

## MIDNIGHT NEWS UPDATE - 19th FEB 2020

- As the telecom crisis showed no signs of abating, Kumaramangalam Birla met the Telecom Secretary along with Ravinder Takkar, CEO of Vodafone Idea. While the contours of the discussion were not made public, Birla had obviously tried to impress upon the Telecom Secretary that DOT cashing the bank guarantees of Vodafone Idea would be tantamount to pushing Vodafone into insolvency. Vodafone Idea has an AGR bill of Rs.53,000 crore of which hit has paid only Rs.2500 crore. Vodafone had been seeking a phased schedule plus waiver of interest and penalty; something the Supreme Court did not entertain.
- There could be some positive news on the inflation front with food grain production expected to touch a record high of 292 million tonnes in the fiscal year 2019-20. Most of the staple crops like rice and major pulses were lower than targeted due to weak monsoons in the Kharif season. However, the late monsoons ensure that the reservoirs were filled to capacity helping farmers to rake in a solid Rabi harvest during the winter. This is nearly 3% higher than the total food grain production in the previous year. The only crop that got negatively impacted by the erratic monsoons was the sugarcane crop.
- The Karvy case may be actually getting more complicated. On the one hand, Karvy has sought time till the end of March from SEBI to discharge all their liabilities. Currently, Karvy has a net payout of Rs.678 crore to the stock broking investors. Karvy plans to sell its stake in a group company and make good this shortfall. However, a new complication has arisen with some of the banks that had lent against shares to Karvy moving the SAT against the depositories for reversing shares from their demat accounts to the client account. The banks have sought damages from the depositories and SEBI for the losses.
- Crude oil fell to the \$56/bbl mark on Tuesday after the Chinese Coronavirus pandemic showed no signs of abating. It has already caused the deaths of nearly 2000 persons with another 75,000 infected with the virus in different parts of the world. This has led to a virtual 20% contraction in oil demand from China and that has kept oil prices lower. In addition, the OPEC was supposed to enhance supply cuts but Russia is having second thoughts about enforcing further supply cuts when Chinese demand is so weak. The ambivalence from OPEC and Russia also served to keep oil prices lower.
- The Indian pharma industry may be in a race against time as it has just about 2 months inventories of Chinese active pharma ingredients (APIs). China has been a key connection in the supply chain for most Indian pharma companies. With the trade already disrupted for over a month due to the Chinese virus scare, the Indian pharma industry may be running low on stocks of raw materials with no alternative supply source able to manage anywhere close to the volumes of China. India's annual imports of APIs from China is to the tune of Rs.17,000 crore. The Indian companies are looking at some alternatives for supply from Europe but that may entail higher cost of manufacturing and transportation. Indian Pharma is already facing pressure from the US FDA on investigations and on the global competition front.
- Gold ETFs may be back in the shopping baskets of the investors. The total AUM of the Gold ETFs at Rs.6200 crore is still half of the level of Rs.12,300 crore that the gold ETF AUM touched in January 2013. Since then it has been a steady downslide for the gold ETF AUM. The good news is that for the month of January, the gold ETF saw a sharp spike in AUM by Rs.220 crore; the best monthly inflow in nearly 7 years. The inflows into gold ETFs are driven by the rising price of gold and also as a hedge against the volatility of equities. The Chinese virus scare has positioned gold as a safe haven asset.

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