

# PSBs may go on fundraising spree to reduce govt stake

Given muted market sentiment, raising funds via QIP, FPO or rights issue may not be easy

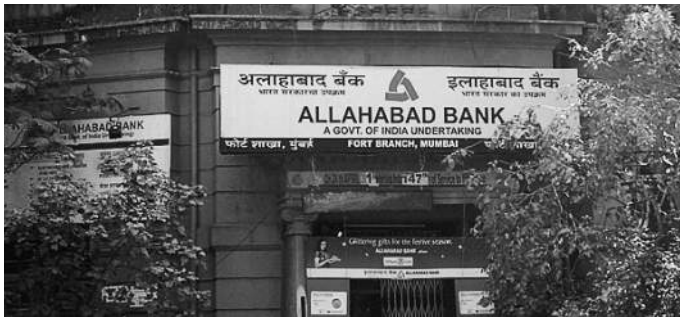
NAMRATA ACHARYA  
Kolkata, 3 March

Public sector banks (PSBs), especially the ones that have come out of prompt corrective action (PCA) framework, are likely to go on a fundraising spree, with the twin purpose of raising growth capital and bringing down government shareholding in the banks to 75 per cent.

The dilution of government stake is essential to meet the 25 per cent public float norms mandated by the Securities and Exchange Board of India. According to a senior official in a PSB, the Sebi had been giving dispensation to banks to extend the timeline to meet the free float norm on a case by case basis. However, for most PSBs, a series of capital infusion has taken the government stake to more than 90 per cent. Most of such banks have sought two years to meet the Sebi norm, said a banker.

The options to reduce government equity include through instruments such as QIP (qualified institutional placement), FPO (follow on public offer) or rights issue, among others. But with market sentiments remaining muted, fundraising might not be an easy task, especially for banks that are still under PCA.

For example, Kolkata-based United Bank of India, which is still under PCA, might ask the govern-



## GOVT STAKES IN BANKS

Bank	Holding %
Allahabad Bank (as on Feb 18, '19)	85.8
Oriental Bank of Comm (as on Feb 16, '19)	86.1
Corporation Bank (as on Dec 31, '18)	86.7
Bank of Maharashtra (as on Dec 31, '18)	87.0
Bank of India (as on Feb 16, '19)	89.0

Source: BSE

ment for disinvestment as raising market equity might be difficult, according to sources in the bank. The government equity in the bank is close to 95 per cent.

"It is not going to be an easy task for the government to raise external equity. The banks need to see if there is enough appetite, especially markets remaining volatile ahead of elections. They have options such as QIP, FPO or rights issue," said Karthik Srinivasan, group head, Icra.

At Allahabad Bank, the govern-

ment shareholding has gone up to about 91 per cent after the recent fund infusion of ₹6,896 crore, according to a senior official at the bank.

S S Mallikarjuna Rao, managing director and chief executive of Allahabad Bank, said the bank had to bring down government shareholding to 75 per cent by October 2020, which is two years from when the breach occurred. The bank is planning to raise about ₹600-700 crore in three to four tranches. Allahabad Bank came out of PCA.

"Sebi has given a two-year window. By October 2020, the public shareholding should be 25 per cent. The breach occurred in October 2018, when with the infusion of ₹1,179 crore, the capital gone from around 71.9 per cent to 79 per cent. The requirement to reduce capital is around ₹3,800 crore, which we cannot in one tranche, and go in four to five," the Allahabad Bank MD had said recently.

For other PSBs that have come out of PCA, the government holding is also quite high. For example, in Bank of India, the government holding as on February 16 was about 89.07 per cent. For Bank of Maharashtra, as of December 2018, it was about 87.01 per cent. For Oriental Bank of Commerce, as of February 16, the government shareholding was 86.17 per cent. For Corporation Bank, it was about 86.77 per cent as of December 2018.

Also, if the banks that have come out of PCA need to return and sustain profitability, they are in need for growth capital. The latest round of fund infusion of ₹48,000 crore in PSBs will go towards meeting regulatory requirement. According to a latest report by Fitch that banks will need an additional \$23 billion (around ₹1.6 trillion) in 2019, after these latest injections, to sufficiently meet minimum capital standards alone.

# BS Best B-school project awards given away



(From left to right) Kinjal Medh, head of marketing at National Stock Exchange; Ramesh Iyer, general manager (HR) at CG Power and Industrial Solutions; Harshil Shah of KJ Somaiya Institute of Management Studies and Research, Mumbai (1st runner-up); Ajit Balakrishnan, founder & CEO of Rediff.com (Chairman of the Jury); Nimesh Shah of School of Petroleum Management, PDP, Gandhinagar (winner); Shailesh Mahajan, NITIE, Mumbai (2nd runner-up); and Hasit Josphura, senior vice-president (electrical and automation) at L&T at the **Business Standard Best B-School Project Award 2018** in Mumbai

BS REPORTER  
Mumbai, 3 March

Projects on efficient distribution of citywide electric vehicle charging stations, a budgetary tool for C-level executives, and a method for bringing about efficiency in network equipment logistics in telecom industry that resulted in crores of savings were among the winners of the **Business Standard Best B-School Project Award 2018**.

The top prize went to Nimesh Shah from the School of Petroleum Management, Pandit Deendayal Petroleum University (PDP), Gandhinagar, for his project on mapping out charging availability for electric vehicles in Bengaluru for Sun Mobility.

The project came about after the Karnataka government announced a policy for 5,000 new e-autos within the city. His project looked at population density, and existing fuel outlets, among the factors for the analysis. The model which evolved can be used as a template across major cities for planning future e-auto transport ecosystems.

The first runner-up was Harshil Shah of the KJ Somaiya Institute of Management Studies and Research. His internship project with consulting firm GEP Worldwide resulted in

increased efficiency through a strategy dossier as well as the creation of a budgeting tool for CXOs. This was adopted by a key client of the firm, and resulted in similar tools being requested for regions including South America, Europe, West Asia, and Africa.

Shailesh Mahajan from the National Institute of Industrial Engineering (NITIE) was the second runner-up. He worked on improving reverse logistics involved in the movement of network equipment for Bharti Airtel.

Packaging changes and standardisation resulted in a ₹17-crore savings during the course of the project itself.

The eleventh edition of the awards saw a power-packed jury select the winners based on presentations made by five shortlisted candidates.

"The quality and complexity of the projects is improving every year. I am pleased to see candidates making use of statistical modelling and other cutting edge tools to test the hypothesis and provide solutions instead of merely presenting an unproven opinion," said Ajit Balakrishnan, founder and chief executive officer at Rediff.com and the chairman of the jury.

"In my solution, main parameters

like mobility, electricity infrastructure of a city are factored in and locations are identified which ensure a higher capacity utilisation and thus benefit electric vehicle users and those deploying charging infrastructure," said Nimesh Shah, the winner.

"It was a very fairly evaluated competition with clear-cut guidelines and a third-party auditor," said K J Somaiya's Harshil Shah.

"The jury's questions were thoughtful and they also asked about the practical execution of the project," NITIE's Shailesh Mahajan said.

**Business Standard** received 131 entries from which the five were selected for the final round. Among the projects awarded consolation prize included an entry strategy for Cummins India in the solar industry by Prerna Chopdar from Vinod Gupta School of Management, Indian Institute of Technology (IIT) Kharagpur; and one on increasing awareness and consumption of fortified milk by Roopal Singh and Vyom Joshi from the Institute of Rural Management, Anand (IRMA) for the National Dairy Development Board.

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# Winter rain may hit rabi crops, but only in isolated pockets

SAJEEB MUKHERJEE  
New Delhi, 3 March

An extended winter, with bouts of rain, has raised worry of a fall in the final yield of some rabi crops. However, experts say barring a few places, the showers haven't been enough to cause large-scale damage to most standing cereal or horticulture crops, except for mustard in some parts of Rajasthan.

Ground reports did say the standing rabi crop was flattened in some places of Madhya Pradesh and western Uttar Pradesh in the rain over these regions in the past few days but the actual impact is still being assessed. In the post-monsoon October to December period, rain was less than normal. It picked up pace in the past two months. According to the official India Meteorological Department, the

country had over January and February got 22 per cent more than the average rainfall in 2019, with the highest quantity in these two months seen in the past five years.

An unusually high number of western disturbances, with other climatic factors, led to the rise in bouts of rain which has extended the winter season. Normally, during this time of year, there are one or two western disturbances each month

that cause snowing in the hills and winter rain in the plains. This year, their number has been more than that. "The rains have been more in Rajasthan, Punjab, Haryana, Madhya Pradesh, and western Uttar Pradesh but the intensity so far hasn't been big enough and every bout of rain has been followed by a few days of bright sunshine," said Mahesh Palawat, chief meteorologist at Skymet.

# PM: 'Made in Amethi' AK-203s to help troops fight terror

VIRENDRA SINGH RAWAT & PTI  
Lucknow/Patna, 3 March

Laying the foundation stone of a Kalashnikov manufacturing unit in Amethi, the Lok Sabha constituency of Congress President Rahul Gandhi, Prime Minister on Sunday said the guns produced in the new facility would be used to fight terrorists and the Naxals, and that the project was the best example of his government's 'Sabka Saath, Sabka Vikas' (together with all, development for all) motto.

The prime minister — who landed in Amethi after addressing the pre-poll *Sankalp* rally in Patna where he slammed the Opposition for doubting the IAF's strike on a terror camp in Pakistan — accused the Congress-led UPA government of not only delaying the AK-203 rifles' manufacturing project but also sabotaging the Rafale deal.

Thanking Russian President Vladimir Putin for expediting the project, Modi said it would give a new identity to Amethi. The assault rifles would be manufactured at Korwa Ordnance Factory.

"The assault rifles manufactured here would help our forces against terrorists and Naxal. In due course, these would also be exported, while generating a large number of jobs for local youth and paving the way for economic development," he said. "Those who voted for us and those who did not, all are ours...This is the mantra of 'Sabka Saath, Sabka Vikas.'" This was Modi's first visit to Amethi as PM.

In Patna, he criticised opposition leaders for their scepticism over the surgical strike by the Army post the Uri terror attack, and the air strikes in Balakot after the Pulwama suicide bombing. "Is it appropriate for these parties to speak in a language that suits Pakistan? Leaders of the neighbouring country are using it as a shield to protect themselves against the charge of promoting terrorism. They are clapping gleefully," the prime minister said.



PM Narendra Modi launches a Kalashnikov rifle manufacturing unit in Amethi on Sunday. Also seen are UP CM Yogi Adityanath, Union ministers Smriti Irani and Nirmala Sitharaman

## 750,000 rifles expected to be produced in 2019

AJAI SHUKLA  
New Delhi, 3 March

In the third week of February, New Delhi and Moscow signed an inter-governmental agreement (IGA) to build the AK-203 in India. A contract is still to be signed, but the first of an estimated 750,000 AK-203 rifles are expected to roll off the production line in 2019.

"During my official visit to India last October... Mr Modi and I reached the agreement on setting up Kalashnikov production in this country. The IGA was prepared and signed in the shortest time", said Russian president, Vladimir Putin, in a message that was read out during the signing ceremony.

The JV incorporates the Ordnance Factory Board (OFB), which has a 50.5 per cent stake; Kalashnikov, with a 42 per cent stake, and Russia's state-owned export agency, Rosobornexport, owning the remaining 7.5 per cent.

The AK-203, along with the US-origin Sig Sauer

assault rifle, will replace the indigenous INSAS rifles and AK-47 rifles that Indian Army soldiers currently carry. Last month, the defence ministry cleared the procurement of 72,400 SIG716-G2 assault rifles from US manufacturer, Sig Sauer. That fast-track purchase is estimated to be worth ₹700 crore.

The cost of the AK-203, which will include the cost of technology transfer and setting up manufacturing facilities in Ordnance Factory, Korwa, will be known only after the contract is negotiated.

In October 2017, the Army kicked off the acquisition of small arms (rifles, carbines and light machine guns) for its soldiers. Army chief, General Bipin Rawat, has decided to cut costs by equipping only frontline infantry soldiers with the most modern assault rifles, with advanced optics and sighting systems. The remaining soldiers will carry cheaper, less capable rifles.

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# Retail investors take 30% hit as markets slip

On average, the market capitalisation of stocks that are part of BSE SmallCap index is down around 25 per cent since August last year against 8 per cent decline in the combined market capitalisation of index stocks.

In all, 69 mid and small stocks in our sample have lost 50 per cent or more of their value since August 2018, while another 257 non-index stocks (28 per cent of all) are down between 30 per cent and 50 per cent during the period.

This has translated in big losses for domestic retail investors, which are the largest non-promoter investors in small-caps stocks. Retail investors have lost nearly 51 per cent of all their upside in BSE SmallCap index and



38 per cent of the gains in BSE MidCap index since August 2018. Retail investors' total loss in these two indices is pegged at ₹1.1 trillion during the period. At the end of December, retail investors owned 14.4 per cent of BSE SmallCap index stocks next only to promoters' stake of 55 per cent on average.

In comparison, retail investors owned 9.3 per cent of BSE MidCap index stocks and 7.6 per cent of Nifty50 index stocks on average at the end of December.

Foreign institutional investors are the second-largest non-promoter owner of Nifty50 and BSE MidCap stocks followed by MF.

# More car buyers opting for high-end models



Honda is set to launch the Civic Sedan next week. Nine out of every ten buyers have booked the top end of the model, without even seeing or test driving the car. Goel expects this figure to stabilise at around 50-60 per cent after a few months.

Even for the Honda City, which has been around for some time, the top end models, the ZX and the VX, constitute almost half of Honda's sales. "This is a good indicator of the trend and brand's resilience," said Goel. "Given the low demand for entry level variants - less than 10 per cent - Honda has been considering discontinuing them and has already done it for some models."

But the trend is not without some anomalies. Take Hyundai Motor India's Creta.

The demand for the entry level trim is almost equivalent to the top variants, said Puneet Anand, marketing head at Hyundai. He attributes it to the price positioning of the Verna. "One can buy the entry level Creta at the price of a top end Verna. This appeals to those looking to graduate from a sedan to an SUV," he said. For the company's other models, though, Anand said the trend has been in line with the market.

No Maruti official was available for a comment but a Mumbai-based dealer of the company said that the new generation Ertiga, launched two months ago, has seen 70 per cent of the bookings coming for the top end. For smaller cars too, such as the Alto and Celerio, 40 per cent of sales are of the top trims while the mid-level variants account

for the remainder.

In India, seven out of every ten passenger vehicles are bought on credit. "The biggest driver of this trend has been attractive finance schemes," said Puneet Gupta, associate director, IHS Markit, a sales forecast and market research firm.

Gupta said this has pulled a new set of buyers into the showrooms and fuelled aspirations to own the best. "Social media is also wielding influence on buying behaviour," he added.

# Tatas stick to measured growth in retail

Trent's joint ventures in India include Trent-Hypermarket, a 50:50 venture with Tesco that runs the Star brand of supermarkets and hypermarkets, Inditex Trent, a 49:51 venture that runs the Zara brand of stores, and Massimo Dutti, a 49:51 venture that runs a chain of luxury fashion stores of the same name. Zara and Massimo Dutti are part of Spain's Inditex group.

Infiniti Retail, which houses the Cromia business, also reported its first net profit in FY18 at ₹16.7 crore, RoC data shows. Sources said Cromia has

# India charges high tariffs, will reciprocate: Trump

Thereafter, Trump mimicked the response from the lawmakers.

"Sir, that's not free trade. Where did these people come from? Where do they come from? I need your help, I need your help, the voters' help. Where do they come from?" he said.

Trump said the US could not allow a country to charge it 100 per cent while it got nothing for the exact same product.

"For one thing, they don't respect us. They think we're stupid. They don't respect us. But let me tell you something, the world respects our country again. America is



now booming like never before. Other countries are doing very poorly," Trump said.

The CPAC is an annual political conference attended by conservatives and elected officials from across the country.

plans to add 8-10 stores in the coming months, taking its total store additions for FY19 to around 20 — double the number it did in previous years.

Infiniti Retail is also experimenting with smaller-format electronics stores (of 1,500-2,000 sq ft) called 'Gadgets of Desire', aimed at crunching timelines (in terms of store launches) and boosting convenience (for consumers). Flagship Cromia stores are typically 10,000 sq ft in size, experts said, implying it takes longer to set up these outlets. Hence, the focus on smaller outlets. The company is also pushing omni-channel retail with a curated range at competitive prices, analysts said, covering exclusive products, gaming devices, smartphones, and durables.

Arvind Singhal, chairman, Technopak, a Gurugram-based retail consultancy, said Cromia was among the few national-level players in electronics retail, the other being Reliance Digital, giving it a natural advantage in a market dominated mainly by local and regional chains. "Striking exclusive deals becomes easier for a national player because its offline reach is better than that of local chains. Plus Cromia has also been pushing hard on the omni-channel front since e-tailers are big in this space. So gaps in

terms of online presence have also been addressed in recent years," he said.

As far as Westside is concerned, Abneesh Roy, senior vice-president, research (institutional equities), Edelweiss, said the chain may add a total of 20 stores in FY19, higher than the number it did in previous years. "Store expansion run-rate could increase to 30 per annum as the company looks to scale up operations. The management has also guided for this," Roy said.



Parent Trent is expected to close FY19 with a top line growth of 15 per cent, analysts said, led by sales traction in its value clothing chain Zudio (launched in 2016), continued private-label push in Westside, and brand equity of Zara, a profitable business.

Zudio already has 40 stores in India, experts said, and is expected to keep the momentum going.