

## MIDNIGHT NEWS UPDATES

- According to a recent report by Morgan Stanley, the Emerging market stocks have touched their highest levels since 2018 as shown by the MSCI Emerging Markets Index. With China likely to report higher GDP growth than 1.9% in the year 2020, there has been a sudden surge of interest in EM stocks, most of which tend to be economically dependent on China growth. In fact, the MSCI EM index has appreciated 50% since the lows of late March this year, making it the fastest broad index rally. In October, the market of the Chinese Stock Exchange topped \$10 billion for the first time since 2015.
- Ultratech, India's largest cement company from the Birla group, has reported doubling of profits in the Sep-20 quarter as business gradually gets back to normal. Volume growth on a yoy basis stood at 20% for the quarter as the demand from the infrastructure more than made up for any slack in residential construction demand. Ultratech reported net profits of Rs.1235 crore in the Sep-20 quarter. Total revenue growth of Ultratech stood at 7.7% at Rs.10,354 crore. Over the last few years, Ultratech has substantially expanded capacity through the inorganic route. The profit growth came from cost cuts and greater focus on efficiency. Today, Ultratech is the only true blue pan-Indian cement company and that gives the company the capacity to play out the regional price cycles, which is quite common in India.
- RBI governor, Shaktikanta Das, has called upon all the banks and non banking finance companies in India to undergo stress tests to see if their balance sheets are really resilient. Stress tests are quite common among banks in the US and Europe where regular stress tests are conducted by simulating various scenarios. In India, there is no regulatory practice of doing such regular stress tests. Das has pointed out that the COVID-19 scenario is likely to have weakened the balance sheets and the capital servicing ability of many large banks and finance companies and the stress test would serve to highlight that.
- SEBI has penalized the promoters of Kirloskar Brothers to the extent of Rs.31 crore for breach of capital market norms. The Rs.31 crore is towards penalties and disgorgement of profits made. The case dates back to 2010 when Kirloskar Industries was made to buy shares of KBL. It is alleged by SEBI that at that point of time, many family members of the Kirloskar group, who had access to inside information sold the shares and made disproportionate profits in the process. SEBI has also Rahul and Atul Kirloskar from the securities market for a period of 6 months. This is one of the largest insider trading penalties levied.
- The initial response to the Equitas SFB IPO in the first two day has been less than flattering. As of the end of 21 October, the second day of the IPO, the IPO had received subscriptions to the tune of 67% of the overall issue size. Out of the total 11.58 crore shares on offer, the IPO only received bids for 7.8 crore shares. The break-up of investors is less than flattering. The retail portion got subscribed 1.42 times, possibly because of the low price. However, the HNI portion got just 5% and even the QIB portion got subscriptions of just 5% till Tuesday. The Equitas SFB closes for subscription on 22 October.
- For Bajaj Finance, the top line story continues to be intact but the problem is in the bottom line. For the Sep-20 quarter, Bajaj Finance reported 35% fall in net profits to Rs.965 crore largely on the back of higher provisioning. The Jun-20 quarter was a quarter when the stock did come under pressure but that has been more than made up in the Sep-20 quarter on the top line. However, the challenge on the bottom line still remains. Bajaj Finance had to set aside Rs.1370 crore this quarter as COVID provisions and has till date set aside Rs.5099 crore towards COVID related losses. The Bajaj Finance management has averred that it has been a tad more than generous in provisioning but showed confidence that these provisions should more than cover potential losses. Bajaj Finance is the largest consumer lender in India.

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