

TILLING HARD

Fixing the minimum support price (MSP) to deliver remunerative prices to farmers has been at the forefront of the debate on the farm crisis. In July 2018, the govt implemented a budget promise that the govt will fix MSP at 50% over the cost



Minimum support price (₹ per quintal)

TIMES BUSINESS

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Minimum support price (₹ per quintal)

Wheat Paddy Coarse cereals

Yield (Kg per hectare)

Wheat Paddy Coarse cereals

Yield (Kg per hectare)

Note: The data shows figures up to March 2018, the govt announced an MSP increase in July 2018. Sources: Ministry of Agriculture & Farmers Welfare, Government of India | Commission for Agricultural Costs & Prices (CACP)

Stiff Etihad Airways terms put Jet's lifeline at a risk

Resolution Plan Is Under 'Active Discussion', Says Jet Airways

TIMES NEWS NETWORK

Mumbai: A rescue plan for the troubled Jet Airways has hit a roadblock with proposed white knight and minority shareholder Etihad Airways imposing challenging conditions and lenders not taking any chances. Shares of Jet Airways fell 8% after the tough stipulations placed by Etihad came to light.

Following a board meeting in Mumbai, the troubled airline said that a resolution plan is under 'active discussion' among stakeholders and the various options are "yet to be crystallised and agreed to by the stakeholders in the best interests of the company". The airline had a debt of around Rs 8,000 crore and by its own admission had delayed payment of interest and principal on December 2018.

A bailout by Etihad, which appeared to be the best option, is likely to get stuck with the airline seeking exemption from an

RESOLUTION IN THE WINGS

2018 December | Jet Airways defaulted on loan repayment to a consortium of banks led by SBI

August | Jet said it has been working on debt reduction, funding options, infusion

of capital, monetisation of assets

As on September | The airline has about **Rs 8,052 crore**

Recovery: The minimum recovery to the bank is **Rs 11,313 crore**

Etihad Airways 24%

Jet founder and chairman Nareish Goyal 51%

Retail shareholders 10.97%

Others 14.03%

Resolution plan includes equity infusion and consequent changes in the board of directors

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open offer and a discounted price of Rs 150 as against Wednesday's closing price of Rs 271. According to lenders, there have been several examples where an open offer exemption has been given. However, an exemption to Sebi's formula for preferential shares has not taken place. The only exemption is for banks that are converting bad loans to equity to take control of defaulting company. The Etihad CEO is understood to have put forward the conditions in an email to SBI

chairman Rajnish Kumar. The conditions include exit of Nareish Goyal and his family from management and a clear indication that it will have a say in appointment of key management personnel. In exchange, the Qatar-based airline has said that it will immediately transfer \$35 million (Rs 2,450 crore) from Jet Privilege.

According to banking sources, rescuing the airline would require government intervention. Despite decline in oil prices and ticket

prices holding steady, Jet still faces a cash shortfall. It needs additional cash to continue operations which cannot be provided by banks considering that the company is in default. Besides Etihad, there are no other buyers as Tata has dropped out. Meeting the conditions imposed by Etihad is not in the hands of banks. Earlier this month, civil aviation minister Suresh Prabhu had said that the government will not intervene in commercial decisions of private airlines.

SBI to pursue sale of Essar Steel loans

TIMES NEWS NETWORK

Mumbai: State Bank of India (SBI) has once again decided to pursue sale of its loans to Essar Steel in a bid to clean up its balance sheet before March 31 and realise cash up front. The bank is selling its debt even as ArcelorMittal is fighting to enforce its bid for the company in the National Company Law Tribunal (NCLT) and promoters are battling to retain control.

SBI has fixed a base price of Rs 9,587 crore for its total dues of Rs 15,431 crore, which includes interest and penalties. The loan will be sold through an e-auction on January 30. According to the resolution plan submitted by ArcelorMittal, SBI stands to effect a minimum recovery of Rs 11,313 crore.

Bank officials said SBI has not under-priced the loan as the reserve price is de-

SBI SHOWS IT HAS NERVES OF STEEL

Existing

SBI plans to sell over **₹15,000 cr** or bad loans belonging to Essar Steel

Reserve price

Lender has put the reserve price for the recovery of bad loans from Essar Steel India at **₹9,587 cr**

Essar owes **₹49,000 cr** to over two dozen banks led by SBI and has been under bankruptcy

E-AUCTION

The sale of the NPA account is to happen through e-auction on January 30, as per the bid invite

In Sep last year, SBI had withdrawn process of sale of debt of Essar Steel to ARCs after NCLAT asked

lenders of the debt-ridden firm to consider the second round bid of Numetal and mining baron Vedanta

NCLT reserved its verdict on maintainability of bid by Essar Steel Asia Holdings to retake the management of company

rived on the basis of a formula that calculates the net present value of minimum recovery discounted at 18% with a time factor of one year. Also, in the terms of the sale, SBI has incorporated a clause whereby, if the loan amount is realised prior to one year, the buyer must offer a claw-back option based on the time factor.

Bankers said that altho-

ugh the bidders will be an asset reconstruction company or other financial institutions, they are likely to have the backing of someone with a strategic interest. Given the pitched battle for control of the company, SBI is likely to acquire a substantial portion of its debt. As the bank has made more than 50% provision toward the loan, any recovery in excess of 50%

will add to its profits in the fourth quarter. Besides adding to its profits, selling the loan will have other advantages. It will free up capital for the bank as the balance sheet will shrink and risk-weighted assets will come down. Secondly, it does not risk having to make additional ageing provisions. Finally, it will bring down its exposure to corporate and steel sector.

'CAG report on spectrum without facts'

Pankaj.Doval@timesgroup.com

New Delhi: The government on Wednesday claimed that CAG's censure of backhaul spectrum allocation came without full understanding of facts, asserting that not much should be read into the government auditor's report,



which speaks of a Rs 560 crore loss to the exchequer over spectrum mismanagement by the Department of Telecom (DoT). "Sometimes some reports come without knowledge of full facts," telecom minister Manoj Sinha said in response to the CAG report, which is now being highlighted by opposition as a potential telecom scam. "We have written back to the CAG with full details, and they have responded. Reports of a possible scam are not factual, are baseless and have no strength," Sinha added. Reliance Jio and Sistema Shyam were given backhaul spectrum in 2015 through the administrative process, and not through an auction, and Sinha said that the process was also based on the views of regulator Trai. Backhaul spectrum are the airwaves that telecom companies use to maintain connectivity through their network setups.

While the frontal spectrum—that connects with mobile subscribers—is auctioned after the Supreme Court (after cancelling licences given on first-come-first-serve basis) specifically stipulated it as the only process for natural resources, the backhaul is still given on administrative basis.

In its report tabled in the Parliament last week, CAG said that backhaul—or microwave access (MWA)—spectrum was allocated to the telecom companies on first-come-first-served basis in contravention to the recommendations of a DoT committee, even when 101 applications for the same were pending with the government. "I want to say that the SC order of 2012 was about access spectrum and not backhaul spectrum. It is not one service provider, but all those who were genuine were given microwave spectrum on an administrative basis, before and after the order," Sinha said. "Allegations of wrongdoing are baseless and without any evidence." To a specific question on whether there is a decision to auction such spectrum, the minister said, "So far there is no decision... we are neither considering it nor studying".

He said adequate safeguards are in place to ensure that whenever the government takes a decision on auction, those allotted such backhaul spectrum will have to pay up, retrospectively.

Fractal Analytics gets \$200m from Apax

TIMES NEWS NETWORK

Bengaluru: Private equity biggie Apax Funds has invested \$200 million in analytics firm Fractal Analytics for a significant minority stake to accelerate the latter's entry into the \$1 billion revenue club. The transaction involves the exit of two of its earlier investors, the Malaysian government's strategic investment fund Khazanah Nasional Berhad and TA Associates, who had together pumped in \$125 million.

Fractal marks Apax Funds' 12th investment in the tech services space globally, including its earlier investments into ThoughtWorks, GlobalLogic, Zensar and EVRY.

Srikanth Velamakanani, co-founder, group chief executive of Fractal Analytics, said, "We are making progress on our goal to build a \$1 billion revenue company in the AI space thanks to our relentless focus on serving Fortune 500 companies globally in enabling an AI led digital transformation in their businesses." Its Qure.ai, for instance, is an AI platform aiding radiologists to make diagnostics' decisions.

Fractal, founded in 2000, has more than 1,200 consultants spread across 15 global locations including the US, UK and India.

Now, govt changes angel tax rules

TIMES NEWS NETWORK

New Delhi: The government on Wednesday sought to clear the air on tax exemption for investment in start-ups by angel investors and specified a new mechanism to ensure that a decision on the benefits is taken by tax authorities within 45 days. Under the new rules, a start-up will first need to be recognised by DIPP to be eligible for concessions for shares that have been issued or are proposed to be issued. The start-ups will then have to seek tax breaks for which DIPP will approach the tax department. Earlier there was need for certification by an inter-ministerial board. The

KEY CHANGES

- A start-up will first need to be recognised by DIPP to be eligible for concessions for shares that have been issued or are proposed to be issued**
- Earlier requirement of start-ups to submit a report from merchant banker specifying the fair market value of shares has also been done away with**
- New rules have mandated that start-ups with a paid capital and share premium of up to Rs 10 crore will be eligible for tax breaks**
- Only investors with net annual income of Rs 50 lakh in the tax return in the previous financial year will be eligible for the benefits**

earlier requirement of start-ups to submit a report from merchant banker specifying the fair market value of shares has also been done away with. "The process has been simplified by making application to CBDT through the DIPP," said an official. Cases where the tax department has issued an assessment will not be eligible for tax breaks, an official notification said. The notification meant to soothe nerves of worried investors, amid tax notices came a day before the Prime Minister addresses investors in Gujarat. "Since one of the criteria is that the investor should have returned income of more than Rs 50 lakh, investments from family offices and angel groups may not benefit. Strangely, they still want the basis of valuation with the form," said Amit Maheshwari, managing partner at Ashok Maheshwari & Associates.

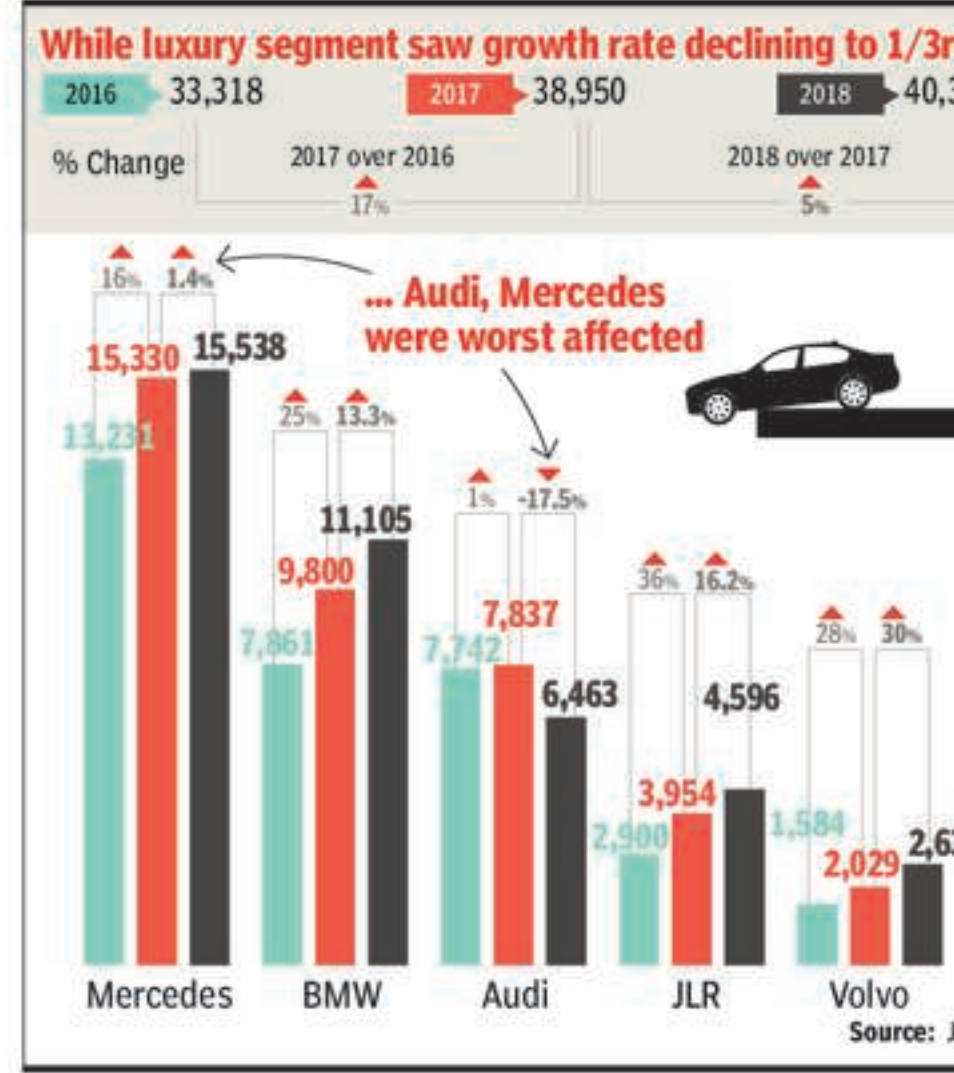
Tight liquidity slows down luxury car sales

Pankaj.Doval@timesgroup.com

New Delhi: Luxury car sales are losing their glitter. With the stock market remaining volatile through most of last year and liquidity pressures growing amid economic uncertainty, reluctant buyers stayed away from new purchases, or upgrades, leading to a 5% growth in volumes against a 17% surge in the previous year.

The moderate numbers—at 40,340 units—come despite a small base of 2017 where total luxury sales were around 39,000 units. A lacklustre performance by market leader Mercedes-Benz, that could manage only a 1% growth in numbers (against 16% in 2017), made the situation difficult. Mercedes' fellow German Audi had an even poorer sales year as its numbers slipped 18%, making it one of the company's worst showing in recent times.

The dismal numbers of Mercedes and Audi were, ho-



wever, compensated by a spirited performance by BMW, Ta-

managed double-digit growth. BMW's volumes grew 13% in 2018, led by models such as 5-Series sedan and SUVs X1 and X3. JLR, which has been rapidly expanding its model line-up, grew 16% on total volumes that just about crossed 4,500 units. For Volvo—which saw a 30% surge—the bulk of the numbers were credited to the newly-launched mini SUV, XC40.

Luxury companies are a worried lot, especially as the liquidity crunch is impacting the operations of many of their customers. "A large number of our buyers are from the SME sector. When they cannot even procure working capital comfortably, how can we expect them to buy new cars," one of the leading luxury dealer said. Martin Schwenk, the newly-appointed MD & CEO of Mercedes India, said there is nervousness in the market. "I am here since the last two months, and I have met our dealers, investors and custo-

RBI eases ECB policy

Mumbai: The RBI on Wednesday came out with a new policy for overseas borrowings, allowing all eligible entities to raise foreign funding under the automatic route and removing sectoral curbs. All eligible borrowers can now raise External Commercial Borrowings (ECB) up to \$750 million or equivalent per financial year under the automatic route replacing the existing sector wise limits. The "liberalisation/rationalisation" in the new framework ECB and rupee-denominated bonds has been done to improve the ease of doing business, the central bank said. AGENCIES

A very weak third quarter (July-September) impacted the industry as demand was tight on weakened rupee and high fuel prices. Rahul Ansari, the head of Audi in India, feels that the pain may be there for some more time. "Luxury car purchase is not the biggest necessity that people have currently."

Ansari attributed Audi's poor showing to the closure of two dealerships in the Delhi-NCR region after the promoter was found to be indulging in unlawful activities. Rohit Suri, MD of JLR India, said that the second half of 2018 was particularly tough due to tight liquidity conditions, higher up-front insurance costs and increased lending rates.

Modi deserves a 2nd term: Sajjan Jindal

JSW Chairman Says Political Uncertainty Could Pause Overseas Investments

Reeba Zachariah & Namrata Singh | TNN

Mumbai: Billionaire industrialist Sajjan Jindal, unlike most of his contemporaries, is known to speak his mind—a trait that has often landed him in controversies. But that hasn't stopped the chairman of JSW from speaking his mind. "I believe that if I don't speak, who will then?" Jindal said in a free-wheeling interview to TOI.

Staying on that note, we prod him for his opinion on the current political scenario in an election year in the world's largest democracy. "Until a year ago, it was looking like Narendra Modi will come back (to power). But, after the recent elections in some states, it looks difficult. My personal view is we ought to give one more term to Narendra Modi. A 10-year term will help him do a lot more things which he couldn't achieve in the first term," Jindal said.

In the second term, Jindal believes a Modi-led government could pursue some unfinished tasks, such as disinvestments. "I don't know if there is any country in the world that has got such a big public sector play other than China. Narendra Modi is one person who believes that the government has no business to be in business. I have nothing against the public sector, but it lacks accountability. There are problems with decision-making. These, and other factors, erode the value of the public sector," he said.

The 59-year-old doesn't see a hung Parliament emerging out of the national elections, likely to be held by May. "If all the opposition parties are coming together, they will somehow manage (to pull off) forming a government, but how long will that government last will be the question. A 'khichdi sarkar' would be a disaster for the country. There should be one national party in the lead—it could be the BJP or Congress," Jindal said. "But whether the Congress will lead the opposition pack is a question." Jindal's younger brother, Naveen Jindal, is a former MP from Congress. According to the industrialist, political uncertainty could pause overseas invest-

ments. But he does not foresee Indian businessmen deferring their plans. Jindal, who harbours a childhood passion for cars, is himself moving ahead with expansion plans for his steel and energy businesses and is also looking to enter new areas like paints, electric cars and home solutions (steel doors and windows). A part of his expansion goals will be met through acquisition of stressed assets such as Bhushan Power & Steel and a few thermal energy units. Though Jindal has made the highest offer of Rs 19,700 crore for Bhushan Power, the deal is in litigation. If—and by the

acquired its acronym from the places its factories originated—first south and then west—steel is its biggest business, contributing as much as 77% (\$10 billion) to its revenues. While business2business (B2B) will remain the foundation of the enterprise, Jindal wants to build a business2consumer (B2C) model and, hence, the entry into electric vehicles, sports and decorative paints. "It's early days. We are trying to get a feel of the (new) sectors, but our core businesses will continue to be steel and power," said Jindal. Jindal said that the softening of steel prices could dent

SECOND TERM TO MODI: Until a year ago, it was looking like Narendra Modi will come back (to power). But, after the recent elections in some states, it looks difficult. My personal view is we ought to give one more term to Narendra Modi. A 10-year term will help him do a lot more things which he couldn't achieve in the first term

'KHICHDI SARKAR': A 'khichdi sarkar' (coalition government) would be a disaster for the country. There should be one national party in the lead—it could be the BJP or Congress. But whether the Congress will lead the opposition pack is a question

SAJJAN JINDAL

time—Jindal closes this transaction, it will be an expensive one for the industrialist, who is known to be very value-conscious. This is because steel prices are already heading downhill. Being straight forward is a trait Jindal said he acquired from his father, the late O P Jindal. After starting from what he acquired from his father, Jindal made good strides in building his own business empire. It was only recently that JSW became the largest steel producer in India, ahead of the Tatas. On the other hand, global steel giant ArcelorMittal is yet to get a firm hold here. "In the past, ArcelorMittal was not serious about India, but now they are. It takes hard work to build a steel plant in India, but it's not difficult. If JSW can build and Tatas can build, so can ArcelorMittal build a greenfield plant," said Jindal, who was competing with ArcelorMittal in the bidding process for Essar Steel. For the \$13-billion JSW group, which

the group's fortunes, but the enterprise is ramping up efforts to cut costs. The consumer-facing ventures of the group are handled by his son, Parth who, Jindal believes, complements him. "He (Parth) likes marketing, HR... and I'm more interested in projects and technology," said Jindal, who is the only engineer in his family (Parth is an MBA from Harvard). While Jindal doesn't see the 28-year-old Parth occupying the corner office any time soon, he said the group's various businesses will be spearheaded by professionals (Sebi rule mandates a split in the position of chairman and MD by April 1, 2020). Jindal holds the CMD position in the group's listed entities—JSW Steel and JSW Energy.

"Every organisation should take challenges as opportunities and not get worried about how the world is changing," said Jindal. The approach is much like his life's mantra—to be active and not sit quiet.