GOLD	RUPEE	OIL	SILVER
₹32,670	₹69.43	$70.65*	₹38,120

*Indian basket as on May 6, 2019

SENSEX: 38,276.63 ▼ 323.71 **NIFTY:** 11,497.90 ▼ 100.35 **NIKKEI:** 21,923.72 ▼ 335.01 **HANG SENG:** 29,363.02 ▲ 153.20 **FTSE:** 7,307.16 ▼ 73.48 **DAX:** 12,225.44 ▼ 61.44

SECTOR WATCH MUTUAL FUNDS

Sebi plans changes in debt fund norms to protect investors

SUNNY VERMA
NEW DELHI, MAY 7

The planned changes in rules are aimed at ensuring that mutual funds act as investors on behalf of the unit-holders, and not as lenders or bankers as has been found in recent cases

IN THE wake of partial and delayed payments by various mutual funds in their fixed maturity plans (FMPs), the Securities and Exchange Board of India is expected come out with fresh guidelines to curtail excessive risk-taking by fund houses.

The planned changes in rules are aimed at ensuring that mutual funds act as investors on behalf of the unit-holders, and not as lenders or bankers as has been found in recent cases. The changes will pertain to fund houses having clear and enforceable collateral on their books when they invest in secured debt, lower exposure limits in single company and corporate group among others.

"Unlike mutual funds, banks have capital adequacy norms and they have the capacity to absorb losses in an event of a default. But when fund houses get into lending activity in the garb of investment, it exposes their investors to risk in an event of default by the investee company, as has been seen in recent cases of default (by Essel Group companies and IL&FS Group). The government and the regulator are working on three key issues to ensure effective regulation: the issue of collateral, adequate ratings of debt papers and appropriate exposure to a single company or a group," a government official familiar with the discussions said.

In the case of Essel Group companies where three top mutual funds had exposure of over Rs 950 crore, the fund houses have been stuck with their investments. One FMP of Kotak Mahindra Mutual Fund had over 19 per cent exposure to the two companies putting a significant portion of the scheme AUM at risk. The Indian Express earlier reported that while the two Essel Group companies that mutual funds had invested into were loss-making and had no capacity to repay, the funds were given against collateral provided by the promoters on their holding in Zee Entertainment.

Now with Zee Entertainment working out a stake sale (expected to be completed by September 30, 2019), the fund houses took a call to not encash the collateral till the resolution is attained.

SEBI is looking into these nuances of how collateral is created and its enforceability, sources said. The regulator is also expected to review investment restrictions imposed on funds at the issuer level and sector level. The limits on the exposure that funds can take in debt securities issued by a single company and a corporate group could be reduced to provide higher diversification.

As per existing SEBI rules, asset management companies need to ensure that the total exposure of debt schemes of mutual funds in a group does not exceed 20 per cent of the net assets of the scheme, which can be extended to 25 per cent. Over the last month, there has been a debate on mutual fund exposure to illiquid debt papers. Though MF exposure to IL&FS Group companies in 2018 came as a setback to investors, missives from Kotak Mutual Fund and HDFC MF to their investors, last month, created a scare in the market.

Kotak Mahindra Mutual Fund acknowledged that its FMP Series 183 had almost 27 per cent of the scheme corpus invested in IL&FS Transportation Networks Limited and two Essel Group companies – Edisons Utility Works and Konti Infrapower & Multiventures. It said that as on September 9, 2018, the scheme had 7.37 per cent of AUM invested in papers of ITNL and as on March 29, 2019, the scheme had 19.24 per cent of AUM invested in papers of Konti and Edisons. While the fund house had already written off investment in ITNL, it looked to assure the investors that it said that the fund house is working towards optimal recovery from two Zee Group companies.

In the meantime, while HDFC Mutual Fund was working hard to reassure its investors over exposure to Essel Group companies, the fund house reported fresh concerns on exposure of over Rs 230 crore in Hazaribagh Ranchi Expressway Limited, which defaulted on its debt obligations and forced the fund house to take a mark down of 37 per cent on its investment and accrued interest.

BILATERAL TRADE

'Significant' market access barriers faced by US businesses in India: Ross

India's imports of larger products from US may help offset trade surplus: Prabhu

ENS ECONOMIC BUREAU
NEW DELHI, MAY 7

US Commerce Secretary Wilbur Ross addresses a gathering at the Trade Winds Indo-Pacific Trade Mission and Business Forum in New Delhi, on Tuesday. *Reuters*

US SECRETARY of Commerce Wilbur Ross along with other members of the country's delegation in India met with Prime Minister Narendra Modi on Tuesday to discuss issues that have impacted trade between the two countries.

"We just had a meeting this morning with Secretary Ross and others ... with the Prime Minister in which we raised all of these issues very clearly and the government understands what our position is," said Kenneth I Juster, US Ambassador to India, during the Trade Winds Indo-Pacific Business Forum in Delhi.

"We must also recognise that it (India) remains a challenging market. The regulatory and policy environment is complex and often difficult to navigate. We at the US embassy and the US missions throughout this country will continually work with the Indian government to seek to lower barriers to trade and increase market access," he added.

According to Commerce Minister Suresh Prabhu, trade issues can be "sorted out in a way that benefits both countries."

"We have a trade surplus with the US," said Prabhu, adding that, at the same time, India's imports of larger products like aircraft from American companies like Boeing could help offset this surplus going forward.

However, the US Commerce Secretary reiterated the US government's criticism of India's regulatory and trade policies, which he said have caused an "imbalance" that needs to be counteracted.

American businesses currently face "significant" market access barriers in India, including tariff and non-tariff barriers as well as "multiple practices and regulations that disadvantage foreign companies," he said.

Despite India is expected to become the world's largest consumer market by 2030, it is only the US' 13th largest export market "due to overly restrictive market access barriers," said Ross.

"Meanwhile, the US is India's largest export market, accounting for something like 20 per cent of the total. There is a real imbalance," he said.

Even while US exports of goods to India last year increased by 29 per cent to $33 billion, the "problem" is that the US' imports from India had also increased over 10 per cent to $54 billion, representing a trade deficit of $21 billion in goods, said the US Commerce Secretary.

The US also had a trade deficit of $3 billion with India in the services sector last year, largely due to India's "very strong" capability in IT services, according to him.

Ross specifically mentioned India's average applied tariff rate (13.8 per cent), its tariff on automobiles (60 per cent), motorcycles (50 per cent), alcoholic beverages (150 per cent) and its bound tariff rates on agricultural products, which he said were as high as 300 per cent in some cases.

"These are not justified percentages. They are way too high," Ross said.

"Our goal is to eliminate barriers for US companies, operating here, including data-localisation restrictions that actually weaken data security and increase the cost of doing business," he added.

Other obstacles include price controls on medical devices and pharmaceuticals, and restrictive tariffs on electronics and telecommunications products, he said.

'UNITED STATES IS INDIA'S LARGEST EXPORT MARKET'

- India is the 13th largest export market for US "due to overly restrictive market access barriers", US Secretary of Commerce Wilbur Ross said
- "Meanwhile, the US is India's largest export market, accounting for something like 20% of the total. There is a real imbalance," he said
- "We must also recognise that it (India) remains a challenging market. The regulatory & policy environment is ... often difficult to navigate," Kenneth I Juster, US Ambassador to India, said

'Maharashtra, UP to drive capex in road sector in next 3 yrs'

The state-level spend on roads in Maharashtra and Uttar Pradesh is expected to grow at an annual rate of 22% to Rs 1.43 lakh crore by 2020-2021, according to a report by rating agency ICRA

ROBUST GROWTH

Capital expenditure by states on their roads is expected to witness robust growth over next three years supported by several expressway projects launched/announced by Maharashtra and Uttar Pradesh

₹1.43 LAKH CR	₹35,000 CR	₹20,000 CR
State-level spend on roads to rise at a CAGR (compound annual growth rate) of 22% from current level of Rs 96,000 crore in FY19 to Rs 1.43 lakh crore by FY21	In Maharashtra, estimated spend on Nagpur-Mumbai expressway is Rs 35,000 crore over next 3 years in addition to road programme via hybrid annuity mode	In UP, for Purvanchal and Ganga expressways together, the estimated spend over next three years is around Rs 20,000 crore

27% On average, these states have deployed around 27% of the development capital outlay towards roads and bridges

STATES SPEND MORE

Historically, the cumulative spend by the state governments on roads was much higher than the central government spend on national highways

RESOLUTION UNDER IBC

Essar Steel shareholder seeks ArcelorMittal's disqualification

ENS ECONOMIC BUREAU
MUMBAI/NEW DELHI, MAY 7

ESSAR STEEL Asia Holdings Ltd (ESAHL), which holds a significant stake in Essar Steel, has moved National Company Law Appellate Tribunal (NCLAT) seeking rejection of ArcelorMittal's Rs 42,000 crore bid to acquire the bankrupt steelmaker, alleging that its promoter Lakshmi Mittal hid his association with loan defaulting firms run by his brothers.

Seeking ArcelorMittal (AM) be declared ineligible to bid for Essar Steel, the petition cited Section 29A of the Insolvency and Bankruptcy Code (IBC) which bars promoters of defaulting companies from bidding for stressed assets. NCLAT which agreed to hear the plea by Essar Steel Asia Holdings and asked ArcelorMittal to respond to the plea, fixed May 13 as the next date of hearing.

Essar Steel Asia's plea comes weeks after the insolvency court cleared ArcelorMittal's bid for Essar Steel, which was auctioned by lenders to recover unpaid loans. It alleged that Mittal was a promoter of GPI Textiles Ltd, Balasore Alloys Ltd and Gontermann Piepers (India) Ltd — firms which are run by his brothers Pramod and Vinod Mittal — which were classified as non-performing assets (NPAs) by banks.

IBC rules had previously compelled Lakshmi Mittal to shell out an extra Rs 7,000 crore to clear bank dues of Uttam Galva Steels and KSS Petron where he held some stake and reportedly sold his holdings in one of them for Re 1 a share. According to an Essar Steel Asia statement, ESAHL enclosed with its application various documents which show that as late as September 30, 2018, Lakshmi Mittal was a co-promoter of Navoday Consultants Ltd (Navoday) along with his brothers Pramod Mittal and Vinod Mittal, and that Navoday was in turn a promoter of GPI Textiles, Balasore Alloys and Gontermann Piepers. "ESAHL has stated that these facts make it clear that AM has suppressed and concealed from the CoC and all courts that its promoter Lakshmi Mittal continued to have business relations with his brothers Pramod Mittal and Vinod Mittal, and accordingly AM was ineligible to submit a resolution plan under Section 29A of the IBC," it said.

ESAHL has further stated that AM was fully aware of such ongoing business association and consequent ineligibility and in order to hide this fact, Mittal sold his shareholding in Navoday between October 1, 2018 and December 31, 2018 and stopped showing himself as promoter of Navoday. "This is the same tactic that was previously used by AM to avoid making payment of the overdue debts of Uttam Galva Steels and KSS Petron and that the Supreme Court had previously held to be unlawful," it said.

"ESAHL had offered Rs 54,389 crore to the lenders of the company. The proposal was submitted to the CoC under Section 12A of the IBC and would have led to full upfront recovery of loans for the lenders, and maximum recovery for all other classes of creditors. This proposal was rejected by the CoC," ESAHL said.

It is learnt that Senior Counsel Mukul Rohatgi asked the court to allow him five minutes to argue that would bring out startling facts that may lead to rejection of the plan as they (AM) has suppressed and committed fraud on CoC, adjudicating authority and the Supreme Court. He said that they have suppressed their connection with the companies that are NPA.

EXPLAINED

Fresh plea adds a new layer of complexity

THE ESSAR Steel Asia Holding's plea to reject ArcelorMittal's Rs 42,000 crore bid for Essar Steel has added a fresh twist to the already stretched resolution process of the firm.

While insolvency proceedings were initiated against Essar Steel India Limited in June 2017 and admitted in August 2017, it has breached the mandated 270 days resolution norm by almost a year. While ArcelorMittal is yet to deposit Rs 42,000 crore despite instructions from National Company Law Appellate Tribunal (NCLAT), the plea submitted on Tuesday adds another layer of complexity over a near-term resolution of the case.

EU cuts growth forecasts over trade uncertainty

ASSOCIATED PRESS
FRANKFURT, MAY 7

THE EUROPEAN Union's executive arm has trimmed its forecasts for eurozone economic growth this year and next as uncertainty over trade conflicts and weakness in the auto industry hold back output. The European Commission lowered its outlook for growth this year in the 19 countries that use the euro currency to 1.2 per cent from 1.3 per cent in its previous forecast in February. The estimate for 2020 was trimmed to 1.5 per cent from 1.6 per cent.

It said that domestic demand was keeping Europe's economic upswing going in its seventh year, thanks to a strong job market, muted inflation and low borrowing costs. Europe's economy depends heavily on trade and has felt the effects from slowing global commerce and the trade dispute between the US and China. Auto companies are struggling with tougher emissions regulations in the US and China, and with trade disputes and uncertainty.

US PRESIDENT SAYS HE WOULD RAISE TARIFFS ON $200 BN WORTH OF CHINESE GOODS TO 25% FROM 10%

China plays down new tariff threat, says vice premier to visit US

REUTERS
BEIJING/WASHINGTON, MAY 7

Chinese Vice Premier Liu He (right) with US Treasury Secretary Steven Mnuchin (centre) and US Trade Representative Robert Lighthizer at Diaoyutai State Guesthouse in Beijing on May 1, 2019. *AP File Photo*

CHINESE VICE Premier Liu He will travel to Washington for trade talks on Thursday and Friday, Beijing said on Tuesday, setting up a last-ditch bid to avoid a sharp increase in tariffs on Chinese goods announced by US President Donald Trump.

US officials have accused China of backtracking in the past week on substantial commitments made during months of negotiations aimed at ending their bruising trade war, prompting Trump to issue a new deadline to raise tariffs on $200 billion worth of Chinese goods to 25 per cent from 10 per cent.

The higher tariffs would take effect on Friday if a deal is not reached by then, US Trade Representative Robert Lighthizer told reporters on Monday at a briefing that cast doubts over prospects for a deal.

The negative turn in sentiment over the talks between the world's two largest economies shook Wall Street, causing major stock indexes to tumble more than 1 per cent. Treasury yields and oil prices also fell as the potential for an unravelling of the trade talks sparked fresh concerns about global growth.

China's Commerce Ministry confirmed that Liu, who leads the talks for Beijing, will spend only two days in Washington, instead of the three days he had previously planned.

A person with knowledge of the talks said that Chinese negotiators sought to reverse earlier agreements to make changes to Chinese laws to reflect policy changes on a "comprehensive" range of issues. It would be difficult to overcome this setback and reach agreement on other sticking points, such as subsidies and cloud computing access, in just two days of talks, the person said.

China's response to the prospect of new tariffs has been reserved. On Tuesday, Foreign Ministry spokesman Geng Shuang said in a press briefing that mutual respect was the basis for reaching a trade agreement. "Adding tariffs can't resolve any problem," Geng said.

"Talks are by their nature a process of discussion. It's normal for both sides to have differences. China won't shun problems and is sincere about continuing talks," he said.

Beijing's willingness to continue with the talks in the face of Trump's tweets shows it would remain calm and "focus on the talks rather than engage in public opinion warfare", the widely-read state-run *Global Times* tabloid said in an editorial.

In a commentary, the paper's parent, the ruling Communist Party's official *People's Daily*, said China had weathered such threats from the United States before, and would keep calm.

"China has complete confidence to face all possible difficulties and challenges in the China-US economic and trade consultation process, which is why China has always been able to maintain its composure," it said on its app.

Lighthizer, who has been an advocate for tough structural changes in China, said on Monday that Beijing had reneged on previous commitments that would have changed the pact substantially.

"Over the course of the last week or so we have seen ... an erosion in commitments by China," Lighthizer told reporters. "That, in our view, is unacceptable." "We're not breaking off talks at this point. But for now ... come Friday there will be tariffs in place."

US Treasury Secretary Steven Mnuchin, considered to be less hawkish toward China, said its backtracking became clear with "new information" over the weekend. He declined to give specifics and said the US side had originally hoped to conclude a deal either way this week.

"They were trying to go back on language that had been previously negotiated, very clear language, that had the potential of changing the deal dramatically," Mnuchin said.

Trade tensions 'threat' to world economy: IMF

Paris: The head of the International Monetary Fund said on Tuesday that fresh trade tensions between the US and China were the main threat to the world economy. "Clearly the tensions between the US and China are the threat for the world economy," Christine Lagarde said, adding that recent "rumours and tweets" made an agreement between the countries less likely.

French Economy Minister, meanwhile, Bruno Le Maire warned about the impact of a trade war between the world's two biggest economies.

"We are following the current negotiations very closely between China and the US and we want them to respect the principals of transparency and multilateralism," he said.

Oil slips near 2% as trade war intensifies

REUTERS
NEW YORK, MAY 7

OIL PRICES slipped nearly 2 per cent on Tuesday, on track to fall to their lowest closing levels in over a month, as renewed doubts over a US-China trade deal stoked concerns over global growth and on expectations that US crude stockpiles could hit fresh 19-month highs.

Brent futures were down $1.26, or 1.8 per cent, at $69.98 a barrel by 1729 GMT, while US West Texas Intermediate crude fell 99 cents, or 1.6 per cent, to $61.26.

If futures close at their current levels, it would be the lowest settle for Brent since April 4 and WTI since March 29.

US crude production, meanwhile, is expected to rise to an all-time high of 12.5 million barrels per day (bpd) in 2019 from a record 11.0 bpd in 2018, according to the EIA's Short-Term Energy Outlook.

Cyclone Fani: Insurers brace for claims, IRDAI seeks quick action

GEORGE MATHEW
MUMBAI, MAY 7

INSURANCE COMPANIES are bracing for claims of up to Rs 1,000 crore resulting from cyclone Fani that devastated parts of Odisha. Insurance regulator IRDAI also stepped in on Tuesday and asked insurers to "initiate immediate action to ensure that all reported claims are registered and eligible claims are settled expeditiously".

According to insurance circles, claims have already started coming in, though insurance penetration is very low in the state. Insurers who have so far received highest Intimation for long term home insurance policy and SME policies, have started setting up special help desks to speed up settlement.

"A suitably simplified process/procedure including relaxations in the usual requirements wherever feasible may be considered to expedite claims settlement," IRDAI informed the insurers. "With regard to claims involving loss of life, where difficulty is experienced in obtaining a death certificate due to non-recovery of body etc, the process followed in the case of Chennai floods in 2015 may be considered," the regulator said.

"Though cyclone Fani has now almost disappeared and waters are receding, there is damage across the state as some areas have experienced heavy rainfall and heavy winds. SBI General is doing its part to extend a helping hand to its customers in the affected region by implementing a smooth, error free process. In order to expedite the claims process further, we have set up a special helpdesk to service the policyholders and appointed officers to oversee the claim settlement process," said Rikhil Shah, CFO, SBI General Insurance.

Insurers have already started getting claim intimations pertaining to commercial lines and motor. They are also expecting claims covered under crop insurance. "Details of offices/special camps set up for the purpose may be publicized… to enable immediate filing of claims," IRDAI said.

Houses damaged due to Cyclone Fani in Puri, Odisha. *Reuters File Photo*

Insurers said the size of claims could not be established right now since the update is pending from the surveyors. "Tentatively the average size of claims would be around Rs 2-2.5 lakh. There is power outage in Bhubaneswar and cellular networks are down," Shah said.

"It is usually during a natural disaster that true humanity is seen. Almost everyone is seen trying to help everyone, and that brings about unity," said an insurance official.

Insurance companies are likely to escape with minimum claims as most properties, especially houses, and crop were not covered for insurance in Orissa. Many of the claims may not result in payout as witnessed in the previous cases. In Kerala floods in August last year, most of the claims came from property, automobiles, resorts, restaurants and small units. Though total claims crossed over Rs 1,500 crore, all these claims did not result in cash payout.

The country had seen a spate of natural calamities in the last 5-6 years. Insurance companies received claims amounting to Rs 4,800 crore after the Chennai floods in December 2015. Insurers suffered losses of over Rs 4,000 crore in two other natural disasters — J&K floods and cyclone Hudhud in Andhra Pradesh and Odisha — that wreaked havoc in 2014. While Jammu & Kashmir floods led to insured losses of around Rs 1,500 crore, the losses due to Hudhud are estimated around Rs 2,500 crore. All these claims were settled by insurers.

When the cyclone Hudhud hit Andhra Pradesh, insured losses amounted to just 7.5 per cent of the total loss. J&K flood insured losses were just 6.5 per cent of the total loss.

According to a Swiss Re report, global insured losses from natural catastrophe events in 2018 were US $ 76 billion, the fourth highest on sigma records. More than 60 per cent resulted from so-called "secondary" perils. The combined insurance losses from natural disasters in 2017 and 2018, meanwhile, were US $ 219 billion, the highest-ever for a two-year period. Here too, more than half of the losses were due to secondary perils.

Munich Re said Asia was the worst-affected continent in terms of the number of events. It accounted for 43 per cent of all events worldwide and for 74 per cent of fatalities in 2018. Overall losses came to $59 billion.

CONSTRUCTION EXPECTED TO BE COMPLETED BY JULY 2023

NBCC seeks various concessions in resolution plan for Jaypee Infra

Firm offers to transfer ₹5,000 cr land parcel to banks, infuse ₹200 cr equity capital

SUNNY VERMA & SANDEEP SINGH
NEW DELHI, MAY 7

IN ITS revised resolution plan for debt-laden Jaypee Infratech Ltd, state-owned NBCC (India) Ltd has proposed to infuse Rs 200 crore equity capital in the company and transfer Rs 5,000 crore worth of land parcels of 950 acres to banks, sources said. NBCC plans to complete construction of the flats in phases between April 2021 and July 2023.

It has also offered to transfer 100 per cent equity in the Expressway SPV — to be created by transferring Delhi-Agra expressway assets of Jaypee Infratech — to the banks. NBCC has proposed that the banks should raise a minimum of Rs 2,000 crore against the Expressway SPV (by securitising its toll income) and provide Rs 1,500 crore from this amount to the state-owned company, which could utilise it for making upfront payments and to start construction on the stuck projects, the sources said.

While secured financial creditors with claims worth Rs 9,782.60 crore are being offered certain assets, operational creditors are being offered only Rs 20 crore against their combined debt of Rs 9,712 crore. The operational creditors include the income tax department and Yamuna Expressway Industrial Development Authority (YEIDA) and others. NBCC has offered to make 100 per cent upfront payment for principal dues of Rs 23 crore of the company's fixed deposit holders.

OPERATIONAL CREDITORS OFFERED ONLY ₹20 CR

- **Secured financial creditors with claims worth Rs 9,782.60 crore are being offered certain assets, while operational creditors are being offered only Rs 20 crore against their combined debt of Rs 9,712 crore**
- **It has also offered to transfer 100 per cent equity in the Expressway SPV – to be created by transferring Delhi-Agra expressway assets of Jaypee Infratech – to the banks**

Another Rs 62.40 crore is proposed to be paid upfront to buyers who had sought refund. NBCC has also demanded that Jaiprakash Associates Ltd (JAL), the parent company, should pay back a total Rs 716 crore to Jaypee Infratech Ltd. This amount comprise of Rs 405 crore collected by JAL from Jaypee Infratech Ltd as an advance for construction and another Rs 311 crore received by JAL from home buyers as IFMS (interest free maintenance security) charges.

For delay in delivery of flats to home buyers, NBCC has proposed to pay a delay penalty of 25 per cent of amount due till insolvency commencement date. This proposal comes with a condition that 25 per cent delay penalty will be paid only if Rs 750 crore deposited by corporate debtor with adjudicating authority (along with accrued interest on this amount) is made available to resolution applicant. These funds are lying with the National Company Law Tribunal (NCLT) as per the Supreme Court directive.

For any fresh delay penalty, NBCC has sought a moratorium of one year from revised delivery schedule which stretches till July 2023. After this, the company has proposed to make pay delay penalty at Rs 5 per square feet per month to the home buyers.

As part of the resolution plan, the existing equity promoter shareholders of Jaypee Infratech Ltd will not receive any amount as all their claims "will be deemed to be written off in full and stand permanently extinguished without any payment or other consideration," the sources said.

NBCC will de-list Jaypee Infratech Ltd from the stock exchanges. While promoters shares will stand extinguished at nil consideration, NBCC will provide exit price of Rs 1 crore to all non-promoter/public shareholders.

For quarter ending March 2019, public shareholder owned 54.19 crore shares (or 39.02 equity stake) in Jaypee Infratech Ltd, while promoters held 60.98 per cent equity stake, as per BSE data.

A Committee of Creditors (CoC) is scheduled to meet on May 9 to discuss the revised offer of NBCC Ltd after creditors rejected the offer of Mumbai-based Suraksha Realty.

NCLT begins bankruptcy process for RCom

PRESS TRUST OF INDIA
MUMBAI, MAY 7

THE LENDERS to the crippled Reliance Communications (RCom) Tuesday moved NCLT to appoint a new resolution professional and form a committee of creditors, the first step to begin the bankruptcy process of the Anil Ambani group company that owes close to Rs 50,000 crore to 31 lenders led by State Bank of India.

Meanwhile, RCom through the existing resolution professional, sought 13 months exclusion in the insolvency process citing the stays it had on the process by the appellate tribunal and the Supreme Court.

The RP sought the exclusion from April 30, 2018 to May 30, 2019 as the initial insolvency proceedings was stayed by the National Company Law Appellate Tribunal (NCLAT) and later by the apex court. RCom was in trouble for years forcing it to discontinue operations two years ago. Its effort to stave off bankruptcy by selling spectrum to Reliance Jio got scuttled after the long legal and government delays for approvals.

Also, the company has not been successful to meet any of the several publicly made promises to pay back the lenders by monetising real estate and spectrum assets. Last month company chairman Anil Ambani managed to avoid a contempt of the Supreme Court and a possible jail term after a last-minute bailout by elder brother Mukesh who extended him over Rs 480 crore to pay back vendor Ericsson, which was the first operational creditor to drag it to NCLT last year.

Earlier, China Development Bank from which RCom had borrowed over $1 billion, had dragged it to the NCLT which was settled after giving a portion of its headquarters DAKC in the nearby Navi Mumbai. On May 3, SBI held a meeting to shortlist an RP after issuing a request for proposal in April for a new RP. RCom's committee of creditors will have to approve a new RP with a 66 percent vote after the NCLT starts the insolvency process.

BRIEFLY

'Jalan panel to hold at least 2 more meets'

New Delhi: A high-level panel looking into appropriate capital reserves the RBI should maintain will hold at least two more meetings before finalising the report, former Reserve Bank governor Bimal Jalan, who is heading the committee, said. **PTI**

Piramal, Canada pension fund set up InvIT

New Delhi: Piramal Enterprises Tuesday said it has signed an initial pact with Canada Pension Plan Investment Board to cosponsor a USD 600 million renewable energy-focused infrastructure investment trust (InvIT). **PTI**

Alembic Pharma signs JVA with Chinese firms

Vadodara: Alembic Pharmaceuticals on Tuesday announced its Joint Venture Agreement (JVA) with China-based pharmaceuticals companies with an eye for the promotion and sales of its products in the Chinese market. Alembic has signed a JVA with SINE Pharmaceutical Laboratories, China and Adia (Shanghai) Pharma, China. **ENS**

Vedanta net profit falls 34% to ₹2,615 cr

New Delhi: Metals and mining major Vedanta Ltd on Tuesday reported a 33.8 per cent decline in consolidated net profit to Rs 2,615 crore for the March 2018 quarter, on the back of lower income. It had posted a consolidated net profit of Rs 3,956 crore in the corresponding quarter of FY'18, the company said in a filing to the BSE. **PTI**

Stake sales process of Zee at advanced stage

New Delhi: Essel Group said Tuesday the stake sale process of Zee Entertainment Enterprises is at an advanced stage. "The stake sale process of Zee Entertainment Enterprises Ltd undertaken by Essel Group, is in steady progress and at an advanced stage," Essel Group said in a statement. **PTI**

Royal Enfield recalls around 7,000 units

New Delhi: Royal Enfield on Tuesday announced the recall of nearly 7,000 units of its Bullet and Bullet Electra models to rectify faulty brake caliper bolt. **PTI**

'FLEXIBLE SPACE LEASING BY CO-WORKING OPERATORS SEES 4-FOLD JUMP IN JAN-MAR'

Co-working operators have leased 2.9 million sq ft of area, largely office space, during January-March 2019 across seven major cities — a jump of nearly four-fold from the year-ago period, to meet rising demand, as per a report by consultant CBRE

0.8 mn sq ft: Co-working players had leased just 0.8 million sq ft space in the corresponding period of the previous year

98%: Most deals by flexible space operators — 98 per cent — were closed in office spaces, and the remaining in mixed-use projects in Q1 2019

HIGH ON INVESTOR RADAR: Given that the Indian flexible space market is one of the biggest across APAC, it is anticipated that this segment will remain high on the investor radar as well," it said

MAGAZINE EXPECTED the leasing quantum of this segment to continue to rise and reach 10 million sq ft figure annually in 2020, from 7.1 million sq ft last year.

1.2 mn sq ft : Bengaluru — a leading commercial real estate market — saw 1.2 million sq ft of space being lapped up by co-working operators during the first quarter of 2019 calendar year from 0.2 million sq ft in the year-ago period

0.7 mn sq ft : In Hyderabad, co-working players leased 0.7 million sq ft space as against nil in the same period last year

DELHI-NCR: The space leased by co-working operators in both Delhi-NCR and Chennai rose to 0.3 million sq ft from 0.1 million sq ft, while in Pune it was flat at 0.2 million sq ft

DROP IN MUMBAI: Co-working entities took 0.1 million sq ft space on lease, a drop from 0.3 million sq ft in the year-ago period. Kolkata saw just 0.01 million sq ft space absorbed in co-working segment

46%: Hybrid and managed spaces drove leasing of flexible space, commanding a share of 46 per cent and 36 per cent, respectively, in Q1 2019

RUCHI SOYA RESOLUTION

DBS to move NCLT against Patanjali's ₹4,350-crore plan

MITALI SALIAN
MUMBAI, MAY 7

DBS BANK-SINGAPORE told the Mumbai National Company Law Tribunal (NCLT) on Tuesday it would move the tribunal against Patanjali Ayurved's proposed Rs 4,350-crore resolution plan for debt-laden Ruchi Soya. The foreign bank claimed it has not received a fair value on assets although it enjoys the status of a first charge holder.

Adjourning the hearing, the two-member NCLT bench also asked the resolution professional (RP) to submit a summary of how Patanjali intended to fund the acquisition.

Adjourning hearing, a two-member NCLT bench asked the resolution professional to submit a summary of how Patanjali intended to fund the acquisition

DBS is one of the 27 financial creditors to Ruchi Soya. According to documents available on the Ruchi Soya website, DBS bank-Singapore is a lender to the company and has extended it two external commercial borrowing facilities. Against this, the security interest in favour of the financial creditor is a first charge over present and future fixed assets of the company's manufacturing refinery units at Kandla (Gujarat), along with manufacturing units at Guna, Daloda and Gadarwara in Madhya Pradesh, and Baran (Rajasthan). The lender was expected to file the papers later on Tuesday and will present its case in detail at the next hearing.

Ruchi Soya Industries was admitted into the CIRP on December 15, 2017, based on application of financial creditors Standard Chartered Bank and DBS Bank under the provisions of Section 7 of the Insolvency and Bankruptcy Code, 2016 (IBC). A food and agri products company, Ruchi Soya owns several brands such as Nutrela, Sunrich, Mahakosh, Ruchi Gold and Ruchi Star.

The company posted a net profit of Rs 6.30 crore in Q3FY19 against a loss of Rs 1,956.60 crore in Q3FY18. **FE**

Amazon set to open first Go store that accepts cash

ASSOCIATED PRESS
NEW YORK, MAY 7

AMAZON LAUNCHED its high-tech Go convenience store a year ago, where shoppers can pull items off the shelf and walk out.

Now it's adding a decidedly low-tech feature: accepting cash.

Its new store opening in New York City Tuesday will be the first Amazon Go store to do so. At its other shops, customers can only enter with an app that links to a credit card or an Amazon account.

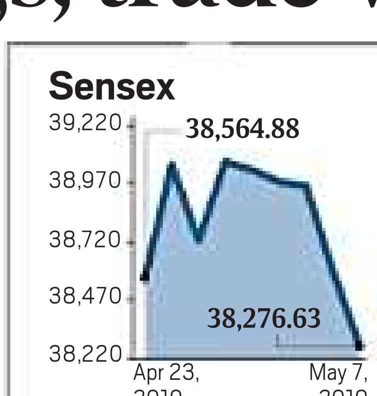
The company, facing backlash from critics who say cashless stores discriminate against the poor, confirmed last month that it was working on a way to accept paper bill and coins. In the new store, employee will swipe those who want to pay by cash through the turnstile entrance. After shoppers grab what they want off the shelves, an employee will scan each item with a mobile device and check them out. There still won't be cash registers in the store.

Cameron Janes, who oversees Amazon's physical stores, says the way it accepts cash could change in the future.

Domestic markets log fifth straight loss as earnings, trade war concerns linger

ENS ECONOMIC BUREAU
MUMBAI, MAY 7

INDIA'S STOCK markets on Tuesday witnessed a last-hour sell-off as US-China trade tiff and lukewarm corporate earnings stoked fears of uncertainty among investors.



Investor sentiment took a beating after IMF chief Christine Lagarde said US-China trade tensions were a 'threat' to the world economy. Closing down for the fifth session in a row, the 30-share Sensex, which swung around 600 points intra-day, ended 323.71 points, or 0.84 per cent, lower at 38,276.63. The BSE index hit an intra-day low of 38,236.18 and a high of 8,835.54. Similarly, the NSE Nifty dropped 100.35 points to settle below the 11,500 level at 11,497.90. During the day, the bourse hit a low of 11,484.45 and a high of 11,657.05.

Vinod Nair, Head of Research, Geojit Financial Services, said, "markets gave up the initial pull back as weakness in global peers on account of trade tensions dragged the sentiment. India is facing stiff resistance given mixed Q4 results and the upcoming big event risk. FIIs turned sellers in the last two days and mid and small cap continued to underperform."

Among other factors, the depreciating rupee and weak global sentiment dampened the mood on domestic bourses. The Sensex was mainly dragged by Tata Motors, ICICI Bank, Bharti Airtel and Reliance Industries which fell up to 4.60 per cent. The quarterly results of ICICI Bank and Bharti Airtel failed to attract investors and both the companies saw constant sell-offs during the session. On the other hand, HUL, L&T, PowerGrid, Infosys, ONGC and Bajaj Auto ended higher.

After starting the session on a high note, stocks came under heavy selling pressure as domestic investors' sentiment took a beating after IMF chief Christine Lagarde said US-China tensions were a 'threat' to the world economy. Global markets have been rattled by the concerns over the health of the world economy ever since US President Donald Trump on Sunday threatened to hike tariffs on $ 200 billion worth of Chinese goods.

Investor sentiment took a beating after IMF chief Christine Lagarde said US-China trade tensions were a 'threat' to the world economy

Both Sensex and Nifty also marked its longest losing streak since February 19 this year. "Indian market has been on a shaky ground for the past couple of days driven by ambiguity associated with the US-China trade negotiations and less-than-inspiring ongoing corporate earnings season," said Jagannadham Thunuguntla, Senior VP and Head of Research (Wealth), Centrum Broking.

Sectorally, BSE telecom, energy, oil and gas, bankex, metal and realty indices took a beating, ending up to 2.44 per cent lower. In the broader market, BSE midcap and smallcap indices too ended in the red, dropping up to 0.98 per cent. Shares of ICICI Bank fell by nearly 4 per cent on Tuesday after the company's fourth quarter earnings failed to impress investors.

Chinese bourses, however, recovered with Shanghai Composite Index ending in the green. Equities in Japan and Korea closed in the red. European stocks were also trading lower in early trade. The Indian rupee was trading flat at 69.39 against the US dollar intra-day. Global benchmark Brent crude was trading 0.74 per cent lower at USD 70.71 per barrel.

The rupee Tuesday slipped further by 3 paise to close at 69.43 against the US currency due to fag-end dollar demand from banks and importers amid sustained foreign fund outflows. Losses in the domestic equity market and a strengthening dollar against major currencies overseas amid trade worries also weighed on the currency.

Hughes, Airtel set to combine VSAT operations

ENS ECONOMIC BUREAU
NEW DELHI, MAY 7

BHARTI AIRTEL and Hughes Communications India will be combining their VSAT operations creating a leader in satellite communication with 63.59 per cent market share.

As per the agreement, Hughes will have majority ownership in the combined entity while Airtel will also have a significant shareholding.

As per data from Trai, at the end of December, Hughes Communications had 103,168 VSAT subscribers with 35.89 per cent market share followed by Airtel with 79,604 subscribers and 27.70 per cent share.

In terms of revenues from VSAT services, Bharti Airtel earned Rs 25.85 crore as adjusted gross revenue for October-December quarter whereas the same for Hughes Communications stood at Rs 31.52 crore.

As per an official statement, the combined entity will benefit from enhanced scale, improved operational efficiencies and wider market reach. **FE**

Google demos car bookings by voice assistant at I/O event

REUTERS
MOUNTAIN VIEW, MAY 7

ALPHABET INC'S Google business on Tuesday demonstrated a way to rent cars automatically through voice commands to the company's virtual assistant tool, a new breakthrough for its artificial intelligence services.

The capability, which Google demonstrated with National Car Rental's website, builds on the company's push over the last two years to integrate more artificial intelligence-fueled features into its virtual helper, Google Assistant.

It also works with movie ticket bookings and aims to free users from manually filling out forms on websites, Google chief executive Sundar Pichai said on stage at Google I/O, an annual event held near the company's headquarters in Mountain View, California.

The event attracts about 7,000 software developers who create apps for Google Assistant or other company platforms.

Google chief executive Sundar Pichai. *AP File Photo*

Google also on Tuesday launched its most affordable smartphone model yet, the Pixel 3a. Starting at $399, it could help the company reverse flagging sales of more premium phones.

In another hardware move, Google said it would re-brand all of its "Home" hardware as "Nest," reflecting the thermostat maker it purchased in 2014. The Google Nest Hub Max, a larger version of Google's smart speaker with a display, will arrive later this year, the company said. Priced at $229, the Max will include a camera with facial recognition technology.