

## IndiaMART surges 34% on debut



Vikram Limaye, MD & CEO of NSE (left), and Dinesh Agarwal, founder & MD of IndiaMart InterMESH, during the listing ceremony of the firm, on Thursday

SUNDAR SETHURAMAN  
Mumbai, 4 July

IndiaMART InterMESH ended its debut session on Thursday at ₹1,301, a 34 per cent gain over the issue price. The stock hit a high of ₹1,388 and a low of ₹1,180 during Thursday's trade. After listing, the company has a market capitalisation of ₹3,748 crore.

The ₹475-crore initial public offering (IPO) of IndiaMART InterMESH was subscribed 36 times last week. The issue has garnered bids for 96.92 million shares, against 2.7 million on offer.

The retail investor portion of the issue was subscribed 13 times, the institutional investor portion 31 times, and the wealthy investor portion 62 times. IndiaMART is the country's leading online business-to-business (B2B) marketplace. It has around 82.7 million registered buyers. The company enables the discovery of products and suppliers across 50 industries. According to a KPMG report, it has around 60 per cent market share of the online B2B classifieds space in India in 2016-17.

The IPO was entirely the secondary share sale by promoters and other shareholders. ICICI Securities, Edelweiss Financial Services, and Jefferies India were managing the offer. Existing investors, who sold shares through the IPO, include venture capital investors Intel Capital, Amadeus Capital Partners, and Quona Capital.

# Strong growth potential for discretionary majors

Survey indicates rise in spends on these compared to essential goods

SHREEPAD S AUTE  
Mumbai, 4 July

The Economic Survey, presented on Thursday, had a positive takeaway for companies in the consumption space. It highlighted increased household spending on discretionary items such as clothing, footwear, housing and maintenance, health and education, as compared to necessities.

This would translate to better growth for stocks in the consumption discretionary space such as Bata, Titan Company, Pidilite, and Asian Paints, among others.

Supportive demographics of the country and the geographic spread tilting more towards urban areas were giving a demand boost for the discretionary space. In fact, their urban focus helped some discretionary majors to clock relatively better volume growth in the March 2019 quarter despite the liquidity crunch and overall demand moderation impacting the entire consumption sector. Most staple companies (which sell essentials such as food, personal care, etc.), on the other hand, had reported either a deceleration or flat volume growth on a sequential basis in the March quarter.

On a full-year basis too (FY19), volume growth of these companies was ahead of average volume growth of major staple players such as Hindustan Unilever, Dabur, Britannia, and Colgate Palmolive, among others. "Discretionary companies are mainly focused on urban areas. Thus, they are in relatively better shape and are likely to perform better than the staples," said Nitin Gupta, analyst at SBICAP Securities.

Further, the goods and services tax (GST) along with brand loyalty would also help the organised players gain market share away from the unorganised

## DISCRETIONARY CONSUMPTION GAINS STEAM

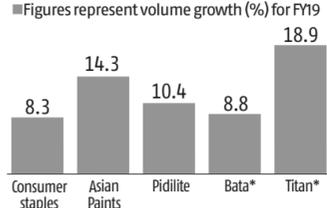


### How they fared

	Returns (%)	P/E (x)*
Titan company	38.6	50.0
Bata	28.5	42.9
Relaxo footwear	26.9	39.1
Pidilite industries	10.8	45.9
Asian Paints	-1.0	42.1
Nifty FMCG	-2.0	31.9

Returns are calendar year to date  
\*Price to earnings ratio based on FY21 estimates  
Sources: NSE and Bloomberg

### Volume show



Figures represent volume growth (%) for FY19  
\*Same store sales growth  
Sources: Companies and brokerage reports

segments. For instance, in case of jewellery, the GST and brand trust for Tanishq augurs well for Titan. Same is the case for Bata in the footwear category. The Survey also highlights the share of the working-age group in the population pie would expand to about 60 per cent by 2041 from 50.5 per cent in 2011, further strengthening the growth outlook of discretionary products.

Major players such as Asian Paints, Titan, and Bata among others are well placed to cash in on these opportunities and have lined up new launches and expansion their distribution network. In fact, the new-age distribution channel — e-commerce — should help

gain market share further by making goods available at the consumers' doorstep. The discretionary segment is also preferred (compared to some other sectors) given growth prospects as well as little or no debt status of the segment, said experts.

But the caveat is high valuations. Companies such as Titan are currently trading at 33 per cent above its long-term historical average valuation.

G Chokkalingam, founder and managing director at Equinomics Research, said, "Discretionary is a relative safer space for investors and many other sectors are not performing satisfactorily. Therefore, high valuation may not weigh on the stock performance of discretionary segment materially."

## Reduce interest burden by foreclosing loans

Remember you may have to pay a prepayment charge and could lose out on tax benefits

SARBAJEET K SEN

While loans allow us to enjoy things before we have the money to pay for them, they also carry an interest cost. So, when borrowers receive a bonus or any other sort of windfall, they often think of foreclosing their loans (or paying them off before their tenure ends). This decision should be made after careful consideration of the pros and cons.

Foreclosing helps reduce financial stress. If an investment matures, or you happen to sell an asset, you may want to foreclose a loan with that money, and thereby reduce the burden of equated monthly instalments. Doing so also allows you to invest more every month towards achieving your financial goals.

"Foreclosing allows you to save on interest cost. It can be especially helpful in case of costlier loans like personal and credit card loans," says Naveen Kukreja, chief executive officer (CEO) and co-founder, Paisabazaar.com.

Borrowers should consider foreclosing if they foresee income uncertainty. Says Vishal Dhawan, founder and CEO, Plan Ahead Wealth Advisors: "Consider foreclosing, if alternative investment opportunities are likely to yield less than the cost of the loan."

Once you have decided to foreclose, make a list of all your loans along with the rate of interest you pay on them. Repay the highest-cost loan first.

"Unsecured loans like credit card debt and personal loans are typically more expensive and should be paid off first," says Dhawan.

Foreclosing unsecured loans has a salutary effect on the borrower's credit score. "Credit bureaus give higher credit scores to those who have a higher proportion of secured loans in their loan portfolios," says Kukreja.

Foreclosing a loan other than floating-rate home loan attracts foreclosure charges, which can range between 2 per cent and 6 per cent. Take this cost into consideration when making the decision. Moreover, home loans offer tax benefits on both principal (Section 80) and interest (Section 24).

Foreclosing a home loan can distort your tax planning. If you have two loans that charge the same rate of interest, prepay the one that does not give any other benefit. Businesspersons should close a loan without overdraft facility rather than the one with the facility — other factors remaining the same.

Dhawan says one must take into



## PREPAY HIGHEST COST LOANS FIRST

Type of loan	Rate of interest (%)
Loan against credit card	12.7% onwards to up to 42%*
Personal loan	10.95-21.5
Loan against property	9.65-22.25
Home loan	8.45-16.9

\*Depending on individual's credit profile  
Source: Paisabazaar.com

consideration where one stands in the loan tenure. "In reducing balance loans, more interest is paid early in the loan tenure rather than later, so it is more beneficial when you prepay in the early part of the tenure," says Dhawan.

In some situations, foreclosing a loan may not be beneficial. Kukreja advises borrowers to ensure they have sufficient funds at their disposal.

Prepayment should not lead to depletion of emergency funds or of investments set aside for meeting short-term financial goals. "The borrower should not be forced into taking costlier loans to deal with financial exigencies or short-term goals arising after the foreclosure," says Kukreja.

Fixed-rate loans come with prepayment charges. "Ensure that the cost of foreclosing the loan does not exceed the benefit in terms of saving on interest cost," he adds.

The return that your investment can generate should also be considered. Home-loan borrowers, who invest in equities, might be better off investing in the markets rather than making prepayments. Over the long term, equities or equity funds are likely to generate higher returns than the interest charge on the home loan. Finally, instead of foreclosing, a borrower can exercise the option of transferring her home loan to another lender who charges a lower rate. While doing so, she should ensure the interest cost saved is significantly higher than the cost of transferring the home loan.

## YOUR MONEY



## Correction

The report — "Steel mills to roll over product prices for July" — published on July 4 had wrongly mentioned Jayant Acharya's designation as the chief financial officer. He is director — commercial & marketing and corporate strategy, JSW Steel. The error is regretted.

# Hong Kong rates hit 2008 highs, \$ rallies before InBev IPO

REUTERS  
Hong Kong, 4 July

The Hong Kong Interbank Offered Rate (HIBOR) rose across the curve on Thursday, with investors scrambling for cash ahead of the world's biggest initial public offering of the year at a time of tight liquidity in the domestic market.

Brewer Anheuser-Busch InBev (AB InBev) is seeking to raise up to \$9.8 billion by listing

its Asia-Pacific business in Hong Kong this month.

On Thursday, the one-month and two-week tenors shot up to 2.99 per cent and 3.53 per cent, respectively, their highest since October 2008, while two-month and three-month HIBOR reached their highest levels since November that year. New York-listed internet giant

Alibaba is also hoping to raise up to \$20 billion in Hong Kong's stock market this year, which would be the largest secondary listing globally in seven years. "We haven't seen such a large IPO for a while, and it is happening during the dividend season when liquidity is usually tight," said Carrie Li, an economist at

OCBC Wing Hang Bank, commenting on the AB InBev listing. Analysts from Bank of America Merrill Lynch estimated in May that Hong Kong-listed Chinese companies will need to pay \$55 billion of dividends this year, mostly in June and July.

HIBOR's climb lifted the Hong Kong dollar to its strongest since May 2017. The currency was seen at 77893 per dollar, up 0.1 per cent on the day. It is pegged to the US dollar at a tight range

of 7.75 to 7.85.

On top of equity market demand, the strength of the local dollar reflects a massive unwinding of the carry trade said Hao Zhou, a forex analyst at Commerzbank in Singapore. A previously wide spread between US and Hong Kong rates led investors to borrow Hong Kong dollars cheaply to buy higher-yielding US dollar assets in a 'carry trade', spurring capital outflows and pressure on the local currency.

# ECONOMIC SURVEY 2018-19: THE NEW BLUEPRINT

## Judicial pendency isn't insurmountable: CEA

Suggests more judges, fewer holidays, use of AI to overcome the challenge

AASHISH ARYAN  
New Delhi, 4 July

Pendency of cases in Indian judiciary — which is one of the biggest constraints to the ease of doing business and enforcement of contracts in the country — is not an insurmountable problem, the Economic Survey 2018-2019 said. In fact, a case clearance rate of 100 per cent can be achieved by the addition of only 2,279 judges in lower courts and 93 in high courts, it noted.

"This is already within sanctioned strength and only needs filling vacancies. Scenario analysis of efficiency gains needed to clear the backlog in five years suggests that the required productivity gains are ambitious, but achievable," the Survey said.

In his first Economic Survey as chief economic advisor, Krishnamurthy Subramanian said that though laws such as the Insolvency and Bankruptcy Code, passed in 2016, had



ILLUSTRATION: BINAY SINHA

## KEY FINDINGS

- Contract enforcement delay single biggest hurdle to ease of doing business, higher GDP growth
- 87.5% pending cases in lower courts and this must be the focus of reform
- 100% clearance rate can be achieved by filling lower, High Court vacancies
- Simulations of efficiency gains, additional judges needed to clear backlog in five years
- Uttar Pradesh, Bihar, Odisha and West Bengal need special attention

improved India's ease of doing business rank in the World Bank's report, enforcement of business and legal contracts remained a major hurdle.

One of the first suggestions to clear pendency in Indian courts, apart from increasing the work-

ing strength of judges in lower and high courts, is to increase the number of working days. The Supreme Court, for instance, remained closed for 49 days during the summer vacation. Also, the top court will remain closed for a two-week winter vacation, and take an additional 18 days

of leave during various festivals.

"After accounting for weekends and public holidays, it leaves 190 working days for the Supreme Court. In contrast, the average is 232 working days for high courts and 244 days for subordinate courts. There is a great deal of variation between states, and many courts make up for vacations by working on Saturdays," the Survey noted.

Citing 244 working days for central government employees, the CEA suggested that increasing the number of working days may improve the productivity of the Supreme Court and some high courts, but such a move will not impact lower courts significantly.

The establishment of Indian Courts and Tribunal Services (ICTS) that focuses on the administrative aspects of the legal system would also go a long way in easing the backlog in courts, it said. The ICTS would provide required administrative support to the Indian judiciary, thereby improving the quality. Laying emphasis on the deployment of technology for the judiciary, the CEA said that application of artificial intelligence to help clear the backlog should be among priorities of the policymakers.

# Making a case for aggressive export strategy

SUBHAVAN CHAKRABORTY  
New Delhi, 4 July

Any investment-driven growth model must have an aggressive export strategy, the government said in its Economic Survey of 2018-2019.

The onus of rescuing economic growth has been placed squarely on exports, since the share of consumption in gross domestic product (GDP) remains constrained by a high level of savings, the Survey said. Goods exports rose 8.8 per cent in 2018-19, after a 10 per cent rise in the previous year.

However, it mentioned weak exports growth in 2019-20 as a key downside risk to the

economy, taking note of continuing heightened US-China trade tensions. The Survey sounded a stark warning that prospects of export growth remain weak for 2019-20 if status quo is maintained. The World Economic Outlook in its April 2019 issue had projected growth in world output at 3.3 per cent in 2019, down from 3.6 per cent in 2018.

## Rupee devaluation

The Survey pointed out that the desired export growth required to deliver the 8 per cent real GDP growth rate may require a depreciation in the real effective exchange rate. "But we emphasise export growth stem-

## TRADE IMBALANCE

	2015-16	2016-17	2017-18	2018-19*
Merchandise export growth (in \$ term)	-15.5	5.2	10.0	8.8
Merchandise import growth (in \$ term)	-15.0	0.9	21.1	10.4
Current account balance (as % of GDP)	-1.1	-0.6	-1.9	-2.6
Average exchange rate (₹/\$)**	65.5	67.1	64.5	69.9

Note: \*(Apr-Dec) 2018, \*\*Price of dollar

Source : Economic Survey 2018-19

ming from increases in productivity rather than currency depreciation," the Survey countered. However, the government stressed that a higher growth rate for exports has

been seen in Rupee terms due to the depreciation of the currency, while that of imports declined in 2018-19.

In view of the demand by industry to re-assess India's

existing free trade agreements (FTA), the Survey noted that India's imports from FTA nations have been on the rise, accounting for 52.0 per cent of India's total imports. On the other hand, exports continue to trail. Outbound trade with trade partners accounted for 36.9 per cent of total exports.

The high-level advisory group, formed to boost exports and headed by ex-member of the prime minister's economic advisory council Surjit Bhalla, had suggested making impact assessment studies for industry a pre-requisite for all trade negotiations. India has signed 28 bilateral and multilateral trade agreements with various coun-

tries and nation groupings.

## East Asia model

The Survey also continued to focus on manufacturing-led growth in east-Asian economies such as Japan, South Korea and most importantly China. Chief Economic Advisor Krishnamurthy Subramanian borrowed from his predecessor Arvind Subramanian's idea of pushing labour-intensive manufacturing investment to simultaneously boost productivity, job creation and exports.

In such key sectors — textiles and leather — the government has indicated further structural reforms.

## For start-ups, a call for policy parity, lenient tax regime

YUVRAJ MALIK  
Bengaluru, 4 July

Acknowledging the contribution of start-ups in growth of the economy and job creation, the Economic Survey batted for a "rationalised" tax regime and "predictability of policy action" for them in order to spur innovation and attract private investment.

The policy document, which was tabled in Parliament on Thursday, said the "outlook of the Indian economy appears bright with prospects of a pick-up in growth in 2019-20 on back of the pick up in private investment and robust consumption growth".

It said the government is playing a proactive role in investment promotion through a liberal foreign direct investment (FDI) policy. During 2018-19, total FDI equity inflow stood at \$44.36 billion as compared to \$44.85 billion during 2017-18. According to government data, start-ups raised \$7.5 billion in 2018, a majority of which was foreign capital, an increase of 74 per cent over the previous year. India now has 10 unicorn start-ups, collectively valued at over \$35 bil-

lion, it said. The Survey said in order to further catalyse the growing ecosystem, taxation for start-ups must be rationalised. "Tax policy and its implementation for start-ups must be rationalised to foster innovative investments in the Indian economy. Countries across the world recognise the need to evolve a tax system that can foster innovation."

It also suggested a re-look at capital gains tax, levied on profits from the sale of shares in unlisted companies. The high rate of capital gains tax in India — 30 per cent (for short-term holding) and 20 per cent (long-term holding) — has pushed some Indian start-ups to shift their headquarters abroad, mainly in Singapore where capital gains tax is nil.

"Several studies have also suggested that capital gains tax can have significant economic consequences for individual investors in terms of its lock-in effects and associated deterring incentives to use capital gains into riskier investments," the Survey noted, without providing a recommendation in this regard.

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