Market snapshot

Equities - India	Close	Chg .%	CYTD.%
Sensex	28,288	-2.0	-31.4
Nifty-50	8,263	-2.4	-32.1
Nifty-M 100	12,065	-4.2	-29.5
Equities-Global	**Close**	**Chg .%**	**CYTD.%**
S&P 500	2,409	0.5	-25.4
Nasdaq	7,151	2.3	-20.3
FTSE 100	5,152	1.4	-31.7
DAX	8,610	2.0	-35.0
Hang Seng	8,560	-2.7	-23.4
Nikkei 225	16,553	-1.0	-30.0
Commodities	**Close**	**Chg .%**	**CYTD.%**
Brent (US$/Bbl)	26	6.8	-60.5
Gold ($/OZ)	1,471	-1.0	-3.0
Cu (US$/MT)	4,820	1.9	-21.6
Almn (US$/MT)	1,608	-1.1	-9.7
Currency	**Close**	**Chg .%**	**CYTD.%**
USD/INR	75.0	1.0	5.1
USD/EUR	1.1	-2.0	-4.6
USD/JPY	110.7	2.4	1.9
YIELD (%)	**Close**	**1MChg**	**CYTDchg**
10 Yrs G-Sec	6.4	1.81	-0.1
10 Yrs AAA Corp	7.7	1.66	0.1
Flows (USD b)	**19-Mar**	**MTD**	**CYTD**
FIIs	-0.61	-6.24	-3.84
DIIs	0.58	6.22	8.31
Volumes (INRb)	**19-Mar**	**MTD***	**CYTD***
Cash	570	540	432
F&O	18,076	14,930	16,566

Note: *Average

Today's top research idea

Hindustan Unilever: No reversal yet in last quarter's slowdown

- Slowdown in 3QFY20 persisted in 4QFY20 as well and many categories reported flattish sequential growth with some personal care categories reporting negative growth.
- Over the past week HUVR have witnessed strong growth not just in hand washes but also in the overall soaps category which otherwise had shown a disappointing trend in the first two months of the quarter.
- Government decision on closure of retail shops on alternate days, if prolonged, could affect demand. Despite the near term demand blip, earnings are likely to clock an impressive 16% CAGR over the next two years. If we take the GSKCH merger into account, EPS CAGR is likely to be at ~22% over FY20-22E.
- With best-of-breed earnings growth as well as far superior RoEs compared to peers, we maintain target multiple of 50x FY22E EPS on the merged numbers resulting in a target price INR2,425.

Research covered

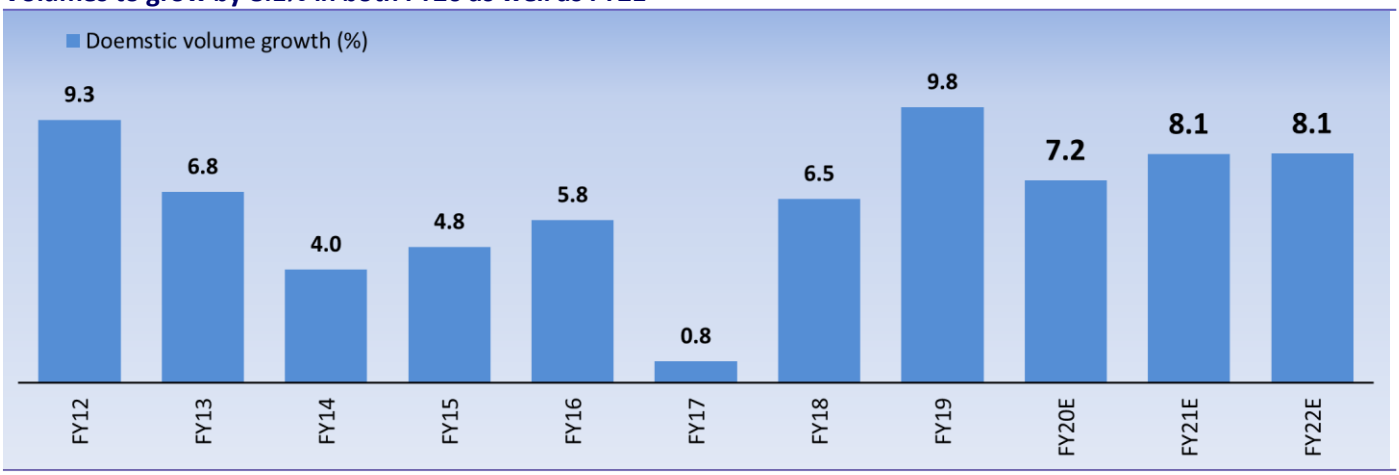
Cos/Sector	Key Highlights
Hindustan Unilever	No reversal yet in last quarter's slowdown
Ashok Leyland	To buy 19% stake in HLFL, incl. 12% from promoters
Technology	Accenture's outlook should calm the nerves!
Utilities	GUVNL: Increasing focus on renewables

Piping hot news

Rupee slips to new lows as FPIs continue to sell stocks, bonds Continuing forex outflows from the stock and bond markets and a strengthening dollar sent the rupee to new lifetime lows on Thursday. The Indian currency closed at 74.98 against the greenback, 76 paise lower than Wednesday's close.

Chart of the Day: Hindustan Unilever (No reversal yet in last quarter's slowdown)

Volumes to grow by 8.1% in both FY20 as well as FY21



Source: MOFSL, Company

Research Team (Gautam.Duggad@MotilalOswal.com)

In the news today

Kindly click on textbox for the detailed news link

1

India considers easier loan, tax rules to help economy endure coronavirus pain

India is considering offering easier loan repayment terms and tax breaks for small-and medium-sized companies to help Asia's third-largest economy weather the onslaught of the coronavirus, a person with knowledge of the matter said…

2

Oil soars 20% intra-day; gold remains lusterless amid coronavirus fear

Oil prices rose as much as 20 per cent intra-day on Thursday, recouping some losses from a sell-off that drove prices to near 20-year lows, even as base metals and gold contiued to remain under pressure because of economic uncertainty in view of the coronavirus pandemic. Metal prices declined between 3 per cent and 6 per cent on the Multi Commodity Exchange (MCX), toeing global move as selling pressure. Gold and silver, too, dropped in the domestic market, as well as globally…

3

India bans entry of all international commercial passenger flights for one week

India today decided to shut all international commercial flights for one week starting from 22 March in view of coronavirus pandemic. The order will remain in effect till 29 March…

4

Government working on financial package for coronavirus-hit sectors

The government is working on a financial package for various sectors, including civil aviation and tourism, to deal with the fall-out of the coronavirus pandemic that has impacted the economy…

5

Sebi allows listed companies to file Q4 results by June 30

The Securities and Exchange Board of India (Sebi) on Thursday relaxed several compliance norms and allowed listed companies to file their quarterly and annual financial results by June 30, 2020…

6

L&T-run investment trust acquires 8 Sadbhav road projects

Larsen & Toubro-run investment trust IndInfravit on Thursday said it has completed the acquisition of 100 per cent stake in eight operational road projects of Sadbhav Infrastructure at an enterprise value of Rs 6,300 crore…

7

Retailers seek 3 months grace period for paying statutory dues

Retailers have urged the government to provide a three-month grace period for depositing statutory dues like GST, advance tax, income tax and provident fund as stores and malls are closed in several cities due to the Covid-19 outbreak…

Hindustan Unilever

BSE SENSEX	S&P CNX
28,288	8,263

Hindustan Unilever Limited

Stock Info

Bloomberg	HUVR IN
Equity Shares (m)	2,165
M.Cap.(INRb)/(USDb)	3976 / 55.4
52-Week Range (INR)	2307 / 1650
1, 6, 12 Rel. Per (%)	12/23/34
12M Avg Val (INR M)	2946
Free float (%)	32.8

Financials & Valuations (INR b)

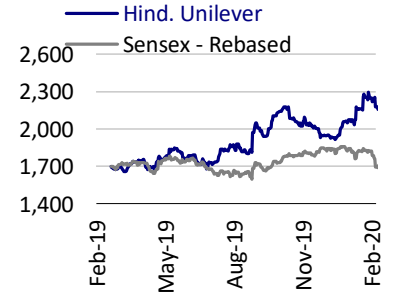
Y/E March	2020E	2021E	2022E
Sales	400.7	439.9	497.0
Sales Gr. (%)	4.8	9.8	13.0
EBITDA	100.5	112.6	129.8
EBITDA mrg. (%)	25.1	25.6	26.1
Adj. PAT	70.5	81.2	95.1
Adj. EPS (INR)	32.6	37.5	43.9
EPS Gr. (%)	12.6	15.2	17.0
BV/Sh.(INR)	36.2	35.3	33.9
Ratios			
RoE (%)	91.1	105.1	127.0
RoCE (%)	126.0	143.2	171.0
Payout (%)	97.6	102.3	103.2
Valuations			
P/E (x)	56.4	49.0	41.8
P/BV (x)	50.8	52.1	54.2
EV/EBITDA (x)	39.0	34.8	30.2
Div. Yield (%)	1.4	2.1	2.5

Shareholding pattern (%)

As On	Dec-19	Sep-19	Dec-18
Promoter	67.2	67.2	67.2
DII	6.7	6.7	7.4
FII	12.3	12.4	12.0
Others	13.8	13.7	13.4

FII Includes depository receipts

Stock Performance (1-year)



CMP: INR1,837 TP: INR2,425 (+32%) Buy

No reversal yet in last quarter's slowdown

We interacted with Hindustan Unilever's (HUVR) management to get an update on the market conditions. Key takeaways:

Slowdown continues into 4QFY20

- Slowdown seen in the last quarter has continued into 4QFY20 with many categories reporting flattish sequential growth. In fact, some personal care categories are reporting de-growth. Rural continues growing at 0.5x urban growth.

Uptick across skin cleansing products recently

- Over the past week, HUVR has witnessed strong growth not just in hand washes but also in soaps, which had otherwise shown a disappointing trend in the first two months of the quarter.

Customers also buying other products more this week

- Offtake from retail stores has been higher this week in household care products like detergents, floor and toilet cleaners. Unlike soaps and hand washes, higher sales for these products this quarter could affect demand for 1QFY20.

Disruptions in channel due to coronavirus outbreak

- So far, it is business as usual, but more the restrictions in the movement of people the more it would cause disruption in the business. Technology though could limit the impact. Government decision on closure of retail shops on alternate days, if prolonged, could impact demand over the next few weeks.

Other points

- Premiumization trend remains strong.
- **Competitive intensity and ad-spend intensity in the FMCG space remains similar** to the preceding quarter.
- **GSKCH likely to be merged from 1st Apr'20** and the ongoing disruptions are unlikely to change the time of the merger.

Valuation and view

Despite the near-term demand blip, earnings CAGR for the next two years is likely come in impressive at 16%. If we take the GSKCH merger into account (not in our projections yet), EPS CAGR could be even more remarkable at ~22% over FY20-22. Such earnings growth projections are extremely striking, especially for a company of the size of HUVR. This in fact also provides comfort on HUVR maintaining its stupendous wealth-generation track record and outperformance versus smaller peers. Moreover, we see an upside risk to our operating margin expansion forecast of 50bp/50bp for FY21/22 if the factors driving HUVR's strong earnings growth continue contributing as they have been in recent years. This is not unlikely given the past five years' EBITDA margin expansion of 830bp. With best-of-breed earnings growth and far-superior RoE compared to peers, we maintain our target multiple of 50x FY22E EPS on the merged numbers, resulting in a target price INR2,425 (32% upside). Maintain **Buy**.

Ashok Leyland

BSE SENSEX	S&P CNX
28,288	8,263

Stock Info

Bloomberg	AL IN
Equity Shares (m)	2,927
M.Cap.(INRb)/(USDb)	141.2 / 2.5
52-Week Range (INR)	98 / 47
1, 6, 12 Rel. Per (%)	-9/4/-21
12M Avg Val (INR M)	2132
Free float (%)	48.9

Financials Snapshot (INR b)

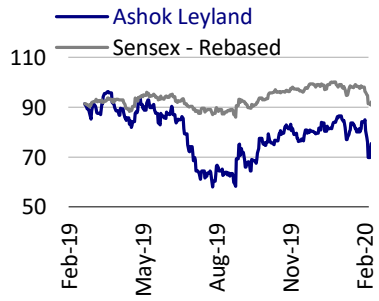
Y/E March	FY20E	FY21E	FY22E
Sales	180.9	201.8	238.1
EBITDA	11.7	15.8	24.0
EBITDA (%)	6.5	7.8	10.1
Adj. PAT	3.8	6.5	11.6
EPS (INR)	1.3	2.2	4.0
EPS Gr. (%)	-81.1	70.7	77.6
BV/Sh. (INR)	28.9	29.9	32.1
Ratios			
Net D:E	0.0	0.2	0.2
RoE (%)	4.6	7.6	12.8
RoCE (%)	4.6	6.9	11.1
Payout (%)	38.3	44.9	37.9
Valuations			
P/E (x)	36.9	21.6	12.2
P/BV (x)	1.7	1.6	1.5
EV/EBITDA (x)	12.2	10.0	6.5
Div. Yield (%)	1.0	2.1	3.1
FCF Yield (%)	-3.2	1.0	8.2

Shareholding pattern (%)

As On	Dec-19	Sep-19	Dec-18
Promoter	51.1	51.1	51.1
DII	12.4	13.1	9.2
FII	19.2	17.1	21.9
Others	17.3	18.8	17.8

FII Includes depository receipts

Stock Performance (1-year)



CMP: INR48 TP: INR72 (+50%) Buy

To buy 19% stake in HLFL, incl. 12% from promoters…

…with objective of simplifying shareholding for pursuing future growth

Ashok Leyland's (AL) management addressed investors on its proposed acquisition of ~19% stake in its subsidiary Hinduja Leyland Finance (HLFL). AL would acquire ~7% stake from the existing private equity investor Everstone and ~12% from promoter owned entity. This would entail investment of INR11-12b. Management tried to address key investor concerns about (a) rationale to buy partial stake of the promoters (residual stake at ~18.6%), (b) valuation of the deal and (c) timing of acquisition given the need to conserve cash. The rationale given by management of simplifying shareholding structure for HLFL to pursue future growth plans (incl. M&A) was ambiguous. This has raised concern about easing of tight leash on capital allocation which AL had displayed since FY14.

- **Deal details:** AL will buy 19% stake in its subsidiary HLFL for INR11-12b. This includes 7% stake purchase from PE investor Everstone (announced on 7th Feb) and ~12% from the promoters (announced on 18th March). Both the stakes are to be purchased at ~INR119/share (~2x Mar'19 book value), based on valuations finalized in Feb'20. AL's stake in HLFL would go up to ~81% post this acquisition.
- Everstone had bought ~14% stake in 2013. In Nov'17, it had sold ~7% stake at INR110/sh. Second tranche of ~7% was supposed to be sold by May'20.
- **Valuation of the deal:** While valuations at ~1.8x FY20E P/B are at premium to current valuations (in context of the difference in the RoE profile) of vehicle financiers like CIFC, SHTF and MMFS (0.8x-1.8x), these valuations were agreed upon with Everstone a few months back. The purchase of promoter stake is at same valuation as of Everstone. We are not too perturbed by valuation premium as it was based on a pre-determined agreement with Everstone (and before market crash happened) and strategic premium is not unusual.
- **Why buy stake from the promoters?** There was need to simplify shareholding structure of HLFL for it to pursue future growth opportunities like getting another PE investor, acquisition/merger and going global. Also, AL having sizeable stake is important because at some point in time HLFL will go for IPO and at that point it would like to show some value release for AL. Note that AL would like to have minimum 51% stake in the company.
- HLFL is of strategic importance to AL as it has 15% market share of CV financing and 50% of book from CV financing. In 9MFY20, HLFL had ~INR2.2b PAT (~34% contribution to AL's 9MFY20 consol. PAT). Also, HLFL would play key part in AL's export aspirations in Nepal, Bangladesh, ME and Africa.
- Acquisition by AL would not put stress on its balance sheet, as its net debt as of Dec'19 was ~INR14b (net of ICDs). With a reduction in inventory, Mar'20 ending net debt would be negligible (estimated at ~INR1.7b).

- **Update on coronavirus:** AL sources tools and & EFI parts from China. For BS6 and Modular Business Program, there would have been a challenge if China would not have started operations. However, the situation in China is improving and hence AL does not expect it to be a big challenge.
- **BS4 inventory**: Total inventory at 600 units including dealer and AL, from 27,500 units at peak.

Valuation and view: We have lowered our FY21/22 S/A EPS estimate by 25%/20% to factor in the near-term volume weakness due to the impact of BS6 transition and coronavirus, as well as higher debt as we factor in the HLFL stake purchase. Unlike in the previous cycles, AL is on a very strong footing (lean cost structure & negligible debt) and focused on adding new revenue/profit pools. However, this stake purchase from the promoters does raise questions on dilution in tight discipline on capital allocation practiced since FY14. We will closely monitor for any further evidence on the same. Post recent correction in the stock price, valuations are very attractive at 12.2x FY22E S/A EPS and ~6.5x EV/EBITDA and do not fully reflect for AL's focus on adding new revenue and profit pools. We do lower our target multiples for both S/A business (from 10x to 9x) and HLFL (from 1.5x to 1x) to factor in any potential risk of dilution in capital allocation discipline and sharp erosion in valuations of peer vehicle financiers. Maintain **Buy** with TP of ~INR72 [9x Dec-21 EV/EBITDA (compared to ~11x 10-year median EV/EBITDA) + INR9/sh of HLFL @ 1x P/B].

Revised forecast (Consol)

(INR M)	FY20E			FY21E		
	Rev	Old	Chg (%)	Rev	Old	Chg (%)
Volumes (units)	132,524	129,681	2.2	145,867	157,575	-7.4
Net Sales	180,942	175,397	3.2	201,792	214,260	-5.8
EBITDA	11,695	10,708	9.2	15,780	18,829	-16.2
EBITDA margins (%)	6.5	6.1	40bp	7.8	8.8	-100bp
Net Profit	3,831	2,987	28.3	6,539	8,783	-25.5
EPS (INR)	1.3	1.0	28.3	2.2	3.0	-25.5

Source: Company, MOFSL

HLFL's shareholding pattern

Shareholders	Mar-17	Mar-18	Mar-19	Proposed
Ashok Leyland	57.2	61.85	61.84	80.84
Everfin Holdings	13.99	6.99	6.99	0
IndusInd International Holdings	19.59	20.09	16.82	18.56
Hinduja Power			6.55	
Aasia Corporation LLP	3.45	3.73	3.73	
Hinduja Ventures	5.23	5.66	3.46	
Others (incl ESOPs)	0.54	1.68	0.61	0.61

Source: HLFL Annual Report, MOFSL

Stock covered

TCS
Infosys
Wipro
HCL Technologies
Tech Mahindra
LTI
Mindtree
Cyient
Persistent
NIIT Technologies
Zensar

Accenture's outlook should calm the nerves!

Commentary and outlook are encouraging

- The company witnessed a robust increase of ~22% YoY in new bookings, driven by high demand for digital, cloud and security related services.
- This is impressive given the nearly two months of COVID-19 disruption in APAC/growth markets and almost a month of restricted global travel.
- Strong increase in bookings was led by Outsourcing (~40% YoY, CC) which is a key positive read through for Indian IT companies.
- For FY20, the company now expects revenue growth to be in the range of 3-6% YoY (CC), compared to the earlier guidance of 6-8% YoY (CC). This guidance downgrade was attributed to the COVID-19 impact - a significant part of which is expected to come in the May'20 quarter.
- It should be noted that the downgrade was driven more by the Consulting segment rather than Outsourcing (which is more relevant to Indian IT).
- The company now expects margin expansion of 10-20bp YoY in FY20 v/s earlier expectation of 10-30bp, indicating limited expected disruption to operations.

Impressive performance despite COVID-19 impact on growth markets

- Overall revenue grew ~8% YoY in local currency at the top end of the guidance, despite nearly two months of COVID-19 disruption in some growth markets.
- Growth was broad based across the Consulting and Outsourcing segments.
- Across geographies, growth was driven by North America (11% YoY, CC). Despite slight deceleration (from 13% YoY in 1QFY20 to 11% YoY CC), growth markets delivered a good performance, especially in the context of COVID-19 impact for almost two months in some key APAC countries.
- Europe (2% YoY, CC) remained a drag on overall growth.
- Growth in Financial services (3% YoY, CC) was weak. Within this segment, while Insurance reported strong growth, Banking and Capital markets remained modest. Growth in FSI was largely driven by growth markets, followed by the Americas, while business in Europe witnessed a contraction.
- Notably, the key operational parameters like utilization remained stable (at 91%), despite the lockdowns in some geographies.

Adapting to a new way of work due to COVID-19

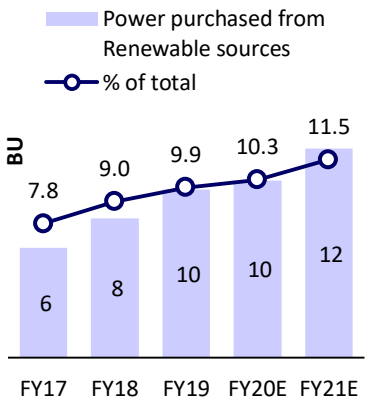
- The company indicated that, till date, it has not experienced any material disruption to its service delivery.
- Travel was restricted and employees were asked to work from home wherever possible. Significant portion of the workforce (60% in India/Philippines and ~85%-90% in geographies like Italy/Spain) is already using this option.
- Accenture has a good expertise in virtual work using collaborative technologies. Note that the company is the largest user of Microsoft Teams globally.
- In cases where services cannot be delivered from home due to the nature of the business or other constraints, measures are taken to reduce the density of employees across centers, initiate extra hygiene and social distancing protocols.

- Anecdotes around continued recruitment and virtual onboarding in locked-down and heavily impacted geographies like Italy reiterate the company's/business model's adaptability in challenging situations.

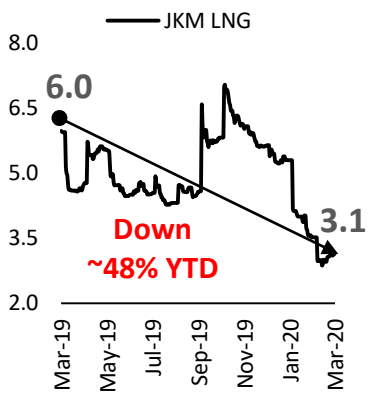
Should calm the nerves of Indian IT investors

- Accenture's Feb'20 performance is perhaps the first quantitative data which came out post the start of COVID-19 disruption in APAC in late Dec'19.
- Analysis of geographical growth rates, utilizations and new deal wins in outsourcing suggests no damaging disruption due to COVID-19 so far.
- The revised revenue growth, margin guidance, commentary around demand and supply are encouraging, especially in the context of the recent alarming increase in COVID-19 cases in major markets like the US, the UK and Europe.
- This should partly calm the nerves of Indian IT investors about the potential disruption to operations, business continuity and new deal wins.
- Despite the near-term COVID-19 uncertainties, we continue to like Infosys/HCLT/TCS among Tier I, and LTI/Mindtree/Hexaware among mid-caps.
- This is attributable to their robust business models, high return ratios, strong management teams and attractive valuations after the recent sharp correction.
- These companies have the legacy of overcoming multiples business challenges and technology change cycles in the past. Accordingly, we believe they will be able to adapt and overcome any transient challenges posed by COVID-19.

GUVNL – Power purchase from Renewables



JKM LNG Futures (USD/mmbtu)



GUVNL: Increasing focus on renewables

We recently met senior representatives of Gujarat Urja Vikas Nigam Ltd (GUVNL), which manages the purchase and sale of power to Gujarat's four public DISCOMs.

- **GUVNL is planning to increase its purchase from renewables and also expects higher off-take from gas-based plants, given the decline in LNG prices.**
- **However, GUVNL's plans to procure 3GW power on a long-term basis are currently on hold. Key insights highlighted below:**

Long-term PPA of 3GW put on hold

- In Feb'19, GUVNL had invited competitive bids for long-term PPAs of 3GW for coal-based plants. However, clearances/amendments for coal supply from Gujarat State Electricity Corporation Limited's (GSECL) coal blocks have not been received. Issues with respect to the same are unlikely to get resolved soon, and thus, plans for a new long-term PPA have been put on hold.
- GUVNL will make use of gas-based plants along with dependence on short-term market (exchange, possible banking transactions with other DISCOMs) to manage its peaking requirements.
- According to GUVNL, focus on renewables has risen and developments on battery storage technology need to be tracked. The state-owned entity has adopted a wait-and-watch approach as it believes that demand for floating new coal-based PPAs over the next few years could be very much dependent on how renewables evolve.

Focus on renewable capacities

- With a view to meet its RPO obligations, GUVNL has floated various tenders for renewable projects over the past few years. GUVNL already has ~5.8GW of renewables tied up. Further, ~2.1GW of tenders have been awarded and are yet to get commissioned. Commissioning of these, will increase its renewable allocation to ~8GW.
- In addition, tenders for 1.6GW of renewable projects are to be floated/ awarded soon, which includes 700MW/100MW tenders at Dholera/Raghanesda solar parks.
- GUVNL is also working with GETCO to build renewable capacities near its substations to reduce transmission costs. In addition, under the Surya scheme farmers have been encouraged and are incentivized to develop small-size solar plants.
- Land procurement has not been an issue for tenders floated by GUVNL (intra-state). The state government, though, has changed land allocation policies for inter-state (SECI and others) projects, given the large size of these tenders and as power would be moving out of the state. Incrementally, land would be allocated toward the state's north-west region of Khavda.

Decline in LNG prices to support higher off-take from gas-based plants

- GUVNL plans to increase its off-take from gas-based power projects through the existing PPAs. Gas-based plants are better at handling seasonal load and provide flexibility, and thus, the aim is to use gas to manage peaking power.
- Globally, gas prices have been on a downward trend and possible increase in domestic gas production could improve the supply position. Further, GUVNL has noted that it has placed orders for power off-take from its PPA-tied gas-based plants at an expected variable cost of INR2.85/kWh.

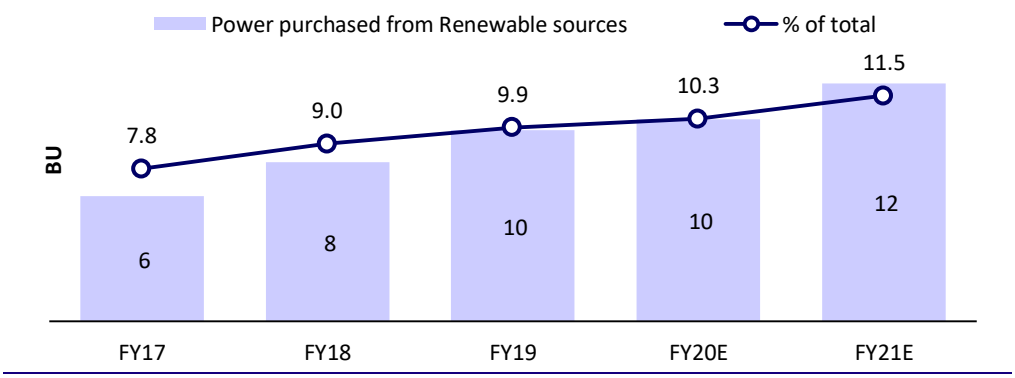
Upcoming renewable capacities awarded by GUVNL

Developer	Type	Capacity (MW)	Tariff (INR/ kWh)	PPA signed	SCOD
GSECL	Solar	100	2.65	-	-
Tata Power	Solar	300	2.75	Nov-19	Feb-21
Electro Solaire	Solar	200	2.65	Aug-19	Nov-20
GSECL	Solar	100	2.68	Aug-19	Nov-20
GIPCL	Solar	100	2.68	Aug-19	Nov-20
Tata Power	Solar	100	2.70	Aug-19	Nov-20
Anisha Power	Wind	40	2.80	Aug-19	Feb-21
Shivalik Wind	Wind	100	2.80	Aug-19	Dec-20
Powerica	Wind	51	2.80	Jul-19	Jan-21
Paryapt	Solar	50	2.55	May-19	Nov-20
GSECL	Solar	75	2.67	May-19	Nov-20
Juniper Green	Solar	120	2.67	May-19	Nov-20
Adani Green	Solar	150	2.67	May-19	Nov-20
Renew	Solar	105	2.68	May-19	Nov-20
Adani Green	Solar	100	2.44	Nov-18	Nov-20
Aditya Birla Renewables	Solar	100	2.44	Oct-18	Jul-20
Giriraj Renewables (Avaada)	Solar	300	2.44	Oct-18	Oct-20
		2,091	**2.64**		

Source: MOFSL, GUVNL, GERC

Tariff filings indicate share of power purchase from renewables for GUVNL would increase to 11.5% in FY21.

GUVNL – Power purchase from Renewables



Source: MOFSL, GUVNL, Tariff filings

1. INDUSIND BANK: BANK HAS NEITHER EVALUATED NOR CONSIDERED INVESTING IN YES BANK; Romesh Sobti, MD & CEO

- In a letter addressed to all shareholders have very clearly said that bank has neither considered nor evaluated, especially at management and board level, any such sort of a proposition (Yes Bank). These are absolutely unfounded rumours based on a passing remark relating to the fact that it could be a good investment.
- In Q3, showed a capital adequacy of 15.4% and the market knows that there is subscription to preference issuances that happened during the merger with Bharat Financial and that will clearly take it well beyond 16%. Bank has a threshold and some sort of informal guidance from the board that you should keep that threshold on capital adequacy and it is a very high threshold. Thought bank will raise money to keep that threshold. The market changed and do not need the capital.
- Bank has enough and more capital to generate a loan book in the vicinity of 20% or more for the next two years.
- Regarding the City Bank pledge. The clarification letter came from the holding company. Have given it to the exchanges. They (Hinduja family) are better placed to speak about it but it is a three-year-old facility. There is no additional pledge or anything there. It is a very small percentage, probably used to raise liquidity for other activities. But they have to give that clarification.
- As far as vehicle financing is concerned, performance has stuck out very nicely. Performance has been better than the industry, both on the growth side and also on the quality of the book side. The credit cost has been extremely range-bound and well within the parameters that bank has seen for almost 30 years of financing this particular book.
- In the first half of the year, microfinance was slower because of the issues of floods in a few states and of course, that particular typhoon or cyclone in Odissa, the second half has come out very strongly, growth has returned into the microfinance sector, collections are in the vicinity of 99.6-99.7%. The credit cost has remained range bound within 30-35-40 bps.
- On the diamond financing side, that book is as close to being as pristine as possible. Do not have a single day's overdue in that book.
- No truth in NHAI pulling out Rs 15,000 crore of deposits after the Maharashtra order.

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2. HPCL: FALL IN CRUDE PRICES TO HELP IMPROVE REFINING MARGINS IN NEAR FUTURE; MK Surana, Chairman

- (Crash in crude) is abnormal, it is quite sharp and it is not guided by purely the demand side of the product also.
- So, in the near-term, should see softness in most of the Middle-East crude to follow and may see better margins on the refining side. Lower crude price is good for the refiners. Company should see better margins in the near future.
- Sudden fall in the crude price does cause the inventory losses but company has still got 24 more days in the month of March. So, when you see sudden fall in the crude prices, the pick up is also sharper if at all it happens. So may see the days of gain also in March. So it will ultimately pay out, the net of it. However, as far as margins are concerned, expect better margins in the nearer month now.
- As far as February was concerned, demand was better than the earlier months. Year-on-year (YoY) you should see growth in the month of February in diesel and in petrol. Expect around 5 percent in diesel in the month of February. There was one additional day in that month but even after discounting that day, it is better than earlier months. The petrol growth have been better earlier as well. So, could see 2-2.5 percent more growth in February YoY.

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3. INDUSIND BANK: DID NOT DEFER CAPITAL RAISING DUE TO FEAR AROUND AT1 BONDS; Romesh Sobti, MD & CEO

- Capital adequacy is well beyond 15 percent and another 1 percent to come in from the residual preference share, which the promoters have committed as consequence of Bharat Financial Inclusion merger.
- Have got enough fuel in the tank for the next 2 years for loan growth etc. It's just that the board feels comfortable at a certain threshold and whenever bank is near that threshold it does some sort of a top-up and that's why this proposal came up about 10-15 days ago.
- Did not defer capital raising due to fear around AT1 bonds. Just thought that there is a lot of dust flying around and bank doesn't need the capital. So let's defer till another day.
- (Regarding Yes Bank) The moratorium is standard process that happens whenever this sort of a restructuring takes place or a merger takes place and indications are that it is going to be lifted sooner than later in 30 period that came in. Think there should be more comfort now that it's clear that the resolution plan is very firm, who takes what is also getting cleared. Seeing huge amount of interest as an attractive investment destination.
- Deposit figures have shot up since announcement of Yes Bank moratorium. Actually, bank is carrying huge amount of excess liquidity.
- (Yes Bank) is a very attractive proposition.

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1. OPPORTUNITIES FOR INDIA IN THE ASIAN CENTURY

- India is at an inflection point. Its recent period of significant growth—faster than the global average—has stalled in the face of global headwinds against trade, volatile commodity markets, stagnant private investment, weaker domestic consumption and constrained government spending in the wake of recent fiscal and monetary reforms. At the same time, Asia is becoming the world's powerhouse and economic center. New research from the McKinsey Global Institute finds that Asia could generate more than half of the world's GDP by 2040 as cross-border flows shift toward the region, which is rapidly integrating; with 60% of goods traded, 56% of greenfield foreign direct investment (FDI) and 74% of journeys by Asian air travelers taking place within the region. This research identifies 4 distinct sub-Asias—diverse groups of economies with characteristics that complement each other, which are fast becoming increasingly interconnected. As a result, dynamic new flows and networks are appearing, redefining globalization as we know it. The new era will be one of regionalization, and Asia is taking a lead. Historically, India—and other countries in 'Frontier Asia' (Bangladesh, Sri Lanka, Kazakhstan, Uzbekistan, etc)—have had relatively low levels of integration when compared with the rest of the region; only around 31% of their flows are intra-regional. Yet, how they now respond to these shifting flows, and the opportunities they present, could be key in defining and delivering its next chapter of growth.

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2. MONETARY POLICY'S BLINKERED VIEW OF CREDIT

- The RBI's frequent shifts in policy relating to bank lending rates over the last 25 years — starting with the PLR in 1994, the BPLR (2003), Base Rate (2010), the MCLR (2016), and now, external benchmarking — reflect policy rate uncertainty. Leaving aside the market rates, even banks' lending rates remain at variance with monetary policy intents. Growing financial sector instability/vulnerability, growth uncertainty, credit-constrained MSMEs, low farm prices, surplus liquidity with banks as against unprecedented liquidity constraint with businesses and a high level of cash in the economy despite digitisation reflect poor monetary policy outcomes. How did we get to such adverse conditions? Why is the financial sector more vulnerable now than ever before, despite the experience/expertise gained by the RBI over the last 25 years, the advent of monetary-model based policy analysis and economic forecasting, and Big Data analytics? One of the key reasons lies in the bank-centric monetary policy framework. It misses out on the systemic role of the trade credit channel in defining monetary policy transmission (MPT). A guesstimate of working capital requirement based on the turnover of 94.3 lakh firms which filed income tax/service tax returns for FY14, the outstanding working capital of banks and miniscule bank working capital flows to the unorganised sector show that banks meet less than one-third of the aggregate working capital needs of businesses. A monetary policy architecture which built on a narrow, bank-centric base cannot be stable and sound.

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3. AMERICA'S WAR ON CHINESE TECHNOLOGY

- The worst foreign-policy decision by the United States of the last generation – and perhaps longer – was the "war of choice" that it launched in Iraq in 2003 for the stated purpose of eliminating weapons of mass destruction that did not, in fact, exist. Understanding the illogic behind that disastrous decision has never been more relevant, because it is being used to justify a similarly misguided US policy today. The decision to invade Iraq followed the illogic of then-US Vice President Richard Cheney, who declared that even if the risk of WMDs falling into terrorist hands was tiny – say, 1% – we should act as if that scenario would certainly occur. Such reasoning is guaranteed to lead to wrong decisions more often than not. Yet the US and some of its allies are now using the Cheney Doctrine to attack Chinese technology. The US government argues that because we can't know with certainty that Chinese technologies are safe, we should act as if they are certainly dangerous and bar them. Proper decision-making applies probability estimates to alternative actions. A generation ago, US policymakers should have considered not only the (alleged) 1% risk of WMDs falling into terrorist hands, but also the 99% risk of a war based on flawed premises. By focusing only on the 1% risk, Cheney (and many others) distracted the public's attention from the much greater likelihood that the Iraq War lacked justification and that it would gravely destabilize the Middle East and global politics.

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