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MIDNIGHT NEWS UPDATES

- Government of India plans to sell 15-20% stake in IRCTC, the tourism and ticketing unit of Indian Railways, through an offer for sale. However, the government has not disclosed how much it wants to sell and at what indicative price. The GOI will mostly sell 15% with the right to retain an additional 20% based on demand. The government currently holds 87.40% after the IPO last year and this OFS is intended to lower the GOI stake to 75% in line with SEBI norms. IRCTC has been one of the best performing stocks on the bourses, since its listing last year, due to its near-monopoly business model.

- Jindal Stainless Ltd, part of the OP Jindal group, reported a net loss of Rs.86.50 crore for the first quarter ended on Jun-2020. The sharp fall in profits was on the back of reduced total revenues, which actually fell almost to a third at Rs.1272 crore for the Jun-20 quarter. It may be recollected that Jindal Stainless had reported a net profit of Rs.66.84 crore in the Jun-19 quarter. The good news for the company was that the total expenses for the quarter halved to Rs.1410 crore. Most of the steel companies have been under pressure in the last quarter due to the lag effect of COVID-19 and the labour and supply chain disruptions caused by the pandemic. The operations at the plant were suspended in April and part of May, although the company has now reported that production is getting back to normal levels.

- Motherson Sumi plans to raise Rs.1500 crore to Rs.3000 crore through the issue of non-convertible debentures or NCDs. Motherson, being India's largest auto ancillary company, was badly hit by the disruptions in the domestic and international automobile sector. The fund raising is to take care of the liquidity mismatches and also to keep a war chest ready in the post COVID growth scenario. The NCDs will have tenure of 3 years. For the Jun-20 quarter, the company had reported a net loss of Rs.1192 crore but the company has very aggressive expansion plans for the future and funds will be handy.

- Wipro has announced a multi-year global agreement for providing automotive engineering services with Marelli, which is an independent supplier to the automotive sector. Wipro will establish a software engineering factory on behalf of Marelli based on its EngingeeringNXT framework. Marelli will use this agreement to improve upon its operational efficiency and focus on connectivity and mobility solutions. Wipro did not disclose the value of the deal but estimates are that it must be in the top-bracket for Wipro. Marelli is already a Wipro customer for IT services and has now extended it to engineering too.

- Government is also looking to capitalize on the defence buzz and dilute its stake in Bharat Dynamics Ltd, another defence company. This comes just after the Rs.5020 crore OFS by HAL last week. Government will look to sell at least 18.30 crore shares in the OFS and will retain the right to sell more if there is appetite for the paper. The floor price for the OFS has been set at Rs.330, which represents a 14% discount to the company's closing price on Monday. Currently, the government holds 87.75% in Bharat Dynamics and here also it is looking to reduce its stake to 75% in line with the SEBI stipulations for PSUs.

- Fitch estimates that the world economy will contract by (-4.4%) in 2020 but the Chinese economy would still grow by 2.7% during the year, assisted by a sharp recovery in the September and December quarters. The emerging markets space; ex-China has been downgraded by 100 bps to -5.7%, largely on the back of a sharp contraction in the Indian economy. In fact, India is estimated to contract by -10.5% in FY21, as compared to the original estimate of -5.5% contraction. Fitch has pointed out that India was unnecessarily stringent in its lockdown but also did not have the resources to back up the recovery with appropriate fiscal support. On the other hand, the GDP growth for China in CY2020 has been upgraded from 1.2% to 2.7% on a rapid recovery in investments and a rapid pick-up in exports out of China.

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