MARKET WATCH

FPIs INVEST ₹17,219 CRORE IN APR

New Delhi: Foreign portfolio investors (FPIs) were net buyers in the Indian capital markets for the third straight month in April, pouring in Rs 17,219 crore on favourable macroeconomic conditions and ample liquidity. **PTI**

LIST OF NEARLY 400 ITEMS, INCLUDING NARCOTICS, SHARED WITH PORTALS

Govt reaches out to industry for delisting controlled substances on trade portals

Websites installing crawlers, blockers to ensure delisting of substances such as acetic anhydride

AANCHAL MAGAZINE
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IN A bid to curb trade of narcotics and other controlled substances on online portals, the government has reached out to the industry, especially business-to-business (B2B) portals, sharing a list of about 400 items including narcotics and psychotropic substances to ensure their delisting from such platforms.

The industry outreach follows a probe against online B2B marketplace IndiaMART, which was investigated by the Narcotics Control Bureau (NCB) in September 2018 for listing acetic anhydride, a precursor for heroin, a senior government official said.

IndiaMART was hauled up the nodal drug law enforcement and intelligence agency last year after detection of many instances of listing of acetic anhydride, with specific trade queries from Afghanistan and Pakistan, resulting in further investigation that resulted in the agency seizing 10,000 kg of acetic anhydride in Delhi, officials said.

The agency also shared some information with its global counterparts for more investigation, they added.

'PRECURSOR FOR HEROIN LISTED ON WEBSITE'

- **The industry outreach follows a probe against online business-to-business marketplace IndiaMART, which was investigated by the Narcotics Control Bureau in September last for listing acetic anhydride, a precursor for heroin, a government official said**
- **The official added that since February, a quarterly review mechanism has been agreed upon wherein the NCB has shared a list of 400 substances, including narcotics, psychotropic substances, controlled precursors with the industry so that trade portals do not list them**

"We found listings for acetic anhydride on IndiaMART from countries where there is no legal use of the substance, such as Afghanistan and Pakistan. It was getting misdeclared and would have gone out of India in the garb of motor oil. We investigated and caught 10,000 kg of acetic anhydride, all meant for Afghanistan. Four people were arrested, including two Afghan nationals," the official said.

Following this action, the company, along with other B2B trade portals such as Exporters India, installed crawlers and blockers on their platforms to ensure delisting of such controlled substances.

It is learnt that there were some listings for the opioid fentanyl as well, which was also delisted by the portals following the investigation by NCB.

Queries sent to IndiaMART by *The Indian Express* regarding the NCB investigation remained unanswered.

In its draft IPO document submitted to Sebi in June last year, IndiaMART acknowledged the risk of listing of such products. "... our suppliers may use our online marketplace to list products, the sale of which are prohibited, banned or subject to regulation, such as licensing requirements. For example, under the Drugs and Cosmetics Act, 1940, or the 'Drugs Act', and central and state excise statutes, the sale, exhibition, distribution or offering for sale of drugs (as defined under the Drugs Act) or alcohol are both subject to stringent regulation, including requirements to obtain applicable approvals and licenses from the relevant authorities," it read.

The document added, "If such products were listed on our online marketplace, we may be perceived by the relevant authorities to be carrying on such activities without obtaining the requisite approvals or licenses, which may subject us to fines, penalties or legal proceedings. Although suppliers on IndiaMART assume liability and agree to indemnify us under subscription and other agreements that we enter with them, these contractual protections may not shield us from all potential liability."

Taking note of the need for public-private partnership to curb the illicit sale of "dangerous substances, synthetic opioids and precursors through the surface web based e-commerce platforms", the International Narcotics Control Board (INCB) held a workshop in Bangkok in January this year with government and industry representatives, including all leading Indian B2B and B2C web trade portals.

Subsequently, the Indian authorities held a conference in the following month to create more awareness among the industry about the trade of such controlled substances.

"Starting February, a quarterly review mechanism has been agreed upon wherein we have shared a list of 400 substances including narcotics, psychotropic substances, controlled precursors with the industry so that they don't list them. This is part of larger interaction with the pharma, chemicals industry to ensure delisting of such controlled substances. Globally, other portals work in a similar way with law enforcement agencies. We will regularly monitor to ensure compliance," the official said.

The INCB Report 2018 had highlighted the "growing evidence of an emerging modus operandi of drug trafficking in the region that involves the use of the Internet as a marketplace for drugs and precursors, with mail or courier services being used for delivery".

It had also pointed to India being the "transit country for illicitly produced opiates, in particular heroin, which originate in Afghanistan and are trafficked through the country via Pakistan en route to Europe and North America (mainly Canada)".

Russia's Alrosa kicks off rupee-rouble payments for diamond trade in India

India accounted for over $2 bn rough diamond sales in 2018

ANIL SASI
NEW DELHI, APRIL 28

RUSSIAN STATE-OWNED miner Alrosa PJSC, the world's biggest producer of rough diamonds in carat terms, has initiated a rupee-rouble payment mechanism with its Indian clients and has kicked-off transactions with four-five companies here, a senior company executive said.

Alrosa is increasing its marketing spend in India as it attempts to catch up with rival De Beers in a market that is predicted to see a rebound in 2019.

"Alrosa recorded rough diamond sales of over $533 million in just the first quarter of 2019, Evgeny Agureev, director of the United Selling Organisation of Alrosa — the company's sales division — said. India accounted for sales of over $2 billion in 2018 and $700 million in 2017 of rough diamond sales for the Russian firm.

Alrosa and De Beers — the diamond exploration and marketing unit of multinational mining firm Anglo American — produce nearly half the world's rough diamonds. India is the biggest cutter and polisher of diamonds globally.

Having successfully tested the rouble payment mechanism with select Indian and Chinese clients late last year, Agureev said that while sanctions by the US on Russia did not directly affect Alrosa (since the company had floated a mechanism for rouble-denominated rough diamond sales well before the sanctions were imposed), this was a hedge against the overwhelming dominance of the US dollar in the international rough diamond market settlements.

"Now we are actively developing practice of non-dollar deals. Currently, there are four-five companies that consistently buy in other currencies. And they buy not only in rupees or roubles, but also in euros. Feedback from the companies is positive, the mechanism has been adjusted, and now we do not face technical difficulties which we dealt with at the initial stage. The total sum of completed transactions already amounts to tens of millions of dollars," Agureev told *The Indian Express.*

Last year, Alrosa had signed long-term agreements with 18 Indian companies. Overall, 173 companies from India buy Alrosa's diamonds at auctions and through one-time contracts, Agureev said.

TOTAL DIAMOND SALES AT $4.5 BN

- **In 2018, Alrosa's total diamond sales grew 6% year-on-year to $4.5 billion, with rough diamond sales pegged at $4.4 billion and polished diamond sales at $95.3 million**
- **Russian state-owned miner Alrosa and De Beers — the diamond exploration and marketing unit of multinational mining firm Anglo American — produce nearly half the world's rough diamonds**
- **Evgeny Agureev, director of the United Selling Organisation of Alrosa — the company's sales division — said he expects Indian firms to tap into the Russian diamond value chain**

EXPLAINED

Globally, the poor demand for stones valued at less than $100 a carat has been affecting diamond companies, primarily due to a supply glut, combined with the weakness of the Indian rupee and the difficulty faced by gem cutters in accessing financing here after the Nirav Modi controversy.

Analysts expect the oversupply of smaller sized diamonds globally resulting from large production in Russia and Australia to ease in the coming months as demand improves.

While the rupee had fallen nearly 6 per cent against the dollar over the last year, the slide has been arrested this year, with the rupee gaining nearly 2 cent against the greenback over the last three months. The rebound in the rupee is being seen as a positive for the market. Plus, demand has been steady in the US since the beginning of the year while the Indian market has see a strengthening since the fourth quarter of last year after a weak first half of 2018.

In 2018, Alrosa's total diamond sales grew six per cent year-on-year to $4.5 billion, with rough diamond sales pegged at $4.4 billion and polished diamond sales at $95.3 million. De Beers' sales increased four per cent to $6.1 billion in 2018, with rough diamond sales increasing by four per cent to $5.4 billion.

Preliminary data for 2019, according to De Beers, indicated an improvement in global consumer demand for diamond jewellery, in US dollar terms. In India, the problem of reduced local demand – primarily attributed to the significant depreciation of the rupee in US dollar terms – is getting eased.

According to Mark Cutifani, CEO, Anglo American, "Although current economic forecasts remain positive, the outlook for 2019 global diamond jewellery consumer demand faces a number of headwinds, including the risk of a potential intensification of US-China trade tensions, the Chinese government's ability to rebalance economic growth towards consumption, and further exchange rate volatility."

"Production in 2019 is expected to be in the range of 31-33 million carats, subject to trading conditions," Cutifani has said at the Anglo American preliminary results announcement for 2018 on February 21.

On investments by Indian companies in the Russian diamond value chain, Agureev said that Russia is focusing on developing its own cutting and polishing industry and that KGK Group (a Hong Kong-based company promoted by Indian-origin businessman Navrattan Kothari) had invested around $50 million in setting up a diamond cutting and polishing factory in Vladivostok in Russia's Far East region.

"KGK Group has been developing cooperation with Russia for a long time now. The cutting factory in Vladivostok is a result of cooperation of Alrosa and the leading global producer of precious stones and jewelry, the KGK Group. KGK became one of the first foreign companies that took advantage of the preferential regime of the Free Port of Vladivostok, having obtained the resident status for its subsidiary," Agureev said, adding that he expects Indian firms to tap into the Russian diamond value chain.

BRIEFLY

Customs duty on wheat hiked to 40%

New Delhi: The government has hiked the customs duty on wheat to 40 per cent from 30 per cent to curb imports and protect the domestic industry. The Central Board of Indirect Taxes and Customs, through a notification, has hiked the basic customs duty (BCD) on wheat to 40 per cent.

Sales of green certificates in Apr down 65%

New Delhi: Sales of renewable energy certificates dropped by about 65 per cent to 3.68 lakh units in April as compared to 10.62 lakh in same month last year due to lower supply. Indian Energy Exchange and Power Exchange of India are the two power bourses in India which are engaged in trading of renewable energy certificates and electricity.

L&T Finance Holdings Q4 net doubles

New Delhi: L&T Finance Holdings Sunday said its consolidated net profit more than doubled to Rs 552.12 crore during the quarter ended March 2019. The firm had posted a Rs 270 crore net profit in the year ago period. **PTI**

'INDIA TO INSTALL 54.7 GW WIND CAPACITY BY 2022'

India is likely to install 54.7 GW (giga watt) of wind capacity by 2022 against the 60-GW target set by the government, Fitch Solutions Macro Research said in a report

175 GW renewable energy capacity by 2022: The country has set an ambitious target of installing 175 GW of renewable energy capacity by the year 2022, which includes

- **100 GW** from solar
- **60 GW** from wind
- **10 GW** from bio-power
- **5 GW** from small hydro-power

Land acquisition, grid bottlenecks: The research agency, a unit of Fitch Group, said that acquisition issues and grid bottlenecks would lead to delays to project implementation in the wind power sector

Viability of low tariff projects: Concerns about the economic viability of low tariff projects from India's wind capacity auctions raise the risk that investor appetite will weaken and auctions will be postponed

4.5 GW annual capacity addition: India will only add on average 4.5 GW of wind capacity annually between 2019 and 2022, the Fitch report stated

825 MW commissioned till Mar 2019: The agency said that of a total of 2,943 MW tendered by the Solar Energy Corporation of India in Gujarat and Tamil Nadu over 2017 – where 42% of total installed wind capacity is located in India as of end-March 2019 – only 825 MW was commissioned as of March 2019

20 GW wind capacity by Mar 2020: According to an year-end review released by the Ministry of New and Renewable Energy in December 2018, the country seeks to tender a total 20 GW of wind capacity by March 2020

Electronics imports at record $55.6 bn, exports rise 39% to $8.9 bn in 2018-19

BANIKINKAR PATTANAYAK
NEW DELHI, APRIL 28

INDIA'S ELECTRONICS imports touched a record $55.6 billion in FY19, against $51.5 billion a year before, and remained the largest driver of its trade deficit after oil, showed the latest official data.

However, what offered policymakers some comfort was that electronics exports jumped as much as 39 per cent to a record $8.9 billion last fiscal, against 12.3 per cent in the previous year.

Analysts say two aspects stand out. First, the damaging impact of the October 2014 shutdown of Nokia's manufacturing plant in Tamil Nadu on exports is largely offset now. Second, the nature of imports in the mobile phone segment is changing, and purchases of components from overseas for local assembly/manufacturing are rising at a faster pace than those of completely-built units (CBUs)

In fact, telecom instrument imports dropped almost 15 per cent up to February in FY19, against an almost 17 per cent rise in the entire FY18. Telecom instruments made up for a third of overall electronics imports, followed by electronic components (28 per cent), computer hardware and peripherals (16 per cent), electronic instruments (14 per cent) and consumer electronics (9 per cent).

Between April 2018 and February 2019 (up to which latest segment-wise data are available), exports of telecom instruments (including mobile phones) jumped a massive 129 per cent year-on-year to $2.4 billion — the highest since FY14, just before the Nokia plant closure — and emerged as the largest segment within the electronics exports category, although such exports are still far below potential.

In fact, from $3.06 billion in FY14, telecom instrument exports crashed to just $1.07 billion in FY15, mainly due to the Nokia plant closure, shows data from the Directorate General of Commercial Intelligence and Statistics. **FE**

Earnings season off to a sluggish start

ENS ECONOMIC BUREAU
MUMBAI, APRIL 28

WITH JUST two good performances in TCS and UltraTech, the earnings season has got off to a sedate start. It is early days yet but apart from a recovery in the telecom space, not much is expected.

The evidence on the ground, especially sales volumes in the automobile sector, suggests that companies are having a difficult time pushing volumes and raising prices. It is visible in the contraction in operating profit margin (OPM) for a sample of 80 companies (excluding banks and financials). The OPM contracted 75.4 basis points year-on-year.

Management commentary suggested that demand was likely to pick up after the elections, especially for materials such as cement, as more housing and construction projects would take off.

While the Street had estimated weak results for companies such as Maruti Suzuki and Hero MotoCorp, the numbers were nonetheless disappointing. Despite the presence of many technology heavyweights in the universe, profits fell 30 per cent y-o-y on the back of an increase in the top line of 16.14 per cent y-o-y. While Maruti's revenues grew at just 1.7 per cent y-o-y, at Hero they fell close to 8 per cent y-o-y.

The Street was impressed with Tata Consultancy Services' (TCS) performance, given the software major reported a strong growth in constant currency revenues, up nearly 13 per cent y-o-y and because the increase came from virtually all verticals.

However, there was some disappointment with Infosys' results since the top line growth came primarily from just one single vertical. Moreover, the Bengaluru-based firm's Ebit margins fell 320 bps y-o-y and the guidance for 2019-20 was also somewhat subdued.

ACC's results were a miss and came in below estimates with revenues growing at 8 per cent y-o-y and operating profits rising 9 per cent y-o-y; the adjusted net profit fell 3 per cent y-o-y.

ACC's volumes increased 5 per cent y-o-y in the quarters lower than the industry level growth of around 8-10 per cent, analysts pointed out.

However, UltraTech reported strong volume growth — which drove up stand-alone revenues by 18 per cent y-o-y — and this, together with lower-than expected fuel, power and other costs helped boost the bottom line.

While RIL's retail business did reasonably well, the slowing momentum in the telecom business was a bit of a disappointment. Looked at sequentially — or in comparison with Q3FY19 — the stand-alone Ebitda and the adjusted net profits were lower, and reflected the weak performance of the downstream business.

Tata Global Beverages reported a bland set of stand-alone numbers with weak realisations. The elevated commodity prices resulted in a steep 280 bps fall in gross margins while Ebitda margins also fell 230 bps y-o-y. **FE**

Essar Steel posts ₹2K cr Ebitda, may 'use funds' towards financial creditors' claims

PRESS TRUST OF INDIA
NEW DELHI, APRIL 28

ESSAR STEEL, which is undergoing debt resolution process, has posted Ebitda of around Rs 2,000 crore during the insolvency period and the amount could be utilised by financial creditors against their outstanding dues, one of the operational creditors has claimed.

In an affidavit before the National Company Law Appellate Tribunal (NCLAT) last week, Arfin India — an operational creditor of Essar Steel — has submitted that details pertaining to the debt-laden firm's Ebitda (earnings before interest, tax, depreciation and amortisation) were disclosed by the Committee of Creditors (CoC), comprising mainly financial creditors, in the special leave petition (SLP) filed before the Supreme Court.

The CoC had challenged the orders of the NCLAT of March 18 and March 20 before the Supreme Court by filing an SLP. The NCLAT in its orders had asked the resolution professional of the company to call a fresh meeting of the CoC to consider redistribution of funds among the financial and operational creditors. Arfin India in its affidavit said, "The said SLP clearly states that the corporate debtor (Essar Steel) during the period of the insolvency has a healthy Ebitda of Rs 2,000 crore."

"It is submitted that this particular fact has not been disclosed before this tribunal and the appellant is wary" that the said amount could be utilised for satisfying the claim of the financial creditors, without apportioning any dues towards the amount claimed by the appellant herein, the affidavit stated. Requesting to take the information on record, Arfin India has asked the NCLAT to modify the resolution plan, granting equal treatment to operational and financial creditors.

The Ahmedabad bench of National Company Law Tribunal (NCLT) had initiated insolvency proceedings against Essar Steel on June 27, 2017, admitting the lenders' plea.

US PRESIDENT DONALD TRUMP'S PICK FOR THE VACANT FED SEAT ALLEGES 'SMEAR CAMPAIGN'

'Moore not planning to drop out of Fed consideration'

REUTERS
WASHINGTON, APRIL 28

US PRESIDENT Donald Trump's pick to fill a vacant seat at the Federal Reserve said on Sunday a smear campaign was being waged against him, after past writings and comments about women sparked renewed criticism by Democratic lawmakers.

Stephen Moore, during an interview on *ABC's 'This Week,'* said there were a handful of reporters dedicated to digging up negative information on his personal life and previous statements.

Trump has not formally nominated Moore to be a Fed governor, which would give him a role in setting interest rates for the world's biggest economy.

Moore said the Republican president asked him to appear on the Sunday news show, where he denounced negative news reports as a "smear campaign" and "character assassination."

Republicans have a 53-47 majority in the Senate, giving them the final say on whether Moore's promised nomination is confirmed. Democratic Senators have criticized Moore for his policy positions, including his longtime support of tax cuts to stimulate the economy, as well as his comments about women.

Stephen Moore, during an interview on ABC's 'This Week,' said there were a handful of reporters dedicated to digging up negative information on his personal life and previous statements

"If I become a liability to any of these senators, I would withdraw," Moore told *ABC*. "I don't think it's going to come to that. I think most fair-minded people think this has been kind of a sleaze campaign against me. I just think the perception is very different from the reality in terms of my attitude towards women."

Moore said he had apologized for writing a column 18 years ago in which he jokingly called women's participation in basketball "a travesty," adding he would never write such a "politically in-correct column" today.

Some economists and Democratic lawmakers have questioned Moore's competence, citing his support for tying policy decisions to commodity prices and his fluctuating views on rates.

Moore was an adviser to Trump's 2016 presidential campaign and has commented on the economy in media. In 1999 he co-founded the Club for Growth, an organization calling for lower taxes and limited government.

Trump has broken from tradition by frequently and publicly pressuring the Fed. He has accused the central bank under Chairman Jerome Powell, who Trump appointed to the job last year, of hurting the economy and stock market. Moore has since he agrees with Trump that rates should be reduced.