

MIDNIGHT NEWS UPDATES

- Foreign portfolio investors or FPIs have infused a net amount of Rs.1086 crore into Indian markets in the first 9 days of October. Interestingly, while foreign investors pumped in Rs.5245 crore into equities, they actually withdrew Rs.4159 crore from debt markets. In September, FPIs had turned net sellers after a fairly long gap. The net inflow into equities was driven by a mix of better Q2 result expectations, rise in GST collections and falling COVID numbers. Debt investors have been cautious about bond yields due to spiralling fiscal deficit. However, the language of the monetary policy should offer some comfort.
- The much talked about plan to delist Vedanta has been put off for now due to the promoters not being able to muster the required 90% outstanding capital. The promoter group need to mop up a total of 1.34 billion shares but could manage confirmed bids of just 1.26 billion shares at the end of 5 days of the reverse book building process. Hence the shares tendered for delisting will be returned to shareholders and the company will continue to remain listed for the time being. The company was apparently forced to withdraw the offer to delist after LIC, which owns 6.37% in Vedanta, refused to step down from its required price of Rs.320. The promoters were prepared to pay up to Rs.150-160 per share, in a best case scenario. This entire episode could trigger insider trading probe due to wild stock price fluctuations.
- It was a week of gains for the heavyweights. A total of nine out of the ten most valuable companies on the Nifty gained Rs.301,145 crore in market capitalization during the week. TCS alone contributed market cap accretion of Rs.109,645 crore during the week as its overall market cap crossed the Rs.10.50 trillion mark. Among other big gainers, HDFC Bank added Rs.69,952 crore while Infosys added Rs.38,271 crore to its market value. HDFC, ICICI Bank and HCL Tech were the other value gainers during the week. Hindustan Unilever, Reliance and Kotak Bank made tepid gains while Bharti Airtel actually lost value.
- GST Council will meet on 12 October for hammering out GST revenue sharing formula with states. Non-BJP ruled states refused to accept the borrow-and-spend formula and insisted that centre transfers funds. The BJP ruled states fell in line and want to go ahead and borrow. However, the 10 non-BJP ruled states are unwilling to accept the government suggestion to borrow from the special window as it would worsen their fiscal deficit. The last meeting failed to reach a consensus on ways to compensate states for loss of tax revenue. The projected compensation shortfall in current fiscal is Rs.235,000 crore.
- The impact of COVID-19 is visible in the marked decline in cargo traffic of the top-12 ports in India. These ports registered 14% drop in the first half FY21 to 298.55 MT. In comparison, these 12 ports, under the control of the central government, had handled cargo volumes of 348.23 MT in Apr-Sep 2019. This is the sixth straight month of decline in cargo volumes. Like in August, all ports barring Mormugao saw negative growth. The Kamrajara Port, Ennore saw 31.63% fall in volumes while Chennai, Cochin and JNPT saw 20% fall in cargo volumes. The fall was much lower at 15% for Kolkata and Mumbai ports.
- Out of the 12 PSU banks still around, 5 banks are trading close to their face value, despite a frenetic rally in markets including private banks and NBFCs. Among the south-based PSBs, Indian Overseas Bank trades at less than Rs.10. The other four PSBs trading below par include Bank of Maharashtra, UCO Bank, Punjab & Sind Bank and Central Bank of India. Most of them are either below par or marginally above their face value. Ironically, most of the PSU banks are currently quoting very close to their 52-week low levels. Stock prices of PSBs have been hit by weak asset quality, tepid business environment and low credit off-take. There is an issue of limited free float in most PSBs with government owning over 90% in IOB, UCO Bank, BOM and Central Bank. That has also impacted the valuations of PSBs.

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