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The Smart Investor
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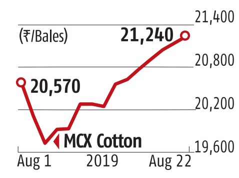
QUICK TAKE: RALLY IN COTTON MAY LOSE STEAM



Cotton prices have increased 7.7% in the past two weeks on reports of pink bollworm attack in parts of Maharashtra. However, analysts feel the rally will retreat on new crop arrival next month, higher imports and weak export demand due to the US-China trade war

"The first bear market you lose it all... second, you lose most of it but stay on... third, you lose a fair bit but gain... fourth, you remain unscathed during the carnage"

BASANT MAHESHWARI
Portfolio manager, author

Big bucks from West Asia banks on cards

ILLUSTRATION: BINAY SINHA

Sebi's move to enable central banks from over 60 countries to invest as FPIs

ASHLEY COUTINHO
Mumbai, 22 August

The Securities and Exchange Board of India's (Sebi's) move to ease norms for foreign portfolio investors (FPIs) may bring in millions of dollars into India from cash-rich central banks, particularly those from the Middle East, as well as attract new funds to the country.

On Wednesday, the regulator said central banks that are not members of the Bank of International Settlement (BIS) will be eligible for FPI registration. This would enable central banks from over 60 countries including those from Mauritius, Cyprus and the Middle Eastern ones such as Abu Dhabi, Dubai, Kuwait, Oman and Qatar to invest as FPIs.

"Central banks, particularly from the Middle East that have significant reserves, would like to invest in India. These countries' fortunes are linked to oil prices and when oil prices dip, India will serve as a natural hedge as it benefits from lower oil prices," said a person familiar with the matter.

The bulk of this investment could be in the fixed income space, reckon experts, particularly into government securities. "India's government bonds are stable, offer attractive yields and may see significant investment, leading to higher demand for such bonds."

"Central banks will prefer to invest in sovereign securities which is easy to get in and get out of and comes with zero credit risk. Worldwide, interest rates are in the negative zone but India is still attractive, with real interest rates in the range of 3.5-4 per cent. These banks would be comfortable taking naked positions on government securities given the stability on the fiscal, macro and currency fronts," added Ajay Manglunia, managing director and head - institutional fixed income, JM Financial. The yield on India's 10-year government securities stood at 6.56 per cent on Thursday.

To be sure, some of these countries already invest significant amounts, primarily in Indian equities, through their sovereign wealth funds. Abu Dhabi Investment Authority, for instance, often ranks among the top SWFs investing into Indian shares.

Doing away with the need for broad-basing of funds is expected to attract several new offshore funds to the country and spur inactive funds into action.

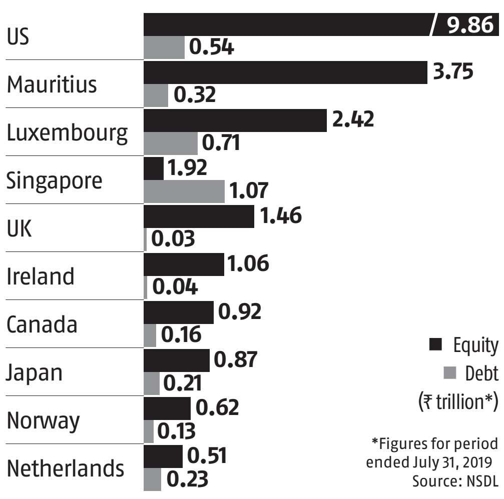
"Removal of broad-based requirement for obtaining Category-II license has been a long overdue industry demand. Previously, it was difficult for any fund albeit with deep pockets to obtain a category II license because of the need to have at least 20 investors. With this requirement done away with, we may see an influx of fresh foreign money making its way into the Indian capital market, and a surge in the number of FPIs," said Neha Malviya, director, Wilson Financial Services.

According to market observers, 600-700 funds have registered as FPIs in the past 2-3 months but are yet to invest owing to regulatory uncertainty. These funds were spooked after the Union Budget made the surcharge hike applicable for FPIs registered as trusts. Sebi's recent announcement will give some comfort to these investors and boost FPI flows, especially if the tax surcharge issue is addressed, believe experts.

"The broad based criteria has passed its necessity as a basis to establish diversified ownership. Accepting global standards where flows are accepted on the basis of whether a fund is regulated and from a pedigreed jurisdiction should be the norm," said Sameer Gupta, partner - financial services, EY India.

Risk-based profiling and aligning the FPI categories on that basis is also a big step, and will make it attractive for long-term investors such as university and pension funds to come to India, he added.

FPIs' ASSETS UNDER CUSTODY BY COUNTRY



*Figures for period ended July 31, 2019
Source: NSDL

Falling share prices may hit govt's PSU divestment plan

DEV CHATTERJEE & KRISHNA KANT
Mumbai, 22 August

The Centre's disinvestment target of raising ₹1.05 trillion for 2019-20 may take a hit as the stocks of several public sector undertakings (PSUs) hit all-time lows on Thursday. Some of these are trading at multi-decade lows. The BSE PSU index is down 22 per cent in the trailing 52 weeks and 16 per cent since January.

In comparison, the Sensex is down 4.7 per cent in the past 12 months and is still in the green for 2019, with gains of 1.1 per cent. The target for disinvestment receipts was increased to ₹1.05 trillion for FY20 in the Budget. It was raised from ₹90,000 crore in the interim Budget presented in February. The government will further look for consolidation of PSUs, along with their strategic sale, in the non-financial sector, Finance Minister Nirmala Sitharaman had said.

The data shows while some of the stocks such as Oil India, GIC of India, Coal India and MTNL touched new lows on Thursday, SAIL, Shipping Corporation of India and ONGC hit multi-decade lows (see chart).

Analysts said with the economy slowing down and corporate earnings expected to fall further, the markets would remain under pressure — with PSU stocks taking the maximum hit. "Consistent with the earnings downgrades and assuming a further 3 per cent cut to FY21 estimates, we revise our March 2020 Nifty target to 11,880 from 12,900," said a Nomura report.

The PSUs have been worse affected as they are largely present in investment and capex-related sectors such as capital goods, power, metal and mining, and commodities. Earnings growth for firms in these sectors has been hit due to a lack of private sector capex. There has been a general deterioration in the balance sheet of central PSUs in the past few years due to dividend payouts despite poor profitability. The combined borrowings of 51 central PSUs were up around 18 per cent YoY in FY19 against 10.9 per cent YoY growth in their operating profit and 17 per cent in net profit in the last financial year. In the same period, their cash reserves were down nearly 11 per cent as many paid dividends and spent cash on share buyback. Together, these PSUs reported debt to equity ratio of 0.76x in FY19 — the highest in at least a decade.

IN A BEAR GRIP
(Filtered for BSE200)

Firm	Remarks	Current close*
Oil India	Stock hits all-time low	142.30
GIC of India	Stock hits all-time low	160.20
Coal India	Stock hits all-time low	180.70
MTNL	Stock hits all-time low	4.90
Hudco	Stock hits all-time low	30.35
New India Assurance	Stock hits all-time low	104.10
SAIL	Stock hits a 15-year-and-four-month low	30.05
Shipping Corporation	Stock hits a 17-year-and-six-month low	25.25
BHEL	Stock hits a 13-year-and-eight-month low	48.00
ONGC	Stock hits a 10-year-and-seven-month low	116.85

*Aug 22, 2019; Data compiled by BS Research Bureau

IRCTC files draft papers with Sebi for IPO

SHINE JACOB
New Delhi, 22 August

The Indian Railway Catering and Tourism Corporation (IRCTC), the Railways' tourism and catering arm, could get listed within this financial year. The Centre on Thursday filed IRCTC's draft red herring prospectus (DRHP) with Sebi.

Market sources say the government plans to offload around 12 per cent stake through the IPO. The share sale could fetch between ₹500 crore and ₹600 crore and help the government with its disinvestment target.

IDBI Capital, SBI Capital Markets and Yes Securities will handle the share sale.

According to the DRHP, IRCTC is the only entity authorised by the Indian Railways to provide catering services to railways, online tickets and packaged drinking water at railway stations. The central public sector enterprise has also diversified into other business segments like e-catering, executive lounges and budget hotels.

IRCTC operates one of the most transacted websites, in the Asia-Pacific region with transaction volume averaging at 25 million per month and 7.2 million log-ins a day.

JM Fin former V-P settles insider trading case

JM Financial Institutional Securities' former Vice-President Atul Saraogi and Vimala Devi Kalantri have settled an alleged insider trading case in the matter of United Spirits by paying over Rs 1.24 crore towards settlement charges to Sebi.
"It is alleged that both jointly and severally made wrongful gains of ₹30.43 lakh," Sebi said in the order. PTI

Trigon Zinco fined ₹5 lakh by Sebi

Markets regulator Sebi on Thursday levied a fine of ₹5 lakh on Trigon Zinco for failing to obtain SCORES authentication and not redressing investors' grievances.
SCORES is an online complaint redressal system of Sebi through which the complaints received by the regulator are electronically forwarded to the listed company which in turn is required to resolve the same and furnish an action taken report in electronic form. PTI

POST OFFER ADVERTISEMENT FOR THE ATTENTION OF THE SHAREHOLDERS OF
LEENA CONSULTANCY LIMITED
(CIN: L74140MH1983PLC031034)
Registered Office: Rahejas Corner of Main Avenue & V P Road, Santacruz (W), Mumbai-400 054
Tel. No.: +91 22 6695 1111;
E-Mail ID: investor@leenaconsultancy.in; Website: www.leenaconsultancy.in

Open Offer for acquisition of 60,600 Equity Shares of Leena Consultancy Limited("LCL"/"Target Company") by Mr. Kirti Kumar Ramanlal Shah ("Acquirer")

This Post Offer Advertisement is issued by Mark Corporate Advisors Private Limited **("Manager to the Offer")** on behalf of the Acquirer in connection with the Open Offer made by the Acquirer to acquire 60,600 Equity Shares of Face Value of ₹10.00 each **("Equity Shares")** of the Target Company at ₹13.00 per Equity Share, representing 25.25% of the Equity Share Capital of the Target Company **("Offer")**, in compliance with Regulation18(12) of Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 and amendments thereof **["SEBI (SAST) Regulations, 2011"/"Regulations"]**. The Detailed Public Statement with respect to the aforementioned offer was made on June 13, 2019 (Thursday) in the following newspapers:

Newspaper	Language	Edition(s)
Business Standard	English	All Editions
Business Standard	Hindi	All Editions
Mumbai Lakshadeep	Marathi	Mumbai Edition

1)	Name of the Target Company	:	Leena Consultancy Limited
2)	Name of the Acquirer	:	Mr. Kirtikumar Ramanlal Shah
3)	Name of the Manager to the Offer	:	Mark Corporate Advisors Private Limited
4)	Name of the Registrar to the Offer	:	Satellite Corporate Services Private Limited
5)	**Offer Details**: a) Date of Opening of the Offer b) Date of Closure of the Offer	: :	July 31, 2019 (Wednesday) August 14, 2019 (Wednesday)
6)	Date of Completion of Payment of Consideration and communication of Rejection/Acceptance	:	Not Applicable, as no shares were tendered in the Open Offer

7) **Details of Acquisition:**

<table>
<tr><th>Sr. No.</th><th>Particulars</th><th colspan="2">Proposed in the Letter of Offer</th><th colspan="2">Actuals</th></tr>
<tr><td>7.1.</td><td>Offer Price (in ₹)</td><td colspan="2">₹13.00 (Rupees Thirteen only)</td><td colspan="2">₹13.00 (Rupees Thirteen only)</td></tr>
<tr><td>7.2.</td><td>Aggregate number of Shares tendered</td><td colspan="2">60,600 Equity Shares*</td><td colspan="2">Nil</td></tr>
<tr><td>7.3.</td><td>Aggregate number of Shares accepted</td><td colspan="2">60,600 Equity Shares*</td><td colspan="2">Nil</td></tr>
<tr><td>7.4.</td><td>Size of the Offer (Number of Equity Shares multiplied by Offer Price per Equity Share)</td><td colspan="2">₹7,87,800 (Rupees Seven Lakhs Eighty Seven Thousand Eight Hundred only)</td><td colspan="2">Nil</td></tr>
<tr><td>7.5.</td><td>Shareholding of the Acquirer before Public Announcement
• Number
• % of Equity ShareCapital</td><td colspan="2">Nil
N.A</td><td colspan="2">Nil
N.A</td></tr>
<tr><td>7.6.</td><td>Shares acquired by way of Share Purchase Agreement ('SPA')
• Number
• % of Equity ShareCapital</td><td colspan="2">1,79,400
74.75%</td><td colspan="2">1,79,400
74.75%</td></tr>
<tr><td>7.7.</td><td>Shares acquired by way of Open Offer
• Number
• % of Equity ShareCapital</td><td colspan="2">60,600*
25.25%*</td><td colspan="2">Nil
N.A.</td></tr>
<tr><td>7.8.</td><td>Shares acquired after Detailed Public Statement ('DPS')
• Number
• % of Equity ShareCapital
• Price of the Shares acquired</td><td colspan="2">Nil
Nil
Not Applicable</td><td colspan="2">Nil
Nil
Not Applicable</td></tr>
<tr><td rowspan="2">7.9.</td><td rowspan="2">Post Offer Shareholding of the Acquirer</td><td>No of Shares</td><td>% of Equity Share Capital</td><td>No of Shares</td><td>% of Equity Share Capital</td></tr>
<tr><td>2,40,000*</td><td>100.00%*</td><td>1,79,400</td><td>74.75%</td></tr>
<tr><td rowspan="2">7.10.</td><td rowspan="2">Pre & Post offer Shareholding of the Public
• Number
• % of Equity Share Capital</td><td>Pre Offer</td><td>Post Offer</td><td>Pre Offer</td><td>Post Offer</td></tr>
<tr><td>60,600
25.25%</td><td>Nil
N.A.</td><td>60,600
25.25%</td><td>60,600
25.25%</td></tr>
</table>

Assuming full acceptance in the Open Offer.

8) The Acquirer accepts full responsibility for the information contained in this Post Offer Advertisement and also for the obligations under Regulations.

9) A copy of this Post Offer Advertisement will be available on the websites of SEBI, BSE Limited and the Target Company.

Capitalized terms used in this advertisement, but not defined herein, shall have the same meanings assigned to such terms in the Letter of Offer dated July 20, 2019.

Issued by Manager to the Offer on behalf of the Acquirer:

MARK
Mark Corporate Advisors Private Limited
CIN: U67190MH2008PTC181996
404/1, The Summit Business Bay,
Sant Janabai Road (Service Lane),
Off W. E. Highway, Vile Parle (East),
Mumbai-400 057
Telefax No.:+91 22 2612 3207/08
Contact Person: Mr. Manish Gaur
E-Mail ID: openoffer@markcorporateadvisors.com
SEBI Regn No.: INM000012128
Website: www.markcorporateadvisors.com

Place: Mumbai
Date: August 23, 2019

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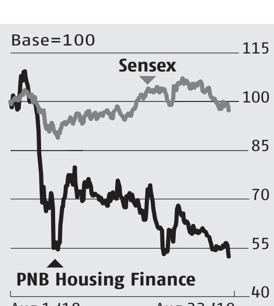
THE COMPASS

PNB Housing will have to walk a tightrope

While the firm is rebalancing its loan book, higher costs and weak asset quality pose a challenge



Compiled by BS Research Bureau

HAMSINI KARTHIK

Having corrected 27 per cent year-to-date, the question is how much downside is ahead for the PNB Housing stock, which fell 3 per cent on Thursday.

Unlike peers such as Indiabulls Housing and Dewan Housing, the financier has been steadier in terms of asset quality and raising capital. With gross non-performing asset (NPA) ratio at less than 1 per cent even in the June quarter (Q1), when its peers saw the number rising above 1.5 per cent, PNB Housing's show is noteworthy. Likewise, cost of capital contained at 8.4 per cent is also positive, as peers operated over 9 per cent.

Yet, PNB Housing's stock isn't reflecting these positives as repairs are underway with respect to its loan book. In Q1, the company deliberately decided to hold back on corporate loans; disbursements of which fell 81 per cent year-on-year and pulled down total disbursement by 22 per cent (see table). On the other hand, growth was better in the retail loans portfolio, with disbursement up 7 per cent YoY. The good part is that the salaried class, perceived to be less risky, accounted for 44 per cent of retail loan assets.

But in the process of realigning its book, PNB Housing has identified a watchlist of five corporate accounts or loans with potential to turn bad, of which ₹150 crore turned bad in Q1. The top 20 accounts account for 60 per cent of corporate loans, thus indicating that asset quality could weaken further if the corporate book sees more pressure. While PNB Housing fares better than peers in terms of asset quality, gross NPA have doubled from 0.45 per cent over a year. Analysts at JM Financial Services expect the housing financier's gross NPA to touch 1.6 per cent in FY20 in anticipation of further weakness.

It needs to be seen if there could be further increase in credit costs, which has already risen 30 basis points sequentially to 8.4 per cent in Q1. While an increase in cost of funds hasn't hurt PNB Housing's net interest margin at 2.2 per cent much, whether the trend continues needs to be seen.

But how well PNB Housing juggles between growth, profitability and asset quality is something that investors will watch out for in the coming quarters. This is why even if the stock is trading at attractive 1.3x FY20 book, analysts advise investors to remain on the sidelines.

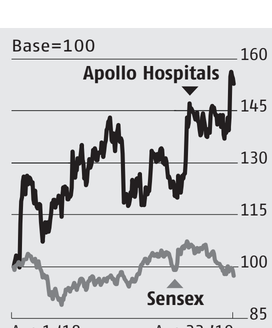
PATCHY DISBURSEMENT

	Loan disbursement	
	₹ crore	Growth (%)*
Q1 FY19	9,800	25
Q2 FY19	8,400	14
Q3 FY19	9,300	1
Q4 FY19	8,600	-2
Q1 FY20	7,600	-22

* year-on-year growth
Source: Company filing

Improving execution to deliver healthy gains for Apollo Hospitals

Lower debt, divestments, and reduction of promoter pledge are other triggers



Compiled by BS Research Bureau

RAM PRASAD SAHU

While investors have lost money in the health care space, Apollo Hospitals has been an exception. Since the start of the current financial year, it has gained 14 per cent, while the BSE Healthcare space has shed over 20 per cent. Even as most companies in the pharma and health care space were struggling on the revenue front as evidenced by the recent April-June quarter results, Apollo Healthcare posted 17 per cent growth in revenue over the year-ago quarter.

There are multiple reasons for the Street's optimism. The performance of established hospitals and the ramp-up of new ones is one trigger. Major hospitals in Chennai, Hyderabad, and Bengaluru have been growing at 12-14 per cent each, which, given the lower incremental cost, adds the most to the operating and net profit of the company.

The other trigger is the newer hospitals ramping up their utilisation. While the Navi Mumbai unit contributed just under ₹3 crore to the hospital segment operating profit, the management has guided for a 10x jump in the same to ₹30 crore in 2019-20 (FY20). Analysts at Edelweiss expect the new hospitals, in which the company has invested ₹2,100 crore, to drive margin expansion.

Apollo Healthcare posted 17% growth in revenue over the year-ago quarter

The improvement in retail health care arm Apollo Healthcare & Lifestyle is the other trigger for the stock. The segment reported a loss at the operating level of just under ₹5 crore, compared to ₹19 crore a year earlier. Analysts believe that the sharp reduction in operating losses and the expected break-even for the business should help improve profitability for the consolidated operations.

Analysts at Edelweiss Securities, led by Deepak Malik, believe that margin expansion, coupled with moderation of capital expenditure to maintenance levels, should help the return on capital employed to rise from 9.7 per cent in 2018-19 (FY19) to over 13 per cent in 2020-21.

The company has also guided for a reduction in its debt of ₹3,260 crore as of June 2019 by ₹600-700 crore to around the ₹2,500 crore by the end of FY20. This is expected to come from savings after completion of pharmacy segment, sale of stake in Munich, divestment in the Proton business (cancer care), and internal accruals. Further, promoter pledges, down from 78 per cent to 71 per cent at the end of FY19, are expected to be brought down further.