श्री LAKSHMISHREE

Gateway to your Financial Goals

Range Breakout

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Invest Today,

For

Better Tomorrow !!

From Managing Director's Desk To Readers

What to expect from Indian Equities Market in the next 3 months?

The Indian Equity Markets are at Historic Levels. The investors are indeed living in interesting times. Stocks across sectors are seeing all-time highs or near to all-time highs.

There always seems to be the FOMO- The fear of missing out and this has attracted investor's attention to Indian equity markets.
With markets at a record high, it's prudent to maintain a positive yet cautious approach and continue with the 'buy on dips' approach.

The market had a historic monthly closing in May taking the Nifty 50 to fresh record high levels after spending more than three months into a consolidation. Some of the the major reasons being the steady decline in daily COVID-19 infections, rising hope for another stimulus package to support the most affected sectors in the second COVID wage.

The excellent corporate earnings and positive global cues boosted market sentiment in the last couple of weeks. On the other hand, the RBI sent the signal of caution by warning of the risk of a bubble in the equity market. The RBI Monetary Policy and the outlook on June 4th will be keenly watched out for the direction of the markets in near term.
Thus, it's all the more important and essential to have a practical and pragmatic view of the near term market opportunities at this historic times.

We can look out for some of the factors which can influence the Indian equity markets in the coming 6 months to 1 year.
At this current stage of covid-19 scenario across the country, the availability of vaccines and its rollout at the shortest duration of time all over the country will be a very important factor for the Indian equity markets. The sooner the majority of the population is vaccinated, the greater will be the positive sentiment in the Indian equity markets.

As of now, the Covid 19 has had a limited impact on the long term earnings potential or sustainability of relatively larger companies. This is because the larger companies do have the tenacity and balance sheet strength to tide over difficulties for a prolonged period.

The Successful rollout of vaccination at a greater pace will have a greater impact on market sentiments and vice versa. This is where the investors need to be careful and alert. A Faster and Effective vaccine rollout will keep Indian equity market buoyant. On the other hand, any disappointment could be a reason for volatility and negative sentiments for the Stock Market.

Another Important Factor that is to be considered by the investors is the New capex that the Indian revival story would require and is implemented on ground. The post Covid recovery of corporate India is heavily dependent on new demand.
Another Important Factor would be the consistency and growth potential of key sectors in the Indian economy.

Some of the Sectors that adapt well to the post Covid changes and the companies which innovate and continue to grow will have significantly higher chances of producing wealth creating stocks over the longer term. On the other hand, one has to be careful staying invested in sectors that could fail to catch up. As these could be the laggards going forward.

Another factor to consider is the Fuel prices in the country. It continued to increase with petrol price crossing Rs. 100 mark per litre and diesel over Rs. 92 per litre in Mumbai, following a gradual rise in global oil prices. International oil benchmark, Brent crude futures reached near $70 a barrel during the passing week. A Further increase in oil prices is a key risk for the country like India which is a net importer and that could also increase inflation risk.

To sum it up, the second wave of Covid-19 has certainly been a dampener for the near-term earnings of certain sectors and Stocks. But this doesn't mean that these businesses would find it difficult to come back. The Good companies will make up for the loss or profit in the subsequent quarters.

The expectations of state-wise unlocking due to declining COVID cases are giving hopes of economic recovery. The decline in the Covid second wave infection curve, the potential benefits of further re-opening of the economy has enlarged and consequently, the market is expected to gain further momentum in the near term. The Indian Investors can have a good upward ride in the equity markets towards Diwali if things work out favorable for India in the next couple of months.

Salil Shah

Managing Director
Lakshmishree Investments & Securities Pvt Ltd

Everything You Need To Know About ETF...

Do you want to invest in the stock that lets you diversify your loss ?? Here, let me introduce you to the term ETF, which is an abbreviation to Exchange-Traded Funds. Launched in India in 2001, the ETFs are similar to Index Mutual Funds that comprise a portfolio of equity, bonds, and trade close to its net asset value. To be more precise, ETF is a pool of assets, index, commodity.

Should You Invest in ETFs?

Whether you are a beginner or an experienced one, investing in ETF can always turn beneficial.

Why ??

-- It is a low cost, wherein you need not pay any management or advisory fee to the fund manager. The taxes are relatively lower when you invest in the ETF.

-- The ETF has less holding cost too. Now since the commodity are widely traded and there isn't any physical delivery for the same, hence the investors here are provided with an ETF certificate, which is similar to the stock certificate.

-- Most of the time it takes considerable knowledge to identify the perfect stocks that slay on your expectations. Whereas, ETF tracks only the index that it is benchmarking, and therefore, there is little scope of outperformance or underperformance. Since the ETFs track the Index, they do not have unsystematic risk and therefore, this portrays a good investment option if you seek to absolutely avoid unsystematic risk.

-- When investing in ETF you need not analyze past performance or understand the fund manager's investment style or how the fund has done in up and down markets etc. Most ETFs track the large cap indices like Nifty, Sensex, BSE – 100, Nifty 100, Nifty Next 50 etc. You can simply select an index and invest in a low cost ETF, which tracks that index and your job is done.

What are the Different Types of ETFs?

Stock ETFs – these hold a particular portfolio of equities or stocks and are similar to an index. They can be treated like regular stocks in that they can be sold and purchased for a profit, and are traded on an exchange throughout the trading day.

Index ETFs – these mimic a specific index, such as the S&P 500 Index. They can cover specific sectors, specific classes of stocks, or foreign or emerging markets equities.

Bond ETFs – an exchange-traded fund that is specifically invested in bonds or other fixed-income securities. They may be focused on a particular type of bonds or offer a broadly diversified portfolio of bonds of different types and with varying maturity dates.

Commodity ETFs – hold physical commodities, such as agricultural goods, natural resources, or precious metals. Some commodity exchange-traded funds may hold a combination of investments in a physical commodity along with related equity investments – for example, a gold ETF might have a portfolio that combines holding physical gold with stock shares in gold mining companies.

Currency ETFs – these are invested in a single currency or a basket of various currencies and are widely used by investors who wish to gain exposure to the foreign exchange market without directly trading futures or the forex market. These exchange-traded funds usually track the most popular international currencies such as the U.S. dollar, Canadian dollar, Euro, British pound, and Japanese yen.

Inverse ETFs – An inverse exchange-traded fund is created by using various derivatives to gain profits through short selling when there is a decline in the value of a group of securities or a broad market index.

Actively Managed ETFs – these ETFs are being handled by a manager or an investment team that decides the allocation of portfolio assets. Because they are actively managed, they have higher portfolio turnover rates compared to, for example, index funds.

Real Estate ETFs – These are funds invested in real estate investment trusts (REITs), real estate service firms, real estate development companies, and mortgage-backed securities (MBS). They may also hold actual physical real estate, including anything from undeveloped land to large commercial properties.

Look What Our Research Analyst Has To Say…

NIFTY

CHART

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FOR THE MONTH OF JUNE 2021

Nifty as we mentioned in the May month's report that a move above 14985-15065 zone will lead to test all time high and indeed we are back at all time highs. No if the bulls can sustain these levels will remain questionable as the last leg of rally has been on narrow rages forming a rising wedge which is bearish in nature. A sustain move above 15450 will lead the index to another 7-8% up move but if the volumes fails to pick up then we will witness huge round of selloff back to 14965-15065 zone. Broadly the range for the index is placed at 14965-15065 on the downside where as upside will remain copped around 15980-16045 zone which also is fibonacci extension target.

Anshul Jain

Research Analyst

Stocks To Watch

1. Federal Bank Ltd.

Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
Bank	Rs. 85.1	Buy at LTP and add more at Rs.75	Rs. 94	Rs. 103	2 Quarters

Shree Varahi Scrip Code	FEDERALBNK
BSE Code	500469
NSE Code	FEDERAL
Bloomberg	FB:IN
CMP May 21, 2021	85.1
Equity Capital (Rsmn)	3,992
Face Value (Rs)	2
Equity Share O/S (mn)	1,996
Market Cap (Rs bn)	169. 8
Adj. Book Value (Rs)	73
Avg. 52 Wk Volumes	36906604
52 Week High	92.40

Share Holding Pattern % (Mar, 2021)	
Promoters	-
Institutions	67.80
Non Institutions	32.20
Total	100.0

Our Take...

Federal Bank is one of the best placed mid-tier old private sector bank. Even during the tough times i.e. COVID-19 stress; the bank has been able to manage asset quality well and reported its highest-ever quarterly net profit in Q4FY21. The bank has strong granular liability franchise and comfortable capital positioning which can act as a cushion against any probable uncertain eventuality of asset quality shocks. Management's new strategy for long term sustainable growth of focusing on increasing retail book size and slowing down the wholesale segment will fetch higher profitability and maintain asset quality as these are relatively less risky and high margin businesses. The branch-light distribution-heavy business model and focus on digitization might help it bring down cost sustainably in the longer run. The bank has hired many senior level leaders across key verticals who bring significant amount of experience and knowledge with them but rejection by RBI of the re-appointment of Shyam Srinivasan as MD & CEO, remains a risk.

We had issued Initiating Report on Federal Bank on 23rd July, 2020 and recommended Buy at LTP and add on dips to Rs.49-52 band, for base case target of Rs.64 and bull case target of Rs.67.5 over the next two quarters. The stock achieved our Bull case target of Rs.67.5 yielding return of 26% on 7th December, 2020.

Valuations...

We have envisaged 13% CAGR in Net Interest Income and 25% CAGR in net profit over FY21-FY23E. Further, we have estimated that the loan book would grow at 12.6% CAGR over this period. The bank has utilized its entire surplus COVID buffer, shoring up its PCR to ~66%. We believe that a lack of provisioning buffer is likely to keep credit costs elevated in the near-term. However, the management has guided for normalized credit costs for its portfolio going forward. The gold loan growth could normalize in coming quarters and new focus segments such as MFI, CV portfolio, and Credit Cards might gradually aid in margin. The stock is currently trading at a 1.0x and 0.9x FY22E and FY23E ABV. RoAA is estimated at 1.1% for FY23. The bank has a relatively low exposure to unsecured segments.

We believe that investors can buy Federal Bank at LTP and add more at Rs.75 (0.8xFY23E ABV) for the base case fair value of Rs.94 (1.0xFY23E ABV) and for the bull case fair value of Rs.103 (1.1xFY23E ABV) over the next two quarters.

Financial Summary…

Particulars (RsCr)	Q4FY21	Q4FY20	YoY-%	Q3FY21	QoQ-%	FY19	FY20	FY21E	FY22E	FY23E
NII	14.2	12.2	16.4	14.4	-1.4	41.8	46.5	55.3	62.7	70.6
PPP	8.9	9.6	-7.3	9.6	-7.3	27.6	32.0	37.9	43.5	47.1
PAT	4.8	3.0	60.0	4.0	20.0	12.4	15.4	15.9	21.8	25.0
EPS (Rs)						6.3	7.7	8.0	10.9	12.5
ABV (Rs)						58.5	59.1	72.9	81.9	93.6
P/E						7.2	11.0	10.7	7.8	6.8
P/ABV (x)						1.5	1.4	1.2	1.0	0.9
RoAA (%)						0.8	0.9	0.8	1.0	1.1

Income Statement…

(Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Interest Income	4509.7	4043.3	4660.5	5366.0	5965.9
Interest Expenses	72427	85618	82242	94008	104449
Net Interest Income	**41763**	**46489**	**55337**	**62706**	**70554**
Noninterest income	13510	19314	19449	20988	23649
Operating Income	55274	65803	74786	83694	94203
Operating Expenses	27643	33756	36917	40158	47100
PPOP	**27631**	**32047**	**37870**	**43537**	**47103**
Prov & Cont	8559	11722	16496	14517	13762
Profit Before Tax	19072	20325	21373	29020	33341
Tax	6634	4898	5470	7255	8335
PAT	**12439**	**15428**	**15904**	**21765**	**25006**

Balance Sheet…

(Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Share Capital	3970	3985	3992	3992	3992
Reserves & Surplus	128760	141191	157244	177812	201620
Shareholder funds	**132730**	**145176**	**161236**	**181804**	**205612**
Deposits	1349544	1522900	1726446	1867240	2053186
Borrowings	77813	103724	90685	103577	113799
Other Liab & Prov.	33313	34580	35308	38839	42723
SOURCES OF FUNDS	**1593400**	**1806380**	**2013675**	**2191460**	**2415319**
Cash & Bank Balance	100668	125746	195914	127130	118781
Investment	318241	358927	371862	416486	466464
Advances	1102230	1222679	1318786	1479678	1673516
Fixed Assets	4720	4800	4911	5402	5942
Other Assets	67541	94229	122201	162765	150616
TOTAL ASSETS	**1593400**	**1806380**	**2013675**	**2191460**	**2415319**

2. KNR Constructions Ltd.

Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
Construction & Engineering	Rs. 227.6	Buy at LTP and add on dips to Rs. 200.5	Rs. 252.5	Rs. 267.5	2 Quarters

Shree Varahi Scrip Code	KNRCON
BSE Code	532942
NSE Code	KNRCON
Bloomberg	KNRC:IN
CMP May 21, 2021	227.6
Equity Capital (Rs cr)	56.2
Face Value (Rs)	2
Equity Share O/S (cr)	28.1
Market Cap (Rs cr)	6400.9
Book Value (Rs)	66.0
Avg. 52 Wk Volumes	481856
52 Week High	242.1

Share Holding Pattern % (Mar, 2021)	
Promoters	55.0
Institutions	34.4
Non Institutions	10.6
Total	100.0

Our Take…

KNR Constructions Ltd is one of the leading providers of engineering, procurement and construction (EPC) services. Its major projects are in the fast-growing sectors of roads and highways. Apart from this, it has an established presence in irrigation and urban water infrastructure management. It has 20 years of proven track record of executing >6,000 lane km road projects across 12 states in India. Its promoter Mr. K. Narasimha Reddy has wide experience of over 50 years in the highway sector.

After almost a decade, there is strong traction in orders for new infrastructure projects. Ordering has moved beyond roads with focus now on health, education, portable water, renewable energy, manufacturing, and real estate and this is coinciding with relatively lower crude prices, lowest interest rate, and improving GDP/tax collection.

We like the stock due to its best-in-class working capital (WC) cycle with a healthy balance sheet, strong order pipeline of Rs 20,000 crore (from NHAI), and Rs 3,000-4,000 crore of new order inflows (order book Rs. 11400 crore with 44% from irrigation). Although the rising incidence of COVID cases continues to pose a threat to government's ambitious plans for the infra sector, we are confident that KNR will overcome the tough environment to rise to the top on the back of a strong balance sheet and proven management.

Valuations…

A decent order book with a bid pipeline of Rs 20,000 crore, government's thrust on boosting infra, diversification in urban and water infra projects, strong liquidity, healthy cash accruals, unutilised bank lines, and moderate cash and cash equivalents together provide us a healthy medium-long term outlook. With labour availability back to pre-COVID levels, road construction grew by 8% Y-o-Y during 9MFY21. A significant improvement was seen across major segments like roads, urban infrastructure, water infrastructure, and irrigation. A healthy pipeline of orders from the NHAI adds further weight to the growth outlook, with the company achieving its overall revenue at Rs 2,702.7 crore in FY21 and guiding for 15-20% growth in FY22E.

The recent surge in COVID cases, subsequent lockdowns and restrictions, and the resulting curbs in various parts of the country may halt the ongoing infrastructure work, leading to execution delays. However, the rollout of vaccines should bring some relief.

We believe investors can buy at LTP and add on dips to Rs. 200.5 (13.5x FY23E EPS) with a base case target of Rs. 252.5 (17.0x FY23E EPS) and bull case target of Rs. 267.5 (18.0x FY23E EPS) over the next two quarters.

Financial Summary...

Particulars (RsCr)	Q4FY21	Q4FY20	YoY-%	Q3FY21	QoQ-%	FY19	FY20	FY21E	FY22E	FY23E
Total Operating Income	935.8	675.6	38.5	686.3	36.4	2137.3	2244.2	2702.7	3099.0	3564.4
EBITDA	182.2	146.9	24.0	135.3	34.7	427.0	487.1	535.9	603.5	700.6
Depreciation	-38.8	-53.8	-27.9	-37.3	3.9	168.1	191.8	144.4	152.3	157.5
Other Income	9.4	7.3	28.8	26.6	-64.7	60.8	45.9	38.4	49.1	56.4
Interest Cost	-4.3	-14.5	-70.1	-18.4	-76.5	29.1	47.4	48.7	36.0	41.6
Tax	-71.5	-18.7	281.6	-28.5	150.6	27.3	68.5	137.0	116.8	140.4
APAT	96.3	67.2	43.3	77.6	24.1	229.0	235.9	274.8	347.3	417.5
Diluted EPS (Rs)	6.8	4.8	43.3	5.5	24.1	8.1	8.4	9.8	12.4	14.8
RoE (%)						17.8	15.5	15.7	17.4	18.2
P/E (x)						28.0	27.1	23.3	18.4	15.3
EV/EBITDA (x)						15.6	13.5	11.7	10.5	9.0

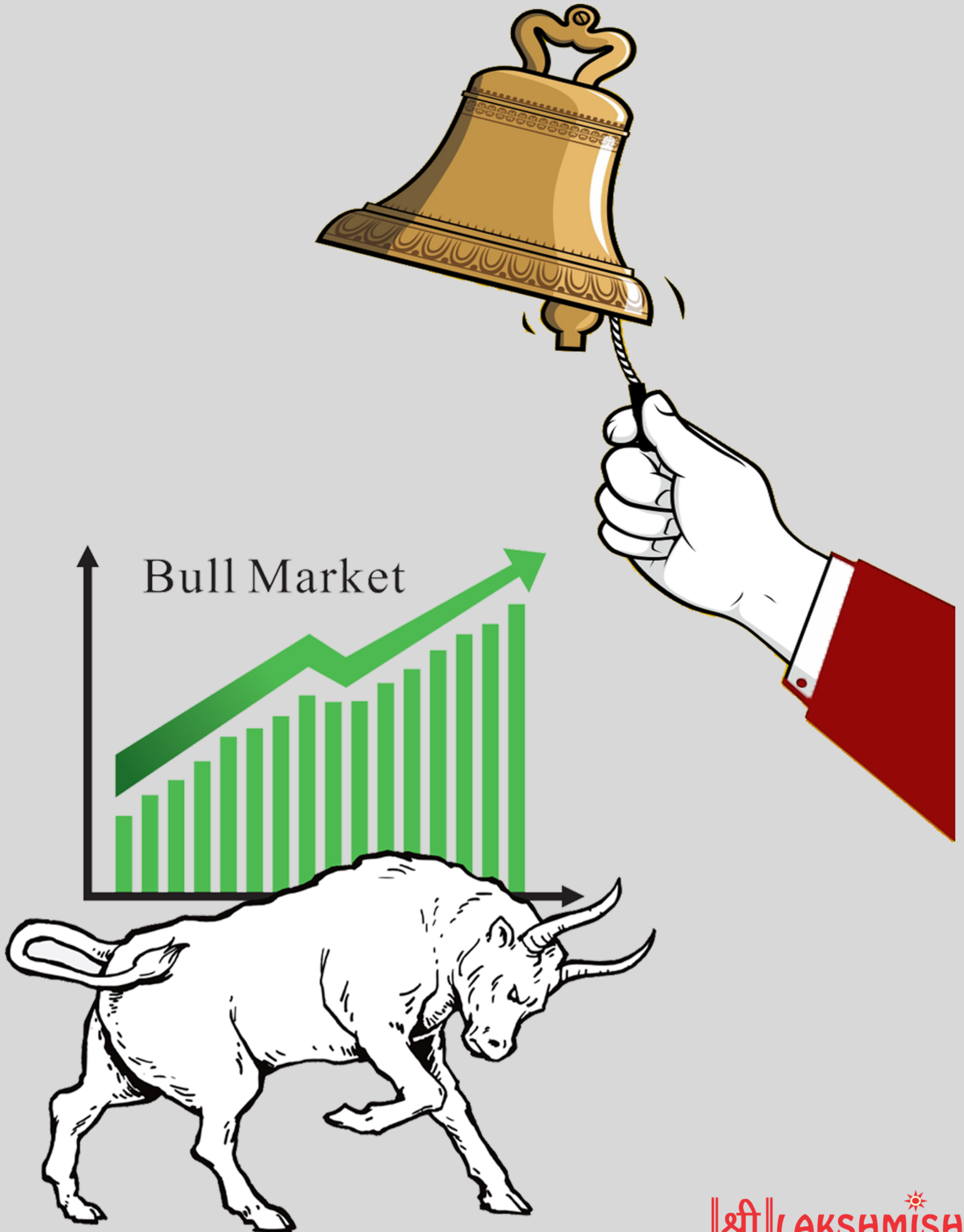
Income Statement...

(Rs Cr)	FY19	FY20	FY21E	FY22E	FY23E
Net Revenues	**19564**	**23099**	**25111**	**25998**	**27863**
Growth (%)		5.0%	20.4%	14.7%	15.0%
Operating Expenses	1710.3	1757.2	2166.8	2495.6	2863.8
EBITDA	**427.0**	**487.1**	**535.9**	**603.5**	**700.6**
Growth (%)		14.1%	10.0%	12.6%	16.1%
EBITDA Margin (%)	20.0%	21.7%	19.8%	19.5%	19.7%
Depreciation	168.1	191.8	144.4	152.3	157.5
EBIT	**258.9**	**295.2**	**391.5**	**451.1**	**543.1**
Other Income (Incl. EO Items)	60.8	45.9	38.4	49.1	56.4
Interest	29.1	47.4	48.7	36.0	41.6
EBT	**290.6**	**293.7**	**381.2**	**464.2**	**558.0**
Tax	27.3	68.5	137.0	116.8	140.4
RPAT	**263.3**	**225.2**	**244.2**	**347.3**	**417.5**
APAT	**229.0**	**235.9**	**274.8**	**347.3**	**417.5**
Growth (%)		3.0%	16.5%	26.4%	20.2%
EPS	**8.1**	**8.4**	**9.8**	**12.4**	**14.8**

Balance Sheet...

Rs (Cr)	FY19	FY20	FY21E	FY22E	FY23E
SOURCES OF FUNDS					
Share Capital	28.1	28.1	56.2	56.2	56.2
Reserves	1386.2	1595.8	1811.6	2268.0	2668.7
Total Share-holders Funds	**1414.3**	**1623.9**	**1867.8**	**2324.3**	**2724.9**
Long Term Debt	247.2	196.1	0.0	101.0	102.0
Short Term Debt	16.9	33.6	0.7	58.6	83.6
Total Debt	264.1	229.7	0.7	159.7	185.7
Deferred Taxes	-173.9	-161.0	-148.6	-161.0	-161.0
Other Non-Current Liabilities	18.1	17.6	19.8	17.6	17.6
TOTAL SOURCES OF FUNDS	**1522.6**	**1710.2**	**1739.7**	**2340.6**	**2767.2**
APPLICATION OF FUNDS					
Net Block	371.0	380.5	405.1	434.6	477.1
CWIP	0.0	10.2	2.4	10.2	10.2
Goodwill	0.1	0.2	0.2	0.2	0.2
Investments, LT Loans & Advances	620.1	714.9	492.8	907.8	1122.8
Other Non-Current Assets	200.3	180.9	102.6	81.5	81.9
Total Non-current Assets	**1191.4**	**1286.5**	**1002.9**	**1434.0**	**1691.9**
Inventories	95.1	123.2	148.0	175.3	156.1
Debtors	234.4	476.1	863.2	679.2	683.6
Cash & Equivalents	13.0	33.0	117.3	213.6	295.5
ST Loans & Advances, Others	562.5	638.0	640.7	681.8	784.2
Total Current Assets	**905.0**	**1270.3**	**1769.2**	**1750.0**	**1919.4**
Creditors	223.6	251.1	239.7	254.2	292.4
Other Current Liabilities & Provisions	350.2	595.5	792.7	794.2	803.7
Total Current Liabilities	573.8	846.6	1032.4	1048.4	1096.1
Net Current Assets	331.2	423.8	736.8	701.6	823.3
Misc Expenses & Others	0.0	0.0	0.0	205.0	252.0
TOTAL APPLICATION OF FUNDS	**1522.6**	**1710.2**	**1739.7**	**2340.6**	**2767.2**

This Might Impact Your Investments !!



Financial News Bulletin

Banks are better placed in this Covid wave to manage stress in balance sheets than before, the RBI said, helped by higher capital buffers, improvement in recoveries and a return to profitability.
-Business Standard

The RBI has imposed a Rs 10 crore penalty on HDFC bank in light of 'deficiencies in regulatory compliance,' according to a press release from the central bank. The fine is related to the bank's irregularities in the auto loans department, reportedly caused by employees forcibly bundling GPS devices with auto loans.
-Economic Times

The Canara Bank today announced 3 types of loan schemes for its customers to provide relief amid the coronavirus pandemic. Canara Bank will be offering healthcare credit, business, and personal loans to its customers. The bank will also offer loans from ₹25,000 - ₹5 lakh as immediate financial assistance to customers for the Covid-19 treatment during admission or post-discharge.
-Livemint

The HDFC Bank today committed Rs 100 Cr for setting up medical infrastructure for COVID-19 relief in 2021-22. The bank is planning to set up 20 oxygen plants in hospitals besides three 100-bed COVID care facilities as part of the plan..In a statement, the bank said the Rs 100 crore commitment for the ongoing fiscal year is an initial amount, and comes on top of a Rs 120 Cr contribution done in 2020-21 as part of its initiative christened 'Parivartan'.
-Economic Times

Indian Bank today reported a net profit of Rs 1,708.85 Cr in the March-ended quarter. The bank had posted a net loss of Rs 217.74 Cr in the same quarter of the preceding FY 2019-20. Sequentially, the bank had posted a net profit of Rs 514.29 Cr in the Dec quarter of the FY 2020-21.
-Moneycontrol.com

Canara Bank is looking to raise up to Rs 9,000 Cr through equity and debt this financial year, as per the approval granted by the board of directors today. The board of directors of the bank in its meeting held today approved the capital raising plan for the year 2021-22 amounting up to Rs 9,000 Cr by way of equity and debt instruments, the bank said in a regulatory filing.
-Business Standard

S & P Global Ratings has affirmed BB long-term and B short-term foreign currency issuer credit ratings on IDBI Bank. It also affirmed BB programme rating on the senior unsecured notes under its medium-term notes (MTN) programme and then withdrew the ratings at the bank's request. S & P said the outlook was negative at the time of withdrawal. "We affirmed the ratings because we expect IDBI Bank's improving financial performance to offset the risk of bank's weakening link with the Govt."
-Business Standard

UCO Bank said its board has approved raising Rs 3,000 Cr equity capital for the current fiscal year. "The board of directors of the bank, this day May 27, 2021, approved the proposal for raising of equity capital aggregating to Rs 3,000 Cr during the FY 2021-22," UCO Bank said in a regulatory filing.
-Business Standard

ICICI Bank has announced a unique way to assess creditworthiness of a specific group of customers. The bank will use satellite data imagery to assess the creditworthiness of its customers belonging to the farm sector. With the introduction of this new method, ICICI Bank will become the first in India and among few globally to use satellite data to measure an array of parameters related to the land, irrigation and crop patterns and use it in combination with demographic and financial parameters to make quicker lending decisions for farmers.
-Livemint

With the PMLA (Prevention of Money Laundering Act) court giving its green signal, Indian lenders, led by SBI, have initiated talks with SBI Caps to sell fugitive businessman Vijay Mallya's shares in United Breweries Ltd. Mallya's 16.15% stake in UBL is valued at Rs 5,500 Cr as of today and will be sold via block deals.
-Business Standard

The second Covid-19 wave may have, to some extent, dented SBI Card's business growth in May, albeit on a lower scale than May last year, but the Co sees a return to business -as-usual (BAU) scenario in the July-Sept quarter, its CEO Rama Mohan Rao Amara said.
-Business Line

Paytm Payments Bank will launch physical debit cards issued by Visa. Currently, it offers physical debit cards by Rupay, and virtual debit cards by Visa to customers. Paytm said that Visa physical debit cards will allow customers to use these at over 50 lakh Visa acceptance points and will allow them to tap and pay for contactless transactions. Paytm Payments Bank has already issued over 45 lakh virtual debit cards. It has now set a target to issue over 10 lakh physical debit cards by the end of this fiscal.
-Financial Express

The US replaced Mauritius as the second largest source of foreign direct investment into India during 2020-21 with inflows of USD 13.82 billion, according to government data. Singapore remained the top source of FDI into the country for the third consecutive fiscal at USD 17.41 billion.
-Business Standard

The Govt is considering a tweak in the current FDI policy to allow overseas investors pick up majority stake in the India's second biggest oil refiner Bharat Petroleum Corp Ltd (BPCL), sources said.The Govt is privatising BPCL and is selling its entire 52.98% stake in the Co.
-Business Line

The country's foreign exchange reserves rose by USD 2.865 billion to a record high of USD 592.894 billion for the week ended May 21, boosted by gold and currency assets, RBI data showed today. The previous all-time high for the forex kitty was USD 590.185 billion for the week ended Jan 29, 2021. For the previous week ended May 14, the reserves had increased by USD 563 million to reach USD 590.028 billion.

Green sentiment: 3, oil and gas giants: 0

Three developments in the oil and gas sector mark a critical moment in the global efforts to tackle climate change. A Dutch court has ordered Shell to cut carbon emissions from its oil and gas by 45% by 2030, a small activist investor group that owns 0.02% of ExxonMobil's equity has persuaded enough green-minded support from among shareholders to secure two places on the company's board, and investors have pushed through a vote, in the teeth of opposition by Chevron's management, to slash the company's Scope 3 emissions, that is, emissions arising from its value chain although not from assets directly owned or controlled by the company.

In terms of responsibility for cumulative emissions, Chevron is second among fossil fuel firms, ExxonMobil is third, and Shell sixth. These developments are not just about holding the worst polluters accountable but encapsulate growing public awareness and a critical mass of overt public support for undertaking radical transformation of the economy and society in order to tackle climate change.

The case against Shell was pursued by an NGO, Friends of the Earth, Netherlands, and 17,000 individuals. A Green Party nominee is the favourite for chancellor among German voters. It is this public demand that gives comfort and pushes governments, courts and businesses to change.

This is good news for developing countries, as indirect fulfilment of their long-standing demand to recognise the historical responsibility of rich industrialised nations to do more to reduce emissions and take climate action, so that developing countries have a little more room to deal with climate change while addressing developmental needs. That wiggle room, however, is not excuse for inaction, and the government must take the lead.

A judicial review would be welcome

There is no need to climb the nationalist high horse snorting anger at sovereignty defied, over WhatsApp's challenge of the Intermediary Guidelines in the Delhi High Court. This challenge is likely to provide a number of benefits, ranging from clarity on the constitutionality of the guidelines and establishing India as a country where foreign companies can seek legal redress to focusing minds on not just completing the long-pending legislation to protect privacy but also to build in provisions on regulating the State's right to breach citizen privacy.

There can be no question that no one can be allowed to defy the law, whether delusional administrators put in charge of small islands, who behave as if they were monarchs with arbitrary powers, or giant companies that operate across the world. However, no company has said it would defy the law. That is not their business model. They are committed to following the law of the land, wherever they operate. However, it is part of their business model to seem to champion freedom of expression, privacy and fairness. It is important for them to be seen defending these commitments, instead of rushing to crawl when asked to bend. Putting up a legal fight and acting on the outcome is a good way to go about both complying with domestic law in India and acting true to their claims to principles. Unless the government has lost confidence in India's own judicial process, there is little to cavil, except to point out that the legal option could have been explored long before the final deadline.

While social media companies should comply with government directives, the government has the duty to explain the rationale for its directives to the people of India, something absent in the guidelines.

Needed, better home loan insurance

Death brings not just emotional trauma but also, often, financial distress for the family of the deceased. It is to guard against this that the prudent often take, along with their home loan, an insurance policy that would take care of repayment of the loan, in case of the untimely demise of the borrower. The pandemic has taken many lives, including of those who showed such prudence.

However, it turns out that most such policies would not kick in, in the case of Covid victims. The need is to have better designed home loan insurance products that cover all exigencies, rather than specific illnesses. The pandemic has turned the spotlight on many home loan insurance products that fail to cater to death due to Covid. Home loan insurance is designed to spare surviving family members the burden of repaying the outstanding home loan of the deceased and also protect the lenders.

Typically, life insurance covers that are bundled with home loans make provision for death regardless of illness. This is in sync with global practice. Death due to Covid also gets covered, automatically. The insurer would have to mandatorily pay the

outstanding loan to the housing finance company. But that is not the case with home loan insurance products sold by general insurers.

These policies cover death due to specified illnesses such as cancer or heart attack or due to personal accident, but do not cater to death due to Covid. So, insurers are likely to reject the claims for settlement of outstanding home loans of the deceased loanee.

The solution is to have better designed products. Most home loan protection schemes come with a one-time premium. Advancing the premium as part of the loan and recovering it along with mortgage payments makes sense.

5. Bad Banks: Not by sovereign guarantee

A sovereign guarantee for the security receipts issued by the bad bank being set up to buy out the bad loans weighing down the books and ability of public sector banks (PSBs) is not germane to successful working of the proposal. Rather, three other factors would make or break a bad bank. One is expertise in the bad bank to resolve bad loans or run debtor companies that are in a position to operate. Another is the wherewithal to perform the role of patient capital. The third factor is independent valuation of the assets being transferred.

The bulk of the capital for the bad bank should come from the banks themselves, so that the gains from resolution would also come back to the banks, apart from the sale price of the bad assets. However, the government could also contribute some seed capital. Rightly, RBI, which supports the proposed bad bank, also underscores the need for a well-capitalised entity to strengthen asset resolution. The sale of non-performing assets (NPAs) will make space for PSBs to lend without being burdened by these bad loans, and when the assets underlying these loans are resolved, the bank will reap profits. However, the need is to ensure that the valuation of assets is done by third parties (read: audit firms) in order to shield bank managers from any arbitrary criminalisation of NPA sales. Bankers fear haircuts on sale of bad assets: these might be construed as mala fide moves. Reassurance is possible if third parties determine the value of the assets to be transferred, attested subsequently by a reviewer, another audit firm.

Such arm's-length pricing and an oversight committee will reassure bankers, and help protect them from charges of causing loss to the exchequer. This is what will make a bad bank succeed.

Reserve Bank of India surplus is rightfully the government's

The RBI move to transfer Rs 99,122 crore as surplus to the Centre, while duly maintaining its contingency risk buffer at 5.5% as per the Jalan committee report, is significant. Not being a commercial organisation, RBI's surplus payment to the government is not termed a dividend. But RBI does need to bolster its capital to meet contingent risks and maintain financial stability, even while transferring its surplus to shore up the exchequer.

Note that RBI's varied roles as monetary authority and guarantor of financial stability entail significant contingent risks. For instance, it can mean exposing the central bank to currency risks on more than three-fourths of its balance sheet. In the past,

mark-to-market losses of 1-1.5% of GDP have, indeed, occurred. Besides, international evidence suggests that central banks' financial resilience does boost their policy efficacy proactively. The latest transfer of RBI surplus to the Centre, at just under 0.5% of GDP, is larger than that in the previous fiscal, which was just over Rs 57,000 crore. Note also that the latest surplus is for a nine-month period, July-March, as RBI has now aligned its accounting year with that of the government. In this unprecedented time of economic contraction and much uncertainty, the larger RBI dividend would proactively improve government finances and reduce market borrowings.

The risks arising from RBI's monetary and non-monetary policy operations do need to be actively managed. Hence, a prudent economic capital base for the central bank is clearly warranted. RBI's financial resilience is most appropriate to duly absorb the impact of its policy risks. We do need strong institutional mechanisms in times of heightened economic stress. And, these are such times.

View: Give income support, not fertiliser subsidy

The government plans to increase the subsidy for di-ammonium phosphate (DAP) fertiliser, in response to a rise in its global prices. Farmers need to be insulated from input price shocks, true, but raising subsidy is a suboptimal solution. The higher subsidy of ₹1,200 per bag of DAP instead of ₹500 will now allow companies retain their price at the old price of ₹1,200 instead of ₹2,400. A superior solution is for the government to merge input subsidies into the income support scheme, in which ₹6,000 per farm family is directly transferred to the farmer's account. It will encourage balanced use of fertilisers and help incentivise efficient agronomy.

Fertiliser subsidy is paid to fertiliser companies, which are free to set 'reasonable' prices. This must change. With the direct benefit transfer mechanism for fertilisers in place since October 2016, there is no reason why subsidy should be given to manufacturing units. A switch to the income support scheme to farmers will also prevent malpractices such as units claiming higher subsidies by importing fertilisers at inflated prices. Income support schemes avoid the stigma attached to trade-distorting subsidies in international trade. Some states that include Andhra Pradesh, Odisha and Chhattisgarh have implemented income transfer schemes for farmers. Most of these schemes target the owner of the land, bypassing the tenant. Odisha's scheme is a welcome outlier and covers small and marginal farmers, tenants, landless agricultural households and sharecroppers.

Rightly, agricultural economist Ashok Gulati has underscored the need to refine these schemes to make them more efficient, inclusive and free from leakages. Efficient fertiliser production would be a by-product.

RBI, look through this price rise

Wholesale price inflation (WPI) has surged, touching 10.49% in April 2021 — the highest since April 2010 — from 7.39% in the previous month. The forward march of prices comes on the back of a low base and sustained rise in fuel and commodity prices.

There are concerns that the spurt in WPI would leave the Reserve Bank of India (RBI) with little leeway to cut interest rates to revive growth. RBI should look through the WPI spike. It would be transient, given that a bulk of the price rise is due to the supply disruptions caused due to state lockdowns to contain Covid's second wave.

Inflation will ease with the unlocking of the economy and restoration of supply chains. Of course, a pass-through to consumer prices is inevitable (even in the absence of the pandemic). Higher prices, in turn, will spur the supply chain to faster response.

The break up shows that inflation in fuel and power registered a jump to 20.9% compared to 10.3% in the previous month and –12.7% in April 2020. Global crude prices have been on a rising trajectory since mid-April 2021. Commodity prices have surged following global optimism about the Covid vaccine and economic revival in countries such as the US and China. Also, the depreciation of the rupee pushed up the landed costs. Inflation in manufactured products rose to 9% in April 2021, higher than 7.3% in the previous month.

Rightly, RBI has flagged the build-up in input price pressures across sectors, driven in part by elevated global commodity prices, as a concern. Rationalising taxes on key inputs will help. This calls for action from the Centre and state governments. Wholesale inflation in the food group climbed to 4.9% compared to 3.2% in the previous month. A normal southwest monsoon will help.

GST exemption for Covid drugs unsound

The Centre is right to turn down requests to exempt vaccines and Covid-related drugs produced domestically from the goods and services tax. GST captures value addition in the production chain as manufacturers can claim credit for all the taxes paid on inputs. Exemptions break up the input tax credit chain. If manufacturers cannot offset the taxes that they pay on inputs used to make the final product, it will result in the accumulated taxes being recovered from the consumer. So, it makes sense to retain GST on drugs and vaccines, as unclaimed input tax credits could, in the absence of the levy on the final product, cumulate in the retail price.

Vaccines attract 5% GST and drugs (Covid drugs and oxygen concentrators) attract a 12% GST. The case to lower GST on drugs is compelling. The other option is zero rating of vaccines and drugs — just as exports — to keep the chain unbroken, the retailer collects zero rate of GST from the consumer and collects input tax credit. However, the tax payout is not a major consideration from a patient's point of view. What is insignificant for an individual could add up to something that makes a difference to the exchequer. And the government needs all the revenues it can muster to fight on many pandemic fronts. A low, uniform rate of import duty, say 5%, on all vaccines and their ingredients would protect the domestic industry, without burdening the vaccinated overmuch. In the long run, a robust, indigenous vaccine-making industry would lower the cost of healthcare for India.

Estimates show that the country loses about 2% of the GDP on GST exemptions. Exemptions must be scrapped.

Politics and policy pushes, not quota

The Supreme Court verdict against reservations for Marathas is welcome. It rests on technicalities such as whether a state can identify a socially and economically backward caste, and whether extraordinary circumstances have been made out to justify a quota for Marathas, breaching the 50% ceiling on quotas prescribed by a 1992 Supreme Court order. But the merit of the decision lies in the institutional check it delivers on the willingness of the political class to buckle under pressure and accept as backward a socially, economically and politically powerful community.

The solution to the systemic problems that prompt people to organise as groups and demand quotas in jobs and educational opportunities is a more dynamic economy and investment in the education system. This equips people from all tiers of society to enter the formal workforce. In a framework of political empowerment of the ordinary citizen, it would allow him to resist

exploitation in any context. India's growth process needs to generate more jobs and more formal sector jobs. That calls for faster growth and formalisation of the economy. The goods and services tax (GST) is a major driver of transparency and formalisation. Its coverage must become more comprehensive. Serious effort has to go into improving the quality of education. Young people must emerge from school and college with not just bits of paper announcing their qualifications, but with actual capacity to understand the world, apply their knowledge and solve problems.

With the world as their market and global capital chasing profit-making opportunities, entrepreneurs have never had it so good in history. Politics and policy must guide people to become entrepreneurs, rather than seekers of quotas and handouts.

GST shows signs of realising promise

The spurt in goods and services tax (GST) collections in March reflects both economic recovery and increasing formalisation and tax compliance of ever-larger swathes of the economy. Thanks to GST, accounts of businesses are getting reported and more workers are enrolling with the Employees Provident Fund. The potential to increase revenue can only go up further with greater formalisation of the economy and broadening of the tax base. GST revenues for March, collected in April, touched a record high of ₹1,41,384 crore, 14% higher than the previous month.

The pandemic induced lockdown led to an almost 24% economic contraction in the first quarter. The pace of decline came down to 7.5% in the July-September quarter, but GST collections were dented. The economy grew by a modest 0.4% in the third quarter. However, GST revenue has stayed above ₹ 1 lakh crore for the seventh consecutive month. About 1.28 crore taxpayers are registered under GST as on May 2, 2021 against 1.12 crore in 2018. The pace of registration of new taxpayers under GST must rise. This is feasible. For the economy as a whole, gross value added is equal to gross profits plus wages and salaries. The same holds at the firm level. So, tracing the transaction chain from the supply of bulk raw materials to those who use them as inputs down the value chain will help stem tax evasion.

Establishing a link between GST database and direct taxes leads to superior collections. Deploying data analytics to identify bogus input tax credit claims and plugging leakages by pursuing audit trails in the income and production chain make eminent sense. And once large swathes of the economy become formal, GST revenues will surge. Rationalised rates and universal coverage would help.

Why the RBI should buy NBFC bonds ??

Uday Kotak has stated that the Reserve Bank of India (RBI) might inevitably have to expand its balance sheet to support the economy amidst the raging pandemic. The central bank does precisely that when it carries out long-term repo operations. However, there is scope for the RBI to provide direct liquidity support to large non-banking financial companies (NBFCs) that play a vital role in meeting the credit requirements of swathes of small and medium industry.

It is true that RBI has shored up liquidity conditions for the banking system in the past one year for onward lending, and is providing further liquidity support this fiscal. Note that the central bank has announced its pathbreaking G-SAP, government securities acquisition programme under which RBI would purchase government paper to the tune of Rs 1 lakh crore in the first quarter of FY22. Further, its targeted long-term repo operations (TLTROs) are meant to provide credit to smaller NBFCs, but, again, via bank funding. But NBFCs do have a critical role in India's credit system, providing, as they do, credit for largely un-banked segments, and the way forward is for the RBI to directly purchase the paper issued by major league NBFCs. It would rightly and speedily step up credit support across the board.

The central bank is in the process of thoroughly revamping its oversight on NBFCs with a four-layered regulatory structure, based on such parameters as operational size, leverage, interconnectedness and nature of activity. The way ahead is for the

largest NBFCs to issue bonds for direct subscription by RBI. The central bank needs to phase in making use of corporate bonds in its liquidity management operations, to boost demand for these bonds.

Aligning Incentives At Mutual Funds

Amidst buoyant capital markets, sustained inflows of funds from abroad, and a policy-induced low interest rates regime, it is notable that the Securities and Exchange Board of India (Sebi) has tightened norms for compensation of asset managers at mutual funds (MFs). Sebi has mandated that a minimum of 20% of the earnings of key personnel in an asset management company (AMC) should be in the form of units of MF schemes they manage, which does make perfect sense.

The idea is to align the interest of key employees of AMCs with those of the unit holders of MF schemes. The fine print in MF schemes do reiterate that returns are subject to market risks, and further that the past record cannot be a pointer to future performance. Nonetheless, Sebi, rightly, wants fund managers to demonstrate to investors that they have confidence in the very schemes they manage, with skin clearly in the game. The linkage with remuneration would also be proportional to the assets under management in which the key personnel have a role or oversight. A minimum period of three years' lock-in is mandated for the MF units so offered, along with provision for claw back for non-compliance and violation of 'Code of Conduct, fraud and gross negligence.'

The assets under management in MF schemes are now over ₹32 lakh crore, and we need transparency on MF returns. Sebi has also, sensibly, revamped the format for reporting MF results. Its latest move may have been informed by the fiasco at six debt funds of Franklin Templeton last March. Reportedly, some employees of the MF are known to have coolly redeemed their holdings just before the schemes' closure. 'Market' based compensation surely needs to be in place for credit decisions of bankers, as well, besides at MFs.

Loss making, but IPO bound! When can Paytm deliver profit?

The largest payment services provider in the country, Paytm, owned by One97 Communication, is planning a $3 billion initial public offering (IPO) later this year, a Bloomberg report said on Thursday.

The size of the IPO could be the largest ever in India's capital market history dwarfing Coal India's Rs 15,000 crore public offering of 2010. The Bloomberg report said that Paytm could seek a valuation of around $25 billion to $30 billion when it hits the primary market around Diwali.

That said, it is very likely that the Berkshire Hathaway-backed company will be a loss-making entity when the subscription window for the IPO opens for the public. In 2019-20, the payment services company reported a net loss of Rs 2,942 crore and burned cash from operations worth Rs 2,385.3 crore.

The key question then is, when can potential investors expect the company to become profitable?

According to Gautam Chhugani of Bernstein, the rising heft of Paytm's non-payment services could hold the key to when the company will break even. Chhugani, in a note, said the company is steadily shedding its reliance on the payment services and making a mark in credit tech, insurance tech and wealth tech – three arms that will make the company the 'superapp' of financial services it aims to be.

Bernstein believes the credit technology vertical of the Softbank-backed company will lead the next leg of revenue as Paytm has already made a strong start on disbursals, which have grown month-on-month.

Paytm's mutual fund distribution and broking business under Paytm Money has also made a solid start, while the company is also looking to acquire a general insurance company to get a foothold in health and vehicle insurance.

Chhugani expects the non-payment services business to grow 87 per cent annually as the company's revenue run-rate is projected to hit $1 billion mark in 2022-23. Within the non-payment business, the credit, wealth and insurance operations could see annualised growth of 330 per cent over the next three years.

"With increased financial discipline (rare in the hyper-competitive payments space), Paytm is on track to break even in 12-18 months. We expect Paytm to continue being the largest payments and fintech ecosystem in India."

Delhivery raises $270 million in pre-IPO round

Logistics unicorn Delhivery, which specialises in delivering goods for major e-commerce companies, has raised around $270 million at approximately $3-billion valuation in a pre-IPO round from multiple investors, including US-headquartered Fidelity Investments, two people aware of the development said.

The primary capital infusion comes after the decade-old company was valued at around $2 billion after Steadview Capital invested $25 million to acquire shares in the company last December through a secondary transaction. In a secondary transaction, the company does not receive any money, as existing investors sell their stake to new players.

In 2019, Canadian Pension Plan Investment Board (CPPIB) bought an 8% stake in the SoftBank-backed company for $115 million from an existing investor. The fresh round of funds has taken the total capital raised by the company to around $1 billion. While a Delhivery spokesperson did not comment on the matter, sources confirmed that the company is set to go for a listing in 2022.

The development signals a growing interest of foreign investors in a slew of Indian companies that are readying themselves for public listings, including Zomato, Flipkart and Lenskart.

"The proposed IPO will be an inflexion point for the company and for the logistics sector as such, as there is growing interest from global investors in large Indian startups and the company is deepening their digital capabilities and looking at a larger B2B play across consumer sectors as well as sectors such as pharma and auto," said Siddhartha Nigam, partner, Grant Thornton Bharat.

Delhivery, which has narrowed down its losses significantly to around Rs 270 crore in FY20 and boosted its revenues, was aiming to finish the 2021 financial year with revenues of around Rs 4,000 crore which will pit it directly against the likes of traditional logistics giants such as Blue Dart and Fedex, a senior Delhivery executive had earlier told TOI.

Paytm board okays plan for public issue before Nov

Paytm's board on Friday approved a resolution for its proposed initial public offering (IPO) before November, multiple sources aware of the matter said.

The company is aiming to file a Draft Red Herring Prospectus (DRHP) with markets regulator, the Securities and Exchange Board of India (Sebi), by July, the sources said.

The Noida-based company is also evaluating a secondary share sale that could cut stakes of existing investors before the IPO, they said.

The details are not final but could possibly include its largest investors like China's Alibaba Group, Japan's SoftBank and venture capital firm Elevation Capital, formerly known as SAIF Partners. According to a source, the transaction could be pro rata, where all major investors could forgo a part of their stakes proportionally.

Paytm, according to a report by news wire Bloomberg, is aiming at a valuation of $25-$30 billion.

Sources said a leading banker has valued Paytm at around $20 billion, higher than its current valuation of $16 billion.

"The company is aiming for a 'significantly' higher valuation than its current valuation," one of the people said.

Along with Morgan Stanley and JP Morgan, Paytm is planning to bring on board Axis Capital, ICICI Securities and SBI Capital to accelerate its compliance timelines.

A spokesperson for Paytm declined to comment.

"They (Paytm) want to put 10% of shares on the block, which would be around $3 billion - ballpark, not exactly but in this region," one person directly aware of the plan said.

Paytm has so far raised $2.8 billion.

"So, the company will evaluate if it has to make a secondary transaction and will offer it on a pro-rata basis to each of its investors. It is working out the contours, but in the last five years, none of its 'significant' shareholders have expressed intent to exit," the person added.

Core business growth

Paytm's core payments business is growing, and it is also expanding in financial services. Verticals like online ticketing for travel and movies have, however, taken a hit due to the pandemic.

The payments company is expected to make losses for an eighth consecutive fiscal year in FY21, though the losses are expected to narrow from the previous financial year. Revenue is also likely to take a hit.

Audited numbers for the financial year 2021 have not yet been made public.

In FY20, Paytm's consolidated revenue was flat at Rs 3,280 crore, while it cut losses by 30% to Rs 2,942 crore, according to its annual report. "Offline merchant payments are still hit because of the ongoing second wave of the pandemic. This was one of the areas they were focusing more on in the past year as it offers more options to monetise than peer-to-peer payments," another person aware of the company's operations said.

Revenue growth is critical to its reception in the public markets, multiple industry executives said.

Going forward, various regulatory approvals will be key to how its businesses fare.

Paytm's Rs 568 crore acquisition of general insurer Raheja QBE in 2020 has yet to receive approval from the insurance regulator.

Separately, the fintech player wants to convert its payments bank into a small finance bank to lend directly to customers but is waiting for the recommendations of a working group of the Reserve Bank of India to be approved by the banking regulator before it proceeds.

So, it is a moot point whether its valuations would double in the public float, the sources said.

Paytm has ambitious plans to build its lending business and has brought on board new executives, including Amit Nayyar as president and Bhavesh Gupta as chief executive for Paytm Lending.

Former investment banker Madhur Deora is also a president at the company.

Deora joined the firm as chief financial officer in 2016 after leaving Citi's investment banking unit as managing director.

Besides Paytm founder Vijay Shekhar Sharma, Deora is one of the top executives directly involved in the proposed IPO plan.

Paytm also has an ecommerce business under Paytm Mall, which initially tried taking on sector biggies like Amazon India and Walmart-owned Flipkart, but has remained a distant third player.

Paytm had set up a joint venture with Alibaba Group firm AG Tech in 2018 to build a gaming platform, which began life as Gamepind but was later renamed Paytm First Games.

This entity competes with platforms like Dream11 and Mobile Premier League (MPL), which is backed by Sequoia Capital and Times Internet, the internet arm of the Times of India group, which also publishes this newspaper.

Paytm's potential IPO comes at a time when multiple startups have firmed up similar plans.

Food delivery platform Zomato is expected to be the first to go public after it filed its DRHP with Sebi late last month. It is aiming to raise $1.1 billion.

HDB Financial shelves IPO, opts for NCD; unlisted market shows

HDB Financial Services, the non-banking financial arm of HDFC Bank, has shelved its plans to float an initial public offering (IPO) and instead plans to raise over Rs 8,600 crore via debt.

Despite the deferred IPO, the company's unlisted shares have held ground in off-market.

Dealers from the unofficial market for trading in unlisted shares said they have faith in the strong parentage of HDFC Group.

"Had the issue (initial public offering) been announced, investors would have rushed to lap up the shares even at higher prices as IPO a big draw. Investors are willing to wait. The market has already priced in the delay."

HDB Financial Services enjoys a premium valuation, thanks to the strong parentage of HDFC Group, which holds a 95.1% stake in it. The NBFC will eventually attempt to unlock value via the capital market route in the future.

"HDB Financial is backed by top-notch parentage, making investors more reluctant to release shares of high pedigree from their portfolio.

"Many HNIs and big funds have lapped up the shares, drying up supplies in the market."

Unlisted shares of HDB Financial services are hovering in the Rs 900-925 range over the past few months. Dealers said the counter did not plunge much during the first wave of the pandemic, as investors are not willing to offload stake anytime soon.

The IPO was never on the cards and the management remained tightlipped on it. “Only shareholders have been in the trance, which has kept the price steady even at skyrocketed valuations”.

The company is considering debt as the cost of borrowing is very less at present.

The company will raise the amount via NCDs in various tranches. The funds would be utilised for fresh lending, refinancing of existing borrowings, and also to boost capital levels.

“The lending business is recovering from Covid-19 jitters. The impact is more severe on those in the unlisted space”. “Things will be clearer, once the economy is back on growth trajectory”.

This subsidiary of India’s largest private sector bank caters to the informal sector and self-employed segment, which have been hit hard by the Covid disruption. It wants to improve the deteriorated asset quality and is awaiting for the disruptive phase to pass.

HDB Financial Services, with 1,319 branches across 959 cities, focuses on the risky unsecured personal loans, new-to-credit loans, consumer durable loans, used car loans, credit card balance transfer and loans to small enterprises.

The impact of the pandemic is visible on the company’s balance sheet, as its net profit halved during the Covid-hit 2020-21, from Rs 1,037 crore to Rs 503 crore.

Profit for the March quarter of FY21 fell 17 per cent to Rs 285 crore from Rs 342 crore a year ago due to a rise in provisions. Total provisions during this period increased to Rs 613 crore from Rs 393 crore a year earlier.

HDB recorded a modest 5 per cent increase in its loan book to Rs 58,947 crore from Rs 55,930 crore a year ago. Net interest income grew 15 per cent to Rs 1,252 crore from Rs 1,084.5 crore.

PETA wants Amul to switch to vegan milk. Here's what India's

India’s largest dairy brand Amul has countered animal rights organisation PETA’s suggestion to 'switch to plant-based dairy', questioning how employment to crores of people could be provided if that were to be the case, and said “foreign funded NGOs are running campaigns to tarnish the Indian dairy industry”.

The development comes days after self regulating ad industry entity Advertising Standards Council of India (ASCI) dismissed a plea filed by PETA against Amul for stating that plant-based products can’t be called 'milk’.

RS Sodhi, managing director of Gujarat Cooperative Milk Marketing Federation (GCMMF) which makes Amul milk, butter, ice-cream and cheese, said: “Who will provide employment to 100 million farmers who depend on the cooperative dairy sector, if the company stops using milk?” Sodhi said plant-based foods companies are encashing on the equity of milk.

“These products are nothing but genetically modified lab foods that are made out of chemicals and synthetic materials by big corporates with the only objective of profit making and not livelihood”. He further added: "Foreign funded NGOs are running campaigns to tarnish the Indian dairy industry. Cattle are part of a dairy farmer’s family and nobody tortures them."

Earlier this week, People for the Ethical Treatment of Animals (PETA) India had said in a letter that Amul can start making ‘plant-milk’ for its products. Amul is running a ‘myths versus facts’ campaign, stating that “plant-based beverages are impersonating and masquerading as dairy products”. GCMMF said that its campaign had been issued in public interest to counter misleading claims against the dairy industry.

Food regulating entity FSSAI’s draft regulation for dairy products already states that non-dairy products like soya and almond milk cannot use the 'milk’ in their nomenclature.

Covid: Labour ministry announces additional benefits under EPFO,

The Ministry of Labour and Employment on Sunday announced additional benefits for workers through social securities schemes run by the EPFO and the ESIC amid the COVID-19 pandemic.

These benefits include pension for dependents of insured persons with Employees' State Insurance Corporation (ESIC) who died due to COVID-19 and hike in maximum sum assured under the group insurance scheme Employees' Deposit Linked Insurance Scheme (EDLI), run by Employees' Provident Fund Organisation (EPFO), to Rs 7 lakh from Rs 6 lakh.

"The Ministry of Labour and Employment has announced additional benefits for workers through ESIC and EPFO schemes to address the fear and anxiety of workers about wellbeing of their family members due to increase in incidences of death due to COVID-19 pandemic," a ministry statement said.

Enhanced social security is sought to be provided to the workers without any additional cost to the employer, it added.

Currently, for the insured persons (IPs) under the ESIC, after death or disablement of the IP due to employment injury, a pension equivalent to 90 per cent of average daily wage drawn by the worker is available to the spouse and widowed mother for life long and for children till they attain the age of 25 years.

For the female child, the benefit is available till her marriage.

To support the families of IPs under the ESIC scheme, it has been decided that, all dependent family members of IPs who have been registered in the online portal of the ESIC prior to their diagnosis of COVID disease and subsequent death due to the disease, will be entitled to receive the same benefits and in the same scale as received by the dependents of insured persons who die as a result of employment injury, subject to two conditions, it explained.

First condition is that the IP must have been registered on the ESIC online portal at least three months prior to the diagnosis of COVID disease resulting in death.

Secondly, the IP must have been employed for wages and contributions for at least 78 days should have been paid or payable in respect of deceased IP during a period of one year immediately preceding the diagnosis of COVID disease resulting in death.

The IPs, who fulfil the eligibility conditions, and have died due to COVID disease, their dependants will be entitled to receive monthly payment at the rate of 90 per cent of average daily wages of the insured person during their life.

The scheme will be effective for a period of two years from March 24, 2020.

Under the EPFO's Employees' Deposit Linked Insurance (EDLI) scheme, all surviving dependent family members of the members of this scheme are eligible to avail benefits of EDLI in case of death in harness of the member.

At present under this scheme, the benefits extended in case of death of a worker are no requirement of minimum service for payment of Gratuity, family pension is paid as per provisions under EPF & MP Act, sickness benefit of 70 per cent of wages for 91 days in a year is paid in the event of worker falling sick and not attending office.

A notification issued by the ministry has made certain amendments in the scheme.

Firstly, amount of maximum benefit has been increased from 6 lakh to 7 lakh to the family members of deceased employee.

Secondly, the minimum assurance benefit of Rs 2.5 lakh to eligible family members of deceased employees who was a member for a continuous period of 12 months in one or more establishments preceding his death in place of existing provision of continuous employment in the same establishment for 12 months.

It will benefit contractual/casual labourers were losing out on benefits due to condition of continuous one year in one establishment, the ministry explained.

The ministry has also restored provision of minimum 2.5 lakh compensation retrospectively, i.e., from 15th February 2020.

In coming three years, the actuary has estimated that eligible family members will get an additional benefit of Rs 2,185 crore from EDLI fund in the years 2021-22 to 2023-24.

The number of claims on account of death under the scheme has been estimated to be about 50,000 families per year including increase in claims taking into account estimated death of about 10,000 workers, which may occur due to Covid, it said.

These welfare measures will provide the much needed support to the families of workers who have died due to the COVID-19 disease and will protect them from financial hardships in these challenging times of pandemic, it said. Salesforce CEO Marc Benioff to send medical supplies to India

"We foresee six sectors, namely, aviation; hotels, restaurants and tourism; media and entertainment-exhibitors; microfinance institutions; real estate-retail; and retail, to be at high risk from the second pandemic wave, much lower than in 2020," said K. Ravichandran, Deputy Chief Ratings Officer, ICRA Ltd.

Risk aversion among lenders could pose a challenge to credit growth, which the rating agency projects at 7.3-8.3 percent and 7.0-9.0 percent, respectively, for banks and non-banks for FY2022, ICRA said.

However, the banking system’s solvency profile is better than the pre-COVID levels, affording it a buffer to absorb shocks, it added.

Covid’s deadliest phase may be here soon

If world leaders don’t act now, the end of the Covid pandemic may come with a horrible form of herd immunity, as more transmissible variants that are taking hold around the world kill millions.

There’s troubling new evidence that the B.1.617.2 variant, first identified in India, could be far more transmissible than even the B.1.1.7 variant, first identified in Britain, which contributed to some of the deadliest surges around the world.

In countries with widespread vaccination, like the United States and Britain, we can expect that Covid cases, hospitalizations and deaths will continue to decline or stay low, especially because lab tests and real world experience show that vaccines appear to defend recipients well against the severe effects of both variants.

For much of the rest of the world, though, this even more transmissible new variant could be catastrophic.

The evidence is not yet conclusive because the data is preliminary and figuring out if a variant is more transmissible isn’t easy. It could be spreading rapidly in an area because of chance. Maybe it got there before other variants and found a susceptible population, or got lucky and seeded a mega-cluster. If a variant is seen more frequently in a country’s genomic databases it

could just be because travelers, who are often tested more routinely, are bringing it in from another country where it is already dominant.

One key measure that's been used in previous outbreaks to figure out if a variant was more transmissible was to look at "secondary attack rates" in non-travel settings — how many people who come into close contact with an infected person get the virus themselves. The greater the number of these contacts getting the virus, on average, the greater the likelihood that a variant's transmissibility is greater.

Data on secondary attack rates released on Saturday by a British public health agency similar to our own Centers for Disease Control and Prevention suggests that this variant first seen in India may be substantially more transmissible among close contacts than even the already highly transmissible B.1.1.7. A report published by the same agency on Thursday further supports last week's findings. It was just such early data that raised alarms about B.1.1.7, with later information confirming those early fears.

Adam Kucharski, an epidemiologist with the London School of Hygiene and Tropical Medicine, also told me that the faster spread in areas of Britain with higher levels of the variant suggests it has higher transmissibility. This point seems to be backed up by the terrible outbreaks in India and neighboring Nepal, where it is also widespread. Given how limited genetic identification is in those countries, the data from Britain is particularly useful for assessing the risk.

A variant with higher transmissibility is a huge danger to people without immunity either from vaccination or prior infection, even if the variant is no more deadly than previous versions of the virus. Residents of countries like Taiwan or Vietnam that had almost completely kept out the pandemic, and countries like India and Nepal that had fared relatively well until recently, have fairly little immunity, and are largely unvaccinated. A more transmissible variant can burn through such an immunologically naïve population very fast.

Increased transmissibility is an exponential threat. If a virus that could previously infect three people on average can now infect four, it looks like a small increase. Yet if you start with just two infected people in both scenarios, just 10 iterations later, the former will have caused about 40,000 cases while the latter will be more than 524,000, a nearly 13-fold difference.

Morally and practically, this emergency demands immediate action: widespread vaccination of those most vulnerable where the threat is greatest.

Waiving vaccine patents is fine, but unless it's tied to a process that actually increases the supply of vaccines, it's a little bit more than expressing thoughts and prayers after a tragedy. Officials from all nations that produce vaccines need to gather for an emergency meeting immediately to decide how to commandeer whatever excess capacity they have to produce more, through whatever means necessary. Because of the threat of increased transmissibility, and since the evidence at hand indicates that all of the vaccines, even the Chinese and Russian versions, appear to be highly effective against severe disease or worse, the focus should be on manufacturing and distributing the highest number of doses possible as fast as possible.

If the choice is between no vaccine and any vaccine, the precedence should go to whatever can be manufactured fastest, regardless of patents, nation of origin, or countries prioritizing their allies or wannabe allies.

Vaccine supplies need to be diverted now to where the crisis is the worst, if necessary away from the wealthy countries that have purchased most of the supply. It is, of course, understandable that every nation wants to vaccinate its own first, but a country with high levels of vaccination, especially among its more vulnerable populations, can hold things off, especially if they also had big outbreaks before. In addition, excess stockpiles can go where they are needed without even slowing down existing vaccination programs.

Right now, Covax, the global alliance for vaccine equity, does not have enough vaccines to distribute, and what supply it does get is allocated according to national population, not the seriousness of outbreaks. This needs to change. Our fire department needs more water, and should direct it to where the fire is burning, not to every house on the street.

The responses could vary. The elderly and health care workers could be prioritized wherever a crisis is worst. Dose-sparing strategies could be applied — delaying boosters has been successful in Britain and Canada when they faced surges. The details can be decided by the global health authorities.

If there is a reasonable possibility that the world faces a mounting threat, it's best to intervene as early and aggressively as possible, because even a few weeks of delay could make a huge difference. Waiting for definitive evidence of transmissibility could allow the variant to rampage — besides, if fears prove unfounded then the world would still be better off for being more vaccinated. And any solution, even if imperfect, is better than waiting for the perfect setup or the most conclusive evidence.

As Dr. Kucharski told me, it's now entirely possible that most Covid deaths could occur after there are enough vaccines to protect those most at risk globally. Britain had more daily Covid-related deaths during the surge involving B.1.1.7 than in the first wave, when there was less understanding of how to treat the disease and far fewer therapeutics that later helped cut mortality rates. Even after the vaccination campaign began, B.1.1.7 kept spreading rapidly among the unvaccinated. A similar pattern was observed in much of Eastern Europe as well.

Even if it is determined the transmissibility of B.1.617.2 isn't as bad as feared, the emergency is still there.

The kind of catastrophic outbreak like the one in India can cause many more needless deaths simply by overwhelming our resources. Already, there are reports that countries ranging from Nepal to Philippines to South Africa to Nigeria may face supplemental oxygen shortages of the kind seen in India. This pathogen has one fatality rate when oxygen is available as a therapy and one when it is not, and it would be an unspeakable tragedy to suffer the latter in the second year of the pandemic.

Like all pandemics, this one will end either with millions — maybe billions — being infected or being vaccinated. This time, world leaders have a choice, but little time to make that choice before it is made for them

A Jhunjhunwala, Damani favourite smallcap creating lot of buzz, up 38% in a month

If you are one of those investors trying to find out where the smart money is moving in order to identify the next big multibagger on Dalal Street, this could be one name to look at.

It's a microcap stock valued at just Rs 330 crore. But it is owned by two of the biggest investors on Dalal Street – Rakesh Jhunjhunwala and Radhakishan Damani. And, the stock has delivered about 38 per cent return in the last one month.

The stock is Prozone Intu Properties NSE 9.90 %, a Mumbai-based company that builds shopping centres and undertake associated mixed-use developments primarily in western and southern India.

Latest shareholding data showed Jhunjhunwala held 2.06 per cent in the company, which has remained unchanged for at least two years. Damani holds a 1.26 per cent for over a year now.

On Thursday, the stock gained 15 per cent to trade at Rs 23.55 on the Bombay Stock Exchange (BSE), taking one-month return to 38 per cent. It has risen 73 per cent from its 52-week low hit in July 2020, but still trades much below the 52-week high of Rs 28.55 hit in June last year.

The company website says Prozone Intu Properties has assets of over Rs 2,000 crore and more than 3 million square feet under development. It claims to be a debt-free company, a feat among the real estate industry peers.

Among its projects, the company counts malls in Aurangabad, Coimbatore and Nagpur; residential projects in Coimbatore, Indore, Nagpur and Jaipur; and commercial developments in Mysore, Aurangabad and Mumbai.

However, the financial performance of the company has not been up to the mark. Revenue for December quarter fell to Rs 2.12 crore from Rs 2.37 crore. For the nine months ending December, revenues fell to Rs 4.68 crore from Rs 7.12 crore year on year. Net profit fell 25 per cent in the December quarter to Rs 85 lakh while for the nine months, it halved to Rs 1.33 crore.

Since it is such a small company, there is hardly any analyst coverage of the stock.

Coal India retains production and offtake momentum in May

Despite Covid-19 restrictions in several states, Coal India NSE 0.54 % maintained its output and despatch momentum in May, the second month of the current fiscal, an official said. The mining major is likely to report dry fuel production of around 41.7 million tonnes and offtake of nearly 55 million tonnes this month as against production of 41.43 million tonnes and sales of 40 million tonnes in the corresponding period last year, the official said.

In April, coal production stood at 41.9 million tonnes compared to 40.4 million tonnes in the year-ago period, recording a growth of 3.7 per cent.

Offtake stood at 54.1 million tonnes during the reporting month compared to 39.1 million tonnes in the corresponding period last year, registering a growth of 38.4 per cent.

Coal India had recently said that the pandemic had impacted production on account of a large number of the company's employees across subsidiaries and contractors testing positive for coronavirus.

The Kolkata-based company commenced FY22 with a pithead stock of nearly 99 million tonnes.

However, electricity demand had risen in recent months and the contribution of thermal power had improved, boosting demand for coal.

Thermal power meets 78 per cent of the country's power demand.

However, there is apprehension that lockdowns may impact subsequent electricity demand from industry.

DoT to ask telcos to test 5G in rural areas also, MTNL may join trial soon

The Department of Telecommunications (DoT) is likely to ask telecom operators to conduct trials of 5G technology in rural areas also, along with urban centres for which they have been given permission, an official source said. Bharti Airtel NSE 2.16 %, Reliance Jio and Vodafone Idea have been given trial spectrum for six month to test 5G technology in the country.

State-owned telecom firm MTNL will also be given trial spectrum once it submits fees of Rs 5,000 required for the permission, the source said.

"The DoT will ask telecom operators to include a rural area for testing 5G applications along with their urban centres.

"MTNL has teamed up with C-DoT for conducting 5G trials in Delhi. They will conduct a 5G test near Najafgarh as well. They will be given a trial spectrum once they deposit the fees," the official said.

Telecom operators have been allocated spectrum in 700 Mhz band, 3.3-3.6 gigahertz (Ghz) band and 24.25-28.5 Ghz band across various locations.

DoT has approved trials of 5G with Ericsson, Nokia, Samsung and C-DOT, and has not approved any trial with Chinese vendors.

"Reliance Jio will conduct trials using its own technology as well as Samsung network gears," an industry source said.

Jio and Samsung did not comment on the matter.

The trials will be conducted at various locations including Delhi, Mumbai, Kolkata, Bengaluru, Gujarat and Hyderabad.

Bharti Airtel will conduct trials in Delhi, Mumbai, Kolkata and Bengaluru, and Jio applied for trials in Delhi, Mumbai, Gujarat and Hyderabad.

During the trials, application of 5G in Indian settings will get tested. This includes tele-medicine, tele-education and drone-based agriculture monitoring. Telecom operators will be able to test various 5G devices on their network.

The duration of the trials at present is 6 months. This includes a time period of 2 months for procurement and setting up of the equipment.

According to DoT, 5G technology is expected to deliver 10 times better download speed than that of 4G and up to three times greater spectrum efficiency.

Mahindra expects car sales to take two years to rebound after Covid shock

India's Mahindra NSE 0.39 % & Mahindra expects it will take at least another two years for car sales to return to their pre-pandemic peaks, but a slow pace of vaccinations could hurt recovery prospects, its chief told Reuters in an interview.

Battered by the pandemic in 2020 and an economic slowdown in 2019, passenger vehicle sales in India fell to 2.7 million units in the last fiscal year - their lowest level in six years and well below the peak of 3.4 million units in fiscal year 2019.

Mahindra Chief Executive Officer Anish Shah said sales would rebound by fiscal year 2023 if a majority of the country's population is inoculated and new COVID-19 cases ease, helping the economy recover.

"Getting back to full normal is going to depend on vaccinations ... (else) we will always have the fear of the next wave coming in and disrupting things again," Shah

The world's second-most populous country has recorded 28 million cases so far, second only to the United States. Infections have surged in recent weeks, and in May India recorded its highest monthly COVID-19 death toll since the pandemic began.

Yet, only about 3 per cent of India's 1.3 billion people have been fully vaccinated, the lowest rate among the 10 countries with the most cases.

Car sales had started to pick up in the January-March period but a second, more deadly wave of infections forced lockdowns again. This time consumer sentiment has taken a hit and discretionary spending is likely to take longer to recover.

The virus is also spreading to rural India, which was relatively protected during the first wave and had offset the low demand automakers saw in urban centres.

Mahindra, which has 6 per cent share of India's passenger vehicles market and is the country's biggest tractor maker, saw robust growth in its farm sector revenues last year but sales in the hinterlands have dipped in May, Shah said.

This time, urban and rural buyers are holding back until the crisis passes.

"This year we have seen our customers also worry about putting up money and buying anything, saying what happens in case someone (in the family) gets COVID," he said.

Shah expects the pace of vaccinations in India to pick up in June but said if that does not happen it would be concerning.

"It is about reaching a certain point where we don't have to get into lockdowns once more," he said. "If that happens, we will continue to be in this phase of two steps ahead and one step back."

Commodity strategies: Gold, silver, crude, base metals

By Tapan Patel

Commodity prices traded mixed on Monday, after trading higher in the previous session. On Friday, bullion prices extended weekly gains after witnessing a minor correction in the mid-week. Base metals complex edged higher recovering from the recent lows on higher demand optimism. Crude oil prices rallied by more than 4 per cent following strong US economic data. Here is a look at how different commodities are behaving in today's market.

Outlook: Bullion

Bullion prices traded weak on Friday with spot gold price at COMEX was trading near $1893 per ounce while spot silver price at COMEX was trading 0.36 per cent lower at $27.73 per ounce in the morning trade. Precious metals traded higher as gold reported its fourth straight weekly gain and reporting the best month in 10. Bullion prices extended rally after US inflation data beat expectations and expanded Fed balance sheet. The 10-year US Treasury yields dropped to 1.58 per cent boosting buying in precious metals. We expect bullion prices to trade sideways to down for the day. The US market is closed on Monday on account of the Memorial Day Holiday.

Trading Strategy:

MCX Gold August resistance for the day lies at Rs. 49500 per 10 grams with support at Rs. 48900 per 10 grams.

MCX Silver July support lies at Rs. 70200 per KG, resistance at Rs. 72800 per KG.

Outlook: Crude Oil

Crude oil prices traded firm with benchmark NYMEX WTI crude oil prices were trading over half a percent up near $66.74 per barrel in the morning trade. Crude oil prices traded higher on higher demand outlook in the second half of the year, amid declining virus worries and ease in lockdown measures. The higher demand expectations from the upcoming summer driving season have also supported oil prices to trade sideways to up for the day.

Trading Strategy:

MCX Crude Oil June support lies at Rs. 4780 per barrel with resistance at Rs. 4890 per barrel.

Outlook: Base Metals

Base metals prices traded mixed on Monday with most of the metals kept to a positive trading range. Base metals are trading firm on-demand growth optimism from US budget plans and positive economic data. Copper prices are trading higher with supply concerns from Chile as Workers at BHP's Spence mine in Chile rejected a final wage offer moving one step closer to a strike. Base metals are expected to trade sideways to up for the day.

Trading Strategy:

MCX Copper June support lies at Rs. 760 and resistance at Rs. 772.

MCX Zinc June support lies at Rs. 234, resistance at Rs. 242.

MCX Nickel June support lies at Rs. 1290 with resistance at Rs. 1350.

By Ravindra Rao

MCX Gold June futures continued to move in a sideways range during last week. The Bollinger band analysis on the daily charts suggests a sideways trend in price as price got support from the midline near Rs. 48000 and resistance from the higher band at Rs. 49230. On the momentum front, RSI is hovering near 60, supporting the bull case. So any dip towards the immediate support of the Rs. 48330-48250 zone would attract buying for an objective of Rs. 49000-49100. Only a close below Rs. 48000 would change the trend to neutral.

Strategy:

Buy MCX Gold June at Rs. 48350 with a target of Rs. 49000 and a stop loss at Rs. 48000.

MCX Silver July futures have erased all their losses and closed above Rs. 71400 after testing the key support zone of Rs. 70600. Meanwhile, the price is hovering above the midline of the Bollinger band (71400), and above the breakout support zone Rs. 70600. Having said that, the zone of Rs. 70500-71000 holds key support for Silver. A failure to hold above Rs. 70500 would push the price towards Rs. 70000, followed by Rs. 68750 (Lower Bollinger Band). On the other hand, if price holds the key support, then it would rebound towards Rs. 73800. RSI on the daily charts is hovering around the 54-mark suggesting a sideways trend. Hence, we expect silver to trade in the range of Rs. 71400-73800 with a sideways bias. Only close below Rs. 70500 would change the trend.

Strategy:

The trading range for MCX Silver July is between Rs. 71400-73800

Gold set for biggest monthly rise in 10 months on soft dollar, inflation risk

Gold firmed on Monday and was on course for its biggest monthly jump since July 2020 as the US dollar NSE -9.26 % headed for a second month of decline, while growing inflationary pressures also lifted bullion's appeal.

Spot gold was up 0.1% at $1,904.34 per ounce by 0848 GMT, while US gold futures rose 0.2% to $1,909.00. Spot prices have climbed nearly 7.7% so far this month.

Most markets will be closed in the United States and Britain on Monday for public holidays.

"The dollar is staying weaker, that's fairly supportive. Gold bulls now have their eyes set on $2,000, and most are thinking it's going to go quite a lot higher," said Stephen Innes, managing partner at SPI Asset Management.

The dollar index was headed for its second straight monthly decline versus rivals, while the US 10-year Treasury yield fell to 1.593% on Friday, reducing the opportunity cost of holding non-interest bearing gold.

Data on Friday showed US consumer prices surged in April, with a measure of underlying inflation blowing past the Federal Reserve's 2% target and posting its largest annual gain since 1992.

Gold is often seen as an inflation hedge, although Fed Chair Jerome Powell has repeatedly stated that higher inflation will be transitory.

"For as long as the Fed refuses to change its monetary policy in response to rising inflation, real interest rates will continue sliding ever further into negative territory, which is good news for gold," Commerzbank analyst Carsten Fritsch said in a note.

Investors' focus this week will be on US payrolls data on Friday, with median forecasts suggesting they will show an increase of 650,000.

Palladium rose 0.3% to $2,834.40 per ounce, but was set for its first monthly decline in four. Platinum climbed 0.6% to $1,184.00.

Silver gained 0.3% to $27.96 and was heading for its largest monthly gain since December.

Thank

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