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Market Wrap

March 07, 2018

Banking stocks continue to bleed; midcaps and smallcaps hammered..

The domestic indices ended nearly 1% lower on Wednesday taking cues from recent developments in the banking sector.

The S&P BSE Sensex ended the day at 33,033, down 284 points while the broader Nifty50 index settled at 10,154, down 95 points.

Among sectoral indices, the Nifty PSU Bank index declined 3.57% on Wednesday led by a fall in the shares of Andhra Bank, Canara Bank and Allahabad Bank.

Senior officials from Axis Bank on Tuesday appeared before the Serious Fraud Investigation Office (SFIO), which has started seeking details from lenders with exposure to firms promoted by Nirav Modi and Mehul Choksi with regard to the Rs 127-billion Punjab National Bank (PNB) scam.

A team from Axis Bank, led by Deputy Managing Director V Srinivasan and executives from the trade and transactions department, went to the SFIO's office in Mumbai, after the investigating agency called them to help in the probe, sources said. The SFIO is understood to have also called officials from other banks, including ICICI Bank, they added.

Sectors and stocks

TeamLease Services surged 17% to Rs 2,387 on the BSE in intra-day trade on Wednesday, in an otherwise weak market after the Reserve Bank of India (RBI) raised the investment limit for foreign portfolio investors (FPIs) in the company to 75% on Tuesday. Currently, FPIs hold 24.64% stake in TeamLease Services, one of India's leading human resource service companies in the organized segment. "The Reserve Bank of India has notified that the Foreign Portfolios Investors (FPIs) investment limit under Portfolio Investment Scheme in TeamLease Services has increased from 24% to 75% of its paid up capital," the RBI said in a press release.

ICICI Bank dipped 3.3% to Rs 285 on the BSE on Wednesday in early morning trade, extending Tuesday's 2.6% decline after media reports suggested that the bank's Managing Director and Chief Executive Officer Chanda Kochhar was summoned by the Serious Fraud Investigation Office (SFIO) in Punjab National Bank (PNB) scam. The stock of private sector lender is trading at its lowest level since October 24, 2017. In past six trading sessions, it fell 13% from Rs 327 on February 26, 2018, as compared to 3.6% decline in the S&P Sensex. ICICI Bank Managing Director and Chief Executive Officer Chanda Kochhar and her Axis Bank counterpart Shikha Sharma were on Tuesday summoned by the SFIO in connection with the Rs 127-billion PNB fraud involving absconding diamantaire Nirav Modi and his uncle Mehul Choksi. "In this connection, we draw reference to our earlier letter dated February 28, 2018 vide which we had informed you that the Bank routinely and regularly cooperates with regulatory authorities who require information in the course of their investigation," ICICI Bank said in a clarification on the news item. To provide assistance to the investigating authorities, representatives of ICICI Bank continue to engage actively and provide requisite inputs as routinely done in the case of all investigating authorities who approach the Bank. We wish to clarify that in our view, the above news item will not have any material impact on the Bank or trigger any reporting under Regulation 30 of the SEBI Listing Regulations owing to the fact which we mentioned in our earlier letter as well that the Bank has no exposure to the Nirav Modi group of companies, nor has the Bank issued any Letter of Undertaking (LOUs); nor has any buyer's credit exposure against LOUs with respect to the Nirav Modi group of companies as well as the Gitanjali group of companies. The Bank is a part of the working capital lender consortium in the Gitanjali group of companies along with several other banks wherein its exposure is not the largest, it added.

Adani Ports and Special Economic Zone (SEZ), Adani Enterprises, Adani Transmission and Adani Power – have fallen by up to 7% in early morning deal on Wednesday, extending its previous day's fall on the BSE. Adani Transmission (down 7.3% at Rs 181) and Adani Enterprises (down 5.2% at Rs 176) were down more than 5%, while Adani Power (4% at Rs 28.35) and Adani Ports (3.4% at Rs 390) shed in the range of 3% to 4% in intra-day trade today. BJP MP Subramanian Swamy on Tuesday dropped a bad loan bombshell on industrialist Gautam Adani, calling him the "biggest NPA trapeze artiste in PSUs", but the group clarified that it had diligently and regularly serviced all its debt, IANS report suggested.



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In response to Subramanian Swamy's comment, Adani Group clarified that its operating performance is such that the transmission and port businesses have been rated 'investment grade' by international credit rating agencies. Also, almost all of our companies enjoy a high credit rating from domestic rating agencies. This is a testimony to the extremely high discipline followed by the Group, in meeting with its debt obligations-diligently and on an on-going basis. The singular critical test for debt is its regular servicing-something which the Adani Group has implemented diligently, since its inception. Group's dependence on public sector undertaking (PSU) bank for long-term borrowings is less than 50% at about Rs 340 billion and is regularly serviced. Adani Group has created world class assets and aggregate net asset block of Indian operations stands at over Rs 1,100 billion. Aggregate net worth of the listed entities stands at over Rs 400 billion and aggregate EBIDTA (earnings before interest, tax, depreciation and amortised expenses) stands at Rs 240 billion, the company said in a statement.

Global Markets

Global stocks and the dollar slumped on Wednesday after a strong White House advocate for free trade resigned, fanning fears that US President Donald Trump will proceed with protectionist tariffs and risk a trade war.

White House economic adviser Gary Cohn, seen as a bulwark against protectionist forces within the Trump administration, said on Tuesday he was leaving.

MSCI's broadest index of Asia-Pacific shares outside Japan was down 0.65 per cent on Wednesday, while Japan's Nikkei retreated 0.77 per cent. South Korea's KOSPI surrendered morning gains to slip 0.45 per cent.



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