex down by about 12% to below the 27K level.

The day's session also got a boost after two of the three leading global ratings agencies; Moody's and Fitch, each said that the recent FII outflow will not impact India's sovereign ratings. The short covering came as speculators who had earlier sold in anticipation of further slide in the index, had to rush in to cover their positions to cut their losses. This in turn took the benchmark indices to above the 27K mark, dealers said.

In the bond market, the benchmark yield on the 10-year government securities (G-secs) traded above the psychologically important 8% mark for the first time in five months. The day's session also witnessed higher cutoff for government papers which were auctioned during the day.

Source: The Times of India
May 09, 2015

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RE REGAINS 63 LEVEL BUT OUTLOOK REMAINS WEAK

Source: Care Ratings

The rupee rebounded from its 20-month low on Thursday with a 30-paise gain against the US dollar and closed at 63.94 in the interbank foreign exchange market here on Friday.

The domestic currency gained on the back of a 506-point recovery in the BSE sensex and a 134-point jump in the NSE nifty to close at 27,105 and 8,192 respectively. Despite ending the week on a positive note, dealers and economists are forecasting that the rupee is in a depreciating mode and would continue to lose value in the first half of the year.

In post-market hours, the dollar weakened in the global markets against other major currencies following release of employment data for April which showed an improvement in the US economy.

The dollar also weakened nearly 2% against the UK pound after Prime Minister David Cameron's Conservative party made a clean sweep in the British elections.

According to Madan Sabnavis, chief economist with rating agency Care, depreciation may be considered as a correction for the past as the rupee did not depreciate last year when other currencies did. "Sentiment has turned negative after the proposal was moved for application of minimum alternate tax (MAT) on foreign port folio investors.

They have turned net sellers and are withdrawing from the market.

A sum of $1.25 billion has lowed out in May with $825 million in equity and $400 million in debt", Sabnavis said in a report.

"In the absence of any intervention and continuation of such sentiment, the rupee can slide further towards Rs 65. This will, hence, be earlier than what CARE has projected in its Prognosis FY16. It would otherwise strengthen and be in the 63-64 range, which is more likely in the immediate run which can be a new normal range as against Rs 62 in March 2015", said Sabnavis.

Source: The Times of India
May 09, 2015

PM GIVES A PUSH TO HIGHWAY PROJECTS

Prime Minister Narendra Modi has decided to allow developers to divest their equity from already completed projects, in an attempt to revive private investment in the highway sector. This will unlock at least Rs 4,800 crore private equity stuck at present in approximately 80 PPP (private public partnership) highway projects.

The proposal, which has been hanging fire for the past two years, will now go to the Cabinet for approval. Developers will be allowed to take out their entire equity from a project after two years of start of toll collection. Road transport minister Nitin Gadkari had raised the issue with Modi.

"We are not getting private players to bid for PPP projects since they don't have equity to raise loan from banks and financial institutions. With around Rs 5,000 crore of equity back in cirlation we are confident of rolling out more PPP projects during this financial year, "a road ministry source said.

He added that the developers divesting their equity may get more money from the new buyers since these projects are already in operation and there is no risk. At present, the private developers need to keep at least 26% of their equity for the entire contract period of 20-25 years.

Source: The Times of India
May 09, 2015

USL SNUBS BSE ON MALLYA REPORT

Engaged in a boardroom battle with its chairman Vijay Mallya, United Spirits (USL) has refused to share with the BSE its inquiry report on alleged fund diversion to UB Group firms, after rejecting a similar demand from another stock exchange NSE to make it public.

In a reply identical to the one sent to the NSE, Diageo-owned USL has now told the BSE that it is "not in a position to make the internal report available to the BSE for onwards public dissemination" for various reasons including its confidentiality. The BSE had sought clarification from USL with respect to its disclosure dated April 25 about the company having "lost confidence" in Mallya and he being asked to quit as chairman and director in the wake of alleged fund transfer to certain companies of his UB Group, including Kingfisher Airlines.

Source: The Times of India
May 08, 2015

COUNTERPOINT - WHY ARE MARKETS FALLING? THE ANSWER MAY SURPRISE YOU

The Nifty has fallen more than 10% since mid-April and Wednesday's tumble now brings it the year's lowest level

When experts were complaining about high valuations, the main benchmark indices were creeping up towards their respective history making levels in January-February this year. When third quarter corporate results were being pilloried as horrible and bad and analysts were rushing to rework projections and downgrade forecasts, foreign investors were pouring money into the country. When the vexed issue of MAT was breaking and the tax department was sending notices in March, FIIs were still bullish. The stock market was subdued after the run-up to 9,000 for the Nifty and 30,000 for the Sensex but the mood was optimistic.

It is normal for a rational person to ask the obvious follow-up. What has changed? The Nifty has fallen more than 10% since mid-April and Wednesday's tumble now brings it the year's lowest level. India is now easily one of the worst performing equity markets in the world's top 20 after spending much of 2014 as the best. One may argue that nothing much has changed since March except for MAT which has been a big setback. Economic growth has been spotty for much of 2014-15 and that has not changed; corporate earnings were likely to be subdued given the weak demand and low capex so that is also not much of a surprise. No doubt, the below normal monsoon forecast and prospects of a slow, uneven recovery in earnings have dashed a lot of investor hopes.

India has been one of the best performing world markets for more than a year now. In 2014, it returned 31% in dollar terms, the second best after China. But, while the Chinese market started surging only from late October 2014 due to economic and monetary stimulus, India enjoyed a secular bull run for much of the year. Since the 2013 Sensex low of 17,903, Indian markets jumped more than 60% to 30,000 just after the Budget. This has been a stupendous run. It is common for many investors to book profits and take money out after such a performance. This is all the more so if earnings growth visibility is poor, and there are no immediate economic triggers.

FIIs have now been selling more or less continuously since the middle of April. They have so far sold ₹9, 500 crore and this may increase in the coming weeks. Market men may not be surprised by this sudden surge of selling pressure but outsiders tend to perceive this differently. Some tend to view this as a vote against Narendra Modi, against India and vindication of the gloom doom theories floating around for some time. This is a mistake. One should be very careful not to get misled by short-term FII behaviour.

FIIs have been annual net sellers only twice in the past 25 years. Sentiment often changes on a dime and proactive government or central bank action can reverse things sometimes dramatically as in 2013. In June-August of that year, FIIs sold ₹20, 000 crore worth of shares but the appointment of Raghuram Rajan as RBI governor and Modi's elevation as BJP campaign chief brought in a flood of new investors. FIIs ended up buying more than ₹1, 10,000 crore shares for that year, one of the highest on record. To anybody in the middle of a market crisis in July, it would have looked as if everything was doomed.

As the ET reports on Wednesday, other emerging and Asian markets have performed strongly this year, rebounding from last year's lows. A lot of FII money has been diverted to these markets especially after the MAT fiasco. Japan has secured $22.8 billion, Taiwan $8 billion, Brazil, $5.7 billion and South Korea $4.5 billion. India has also not done badly getting $4.5 billion. The other markets are now benefitting at India's expense due to attractive valuations but it may not be long before India rediscovers its mojo.

You will hear a lot of explanations about Wednesday's fall. The best and probably the most logical explanation would be to picture yourself in the shoes of an average FII, look at the world through his eyes. Indian valuations were high and earnings growth had not quite caught up but sometimes one piece of bad news is all that it takes for investors to exit and look elsewhere. Often, the simplest explanations are probably the best.

Source: The Economic Times
May 07, 2015

BSE MODIFICATIONS: HC SEEKS CIVIC BODY REPORT

BMC ISSUED NOTICE TO BSE IN 2013 FOR UNAUTHORISED STRUCTURES; EXCHANGE SAYS IT HAS CO-OPERATED WITH CIVIC BODY, WHICH HAS REMOVED PARTITIONS

The Bombay High Court has asked the Municipal Corporation of Greater Mumbai (MCGM) to file a reply detailing what action has been taken on the unauthorised structures in the Bombay Stock Exchange's iconic 29-storey PJ Tower in south Mumbai. In May 2013, MCGM had issued a notice to the nearly 140-year-old bourse, charging it with modifying the use of podium terrace on the third floor and service floors -13, 26 and 28 -of the building without seeking permission.

According to Mumbai's civic authority, BSE has converted the podium terrace and service floors into conference halls, the governing body's boardroom, membership department and dining areas through additions and alterations in the sanctioned plan for the tower.

MCGM had issued the notice following a complaint by BSE member broker Yogesh Mehta, who also has an office on the 21st floor of the PJ Tower. According to Mehta, the complaint was based on certified copies that he had got from MCGM under the Right to Information Act.

In January 2014, the Bombay High Court in its ruling had noted that the BSE's architect in a letter dated October 20, 1992, had stated that these floors were being used on a temporary basis. It added that they will be shifted or vacated as and when occupancy certificate is granted for phase II, the Rotunda Building, adjacent to the tower, which has not been granted till now.

In a hearing held late last month, the Bombay High Court had asked the civic body to provide details of action taken and also asked a representative of the stock exchange to be present at the next hearing in July.

"The court has asked the civic authority to file a reply regarding what action has been taken on these unauthorised structures at BSE's PJ Tower", said the lawyer representing petitioner Yogesh Mehta.

An email query sent to MCGM did not elicit any response until the time of going to press. Petitioner Yogesh Mehta declined to comment on the story. BSE, in its response to ET's query, said the civic authority itself has removed the partitions on these floors as needed and the stock exchange has fully co-operated with the authorities.

Bombay Stock Exchange building comprises phase I of PJ Tower and phase II of Rotunda Building. These buildings are built with total floor space index of 5.15 times, including permissible FSI of 2.45 and additional FSI of 2.70, given the bourse is a semi-government institution.

MCGM had issued the notice following a complaint by broker Yogesh Mehta, who also has an office on the 21st floor of the PJ Tower

The civic authority had issued the required permissions for development in January 1970. These plans were further amended and approved in 1977. MCGM had issued occupancy certificate to PJ Tower in a phased manner from July 1979 to April 1983. However, the occupancy certificate for the Rotunda Building was not granted, citing misuse of PJ Tower's service areas on 3rd, 13th, 26th (BSE governing body board room) and 28th floors. BSE had applied for the occupancy certificate of Rotunda Building in 1991.

Source: The Economic Times
May 06, 2015

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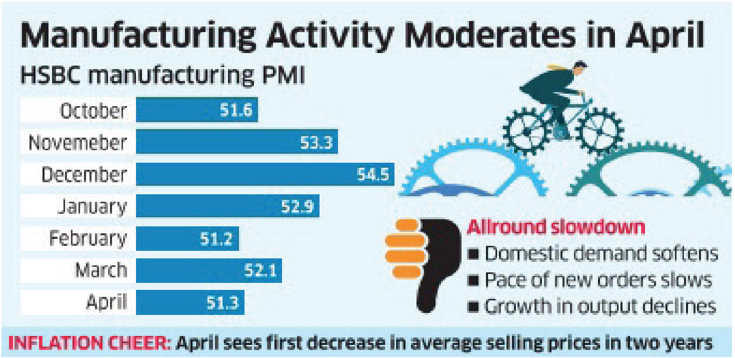
MANUFACTURING SLOWS DOWN IN APRIL ON WEAKER DEMAND

PMI FALLS TO 51.3 POINTS IN APRIL FROM 52.1 IN MARCH INDICATING SUBDUED MANUFACTURING SENTIMENT



The new financial year that is widely expected to put the economy back on track has started on a weak note. India's manufacturing activity moderated in April because of softening domestic demand and the slowing pace of output growth, a private survey showed on Monday.

The HSBC India Purchasing Managers' Index (PMI) declined to 51.3 points in April from 52.1 points in the previous month, pointing to subdued manufacturing sentiment.

A reading of over 50 on this survey-based index shows growth, while one below that indicates contraction.

The number "pointed to a weaker improvement in operating conditions across the sector", HSBC said in a statement but was hopeful going ahead.

"Even with the slower pace of expansion, the goods-producing sector is on its course to provide a boost to the overall economy in the upcoming quarter, "said Pollyanna De Lima, economist at Markit, the agency that com piles the index.

The pace of new orders eased, resulting in reduced staffing levels and lower output, said the report based on a survey of 500 companies from the private sector.

The official data on the core sector released last week showed that output from eight infrastructure sectors stocks shrank for the first time in 17 months in March by 0.1%, indicative of supply side constraints in the domestic economy. Higher output was recorded across categories, with growth strongest for capital goods companies and slowest for the consumer goods sub-sector, which suggests a pickup in investment.

There was good news for exports as well. "A highlight of the latest survey was the strong external market, with the rise in new export business remaining solid", De Lima said.

The report said that companies reported greater inflow of new business from key export clients, particularly from those operating in Asia. India's exports contracted 21.06% in March, the sharpest pace in six years.

CASE FOR RATE CUT

The report highlighted that April saw the first decrease in average selling prices in almost two years. Manufacturers indicated that discounts had been offered as part of efforts to secure new business, the report noted.

Inflation has so far remained well under control with wholesale deflation deepening to 2.33% in March

"On the price front, tariffs fell for the first time since May 2013, as firms responded to weaker cost inflation. Even with the slower pace of expansion, the goods-producing sector is on course to provide a boost to the overall economy in the upcoming quarter", it said.

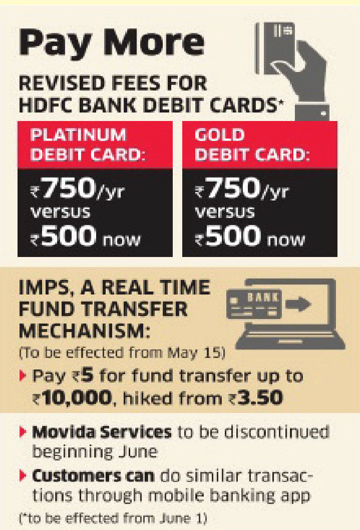
According to the official data, inflation has so far remained well under control with wholesale deflation deepening to 2.33% in March and retail inflation, the primary gauge for the Reserve Bank of India, standing at 5.17%.The central bank cut interest rates twice by 25 basis points each in January and March.

The next monetary policy review is scheduled for June 2.

Source: The Economic Times
May 05, 2015

HDFC BANK HIKES SERVICE FEES BY UP TO 50%

BANK AIMS TO REALIGN ITS FEE STRUCTURE ON PAR WITH RIVALS; SPARES HNIS & CORP SALARY ACCOUNT HOLDERS FROM INCREASE



India's second largest private sector lender HDFC Bank has increased service charges by as much as 43-50% on select products like debit cards, immediate payment service (IMPS) -a real time money transfer mechanism -as the bank aims to realign its fee structure on par with rivals. Customers will now have to pay ₹750 for an HDFC Bank platinum debit card against the current annual fee of ₹500, while a gold debit card will offer the same revised fee structure, excluding applicable taxes.

New charges will kick in from June 1 this year, but the lender will not charge high-net worth individuals (HNIs) and corporate salary account customers holding savings accounts.

"Since the inception of those debit cards, the bank has not revised its fees. So, this revision is to realign our fee structures to be on par with the industry", said an executive of the bank requesting anonymity. The bank had introduced the gold card in 2004, while the platinum card came out in 2010, said the person. Some of the common features include 2.5% waiver of surcharge whenever a customer uses a card in petrol pumps subject. 750 per month. Cards to an upper limit of ₹ 2.75 lakh have daily shopping limits up to ` Customers holding gold and platinum cards can obtain insurance policies worth up to ₹ 5 and ₹ 10 lakh based on spending volumes.

Features include 2.5% waiver of surcharge when a customer uses a card in petrol pumps subject to a top limit of ₹750 a month

Country's largest private sector lender ICICI Bank charges

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₹ 749 for Rubyx debit card while it is ₹ 799 for Expression Coral debit card.

Yearly fees range from ₹299 to ₹1, 499 for two other cards, including Unifare and Sapphiro with different features. An HDFC Bank customer will have to pay ₹ 5 for every fund transfer up to ₹10, 000 or an IMPS. The current from May 15 for IMPS. The current charge is ₹3.5 for such a transaction. Charges remain unchanged between ₹5-10 for the higher quantum up to and ₹ 2 lakh. ICICI Bank now charges ₹ 5 only for an IMPS transaction up to ₹10, 000. "All these steps may help generate fee income for the bank, but wouldn't add significantly to profits", said Dinesh Shukla, senior banking analyst at Sharekhan brokerage. "HDFC Bank is expected to report quarterly net profit at 20-22% till FY17".

The bank's net profit rose 20.6% year on-year to ₹ 2,807 crore during the January-March quarter. The non-interest income was up 30% to ₹ 2,564 crore, and growth was largely supported by a jump in the core fees and commissions.

The bank has also discontinued Movida services, a platform where customers can recharge mobile connections or pay utility bills without any Smartphone or internet plans.

"Effective June 1, 2015, customers who are registered and using Movida services will no longer be able to use the services", the bank's website said.

Customers can do similar transactions through the Mobile Banking app or m.hdfcbank.com, accessed through mobile internet. Last year in December, HDFC Bank revised ATM withdrawal charges beyond five free transactions at the bank ATMs, and three at other bank ATMs in a month.

Source: The Economic Times
May 04, 2015

'NO NEED FOR ANYONE TO QUESTION US ON IPR STANDARDS'

CLEAR STAND Commerce minister Sitharaman says India is fully aligned with international intellectual property rights will safeguard its interests even as it follows global rules


Commerce and Industry Minister Nirmala Sitharaman

India is fully aligned with international intellectual property rights standards and "there is no need for anyone to question us", Commerce and Industry Minister Nirmala Sitharaman said, rebuffing a US report released last week that questions India's IP policies. Speaking to ET a day after the US Trade Representative placed India along with China and 11 other countries on the `Priority Watch List' for having a poor record of protecting IPRs, the minister said India will safeguard its interests even as it follows international rules.

ON MODI'S REMARK ON PATENTS

On Prime Minister Narendra Modi's statement in April that India should align its patent laws with "international standards", Sitharaman said what the PM said was that while India was compliant with global standards, it must remain so. This statement of Modi, made in Hindi, has been lauded by the USTR in its report, which urged India to expeditiously undertake the initiatives stated by the PM. "Even till now, let me underline, there hasn't been a single case where we have been dragged to world court on IPR matters", said Sitharaman, adding however that the country needs a greater push for innovations. Patent experts say top political leaders of the country must be careful with their statements on sensitive issues like IPR. "Prime Minister Modi should be careful while making public statements on patents and IPR issues, considering the consequences. The US has picked up his statement and made it part of its official policy document as a nation al admission that India is not aligned with international IPR standards", said Shamnad Baseer, a patent expert. Different arms of the government are not speaking the same language on IPR, which is leading to confusion on where India stands on these issues and where it is heading, Basheer said. This statement of the PM came under scathing attack of public health groups, which questioned the intent of the government on IPR given that Indian laws are already compliant with Trade Related Aspects of Intellectual Property Rights (TRIPS). IPR issues have been a sticky point in Indo-US relations, with the Obama government -prompted by Big Pharmas -demanding that India change some of its patent laws.

Sitharaman said India will continue to engage with the US on IPR. "The US has greater engagement with India than before. And they have acknowledged that, which underlines the fact that we are absolutely upfront and willing to discuss issues that is in our national interest", she said. India has a robust legislative framework and the nation has always been on the side of the law in relation to IPR matters and absolutely compliant with WTO on this, she said, adding that the government, at the same time, has no hesitation in talking or engaging on the matter.

ON INDIA'S IMAGE

The USTR dubs India and China as sources of most of counterfeit pharmaceuticals shipped to the US and alleges that up to 20% of drugs sold in the Indian market are counterfeit posing a serious threat to patient health and safety. Allegations such as these could seriously dent the image of India, which is one of the largest source of generic drugs globally.

Nirmala says PM's statement on IPR meant that while India was compliant with global standards, it must remain so

The minister said the government will not let India's image get hurt and will take up this matter with the US. "We have facts in hand and we will be able to speak for India's interests. We will take it up with the US. Not to confront, but to speak about it. We will clear any doubts in their minds, and we have a clear objective (there)", she said. India exports pharma products worth $15 billion annually to over 200 countries.

Source: The Economic Times
May 04, 2015