

MIDNIGHT NEWS UPDATES

- On Wednesday, the Union Cabinet cleared the Rs.25,938 crore PLI scheme for automobile sector. To be eligible for the performance-linked incentive (PLI) scheme, auto companies must invest Rs.2,000 crore for 4-wheelers and Rs.1,000 crore for 2-wheelers over a period of 5 years. This scheme will also apply to auto component manufacturers and the minimum investment limit for them is Rs.500 crore. The idea is to encourage localization of production as well as attract foreign investments. It has a strong green focus.
- The government announced a moratorium on repayment of telecom sector dues, which is likely to free up substantial capital for telecom companies. This is a boon for Vodafone Idea, which is struggling to stay afloat. There will be a freeze on repayment of statutory AGR dues for a period of 4 years. However, interest will be payable on the due amount at marginal cost of funds plus 2%. The yearly cash flow benefit is estimated at Rs.46,000 crore. The cash flows will be used for 5G and to upgrade from 2G to 4G network.
- Tuhin Pandey, Secretary DIPAM, confirmed that multiple financial bids had been received for Air India. That will get a new impetus with the Cairn irritant out of the way. Tata Sons has confirmed that they have put a bid for Air India. Air India has debt of Rs.43,000 crore out of which Rs.22,000 crore will be shifted to an asset holding company. Air India controls over 4,400 domestic and 1,800 international landing and parking slots at Indian airports and 900 slots abroad. This would be key to boosting divestment revenues.
- Tata Motors DVR rallied 14% on the NSE on Wednesday, supported by heavy volumes. It also touched 52-week high on Wednesday. The move in Tata Motors stock was relatively more muted at just 2%. Rakesh Jhunjhunwala holds 1.97% stake in Tata Motors DVR and 1.15% stake in Tata Motors. DVR shares have differential voting rights and they normally forfeit the voting rights in favour of higher dividends. However, the DVRs normally trade at a discount of 35-40% of the stock price, which makes it an attractive bet.
- ONGC and Oil India, the two principal oil extractors in India, rallied 5% on the back of strong crude oil prices. ONGC touched a 52-week high while Oil India had already gained 80% since the start of 2021 on the back of its sale of stake in Numaligarh Refinery. Brent crude got closer to \$74/bbl after a larger than expected drawdown in crude oil stocks in the US shifted sentiments on oil stocks. Recently, ICRA had given ONGC “AAA” rating for its Rs.7,500 crore NCD issue. Global natural gas prices have rallied 80% in 2021.
- As part of minority stake disinvestment program, government will sell 10% of Hindustan Copper through an offer for sale. The total funds garnered from the OFS would be Rs.1,170 crore. To begin with, the base sale is just 5% stake or 4.83 crore shares in Hindustan Copper at a price of Rs.116 per share. This represents 7% discount to the CMP. However, the government has kept a Greenshoe option to retain another 5%, based on demand. The 10% stake sale will generate Rs.1,122 crore for GOI and reduce its stake to 62.76%.
- According to early reports, Indian government may be seeking a valuation of around \$110 billion for LIC. That would still position LIC among the top-5 most valuable listed companies in India. The government plans to sell between 5% and 10% and would accordingly raise between Rs.40,000 crore and Rs.80,000 crore via the IPO. The success of the LIC IPO is crucial to the success of the disinvestment program, which proposes to raise Rs.175,000 crore in FY22. There is a fear that the LIC IPO could drain market liquidity.
- GST Council may impose a 5% GST on supplies from restaurants made by aggregators like Swiggy and Zomato. This proposal is likely to be discussed on Friday. The next meeting of the GST Council is scheduled on 17th September. However, the GST Council has also confirmed that any change would be prospective with adequate time given to these aggregators to make the adjustment. Instead of the restaurants, it will be the aggregators who will collect the GST. This will cover Rs.2,000 crore as revenues for government.

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