

THE MARKETS ON FRIDAY

| | Chg# |
|------------------------|--------------------|
| Sensex | 35,808.9 ▼ 67.3 |
| Nifty | 10,724.4 ▼ 21.6 |
| Nifty futures* | 10,746.5 ▲ 22.1 |
| Dollar | ₹71.2 ₹71.2** |
| Euro | ₹80.3 ₹80.2** |
| Brent crude (\$/bbl)** | 65.2** 64.3** |
| Gold (10 gm)** | ₹33,200.0 ▲ ₹335.0 |

*Feb. Premium on Nifty Spot; **Previous close; # Over previous close; ## At 9 pm IST; ### Market rate exclusive of VAT; Source: IBSA

SATURDAY, 16 FEBRUARY 2019 • MUMBAI (CITY) ₹10.00
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WEEKEND SEPARATE SECTION

ASIA'S LARGEST TEXTILE MARKET AWAITING REDEVELOPMENT

WORLD P16

TRUMP DECLARES EMERGENCY TO BUILD BORDER WALL



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EXPORTS UP 3.74% IN JANUARY, TRADE DEFICIT NARROWS

Although at a three-month high, exports rose barely 3.74 per cent in January as major foreign exchange earners such as engineering goods and refinery products either registered subdued growth or contraction in their outbound shipments. This is because of a slowdown in global growth, which has been hit by a trade war between the two economic giants – the US and China. Exports have remained lacklustre in the previous two months as well – growing by 0.80 per cent in November and 0.30 per cent in December.

ECONOMY & PUBLIC AFFAIRS P5

RBI warns YES Bank of action for report disclosure

The Reserve Bank of India has warned YES Bank that it might face regulatory action for allegedly violating a confidentiality clause by disclosing a nil divergence report. In a letter to the private lender, the regulator said the bank had violated regulatory guidelines in the press release where it had made this disclosure last week.

BS SPECIAL ON SATURDAY

WEEKEND RUMINATIONS: Fix the process

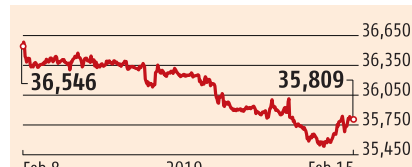
In the end, while audit strictures must be taken seriously, real-world perspectives do intrude into the frame.

WEEKEND II, 3

Leadership tests at Bombay House

The Tata group's first brand custodian, Mukund Rajan, who worked closely with both Ratan Tata and Cyrus Mistry, offers an insider's account of the 2016 rift between the two and the senior leadership's reluctance to foster a rapprochement in an exclusive excerpt from his book *Brand Custodian: My Years with the Tatas*.

SENSEX THIS WEEK



TOP 5 SENSEX GAINERS & LOSERS

| Price in ₹ | Feb 8, '19 | Feb 15, '19 | % chg |
|---------------------|------------|-------------|-------|
| GAINERS | | | |
| YES Bank | 174.8 | 218.7 | 25.1 |
| Tata Motors | 151.3 | 161.1 | 6.5 |
| NTPC | 132.0 | 136.2 | 3.2 |
| IITC | 275.9 | 279.6 | 1.4 |
| IndusInd Bank | 1,497.5 | 1,509.9 | 0.8 |
| LOSERS | | | |
| Mahindra & Mahindra | 683.0 | 627.8 | -8.1 |
| Hero MotoCorp | 2,932.4 | 2,702.3 | -7.8 |
| State Bank of India | 285.1 | 263.0 | -7.8 |
| ONGC | 143.5 | 135.1 | -5.9 |
| Bajaj Finance | 2,704.4 | 2,557.5 | -5.4 |

Q3 RESULTS REVIEW

Earnings see biggest dip in three quarters

Picture gets worse if financial and energy firms are excluded

KRISHNA KANT
Mumbai, 15 February

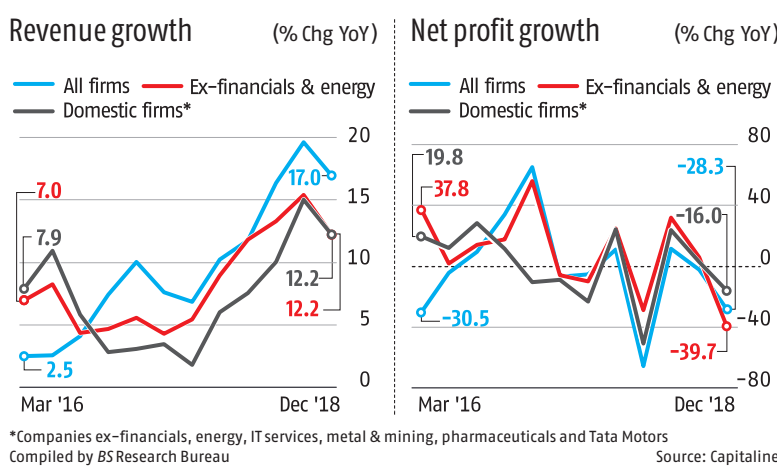
Corporate performance took a big knock during the October-December 2018 quarter (Q3), with the combined net profit of 2,338 companies that have declared results so far reporting a 28.3 per cent year-on-year (y-o-y) decline, the biggest in three quarters. Adjusted for exceptional gains and losses, earnings were up 2.2 per cent compared with 7.8 per cent growth a year ago and 16.6 per cent during the second quarter of the current fiscal year.

Their combined revenues were up 17 per cent y-o-y during Q3 at around ₹21.76 trillion, lower than 19.6 per cent growth reported during the second quarter.

"We are staring at a slowdown in corporate earnings, but we have to see whether it's cyclical or a blip for a few quarters. In contrast to corporate numbers, macro variables such as inflation and the GDP trend show a rebound in growth," said G Chokkalingam, founder and MD, Equinomics Research & Advisory Services.

The picture gets worse if financial and energy companies are excluded. The combined net profit of these 2,005 companies was down 39.7 per cent y-o-y to ₹47,585 crore, the lowest pace of growth in at least 12 quarters. Adjusted for exceptional gains and losses such as impairment of assets, the combined net profit of these companies was up a mere 3 per cent. Their combined revenue was up

INDIA INC TAKES A KNOCK



12.2 per cent to around ₹12 trillion, as against top line growth of 15.4 per cent during the preceding quarter (Q2FY19).

Earnings in the quarter have been adversely affected by large losses by key manufacturing and infrastructure companies such as Tata Motors (₹26,993 crore), Vodafone Idea (₹5,005), Punj Lloyd (₹2,795 crore), Adani Power (₹1,181 crore), and Reliance Retail (₹1,063 crore).

In all, 701 companies across sectors (including financials & energy) reported net loss during the third quarter against 630 companies a year ago and 699 companies during the July-September 2018 quarter. Put together, the combined loss-

es of these companies zoomed to ₹65,922 crore during the third quarter from ₹32,027 crore a year ago and ₹43,060 crore during the second quarter of FY19. As expected, companies took a hit on their profit margins during Q3 as expenses grew faster than revenues. The core operating profit margin for companies, excluding financials & energy, was down 90 basis points compared to the July-September 2018 quarter and nearly 300 basis points on a y-o-y basis to 12.9 per cent of net sales during Q3FY19.



Protesters raise slogans and burn tyres during a demonstration against the Pulwama terror attack, in Jammu on Friday

Security forces given free hand, says PM

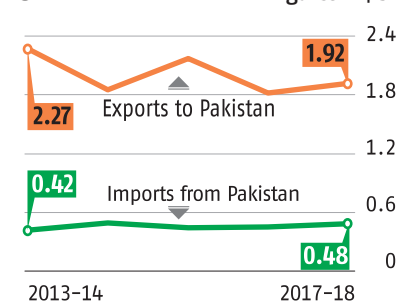
Day after J&K attack, India withdraws MFN status to Pakistan, holds meeting with P-5 envoys

ARCHIS MOHAN
New Delhi, 15 February

Under increasing pressure from the Sangh Parivar and Bharatiya Janata Party (BJP) workers, the government on Friday took several steps, including the withdrawal of the most favoured nation (MFN) status to Pakistan, to defuse public anger over Thursday's terrorist attack in Jammu and Kashmir.

At least 40 Central Reserve Police Force (CRPF) troopers were killed in the deadliest terror attack on security forces in the Valley when a suicide bomber rammed his explosives-laden SUV into a CRPF bus in Pulwama district. Pakistan-based terror outfit Jaish-e-Mohammed has claimed responsibility for the attack. The Cabinet Committee on Security, headed by the Prime Minister, met on Friday morning and decided to withdraw MFN status granted to Pakistan in 1996. The move would enable India to increase the customs duty on goods coming from the neighbouring country.

TERROR SHADOW ON TRADE



| Category | 2013-14 | 2017-18 |
|-----------------------|---------|---------|
| Exports to Pakistan | 2.27 | 1.92 |
| Imports from Pakistan | 0.42 | 0.48 |

INSIDE

National Interest: Pakistan has pulled the trigger on itself, writes SHEKHAR GUPTA

Opposition pledges support to government action

MADE IN INDIA ON FAST TRACK



Prime Minister Narendra Modi flags off Vande Bharat Express, India's first indigenous semi-high speed train, at the New Delhi railway station on Friday. The train will take 8 hours to complete its journey between Delhi and Varanasi

PAGE 4 | TERROR MAKES VANDE BHARAT FLAG-OFF SOMBRE | INDIA TO HAVE 100 MORE TRAIN 18s SOON, SAYS GOYAL

'We are open to JVs but must have operational control'

Chairman and CEO of American Tower Corporation (ATC) JAMES D TAICLET JR, who's currently in India as co-chair of the US-India CEO Forum, tells Surajeev Das Gupta & Megha Manchanda that the company sees opportunity in fibre while continuing to grow its traditional tower business.

Q&A

JAMES D TAICLET JR
Chairman & CEO, American Tower Corporation

What is ATC's India growth plan and outlook for the next five years? Do you see new opportunities in this country?

It will be on two dimensions — we will grow our traditional asset base of towers. We will also bring in more assets into our company in an inorganic fashion over a period of time. Even for 4G, there will be new opportunities for sharing ancillary assets, which predominantly include fibre, the need for providing data storage at tower sites for 5G and in-building solutions. We will build assets for sharing in all these spaces.

Are you open to a joint venture with Reliance Jio or any other player in towers?

We are very open to joint ventures but we must have operational control and the ability to consolidate the investments in

back on that business.

Do you think consolidation in the telecom industry will impact your India business?

We always built for consolidation in every country, but it is generally gradual in most countries. In India, the consolidation happened in 12 months when suddenly many telcos closed down because of the entry of Reliance Jio. We lost 30 per cent of our business and took a hit. But we expect the tower business to more than double in the next few years with 4G.

Are there concerns from American businesses on India's FDI policy?

Abruptly changed, unpredictable policies are not good for investments. If we do the same in the US, there will be less Indian investment in the United States.

this got fairly resolved in the court system. And we moved on and made more investments.

In relation to the e-commerce sector specifically, how will the issues linked to FDI norms be resolved?

The general trend of relationship between the two countries has been completely positive. Many of the individual items have been resolved and many that have come to the attention recently will also be resolved in a mutually beneficial way. We have about six to seven joint industry groupings that would together come up with recommendations and opportunities that industry that would pursue. In the course of that, if there are items that fall out, we would raise those constructively.



Jet to raise ₹2.5k cr via rights issue

ARINDAM MAJUMDER & ANEESH PHADNIS
New Delhi/Mumbai, 15 February

Cash-starved Jet Airways and its lenders led by State Bank of India are gearing up for a three-part resolution plan, which could take at least two months to fructify, sources in the know said. Raising about ₹2,500 crore through a rights issue is a key step for Jet in the proposed deal, even as its lenders are looking at a debt-to-equity conversion. While lenders may convert ₹1,000 crore of debt into equity, they will also participate in the equity infusion through a rights issue as part of the deal. Additionally, promoter Naresh Goyal and Etihad Airways, which owns a 24 per cent stake in the airline, will infuse around ₹2,000 crore into the airline, sources aware of the development said.

Lenders are expected to participate in a rights issue to raise capital. Also, government-owned infrastructure fund National Infrastructure Investment Fund (NIIF) is likely to buy a 19 per cent stake for ₹1,500 crore. Along with the NIIF, banks will own a 51 per cent stake in the company.

The NIIF was approached by lenders after Etihad Airways refused to increase its stake beyond 25 per cent without an exemption from open offer. The Securities and Exchange Board of India is learnt to have expressed its reservation over such an exemption. NIIF Chief Executive Officer Sujoy Bose did not respond to multiple queries about the matter.

Sources said Etihad Airways would infuse around ₹1,450 crore to maintain its stake at around 24 per cent, promoter Naresh Goyal would bring in ₹500 crore to hold 21 to 22 per cent. Goyal has already infused ₹250 crore into the airline. "At the first stage of the resolution plan, lenders have agreed to convert around ₹1,000 crore of debt into equity. In the second stage, there will be a rights issue of around ₹2,500 crore in which banks will participate. This process is subject to approval from the promoter, lenders and Etihad Airways. It may take around two months to close," said an official of a state-owned lender. The third part of the plan would result in sale of some assets.

Companies P2

LENDERS TAKE HUGE RISK IN JET DEBT CONVERSION

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