

MIDNIGHT NEWS UPDATES

- UTI AMC has secured SEBI approval for its Rs.3000 crore IPO. The IPO will constitute the sale of 3.89 crore shares at a price that will be decided through the process of book building. SBI, LIC and Bank of Baroda will be offering 1.04 crore shares each in the OFS while PNB and T Rowe Price will offer another 0.38 crore shares each. The entire issue will be by way of OFS and hence there will be no equity dilution because of the issue. Currently, SBI, PNB, LIC and BOB own 18.5% stake in UTI AMC while T Rowe Price owns the balance 26%. HDFC AMC has managed extremely attractive valuations in the market.
- Less than a week after downgrading the outlook for India, Fitch has now warned that India was quite vulnerable to a sovereign downgrade if growth failed to pick up and government debt crossed a certain threshold. A rate downgrade from the current level would put India in the speculative bracket. India's debt to GDP ratio stood at 70% which is much higher than the media ratio of 42% for similar rating category countries. Fitch has projected a 5.2% contraction in GDP growth for FY21 although it has also projected positive GDP growth in excess of 9% for FY22. Debt/GDP at 84% could be a bigger concern.
- India has the potential to reduce its trade deficit with China by \$8.4 billion by rationalizing just a fourth of its Chinese imports. According to the research, India needs to work on domestic manufacturing skills in a handful of sectors like chemicals, automotive components, drug formulations and electronics. This can be instrumental in reducing India's deficit with China by nearly 17% of the current figure. The report has pointed out that there were nearly 40 sub-sectors where India could easily reduce its import reliance on China and also reduce the trade deficit in the process. It would be positive for the INR.
- With the market capitalization of Reliance Industries crossing \$150 billion, it has now emerged as the 60th most valuable company in the world. Reliance Industries is now more valuable than companies like Astra Zeneca, Unilever and McDonalds after its stock price doubled in just 3 months. RIL is also in the process of becoming zero net-debt by March next year and towards that end it has successfully monetized its stake in Jio Platforms. Globally, Saudi Aramco remains the most valuable company with a market cap of \$1.75 trillion following by Apple, Microsoft, Amazon and Alphabet in that order.
- Fitch has warned India that a rating downgrade to Junk Status was a possibility for India if it did not take care of the twin parameters of GDP growth and debt to GDP ratio. GDP growth is expected at -5% in FY21 but is expected to improve to 9.2% in FY22. If India can achieve that turnaround, then growth should not really be a problem. The bigger concern for Fitch is that the debt to GDP ratio could worsen from the current level of 70% to 84% by next year. That would be sharply higher than the median figure of 42% for other countries in the same rating bracket and could trigger a downgrade to junk status. It may be recollected that Fitch had held the sovereign rating at the lowest investment grade but lowered India's outlook to negative. Currently, S&P is the only rating agency to retain stable outlook for India.
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- Even as Aurobindo is drafting its aggressive China plans, India has refused to give the go-ahead for Chinese 5G trials in India due to security concerns. India is betting heavily on next generation IT tech including artificial intelligence, machine learning, internet of things etc. However, these are just not compatible with 4G and they would require 5G networks to be effective. Interestingly, the 5G charge is not being led by the US, Japan or Europe but by China. Companies like Huawei and ZTE are at the front of 5G technology and with the border tensions going on, there is no way India can take these chances.

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