

Indian equities still expensive despite sharp correction

Between July 5 and September 19, the Sensex gave up nearly 10% of its value, eroding investor wealth of ₹15 lakh crore

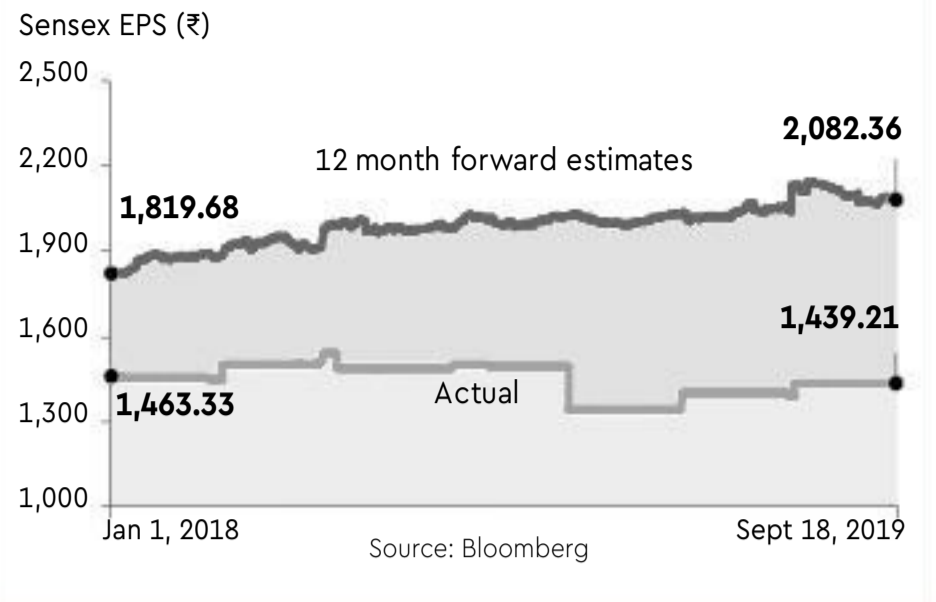
YOUSEF KP
MUMBAI, SEPTEMBER 19

DESPIKE THE SHARP sell-off seen in Indian equities since the Budget, valuations are still at a hefty premium to its emerging market peers, data compiled from Bloomberg show. At close on Thursday, while the Sensex was trading at 17.33x of its 12-month blended forward earnings, most emerging market indices are trading at anywhere between 5.8x to 15.4x of their.

Between July 5 and September 19, the Sensex gave up nearly 10% of its value, eroding investor wealth to the tune of ₹15.04 lakh crore.

Interestingly, Indian equities continue to command such a premium despite actual earnings per share (EPS) coming in much lower than what

Growing divergence



analysts estimate at the beginning of the year for the last several years. Blended 12-month forward estimates for the Sensex at the beginning of 2018, for instance, was ₹1,819.7, while the index ended the year with an EPS of just ₹1,341.82. This essentially meant that while analysts estimated Sensex' EPS to grow by 24.4% at the beginning of 2018, the index actually ended the year registering a negative EPS growth of 8.3%. The year 2019 so far has not been an aberration with over 50% growth projection for the year against a paltry achievement of just 7.3% till September 18.

Even in 2017, while consensus analyst estimate at the beginning of the year projected Sensex' earnings to grow by 30.9% during the year, they actually grew by just 9.3%. Similarly, in 2016, while analysts estimated Sensex' EPS to grow by 23.1% at the beginning of the year, the actual earnings declined by 1.2%.

Credit Suisse prefers equity as an asset class in this low-growth but accommodative interest-rate environment locally as well as globally. "Valuations have come to a reasonable level, which should restrict major downside from here on despite weaker earnings growth," the foreign brokerage

said. Further easing by central banks should support emerging markets.

The brokerage also said despite earnings downgrades, India remains one of the fastest-growing equity markets and the year-to-date under-performance, the 12-month forward PE premium has contracted.

As always, with the market correcting due to heavy FPI selling since July 5, forward estimates have also started coming off, with the 12 month forward blended EPS estimate of the Sensex dropping by 1.6% to ₹2,082.36 as of Wednesday.

Foreign portfolio investors (FPIs) have remained net sellers and have offloaded close to \$875 million worth of equities so far in September. India has witnessed the highest foreign outflow among emerging markets since July, selling over \$5 billion worth of shares, followed by an outflow of \$1.31 billion from Thailand.

For the three months ended June 2019, net sales for a sample of 2,179 companies grew at a lowest pace of 5.9%, compared to 9.5% in Q4FY19 and over 18% for the quarter ended December 2018, data from Capitaline showed.

Pvt placement of NCDs up 47% this fiscal

VINAYAK AGGARWAL
MUMBAI, September 19

INDIAN FIRMS AND banks have increased their borrowing from the non-convertible debentures (NCD) market even as private placement issuances rose 47% between April and August this year, compared to the same period in 2018.

Between April and August 2019, corporate bond issuances through private placement stood at ₹2.49 lakh crore, against ₹1.69 lakh crore in the same period last year, according to Sebi data.

During this period, public sector companies are understood to have contributed to a bulk of the borrowing, bond market experts said.

R Sivakumar, head of fixed income at Axis Mutual Fund, said public sector companies are borrowing to meet funding needs of the government. "As the government has been trying to consolidate fiscally, significant amount of borrowing has been shifted to the public sector entities and we will see that to continue."

Mahendra Jajoo, head of fixed income at Mirae Asset Mutual Fund, pointed out that public sector organisations like Power Finance Corporation (PFC), Rural Electrification Corporation (REC), Indian Oil (IOC) and Bharat

Total NCD borrowings



Petroleum (BPCL) were the major fundraisers from the NCD market this fiscal. "Rates were significantly lower this year compared to the last, influenced by lower G-Sec yields, reflecting the effect of repo rate cuts. Many firms which were facing liquidity issues following the crisis that emerged last year have borrowed to fulfil their capital requirements."

It is noteworthy that the yield on the benchmark G-Sec dropped close to 114 basis points from April 2019 highs

to as low as 6.34% by August this year — a reason why borrowing costs dropped for high-rated firms despite the rise in spreads.

The fall in the benchmark yield this year led to a fall in the borrowing cost for AAA-rated companies. In August 2018, REC issued 10-year bonds at a coupon rate of 8.55%, while in June this year, the company issued a paper with the same maturity at the rate of 8.30%.

Similarly, Aditya Birla Finance issued three-year

NCDs in June 2018 at 8.90%. In August this year, the company was able to raise funds at just 8% via similar tenure paper.

However, the scenario was bleak last year when the benchmark yield rose 82 bps from April 2018 to 7.95% by August 2018.

Although borrowing costs remained low for AAA-rated firms, AA or lower-rated companies saw borrowing costs remain at almost the same levels as compared to the last year despite the fall in the G-Sec yields.

Going forward, experts believe the current financial year should see more companies approaching the bond market because of the Sebi's mandate that requires large corporates — defined as a listed company with at least a 'AA' rating and an outstanding long-term borrowing of ₹100 crore or more — to borrow 25% of their requirements through the corporate bond market.

Morgan Credits sells 2.3% in Yes Bank to pay back Reliance Nippon

FE BUREAU
Mumbai, September 19

MORGAN CREDITS (MCPL), part of the promoter group of YES Bank, on Thursday sold a 2.3% shareholding in the bank. The proceeds will solely be utilised to prepay a substantial part of outstanding NCDs of MCPL subscribed by various schemes of Reliance Nippon Life Asset Management Company (RNAM).

The company said in a press release, "MCPL had in April 2018 placed rated, zero coupon NCDs amounting Rs 1,160 crore with RNAM (the only borrowing of MCPL). These funds were utilised by MCPL towards incubation of new-age start-up businesses."

Pursuant to the above sale of shares, which was conducted solely to de-leverage MCPL, the promoter group has achieved total prepayments (including interest) to NCD holders of ₹722 crore till date, well ahead of the scheduled maturity date of April 2021 and reduction in total promoter/promoter group ownership in YBL to 15.7% (in further compliance with RBI's

regulatory level of 15.0%), as compared to 18.0% previously.

Radha K Khanna, director of MCPL, said, "We have concluded the stake sale solely to de-leverage MCPL. Through the prepayment of NCDs to RNAM, we have significantly reduced our borrowing in MCPL in an accelerated manner. Sponsored by women entrepreneurs, MCPL will continue to focus on its existing start-up ventures fully supported by professional management teams who have come on board as co-founders/partners."

CARE Ratings had on Tuesday downgraded non-convertible debentures of MCPL to 'BBB-' from 'A-'. Data from Value Research show that debt mutual funds of Reliance Mutual Fund holds ₹913.47 crore in the debt papers issued by MCPL.

Rana Kapoor, promoter of Yes Bank, said, "With the sole intention of reducing debt of the promoter holding company — MCPL, owned by my three daughters, it was decided to bring down our family ownership in Yes Bank to 7.4%."

Bharat-22 ETF 4th tranche may hit markets next month

THE GOVERNMENT IS likely to launch the fourth tranche of Bharat-22 ETF next month, with ICICI Prudential Mutual Fund filing draft papers with Sebi. The government has so far raised ₹26,400 crore through the Bharat-22 Exchange Traded Fund —

₹14,500 crore was garnered in November 2017, another ₹8,400 crore was mopped up in June 2018 and ₹3,500 crore in February this year. "The fourth tranche of Bharat-22 ETF may hit markets next month," an official privy to the development said. PTI

IDFC MUTUAL FUND

NOTICE

Declaration of Dividend:
Notice is hereby given that the Board of Directors of IDFC AMC Trustee Company Limited (Trustee to IDFC Mutual Fund) has approved the declaration of dividend under the Dividend options of the following Scheme(s)/Plan(s)/Option(s), subject to availability of *distributable surplus, with the Record Date as *Wednesday, September 25, 2019.

Scheme(s)	Plan(s)	Option(s)	Quantum of Dividend* (Rs. per Unit)	NAV (In Rs.) Per Unit as on September 18, 2019
IDFC Government Securities Fund - Investment Plan	Regular	Half Yearly Dividend	0.8858	11.7630
IDFC Dynamic Bond Fund	Regular	Half Yearly Dividend	0.7272	11.2164
IDFC Dynamic Bond Fund	Direct	Half Yearly Dividend	0.7730	11.4206
IDFC Bond Fund - Income Plan	Regular	Half Yearly Dividend	0.7946	12.4276
IDFC Corporate Bond Fund	Regular	Half Yearly Dividend	0.4488	11.1181
IDFC All Seasons Bond Fund	Regular	Half Yearly Dividend	0.6095	12.3273
IDFC Credit Risk Fund	Regular	Half Yearly Dividend	0.4489	10.5851
IDFC Credit Risk Fund	Direct	Half Yearly Dividend	0.4932	10.6385
IDFC Bond Fund - Income Plan	Direct	Half Yearly Dividend	0.0103	12.4350
IDFC Government Securities Fund - Investment Plan	Regular	Quarterly Dividend	0.3415	11.6672
IDFC Government Securities Fund - Investment Plan	Direct	Quarterly Dividend	0.3453	11.3344
IDFC Government Securities Fund - Constant Maturity Plan	Regular	Quarterly Dividend	0.3697	11.5653
IDFC Government Securities Fund - Constant Maturity Plan	Direct	Quarterly Dividend	0.3816	11.8516
IDFC Banking & PSU Debt Fund	Regular	Quarterly Dividend	0.3540	11.0271
IDFC Banking & PSU Debt Fund	Direct	Quarterly Dividend	0.3645	11.1124
IDFC Dynamic Bond Fund	Regular	Quarterly Dividend	0.3380	11.4261
IDFC Dynamic Bond Fund	Direct	Quarterly Dividend	0.4141	13.3252
IDFC Bond Fund - Income Plan	Regular	Quarterly Dividend	0.3378	12.1096
IDFC Bond Fund - Income Plan	Direct	Quarterly Dividend	0.3694	12.6552
IDFC Bond Fund - Medium Term Plan	Regular	Quarterly Dividend	0.2764	11.1836
IDFC Bond Fund - Medium Term Plan	Direct	Quarterly Dividend	0.2965	11.3380
IDFC Bond Fund - Short Term Plan	Regular	Quarterly Dividend	0.1894	10.4004
IDFC Bond Fund - Short Term Plan	Direct	Quarterly Dividend	0.2555	10.4203
IDFC Low Duration Fund	Regular	Quarterly Dividend	0.2331	10.9878
IDFC Low Duration Fund	Direct	Quarterly Dividend	0.2363	10.9116
IDFC Corporate Bond Fund	Regular	Quarterly Dividend	0.2276	10.7429
IDFC Corporate Bond Fund	Direct	Quarterly Dividend	0.2318	10.5979
IDFC Credit Risk Fund	Regular	Quarterly Dividend	0.2288	10.4215
IDFC Credit Risk Fund	Direct	Quarterly Dividend	0.2493	10.4591
IDFC All Seasons Bond Fund	Regular	Quarterly Dividend	0.3858	12.8862
IDFC All Seasons Bond Fund	Direct	Quarterly Dividend	0.4018	13.0459
IDFC Ultra Short Term Fund	Direct	Quarterly Dividend	0.1990	10.2752
IDFC Ultra Short Term Fund	Regular	Quarterly Dividend	0.1951	10.2691

Face Value per unit is Rs. 10/-.

* Dividend Distribution Tax & other statutory levies (if any) shall also be paid out of such distributable surplus. Considering the volatile nature of markets, Trustee reserves the right to restrict the quantum of dividend upto the per unit distributable surplus available on the Record Date in case of fall in market.

If in any case the Record Date falls on a non-business day, the immediately following business day shall be deemed to be the Record Date.

All investors whose names appear in the register of unit holders of the Scheme(s)/Plan(s)/Option(s) as on the close of the record date will be eligible to receive the dividend.

Pursuant to the payment of dividend, NAV of the Scheme(s)/ Plan(s)/ Option(s) will fall to the extent of payout and statutory levy (if any).
 Date: September 19, 2019

MUTUAL FUND INVESTMENTS ARE SUBJECT TO MARKET RISKS. READ ALL SCHEME RELATED DOCUMENTS CAREFULLY.

HDFC MUTUAL FUND

BHASURA APNO KA

HDFC Asset Management Company Limited

A Joint Venture with Standard Life Investments
 CIN: L65991MH1999PLC123027

Registered Office: HDFC House, 2nd Floor, H.T. Parekh Marg, 165-166, Backbay Reclamation, Churhgate, Mumbai - 400 020. Phone: 022 66316333 • Toll Free Nos: 1800-3010-6767 / 1800-419-7676 Fax: 022 22821144 • e-mail: cliser@hdfcfund.com • Visit us at: www.hdfcfund.com

NOTICE

NOTICE is hereby given that HDFC Trustee Company Limited, Trustee to HDFC Mutual Fund ("the Fund") has approved the declaration of dividend, in the following Scheme(s) / Plan(s) / Option(s) of the Fund and fixed **Wednesday, September 25, 2019** (or the immediately following Business Day, if that day is not a Business Day) as the Record Date for the same:

Name of the Scheme / Plan / Option	NAV as on September 18, 2019 (₹ per unit)	Amount of Dividend (₹ per unit) #	Impact of Dividend Distribution on NAV (₹ per unit)
HDFC Hybrid Equity Fund - Regular Plan - Dividend Option~ (Payout and Reinvestment)	11.060	0.320	0.361
HDFC Hybrid Equity Fund - Direct Plan - Dividend Option~ (Payout and Reinvestment)	11.773		
HDFC Balanced Advantage Fund - Regular Plan - Dividend Option^^ (Payout and Reinvestment)	26.213	0.310	0.350
HDFC Balanced Advantage Fund - Direct Plan - Dividend Option^^ (Payout and Reinvestment)	27.849		
HDFC Equity Savings Fund - Regular Plan - Dividend Option (Payout and Reinvestment)	10.711	0.221	0.250
HDFC Equity Savings Fund - Direct Plan - Dividend Option (Payout and Reinvestment)	11.586		
HDFC Income Fund - Regular Plan - Quarterly Dividend Option (Payout and Reinvestment)	11.2927	0.1500	0.1389
HDFC Income Fund - Direct Plan - Quarterly Dividend Option (Payout and Reinvestment)	11.9560		0.2082
HDFC Dynamic Debt Fund - Regular Plan - Quarterly Dividend Option (Payout and Reinvestment)	11.7574	0.1500	0.1389
HDFC Dynamic Debt Fund - Direct Plan - Quarterly Dividend Option (Payout and Reinvestment)	12.4042		0.2082
HDFC Dynamic Debt Fund - Regular Plan - Half Yearly Dividend Option (Payout and Reinvestment)	11.3232	0.1500	0.1389
HDFC Dynamic Debt Fund - Direct Plan - Half Yearly Dividend Option (Payout and Reinvestment)	12.4435		0.2082
HDFC Gilt Fund - Regular Plan - Dividend Option (Payout and Reinvestment)	11.6164	0.1500	0.1389
HDFC Gilt Fund - Direct Plan - Dividend Option (Payout and Reinvestment)	12.0072		0.2082
HDFC Hybrid Debt Fund - Regular Plan - Quarterly Dividend Option (Payout and Reinvestment)	13.5164	0.2400	0.2222
HDFC Hybrid Debt Fund - Direct Plan - Quarterly Dividend Option (Payout and Reinvestment)	14.1495		0.3332
HDFC Corporate Bond Fund - Regular Plan - Quarterly Dividend Option (Payout and Reinvestment)	10.5533	Distributable surplus, as reduced by applicable statutory levy	Distributable surplus
HDFC Corporate Bond Fund - Direct Plan - Quarterly Dividend Option (Payout and Reinvestment)	10.4463		
HDFC Credit Risk Debt Fund - Regular Plan - Quarterly Dividend Option (Payout and Reinvestment)	10.4933	Distributable surplus, as reduced by applicable statutory levy	Distributable surplus
HDFC Credit Risk Debt Fund - Direct Plan - Quarterly Dividend Option (Payout and Reinvestment)	10.6244		

Face Value per unit of all the above Scheme(s) / Plan(s) / Option(s) is ₹ 10/-.
 ~ Dividend option - Quarterly Frequency; ^^Dividend option - Monthly Frequency
 # The dividend will be subject to the availability of distributable surplus and may be lower depending upon the extent of distributable surplus available on the Record Date.
 ^ The difference in Dividend per unit for 'Individuals & HUF' and 'Others' is due to differential rate of applicable Dividend Distribution Tax.

Pursuant to payment of dividend, the NAV of the Dividend Option(s) of the above Scheme(s) / Plan(s) / Option(s) would fall to the extent of payout and statutory levy, if any.
 Income distribution will be done / Dividend will be paid to those Unit holders / Beneficial Owners whose names appear in the Register of Unit holders maintained by the Fund / Statements of Beneficial Ownership maintained by the Depositories, as applicable, under the Dividend Option(s) of the aforesaid Scheme(s) / Plan(s) / Option(s) on the Record Date (including investors whose valid purchase / switch-in requests were received by the Fund till 3.00 p.m. in respect of the aforesaid Scheme(s) / Plan(s) / Option(s), on the Record date, subject to realization of cheques / demand drafts). However, in respect of subscriptions for an amount equal to or more than ₹ 2 lakh (at Unit holders' PAN and holding pattern level), the Applicable NAV shall be based on realization of funds as per the provisions of SEBI Circular CIR/IMD/DF/21/2012 dated September 13, 2012 and No. CIR/IMD/DF/19/2010 dated November 26, 2010, as may be amended from time to time, on uniform cut-off timings for applicability of NAV.
 With regard to Unit holders under the Dividend Option(s) of the aforesaid Scheme(s) / Plan(s) / Option(s) who have opted for Dividend Reinvestment facility, the dividend due will be reinvested by allotting Units for the Income distribution / Dividend amount at the prevailing ex-dividend NAV per Unit on the Record date.
 Unit holders who have not opted for Dividend payout through electronic mode(s) are advised to opt for the same at the earliest due to the inherent benefits of such mode(s) such as convenience of direct credit of the proceeds into the bank account as also avoiding loss of payment instruments in transit or fraudulent encashment. Please update the IFSC and MICR Code in order to get payouts via electronic mode into the bank account.
 Intimation of any change of address / bank details should be immediately forwarded to the Investor Service Centres of the Fund (for units held in non-demat form) / Depository Participant (for units held in demat form).

For HDFC Asset Management Company Limited
 Place : Mumbai Sd/-
 Date : September 19, 2019 Chief Compliance Officer

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