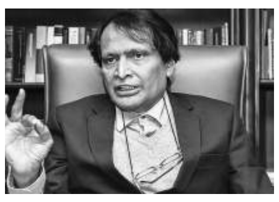
IN BRIEF

SC stays HC decision asking AJL to vacate Herald House

The Supreme Court on Friday stayed the Delhi High Court order, asking Associated Journals (AJL), publisher of Congress mouth piece *National Herald*, to vacate the Herald House building. AJL moved the apex court against the high court order, which dismissed its plea to restrain the Centre from taking any "coercive steps" for vacating the premises at Herald House in ITO area in the national capital. The high court had held that the entire transaction of transferring shares of AJL to Young Indian (YI) firm, in which Congress President Rahul Gandhi and his mother Sonia are majority shareholders, was a "clandestine and surreptitious transfer of the lucrative interest in premises" to YI. PTI

India mulls hosting second WTO meet next month: Prabhu



India is planning to host the second informal meeting of trade ministers from about 20 member nations of the World Trade Organization (WTO) next month amid growing challenges for global trade, Commerce and Industry Minister Suresh Prabhu has said. This meeting assumes significance as several countries are raising questions over the relevance of the global trade body. Many countries are also taking protectionist measures, impacting global trade. PTI

H1-B visa restrictions compel tech firms to hire more locals

Restrictions on the H1-B visas by the US have compelled Indian tech companies to hire more locally. This led to an escalation in employee costs, a rating agency said on Friday. The second-largest IT exporter Infosys led with 2,122 visa denials in fiscal year 2017-18, followed by its larger rival TCS with 1,896 rejections, the report by Care Ratings said. "The increasing protectionist measures imposed by the US administration to safeguard US workers are directly having an adverse impact on the Indian IT majors," it said. Of the top three firms with highest H-1B visa denials in FY18, Cognizant was leading with 32 per cent denials followed by two Indian IT majors namely Infosys and TCS with 26 percent and 18 percent, it said. PTI

Focused on reducing non-viable PSUs, says Secretary DPE

The Department of Public Enterprises (DPE) is now focused on reducing non-viable companies, after bringing 19 state-owned enterprises to closure under strategic disinvestment, a top official said on Friday. Secretary in the DPE Seema Bahuguna said the government had revamped the dispute resolution mechanism for central public sector enterprises (CPSEs) to reduce litigation and unblock public money. "We focus on strategic disinvestments, as part of which, 19 CPSEs have been brought to closure by now. We are focused on reducing non-viable companies now," she said. PTI

India could achieve high penetration of EV by 2030: NITI report

India could achieve high penetration of electric vehicles (EV) by 2030 on the back of success of FAME II and other measures, according to a NITI Aayog report. The penetration of EV vehicles could reach around 80 per cent in case of two-wheelers and 30 per cent for private cars, the report — India's Electric Mobility Transformation: Progress to Date and Future Opportunities — by the NITI Aayog and the Rocky Mountain Institute. The report quantifies direct oil and carbon savings that vehicles incentivised under the FAME II would deliver. PTI

PFS, US-India Clean Energy Finance initiative join hands

PTC India Financial services (PFS) on Friday joined hands with the US-India Clean Energy Finance (USICEF) initiative. USICEF, managed by Climate Policy Initiative (CPI), was founded in 2017 in partnership with the Indian Ministry of New and Renewable Energy, OPIC, IREDA, and leading US foundations. USICEF supports early-stage projects to scale up, de-risk and become investment-ready. As part of the partnership, PFS will look at new distributed solar power proposals being implemented by reputed developers under various schemes. BS REPORTER

Cooperation with Isro remains intact, says NASA chief

The cooperation of NASA with ISRO remains intact, chief of the US space agency James Bridenstine (*pictured*) has said, days after he criticised India and termed its anti-satellite weapon test a "terrible thing" for creating about 400 pieces of orbital debris. In a letter to ISRO Chairman K Sivan, NASA Administrator Bridenstine said "based on the guidance received from the White House", he looks forward continuing to work with ISRO on a host of issues including human space flights. PTI

MPC RATE CUT: A DAY AFTER

Reserve Bank to seek EC approval on new circular

ARUP ROYCHOUDHURY
New Delhi, 5 April

The Reserve Bank of India (RBI) is likely to seek the approval of the Election Commission (EC) before releasing its new set of guidelines to banks, which will replace its February 12 circular that was quashed by the Supreme Court earlier this week. The new circular is expected to be out in the coming week.

"While the matter of issuing a circular does not relate to publicity or elections in any way, the Election Commission does have a remit over any new announcement. As a matter of formality, the RBI will seek the EC's permission before issuing the new circular," said a top government official.

Officials from the finance ministry and the central bank have started discussions on the new circular. These discussions will also include Finance Minister Arun Jaitley and RBI Governor Shaktikanta Das talking to each other. As reported earlier, the government is planning to authorise the RBI to refer companies to the Insolvency and Bankruptcy Code (IBC) on a case-by-case basis.

The EC's Model Code of Conduct, in force from March 10 till the end of the Lok Sabha elections, restricts announcement of new schemes/projects and also grant of new reliefs after the announcement of elections (*see box*).

As reported earlier, the Centre's view is that the Supreme Court verdict does not curtail the government's powers to give directions to the RBI to initiate recovery proceedings. The government will invoke Section 35AA of Banking Regulation Act to soften the Supreme Court verdict on the February 12 circular.

This will be well within the rules set under the Banking Regulation Act and would be hard to challenge in court. Section 35AA of the Banking Regulation Act gives power to the central government to authorise the Reserve Bank "for issuing directions to banking companies to initiate insolvency resolution process."

The Supreme Court ruling by Justice Rohinton Fali Nariman and Justice Vineet Saran largely centred on the fact that the RBI should have sought authorisation from the government before sending companies to the bankruptcy code on a case-by-case basis, as laid down under Section 35AA.

However, a circular such as February 12 nets a whole bunch of companies that meet the cut-off set by the central bank, in this case ₹2,000 crore of outstanding debt for each account. The RBI had said if the account servicing has been delayed even by a day, it would be in default and a resolution process has to be drawn by the banks and if need be, referred to the National Company Law Tribunal (NCLT) under the Insolvency and Bankruptcy Code (IBC).

The February 12 circular affected 157 accounts, each with outstanding debt of at least ₹2,000 crore, and totalling ₹12 trillion-plus.

Former NITI Aayog vice-chairman Arvind Panagariya said at an event in New Delhi on Friday that the RBI will bring in another circular which is consistent with law. "The SC ruling does not impact existing cases going into IBC. None of the powers is gone," he said.

WHAT THE RULE SAYS

Given that the new RBI circular may guide banks on dealing with non-performing assets before the option of taking them to IBC, it be broadly come under a 'relief', an official said.

The only specific guideline that the MCC contains for the RBI is that the "Reserve Bank of India may continue to take decisions unhindered on monetary policy issues". Officials expect that the EC will have no issues with the new guideline.

Goyal takes on RBI for lowering growth forecast

"GIVEN OUR LEVEL OF INFLATION, PERSONALLY I WOULD HAVE DONE 50 BPS (CUT) BECAUSE SOME HOW THESE 25 BPS CUT GETS LOST AND PASS THROUGH HAPPENS WITH 50 BPS (REDUCTION)"
ARVIND PANAGARIYA

"(I AM) GLAD THAT RBI HAS LOWERED RATES. LOWER INFLATION WILL HELP INDIA BECOME MORE COMPETITIVE AND INFUSE MORE LIQUIDITY"
PIYUSH GOYAL

INDIVJAL DHASMANA
New Delhi, 5 April

Railways and coal minister Piyush Goyal asked the Reserve Bank of India on Friday to introspect its role in pulling down the country's projected economic growth for 2019-20 to 7.2 per cent from the earlier forecast of 7.4 per cent.

The economy rose 7 per cent in 2018-19, the lowest growth in the five-year term of the Narendra Modi-led government.

Goyal, who held the post of finance minister when Arun Jaitley was undergoing treatment, was speaking at the Confederation of Indian Industry's annual session. "All stakeholders, including the RBI, should introspect on their respective roles (on low economic growth)," he said, adding the RBI could have taken certain steps differently over a period of time.

He said every organisation should introspect how much contribution they had to the woes of the country today. "To my mind, double-digit (economic) growth is doable," he said.

Shaktikanta Das had assumed the post of RBI governor in December after Urjit Patel resigned from the post. This was a time when the finance ministry was trying hard to persuade the central bank to cut the policy rate but the Mint Road seldom obliged it. Since Das took charge, the central bank cut rates by 50 basis points — 25 basis points each in two policies.

Goyal said he was glad that now the RBI was recognising growth as much as inflation. "(I am) glad that RBI has lowered rates. Lower inflation will help India become more competitive and infuse more liquidity."

At the same event, Arvind Panagariya, former NITI Aayog vice-chairman, said, "Given our level of inflation, personally, I would have done 50 basis points (cut), because, somehow, these 25 basis points cuts get lost and pass through happens with 50 basis points (reduction)."

He said central banks like to be conservative either way — if they raise, they raise by 25 basis points, and if they cut, they cut by 25 basis points.

On jobs, Goyal said the nature of employment was changing as more people were working on contractual basis. He said one should benchmark more on 'livelihood creation' compared to conventional jobs and warned that any doles would lead to under-reporting of income. Goyal also said capturing authentic data on jobs would become a challenge and hinder formalisation of economy.

Suggesting that the country should rather look at its own policies than slowing down global trade, Panagariya said India's share was just 1.7 per cent in global merchandise trade. "If global trade was to rise to $20 trillion from $7 trillion over the years, but it rises to $18 trillion or $16 trillion, India can more than make up by raising its share to 3 per cent in global trade. But that would require conducive domestic policies," he said.

Panagariya said India had stopped opening up of the economy after 2007-08 and it is now even resorting to import substitution measures. "We are shooting on our foot," he said.

Panagariya suggested India should explore the possibility of a free-trade agreement (FTA) with the US. "With the US being such an important strategic partner, one area where we can explore an FTA agreement is services."

On over 100 economists and social scientists criticising the credibility of statistical data in the Modi regime, Panagariya said, "What is the source of the questioning of this credibility? IMF, World Bank and none of the international institutions in UN, whose systems we follow, are asking these questions. Those who are asking have to point out the specific problem."

He said the ministry of statistics and programme implementation (Mospi) released a 40-page document about the methodology along with figures. "If there is a genuine problem with the methodology, the government would itself be happy to (respond to) questions on the quality of data," he said.

Goldman sees Reserve Bank pausing in rest of 2019

While many analysts expect another rate cut in the June policy, Goldman Sachs on Friday said the Reserve Bank is likely to wait to see the impact of the past two consecutive rate actions and assess the macroeconomic factors. The Wall Street brokerage goes one step further saying it expects two rate hikes in calendar 2020 – a 25 bps each in Q1 and in the Q2. PTI

For InvITs, firms choose pvt route

AMRITHA PILLAY
Mumbai, 5 April

More than two years since its introduction and with three such trusts in existence, recent corporate actions suggest that the private route is being preferred to a public listing.

Reliance Industries' Digital Fibre Infrastructure Trust and Tower Infrastructure Trust; Brookfield-sponsored India Infrastructure Trust, and Oriental Structural Engineers-sponsored InvIT are four similar instruments at different stages of formalisation. All three are expected to find investors through the private route.

While the private route allows for lower disclosures, industry experts added that there were more significant advantages.

"There is a definite advantage for a privately held InvIT, as the valuation is set after a mature discussion with a selected set of investors, who, besides bringing in long-term capital, offer strategic inputs," said Shubham Jain, group head and vice-president for Icra Ratings.

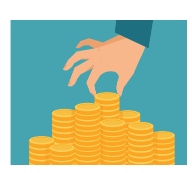
There are two public listed InvITs — Sterlite Power's India Grid Trust and IRB Infrastructure Developers' IRB InvIT fund. The third InvIT, Larsen & Toubro arm IDPL's IndInfravit, is privately held. "L&T's InvIT's yield has been higher than those listed," said a source with knowledge on the InvIT's performance.

When introduced, industry experts pegged the instruments' fund raising potential at $5-7 billion. However, both companies and investors have been slow in warming up to the relatively new instrument. Mutual funds, for instance, are still to invest in a big way in InvITs. Wealth managers expect the trend to change in the future.

"Given the kind of yields that the listed ones are offering, it is surprising that mutual funds have largely stayed away from InvITs so far. For an institutional investor, it does not matter much whether it is privately held or a publicly listed one. What matters is the sponsor reputation," Nipun Mehta, founder and chief executive officer for BlueOcean Capital Advisors, said.

According to Value Research, three mutual funds have less than ₹50 crore combined in India Grid and 10 funds hold ₹444.82 crore in IRB InvIT fund, of which only two funds held more than ₹100 crore each as invested.

"Funds like L&T and the proposed ones like Reliance Industries and Brookfield will offer sponsor reputation. I expect mutual funds will start looking at InvITs with better promoter reputation," Mehta added.



While the private route allows for lower disclosures, industry experts added that there were more significant advantages

The UP government has reversed the Akhilesh Yadav Cabinet's decision to waive interest payment

UP govt reverses interest waiver for sugar mills

VIRENDRA SINGH RAWAT
Lucknow, 5 April

The UP government has reversed the Akhilesh Yadav Cabinet's decision to waive interest payment by defaulting sugar mills in three successive crushing seasons during 2012-15.

UP Cane Commissioner Sanjay Bhoosreddy on Friday filed an affidavit in the Allahabad High Court, apprising the bench of the state government's decision, which would necessitate interest payment by mills. The units running in losses are liable to pay interest at 7 per cent annum, those making profits would pay farmers at 12 per cent interest.

During 2012-13, 2013-14 and 2014-15 crushing seasons, the sugar mills in UP had defaulted on payments of about ₹2,000 crore, including interest. In April 2015, the millers had approached then Akhilesh government, proposing to pay farmers without interest component, owing to their purported precarious financial condition.

In October 2016, the Akhilesh Cabinet waived interest owed by mills to farmers. However, Rashtriya Kisan Mazdoor Sangathan (RKMS) challenged the decision in the HC, seeking relief to farmers.

On March 9, 2017, the HC had, after subsequent hearings, quashed the Akhilesh government's decision to waive interest liability of mills and termed it as arbitrary, as cane growers' interest was not protected.

Meanwhile, RKMS is preparing to file an objection on the next date of hearing in the case on April 26, about two slabs of 7 per cent and 12 per cent for defaulting mills to pay interest and seek direction to mills to pay at a flat 12 per cent interest.

"Interest payment would ensure that mills would pay farmers within the stipulated 14 days of buying sugarcane from farmers, else they would attract further payment liability on account of interest," RKMS convener V M Singh told *Business Standard*, adding that the total liability of mills on this account for the three crushing seasons could touch almost ₹1,800 crore.

He said the instant case would serve as the precedent for successive crushing seasons as well and deter mills from holding up farmers' payment.

INDIA INC BOARDROOM SCORECARD ON CORPORATE GOVERNANCE

On March 28, 2018 the Sebi board had approved 40-odd proposals of the Uday Kotak-headed Committee on Corporate Governance. A year on, corporate India is yet to comply with some of the key recommendations, especially those related to the board of directors, data by NSEinfobase.com, an offering of PRIME Database, a primary market tracker, shows.

COMPILED BY SUDIPTO DEY

Woman independent directors

SEBI DECISION: At least one woman independent director in the top 500 listed entities (by market capitalisation) by April 1, 2019 and in the top 1,000 listed entities by April 1, 2020

IMPACT

March 28,'18

- 155 firms of top 500 NSE-listed entities (by m-cap) needed to appoint a woman independent director by April 1, 2019
- There were 336 firms, of top 1,000 NSE listed entities, that need to appoint a woman independent director by April 1, 2020

April 2, 2019

- 52 companies in the top 500 still need to appoint an independent woman director
- For top 1,000 NSE-listed companies, the number is down to 212

Age of non-executive directors

Sebi decision: FIrms having non-executive directors who are 75 years or older have to pass a special resolution for them to continue

IMPACT

March 28, 2018

- There were 1,162 directors in 698 firms who were 75 years or older

April 2, 2019

- 1,026 directors in 614 companies were 75 years or older

Of these 614 firms, 257 have passed special resolutions for 463 directors, all of which were passed. Outcomes of such special resolutions for 15 other firms having 26 directors are still pending

Number of directors

Sebi decision: Minimum six directors in the top 1,000 listed entities by April 1, 2019 (and in the top 2,000 listed entities by April 1, 2020)

IMPACT

March 28, 2018

- There were 65 firms in the top 1,000 listed entities that needed to increase the size of their board. At that time, there were 55 firms that had five directors, eight with four and two having three directors on their board. At that time 76 new directors had to be appointed in these firms

April 2, 2019

- There were still 35 firms in the top 1,000 listed entities that needed to increase the size of their board. 29 firms had five directors; five had four and one had two directors on its board. As such, 43 new directors have to be appointed in these firms

Number of directorships

Sebi decision: Reduction in the maximum number of listed entity directorships from 10 to eight by April 1, 2019 and to seven by April 1, 2020

Impact

March 28, 2018

- According to the Companies Act, 2013, and Sebi regulations that were already in place, there were only 2 directors who had to reduce listed entity directorships to eight by April 1, 2019 and 3 directors who had to reduce listed entity directorships to seven by April 1, 2020

April 2, 2019

- There was no director who still had more than eight directorships while there were four directors with more than seven.

Roles of chairperson & MD/CEO

Sebi decision: Separation of CEO/MD and chairperson (initially made applicable to the top 500 listed firms from April 1, 2020)

Impact

March 28 2018

- There were 165 firms of top 500 NSE-listed entities that had the same person as chairperson and MD and CEO and needed to segregate the roles by April 1, 2020

April 2, 2019

- This number is down to 154