

## MIDNIGHT NEWS UPDATE - 11th FEB 2020

- Mutual funds flows for January 2020 turned in a positive show. The equity fund inflows were up by nearly 75% at Rs.7,877 crore while overall flows into mutual funds during the month was Rs.1.20 trillion taking the total average AUM of the Indian mutual fund industry to Rs.28.2 trillion. The debt fund flows were dominated by flows at the short end with liquid funds and low duration funds attracting the bulk of the inflows. On the equity side, mid cap and small cap funds attracted a lot of interest. SIP flows during the month at Rs.8538 crore also stood at a record level with SIP accounts crossing 3 crore.
- Brent Crude prices fell to a 13-month low of \$53.90/bbl on Monday even as the WTI Crude fell below the psychological \$50/bbl mark. The oil markets saw a huge sell off as the Chinese Coronavirus death toll crossed the 1000 mark, making it worse that the SARS epidemic of 2003. China is also a lot more central to the world economy and global demand at this point of time. Brent crude prices also fell as markets waited for Russia's response to OPEC's call for cutting supplies. In the meanwhile, the risk of US flooding the market with oil towards the last quarter of the year also remains a real challenge for oil.
- D-Mart has surely had a dream run since its listing less than 3 years ago. The stock is already quoting at 8 times the IPO price, making it one of the best post-IPO performers in the Indian context. With the latest rally post its QIP issue, the stock has joined the select club of Indian corporates with market cap of more than Rs.150,000 crore. Along the way, D-Mart has beaten Bajaj Finserv and even Nestle India in terms of market value. D-Mart operates value oriented retail stores in residential locations and offers huge discounts and offers on its products ensuring maximum shelf churn and profit per square feet.
- The RBI has clarified that banks lending to specified segments like autos, housing and MSMEs will get CRR exemption for a period of 5 years. In the Credit policy announced on 06th February, the RBI had announced that any bank lending to housing, autos or MSMEs will be allowed to deduct such incremental loans from their NDTL (net demand and time liabilities) for the purpose of calculation of CRR. This would be a tremendous incentive as CRR balances don't earn any interest. However, the period of relief was moot point, which has now been clarified. It is expected to boost loan demand.
- Even as auto companies made a smart sales pitch at the auto Expo, auto sales numbers for the month of January 2020 continued to remain tepid. Despite significant discounts offered, the sales of passenger cars continued to fall in January 2020. Domestic passenger vehicles sales for the month of January fell by 6.2% to 262,714 units as per data released by SIAM. One of the reasons for the continued pressure on auto numbers is the China Coronavirus threat in China. It needs to be remembered that China forms an important part of the supply and demand chain for automobiles and hence the pandemic has disrupted auto schedules across the world including India. The bounce in sales in October and November now appears to be more of a temporary festival blip. Weak GDP and high cost of ownership also hit sales.
- Net loss of Indian Overseas Bank widened to Rs.6075 crore for the quarter ended December 2019 after the bank made a provision of Rs.6664 crore towards non-performing assets and investments. This is more than 3 times the provisioning made in the Dec-18 quarter and goes to underline that the stress on bank balance sheets is far from over. Total revenues for the period were down 10% at Rs.5198 crore even as net interest income (NII) was down to Rs.1279 crore. The net interest margins (NIM) for the bank were precariously low at 1.94%. Gross NPAs were down at 17.12% but still unsustainably high.

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