

15 ECONOMY

SENSEX: 38,386.75 ▲ 23.28 NIFTY: 11,521.05 ▼ 11.35 NIKKEI: 21,608.92 ▲ 42.07 HANG SENG: 29,320.97 ▼ 145.31 FTSE: 7,339.85 ▲ 15.85 DAX: 11,644.84 ▼ 143.57

GOLD	RUPEE	OIL	SILVER
₹32,970	₹68.83	\$67.60	₹39,000

*Indian basket as on March 19, 2019

*International market data till 1900 IST

61% DISCOUNT TO THE PREVAILING MARKET RATE

Vodafone Idea board okays price of ₹12.50/share for ₹25K-cr rights issue

ENS ECONOMIC BUREAU
NEW DELHI, MARCH 20

THE BOARD of directors of Vodafone Idea on Wednesday cleared the planned Rs 25,000-crore rights issue at a price of Rs 12.50 per equity share, a steep 61 per cent discount to the prevailing market rate.

In a regulatory filing, the company said the rights entitlement ratio has been fixed at 87 equity shares for every 38 equity shares held by eligible shareholders of the company on the record date, that is April 2, 2019. The issue opening date has been fixed for April 10 while the closing date has been set for April 24, the filing said. The issue price of Rs 12.50 per

Telecom subscriber base crosses 120 cr

New Delhi: The country's telecom subscriber base for the third time crossed 120-crore mark with Reliance Jio, BSNL and Airtel adding new customers in January, the Telecom

Regulatory Authority of India said in monthly subscriber report for January 2019. Earlier, the subscriber base crossed the 120-crore mark in July 2017 and May 2018. **PTI**

equity share (including a premium of Rs 2.50 per equity share) is at a massive 61 per cent discount to the previous closing of Rs 32 per share.

Earlier this year, the Vodafone Idea board of directors had okayed a Rs 25,000-crore fund-raising plan by way of rights issue to the existing eligible equity shareholders, following which the firm re-

ceived the Cabinet nod for foreign direct investment (FDI) infusion.

The promoter shareholders Vodafone Group and Aditya Birla Group have told the board that they intend to contribute up to Rs 11,000 crore and up to Rs 7,250 crore, respectively, as part of such rights issue. The promoter shareholders have also said that in case the rights issue is under-

subscribed, each of the promoter shareholders reserves the right to take up part or whole of the unsubscribed portion, subject to stipulated norms.

"The proceeds from the rights issue coupled with the monetisation of our stake in Indus will allow us to make the required investments in the business to achieve our strategic goals," Balesh Sharma, CEO, Vodafone Idea said.

"We are moving faster than initially estimated on integration, and are well on track to deliver our synergy targets, the improving broadband coverage and capacity will enable us to offer a superior network experience to our customers as well as enhance our ability to add more broadband

customers," he said. The issue of 2,000 crore new shares by Vodafone Idea at Rs 12.50 apiece will more than triple its outstanding shares to 2,873.53 crore.

The rights issue is expected to bring a whopping Rs 25,000 crore to the firm's coffers at a time when telecom players are injecting massive funds to boost pan-India 4G coverage, prepping up for 5G and positioning themselves to combat sustained tariff offensive from the deep-pocketed Reliance Jio Infocomm. The move will also enable the company to pare debt, which as on December 31, 2018 stood at Rs 1,23,660 crore. Vodafone Idea stock tumbled 7 per cent on the BSE, but later erased its losses closing 3.13 per cent higher at Rs 33 per share. **FE&PTI**

EMBASSY OFFICE PARKS' REIT

India's first Real Estate Investment Trust subscribed 2.58 times

SUNNY VERMA
NEW DELHI, MARCH 20

THE OVER-SUBSCRIPTION of India's first Real Estate Investment Trust (REIT) issue, which closed Wednesday, points to a positive investor appetite for backing assets in the otherwise fund-starved real estate sector.

The success of the Embassy Office Parks — a joint venture of Blackstone and realty firm Embassy — REIT issue in raising Rs 4,750 crore, opens a new avenue for investors wanting to invest in rent-yielding property assets without having the need to actually own them. According to final subscription figures, the REIT issue was subscribed 2.58 times. While the institutional portion got subscribed 2.15 times, the non-institutional portion received 3.1 times subscription.

Embassy Office Parks had in September last year filed the draft red herring prospectus with the Securities and Exchange Board of India to launch REIT having a portfolio size of 33 million sqft comprising of seven business parks and four city-centric buildings spread across Mumbai, Bengaluru, Pune and Noida. Out of the 33 million sq ft, about 24 million sq ft area is operational at 95 per cent occupancy and yielding rental income of over Rs 2,000 crore annually. Another 3 million sqft area is under construction and 6 million sqft area in pipeline.

Knight Frank India CMD Shishir Bajaj said it took over a decade and half for India's first REIT to come to fruition. India's first REIT's offering is also the largest in Asia and it reflects the success of commercial real estate. "The commercial office



Unlike shares, investors in a REIT get units, somewhat similar to units in a mutual fund. Embassy REIT has kept a price band of Rs 299-300 per unit, with a minimum bid lot size of 800 units

space absorption in India has been performing exceedingly well reaching a historic high of 47 million square feet in 2018. The market confidence on the realty index is a direct reflection of the success and we hope the sentiments remain positive," he said.

How does it work

Unlike shares, investors in a REIT get units, somewhat similar to units in a mutual fund. Embassy REIT has kept a price band of Rs 299-300 per unit, with a minimum bid lot size of 800 units. A REIT owns a number of rent-yielding commercial and hotel properties, and the unit-holders get a portion of this rental income in the form of dividend and interest income in proportion to their equity contribution.

It gives the investor an option to buy partial stake in rent-yielding commercial properties, with the benefit of a professional manager manag-

ing these assets. Increase in rentals of underlying assets, improvement in occupancy rate and commencement of under construction properties are the growth drivers that an investor can benefit from.

The net distributable cash flows of the Embassy REIT are based on the cash flows generated from the assets. In terms of the REIT Regulations, at least 90 per cent of the net distributable cash flows are required to be distributed to the Embassy REIT. The trust distributes the cash flow to unit-holders in the form of dividend and interest income, generally, once every quarter.

Since the REIT will be using most of the funds raised through the initial public offer to retire debt, the distributable cash flows are likely to rise post the issue.

What are the risks

Since this is the first REIT issue, there is no comparable data in terms of pricing and attractiveness of the issue. Real estate properties are always prone to litigation and operational challenges. Even though its assets are in cities offering good rental clients, the rate of occupancy is always a critical factor. Also, with future development of new office spaces in upcoming areas, the old buildings lose their charm and thereby their premium to get higher rental.

The management fee and operating expenses can rise, eating into the returns of investors. The biggest concern is the valuation of the units. Since the Net Asset Value of the REIT is based on estimated future cash flows and certain assumptions, it is difficult to gauge the margin of safety for an investor.

Government may provide Jet's unused airport slots to other airlines

PRESS TRUST OF INDIA
NEW DELHI, MARCH 20

THE GOVERNMENT plans to provide unused airport slots of Jet Airways to other domestic airlines on an interim basis, a senior official said Wednesday, amid efforts to minimise flight disruptions.

Against this backdrop, the civil aviation ministry officials on Wednesday held a meeting with representatives of domestic airlines. Civil Aviation Secretary Pradeep Singh Kharola said that domestic capacity should be increased when the season starts in April. "We have to sit with Jet and ask them what all are their requirements... At the airports slots are limited and they (Jet Airways) should tell us how many slots they will be using and how many they will not be using," Kharola said. The slots that are not being used can be offered for the additional aircraft, he added. It would be do as an "interim arrangement" at congested airports.

According to Kharola, domestic carriers would be able to add around 20-25 planes in by April end. "Basically, (it is) a contingency plan for peak season traffic during the summer... and that we should be able to provide good service to passengers," he noted. Among others, representatives of Air India, SpiceJet, GoAir and IndiGo attended the meeting. "Our concern is about operations (of flights), safety and comfort of passengers," he said. Regarding Jet, DGCA chief B S Bhullar said the summer schedule for the airline is yet to be approved. In a tweet, the ministry said it was working with all airlines to provide sufficient capacity and is monitoring safety as well as compliance levels on a daily basis.

'THE NIRAV MODI TRAIL'

As per information conveyed to National Central Bureau India by National Central Bureau, Manchester, their investigations had led to the location of Nirav Modi in the UK

MONEY THAT BANKS 'LOST'
Alleged frauds attributed to Nirav Modi Group by PSU banks (as on June 30, 2018, in Rs crore)

Punjab National Bank	6,820.08
Oriental Bank of Commerce	94.13
Syndicate Bank	125.00
United Bank of India	18.54
Andhra Bank	29.84
Corporation Bank	110.00
UCO Bank	60.75

(RBI data, based on the fraud monitoring returns furnished by banks)

IN AUGUST 2018, Government sent two requests, one from CBI and the other from the Enforcement Directorate, to the authorities of the United Kingdom seeking the extradition of Nirav Modi to India. The request was sent by a Special Diplomatic Bag to the High Commission of India (HCI), London for onward transmission to the UK authorities

THE MINISTRY revoked the passport of Nirav

Deepak Modi as per the provisions of Section 10(3)(c) of the Passports Act, 1967, on 16 February, 2018. This information was conveyed to the Central Bureau of Investigation (CBI) for onward transmission to the Interpol

TWO RED Corner Notices bearing numbers A-6886/6-2018 and A-6887/6-2018 dated June 29, 2018 had been subsequently issued against Nirav Modi by the Interpol

Government using public money to bailout Jet Airways, alleges Congress

EXPRESS NEWS SERVICE
NEW DELHI, MARCH 20

THE CONGRESS on Wednesday accused Prime Minister Narendra Modi of using public money to bailout Jet Airways by converting its debt into equity.

"India's leading public sector bank SBI and others banks like Punjab National Bank, Canara Bank, Syndicate Bank and Allahabad Bank are now being used by Prime Minister Modi to bail out Jet Airways ... Public money of ONGC was earlier used to buy out Gujarat State Petroleum Corporation for Rs 7,700 crore. Hard earned savings of 38 crore LIC policy holders worth Rs 9,000 crore was used to save IDBI Bank," Congress communication depart-

On one hand, the Modi government is seeking to privatise Air India and on the other hand they are buying a bankrupt private airline with public money, Randeep Surjewala claimed

ment head Randeep Surjewala claimed.

With Etihad Airways refusing to play ball and declining to put more funds in the struggling Jet Airways, *The Indian Express* reported Wednesday that lenders led by State Bank of India and the National Investment and Infrastructure Fund (NIIF) may end up acquiring the 24 per cent stake of Etihad Airways and inject more funds.

Surjewala further said the government is planning a bailout

package for Jet Airways even as investigation into financial irregularities and siphoning of funds is currently underway.

"Reports in public domain now reflect that Prime Minister Modi wants to give a bailout package to Jet Airways. By directing SBI and other PSU Banks to convert Rs 8,500 crore debt for equity shares of Jet Airways valued at Re 1, SBI and other banks will thus become owner of 50 per cent of a bankrupt private airline," Surjewala said. He also said the government

has directed NIIF to buy Etihad Airways 24 per cent stake at a value of Rs 150/share.

"This is being done without any independent financial valuation of Jet Airways or any due diligence. The Modi government is in such a hurry that they are not even willing to await the result of their own investigations," he said.

Asking the government to explain why it is giving a bailout package to Jet Airways owned by Foreign Investors, he said, "Private players will walk away happily, while Government of India and public sector banks will be now running a bankrupt private airline. On one hand, the Modi government is seeking to privatise Air India and on the other hand they are buying a bankrupt private airline with public money."

US jury finds Bayer's Roundup caused cancer; disappointed, says firm

REUTERS
SAN FRANCISCO, MARCH 20

AUS jury on Tuesday found Bayer AG's glyphosate-based Roundup weed killer caused cancer, a blow to the company eight months after another jury issued a \$289 million verdict over similar claims in a different case. Tuesday's unanimous jury decision in San Francisco federal court, which came after five days of deliberation, was not a finding of Bayer's liability for the cancer of plaintiff Edwin Hardeman. Liability and damages will be decided by the same jury in a second trial phase beginning on Wednesday.

Bayer, which denies allegations that glyphosate or Roundup cause cancer, in a statement said it was disappointed with the jury's initial decision. Bayer acquired Monsanto, the longtime maker of Roundup, for \$63 billion last year. "We are confident the evidence in phase two will show that Monsanto's conduct has been appropriate and the company should not be liable for Mr Hardeman's cancer," the company said.

Shares in Bayer were down 9.6 per cent at 0709 GMT in early Frankfurt trade. Glyphosate is the world's most widely used weed killer. Monsanto's Roundup was the first glyphosate-based weed killer but is no longer patent-protected and many other versions are now available. The case was only the second of some 11,200 Roundup lawsuits to go to trial in the US. Another California man was awarded \$289 million in August after a state court jury found Roundup caused his cancer, sending Bayer shares plunging at the time. That award was later reduced to \$78 million and is on appeal. Bayer had claimed that jury was overly influenced by plaintiffs' lawyers allegations of corporate misconduct and did not focus on the science.

US District Judge Vince Chhabria called such evidence "a distraction" from the scientific question of whether glyphosate causes cancer. He split the Hardeman case into two phases: one to decide causation, the other



Containers of Roundup are on a store shelf in San Francisco. AP file photo

"We are confident the evidence in phase two will show that Monsanto's conduct has been appropriate and the company should not be liable for Mr Hardeman's cancer"

BAYER

to determine Bayer's potential liability and damages. Under Chhabria's order, the second phase would only take place if the jury found Roundup to be a substantial factor in causing Hardeman's non-Hodgkin's lymphoma. The jury found that it was on Tuesday. The US Environmental Protection Agency, the European Chemicals Agency and other regulators have found that glyphosate is not likely carcinogenic to humans. But the World Health Organization's cancer arm in 2015 reached a different conclusion, classifying glyphosate as "probably carcinogenic to humans."

In the trial's second phase, Hardeman's lawyers will be allowed to present evidence allegedly showing the company's efforts to improperly influence scientists, regulators and the public about the safety of Roundup. Hardeman's lawyers, Aimee Wagstaff and Jennifer Moore, said they look forward to presenting that evidence to the jury to hold Monsanto accountable.

US Fed sees no rate hikes in 2019; to slow balance sheet reduction

REUTERS
WASHINGTON, MARCH 20

THE US Federal Reserve held interest rates steady on Wednesday and its policymakers abandoned projections for further rate hikes this year as the US central bank flagged an expected slowdown in the economy. In a major shift in its perspective, the Fed also now expects to raise borrowing costs only once more through 2021.

After a two-day policy meeting that sealed the switch to a less aggressive posture, the Fed also said it would slow the monthly reduction of its holdings of Treasury bonds from up to \$30 billion to up to \$15 billion beginning in May.

It said it would end its balance sheet runoff in September provided the economy and money market conditions evolved as expected. Redemptions of mortgage-backed securities would at that point be reinvested in Treasuries up to as much as \$20 billion per month, moving the Fed generally towards a Treasuries-only approach to its assets.

The combined announcements mean that, after tightening monetary policy with two levers at once over the past year, the Fed is now pausing on both fronts.

"Growth of economic activity has slowed from its solid rate in the fourth quarter," the Fed said in a policy statement that kept its benchmark overnight lending rate, or federal funds rate, in a range of 2.25 per cent to 2.50 per cent. "Recent indicators point to slower growth of household spending and business fixed investment in the first quarter ... overall inflation has declined."

Fed policymakers project GDP growth to slow to 2.1 per cent this year from the previous forecast of 2.3 per cent, while the unemployment rate is forecast at 3.7 per cent, slightly higher than the December projection.

Inflation for the year is now seen at 1.8 per cent, compared to the Fed's forecast in December of 1.9 per cent.

LION AIR BOEING 737 MAX CRASH IN OCTOBER 2018

'Cockpit voice recorder depicts pilots' frantic search for fix'

REUTERS
JAKARTA/SINGAPORE/PARIS, MARCH 20

THE PILOTS of a doomed Lion Air Boeing 737 MAX scoured a handbook as they struggled to understand why the jet was lurching downwards, but ran out of time before it hit the water, three people with knowledge of the cockpit voice recorder contents said.

The investigation into the crash, which killed all 189 people on board in October, has taken on new relevance as the US Federal Aviation Administration (FAA) and other regulators grounded the model last week after a second deadly accident in Ethiopia.

Investigators examining the Indonesian crash are considering how a computer ordered the plane to dive in response to data from a faulty sensor and whether the pilots had enough training to respond appropriately to the emergency, among other factors.

It is the first time the voice recorder contents from the Lion Air flight have been made public. The three sources discussed

'PILOTS SCoured HANDBOOK AS THEY STRUGGLED'

ABOUT 1 minute before the plane disappeared from radar, the captain asked ATC to clear other traffic below 3,000 feet and requested an altitude of "five thou", or 5,000 feet, which was approved, preliminary report said



Reuters

them on condition of anonymity. Reuters did not have access to the recording or transcript.

A Lion Air spokesman said all data and information had been given to investigators and declined to comment further.

The captain was at the controls of Lion Air flight JT610 when the nearly new jet took off from Jakarta, and the first officer was handling the radio, according to a preliminary report issued in November. Just two minutes into the flight, the first officer reported a "flight control problem" to air traffic control and said the pilots intended to maintain an al-

titude of 5,000 feet. The first officer did not specify the problem, but one source said airspeed was mentioned on the cockpit voice recording, and a second source said an indicator showed a problem on the captain's display but not the first officer's. The captain asked the first officer to check the quick reference handbook, which contains checklists for abnormal events, the first source said.

For the next nine minutes, the jet warned pilots it was in a stall and pushed the nose down in response, the report showed. A stall

is when the airflow over a plane's wings is too weak to generate lift and keep it flying. The captain fought to climb, but the computer, still incorrectly sensing a stall, continued to push the nose down using the plane's trim system. Normally, trim adjusts an aircraft's control surfaces to ensure it flies straight and level.

"They didn't seem to know the trim was moving down," the third source said. "They thought only about airspeed and altitude. That was the only thing they talked about." Boeing Co declined to comment on Wednesday because the investigation was ongoing. The manufacturer has said there is a documented procedure to handle the situation. A different crew on the same plane the evening before encountered the same problem but solved it after running through three checklists, according to the November report. But they did not pass on all of the information about the problems they encountered to the next crew, the report said. The pilots of JT610 remained calm for most of the flight, the three sources

said. Near the end, the captain asked the first officer to fly while he checked the manual for a solution. About one minute before the plane disappeared from radar, the captain asked air traffic control to clear other traffic below 3,000 feet and requested an altitude of "five thou", or 5,000 feet, which was approved, the preliminary report said. As the 31-year-old captain tried in vain to find the right procedure in the handbook, the 41-year-old first officer was unable to control the plane, two of the sources said.

The flight data recorder shows the final control column inputs from the first officer were weaker than the ones made earlier by the captain. "It is like a test where there are 100 questions and when the time is up you have only answered 75," the third source said. "So you panic. It is a time-out condition."

The Indian-born captain was silent at the end, all three sources said, while the Indonesian first officer said "Allahu Akbar", or "God is greatest".

The plane then hit the water, killing all 189 people on board.