

# Business Standard

THE MARKETS ON THURSDAY		
		Chg#
Sensex	35,898.4	▲142.1
Nifty	10,789.9	▲54.4
Nifty futures*	10,804.5	▲14.6
Dollar	₹71.2	₹71.1**
Euro	₹80.8	₹80.6**
Brent crude (\$/bbl)**	66.5**	66.7**
Gold (10 gm)**	₹33,555.0	₹170.0

\*(Feb.) Premium on Nifty Spot; \*\*Previous close;  
# Over previous close; ## At 6 pm IST;  
### Market rate exclusive of VAT; Source: IBIJA



BACK PAGE P16  
**TEJAS MARK 1A FIGHTER  
LIKELY TO FLY BY 2022**

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**GOOGLE REVAMPS POLICY  
APPROACH AMID THREATS**



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## EPF INTEREST RATE HIKED TO 8.65% FIRST TIME IN 3 YRS

The Employees' Provident Fund Organisation (EPFO) on Thursday approved an increase in the interest rate on PF deposits to 8.65 per cent for 2018-19 from 8.55 per cent in the previous financial year. This is the first time in three years that it has announced a hike in the interest rate for its subscribers. The proposed rate will now require a nod from the Ministry of Finance, said Labour and Employment Minister Santosh Kumar Gangwar, who chaired the central board of trustees meeting of the EPFO. The decision may benefit 170 million subscribers from the private sector. **▶**

## COMPANIES P3 Lessors doubt Jet rescue plan, pull out more planes

International lessors have grounded more Jet Airways planes prior to potentially moving them out of India, as scepticism builds whether a state-led bailout of the carrier can clear their dues on time, sources familiar with the matter said. The troubles at Jet, which is saddled with a billion dollars in debt, have rekindled memories of Kingfisher Airlines' collapse in 2012 that forced lessors to write off millions of dollars. **▶**

COMPANIES P3  
Some shareholders question Jet revival plan

## COMPANIES P2 Ruias reject Arcelor's bid to buy out power assets

The Ruias have turned down a proposal by ArcelorMittal to buy out its port and power assets in Hazira in Gujarat, both of which have long-term supply agreements with Essar Steel. While most of the power generated by Essar Power Hazira is used by Essar Steel, the company can also sell some power to the grid. In the case of the ports company, Essar Hazira Bulk Terminal, while most of the capacity is for use by the steel company, it can offer up to 5 per cent to others. **▶**

## UNSC condemns Pulwama terror attack, names JeM

The powerful UN Security Council on Thursday strongly condemned the February 14 Pulwama terror attack by the Pakistan-based Jaish-e-Mohammad (JeM) terror group that killed 40 CRPF soldiers and underlined the need to hold perpetrators, organisers and sponsors of "these reprehensible acts" of terrorism accountable and bring them to justice. **PTI**

## Pak bans Hafiz Saeed-led JuD, its charity wing

Pakistan on Thursday banned the 2008 Mumbai attack mastermind Hafiz Saeed-led Jamat-ud-Dawa (JuD) and its charity wing Falah-e-Insaniyat Foundation, amid intense global pressure to rein in the militant groups following the Pulwama terror attack that killed 40 CRPF soldiers. A spokesman of the Interior Ministry said the decision to ban these groups was taken during a meeting of the National Security Committee chaired by Prime Minister Imran Khan at his office on Thursday. **PTI**

# Standstill agreements come under RBI glare

Central bank plans to tighten norms on such deals between promoters and lenders

SOMESH JHA  
New Delhi, 21 February

The Reserve Bank of India (RBI) has taken a serious view of the recent cases of 'standstill agreements' by companies with lenders to delay selling pledged shares.

RBI sources said the central bank was closely monitoring the situation and, if necessary, would tighten norms to dissuade lenders from entering into such agreements with companies.

"The RBI has taken a serious view of the recent cases. The central bank has been particularly working hard to curb all forms of 'evergreening' of loans. We may tighten the norms so that lenders, especially non-banking financial companies (NBFCs), are discouraged from entering into such agreements with firms," a source said.

### RECENT CASES

**Anil Ambani-led Reliance Group reached an in-principle standstill understanding with more than 90% lenders, at the promoter level, to not sell pledged shares till Sept 30**

The Group said it will pay the principal and interest to lenders in accordance with due dates in loan agreement



**Zee Entertainment Enterprises promoters reached a consent with lenders to not declare them defaulters due to the slump in stock prices of Essel Group's listed entities**

Zee said the standstill agreement is for loan against shares of ₹13,500 crore

Recently, the promoter entities of debt-laden Anil Ambani-led Reliance Group announced that it

had reached an "in-principle standstill agreement" with at least 90 per cent of its lenders, asking them not to sell pledged shares in the group till September. Days before such a

move, Subhash Chandra-led Essel Group had signed a similar agreement with lenders, comprising banks, mutual funds and NBFCs, for a standstill till September 30.

"The promoters of Emami went in the right direction by paring their debt of other group companies which will help in reducing the pledged shares of the promoters in financial firms," the source added.

In Emami Ltd's case, its promoters, the Agarwal and Goenka families, have sold 10 per cent of their stakes for ₹1,600 crore to pare the debts of other group companies like Emami Cement and Emami Power. The sale effectively brought down the promoters' holding in Emami Ltd from 72.74 per cent to 62.74 per cent.

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# Reliance Capital to exit mutual fund business

Anil Ambani firm invites foreign partner Nippon Life to buy 43% stake

JASH KRIPLANI & SAMIE MODAK  
Mumbai, 21 February

Anil Ambani's Reliance Group has decided to put on the block its stake in Reliance Nippon Life Asset Management, a prized asset operating in the ₹24-trillion domestic mutual fund (MF) industry.

On Thursday, Reliance Capital said it had invited equal joint venture partner Nippon Life Insurance of Japan to acquire its 42.9 per cent stake in the asset manager.

Reliance Nippon Life Asset Management, commonly referred to as Reliance MF, has the highest market capitalisation among the seven listed companies belonging to the Anil Ambani group.

The proposal to divest its entire holding in the mutual fund arm comes at a time when the group is under severe stress due to its huge debt pile and pressure from lenders.

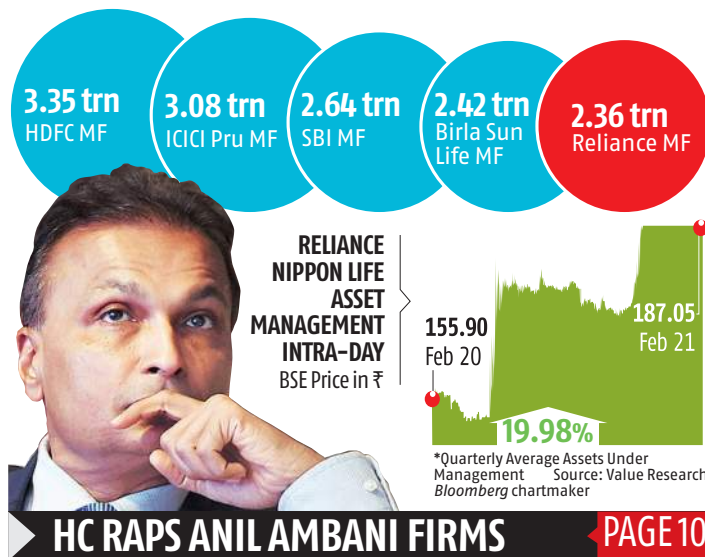
At the current market price, the value of Reliance Capital's stake is ₹4,908 crore - a little over one-fourth of the company's net outstanding debt of ₹18,000 crore.

Market players say the actual deal valuations could be significantly higher as the existing shareholders would expect a control premium for handing over the management of the country's fifth-largest fund house.

The shares of Reliance MF hit 20

### THE PECKING ORDER

Reliance Nippon Life AMC is among India's top-five mutual fund houses AUM for Dec quarter\*



HC RAPS ANIL AMBANI FIRMS **PAGE 10**

per cent upper limit to close at ₹187 on the BSE following the announcement by Reliance Capital, valuing the asset manager at ₹11,447 crore. Reliance MF was valued at ₹15,422 crore at the time of its maiden offering in November 2017. Sources say Reliance Capital could seek valuations higher than those during the initial public offering (IPO).

If the deal goes through, Japan's

Nippon Life will end up with a 85.76 per cent stake in Reliance MF.

The deal will also trigger an open offer as it will result in change of ownership. Under the Securities and Exchange Board of India's (Sebi's) takeover code regulation, the open offer will have to be made to public shareholders of Reliance Nippon MF, who hold 14.25 per cent.

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## Tata Starbucks looks to cut losses, boost revenues

Joint venture company Tata Starbucks, which runs the Seattle-based cafe chain in India, is looking to cut losses and improve sales even as it expands its footprint in the country. Speaking to *Business Standard* in his first interaction since taking over as company chief executive officer in January, Navin Gurnaney said the focus for the firm was on "unit economics" as it sought to widen operating profit. **VIVEAT SUSAN PINTO reports** **PAGE 2 ▶**

# Panel summons top bosses of FB, WhatsApp

NEHA ALAWADHI  
MUMBAI, 21 February

The Parliamentary Standing Committee on Information Technology has asked the top bosses at Facebook, WhatsApp and Instagram to appear before it on March 6. Last week, the same panel had kicked up a storm after it sent out a similar summons to microblogging platform Twitter. Refusing to meet any local representative, the panel asked Twitter CEO Jack Dorsey to show up or send a senior global executive from the San Francisco-based social networking firm.

While questions were being raised over why Twitter was being singled out, the committee had recently said that it would call the other social media companies too for questioning.

In a notification, the Committee has said the agenda of the March 6 meeting will be "to hear the views of the representatives of Facebook, WhatsApp and Instagram on the subject of 'safeguarding citizens' rights on social/online news media platforms'".

According to a person familiar with the matter, the companies have been asked to be represented by "the CEO or a member of the global team".

Emails sent to Facebook, which owns WhatsApp and photo sharing app Instagram, were not immediately answered. The panel's head, Anurag Thakur, confirmed the development.

Twitter said last week it wasn't given enough time to get the CEO to India, and the meeting was deferred by 15 days on February 11.

Misinformation and fake news spreading through social media and messaging platforms such as WhatsApp are a big concern for the government and political parties as India heads towards general elections in a couple of months.

On his maiden visit to India, Twitter CEO Jack Dorsey had earlier acknowledged the problem. "We have to make sure that we are scoping this problem as tightly as possible...Our job is to make sure we are identifying misinformation...it's the context of the information, the intent behind the information. If it is intending to mislead, we need to understand and pick out the misinformation and our job is to ensure it doesn't spread," he had said.

While Dorsey may consider making a second visit to India for a meeting with the Standing Committee, Facebook CEO Mark Zuckerberg may also plan a similar outing.



Earlier this month, the panel asked Twitter CEO Jack Dorsey to show up or send a senior global executive

The agenda of the Parliamentary Standing Committee on IT, headed by BJP MP Anurag Thakur, for the March 6 meeting is to hear these companies' views on safeguarding citizens' rights on social/online news media platforms

# Small savings investment hits a new high to fund power projects



Net borrowing (investment minus repayments), negative figures indicate repayments; Note: NSSF stands for National Small Savings Fund; Figures exclude govt securities; Source: Union Interim Budget

ABHISHEK WAGHMARE & SHREYA JAI  
New Delhi, 21 February

The National Small Savings Fund (NSSF) is investing ₹1.2 trillion this financial year in government agencies that fund rural electrification and power, railway and highway projects among others.

This would be the highest ever investment by the NSSF into public sector undertakings (PSUs), according to official government data.

The NSSF is an aggregation of funds flowing from popular saving schemes such as post office savings deposits and public provident funds. It generally uses these funds to lend to the central government, so that it can pay back with interest to small savers. After the obligations on most state governments to borrow from the fund were removed in 2015-16, the NSSF started investing in public agencies/companies like the Food Corporation of India.

The government expects a record collection in the NSSF in 2018-19, growing 40 per cent year on year. According to officials in the finance

ministry, the entire available funds would be deployed to pay guaranteed returns to small savers.

Officials pointed out that the NSSF for the first time is lending to Power Finance Corporation (PFC) and Rural Electrification Corporation (REC) - the two leading power sector financiers. The other major borrowers are Indian Railway Finance Corporation (IRFC) and National Highway Authority of India (NHAI).

The NSSF offers high-volume long-term debt funding, an area where the bond market falls short. Also, while NSSF loans are costlier than market borrowings for the government, the fund charges a lower interest rate to most public agencies than the rate they pay on market bonds. Government agencies are making the most of this opportunity. In the current financial year, while the Centre is borrowing ₹1.25 trillion from the fund, state governments are effectively redeeming ₹30,000 crore. Along with redeeming ₹30,000 crore. Along with ₹2.2 trillion this year. **Turn to Page 15 ▶**

## MPC MINUTES RBI acted to give growth a chance



Governor Shaktikanta Das

The six-member monetary policy committee (MPC) decided to give growth momentum a push through a rate cut, to encourage private investments and employment generation, at a time when inflation looked benign in the coming months.

It was also the need to "correct the past inaction" on interest rates, as external member Ravindra Dholakia put it, according to the minutes released on the RBI website, that prompted a rate cut. **ANUP ROY reports** **PAGE 4 ▶**

ECONOMY & PUBLIC AFFAIRS P4  
RBI insists banks pass on repo rate action