



Weekly Wrap-up

The week that it was! Important events and impact analysis.

Reading Time: 10 minutes

News Announcement	Impact Analysis
<ul style="list-style-type: none"> Ø Nestle India to invest Rs.2600 crore into India in the next 3-4 years 	<ul style="list-style-type: none"> Ø This announcement came on the back of stellar results announced by Nestle India for the Sep-20 quarter Ø With double digit growth in all its top brands, Nestle plans to invest in expanding and deepening these consumer markets
<ul style="list-style-type: none"> Ø SBI Cards stock came under pressure on rising default concerns 	<ul style="list-style-type: none"> Ø During the Sep-20 quarter, SBI cards saw 160% rise in bad debts to Rs.862 crore due to a series of retail defaults Ø However, the company admitted that it had not fully factored in the likely impact of the Supreme Court decision on EMIs
<ul style="list-style-type: none"> Ø SEBI clears the proposed buyback of shares by NTPC 	<ul style="list-style-type: none"> Ø NTPC will be one among the 8 cash-rich PSUs in India to do a buyback under directions of the government Ø With the market for PSUs still looking shaky, the government is relying on buybacks to meet its divestment targets
<ul style="list-style-type: none"> Ø Brent Crude gained above the \$42/bbl mark during the week 	<ul style="list-style-type: none"> Ø OPEC is expected to announce another round of supply cuts, with the support of Russia, giving oil prices some support Ø However, demand for crude continues to be weak and that may negate the price rise unless the supply cut is huge
<ul style="list-style-type: none"> Ø Forex Reserves touch an all-time record of \$555 billion 	<ul style="list-style-type: none"> Ø India is already in the top-5 countries in the world in terms of forex reserves and this should reinforce its position Ø With overall imports falling in line with lower oil prices, the forex cover for imports is now in excess of 15 months.
<ul style="list-style-type: none"> Ø Government imposes onion stocking limits to curb prices 	<ul style="list-style-type: none"> Ø Now retailers are limited to stocking up to 2 tons of onions and wholesalers can only stock 25 tons of onions Ø In the last few days, onion prices have gone above Rs.100/kg and that has normally been a very politically sensitive issue
<ul style="list-style-type: none"> Ø NBFCs want to be included as beneficiaries in on-tap TLTRO 	<ul style="list-style-type: none"> Ø This liquidity mechanism opened by RBI is currently only available to the scheduled banks in the system Ø NBFCs believe that this could give them easy access to liquidity at economical rates in times of crisis
<ul style="list-style-type: none"> Ø IICI Lombard reports 35% spike in net profits to Rs.416 crore in Q2 Sep-20 	<ul style="list-style-type: none"> Ø The higher profit was managed on the back of better management of costs during the quarter Ø Even as direct premium grew, the insurer managed to expand its retention ratio sharply during the quarter
<ul style="list-style-type: none"> Ø MPC minutes point to unanimity on an accommodative monetary stance 	<ul style="list-style-type: none"> Ø Most of the members dwell on the need to keep rates low and stance accommodative to revive GDP growth Ø However, Jayash Varma has raised objections to the MPC giving a long term guidance on accommodative stance
<ul style="list-style-type: none"> Ø HPCL raises Rs.2000 crore via issue of debt instruments in the market 	<ul style="list-style-type: none"> Ø The 3 year paper maturing in 2023 will carry a coupon rate of 4.79% on an annualized basis Ø This is among the lowest rates at which Indian companies are borrowing and should be a boost to other PSUs
<ul style="list-style-type: none"> Ø Flipkart to acquire 7.8% in Aditya Birla Fashions for Rs.1500 crore 	<ul style="list-style-type: none"> Ø For Aditya Birla Fashions, this gives them the much needed capital to expand their retail brand franchise in a big way Ø For Flipkart, this is an extension of their fashion offering, where it is already present via Myntra
<ul style="list-style-type: none"> Ø Bernstein initiates coverage on Bharti Airtel with outperform rating 	<ul style="list-style-type: none"> Ø Bernstein feels that the only telecom player other than Jio that has the ability to expand market share is Bharti Airtel Ø Also, the price status quo in the telecom market is likely to favour Jio and Bharti at the cost of Vodafone Idea
<ul style="list-style-type: none"> Ø Jet Airways stock rallies by 108% in a span of just 12 days 	<ul style="list-style-type: none"> Ø This positive price movement came after the CDC finally agreed to sell Jet to a consortium headed by Kalrock Ø Kalrock along with Murari Jalan had placed the bid for Jet Airways, which was finally approved in the last meeting
<ul style="list-style-type: none"> Ø In the US elections, most surveys point to neck-to-neck battle 	<ul style="list-style-type: none"> Ø While Joe Biden had an advantage, the survey observes that Trump had covered enough ground in last few days Ø Like in the past, the eventual election outcome may boil down to the swing factors in just a handful of states
<ul style="list-style-type: none"> Ø Government likely to divest 10% stake in GIC RE and New India Assurance 	<ul style="list-style-type: none"> Ø It may be recollected that the government had sold 15% in both these companies way back in 2017 Ø However, both the IPOs had been steeply priced and the stocks have grossly underperformed post listing
<ul style="list-style-type: none"> Ø Reliance becomes extremely over owned by FPIs 	<ul style="list-style-type: none"> Ø As of Sep-20, foreign portfolio investors hold a record 27.2% stake in Reliance Industries, with a last quarter spike Ø At the same time, domestic MFs have cut their holding in RIL by 25bps, largely due to breaching the 10% AUM ceiling
<ul style="list-style-type: none"> Ø Equitas Small Finance Bank gets a tepid response to its IPO 	<ul style="list-style-type: none"> Ø The overall IPO got oversubscription only to the extent of 1.95x with QIB portion showing 1.92x subscription Ø While the retail book was filled, HNIs were not interested in an issue where funding was unlikely to be lucrative
<ul style="list-style-type: none"> Ø SEBI penalizes promoters of Kiruskar Brothers to the tune of Rs.31 crore 	<ul style="list-style-type: none"> Ø This includes a penalty and disgorgement of profits and is the largest such levy by SEBI on a promoter group Ø The case pertains to 2010 when the promoter family had allegedly traded on inside information
<ul style="list-style-type: none"> Ø Bajaj Finance reports 36% fall in net profits on higher provisioning 	<ul style="list-style-type: none"> Ø While net interest income or NII increased by 4%, it provided an additional Rs.1370 crore for COVID provisions Ø However, the gross NPAs of Bajaj Finance at 1.03% and net NPAs at 0.37% are among the best in the industry
<ul style="list-style-type: none"> Ø Venugopal Dhoot makes Rs.30,000 crore bid to buy back Videocon 	<ul style="list-style-type: none"> Ø Dhoot wants offer this as a full and final settlement of all dues and get control of Videocon back from the NCLT Ø However, in the past, the COC has not been too enthused by the idea of letting promoters buy back at a discount
<ul style="list-style-type: none"> Ø Gland Pharma may be the first mega IPO with a Chinese parent 	<ul style="list-style-type: none"> Ø Gland Pharma of Hyderabad is majority owned by Fosun of China, which it acquired from private equity investor KKR Ø The IPO will combine a new issue and an OFS, in which the Gland Pharma promoter and Fosun will seek partial exit