Market Marker...

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MIDNIGHT NEWS UPDATES

- For the financial year 2019-20, the foreign direct investments or FDI continued to be robust even as the foreign portfolio investments continued to remain tepid. While direct investments were up by $19 billion, the portfolio investments actually fell by $13.7 billion. However, net claims of NRIs in India declined by $57 billion during the year. During the year, the international financial liabilities increased by $16.7 billion. Net claims of NRIs in India fell by $45 billion in the fourth quarter which included $28 billion reduction in NRI assets in India and $17 billion of outward investments by Indian residents.

- Cigarette maker, Godfrey Philips, reported a 20% fall in net profits in the Mar-20 quarter to Rs.38 crore. Total income was higher by 4.82% in the fourth quarter at Rs.709 crore. Its revenues from cigarettes and tobacco business continued to remain the mainstay accounting for nearly 83% of the total revenues of the company during the fourth quarter. The balance was accounted for by revenues from sale of retail and other related products. For the full fiscal year 2019-20, Godfrey Philips reported 48% growth in profits to Rs.384 crore even as total revenues were up by 18% at Rs.3175 crore for the full year.

- ONGC reported a loss of Rs.3098 crore for the Mar-20 quarter on the back of Rs.4899 crore written off in the quarter by way of impairment of assets. Overall revenues for the Mar-20 quarter fell by 19.8% to Rs.21,456 crore. The impairment loss was largely on account of the steep fall in crude prices reducing the value of its inventory substantially. For the full year, ONGC profits nearly halved to Rs.13,444 crore. Since the prices of oil and gas are sharply down, the company was forced to take major hits due to the sharp fall in the price of oil and gas. Crude production fell by 1.5% even as gas output was 7% lower.

- HDFC bank will raise nearly Rs.50,000 crore via a mix of AT1 bonds and infrastructure bonds. These bonds had recently been in some controversy in the Yes Bank case. It also plans to use part of this money to buy out the home loan portfolio of HDFC worth Rs.28,000 crore. The AT1 bonds rank at par with equity as tier-1 capital. The debt component will be raised through unsecured, perpetual debt instruments. Total capital adequacy of the bank stood at 18.5%, which his well ahead of the statutory requirement of 11.075%. HDFC Bank has a share of 9.93% of the total advances in the banking system.

- India's core sector output for the month of May 2020 shrank by 23.4% which is hardly surprising considering that key metros had been under virtual shutdown till the end of May this year. Output left a lot to be desired as the weak cash position, lack of demand and an ambiguous labour policy did not yield desired results. The contraction was not as bad as the -37% reported in the month of April but it is still challenging. Steel production tumbled and that was hardly surprising as most of the steel companies are facing a massive demand crunch. While cement did not fall as much as steel, it still shrank by 22%. Core sector output assumes significance for the economy as it accounts for nearly 42% of the IIP and can have a great influence on GDP growth. A lot would depend on government infrastructure spending.

- India's fiscal deficit had touched 58% of the full year target in the first two months itself and that may result in another year of the fiscal deficit spilling over. The fiscal deficit has been facing a double whammy. While government spending has been rising on account of support required to boost the economy, the revenues on the direct and indirect tax front have been weak even as disinvestments are on hold. The lag effect of COVID-19 is still an unknown factor. Fiscal deficit is expected to touch a record 6.7% of GDP during the year. India may have to be careful of sovereign rankings and the rupee value.

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