BSE SME IPO index surges 53%, outperforms broader market

BSE SME IPO index has risen 52.85% in year to 2 June against a 40.22% rise in BSE IPO index

BY NASRIN SULTANA & ASHWIN RAMARATHINAM

MUMBAI

Shares of companies that listed in the one year ending 2 June on the BSE's platform for small and medium enterprises (SMEs) have gained more than those that listed on the main exchange, data shows. The S&P BSE SME IPO index gained 52.85% in the year ending 2 June while the BSE IPO index gained 40.22% and the BSE SmallCap index rose 36.76%. During this period, the benchmark Sensex rose 16.50%.

BSE SME IPO index measures performance of SMEs listed via IPOs on the BSE SME platform for a period of one year. BSE IPO index tracks current primary market conditions in the Indian capital market and measures growth in investor wealth for one year after IPO.

Analysts said there is growing appetite for IPOs of SME companies due to reasonable valuations, strong returns and firm growth trajectories. Gaurav Jain, director, Hem Securities Ltd said, "Those listed on SME platform are perceived as growing companies and are very much akin to the India Shining story. India is a country of SME companies and awareness created by the exchanges about growth opportunity in these companies is attracting investors."

Nikhil Khandelwal, managing director, Systematix Shares & Stocks said awareness of the SME ecosystem has aided in attracting investors while good quality IPOs on the platform is adding to credible growth. "As the markets are rallying, stocks listed on main exchange are getting expensive and offer only limited options. Investors are getting reasonably valued companies on the SME platform with firm growth trajectory," he said.

According to data compiled by Delhi-based research company Prime Database, 44 SME IPOs got listed on the exchanges raising Rs553.65 crore so far till May 2017. In the same period, only eight IPOs were seen on the main exchange, which together raised Rs6,335.93 crore.

In 2016, which was a bumper year for IPOs, 67 companies listed on the SME platform raising Rs537.27 crore, while 26 companies listed on the main board raising Rs26,493.84 crore.

"Investor participation has increased manifold in the SME space," said Mahavir Lunawat, managing director, Pantomath Capital Advisors.

"Over 200 companies are listed on SME exchanges in India and have raised more than Rs2,100 crore through IPOs, which have current market cap of around Rs22,000 crore which is by far the largest return any exchange has given in a span of five years. SME Exchange in India is the fastest growing exchange globally. Average IPO size has also increased from Rs7-8 crore to more than Rs10 crore," Lunawat said.

The rising appetite for IPOs of SME firms is due to reasonable valuations, strong returns and firm growth trajectories

Of the 44 stocks currently constituting the BSE SME IPO index, the mean market capitalization is Rs41.75 crore while the largest market capitalization is Rs184.89 crore.

According to BSE data, 183 companies have listed so far on the BSE SME platform since August 2012, out of which 29 have migrated to main board while three have been suspended. Companies which have migrated to the main board include Suyog Telematics Ltd, Kushal Tradelink Ltd, SRG Housing Finance Ltd, Jupiter Infomedia Ltd, Ashapura Intimates Fashion Ltd, Oceanaa Biotek Industries Ltd and Dhabriya Polywood Ltd, which have seen their market cap increasing 2,315.02%, 5,680.14%, 1,314.94%, 941.04%, 718.42%, 718.42% and 872.92% respectively since listing.

However, eight companies which have migrated to the main board have seen an erosion in market cap, including Bronze Infra Tech Ltd (91.78%) Anshu's Clothing Ltd (88.35%) and VCU Data Management Ltd (60%).

Since its launch in August 2012, BSE SME IPO is up a whopping 1,211.36%, while BSE IPO index jumped 192.23% and BSE Sensex gained 77.11%.

On the National Stock Exchange SME platform Emerge, 59 companies have been listed since 2012. Some of the big IPOs on the NSE Emerge are Zota Healthcare Ltd which raised Rs58.50 crore and Euro India Fresh Foods Ltd which raised Rs51.26 crore.

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Mutual fund houses plan schemes for investment in housing sector bit.ly/2s75QpA

Wipro chairman Premji's pay fell 63% to $1,21,853 in FY17

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NEW DELHI

Azim Premji. HEMANT MISHRA/MINT

Wipro Ltd chairman Azim Premji's pay package saw a huge 63% fall to $1,21,853 (about Rs79 lakh) last fiscal, with no commission being paid during the year.

The information technology (IT) czar had drawn a larger compensation of $3,27,993 (about Rs2.17 crore) in the previous fiscal.

Premji's package included $66,464 in salary and allowances, $41,742 (others) apart from $13,647 in long-term compensation (deferred benefit—company's contribution to provident fund and pension fund), totalling $121,853 for the year 2016-17, as per documents with the US SEC.

"Azim H. Premji is entitled to a commission at the rate of 0.5% on incremental net profits of Wipro for fiscal 2017 over the previous year... For the year ended March 31, 2017, commission paid to Azim H. Premji is INR Nil," the document said.

It added that all other executives received variable pay under a quarterly performance-linked scheme, based on key parameters of individual or combined performance of the business unit, division or segment or the company as a whole.

In 2015-16, Premji received a commission of $1,39,634. There has been a decline in compensation for key executives across the industry and it is reflective of the slow pace of growth.

Infosys chief executive officer (CEO) Vishal Sikka saw his pay package coming down 67% to Rs16.01 crore in 2016-17 from Rs48.73 crore in the previous year.

Wipro saw its net income for the full year decline 4.7% over the previous fiscal. For the fourth quarter, its IT services revenue declined marginally over the October-December quarter.

However, Wipro CEO Abidali Neemuchwala's pay package saw a 16% increase to $2.09 million in FY17, which included $8,00,000 in salary, $1,50,244 in commission, $1.13 million (others) and $9,014 (deferred benefits).

Neemuchwala was elevated as CEO on 1 February 2016. The high compensation for leaders in the tech sector also come under spotlight after Infosys founder N.R. Narayana Murthy had questioned pay hikes for senior executives at the Bengaluru-based firm. Rishad Premji, chief strategy officer and Wipro board member, took home a salary of $2,60,015 in 2016-17, against $325,462 in the previous fiscal, a drop of 20%.

Banks not yet prepared for GST rollout: IBA tells parliament panel

New Delhi: With less than a month left for the roll-out of the goods and services tax (GST), the Indian Banks' Association (IBA) has informed a parliamentary panel that lenders are not yet geared up for implementation of the new indirect tax regime. "Since the GST will be operational from 1 July 2017, banks have to make lot of changes in their systems and other procedures. The preparedness of all banks for implementation of GST on 1 July 2017, is a question mark," the IBA has conveyed to the parliamentary standing committee on finance. PTI

TCS' H-1B visa applications now a third of 2015 levels

New Delhi: Tata Consultancy Services (TCS) applied for only a third of the H-1B work visas this year compared to 2015, helped by increased hiring from engineering campuses and business-schools in the US. "We have significantly ramped it (local hiring) up in the last couple of years, replicating many of the programmes that have worked very well for us in India, such as partnering academic institutions and engaging with high school students," TCS executive vice-president human resources Ajoy Mukherjee said in the company's annual report. "All this is helping us bring down our dependence on work visas. In 2016 and again this year, we have applied for only a third of the visas we had applied for in 2015," he said. PTI

PSBs plan to raise Rs58,000 crore through equity dilution this fiscal

New Delhi: Public sector banks (PSBs), including State Bank of India (SBI), Bank of Baroda and IDBI Bank, plan to raise Rs58,000 crore through equity dilution during the current fiscal to meet Basel-III norms and clean up their balance sheets. Leading the pack, country's largest lender SBI plans to raise Rs15,000 crore through share sale and expects this to complete by the year-end, probably through a qualified institutional placement.

Besides, Bank of Baroda and Central Bank of India plan to raise Rs6,000 crore and Rs65,000 crore from capital markets, respectively. Oriental Bank of Commerce and IDBI Bank have taken board's approval for raising Rs5,000 crore each through equity dilution, while Mumbai-based Union Bank of India plans to Rs4,950 crore during the current fiscal. PTI

Centre exploring ways to make Air India profitable, says Jayant Sinha

Jamshedpur: The government is looking at "alternatives" available to make Air India and other public sector units more competitive and profitable, minister of state for civil aviation Jayant Sinha has said. The future course of action for the loss-making airline, which is surviving on taxpayers' money, is being actively looked at by the government and a decision on the possible privatization is likely in three months. "Our objective is to transform the public sector carrier to a great global airline and we are doing whatever possible in this regard," Sinha said. PTI

FDI in services sector up 26% to $8.68 billion in FY17

New Delhi: Foreign direct investment (FDI) inflows into the services sector rose by about 26% to $8.68 billion in 2016-17 with the government taking steps to improve the ease of doing business and attracting foreign investments. The sector, which includes banking, insurance, outsourcing, research and development, courier and technology testing, had received FDI worth $6.89 billion in 2015-16, according to data of the Department of Industrial Policy and Promotion. PTI

Infosys industrial internet business head Muehl quits

BY VARUN SOOD
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BENGALURU

Infosys Ltd's hope of generating more business by offering data analytics solutions to its manufacturing clients has received a setback. Chief executive officer (CEO) Vishal Sikka's former SAP SE colleague and the head of company's industrial internet business, Gordon Muehl, has resigned.

Muehl, who joined Infosys in May 2015 at the rank of vice-president and was also overseeing Infosys's business in Germany, quit last month, according to an executive familiar with the development.

Muehl was one of the 16 SAP executives to join Infosys with the rank of associate vice-president and above since Sikka took over as the first non-founder CEO of the Bengaluru-based firm in August 2014.

Three former SAP executives have quit Infosys since March last year, including Michael Reh, head of EdgeVerve, and Infosys's former chief legal officer David Kennedy, amid a feud between some of Infosys's founders and the company's board and management.

A email sent to Muehl last week seeking comment went unanswered.

An Infosys spokeswoman said: "We do not comment on the appointments or exits other than those of executive officers or the board."

Under Muehl's watch, Infosys partnered with General Electric Co. last year as it expects to offer solutions that run the sensors installed in the US-based firm's products. Infosys also joined Industrial Internet Consortium (IIC), a US-based non-profit group working to have a common set of applications for companies and IT vendors in the internet of things (IoT) space.

Manufacturing firms are cutting their budgets to maintain the back-end technology and plough the savings in work such as data analytics that can help them improve business operations.

For this reason, homegrown technology outsourcing firms too are hiring more data analysts and investing in building platforms.

Mundra for creation of data bank on large borrowers to fix bad loan mess

BY GOPIKA GOPAKUMAR
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MUMBAI

RBI deputy governor S.S. Mundra. HEMANT MISHRA/MINT

Reserve Bank of India (RBI) deputy governor S.S. Mundra called for the setting up of a national information grid which will act as a central repository of data from all regulators and lenders pertaining to large borrowers. Speaking at the *Mint* South Banking conclave on Friday, Mundra said such a grid will help reduce the information asymmetry currently exploited by some borrowers.

RBI had set up a similar Central Repository of Information on Large Credit (CRILC) in 2014 to help banks identify early warning signs of distress in a borrower through information shared among banks.

"If the lender can cross-check everything from excise, customs and cross-check with other transactions which is recorded information regarding debtor or level of inventory available, when there is a consortium lending, the bank will know the circular movement of money," said Mundra.

This should be over and above the information utilities proposed under the Insolvency & Bankruptcy Code, he clarified.

The grid, once implemented, will be one of the many regulatory reforms being introduced to tackle the bad loan mess. In May, the Reserve Bank of India (RBI) proposed expanding the scope of the oversight committees and a larger role for credit rating agencies.

The government has issued an ordinance empowering the central bank to intervene directly in stressed asset cases. However, Mundra clarified that the regulator will not play an active role in bad loan resolution. Instead, its role will be to ensure that the "marriage between the borrower and lender happens at the right *muhurtham* (or auspicious time)", he added.

The clarification comes at a time when the central bank is engaged in discussions with stakeholders including lenders, asset reconstruction companies, private equity funds and rating agencies to draw up an action plan to deal with the Indian banking system's stressed asset problem. Mundra acknowledged the need to resolve the problem urgently, but made it clear that the regulator will not permit more time or forbearance to lenders while dealing with bad loans.

"RBI has been always been receptive to what bankers have been saying, we are patient listeners," Mundra said.

The central bank is expected to come out with a revised framework on restructuring so that stressed assets can be resolved in a "value optimising manner".

However, resolving stressed loans will involve banks taking so-called haircuts, or sacrificing a part of the principal and interest payments due to them.

According to S&P Global Ratings, the available pool of capital, especially with public sector banks, to absorb stressed loans remained thin as of the end of March.

According to Mundra, the government being the largest shareholder of public sector banks will have to bring in large part of the capital. This requirement is only going to increase with the introduction of new Indian Accounting Standards (Ind AS) next year.

Declining heavy vehicles market share worries Tata Motors

BY SHALLY SETH MOHILE
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MUMBAI

The declining market share of medium and heavy duty truck and bus business at India's largest auto maker Tata Motors Ltd has attracted the attention of its board, two people aware of the development said, asking not to be identified.

In the past couple of years, the leader in high-tonnage trucks and buses has lost much ground to Ashok Leyland Ltd.

In 2016-17, Tata Motors' share of the medium and heavy duty commercial vehicles (MHCV) segment, including buses, fell to 49.2% from 51.9% a year ago, as per the Society of Indian Automobile Manufacturers (Siam). The fall was led by a decline in market share of heavy duty trucks to 53% in fiscal 2017 from 58% in fiscal 2015.

In May, Tata Motors MHCV truck sales fell 40%, while overall commercial vehicles sales dropped 13% to 23,606 units from a year ago. Tata Motors does not give a break-up of individual business units, but a back-of-the-envelope calculation indicates a loss in market share has dented Tata Motors' revenue and profitability.

Ravindra Pisharody, executive director, commercial vehicle business at Tata Motors, blamed the decline on external factors such as the November note ban and the ban on selling BS-III vehicles from 1 April.

"April sales were low because after the court ruling, the availability of BS-IV vehicles became an issue as the presumption was that in the first month of the year, we will also have the mix of both BS-III and BS-IV vehicles," said Pisharody, adding that a high base of last year has been another reason for underperformance this year. May sales suffered also because of a shortage of fuel injection pumps (FIP).

The CV business is Tata Motors' cash cow, fetching more than seven out of ten rupees of its India revenues. A decline in the more profitable MHCV business is a concern, said an analyst from a domestic brokerage, who declined to be identified. An approximate calculation suggests that the market share loss has weighed down its profitability, he said.

AFP

Tata's MHCV truck sales fell 40% in May, while overall commercial vehicles sales dropped 13% to 23,606 units from a year ago.

Here is how: Tata Motors' average market share in 2013-14 and 2014-15 was 54.7%. This fell to 51.9% in 2015-16 and further to 49.2% in 2016-17. Compared with the FY14-FY15 average, Tata Motors has lost 2.8% and 5.5% market share, respectively, in the two following years. This meant 8,600 and 16,700 fewer units were sold in the past two years, implying a revenue loss of Rs1,100 crore and Rs2,300 crore, respectively. The lost volumes, including the market losses on account of spare parts and annual maintenance services, crimped Tata Motors profit after tax by Rs90 crore and Rs180 crore in fiscals 2016 and 2017, respectively, computed on an incremental revenue-less-cost basis.

The decline has not gone unnoticed and the Tata Motors board is considering some "radical steps" to bring the business back on track, one of the two people mentioned in the beginning said. Pisharody, also a Tata Motors director, said: "They are analyzing all aspects of the business. This is all I can say."

He was confident that sales will revive in the next couple of months, with the impact of most of the factors, including the goods and services tax, that have led to a postponement in sales wearing off and the supply of FIPs getting restored. He hoped the recovery in volumes will help the firm regain at least a 5% market share by the turn of the current fiscal.

But S.P. Singh, senior fellow at Delhi-based think tank Indian Foundation of Transport Research and Training (IFTRT), said the reasons for Tata Motors' underperformance vis-à-vis its key competitor go beyond these external factors. "Tata dealers are not very serious about after-sales," while Ashok Leyland is superior in response, Singh said. "On a 0-to-10 scale, one would give Ashok Leyland's dealer seven, and Tata Motors' five, when it comes to response time," said Singh.

He said Tata Motors needs to address this issue because with advancement in emission norms vehicles are becoming more complex, which will make the quality of after-sales the key differentiator.

Some also said a gap in Tata Motors' product line is also responsible for it losing ground to Ashok Leyland. "Ashok Leyland's blockbuster product 3718 alone gave it a 3.5% market share in fiscal 2016 and 2017. Tata Motors had no answer to this product," said the analyst cited earlier.

Pisharody disagrees. "This was true 12 months ago; not any more. Our 37-tonne market share was 47% in 2016-17, and has grown much more than competition," he said, adding that over the past two years, Tata Motors has addressed all product gaps. He said the firm is educating customers, organizing service programmes and expanding its network. "Service has started playing a bigger role in BS-IV regime," he said.