

# FINANCIAL

# Chronicle

Intimidated, ostracised, killed for criticising govt: Journalists

Regional cinema on the rise as Hindi filmmakers alienate core audience

Key structural drivers favour life insurance growth

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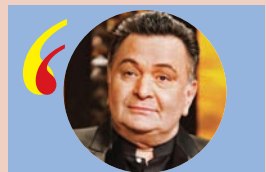
## quick BITES

### MODI, XI BEGIN INFORMAL MEET TODAY



PM Modi and China's supreme leader Xi Jinping begin their two-day informal summit in Wuhan from Friday during which they will try to work out a new paradigm for bilateral ties.

REPORT ON PAGE 2



Some films will work, some won't. But the passion should be continuous. Thankfully, one thing that I have passed on to him (Ranbir) is my passion for films

— Rishi Kapoor

### RUPEE MAY REVERSE TREND BY YEAR-END

The RBI will raise interest rates this year, which will help reverse the declines that have made the rupee Asia's second-worst performer, according to Capital Economics. The rupee will strengthen to as much as 62 per dollar by the end of 2018, said a Singapore-based India economist. The bullish forecast comes amid a spate of cuts by banks.

REPORT ON PAGE 5

### FORD UNVEILS FREESTYLE @ ₹5.09 LAKH



Ford India has launched its cross-hatchback Freestyle in India four-wheeler market. The Ford Freestyle has been priced at Rs 5.09 lakh.

REPORT ON PAGE 8

### BOTTOMLINE

BUDHA CHANDRA



Surveys predict hung assembly? Be careful, the last time we traded the wrong horse!

## Small cap funds give big returns

Multibaggers in portfolios help them outclass large and mid-cap peers

FC BUREAU  
Mumbai

**S**MALL cap funds, which have become a sizeable asset class in the domestic mutual fund industry, have rewarded investors in a big way. These funds have given stellar performance compared to large cap and mid-cap peers, outperforming them in 1, 2 and 3-year periods. Reliance Small Cap Fund, Sundaram Select Micro Cap, SBI Emerging Business Fund and HSBC Small Cap Equity Fund have given returns of 25-35 per cent in the two-year period compared to 18-20 per cent by large cap funds.

An analysis shows that small cap equity funds delivered an average of 21 per cent return for the last one year, whereas mid-cap, multi-cap and large cap funds delivered 15 per cent, 14.79 per cent and 13.39 per cent, respectively.

Small cap funds invested in companies that have domain expertise focusing on their core competence. They still have the potential to grow into very significant mid-cap or large cap companies. However, the risk of failure is very high in small

OPPORTUNITIES FOR WEALTH CREATION			
NAME	One year return (%)	Two year return (%)	Three year return (%)
Reliance Small Cap	25.6	36.3	26
Sundaram Select Micro Cap	29.4	33.7	18.5
SBI Emerging Business Fund	25.4	20.9	15.3
HSBC Small Cap	21.2	28.6	19.6
L&T Emerging Business Cap	25.9	39.6	26.5
Invesco India Mid & Small	16.6	24.7	15.8
Kotak Emerging Equity	13.8	25.7	19
Axis Small Cap	14.9	28.9	20

### SMALL WONDERS



■ Small cap equity funds delivered an average of 21% return for the last one year, whereas mid-cap, multi-cap and large cap funds delivered 15%, 14.79% and 13.39%, respectively

■ Small cap funds invested in companies that have domain expertise focusing on their core competence. They still have the potential to grow into very significant mid-cap or large cap companies

cap funds and they are very volatile in nature but prices of these stocks are significantly lower than large cap and mid-cap funds.

Pankaj Tibrewal, fund manager, equity, Kotak Mutual Fund, said "For investors looking at a longer time horizon, the mid-cap and small cap space presents ample opportunities for wealth creation."

An analysis shows that mutual fund managers of small cap funds have picked

up some multibaggers in their portfolios that helped them give a good performance. Some of the stocks that have helped these give huge return include electro major HEG which gave a whopping 1,000 per cent return and Graphite India stock that rose 450 per cent as well as Rain Industries up 250 per cent in last one year. The portfolios of several of these funds have stocks like Jubilant Food Works, Minda Industries,

GNA Axles, NIIT Technologies, Shankara Building Products, Sterlite Technologies, Dilip Buildcon, KEI Industries, Muthoot Capital Services, Rane Holdings and MM Forgings that have rallied over 100 per cent during the year.

However, analysts cautioned that valuations are quite stretched in this space. "The mid and small cap segment has had a great run in the past three years and interest levels have gone up

substantially. Due to the massive run up, there are many sectors and companies where valuations have far exceeded the historical valuation range, although some caution is warranted for 2018. The reason for caution is because lot of lower rung stocks have started to move up on back of momentum," Tibrewal said.

One can diversify their portfolio by investing in different small cap funds. As the companies have just come out of their embryo stage, there is larger room for very notable developments. Current small cap valuations may look stretched and there is fear that these stocks are illiquid. However, fund managers say that there is no reason to worry if you are investing long-term.

According to a fund manager with a leading domestic mutual fund, investors should focus on earnings of these companies and that should be the key driver of stock performance. Lots of money coming into these funds are through systematic investment plans, which can be deployed by fund managers when valuations are relatively cheap. "What looks like overvalued currently would be fairly valued in a few years," he added.

## Experts not sure of success in physical settlement in F&O

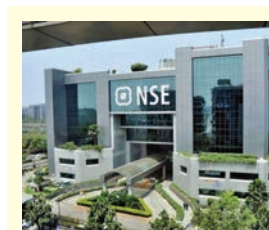
FC BUREAU  
Mumbai

**S**TOCK exchanges have started moving F&O stocks into compulsory delivery-based settlement. Experts, however, believe that a robust stock lending and borrowing mechanism is crucial for success of physical settlement in the F&O market.

The National Stock Exchange (NSE) early this week released a list of 46 stock futures that will be settled physically post-Sebi directive. The BSE also had released a similar list, though stock futures trading on BSE is nominal.

NSE, which has a total of 208 stocks in the F&O segment, said 46 stock futures will be settled physically from July expiry onwards. It said that existing unexpired contracts for April, May and June will be available for trading in the cash settlement mode. All new expiry month contracts issued in the above securities after expiry of April contracts, that is, July expiry onwards, shall be settled physically, the statement added.

But analysts are scepti-



### NEW METHOD

■ NSE, which has a total of 208 stocks in the F&O segment, said 46 stock futures will be settled physically from July expiry onwards

■ Those moved into compulsory physical settlement mode include Adani Power, Ajanta Pharma, Allahabad Bank, Andhra Bank, Balrampur Chini Mills, BHEL, Berger Paints and Can Fin Homes

cal about the success of physical settlement as short sellers are unable to deliver stocks.

The short-seller will have to borrow stocks from market players who hold stocks in their portfolios, especially large institutional investors.

Turn to P10

## Battle for Essar Steel

### Nu Metal moves NCLAT against ArcelorMittal



Galva and KSS Petron" within 30 days, it said.

Allowing ArcelorMittal to clear dues after the government framed legislation, barring promoters who had defaulted on bank loans from bidding for companies that were being auctioned to recover unpaid loans, was not in accordance with the law, it contends.

Nu Metal sought setting aside and quashing of the NCLT order that directed the resolution professional (RP) conducting the auction and the committee of creditors of Essar Steel India to "reconsider the resolution plan submitted by ArcelorMittal India and afford ArcelorMittal India an opportunity to make payment of the over dues amount of Uttam Galva Steels and KSS Petron after the submission of the resolution plan for Essar Steel and cure the ineligibility."

Essar Steel had a debt of Rs 49,000 crore and was referred to NCLT in June last year.

Turn to P10

## Axis Bank reports ₹2,189 cr loss as provisions rise 3-fold

FC BANKING BUREAU  
Mumbai

**I**MPACTED by a three-fold rise in provisions, Axis Bank on Thursday reported its first ever quarterly loss at Rs 2,189 crore for the quarter ended March, 2018. This is the first ever quarterly loss for the private sector lender in the last 20 years. The bank was listed in 1998.

The bank said its accelerated recognition of bad loans (particularly in the power sector) led to an increase in provisioning. The central bank's new guidelines for resolution of stressed assets also drove

the recognition in its restructured book. The bank had posted a net profit of Rs 1,225.10 crore in the corresponding quarter last year. For the financial year ended March 31, the lender posted a 93 per cent fall in net profit to Rs 276 crore.

As there was no profit, Axis Bank skipped declaring a dividend. "After making mandatory appropriations to statutory reserve, investment reserve and capital reserve, no profit is available for distribution as dividend for the financial year ended 31 March 2018.

Turn to P10



Kishor Kharat Melwyn Rego MS Raghavan

## CBI books top bank executives, Sivasankaran in ₹600 cr fraud

CBI has booked top officials of two public sector banks, a former CMD of IDBI Bank, former Aircel promoter C Sivasankaran, his son and companies controlled by him in connection with

an Rs 600 crore loan fraud, officials said on Thursday. CBI has named 15 bank officials who worked at senior levels at IDBI Bank in 2010 and 2014.

— Full report on P2

## Prospective bidders seek major clarifications on AI sale terms

FC BUREAU  
New Delhi

**A**S there is a flurry of issues regarding the terms of Air India sale, prospective bidders have now sought clarifications from the government. Civil aviation secretary RN Choubey on Thursday said interested parties have raised significant and important issues related to the disinvestment and the government will reply to them. "The only thing I will say is that we have got interest-



### ON SLOW TRACK

■ While the government has stated that it will privatise AI by year-end, some recent developments have been casting a shadow on the plan

■ Most major airlines such as IndiGo and SpiceJet have opted out of the race to buy the airline

ing queries which shows parties concerned have applied their mind and have

raised very significant and important issues. We are going to reply to them and

Turn to P10

## Govt non-committal on cutting fuel prices

FC BUREAU  
New Delhi

**T**HE government does not seem to be in a mood to act on rising petrol and diesel prices even though it knows fully well that it will have to pay a heavy price for ignoring public ire. The common man is reeling under ever increasing fuel prices. So far this year, petrol prices have gone up over Rs 4.5 a litre and diesel Rs 6 per litre.

Minister of state (independent charge) for petroleum and natural gas Dharmendra Pradhan has re-



fused to promise a cut in prices citing risks such a step could pose to government finances. He hinted at preferring fiscal prudence to giving relief to consumers. Fuel prices have been breaking all past records in recent weeks with petrol

price touching 55-month high of Rs 74.63 a litre in Delhi and diesel rising to Rs 65.93, the highest ever.

Amid mounting pressure on the government to soothe price rise, Pradhan on Thursday maintained that the government was concerned about the pinch to consumers but a balance has to be struck between their interest and fiscal needs. "We are concerned about pinch... We are concerned about the price rise," he said on the sidelines of an industry event.

Turn to P10