

MIDNIGHT NEWS UPDATES

- The Bull Run in the market has pushed the markets to a 10-year high. On a day when the Nifty scaled the 10,800 mark, the P/E ratio of the Nifty was at 20 times 1-year forward earnings. Although the Nifty is still 10% shy of its all time high, the valuations have become steeper from a historical perspective due to the sharp fall in earnings and the projections of a weak 2021. The Nifty P/E ratio is also well above its 10-year average of 16.5X. The markets had made an intermediate bottom on March 23 and have bounced nearly 45% since then. During this period, earnings and indices have largely diverged.
- Private equity investments into India dropped by 65% during the June quarter to Rs.145,000 crore. The number of deals also fell by 9% to 161 in the June quarter. Internet, computer services, software and financial services continued to attract the bulk of the PE flows, accounting for nearly 70% of all the PE flows. However, even these flows were down by nearly 70% in all the cases. In the previous four quarters, these investments have been in the range of \$3.5 billion to \$4 billion on a consistent basis. This is an indicator of the extent of risk money that PE investors are willing to commit to India.
- Digital mutual fund platforms are now looking to offer loans to customers against units of mutual funds held by them. Such loans come at an interest rate of around 9-10%. This will be the latest logical extension to their service portfolio. This can help the investors to monetize their investments without having to selling their mutual funds to meet any short term emergency liquidity requirements. This kind of liquidity enhancing facilities has become especially popular during the COVID-19 situation. The facility will be like an overdraft and the interest will only be charged against utilized limits.
- GMR Infrastructure, which runs the Delhi and Hyderabad airports in India, has successfully completed the sale of 49% in its airports business to ADP Group of France. There have been some modifications in the terms of the deal. Under the revised purchase agreement, the second tranche of the investment for 24.01% of GMR Airports Ltd is structured in two parts with a fixed component and a variable component. Due to the COVID-19 situation, the deal was redesigned to have a greater performance related target. The deal was signed in Feb-20 for a total consideration of Rs.10,780 crore.
- Banks have sanctioned Rs.114,000 crore of loans to MSMEs under the credit guarantee scheme announced by the government as part of the COVID relief package. The PSBs or the public sector banks sanctioned Rs.65,864 crore under the export credit scheme of which Rs.35,575 crore has already been disbursed to the MSMEs till date. The total emergency lending limit stands at Rs.300,000 crore which the government had announced to address the post-COVID slowdown. The overall disbursements, including the private banks, stood at Rs.56,091 crore under the scheme. In all, 12 PSBs, 20 private sector banks and 10 NBFCs have participated in this scheme. Private Banks have sanctioned Rs.48,639 crore under this scheme of which Rs.20,516 crore has already been disbursed. SBI accounted for the bulk.
- SEBI has introduced a slew of regulations governing registered investment advisors or RIAs. SEBI has introduced client level segregation and also barred the same entity from providing distribution and advisory service to avoid any conflict of interest. In addition, the regulator also increased the net worth requirements of the entity as also it has enhanced the qualification standards for the RIA. SEBI has not touched upon the quantum of fees and left it to mutual discussion. Non-RIAs cannot use terms like wealth advisor or independent financial advisor to represent themselves to their clients.

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