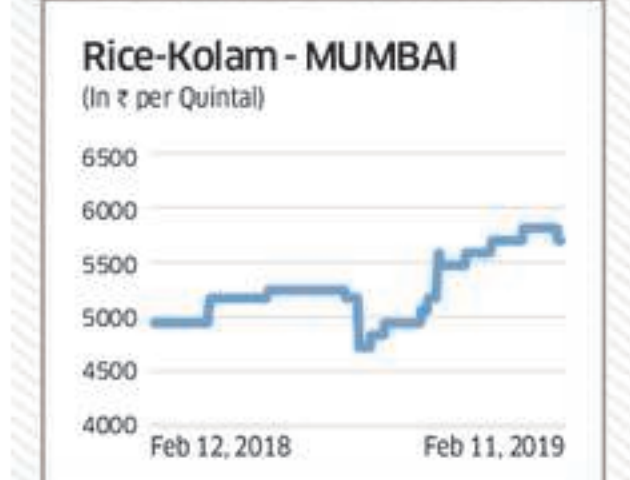


MCX base metals futures contracts
Creating value for hedgers
MCX METAL & ENERGY
Trade with Trust

Tweet of the Day

Holger Zschaepitz
@Schuldensuehner
China's FX reserves rose to \$3,088bn in Jan from \$3,073bn in Dec mainly driven by positive valuation effects of Yuan as trade talks have relieved some depreciation pressure from the Chinese currency.

Quarts & Ounces



ET Index

COMMODITIES (2003=1000)	CHANGE	PREV. DAYS	LAST WEEK
Bullion	-88.4	4919.4	4943.7
Cement	0.00	2048.0	2048.0
Edible Oil	-5.8	1641.6	1639.1
Foodgrains	-1.6	2312.7	2318.3

Did You Know?
Passive Income: A Way to Stay Rich
There are plenty of ways to make money and build wealth, but some require less effort than others. According to Grant Sabatier, who retired early at the age of 30, with \$1.25-million, the best ways to build wealth don't call for monitoring the stock market or working overtime. "The two best ways to make the most money over the long term are to hire other people to do the work for you and focus on building passive income streams," Sabatier wrote in his book. - Business Insider

PATH CLEARED FOR ARCELORMITTAL TAKEOVER... but future legal hurdles likely; the creditors were seeking a share in the resolution pie
SC Rejects Petition by Essar Steel's Operational Creditors

Mumbai | Ahmedabad: The Supreme Court on Monday rejected a petition by operational creditors of Essar Steel seeking a share in the resolution pie, clearing the hurdle in ArcelorMittal's takeover of the firm. But bankers suspect that further legal obstacles could come in the way of the resolution. Operational creditors had approached the Supreme Court after the New Delhi-based National Company Law Appellate Tribunal (NCLAT) set a February 11 deadline for the bankruptcy court in Ahmedabad to decide on ArcelorMittal's ₹42,000 crore resolution plan for Essar Steel. The NCLAT Ahmedabad however reserved its order on opera-

Operational creditors had approached the SC after the NCLAT set a February 11 deadline for the bankruptcy court in Ahmedabad to decide on ArcelorMittal's ₹42,000 cr resolution plan for Essar Steel

tional creditors giving more time to them to submit their objections in writing in the next couple of days. There are more than 30 operational creditors who have objected to the committee of creditors awarding Essar Steel to ArcelorMittal because all their claims have not been fulfilled. On Monday, the NCLAT heard oil marketing company BPCL, one of the 30 operational creditors to Essar Steel. The judge said he will continue the hearing since he had not yet received a copy of the order by the appellate authority directing the Ahmedabad bench of the bankruptcy court to finalise its order by February 11. The hearing will continue on Tuesday, with the NCLAT hearing an appeal by Essar Steel directors led by Prashant Ruia seeking to set aside the ArcelorMittal bid citing the January 31 Supreme Court judgement in the Ruchi Soyacase which said that the suspended board of directors were

required to be included in all deliberations by the committee of creditors, including the discussions of resolution plans which are to be voted upon. The view taken by NCLAT on the Ruia bid will be crucial in the final decision of the court. It remains to be seen as to what view the NCLAT takes because a two-member bench headed by Justice S J Mukhopadhyaya had directed the NCLAT to pass the final order by Feb 11. "If no order is passed by 11th February, 2019, this Appellate Tribunal may call for records and pass appropriate order under Section 31 of the I&B Code," the NCLAT had said. The NCLAT said that a "detailed hearing is not required to be given including all the creditors" by the Ahmedabad bench and "it should be completed within five days".

NEXT HEARING ON MARCH 12 The appellate body also lifted moratorium on 133 IL&FS group companies incorporated outside India's jurisdiction

NCLAT Allows 22 IL&FS Firms to Begin Debt Repayments

The Classification
AMBER - Companies which are able to meet operational payments and senior secured debt obligations
RED - Companies unable to make payments to even senior secured financial creditors
GREEN - Companies which are able to meet all payment obligations

New Delhi: The National Company Law Appellate Tribunal has passed an order permitting 22 group companies of debt-laden Infrastructure Leasing and Financial Services (IL&FS) that were able to meet all payment obligations to service their debt obligations as per schedule. The NCLAT also lifted the moratorium on 133 IL&FS group companies incorporated outside the jurisdiction of India. If these companies fail to pay the obligations, lenders can take them to court and recover their dues.

We allow the Board of Directors to permit all 22 'green' entities and other entities which may be declared 'green' to service their debt obligations as per schedule
JUSTICE S J MUKHOPADHYAYA

companies be classified according to their efficacy in debt payment. Group companies which are able to meet all payment obligations were categorised as 'green'. Those companies which are able to meet only operational payments and senior secured debt obligations were categorised as 'amber' and companies unable to make payments to even senior secured financial creditors are categorised as 'red'. Of the 169 IL&FS group entities incorporated in India, 22 have been classified as 'green', 10 as 'amber' and 38 as 'red'. There are 100 other domestic IL&FS group entities which have not yet been classified based on their ability to meet payment obligations. The NCLAT has also ordered that any new additions to the 'green' category be allowed to make payments as per their payment schedule. The government and IL&FS have requested that the 10 'amber' and 38 'red' IL&FS entities be allowed to only make those payments which are necessary to maintain the 'going concern' status during the moratorium which the government wants to be extended. If this request is granted, 'amber' companies, which can service senior secured debt, will not be required to do so under the moratorium period. The rationale for this request, according to the IL&FS resolution framework report reviewed by ET, is that any payment made to senior secured creditors of "amber" companies may lead to an "impairment of subordinated debt from other members of the IL&FS group". The document stated that such impairments could adversely impact the resolution of other IL&FS group companies. The two-judge bench also asked the IL&FS board and the government how they intended to resolve the 'amber' and 'red' entities and sought clarification as to whether they intended to form a committee of creditors as is normally done under the insolvency and bankruptcy code process. The court also asked for a timeframe for this resolution as "the moratorium under the interim order cannot continue for indefinite period". The court also said that it would pass necessary orders if certain lenders of IL&FS group companies who had marked liens against the companies' accounts did not release the necessary funds to make 'going concern' payments. The NCLAT has also approved the appointment of retired Supreme Court Justice DK Jain to supervise the operations of the resolution process of the IL&FS group. The NCLAT will next hear the case on March 12.

- 169 Total no of IL&FS group entities incorporated in India
- 22 are classified as Green
- 10 classified as Amber
- 38 classified as Red
- 100 other domestic IL&FS group entities have not yet been classified



Corporate Ethics Compromised: SFIO

The CBI is said to have zeroed in on a number of suspects that include, apart from Mallya, top Kingfisher Airlines executives, senior bank officials and a former Reserve Bank of India deputy governor. The agency is yet to decide who will be named as accused in a yet-to-be-filed chargesheet. The UK home secretary last week approved the extradition of Mallya to India. Last month, the Enforcement Directorate gave its consent to a Mumbai court to liquidate Mallya's assets by the consortium of 12 banks headed by SBI. Mallya is wanted for questioning on money laundering, criminal conspiracy

and fraud charges over defaults on loans to his Kingfisher Airlines, grounded since October 2012. The banks say he owes them more than ₹9,000 crore. Mallya has denied accusations of wrongdoing and said he wants to settle with the banks while fighting extradition proceedings on the grounds that he's being victimised. A first information report (FIR) was registered against Mallya in August 2016 following a complaint by SBI, which had an exposure of ₹1,600 crore. Other creditors include Punjab National Bank and IDBI Bank (₹800 crore each), Bank of India (₹650 crore), Bank of Baroda (₹550 crore) and Central Bank of India (₹410 crore).

'IBC a Deep Reform'

Birla expressed happiness at the turnaround in the group's life insurance business and the fact that the financial services division has been able to raise money and protect its balance sheet. He lauded the government for the insolvency and bankruptcy legislation, which he said is a deep reform. "Who would have thought even three or five years ago that a promoter could actually lose his assets... I think a lot of promoters treated debt as equity and did not find the need to actually repay within a specified period," he said. The AB Group chief called for import duty protection for aluminium and working of the free trade agreements signed under the previous regime. Birla said the government wants to be seen as a responsible global citizen. "For example, I don't think they want to be seen as being adversarial to China in any way at all, which is perhaps an important part of the reason behind not protecting domestic industries from China. But it's not about protecting, it's providing a level playing field. So, the government's general view is that it needs to be reviewed when it comes up for revision, and one hopes at that time an objective view will prevail."

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Bids Expected This Week

The brand was owned by the erstwhile Union Carbide India since 1905. Union Carbide exited India after the methyl isocyanate leak from its Bhopal plant led to one of the world's worst industrial disasters in 1984. Saddled with debt of over ₹1,000 crore at the group holding company, the Khaitan family had appointed Kotak Mahindra Bank to run a formal auction process to shortlist a buyer. The Williamson Magor group consists of the world's largest bulk tea producer McLeod Russel, Kilburn Engineering and McNally Bharat. All non-binding bids are expected to be submitted this week. The selected candidates will start diligence following which a binding offer will be made. An Eveready Industries spokesperson declined to respond to an emailed questionnaire. Duracell and Energizer didn't respond to queries. Blackstone and KKR declined to comment. Manish Kejriwal, managing partner, Kedaara Capital, was unavailable for comment. "There is a possibility that the Khaitans will retain a stake of 10-15%." "They are flexible and are looking at all options and will take a final call based on the final offers on the table," said an executive. "There is significant trac-

tion for the asset for its scale and brand equity. Expect a 30-40% control premium to the current market price." **STOCK ON THE RISE** The Eveready Industries stock has appreciated 12% since January in anticipation of a deal. On Monday, it closed at ₹208.50 for a market value of ₹1,515.53 crore. The company sells over 1.2 billion batteries and 25 million flashlights every year and controls more than 50% of the market in the Indian dry battery and flashlight industry. Panasonic and Nippo are the other two main competitors in the organised sector. Chinese companies dominate the unorganised segment. The company clocked ₹1,451.95 crore in sales and profit of ₹54.74 crore in FY18. The segment has faced significant headwinds due to increased competition from low-cost Chinese imports. The management is confident about potential gains in the battery segment after the introduction of BIS norms by April. These classify batteries on the basis of longevity and bode well for the domestic industry as the Chinese imports typically don't last. The company has diversified into confectionery and packaged tea while extending its LED range. It has six manufacturing facilities in Kolkata, Noida, Haridwar, Chennai, Lucknow and As-

MeitY Taking up Issue of 'Fake' Handles

"The parliamentary panel is a sovereign and independent body," said a senior cabinet minister requesting anonymity. However, he added: "It is most disrespectful for them (Twitter) to not appear before a parliamentary institution. If they can do the same in Singapore, US and other countries, why cannot they appear before a parliamentary institution in India." In a related development, officials of the Ministry of Electronics and Information Technology have recently been taking up the issue of "fake" handles with Twitter India, including

one attributed to the Chief Justice of India. Twitter has informed the ministry that hundreds of thousands of bots had been eliminated by the social media giant acting promptly on complaints by individuals and institutions, said the officials cited above. ET had reported on Monday that the parliamentary panel was exploring ways of expressing its annoyance, including declaring breach of privilege, at being unable to get Dorsey or his second-in-command to attend the hearing. This may include sending a "strong" recommendation to the government seeking adverse action, ET reported.

Old Gold Being Sold Off to Cash in on Price Rise

Old gold supply rises 15-20% in Jan, Feb

Sutanuka Ghosal @timesgroup.com

Kolkata: A 9% increase in gold price since November prompted Indians to sell off old gold to leverage the price hike. Old gold supply increased by 15-20% in January and February from a year ago, said refiners and traders. Traders said non-banking finance companies (NBFC) too are liquidating defaulted gold to cash in on the price rise. "Small financiers, traders and common people are selling scrap gold to take advantage of the price rise. However, this is a temporary phenomenon and once gold stabilises at this price level, buying will start picking up," said Anantha Padmanaban, chairman, All India Gem & Jewellery Domestic Council. Gold was hovering at ₹33,125 per 10 gm on Monday. Refiners said a number of NBFCs that deal with gold loans are liquidating defaulted gold in the market to take advantage of the price rise. James Jose, secretary of Association of Gold Refin-

eries and Mint said: "There has been a 15-20% increase in supply of old gold in the market in January and February from last year. In fact, NBFCs are liquidating gold which the customers who have taken loan from them against the gold have defaulted on loan repayment. It is now a sellers' market." Rising scrap supplies are likely to cause India's gold imports to continue to fall this year, which could weigh on global prices that have been near their highest since the end of April 2018. Falling bullion imports could help reduce India's trade deficit. Sakina Mandasaurwala, commodity analyst, Narnolia Financial Advisors, said gold price has maintained positive stance since last month and is trading steady closer to \$1,300 per ounce on shifting US Fed policy stance over its future rate hike pushing the dollar and US yields lower.

Rising scrap supplies are likely to cause India's gold imports to continue to fall this year

'Poor Response Due to Clawback Option'

The poor response at SBI's auction was on account of the clawback option mentioned in the sale document, one of the people said. Under this, investors will have to pay more than the Rs 9,588-crore reserve price fixed by the lender if the ongoing resolution of Essar's debt takes place in less than a year. ArcelorMittal has offered to pay SBI Rs 11,313 crore under the resolution plan. This would leave a surplus of Rs 1,725 crore in the hands of the investor in the loan at the reserve price, if investors showed interest for the entire loans. The clawback option gives SBI the right to claim a part of that surplus depending upon how fast or slow the resolution takes place. The country's largest lender had deferred the auction of the loans because of poor investor response. SBI has the largest exposure in Essar Steel. A few months earlier, Union Bank of India had tried to

sell its Essar loans, but shelved the plan midway. Essar Steel's committee of creditors earlier approved ArcelorMittal's Rs 42,000-crore bid for the local steelmaker. The National Company Law Appellate Tribunal then validated the proposal, rejecting a late offer from Essar promoters Ruia to fully repay the company's entire arrears of Rs 54,389 crore. On Monday, the Supreme Court declined a plea of Essar Steel's operational creditors for a stay against the tribunal's order, paving the way for ArcelorMittal to take over the company. Essar Steel's insolvency proceedings have been going on for more than twice the stipulated 270-day period for completing the process, thanks to several legal challenges. "At least 167 IAs (interim applications) have been filed," said a person involved in the matter. The delay in finalising a deal prompted SBI to put the loans up for sale.

20 Entities Put in Non-Binding Bids

Founded in 1988 as a subsidiary of Punjab National Bank, PNB Housing has emerged as one of the leading housing finance firms in the country with assets worth Rs 62,252 crore under management as on March 31, 2018. Its net non-performing loans stood at 0.25% of the total. The company has 84 branches in the north, south and west, and mortgages account for 70% of the business. PNB and Carlyle dropped plans to cash out entirely once the stock hit a 52-week low of Rs 850 on the BSE last October. A larger sale that would have triggered a change in control had seen as many as 20 entities putting in non-binding bids, of which seven were shortlisted. Binding bids were about to be submitted when the process was abruptly halted, and then revived partially in December. Credit Suisse is the adviser for the transaction. After the alleged Nirav Modi-Mehul Choksi fraud, PNB's management assured investors it will liquidate non-core investments such as those in ICRA, Crisil and BSE to unlock capital and strengthen its balance sheet besides resolving

bad loans. "The company was able to raise funding from diverse sources which helped AUM (assets under management) growth, albeit (with) some moderation. Underlying loan spreads likely compressed further. Share of non-housing loans continues to rise," said Morgan analyst Stanley Subramanian Iyer. PNB had sold a 49% stake to Destimoney Enterprises in 2009, which in turn sold it to Carlyle Group. The New York-headquartered PE fund has made a partial exit from the company in the past. US-headquartered Varde recently signed a joint venture with the Aditya Birla Group for special situations and distressed investments. Varde manages about \$14 billion globally and has invested nearly \$500 million in India in the past five years in corporate stressed, special situations and lending assets. GA has made substantial investments in the banking and financial services space, which is at the core of every India-focused private equity firm's investment strategy. It has invested in India Infoline Wealth Management business and is an investor in the National Stock Exchange.

'Higher MSP Won't Pinch Public Much'

Fair remunerative price (FRP) is the minimum price that the government determines every year for purchase of sugarcane from farmers, except in Uttar Pradesh, Tamil Nadu and Punjab, where they get the state advised price (SAP). In July last year, the government increased the FRP by ₹20 a quintal to ₹275, prompting millers to demand a higher floor price. The Uttar Pradesh government, however, kept SAP unchanged at ₹315 a quintal. Any rise in sugar prices may upset consumers, said the sugar directorate official cited above. The Indian Sugar Mills Association argues that higher MSP will not affect the public much as 65% of the sweetener is being used by bulk consumers such as food product and soft drink manufacturers. "Raising prices by Rs 5-6 a kg would not pinch the public much," said ISMA director general Abinash Verma. "On the other hand, it will help industry to have extra liquidity of ₹500-600 per quintal on sugar sale. It will give an additional

₹20,000 crore from current stock and further production, which can be used to clear cane farmers' dues which is increasing by the day." This year the sugar season started in October with stocks at a 10-year high of 10.72 million tonnes. Sugar availability is likely to be 41.42 million tonnes while demand is 26 million tonnes. The estimated production of 30.7 million tonnes makes the situation more precarious for the industry. "Even if we assume that we are able to export 30 lakh tonnes sugar in this tight market, the opening balance for the next season would be 124 lakh tonnes—even more than this year's balance," Varma said. ICRA said in a report that the sugar MSP in Maharashtra, where sugarcane is purchased at ₹2,750 a tonne, should actually be around ₹32,000 a tonne while in Uttar Pradesh where cane is sold at ₹3,150 a tonne, the MSP should be ₹34,000 a tonne. "We have considered landed cost of cane, recovery, cost of production and contribution margin while calculating the MSP," said Sabyasachi Majumdar, senior vice president, ICRA.