SC orders status quo on HDIL arm's land

AASHISH ARYAN
New Delhi, 5 January

The Supreme Court has ordered that status quo be maintained with respect to the 40 acre land leased to Guruashish Construction by Maharashtra Housing and Area Development Authority (MHADA). The apex court will hear the matter on February 13.

It was hearing a petition moved by the resolution professional (RP) of Guruashish Construction. The company was admitted to insolvency in July 2017 for failing to pay debt worth nearly ₹250 crore to Union Bank of India.

The RP of the company had pleaded for a moratorium on the land that was leased to it by MHADA. The plea was, however, rejected by both the National Company Law Tribunal (NCLT) and National Company Law Appellate Tribunal (NCLAT), following which the RP approached the Supreme Court.

The land in question was leased to Guruashish Construction, an arm of Housing Development & Infrastructure Limited (HDIL), for building and redevelopment of nearly 3,000 flats. Of these, 672 flats were to be built for rehabilitation of MHADA tenants living in Patra Chawl and Guruashish was free to sell the remaining flats without any interference from the authority.

Owing to delays in the project, MHADA had terminated the joint development project agreement it had signed with Guruashish Construction. MHADA had also seized nearly 10 acres of land back following an order of the Bombay High Court. The rest of the land could not be taken back as Guruashish had already sold it to other developers.

Following complaints from some tenants, the economic offences wing of the Mumbai Police also registered a case against the directors of HDIL and Guruashish Construction for duping flat owners.

It is alleged that HDIL and Guruashish Construction took booking amounts from home buyers and promised to provide them flats within a timeline. The builder, the home buyers had alleged, neither gave them the flats nor refunded them the money.

HDIL, once among the biggest construction companies in India, is facing litigation from several lenders. The company has already avoided insolvency twice by reaching settlements with banks.

In the first instance, it reached a settlement with Andhra Bank, which had dragged HDIL to NCLT for failing to clear dues worth ₹49 crore. The application was withdrawn by the bank after the two parties reached a settlement.

Other than Andhra Bank, HDIL was also taken to NCLT by Bank of India which sought to recover nearly ₹510 crore from the construction major. The two parties, however, reached an arrangement on terms of re-payment, following which the bank withdrew its application.

The company had to also reach a one-time settlement with IDBI Bank in order to avoid the sale of a chunk of its land. IDBI Bank had in March last year said it would sell a parcel of land at Vasai in Maharashtra, owned by HDIL, to recover debt worth ₹40 crore. HDIL is also in the process of reaching another settlement with J&K Bank by selling some of its assets.

Jet managers yet to receive December salaries; airline says payments cleared

Pilots, techies, management getting salary in instalments

ANEESH PHADNIS
Mumbai, 5 January

Managers at Jet Airways are yet to receive their December 2018 salary said a source in the airline. Salaries of pilots, engineers and senior management were already being paid in instalments for the past few months, as the airline faced pressure to settle overdue payments to lenders and vendors.

The airline's management wrote an email to employees on Friday evening, informing them about the delay. The email also said the new date of salary payment would be communicated next week.

However, a few hours later, the email was recalled. The airline claimed there was no delay. "Jet Airways would like to clarify that except for the informed groups, all salary payments are up to date," the airline said in response to a query.

Sources at the airline said the ground staff and cabin crew have already got their December 2018 salaries.

Top executives, pilots and engineers are yet to receive 25 per cent of their October 2018 salary. They have been assured payment in January this year.

The airline said last month salary payments would normalise by April this year, and pilots, engineers and senior management would get their March salary in full, in April.

The airline has already enforced a 5-25 per cent salary cut for 150 senior-most executives, including its Chief Executive Officer Vinay Dube.

A pay-cut plan for pilots and engineers was dropped because of resistance from both.

The airline had 16,000 employees and a wage bill of ₹3,174 crore in March 2018.

The latest instance of salary delay comes two days after the airline declared that it had defaulted on principal and interest payments to a consortium of lenders, including State Bank of India. This resulted in credit rating agency Icra downgrading the airline's debt rating.

The airline has to repay debt of about ₹1,700 crore between December and March. It is negotiating with lenders for fresh funds and debt-restructuring. Jet is also in talks with strategic investor Etihad Airways for fresh funding and loan guarantees.

Reuters on Friday night reported that the airline is close to reaching a deal with SBI for a fresh loan of ₹1,500 crore to meet its working-capital requirements. The airline has scheduled a meeting with its lessors and lenders on Tuesday to discuss a payment plan.

Jet has defaulted on lease rent and vendor payments, and is under pressure from them to clear the.

The airline deferred induction of Boeing 737 aircraft in its fleet, and will return a few of its older planes before completion of lease terms. It has also carried out a network rationalisation and is suspending flights to nine destinations in India and West Asia.

Jet Airways posted a net loss of ₹1,297 crore in the second quarter of fiscal year 2018-19, its third successive loss. It had a net profit of ₹49 crore in the same period a year earlier.

Hospital sector to bounce back

SAMREEN AHMAD
Bengaluru, 5 January

After witnessing a growth erosion for the past two years due to several regulatory restrictions, the hospital sector seems to be on the path to recovery.

The sector's revenue is likely to grow in the range of 8-10 per cent in short-to-medium term, supported by a higher number of patients and better pricing, said an Icra report. The report gave a stable outlook to the sector.

Significant bed additions in the last four years, and their ramp-up is expected to show marked results, it said.

Further, the sector is expected to benefit from an increase in the disease burden, higher incidents of lifestyle diseases, and an ageing demographic profile.

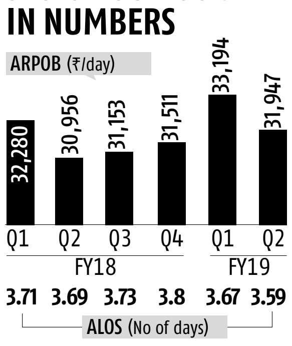
Implementation of the goods and services tax (GST), the cap on prices of stents, knee implants by the National Pharmaceutical Pricing Authority, and stiff regulatory action by certain states, including putting restrictions on procedure rates, levying penalties and placing operational limitations on erring hospitals had hurt the profitability of the sector.

Ayushman Bharat, the government's healthcare plan, is also likely to fuel the mandatory and discretionary healthcare spending in the country as the plan boosts the spending power of the patients, added the report.

In the second quarter of FY19, the companies in Icra's sample set had reported a 7 per cent drop in earnings before interest, tax, depreciation and amortisation (Ebitda), from ₹5.56 billion in Q2 FY18 to ₹5.16 billion. It also saw a drop in operating margin from 15 per cent to 13.3 per cent during this period.

The aggregate revenue grew by a subdued 5 per cent from ₹37.07 billion in Q2 FY18 to ₹38.89 billion. Shubham Jain, group head and vice-president, Icra had said the aggregate number of operational beds has gone up 4 per cent, from 20,665 beds in Q2 FY18 to 21,551 beds in Q2 FY19.

SECTOR OUTLOOK IN NUMBERS



ARPOB: Average revenue per occupied bed
ALOS: Average length of stay
Icra's sample of companies include Apollo Hospitals Enterprise Limited, Fortis Healthcare Limited, Narayana Hrudalaya Limited, Healthcare Global Enterprises Limited, Max India Limited and Shalby Limited
Source: Icra

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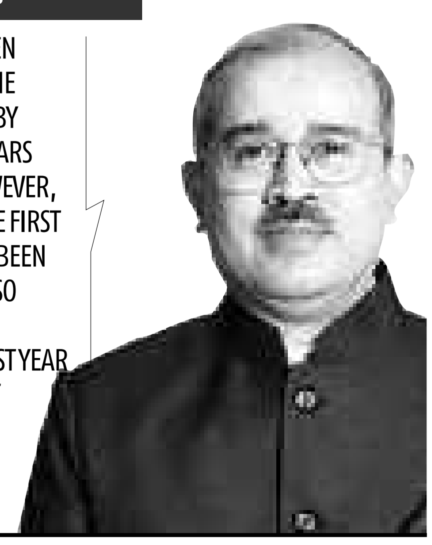
Exim Bank eyes Japan to raise funds

VINAY UMARJI
Ahmedabad, 5 January

On export financing:

"EXPORT FINANCING HAS BEEN QUITE GOOD IN THE LAST NINE MONTHS. IMPOSITION OF TARIFFS BY CERTAIN COUNTRIES AND TRADE WARS MAKE IT A BIT CHALLENGING. HOWEVER, IN TERMS OF PERFORMANCE IN THE FIRST NINE MONTHS, THE GROWTH HAS BEEN AHEAD OF LAST YEAR. WE HAVE ALSO PROJECTED THAT THE FULL-YEAR NUMBERS WILL BE MORE THAN LAST YEAR ALTHOUGH WE WON'T KNOW THAT UNTIL THE YEAR IS COMPLETED"

David Rasquinha
MD, Exim Bank



Even as it readies for a fresh round of fund raising, the Export Import Bank of India (Exim Bank) is eyeing the Japanese market. Having already conducted a roadshow in December 2018, Exim Bank is looking to tap the Japanese market with bond issues based on market conditions in January-February 2019. This was revealed by David Rasquinha, managing director of Exim Bank.

"We may target the Japanese market (for fund raising) which is very receptive to good Indian names. We did a roadshow there in December and it was well received. So, if the market conditions look good in January-February, we may tap that market," Rasquinha said.

The move comes in the wake of rising challenges in markets like the US with cost of raising funds going up. Based on market conditions, the bank plans to raise anywhere between $1 billion and $2 billion from various markets through bond issues, similar or more compared to last year.

"We typically raise funds in the international markets because more than 70 per cent of our loan portfolio is in US dollars. So, we tap the bond markets. So, we will go to the bond markets for anywhere between $1 and $2 billion (₹7,000 crore to ₹14,000 crore, approximately). The last time we did that was in January 2018. So, it is soon going to be time for us to go the market. We will see the markets and then decide," Rasquinha told *Business Standard*.

According to Rasquinha, as against fund raising, it is deployment of funds that is set to pose some challenges. However, the bank is eyeing emerging markets to address the same.

"If you look at the African continent, then probably eight out of 10 fastest growing countries are from that region. So, we are looking at doing a lot of business in Africa. We have a large exposure in Bangladesh.

In fact, it is one of our largest single exposures where we are funding railway projects, power projects and homes, among others. It is not that the entire world is doing badly. There are bright spots and we look to target those spots. Nepal and Sri Lanka will be growth areas, too," he added.

As part of its African strategy, Exim Bank had recently extended a credit facility of $500 million (approximately ₹3,400 crore) to Tanzania for water supply projects as part of an agreement signed on May 10, 2018, with the country's government.

On non-performing assets, Rasquinha stated that the bank was confident of bringing down the current net NPA rate of four per cent as well as address the minor defaults in its international portfolio.

"Export financing has been quite good in the last nine months. In the world around us, certain countries are putting tariffs and indulging in trade wars. So, it makes life a little bit challenging. However, in terms of the first nine months performance, growth has been ahead of last year. We have also projected that the full year numbers will be more than last year although we won't know them until the year is completed," he said.

Last month, Exim Bank had stated that the country's exports growth would surge to seven per cent for the October-December quarter, with merchandise exports likely to rise to $82.39 billion (₹5,700 crore roughly) for Q3 of fiscal 2018-19, as against $77 billion (₹5,300 crore, approximately).

Kerala govt to take over TIAL operations

GIREESH BABU
Chennai, 5 January

The government of Kerala is in the process of completing the steps to participate in the Airports Authority of India's (AAI) bid to privatise Thiruvananthapuram airport.

The government has constituted a committee to decide on the technical-cum-financial consultant for the newly formed consortium Thiruvananthapuram International Airport (TIAL).

The government said the state has so far provided over 290 acres of land to the airport for free, and taking over of another 18 acres is in process. It recently formed the special purpose vehicle TIAL in lines with the Cochin International Airport (CIAL).

Earlier, Chief Minister Pinarayi Vijayan said it has decided to appoint law firm Cyril Amarchand Mangaldas as legal consultant to participate in the bid and has formed a committee led by the chief secretary.

IISc centre makes SMEs future ready with R&D support

SAMREEN AHMAD
Bengaluru, 5 January

Even though India is a hub for SMEs, with over 40 million registered and unregistered ones, which employ over 40 per cent of India's workforce, they are not technology ready to expand their product lines

Imagine a wardrobe that can dry clothes straight out of a washing machine. This might well be a breakthrough innovation for millions of Indian houses, which do not have a balcony or get enough sunlight for drying clothes.

There are a string of such innovations happening at TIME2 — , a centre for small and medium enterprises (SMEs) — at the Society of Innovation and Development, the Indian Institute of Science (IISc), Bengaluru, to prepare the ground for them through its research and development (R&D) prowess.

Even though India is a hub of SMEs, with over 40 million registered and unregistered ones, which employ over 40 per cent of India's workforce, they are not technology ready to expand their product lines.

"We are making SMEs technology-ready. They have product ideas, but do not have the R&D capability to make them a commercial success. We help them develop a capability to come up with technologies and create a marketable product out of it," said Yatishwar Dravid, head of TIME2, IISc. This is a collaborative effort including, investment, time and human resource shared between the enterprise and IISc.

But for a SME to get into product development is a risky affair. "Big companies can parallely run research processes, develop new products, and probe the market for success," he added.

If an SME's product becomes successful, it will end up becoming a corporate. But if it fails, it might have to wind up the business. Hence, TIME2 does not disturb the current operations of the SME, irrespective of the development on the innovative side, said Dravid.

Of the five SMEs, which are a part of the first batch at TIME2, most of them are legacy enterprises focused on business as well as consumers. However, even though some of them are seen as leaders in their respective fields, they are anonymous to the end customer. Hence, they are developing their own products to reach out to the end consumers directly and grow in scale.

A Mumbai-based furniture company, which is a part of the first batch of SMEs innovating at IISc, is exploring smart furniture - something more than static. Apart from developing a wardrobe, which will dry the clothes, this company has also developed a shoe storage box which disinfects the shoes and deodorizes shoes and socks - a boon for diabetic patients as minor foot alterations could mean disabling infections for them.

"The products will be launched in the market by the year end. So far, we have filed for six patents for such products," said Dravid.

Another 15 year-old SME, which is into scientific instrumentation, has developed a technology to grade cashew nuts. Cashews have around 18 steps of gradation, which are not followed in India due to the lack of technology. "Hence, our cashew exports get one-tenth the cost of those in international markets," added Dravid.

The same enterprise is also developing a medical application which will make blood tests automatic without human interference to assure the samples do not mix up.

Fintech firms may see curbs on data access

NIKHAT HETAVKAR & ABHIJIT LELE
Mumbai, 5 January

Various fintech firms have opted for credit scoring partnerships to facilitate lending in online marketplaces like Bankbazaar

Credit scoring companies may restrict access of fintech companies to consumer credit data till clear-cut regulations on data sharing for these entities emerge, said experts.

The Indian Banks' Association (IBA) held a meeting with the country's top credit scoring companies on Friday to discuss the risks of allowing data access to fintech companies and possible solutions, said sources.

An executive of a leading credit scoring company said discussions with the IBA and other stakeholders regarding access of fintech companies to data are on. "The restrictions on data sharing will remain till clear regulations and rules on data protection and privacy emerge. The rules are expected to spell out the responsibilities and conditions of data sharing with fintech companies," he added. There is no clarity on timeline for these regulations now.

In December, leading banks had approached the IBA over data security concerns arising due to fintech companies being allowed access to credit bureau data.

"Fintech companies are not regulated and could easily breach data privacy and security norms. While some top fintech players have voluntarily implemented data protection standards, there needs to be defined guidelines to protect customer interest," said a senior banker, on condition of anonymity. Fintech companies leverage data from traditional sources like credit bureaus as well as alternative data points, such as spending patterns and utilities.

An executive of a fintech company said data does not belong to banks or credit scoring companies but to the customer. "Fintech companies access data with the explicit consent of consumers. This allows us to provide a more efficient and personalised service," he added.

Various fintech companies have opted for credit scoring partnerships to facilitate lending in online marketplaces like Bankbazaar and Rubique.

Fintech players said banks are wary of the changing market dynamics while bankers say that there is increasing risk of frauds due to the unregulated fintech players.

A banking technology executive said the large scale of banks allows them economies of scale but also weighs them down with excessive regulation. He added that access to data must also come with responsibility to guard it.

Data restriction would severely impact the business model of various fintech companies. This comes as an additional blow to the industry, which is still reeling from the impact of the Supreme Court's Aadhaar judgment.