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PANTOMATH™
Capital Advisors (P) Ltd

Re-CAP
A weekly mailer encapsulating capital market news

August 24 - August 29, 2015

SKOCH BSE AWARD ORDER OF MERIT | BSE Amongst BSE's Top Five Performers in Merchant Bankers 2013-14 | PANTOMATH SMEX-30 | 25 FINANCIAL CONSULTANTS

EXERCISE OF ESOPS NOT UNDER INSIDER TRADING

The Securities and Exchange Board of India (Sebi) during its board meeting on Monday cleared the air around Employee Stock Ownerships Plan (ESOPs). Sebi has issued guidance circular saying trading of ESOPs would not be restricted and considered contra trades if cleared by compliance officer.

The new rules on insider trading, which became effective from May this year, prohibit an employee from buying and selling a share within six months. This has raised doubts over buying/selling of shares pursuant to six months of ESOPs, known as contra trade.

Lawyers and companies had been approaching the regulator for a clarification on ESOPs. The stock market regulator plans to allow such trades with the pre-clearance of a company-appointed compliance offer.

Sebi said in a statement that the exercise of ESOPs shall not be considered to be 'trading'. If a designated person acquires shares under ESOPs and subsequently sells those shares, such sale shall not be considered contra trade. However, other provisions of the regulations shall apply to such sale.

The definition of "immediate relative" in insider trading regulations meant a spouse who is either financially dependent or consults in taking decisions relating to trading in securities.

However, in the classificatory circular, a spouse is presumed to be an immediate relative and now will need to prove the spouse was financially independent or did not consult for trading decisions.

"Exempting shares arising from the exercise of ESOPs from contra trade restriction is an important relief, but still it is not a complete exemption as sale of shares issued pursuant to ESOPs will have to comply with other provisions of the regulations," said Lalit Kumar of J Sagar Associates.

Sebi has also clarified that an approved trading plan will not be subject to contra trade except for pledging securities.

Restrictions of contra trade will not apply to cases when a person acquires or sells the securities pursuant to corporate actions such as buy back, rights issue, bonus issues, etc, as these rights are available to all shareholders and not just the designated employees.

"If a designated person sells a part of his shareholding and subsequently the company announces rights issue / follow on public offer / bonus shares, then the designated person would be entitled to subscribe to the rights issue / follow on public offer or to receive bonus shares. There was an absurd interpretation coming earlier that a designated person would be prohibited from doing so," said Vanessa Abhishek, a Bombay High Court lawyer.

One important restriction is the applicability of the regulations for creation of pledge or invocation of pledge while in possession of unpublished price sensitive information (UPSI).

"This will affect the financing transactions and other merger and acquisition transactions requiring creation or invocation of pledge while in possession of UPSI. In order to facilitate such transactions, the UPSI will have to be generally made available to public before such pledge is created or invoked," said Kumar.

The stock market regulator plans to allow such trades with the pre-clearance of a company-appointed compliance offer

Source: Business Standard
25 August, 2015

SENSEX VALUATIONS STILL PRICEY

AT 1.6, THE PRICE-TO-EQUITY MULTIPLE IS AT A 15-YEAR HIGH; THE INDEX'S RETURN ON EQUITY IS DOWN TO A RECORD LOW OF 13.5%; CATCHING THE BOTTOM FISH BEST AVOIDED

Though there is a temptation to bottom-fish after a major market crash, retail investors would do well to steer clear of choppy waters. When adjusted for underlying earnings and return on equity, Dalal Street remains expensive.

The benchmark Sensex's price-to-equity ratio (price to-earnings multiple divided by the underlying return on equity) is at a 15-year high and just shy of its peak during the 2000 dot-com bubble. The ratio is now 1.6, higher than during previous market highs. During the dot-com bubble, it had touched a high of 1.9.

This is due to a combination of the Sensex' higher valuation and a fall in return on equity. The index companies' return on equity is now down to 13.5 per cent, the lowest in about 20 years. By comparison, the index is trading at 20.5 times its trailing 12- month's earnings, similar to valuations during previous highs.

Historically, the index tends to correct whenever the price to-equity ratio remains above one for a sustained period; the market rises if the ratio falls below one. For instance, the ratio had reached a high of 1.5 on the eve of the 2010 market correction, while it was 1.2 on the eve of the January 2008 correction. By comparison, it was less than one for around a year in the run-up to the 2003-2008 bull-run; it fell to an all-time low of 0.6 after the Lehman Brothers-triggered market crash, fuelling a recovery.

"Valuations haven't become mouth-watering, despite the recent correction. The market could fall if the global economic environment turns choppy," says Anoop Bhaskar, fund manager and head (equity), UTI Mutual Funds. He doesn't expect a strong recovery either, given the subdued earnings growth. "Stock prices are not expected to recover in a hurry, with the likelihood of a poor earnings growth in the second quarter," he says.

Others point to the severity of the current business cycle. "The current business cycle is similar to that in the early 2000s, but the stock valuation is closer to 2007 highs, when corporate earnings were growing at 30-35 per cent. Now, earnings growth is down to single digits," says Dhananjay Sinha, head (institutional equity), Emkay Global Financial Services.

According to a study by Emkay Global, the return on assets for Sensex and Nifty companies has been about three per cent since 2008-09, down from about seven per cent in FY07 and FY08.

Given this, the odds favour further correction in the benchmark indices and richly-valued stocks, unless corporate earnings deliver in the next couple of quarters. "We expect a recovery in corporate earnings in the latter half of this financial year. If it comes through, there will be strong support for the market," says Bhaskar.

Investors should keep in mind that foreign institutional investors (FIIs) are sitting on large profits, as they have been accumulating Indian equity since the March 2015 quarter. Their first sell-off was during the June 2015 quarter, when they cut their BSE-500 holdings by about 40 basis points to 20.4 per cent. In March 2009, FIIs owned only 12.6 per cent of BSE 500 companies, on an average.

This raises the possibility of an FII-led market correction in case the global economic environment worsens. Be the prepared for the buying opportunity that will create.

Source: Business Standard
25 August, 2015

'INDIAN ENTITIES CAN'T CHOOSE FOREIGN LAW TO SETTLE DISPUTES'

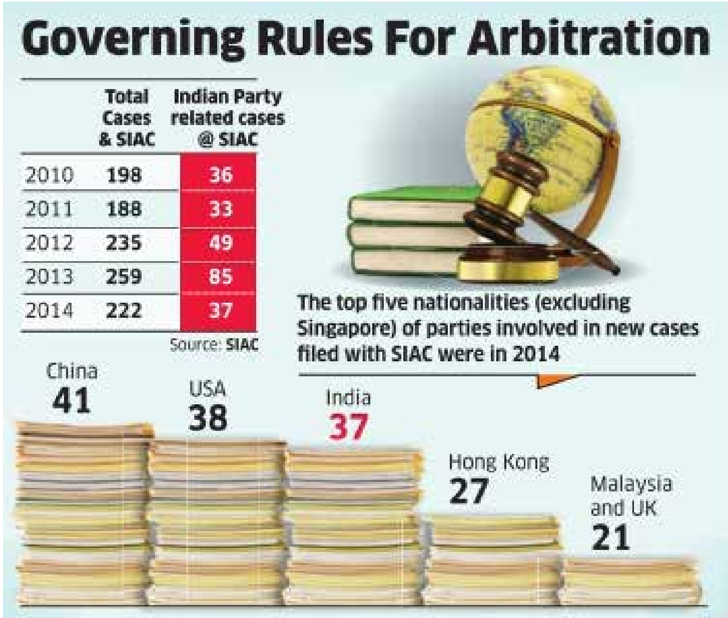
BUT, BOMBAY HC IS SILENT ON WHETHER COS CAN CHOOSE FOREIGN LOCATION FOR ARBITRATION

Indian companies and locally-registered units of multinationals may have to rewrite their agreements if they have put the clause of English law as the applicable governing rule for any arbitration. The Bombay High Court has clarified that two Indian parties putting The clauses of foreign law are against public policy.

The court ruling, however, is silent on whether companies can choose a foreign location for arbitration but apply Indian law, which may lead to outsourcing of disputes to other countries. Many lawyers that ET spoke to are of the opinion that while two Indian parties cannot choose foreign law to govern their dispute,

They can definitely opt for a foreign location for arbitration. Already Singapore, London and Paris are the favourite locations For arbitration involving top Indian firms and one of the reasons for this is the cost effectiveness and efficiency of those centres. The high court's clarification came in a recent case involving Addhar Mercantile and Shree Jagdamba Agrico Exports.

In this case, the companies, when they entered into an agreement, decided to have the arbitration seat in India or Singapore if any Dispute developed between them. They also agreed that they would resolve the dispute under the English law, which the HC struck down after Addhar Mercantile



went to court arguing that since both parties were from India, they cannot be allowed to Derogate Indian law.

"In my view, since both the parties are Indian and cannot derogate the Indian law, this submission of the learned counsel Has no substance and is rejected, "Justice RD Dhanuka of the Bombay High Court ruled.

In January , Japanese telecom giant NTT DoCoMo moved the International Court for arbitration in London against its Indian partner, Tata Teleservices. Reliance Industries has moved to initiate arbitration against the oil ministry, while British Telco Vodafone has Talked about proceeding against the Indian government. These disputes involve at least one foreign party and so can go into foreign Arbitration.

Many other Indian firms may take a leaf out of such high-profile cases and choose foreign venues for quicker settlements, said lawyers. Already, India is a major contributor to arbitration cases in Singapore. According to Pranav Mago, head of South Asia at Singapore International Arbitration Centre, India has been one of the top three contributors to SIAC cases in the past three years. In 2012, 49 Of the total 235 cases involved an Indian party. The number rose to 85 out of 259 cases in 2013.

"Indian parties will have to be careful to make sure that contracts inter se are governed under the Indian law. However, the (High) court has not said anything about the seat of arbitration, "said Haigreve Khaitan, senior partner at law firm Khaitan & Co.

"This means, two Indian parties can arbitrate in other jurisdiction by choosing foreign seat of arbitration as long as they are governing The dispute under the Indian law. "

The general counsel at a Mumbai based pharma company said the order will have "far-reaching implications" on those incorporated in India but have agreed to arbitrate disputes under English law.

Source: The Economic Times
25 August, 2015

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CRISIS AFTERMATH

PLEDGED SHARES FACE THE BRUNT

Promoters of companies who have pledged their shares to raise funds from banks will be asked to top up with more shares if the carnage in the market continues, warn analysts.

The recent fall in stock prices has accentuated the misery of promoters of highly leveraged companies. Though the BSE Sensex gained 290 points today, many of these companies continue to languish (see chart).

A declining stock market lowers the value of the collateral and if the promoter has to shore it up the stock moves downwards. If, on the other hand, the margin is not provided, lenders can sell the shares in the market, pushing down their value.

Investors are thus shunning these companies.

"We can see several promoters being pressed to shore up their pledges, which will contribute to the downward movement in share prices," said DR Dogra, CEO and MD of Care Ratings.

"We need limits on the extent to which such shares can be pledged purely from the point of view of stock market stability," he added.

Some highly leveraged companies like those of the Jaypee group are selling assets to retire their debt but investors are not impressed. Since January, Jaiprakash Power's shares are down by half and Jaypee Infratech's shares are down by 40 per cent. The Jaypee group's promoters have pledged almost 95 per cent of their stake and do not have more shares to pledge.

Lanco, GMR, Bajaj Hindusthan and Suzlon are in the same boat. Promoters pledging shares to raise funds has become common. The number of companies having their shares pledged as well as their value is rising.

This may not be a concern in normal times but it is in a volatile market. Besides, the corporate sector has not seen a demand recovery. "When we combine the two, it creates a situation that causes concern," said Dogra.

Source: Business Standard
26 August, 2015

IN THE FIRING LINE

Price on BSE in ₹

Name	% Pledged (Promoter stake)	Aug 25	% change YTD	% change Aug 21
Bajaj Hindusthan	100.00	11.90	-36.87	-15.96
India Cements	76.22	69.40	-18.74	-15.93
JP Power Venture	95.16	5.64	-53.23	-14.67
IL&FS Transport	98.17	89.95	-52.18	-13.38
Essar Ports	99.72	83.75	-19.08	-13.03
Unitech	86.47	5.97	-64.04	-12.72
KSK Energy Ven.	96.88	33.75	-50.94	-12.22
IVRCL	100.00	8.85	-46.00	-11.32
Suzlon Energy	98.56	21.90	48.98	-10.43
Alok Inds	99.76	6.08	-39.68	-10.32
ABG Shipyard	95.11	132.65	-42.48	-10.25
GMR Infra.	83.88	11.24	-32.98	-10.22
Jaypee Infratec.	93.30	12.87	-40.00	-8.72
Lanco Infratech	93.56	2.81	-53.63	-6.95
D B Realty	84.64	54.45	-22.27	-5.71
Pipavav Defence	100.00	55.80	38.63	-5.18
Future Retail	73.86	105.45	0.48	-4.53
Rattanindia Power	96.05	6.50	-34.74	-4.13
Videocon Inds.	83.08	138.94	-13.51	1.19

*Data prepared on June '15 Shareholding
Source: Capitaline Compiled by BS Research Bureau

WORRIES OVER SLOWDOWN - 'MOVE OUT OF CHINA & SWITCH TO US FUNDS'

Intl Funds	Fund Names	Action
China-based	Mirae Asset China Advantage, JP Morgan JF Greater China Equity Offshore	**Book profits and Shift to US-based Funds**
Funds with some exposure to China	HSBC Emerging Markets, Franklin Asian Equity, JP Morgan Emerging Mkt Opp, Mirae Asset Indo China Consumption	**Hold selectively**
US-based	ICICI Pru US Bluechip Eq, JP Morgan US Value Eq, Franklin India Feeder US Opp, Kotak US Equity, MOSt Shares Nasdaq 100 ETF	**Hold & Add**
Europe-based	Religare Invesco Pan European Equity, DWS Top Euroland Offshore, Franklin European Feeder, JP Morgan Europe Dynamic Equity	**Book profits and Shift to US-based Funds**

Wealth managers recommend investors move out of China and Europe-based funds to US-based funds. High valuations and slowing growth have led to the Chinese markets correcting by 38% since mid-June, after it doubled by 100% over the last one year.

Some aggressive investors put money into funds like Mirae Asset China Advantage Fund and JP Morgan JF Greater China Equity Offshore Fund, which together manage ₹ 112 crore, as of July 2015. Wealth managers believe investors could take profits from these funds now and reallocate them to developed markets.

"Given the uncertainty surrounding the Chinese markets and slow growth expected in the European markets, investors would do well to shift away from there," says Vishal Dhawan, chief financial planner, Plan Ahead Wealth Advisors."The prospect of US rate hike and a shrinking trade deficit continue to support a stronger dollar," says Gajendra Kothari, MD, Etica Wealth Management.

Source: The Economic Times
25 August, 2015

WHY VENTURE CAPITAL FIRMS ARE FLOCKING TO EDUCATION START-UPS

Edureka, a Bengaluru-based online education marketplace, is a bootstrapped venture started with a capital investment of ₹1.5 crore in 2011. Edureka's steady growth has not demanded external funding so far. However, with an ambitious plan to touch ₹100 crore in the next two years, the company might seek external funding.

Hyderabad-based start-up Edutor Technologies, which develops and markets Ignitor learning platform for tablets, is also gearing up to raise additional money to fund expansion. The five-year-old start-up had earlier raised ₹5 crore from SRI Capital and Hyderabad Angels.

These two firms are unlikely to face any major problem to raise funds. Reason: Venture capital funds are queuing up to invest in education start-ups.

"Globally, the quality of education has traditionally been proportional to the quality of teachers imparting the course. With the advent of technology, that equation is being questioned. Better bandwidth and cheaper hardware allows edutech (education technology) companies to provide high-quality education to consumers in a democratic manner," says Rahul Chowdhri, partner at Helion Venture Partners.

Helion Venture Partners, an early to mid-stage, India-focused venture fund, has several companies focused on education space in its portfolio. These include online subject-learning platform for middle and high school schools Toppr.com, which recently raised $10 million led by Fidelity Growth Partners India, SAIF Partners, and Helion.

Better bandwidth and cheaper hardware allows edutech firms to provide high-quality education to consumers

Earlier, Toppr.com had raised its first round of funding from Powai Lake Ventures led by Kashyap Deorah and Abhishek Jain. In May 2014, SAIF Partners and Helion Ventures had invested $2 million in Toppr.com.

According to Chowdhri, Helion as a fund would invest $20 million over a life of an education start-up. "The fund is looking to invest in more education start-ups that make use of technology. We expect companies to take advantage of trends like mobility, gamification, user-generated content and adaptive platforms. This will likely span across K5, K10, test prep, higher education and working professional space."

IDG Ventures, too, is actively looking at education and other allied areas as part of its investment strategy. The global network of venture capital funds with $3.6 billion under management has a couple of education-focused startups in its portfolio, including Bengaluru-based online test preparation platform SuperProfs, and iProf, a New Delhi-based tablet PC-based education content delivery company.

"Education is one of the largest markets in the country and one of the least penetrated by technology in absolute terms. The potential disruption and far-reaching impact that education can have on India's overall development has only been seen in small doses till date. As venture investors, we look at segments of education for potential investments that can be better served and leveraged via technology," says Karan Mohla, executive director, IDG Ventures.

IDG looks at disruptive models when evaluating education companies. Mohla says the crucial aspect while evaluating start-ups is identifying those led by passionate entrepreneurs.

"Edutech companies are continuously finding newer solutions to make education more accessible and affordable to all. The education industry space is set to grow to $40 billion by 2017. There is huge scope for opportunities to expand. Any sector that offers an affirmative growth prospect is a definite win-win for VCs and entrepreneurs themselves," says Piyush Agrawal, co-founder and CEO of SuperProfs.com.

Source: Business Standard
27 August, 2015

SEBI MULLS DELISTING FIRMS SUSPENDED FOR OVER 5 YEARS

BSE PROPOSES TO MARKET REGULATOR THE COUNTERS BE DROPPED OFF; NSE ALSO IN TALKS

The Securities and Exchange Board of India (Sebi) is considering delisting companies suspended on exchanges for more than five years, a source said.

In a representation to Sebi recently, the BSE (formerly Bombay Stock Exchange) proposed counters that had been suspended for seven years be delisted. The National Stock Exchange (NSE), which has close to 170 suspended companies, is also in talks with Sebi.

"Sebi has received the BSE's proposal and is favourably considering it," said a source. An email to Sebi did not get a response. "We have made a representation to the regulator," said an NSE spokesperson.

"A suspended company that does not intend to remain listed cannot go through the reverse book-building exercise for delisting. There is a need for them to be exempted," said a source. A merchant banker said Sebi had informally started allowing suspended companies to delist. "If I approach Sebi with a proposal for automatic delisting of a suspended company, I will not find it averse to the idea, provided the interests of shareholders are protected," said the banker.

Before allowing delisting of the suspended companies, Sebi will ensure the counters are moved to the dissemination board so investors can receive their dues by connecting with parties to buy or sell their shares. A dissemination board is a facility hosted by exchanges for bilateral settlement in counters that are no longer listed.

The BSE said it had proposed to delist the suspended companies from the exchange and transfer them to the dissemination board. Sources said the BSE proposal contained a list of 1,000 companies that had been suspended for seven years.

The BSE also provided an analysis of companies suspended for penal reasons. A total of 150 companies have been suspended for less than two years, 70 others have remained suspended for three to six years. "The BSE has proposed such companies be granted a specific period to complete formalities for resumption of trading," said a BSE spokesperson. If that does not work, the exchange will follow it up by moving the counters to the dissemination board.

"A number of companies suspended by the exchange in the last decade have not initiated revocation formalities. Their shareholders are deprived of an exit route," said the BSE spokesperson.

"Firms wanting to exit find the listing compliance mechanism cumbersome. A seamless delisting mechanism will protect interests of investors," said Mahavir Lunavat of Pantomath Advisory Services Group.

Source: Business Standard
27 August, 2015

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VOLATILITY HITS PRIMARY MARKET

POWER MECH FALLS 8% ON DEBUT

Power Mech Projects made a dismal debut on the bourses with the stock slipping more than eight per cent on Wednesday as volatile markets took a toll.

The stock opened at ₹600, six per cent below its issue price and touched a low of ₹580 intra-day in a volatile Mumbai market. The stock closed at ₹585.75, 8.5 per cent below its issue price.

The tepid performance on the first day was despite huge demand for the company's ₹270 crore-IPO earlier this month. The company's IPO was subscribed nearly 40 times, as its three million share-offering saw bids for nearly 114 million shares.

Market experts say the poor listing could make investors wary of forthcoming IPOs. As many as four IPOs – Shree Pushkar Chemicals & Fertilisers, Pennar Engineered Building Systems, Prabhat Dairy, Sadhav Infrastructure Project are looking to mop up about ₹1,200 crore. Prabhat Dairy and Sadhav Infrastructure Project have an issue size of about ₹500 crore, while the other two issues are smaller.

Adverse sentiment might impact the IPOs, say experts. "Given the turmoil in the market some liquidity will dry up for IPOs. However, good companies with reasonable valuations will see enough appetite," said Ajay Saraj, executive director, ICICI Securities.

Added another merchant banker: "It all depends on the market sentiment, the smaller IPOs may sail through but the larger issues may face a problem."

Six of the 10 companies listed this year, including Power Mech, are trading above the issue price. VRL Logistics is the highest gainer, up nearly 92 per cent over the issue price. Manpasand Beverages and Syngene International, listed this month, are up 28 per cent and 27 per cent, respectively. Among the losers, Adlabs Entertainment and MEP Infra Developers have shed the most at 31 per cent and 32 per cent, respectively. The Sensex has shed 6.5 per cent in the year to date.

Power Mech's IPO had seen demand from all categories of investors. The issue saw demand from a most of mutual fund houses, who applied as anchor investors.

Source: Business Standard
27 August, 2015

LIST OF IPOs IN 2015

Companies	Date of list	Issue size (In ₹ cr)	Price in ₹ Issue price	Aug 26	% chg*
VRL Logistics	Apr 30	467.88	205.00	393.50	91.95
Manpasand Beverages	Jul 9	400.00	320.00	411.80	28.69
Syngene International	Aug 11	550.00	250.00	317.45	26.98
PNC Infratech	May 26	488.44	378.00	447.10	18.28
Ortel Communications	Mar 19	174.71	181.00	202.90	12.10
Inox Wind	Apr 9	1,020.53	325.00	345.10	6.18
Power Mech Projects*	Aug 26	273.22	640.00	585.75	-8.48
UFO Moviez India	May 14	600.00	625.00	552.75	-11.56
Adlabs Entertianment	Apr 6	365.87	180.00	124.20	-31.00
MEP Infra Developers	May 6	321.77	63.00	42.90	-31.90

*Change over issue price; Compiled by BS Research Bureau Source: Basis Allotment

SENSEX UP 516 PTS ON GLOBAL RALLY

GLOBAL STOCKS RECOVER ON POSITIVE CHINA SIGNS; INDIA SHARES BOUGHT ON HOPES THE COUNTRY WILL BENEFIT FROM CHINA SLOWDOWN

The Indian markets on Thursday rallied two per cent — second-biggest gain of 2015 after China stocks ended their five-day losing run, during which their benchmark gauge fell 25 per cent. Most Asian and European markets too saw a sharp rally, after Wall Street's biggest gain in four years on Wednesday.

The U-turn in investor sentiment was sparked by hopes that US Federal Reserve might not raise interest rates in September to ease the financial market turmoil, which has wiped out trillions of dollars from world market capitalisation.

Rebounding from its one year lows, the benchmark Sensex closed at 26,231.19, up 516.53 points, or 2.01 per cent, most since January 15, 2015. The NSE Nifty 7,949, up 157.1 points, or 2.02 per cent. Among index stocks, HDFC rallied the most at 8.4 per cent, followed by Vedanta at 6.5 per cent and Tata Steel at 4.8 per cent.

Taking advantage of the recent fall, domestic investors were seen buying beaten-down shares, even as overseas investors continued to take money off the table. As per provisional data, foreign institutional investors (FIIs) sold shares worth ₹3,347 crore, while their domestic counter parts pumped in nearly ₹2,600 crore.

FIIs have pulled out over ₹13, 000 crore from Indian equities, while the Sensex is down 1,135 points, or 4.1 per cent so far this week.

"The sell-off in the markets has been indiscriminate, leading to correction across the board. This means that even companies that are potential beneficiaries of lower commodity prices and currency have seen significant share price corrections," said

MARCHING IN STEP

Global markets, Thurs	% chg*
The US (Wednesday)	
Nasdaq composite Index	4.24
Dow Jones	3.95
S&P 500 index	3.90
Europe (6 pm)	
Omx Stockholm 30 Index	2.85
Euro Stoxx 50	2.81
Dax Index	2.79
Asia	
Shanghai SE composite	5.34
Jakarta Composite Index	4.55
Hang Seng Index	3.60
NSE CNX Nifty Index	2.02
S&P BSE Sensex Index	2.01

Sensex

Gainers	Price in ₹ Thursday	% chg*
HDFC	1,195.20	8.41
Vedanta	91.15	6.55
Tata Steel	225.85	4.80
Lupin	1,898.50	4.79
Cipla	661.15	3.95
Losers		
BHEL	231.70	-3.54
Bajaj Auto	2,189.30	-2.44
Tata Motors	334.70	-0.62
NTPC	119.15	-0.50
Hero Moto	2,380.70	-0.47

*Change over the previous close
Compiled by BS Research Bureau
Source: Bloomberg

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Prabhat Awasthi, managing director and head of equity at Nomura India, in a note.

Awasthi said India benefited from cheaper commodity prices, which improve balance of payments and lead to lower inflation.

Market players are pinning hopes that the financial market turmoil and drop in global commodity prices will spring the government into action.

"We believe global turmoil will nudge the government to move quicker on next generation reforms in land, labour, power distribution and overall ease of doing business," said HDFC Securities in a note. Jayant Manglik, presidentretail distribution, Religare Securities, added, "Sentiment was upbeat on report of India Ratings that the significant improvement in indirect tax collections and considerable decline in crude oil has paved the way for the government to make additional investment in infra projects or bank recapitalisation schemes, without hurting its fiscal deficit target."

Analysts said this week's fall in the market has provided valuation comfort to investors.

"Following recent price correction, the Sensex P/E multiple has corrected to 14.8 times one-year forward earnings, which is at a 10 per cent discount to its five-year average, "Said the Nomura note.

Source: Business Standard
28 August, 2015

NORMAL MARGIN: 20-30% - BROKERS HIKE UP-FRONT MARGIN FOR F&O TRADES TO 70-80%

Various stock brokers have raised the bar for clients to borrow and bet on the market following the recent crash in the market. Traders are being asked by their brokers to cough up an upfront margin of almost 70-80% to trade in futures and options compared to 20-30% in normal times. This has forced many traders to stay away from making those short-term bets.

As a normal practice, clients can trade in derivatives by giving cash or share margin of around 20-30% depending on their risk appetite. But margins were raised as brokers feared defaults due to market crash.

"When the Nifty was trading at 8600, brokers were accepting 20-30% margin but when it fell 500 points brokers started pressurising clients to get 70% margin for derivative traders, "said Vispi Irani, a client with one of large Mumbai-based stockbroker.

The trigger for such a step is he unexpected crash on Monday when the benchmark index Sensex closed 1625 points down n a single trading session.

> **As a normal practice, clients can trade in derivatives by giving cash or share margin of around 20-30%**

Brokers running large margin-funding books have drawn up a list of stocks where high operator activity was suspected and raised the haircut on them. The leverage on margin funding book of non-banking financial companies of leading brokerage houses is estimated over ₹ 2,500 crore. `Many traders, who had built sizeable positions in derivatives by putting up shares as margin, lost their blue chip holdings in the crash on Monday. Brokers dumped their shares in open market at whatever prices it could be sold for three consecutive days following the Monday mayhem. Trading volumes have declined by over 15% since Monday.

"Brokers had limited options as the market condition was such that 20% margin got sucked up in less than an hour making trading impossible," said Arun Kejriwal, Director, KRIS Capital.

Brokers were making margin calls since last Thursday when hare price of Amtek Auto and Kaveri Seed crashed over 40%.Highly-traded stocks such as Coal India fell by over 15% in two days last week because of margin calls. Last Friday, brokers and NBFCs stopped lending to leading traders who were active in small and mid-cap stocks.

Source: The Economic Times
28 August, 2015