

MCX base metals futures contracts

Creating value for hedgers

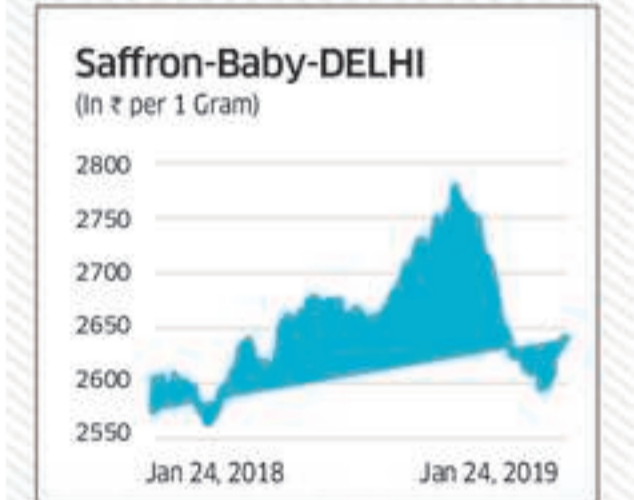
MCX
METAL & ENERGY
Trade with Trust

Tweet of the Day

Lisa Abramowicz
@lisaabramowicz1

This is the first time in a decade that the ECB is watching the economy slow without plans for increased stimulus. Central bankers give reasons for this, but here's what they're not saying: that perhaps this stimulus doesn't work that well

Quarts & Ounces



ET Index

COMMODITIES (2003=1000)			
Bullion	CHANGE	PREV DAYS	LAST WEEK
4823.1	0.00	4823.1	4844.3
Cement	CHANGE	PREV DAYS	LAST WEEK
2048.0	0.00	2048.0	2038.3
Edible Oil	CHANGE	PREV DAYS	LAST WEEK
1615.5	0.00	1615.5	1597.2
Foodgrains	CHANGE	PREV DAYS	LAST WEEK
2307.7	-0.5	2308.2	2308.8

Did You Know?

Water is the New Oil in Permian Basin

Toby Darden stomped on the ATV's gas pedal, carving through blustery winds to reach the far northern corner of his 37,000 acre West Texas ranch. He wanted to show off the crown jewel. It was a big hole in the ground, the first cut at a well — not to bring oil up but water, the precious commodity of the Permian Basin drilling play. The ranch's water rights were front-and-centre in marketing the property, which just went into contract for a hefty \$32.5 million. Broken down per acre, the price is higher than any similar sale in the area for at least a decade. "Water is the new oil," said Laura Capper, a Houston-based oilfield consultant. "The value of water has changed." The reason is fracking, a technique that helped kicked off the shale revolution a decade ago. It is the last major step to completing a well, and it is a massive consumer of water. — Bloomberg

Small Cos may Step up Cocoa Imports to Keep Prices Stable

Rise in cocoa bean prices and fall in cocoa output locally may force the companies to increase imports further

Krishnakumar.PK
@timesgroup.com

Kochi: A rise in cocoa bean prices, triggered by a sharp fall in domestic output, may force the small chocolate companies to step up imports to sustain production. But they ruled out any immediate change in chocolate prices.

The cocoa output in Kerala and Karnataka, two key producers, have shown a decline in the harvest season that started couple of months

ago, following the torrential rains that hit the two states last year. "We usually buy around 1,000 tonnes during the season. But we could hardly get around 200 tonnes," said M Suresh Bhandary, managing director of Mangaluru-based Campco, a major cocoa processor and chocolate producer.

Good harvest in Andhra Pradesh — the top cocoa producing state — has capped the

price rise so far. From around ₹200 per kg, the prices have gone up by ₹5-10, depending on the quality in the past two months.

"We may have to go for more import of cocoa solids to bridge the gap," Bhandary said. Campco annually purchases around 3,000 tonnes of cocoa from the Indian market. The cocoa production in the country in 2017-18, as per the data from Directo-

rate of Cashewnut & Cocoa Development was 19,886 tonnes, a 5% increase over the previous year. Since it is not sufficient to meet the requirement due to the rise in the number of chocolate producers in the country in the past few years, the import of cocoa powder has been on the rise.

While the import from African countries like Ghana and Ivory Coast carry 30% duty, those from the Asian countries like Indonesia, Malaysia and Singapore had no duty under free trade agreement.

M SURESH BHANDARY
MD, Campco

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Gold Steady Despite Weak Global Cues

NEW DELHI Gold prices held steady at ₹33,210 per 10 gm at the bullion market

on Thursday in scattered deals even as the precious metal weakened overseas, according to the All India Sarafa Association. Silver prices, however, turned weak and fell by ₹210 to ₹39,950 per kg due to reduced offtake.

Pound Drops on Latest Stand on Brexit

LONDON Expected price swings in the British pound or implied volatility fell to a 10-week low on Thursday as growing optimism that Britain will avoid a no-deal Brexit encouraged traders to reduce their risk premium on the currency. One-month sterling implied volatility fell to a 2-1/2 month low.

Oil Steady on Venezuela Sanctions

LONDON Oil prices were steady on Thursday as renewed concerns about the global economic outlook offset support from a US threat of sanctions on OPEC member Venezuela. Brent crude was down 10 cents or 0.2% at \$61.04 a barrel by 1435 GMT, while US crude rose 15 cents or 0.3%.

Rubber Slips on Weaker Oil Prices

TOKYO Benchmark Tokyo rubber futures dropped on Thursday, following a plunge in a near-term contract and weaker oil prices, while lingering worries over slowing global economic growth weighed on market sentiment. TOCOM rubber contract for June finished 1.3% lower at \$1.65 per kg.

Dollar Rises to Touch 5-week High vs Euro

NEW YORK The dollar rose to a more than five-week high against the euro after ECB President Mario Draghi said economic risks have moved to the downside and near-term data is likely to be weaker than previously anticipated. The euro was 0.45% lower against the dollar at \$1.1329.

Panel may factor in details provided by CBI while tracing funds transferred

CBI's FIR may have Bearing on Srikrishna Panel Finding

Our Bureau

Mumbai: The FIR by the Central Bureau of Investigation in a complaint of favouritism and corruption by former ICICI Chief Executive Chanda Kochhar would have a bearing on the Srikrishna Committee which is also probing similar charges, said industry executives.

Retired Justice Srikrishna who is probing charges of quid-pro-quo in loans sanctioned by ICICI Bank to Videocon Group of companies would factor in the details provided by CBI in tracing the funds transferred from the Videocon Group firms to companies run by Kochhar's husband.

In June, the bank had commissioned Justice BN Srikrishna to investigate whether Kochhar violated the bank's code of conduct and was involved in quid pro quo transactions with certain bank borrowers like Videocon. Though the bank did not specify by when the report would be submitted, it is expected in a month or two from now, said those people who did not want to be identified. "Justice Srikrishna would also be going through the documents that are outside of the bank's internal documents," said a banker.

Chanda Kochhar quit ICICI Bank last October after nearly three decades of service at the bank amid the probe by Srikrishna. Although an

And the List of Names in FIR Includes...

The FIR also names former and current ICICI executives, who were part of the committee that sanctioned the loans to Videocon. The list includes even current CEO Sandeep Bakhshi. Following is a list of executives who have been named in the FIR with their role in the bank then:

- **Sandeep Bakhshi** was executive director at the bank
- **KV Kamath** was the executive chairman of ICICI Bank
- **NS Kannan** was the executive director on the bank's board
- **Zarin Daruwala** was the group executive, wholesale banking, at ICICI Bank
- **K Ramkumar** was head of human resources at ICICI Bank
- **Homi Khushrookhan** was an executive director on board of ICICI Bank
- **Rajeev Sabharwal** was head of ICICI's retail operations
- **Sonjoy Chatterjee** was the director at ICICI Bank UK Plc

earlier investigation by former chairman MK Sharma absolved her of any misdeeds, the latest probe made her position untenable.

Since the whistleblower's expose in 2016, it was not known authentically till now about the quid pro quo. The CBI FIR states that just a day after a loan of ₹300 crore was disbursed to Videocon International Electronics by ICICI Bank, VN Dhoot, founder of Videocon transferred ₹64 crore to Nupower Renewables owned by Chanda's husband Deepak Kochhar.

In 2016, whistleblower Arvind Gupta alleged that Chanda Kochhar, who was on the credit committee, influenced the ₹3,250-crore loan to Video-

con in return for favours to enterprises run by her husband.

In a March 15, 2016, letter addressed to PM Modi and others, Gupta alleged that the bank extended loans to debt-laden Videocon because of the business relationship between Dhoot and Deepak Kochhar. The allegations referred to other members of the Kochhar family. ICICI Bank has said repeatedly that it was not the lead bank in the consortium that gave loans to Videocon and that its share was less than 10% of the total credit. The terms and conditions such as security and tenure as well as rate of interest were on par with other lenders.

SBI Postpones Sale of Essar Steel's ₹15,431-crore Loans to February II

Bank says it took the decision on the request of potential buyers

Our Bureau

Kolkata: State Bank of India has deferred the sale of Essar Steel's ₹15,431 crore of loans to February II due to likely tepid investor response even as the delay in the company's insolvency resolution process was criticised by ArcelorMittal, which has been declared the highest bidder by its lenders.

SBI, which has the biggest exposure in Essar Steel, has said it took the decision at the request of potential buyers. Incidentally, the bank extended the deadline for inviting bids twice in the

The Timeline

- **Loan e-auction** was earlier scheduled for January 30
- **Essar Steel's CoC** had earlier approved a ₹42,000-cr bid by ArcelorMittal
- **Essar promoters** came back with an offer to fully repay its dues with ₹54,389 crore
- **Delay** in the process prompted SBI to put loan on the block

last few days. The e-auction for the loan was earlier scheduled for January 30. The country's largest lender has also extended the deadline for putting up a bid. Essar Steel's Committee of Creditors (CoC) had earlier approved a ₹42,000-crore bid by Arcelor-

Mittal. However, Essar promoters, the Ruia, came back with an offer to fully repay its entire dues in a Rs 54,389-crore deal. Apparently, the delay in the process prompted SBI to put the loan on the block. ET in its edition dated January 24 had reported that SBI's effort to sell the Essar loans faces uncertainty, after the National Company Law Appellate Tribunal directed the Ahmedabad bench of NCLT to pass an order on insolvency resolution plan submitted by Essar Steel by January 31.

While investors were not particularly happy with the clawback option mentioned in the e-auction notice, which tells buyers to pay higher than the reserve price if the resolution happens in less than a year, the fixing of the reserve price — at about 18% discount on ArcelorMittal's offer of ₹11,313 crore to SBI — has a number of raised eyebrows.

Eggs, Chicken to Turn Costlier as Soyabean and Maize Prices Rise

Madhvi.Sally
@timesgroup.com

New Delhi: Eggs and chicken are set to become more expensive as the prices of poultry feed ingredients soyabean and maize firm up due to a shortfall in supplies, companies and traders said.

Traders expect maize production in the rabi season to drop further because of drought conditions in Maharashtra, Karnataka and Telangana. However, the situation may turn around if duty-free imports of maize from Ukraine and France are allowed, they said.

The poultry industry consumes almost 60% of the country's maize production. "Maize prices

Input Trouble

POULTRY INDUSTRY IS THE MAJOR CONSUMER OF MAIZE

60% Consumption of maize by poultry industry

28-30% usage by poultry industry

MAIZE PRICES
₹2,100-2,150 per quintal
At present
₹1,300-1,400 per quintal
Average year around price

are at a record high of ₹2,100-2,150 a quintal compared with the average year-round price of ₹1,300-1,400 a quintal," said Ramesh Chander Khatri, secretary of the Poultry Federation of India. "Similarly prices of other commodities like soyabean, barley

and rice bran, which are used for poultry feed, are increasing. The broiler and layer industry may soon have to revise prices to ensure farmers don't suffer losses and stop production."

Soyabean prices have increased by 12% in the past month to ₹3,900 a quintal, traders said.

Khatri said the wholesale price of eggs has increased from ₹3.50 to ₹4 apiece in the past month. A shortfall in supplies may push the price of chicken to ₹100 a kg at the farm gate from ₹60-70 a kg currently, he said. The industry is struggling with increased costs of raw material, said Raghavan Sampathkumar, executive director of the Compound Livestock Feed Manufacturers Association. "The industry is absorbing the losses, but it is unsustainable and they will be forced to cut production, which will eventually lead to an increase in prices. If the government allows import of duty-free maize for actual users through state trading companies, the situation will improve," Sampathkumar said.

The borrowing cost of the Rural Electrification Corp has surged

Investors not too Happy with REC-PFC Merger

Investors have turned sceptical on whether REC will retain its PFI (Public Financial Institution) as the company will exist as a subsidiary of PFC

Ratings for REC drew significant strength from its sovereign ownership, and with the proposed acquisition by PFC — the management control and ownership would be transferred to PFC

Ajay Manglunia, executive VP, Edelweiss Finance

Saikot.Das1@timesgroup.com

Mumbai: Rural Electrification Corp's merger with Power Finance Corp doesn't seem to have gone down well with investors as the former's borrowing cost has surged.

Rural Electrification Corp (REC) has raised ₹2,000 crore via 10-year bonds offering 8.8%, 51 basis points higher than a ₹1,800-crore bond issue of National Bank of Agriculture and Rural Development (Nabard) that offered 8.29% with the same maturity.

Both sets of bonds, sold on Wednesday, will be serviced by the government, but investors seem no longer sure about REC.

"Investors have turned sceptical on whether REC will retain its PFI (public financial institution) status as the company will exist as a subsidiary of PFC," said Ajay Manglunia, executive vice president at Edelweiss Finance. "The latest REC yields are not normal. Existing investors can reap mark-to-market benefits once REC concerns ebb," he said.

Traditionally, REC and Power Finance Corporation (PFC) bonds are treated as quasi-sovereign papers as the companies are backed by the government. But rating companies have put REC under rating watch after the government decided to merge it with PFC, a move seen more as an attempt to fill the government's coffers than anything else.

Insurance companies, banks and asset management companies have invested in the bonds of REC and Nabard. An email query sent to REC remained unanswered as of press time on Thursday.

Rating company ICRA has placed the long-term rating of AAA for various debt programmes of PFC and REC "under watch" with developing implications, after the central government gave 'in-principle' approval for strategic sale of its 52.63% share of the total paid-up equity shareholding in REC to PFC. This will also trigger transfer of management control.

"The ratings for REC drew significant strength from its sovereign ownership, and with the proposed acquisition by PFC, the management control and ownership would be transferred to PFC," ICRA said in a note.

"Thus, PFC's own credit profile would have a bearing on REC's rating, and the former's own capitalisation profile is likely to be affected after the proposed acquisition." REC would also be dependent on PFC for raising external capital, if any, thus constraining the overall capitalisation profile for the two entities, ICRA said in December.

'Key Documents Seized in Raids'

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The CBI conducted searches on Thursday at the Nariman Point offices of Deepak Kochhar's company NuPower Renewables Limited (NRL), the Videocon Group and Supreme Energy Pvt Ltd (SEPL). Videocon's offices in Aurangabad were also searched.

Sources told ET the raids have led to seizure of what they described as key documents based on which the CBI is expected to soon summon Chanda and Deepak Kochhar as well as Dhoot for further questioning. Sources added that Dhoot was in his Mumbai office when the searches took place.

He was quizzed by the CBI sleuths. "This was just preliminary questioning. He will be summoned on a later date to be confronted with the seized items," said the person.

An individual close to Chanda Kochhar, however, claimed the FIR is technically flawed. "Eight ICICI Bank executives besides Chanda Kochhar have been named in the FIR. If this is a case of quid pro quo, then how do you prove that for these executives? This is a basic flaw in the FIR and while we will cooperate with the authorities, we will also fight this FIR." According to the FIR, ICICI Bank disbursed six "high-value loans" between June 2009 and October 2011.

"On August 26, 2009, a rupee term loan of ₹300 crore was sanctioned to Videocon International Electronics Ltd (VIEL) in contravention of rules and policy by the sanctioning committee... Kochhar was one of the members of the sanctioning committee, who in criminal conspiracy... dishonestly by abusing her official position sanctioned this loan in favour of VIEL," the FIR said.

"On September 7, 2009, this loan was transferred to VIEL... On September 8, 2009, Dhoot transferred ₹64 crore to NuPower Renewables, managed by Deepak Kochhar... this was the first major capital received by NRL to acquire its first power plant," the FIR said. The allegation against Chanda Kochhar is that she received "illegal gratification through her husband from Dhoot for sanctioning the ₹300 crore loan".

The FIR further said that ICICI Bank also sanctioned loans in violation of its credit policy to the Videocon Group to help it repay unsecured loans. Loans to Videocon Industries Ltd (VIL) and its group of companies were declared non-performing assets

Wheat Output may Hit a New Record

The country's wheat production might cross an all-time high level, in the current rabi season



Wheat Production

100 in 2018-19	99.70 in 2017-18
Estimated	Actual
(million tonne; crop year: July-June)	

99.70 million tonne
Wheat production in the 2017-18 crop year

296 lakh hectare
Wheat area so far this rabi season

₹1,840 per quintal
Minimum support price of wheat

₹2 per kg
Price at which the grain is distributed to people under the National Food Security Act

REASON FOR RISE
Good weather conditions during winter

Source: PTI