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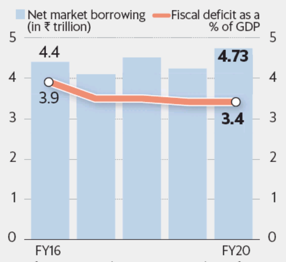
When less is more

Bond markets are questioning the math of the interim budget as the government has managed to bring down fiscal deficit even though it is borrowing much more from the market.

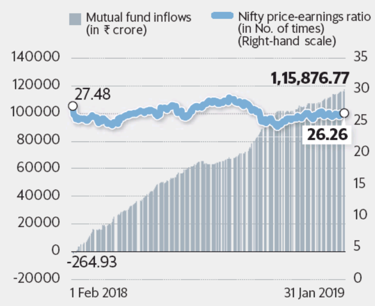


FY20 figures are Budget Estimates and FY19 figures are Revised Estimates

Source: Budget documents

Strong support

Indian equity valuations have held firm in the past year, supported by strong domestic flows.



The Nifty P-E is based on trailing earnings; mutual fund net inflows are on a daily cumulative basis starting 1 February 2018

Source: NSE, Sebi

NAVEEN KUMAR SAINI/MINT & SARVESH KUMAR SHARMA/MINT

Stocks leap, may look closely later

Investors liked the consumption thrust in the budget

Mark to Market Team
feedback@livemint.com

The stock markets love good headlines and the interim budget had plenty. The fiscal deficit numbers turned out to be lower than market expectations for the current fiscal year, while increased income for farmers and the middle class is expected to boost consumption demand. As the real estate industry is one of the largest employment providers, besides being a large vendor for many other industries, sops for the sector helped improve investor sentiment as well.

The big theme was consumption, and the Nifty Consumption index rose 3% intraday on Friday, ending nearly 2% higher. "Consumption demand will get a boost from the schemes announced for the rural population and tax sops in the budget," said Prabhat Awasthi, managing director and country head (India) at Nomura.

Sahil Kapoor, chief market strategist at Edelweiss Investment Research, said: "Demand from the bottom of the pyramid will catch up very fast due to the direct benefit scheme. The demand would benefit FMCG companies and small-ticket brown goods, but it could take a few quarters to reflect in their earnings." FMCG stands for fast-moving consumer goods.

Budget's tone also suggests that consumption-led growth is an answer to the country's tight finances

But, note here, that stock markets tend to be obsessed with growth, and the budget's tone also suggests that consumption-led growth is an answer to the country's tight finances. The possibility that a push for growth can worsen finances seemed to have been ignored.

While the headline fiscal deficit number of 3.4% of GDP (gross domestic product) may be below the market's expectation of 3.5%, some experts are worried about the underlying state of the government's finances and its eventual impact on interest rates.

Note, for instance, that the government's borrowing for the next fiscal year has been pegged at as high as ₹7.1 trillion, far higher than the Street's estimates.

Bond traders were understandably spooked given that the Reserve Bank of India (RBI) would find it difficult to take some of the load on its balance sheet next year. The central bank has bought close to ₹1.8 trillion worth of bonds through open market operations (OMOs) in the current fiscal year so far, which is roughly 40% of the net supply of bonds.

That kind of support may not get repeated next year as the central bank has little reason to infuse liquidity unless the exchange rate depreciates more.

"The RBI had multiple reasons to do OMOs this year. I don't think the RBI would do as much next year. To that extent, there will be more supply in the market and, therefore, pressure on yields," said R. Sivakumar, head of fixed income at Axis Mutual Fund.

The large borrowing number for FY20 has naturally upset traders, with yields already rising. Moreover, bond investors were concerned that the government's math may have to be reworked next year.

Analysts also questioned the source of funds for additional allocations in the budget. "The internals of the fiscal deficit numbers would show that some of the numbers on goods and services tax receipts and corporation tax are aggressive," said Kapoor of Edelweiss.

Another concern is that some of the tax sops could be inflationary down the line, making it difficult for RBI to hold on to policy rates. The higher borrowing number itself has pushed up yields and, therefore, would put pressure on interest rates indirectly.

"The budget is supportive of consumption growth and, in that sense, it appears reflationary," said Shubhada Rao, chief economist at Yes Bank Ltd. Both Rao and Sivakumar of Axis Mutual Fund expect the central bank to be on an extended pause on policy rates.

MARKETS CHEER HEADLINES, BUT FINE PRINT IS WORRYING

IN THE MONEY

MOBIS PHILIPOSE

Respond to this column at
mobis.p@livemint.com

Finance minister Piyush Goyal sure knows how to please the stock markets. No, he didn't pander to the markets' demands of revisiting long-term capital gains tax or lowering securities transaction tax. But he has managed to get investors excited by the thrust to consumption in the interim budget.

"Given the uncertainty in the global economy, the sops to the rural population and the middle class will help support consumption demand and insulate the Indian economy to some extent," says a portfolio manager. In any case, the stock markets love anything that has the potential to aid growth, and their positive reaction is not surprising.

It remains to be seen how far the sops will help in boosting demand, although it's heartening that the distress in rural incomes is being addressed.

The bond markets, however, are understandably worried about what these additional spends would do to the fiscal deficit and the government's borrowing. The gross borrowing figure of over ₹7 trillion was way above the markets' estimates, and the even more worrying bit is that the numbers related to the fiscal deficit appear far too sanguine. For instance, the government now expects taxes on companies to grow 17.5% this fiscal year, about double the rate it had budgeted at the start of the year.

Analysts say the aggregate tax collections of listed companies hasn't been growing anywhere near that rate, and there could be disappointment on that front. Likewise, assumptions on the goods and services tax for the current fiscal year remain aggressive, even though they have been cut.

The numbers related to the fiscal deficit appear far too sanguine, which is worrying

It must be noted here that Budget Estimates for FY20 use the current fiscal year's estimates as a base, and hence, the next year's deficit numbers may also be understated. "There are some worries about revenue assumptions," says Prabhat Awasthi, who heads India operations at Nomura.

The all-important question is if the monetary policy committee of the Reserve Bank of India is convinced enough to cut rates. It's quite likely questions on the maths behind the budget may lead them to be conservative, in which case the markets may end up being disappointed.

UPL Limited

CIN: L24219GJ1985PLC025132
Regd. Office : 3-11, G.I.D.C., Vapi - 396 195, Dist. Valsad, Gujarat.

EXTRACT OF UNAUDITED STANDALONE FINANCIAL RESULTS FOR THE QUARTER AND NINE MONTHS ENDED 31st DECEMBER, 2018

(Rs. in Crores)

Sr. No.	Particulars	Quarter ended			Nine Months ended		Year ended
		Dec-18	Sep-18	Dec-17	Dec-18	Dec-17	Mar-18
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
1	Total income from operations	2,216	2,275	1,942	6,796	5,738	7,374
2	Net Profit for the period before tax (before exceptional items)	13	445	56	645	671	583
3	Net Profit for the period before tax (after exceptional items)	13	445	56	645	664	576
4	Net Profit for the period after tax (after exceptional items)	10	348	145	491	655	548
5	Total Comprehensive Income for the period (after tax)	16	351	143	502	654	551
6	Paid up equity share capital (Face Value of the Share - Rs. 2/- each)	102	102	102	102	102	102
7	Other Equity (as per balance sheet of the previous accounting year)						7,867
8	Basic and Diluted Earnings Per Share (EPS)						
	Basic Earnings per share	0.19	6.83	2.85	9.63	12.89	10.78
	Diluted Earnings per Share	0.19	6.83	2.85	9.63	12.86	10.78

EXTRACT OF UNAUDITED CONSOLIDATED FINANCIAL RESULTS FOR THE QUARTER AND NINE MONTHS ENDED 31st DECEMBER, 2018

(Rs. in Crores)

Sr. No.	Particulars	Quarter ended			Nine Months ended		Year ended
		Dec-18	Sep-18	Dec-17	Dec-18	Dec-17	Mar-18
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
1	Total income from operations	4,921	4,257	4,194	13,312	11,815	17,506
2	Net Profit for the period before tax (before exceptional items)	591	457	555	1,618	1,516	2,461
3	Net Profit for the period before tax (after exceptional items)	500	400	548	1,466	1,459	2,398
4	Net Profit for the period after tax (after exceptional items)	472	284	562	1,270	1,350	2,123
5	Total Comprehensive Income for the period (after tax)	340	260	420	692	1,308	2,100
6	Paid up equity share capital (Face Value of the Share - Rs. 2/- each)	102	102	102	102	102	102
7	Other Equity (as per balance sheet of the previous accounting year)						9,067
8	Basic and Diluted Earnings Per Share (EPS)						
	Basic Earnings per share	9.05	5.26	11.30	24.37	25.31	39.79
	Diluted Earnings per Share	9.05	5.26	11.29	24.37	25.26	39.78

Notes:

1. The above unaudited standalone and consolidated financial results were reviewed by the audit committee and thereafter approved at the meeting of the Board of directors held on 31st January, 2019.
2. Effective 1st April, 2018, the Company has adopted Ind AS 115 'Revenue from Contracts with Customers'. Based on the assessment done by the management, there is no material impact on the revenue recognised.
3. UPL Corporation Limited ('UPL Corp'), a subsidiary of the Company in Mauritius and its subsidiary/ies, has signed a definitive agreement with Platform Specialty Products Corporation to acquire Arysta LifeScience Inc. and its subsidiaries (collectively 'Arysta') a global provider of innovative crop protection solutions, including BioSolutions and Seed Treatment, for approximately US$4.2 billion in cash consideration. The Company has obtained all regulatory approvals required to close the transaction and expects closing to occur on 31st January, 2019 / 1st February, 2019.
4. The above is an extract of the detailed format of the quarterly unaudited standalone and consolidated financial results filed with the Stock Exchanges under Regulation 33 of the Securities and Exchange Board of India (Listing obligations and Other Disclosure Requirements) Regulations, 2015. The full format of the standalone and consolidated financial results is available on the websites of the stock exchange www.nseindia.com and www.bseindia.com and on the Company's website www.uplonline.com.

UBIQUITAS

For **UPL Limited**

R. D. Shroff
Chairman and Managing Director
(DIN : 00180810)

Place : Mumbai
Date : 31st January, 2019

Jubilant Life Sciences Limited

JUBILANT LIFESCIENCES

Regd. Off.: Bhartiagram, Gajraula, District Amroha - 244 223 (U.P.) | CIN : L24116UP1978PLC004624
Website: www.jubl.com | Email: investors@jubl.com | Tel: +91-5924-267200

Extract of Consolidated Unaudited Results for the Quarter and Nine months ended 31 December 2018

(₹ in Lakhs)

Particulars	Quarter Ended			Nine Months Ended		Year Ended
	31 December (Unaudited) 2018	30 September (Unaudited) 2018	31 December (Unaudited) 2017	31 December (Unaudited) 2018	31 December (Unaudited) 2017	31 March (Audited) 2018
Total revenue from operations	237710	226949	206776	672524	530585	755781
Net Profit before tax, exceptional and extraordinary items	35561	30181	26118	94379	63252	85908
Net Profit before tax (after exceptional and extraordinary items)	35561	30181	26118	94379	63252	85908
Net Profit after tax, exceptional and extraordinary items	26752	20977	21284	67766	48202	63442
Total comprehensive income after tax (comprising profit/(loss) for the period after tax and other comprehensive income after tax)	8728	35071	17192	65201	56073	69981
Earnings per share of ₹ 1 each before and after extraordinary items (Not annualized)						
Basic (₹)	16.74	13.50	13.64	43.24	31.31	41.25
Diluted (₹)	16.74	13.50	13.64	43.24	31.31	41.25
Equity share capital	1558	1558	1558	1558	1558	1558
Reserves (excluding revaluation reserve)						407095

1. The Company has opted to publish consolidated results for the year ending 31 March 2019. The standalone unaudited results are available under Investors section of our website at www.jubl.com and under Financial Results at Corporates section of www.nseindia.com and www.bseindia.com. Key standalone financial information of the Company is as under:

(₹ in Lakhs)

Particulars	Quarter Ended			Nine Months Ended		Year Ended
	31 December (Unaudited) 2018	30 September (Unaudited) 2018	31 December (Unaudited) 2017	31 December (Unaudited) 2018	31 December (Unaudited) 2017	31 March (Audited) 2018
Total revenue from operations	85958	88727	93383	257349	237858	334301
Profit before tax	5238	9121	14323	17704	24891	36769
Net profit after tax	3670	7961	9788	14019	17705	26344

2. Sales/Income from operations (included in total revenue from operations) for the nine months ended 31 December 2018 is not comparable with corresponding previous period since the same is net of Goods and Services Tax (GST) whereas excise duty formed part of expenses till 30 June 2017.
3. The above consolidated unaudited results were, subjected to limited review by the Statutory Auditors of the Company, reviewed by the Audit Committee and approved by the Board of Directors at its meeting held on 1 February 2019.
4. The above is an extract of the detailed format of the consolidated unaudited results for the quarter and nine months ended 31 December 2018 filed with the Stock Exchanges under Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. The full format for the consolidated unaudited results for the quarter and nine months ended 31 December 2018 is available under Investors section of our website at www.jubl.com and under Financial Results at Corporates section of www.nseindia.com and www.bseindia.com.

For **Jubilant Life Sciences Limited**
Hari S. Bhartia
Co-Chairman & Managing Director

Place : Noida
Date : 1 February 2019