IN BRIEF

Karnataka Bank reports ₹13-crore fraud to RBI

NEW DELHI

Karnataka Bank said it had reported to RBI about a fraud amounting to ₹13.26 crore in the fund-based working capital facility extended to SRS Finance Ltd. The fraud was on account of 'diversion of funds', the lender said in a BSE filing. The bank extended the working capital facility under multiple banking arrangement and necessary accounting treatment had been given as per RBI guidelines. PTI

Tata Motors to raise passenger vehicle prices

MUMBAI

Tata Motors has announced increase in prices of its passenger vehicles range by up to ₹25,000, from April. This hike is due to rising input costs and external economic conditions, the company said. Mayank Pareek, president, Passenger Vehicle Business Unit, Tata Motors, said, "We are confident of maintaining our growth trajectory in the coming months on the back of our robust portfolio."

Ports get time to install radiation monitors

NEW DELHI

The commerce ministry has extended the deadline till June 30 for 14 sea ports, including JNPT, Mumbai, Tuticorin and Vizag, to install radiation portal monitors and container scanners. The ministry said ports that fail to meet the deadline would be derecognised for the purpose of import of unshredded metallic scrap, with effect from July 1. This is the third time the deadline has been extended. PTI

RBI defers implementing Ind AS, yet again

Pending legislative amendments hold up new norms; delay, a relief for banks on capital requirement

SPECIAL CORRESPONDENT
MUMBAI

The Reserve Bank of India (RBI) has deferred the implementation of the new accounting norms, Ind AS, indefinitely, as necessary amendments to the relevant law are yet to be made.

The move will bring huge relief to the banks which are yet to recognise stressed assets and make necessary provisions as that would require higher capital.

Earlier deadline

While the original plan was to implement these accounting norms by April 1, 2018, it had to be deferred by a year due to pending legislative amendments to the Banking Regulation Act, 1949, as also the level of preparedness of many banks.

Snooze mode: Some technological changes could not been made since RBI had not issued the final guidelines. • REUTERS

Now, the implementation has been deferred definitely.

"The legislative amendments recommended by the Reserve Bank are under consideration of the Government of India. Accordingly, it has been decided to defer the implementation of Ind AS till further notice," RBI said in a statement. Bankers said they had expected the deferment as necessary amendments to the Act were not made and RBI had not issued the final guidelines.

Anshula Kant, managing director, State Bank of India, said while the bank was financially ready to adopt the new norms, some technological changes have not yet been made since RBI had not issued the final guidelines.

"We were more or less financially ready to roll it out. The only thing is RBI has not issued the final guidelines till now. That is one concern because it requires a lot of IT changes in the system," Ms. Kant said.

"The other thing is the balance sheet format, for which some changes in the Act are required. So, how can you publish the balance sheet in a different format unless it is permitted by the accounting rules of the country?" she added.

Ind AS for non-banking financial companies came into effect last year.

Ratings agencies had pegged capital requirement by public sector banks at ₹1.1 lakh crore in the first quarter of the next financial year, if the new accounting norms were implemented.

"The backend system and the other ecosystem probably were not ready. This required a thorough discussion with the auditors on what should be provided," said Mrutyunjay Mahapatra, Managing Director & CEO, Syndicate Bank.

In recent times, the banking regulator had raised concerns over 'divergence' in asset classification and provisioning, which means the reported numbers of a bank were lower than what RBI's inspection report had found. The implementation of Ind AS would have taken care of such issues, bankers said.

Discount brokers gain pace, eye millennials

Prices to get lower, with new entrants

ASHISH RUKHAIYAR
MUMBAI

Discount broking, which till recently was looked upon as an evolving industry in India, is now gaining pace and is soon expected to be on par with full-service broking before even gaining a majority share of the market.

Leading discount broking players are registering strong growth in client acquisition and overall business volumes and, according to industry players, the upcoming entry of Paytm Money is only expected to further drive the growth of this segment wherein investors stand to gain with almost nil to very low broking charges.

Some of the leading discount broking entities in India are Zerodha, 5Paisa, Upstox, Samco Securities and Trade Smart Online, among others. Incidentally, some of the full-service broking outfits have also launched discount broking schemes to attract clients looking for a pure trading platform sans any value-added services such as research and advisory.

In discount broking, the broker either does not charge any brokerage or charges a very nominal flat fee for every transaction. Full-service brokers charge a percentage of the trade value as their brokerage.

"With the growing customer base of discount brokers and the announced entry plan of Paytm Money, the low fixed rate broking model is poised to grow further," said HDFC Securities in a report last week, adding that discount brokers are disrupting the equity broking business. "The market is about to get even more competitive as incumbents

India has one of the largest millennial populations, says Nithin Kamath.

cut pricing further to defend their market share and new discount brokers enter, while older ones continue to gain market share. Pricing on the derivatives segment will continue to be very competitive," it added.

Zerodha commands a 15% market share in volume, registering 2-3 million trades daily with nearly 9 lakh active clients. About 75% of Zerodha's clients are less than 35 years of age. "The challenge before discount broking is to enhance the size of the market and get more millennials in the capital markets," said Nithin Kamath, founder and CEO, Zerodha. "India has one of the largest millennial populations and there is huge scope to grow," he added.

The average age of investors trading through Upstox, which has around one lakh active clients, is 29-30 years.

"We have a fairly young population on our platform. Discount broking could see the kind of traction that the U.S. market is seeing right now," said Ravi Kumar, co-founder, Upstox.

In the U.S., discount brokerages hold over 60% share. Players peg the share of discount broking at 30% of total turnover in India.

Indian pharma's cold reply to China call

Firms shrug off Yunnan's proposal to source Indian drugs; lengthy process cited

N. RAVI KUMAR
HYDERABAD

A call for expression of interest from Indian pharma companies desirous of supplying medicines to a Chinese province has met with lukewarm response, something which is bound to turn the spotlight on the regulatory approval process in China.

Deadline ends

There has not been one response thus far, Pharmaceuticals Export Promotion Council of India Director General Ravi Udaya Bhaskar said late on Friday, when a deadline for the companies to respond to the Yunnan province's call ended. A few companies had, however, sought to know the list of products the province wanted to source, he said. Pharmexcil, a body under the Commerce Ministry, had recently sounded out member-firms about the opportunity, in the wake of the Director General of Yunnan Provincial Foreign Affairs informing the Consulate General of India in Guangzhou about the province's interest to introduce Indian drugs to the city and the provincial health system.

Indian pharma firms were asked to submit a list of products they can supply to Yunnan, along with certifications such as those from the U.S. Food and Drug Administration (USFDA), if any.

The response may have been better had the companies been provided with a list of products Yunnan planned to source, Mr. Bhaskar said. Lack of information as well as the regulatory process in China, especially the time taken for product registration, were issues behind the level of response, he added.

• GETTY IMAGES/ISTOCK

Three to five years is the norm for getting a product registration from China's National Medical Products Administration (NMPA) and this comes to about $58,000 per drug. Also, this is not the first instance of such a tepid response from pharma firms – they did not evince much interest when opportunities in Guiyang City were highlighted.

Thus, Pharmexcil is keen on stepping up its efforts to pursue the Chinese government to fast track the registration and medicines procurement process from India. The Council is also working with the China Chamber of Commerce of Import and Export of Medicines and Health Products.

Such an emphasis comes in the backdrop of the potential to grow pharma exports to China. In 2017-18, pharma exports to China rose 37% to $200 million.

Dr. Reddy's gets part relief in U.S. court

SPECIAL CORRESPONDENT
HYDERABAD

Dr. Reddy's Laboratories has said that the United States District Court for the District of New Jersey has granted in part and denied in part its motion to dismiss a U.S. Securities Class Action Lawsuit.

On March 21, the court had issued its decision, dated March 20, "granting in part and denying in part our Motion to Dismiss. The court has dismissed [the] plaintiff's claims with respect to 17 out of the 22 alleged misstatements," the firm said in a filing. The company believes that the remaining claims of misstatements are without merit and intends to defend itself against them.

'Centre must not look upon the Reserve Bank as a cash cow'

Mutuality between the two needed: ex-RBI board member

K. BHARAT KUMAR
CHENNAI

The central government being fiscally dependent on the Reserve Bank of India (RBI) is undesirable, according to Dr. Indira Rajaraman, former member of RBI's central board. Delivering the Nani Palkivala Memorial lecture in the city on Saturday, she said, "The ₹68,000 crore that the RBI has paid to the government in the form of dividend or interim dividend since July 2018, forms 92% of the Centre's entire income from dividends from all public sector financial institutions." This, she added, "is very bad, as it makes the government fiscally dependent on the RBI."

It means the Centre would then look upon the RBI as a cash cow and start questioning every rupee that the central bank spends, she said. "What the central bank does is foundational for the nation, and hence it must have the freedom to choose its areas of expenditure, including choice of employees.

"They need good training, remuneration, pension and housing. If the government constrains this, it is the people of India who will suffer." She cited the example of China, which fully pays for its central bank employees' PhDs in globally-acclaimed institutions in the West. "The RBI cannot be treated on par with a department of the Government of India. It is very separate, special" said Dr. Rajaraman, who was on the faculty of Indian Institute of Management Bangalore, and a member of the 13th Finance Commission.

RBI is among the leanest and most efficient organisations in the country, with a headcount of about 15,000 executing myriad functions, she said.

A class apart: RBI cannot be treated on par with a department of the government, said Indira Rajaraman. • R. RAVINDRAN

According to her, the RBI Act is clear that the government, as sovereign, is supreme and the RBI Governor functions under the pleasure of the government. "The regulator is a monopoly issuer of currency and hence the sovereign has to have ultimate control over such an issuer." She felt that the media had played a role in building up the persona of the RBI Governor, who is not the chairman of the central bank board, but only convenes the board meetings and presides over them, she said. Dr. Rajaraman added, "There should be mutuality between the RBI and the government."

Critical role

The RBI's monetary policy is formulated keeping in mind the fiscal policy of the government, she said. "So, the RBI should be free to be critical of the government's fiscal policy."

She added that the central bank must also be free to question the measurement of inflation. "After all, the consumer price index-based inflation is the measure by which RBI is judged. So, there should be professional mutual respect between the government and the RBI."

It was normal for governments and central banks to differ over interest rates, where the former would want low rates to spur growth, while the latter would be keen to raise rates if inflation seemed dangerously high. However, what was different in the recent "outbreak of hostilities", as she called it, between the government and the RBI was the invocation of Section 7 of the RBI Act, which had never been invoked.

"Sec. 7(2) leaves us in no doubt that the functioning of the RBI is entrusted to the central board of the bank. Clause 3 of the section sets out the role of the Governor; it clearly states that the Governor exercises powers vested in him by the central board."

The government not only questioned the decisions of the RBI, but also the process by which those decisions were arrived at. "The government was entirely within its powers to question the process," she said.

She also said it was 'unfortunate' that the services of director on RBI's board, Nachiket Mor, were terminated just a year into his second four-year stint, in October 2018.

"The Centre has the right to recall these nominations but it created ill-feeling. It was said that the termination was due to his being the country director of the Bill & Melinda Gates Foundation in India, resulting in conflict of interest, but that information was available at the time he was reappointed. So, it reflects poorly on the government's due diligence if it did not know this."

Andhra Bank proposal to raise capital gets EGM nod

SPECIAL CORRESPONDENT
HYDERABAD

A proposal by Andhra Bank to raise up to ₹3,256 crore equity capital by way of preferential allotment to the Government of India was passed with requisite majority by an Extraordinary General Meeting (EGM) on Friday.

The meeting followed the government's decision to infuse the capital, which the bank would utilise for shoring up of common equity and Tier-I capital. The issue price, including premium, for the preferential allotment has been fixed at ₹28.42 per share.

Post the allotment, the government's holding would increase from 84.83% to 90.85% in the bank.

In its explanatory statement for the EGM resolution, Andhra Bank had cited the need to raise capital to support the envisaged business for fiscal year 2020 and to ensure compliance with applicable capital norms under the Basel III regime.

It had also cited the higher provisioning requirements on account of references of large-ticket accounts classified as non-performing assets to the National Company Law Tribunal for resolution under the Insolvency and Bankruptcy Code, along with migration and fresh slippages.

ESPS oversubscribed

The bank also informed the stock exchange that the Employee Stock Purchase Scheme-2018, which closed on March 20, was subscribed 109%. The bank attributed this to "good participation from the employees." The issue price was ₹19.26 apiece.

On Friday, Andhra Bank shares closed at ₹25.85, down 1.15%.