

'STAFF NEEDS TO BE COOPERATIVE; LEARN TO LIVE IN A COMPETITIVE WORLD' Will move Cabinet note soon on revival package for BSNL & MTNL, says Prasad

ENS ECONOMIC BUREAU NEW DELHI, JUNE 28

HAVING POINTED out that stiff competition in mobile segment, high employee cost and absence of 4G services in a data-centric telecom market is eroding the competitive strength of state-owned telecom companies Bharat Sanchar Nigam Ltd (BSNL) and Mahanagar Telephone Nigam Ltd (MTNL), Minister of Communications Ravi Shankar Prasad said Friday that the government is preparing a revival package for the two public sector firms.

He added that one of the proposals being looked at, was the companies launching 4G services. Currently, neither of BSNL or MTNL have spectrum to deploy 4G.

"We will make a very focused attempt for revival of BSNL and MTNL and very soon we will be moving a Cabinet note. There are three reasons for this initiative — firstly, these

EXPLAINED Rationalising high employee cost may be in focus

SEVERAL PROPOSALS to merge, shut down, divest and revive the two sick telecom PSUs have been discussed by the government.

However, increasing competitive landscape in the telecom sector that rendered several private firms out of business is creating pressure on these companies. Rationalising the high employee cost for these two firms — 75.06 per cent of total income for BSNL and 87.15 per cent for MTNL, compared with 2 to 5 per cent for private companies — could be one of the priority areas the telecom ministry could look at while preparing the revival package.

two companies are a national asset, they operate in strategic areas that concern defence and home affairs, and lastly they are at the forefront of giving free services at time of natural calamities. A revival package is being worked out to make them more competitive and we will try to ensure that there is least pressure on the government," Prasad told reporters.

"I would appeal to the employees of these companies to be cooperative, professional and learn to live in today's com-

petitive world. Our government supports competition, some element of disruption does come but we must appreciate the benefits of competition. I have noted some consolidation in the sector and that is a natural process ... but my government will ensure that competition is fair now," he added.

It is learnt that to prepare the revival package for the two telecom public sector undertakings (PSUs), the Department of Telecommunications (DoT) is looking at the recommendations of IIM Ahmedabad and Deloitte that were mandated to prepare a report on revival of the two companies.

For allocation of 4G, the report had noted: "...there is the opportunity cost of 4G spectrum, additional capex for 4G roll-out and risk of continuing with business-as-usual attitude. On the other hand, non-allocation would result in further loss of market-share, revenue and loss of morale among the employees. On balance, we recommend that 4G spectrum may be allocated for five years conditional on BSNL addressing the issues related to manpower, real estate monetisation/utilisation and improvement in market-share/operating performance".

Notably, BSNL steered clear of the 4G technology when most operators were rolling out the service, citing high investment costs.

However, in the recent months, the service provider has launched 4G in some locations across the country.

Both BSNL and MTNL had also requested the government for the allotment of spectrum in 800 MHz, 1,800 MHz and 2,100 MHz bands for providing 4G services in different service areas. However, considering the Supreme Court judgment in the 2012 2G case, the DoT has referred the matter of administrative allocation of spectrum to the Solicitor General of India for his opinion.

DHFL postpones financial results by two weeks, shares fall 11.75%

ENS ECONOMIC BUREAU MUMBAI, JUNE 28

DEWAN HOUSING Finance Corporation Ltd (DHFL) on Friday postponed its financial results for the quarter and year ended March 2019 by two weeks. DHFL shares plunged by 11.75 per cent to Rs 72.10 on the BSE following the decision to postpone the board meeting to approve the results.

DHFL said the postponement is due to "certain unforeseen operational engagements including non-availability of a few directors to ensure participation of all the members of the audit committee as well as the board for taking into consideration and approval of the

The company said the postponement is due to "certain unforeseen operational engagements ..."

financial results for the fourth quarter/financial year ended March 31, 2019".

"The date of the board meeting... to consider and approve the audited financial results of the company for the fourth quarter/financial year ended March 31, 2019, and matters relating to the ensuing annual general meeting, as intimated earlier that June 29, 2019, is being postponed to July

13, 2019," DHFL said in a filing. Earlier this week, it said it will shortly divest its full stakes in subsidiaries DHFL Pramerica Asset Managers and DHFL Pramerica Trustees.

The firm earlier this week defaulted on 60 per cent of principal repayment on its commercial papers worth Rs 375 crore. It defaulted on principal repayment on CPs worth Rs 225 crore, while the payment on rest of Rs 150 crore (40 per cent) was done. DHFL also said the balance of Rs 225 crore will be paid once the surplus cash flow position improves over the next couple of days. It has resorted to various modes of fund mop-up including stake sale in subsidiary firms to meet its debt obligations.

INTERVIEW: CHAIRMAN & MD, DEWAN HOUSING FINANCE CORPORATION LTD

'Hope to conclude stake sale in two weeks; sector needs govt intervention on multiple fronts'

Under pressure to meet repayment obligations in a scenario where fresh funding has dried, KAPIL WADHAWAN, chairman and MD, DHFL, told SANDEEP SINGH that the company is hopeful of concluding stake sale with strategic investor over the next couple of weeks. Stating that several players in the industry are under stress, he pointed out the need for steps on multiple front to arrest the crisis. Excerpts:



"So what choices are left with sector as a whole in the absence of fresh borrowing from the system — to go sell off your assets, generate liabilities and clear off your obligations. It also shows the shallowness of our debt markets"

KAPIL WADHAWAN, CHAIRMAN AND MD, DHFL

While DHFL is under stress, how do you see the macro problem?

Because of the IL&FS issue and uncertainty surrounding any solution, the market confidence is shaken and because of that mutual funds went into a shocked-freeze. So both short-term lending and long-term lending by banks has stopped. Also, while credit demand is still domestically-led and high, supply looks choked across most categories.

Where do you borrow from now?

Even though our asset base is large and we may have contributed significantly to the core sector of the economy, including housing for low and middle income segment, which is a priority area, we are facing this issue. So what choices are left with the sector as a whole in the absence of fresh borrowing from the system — to go sell off your assets, generate liabilities and clear off your obligations. It also shows the shallowness of our debt markets. For a country of our economic size and aspiration, we need to develop debt markets and bond markets.

While you have been selling assets to generate resources, how long can you manage without a liquidity support?

It has been a harrowing task for us and since September 2018, while we have repaid obligations worth over Rs 42,000 crore, the only fresh borrowing in this period was Rs 2,000 crore in November through NCDs. All we have done is to sell our retail assets and we are now in the process of selling our wholesale assets to the same banks. However, if liquidity doesn't come into the industry, the industry can't stand tall for too long. It will crumble one after another as everyone is in pain and rightly so, because if the supply side is closed then what can one do. It is not just our problem,

many HFCs and NBFCs are under stress. So, the solution has to be a collective one.

What is the progress on strategic sale?

From our perspective, the solution lies in the fact that we are in the process of finalising stake sale with a large strategic investor. So the stake sale process is on and the discussions with potential investors are at advanced stage with due diligence process nearly complete. We are hopeful that it will conclude over the next couple of weeks. It should help the company as a large investor will bring in equity capital as well as the power to originate additional debt.

Do you see that the government and regulators are working to resolve the crisis and will a liquidity window at this time solve the problem?

Yes, I am absolutely certain that there is a clear intent within the government and it sees the challenge and the problem. I think the government and the Reserve Bank will have to come together along with the participants and come out with the solutions to be implemented. Multiple things need to be done. One, clearly, is to make money available in the system by flooding the market with instruments that provide liquidity. The confidence needs to be restored. I think the time is of essence. Nine months have already gone and as more time gets

spent on analysing the problem, it will only deteriorate the underlying base of financial institutions.

While the SLR can be brought down by three-four per cent to infuse liquidity, there has to be focus on reviving the real estate sector. While liquidity has to be provided, supply bottlenecks need to be removed. Also, while all channels of funding — mutual funds, insurance companies, provident funds and banks — are getting closed, PSU banks have to start lending.

How do you see the credit rating agencies' move to downgrade your rating to D?

Unfortunately, without getting into actual dynamics of things, people start inferring things. On June 4, when our delay happened, we cured it within the curing period, but did the curing have any impact on the ratings? The moment you assign 'D' rating, everyone started taking a mark down in their MF schemes. When you see four notch downgrade in a fortnight, who do you talk to? What's the review mechanism for knee jerk rating actions? While Crisil and ICRA downgraded our NCDs following the delay on June 4, they even downgraded my CPs in anticipation, even as the CP payment was not due. What kind of predictive analysis is this? They have only perpetuated my problems further.

There is an argument that your books are skewed more toward wholesale?

I had around Rs 80,000 crore of retail book and rest was wholesale. Over the last nine months, I sold almost Rs 42,000 crore of retail asset and what is left is Rs 38,000 crore of retail and rest wholesale. If my retail and wholesale asset was 75 per cent and 25 per cent respectively before the beginning of the crisis, it is now at 50-50.

Mutual funds are saying that they are cautious on HFCs that have ALM mismatch?

So, where do the housing finance companies go, how does one raise long term fund. That means this country needs specialised banks, just like building societies in UK, specialised mortgage banks in Germany and even in the US. Specialised lenders with special windows of dispensation available, going out and raising debt from the market.

Fiscal deficit touches 52% of full year target in first two-months

PRESS TRUST OF INDIA NEW DELHI, JUNE 28

THE GOVERNMENT'S fiscal deficit touched 52 per cent of the budget estimate for the full year in the first two months of 2019-20.

In absolute terms, the fiscal deficit or gap between expenditure and revenue, was Rs 3,66,157 crore, as per the data released by the Controller General of Accounts (CGA).

The fiscal deficit was 55.3 per cent of 2018-19 budget estimate in the year-ago period.

In the Interim Budget passed in February, the government had estimated the fiscal deficit at Rs 7.03 lakh crore for 2019-20.

The government aims to restrict the fiscal deficit at 3.4 per cent of the GDP during the current fiscal, same as the last financial year.

The CGA data showed that revenue receipts of the government during April-May, 2019-20 was 7.3 per cent of the Budget Estimate (BE). In the year-ago period also, the revenue receipts were at similar level.

However, the capital expenditure was only 14.2 per cent of the BE as compared to 21.3 per cent in the year-ago period.

Total expenditure during April-May period stood at Rs 5.12 lakh crore or 18.4 per cent of BE. It was 19.4 per cent of BE in the corresponding period of the last fiscal.

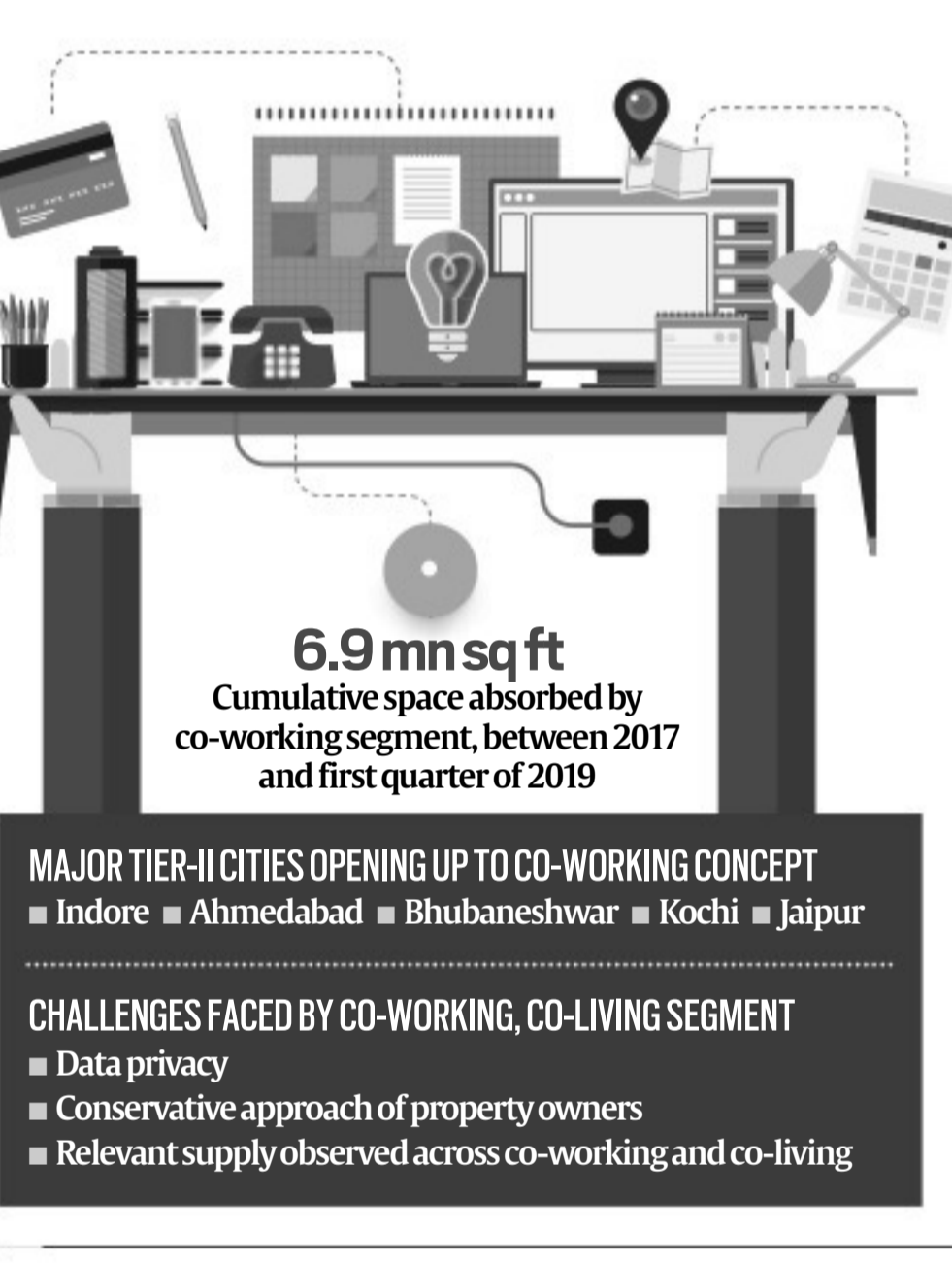
The interim budget has fixed target of getting fiscal deficit at 3.4 per cent.

According to a report released by India Ratings, "Based on the current trend in GDP and tax-/non-tax revenue growth, we believe adhering to the fiscal deficit target at 3.4 per cent will be difficult without squeezing expenditure."

'Co-living to offer ₹1 lakh cr business opportunity by 2023'

Co-living segment will offer a business opportunity of Rs 1 lakh crore by 2023 as demand for shared rental space is rising, according to the reports 'Co-Living — Reshaping Rental Housing in India' and 'Co-Working — Reshaping Indian Workplaces', jointly released by JLL and FICCI

- 5.7 mn:** Expected capacity of beds by 2023, as against 3.6 million in 2018
- 12%:** Rise in co-working share in total office leasing in first quarter (January-March) 2019, as against 8 per cent in year-ago period, driven by demand for shared office space from corporates, start-ups and entrepreneurs
- 20-25%:** Cost savings offered by co-working, compared to traditional office space leasing
- 2-4x:** Higher returns offered by co-working, compared to the traditional residential yield of 2-3 per cent



CAD falls to 0.7% in Q4 of 2018-19

Current account deficit was 1.8% (\$13 bn) of GDP in fourth quarter of 2017-18

ENS ECONOMIC BUREAU MUMBAI, JUNE 28

AIDED BY a fall in trade deficit, India's current account deficit (CAD) has declined to 0.7 per cent (\$4.6 billion) of GDP in the fourth quarter of 2018-19 from 1.8 per cent (\$13.0 billion) of GDP in the same period of 2017-18.

The contraction of the CAD on a year-on-year (y-o-y) basis was primarily on account of a lower trade deficit at \$35.2 billion as compared with \$41.6 billion a year ago, the Reserve Bank has said. CAD was down from 2.7 per cent (\$17.7 billion) in the preceding quarter ended December 2018.

However, CAD increased to 2.1 per cent of GDP in fiscal 2018-19 from 1.8 per cent in 2017-18 on the back of widening of the trade deficit. India's trade deficit increased to \$180.3 billion in 2018-19 from \$160.0 billion in 2017-18. CAD is a measurement of a

External debt up 2.6% to \$543 bn

Mumbai: India's external debt witnessed an increase of 2.6 per cent at end-March 2019 over its level at end-March 2018, primarily on account of an increase in short-term debt, commercial borrowings and non-resident Indian (NRI) deposits.

Total external debt was placed at \$543 billion, recording an increase of \$13.7 billion over its level at end-March 2018, the RBI said. The increase in external debt was partially offset by valuation gain resulting from the appreciation of the US dollar. **ENS**

country's trade where the value of the goods and services it imports exceeds the value of the products it exports. It includes net income, such as interest and dividends, transfers such as foreign aid and foreign investments. Net services receipts increased by 5.8 per cent on a y-o-y basis mainly on the back of a rise in net earnings from telecommunications, computer and information services, the RBI said. Private transfer receipts, mainly representing remittances by Indians employed overseas, at \$17.9 billion, declined by 0.9 per cent from their level a year ago.

In the financial account, net foreign direct investment at \$6.4 billion in Q4 of 2018-19 remained at the same level as in Q4 of 2017-18. Foreign portfolio investment recorded net inflow of \$9.4 billion in Q4 of 2018-19 as compared with \$2.3 billion in Q4 a year ago, on account of net purchases in both debt and equity market.

Net inflow on account of external commercial borrowings to India increased to \$7.2 billion in Q4 of 2018-19 from \$1 billion a year ago, the RBI said. In Q4 of 2018-19, there was an accretion of \$14.2 billion to the foreign exchange reserves (on BoP basis) as compared with \$13.2 billion in Q4 of 2017-18.

In 2018-19, net FDI inflows at \$30.7 billion in 2018-19 were marginally higher than \$30.3 billion in 2017-18. Portfolio investment recorded a net outflow of \$2.4 billion in 2018-19 as against an inflow of \$22.1 billion a year ago. In 2018-19, there was a depletion of \$3.3 billion of the foreign exchange reserves (on a BoP basis).

"We can expect the CAD to be around 2.5 per cent next year. For FY20, the critical factors would be — trade balance which will tend to widen and software and private transfers which could slow down in case world economy grows at a lower rate," said Care Ratings chief economist Madan Sabnavis.

SPENT NEARLY 30 YEARS AT COMPANY; LED DESIGN OF IMAC THAT HELPED APPLE RE-EMERGE FROM NEAR DEATH IN 1990s

Apple design chief Jony Ive, Steve Jobs' confidant, to leave and start own firm

STEPHEN NELLIS SAN FRANCISCO, JUNE 28

JONY IVE, a close creative collaborator with Apple Inc co-founder Steve Jobs whose iPhone and other designs fueled Apple's rise to a \$1 trillion company, will leave later this year to form an independent design company.

Apple said Ive will continue work on its products at his new venture, but shares fell as much as 1.5 per cent to \$197.44 in after-market trading, wiping about \$9 billion from the firm's value.

Ive spent nearly 30 years at



Apple CEO Tim Cook (left) and chief design officer Jonathan Ive at the Apple Worldwide Developers Conference in San Jose, California, on June 3, 2019. AP File Photo

Apple, leading the design of the candy-colored iMacs that helped Apple re-emerge from near death in the 1990s to the iPhone, regarded by some as one of the most successful consumer products of all time. "It's the most significant departure of somebody who was a core part of the growth story" under Jobs, said Ben Bajarin, analyst, with Creative Strategies.

Ive joined Apple in 1992 and led Apple's design teams since 1996. He became chief design officer in 2015. Ive's new company will be called LoveFrom, the Financial Times reported, quoting Ive as saying it would be based in

California "for now." Ive told the newspaper he would work on Apple devices in addition to unspecified "personal passions" and non-Apple projects. "I have the utmost confidence in my designer colleagues at Apple, who remain my closest friends, and I look forward to working with them for many years to come," Ive said.

Ive's departure comes amid falling iPhone sales, including a record drop in Apple's most recent quarter. Jobs deeply involved himself in Apple's design process, sometimes even visiting Apple's design studios daily to offer Ive feedback. **REUTERS**

'Mac Pro production to move to China from US'

Bengaluru: Apple Inc is shifting manufacturing of its new Mac Pro desktop computer to China from the United States, the Wall Street Journal reported on Friday, citing people familiar with the matter.

The move comes at a time when the Trump administration has threatened to impose new levies to cover nearly all imports from China and pressured Apple and other manufacturers to make their products in the United States if they want to avoid tariffs.

Last week, Apple asked its major suppliers to assess the cost implications of moving 15 per cent-30 per cent of their production capacity from China to Southeast Asia, according to a Nikkei report.

China is a key market for Apple as well as a major production center for its devices. The company got nearly 18 per cent of its total revenue from Greater China in the quarter ended March. Apple's Mac Pro, a \$6,000 machine used by creative professionals, has been facing waning

demand, the Journal said.

"Like all of our products, the new Mac Pro is designed and engineered in California and includes components from several countries including the United States," an Apple spokesman said. "Final assembly is only one part of the manufacturing process."

Apple's decision coincides with the end of tax subsidies that it got for making the desktop in a plant in Texas run by contract manufacturer Flex Ltd, according to the Journal. **REUTERS**

Calcutta HC sets aside CAT order in compulsory retirement case

ENSE ECONOMIC BUREAU
NEW DELHI, JUNE 28

THE CALCUTTA High Court on Friday nullified the order of the Central Administrative Tribunal (CAT)'s Kolkata Bench, terming it as 'usurpation of jurisdiction'. The CAT order on Wednesday had stayed "compulsory retirement" handed to an Indian Revenue Service (IRS) official under Section 56(j) of fundamental rules.

The government argued in the high court that CAT was required to refer the matter to a division Bench, but instead the matter was heard by a single judicial member of the tribunal. The government also produced documents to prove that division Bench was available on the date the matter was heard and decided by the CAT.

The HC, while setting aside the CAT order, said the single judicial member of CAT had usurped a jurisdiction that did not vest in him. The court added that the order had committed judicial impropriety, and directed other issues related to matter be heard by the division Bench of CAT, which would not include the judicial member who had heard the case earlier.

Over the last month, the government has used 56(j) to retire at least 27 revenue department officials who have been facing corruption cases. Under this Section, the performance of an officer who has turned 50 or 55 or has completed 30 years of service (whichever is earlier), is reviewed to ascertain if he/she is liable for compulsory retirement.

Though the Section 56(j) has been in vogue for several decades,

it has sparingly been invoked.

On Thursday, Lucknow Bench of Allahabad High Court in another case related to 56(j) directed the Lucknow Bench of the CAT to first decide whether it had jurisdiction over such matter. The tribunal had passed an order asking the Central government to produce all records of 'compulsory retirement' case in relation to Ram Kumar Bhargava, an IRS official.

The government had challenged the CAT order on the ground that the CAT at present has no jurisdiction because there is an alternate remedy available to the retired officer to file representation before the Representation Committee under Rule 56j. In a similar case earlier this week, the CAT Bench in Odisha heard the matter but the order was reversed. **FE**

Das cautions against cherry-picking of data by experts

PRESS TRUST OF INDIA
MUMBAI, JUNE 28

RESERVE BANK Governor Shaktikanta Das Friday cautioned against cherry-picking of data by experts, saying correlations can conveniently be used to establish "spurious causality" to achieve desired results. His remarks come in the backdrop of recent controversies over GDP data after former Chief Economic Adviser Arvind Subramanian in a research paper claimed that India has over-estimated its economic growth.

"The doctrine, even tradition, of statistical significance in scientific research has come under some cloud for its veracity and the journal American Statistician published a special edition on this issue earlier this year," he said, at RBI's 13th Annual Conference.

"Similarly, an opportunity to cherry-pick variables is available. In other words, correlations can conveniently be extended to establish spurious causality," the Governor said.

Interest rate on small savings schemes cut by 0.1% for Q2FY20

PRESS TRUST OF INDIA
NEW DELHI, JUNE 28

THE GOVERNMENT Friday reduced interest rate on small savings schemes, including NSC and PPF, by 0.1 per cent for the July-September quarter.

The move is aimed at matching the softening of interest rates in the banking sector since the RBI cut its benchmark policy rate thrice during the year. Barring interest on savings deposits, which has been retained at 4 per cent annually, rate on all other schemes has been slashed by 0.1 per cent.

"On the basis of the decision of the government, interest rates for small savings schemes are to be notified on a quarterly basis," the Finance Ministry said while notifying the rates for the second quarter of financial year 2019-20.

Public Provident Fund (PPF) and National Savings Certificate (NSC) will fetch annual interest rate of 7.9 per cent from the existing rate of 8 per cent, while Kisan Vikas Patra (KVP) will yield

PPF and NSC will fetch annual interest rate of 7.9 per cent from the existing rate of 8 per cent, while KVP will yield 7.6 per cent with maturity of 113 months.

At present, interest rate on KVP is 7.7 per cent and maturity is 112 months. The girl child savings scheme Sukanya Samridhi Account will fetch a lower return of 8.4 per cent from 8.5 per cent.

Term deposits of 1-3 years will fetch interest rate of 6.9 per cent, to be paid quarterly, while the five-year quarterly pegged at 7.7 per cent and for recurring 7.2 per cent from existing rate of 7.3 per cent.

Furthermore, interest rate for the five-year Senior Citizens Savings Scheme will now fetch a lower rate of interest at 8.6 per cent from 8.7 per cent.

FORMER RBI DEPUTY GOVERNOR RELEASES NEW PAPER

'Need to push up savings rate to achieve new growth trajectory'

ENSE ECONOMIC BUREAU
NEW DELHI, JUNE 28

FORMER RESERVE Bank of India Deputy Governor Rakesh Mohan said there is a need to increase savings and investment rate to move India to a new growth trajectory in the future.

"Pushing up exports growth, which has been almost nil in the last six years, is needed to expand and it is possible since the world demand for manufactured goods will rise manifold in the coming years," he said on Friday at the release of his new paper, 'Moving India to a New Growth Trajectory', at Brookings India.

Mohan said historically, Indian growth accelerations have been accompanied by higher gross domestic investment rates, largely financed from correspondingly increasing domestic savings, supplemented modestly by external savings including foreign direct investment (FDI). He said the secular uptrend in domestic growth

"The Aayog's function to coordinate public investment programmes between ministries at the central level and across states must be restored, but within the framework of new cooperative federalism"

RAKESH MOHAN
EX-DEPUTY GOVERNOR, RBI

since Independence is clearly associated with consistent trends of increasing domestic savings and investment over the decades.

Gross domestic savings increased from an average of 11 per cent of GDP during 1950-65, to over 33 per cent of GDP in 2003-08 (37 per cent in 2007-08); over the same period, the domestic investment rate also increased continuously from 12 per cent to 34 per cent (38 per cent in 2007-08).

But the savings rate has fallen in recent years, and the reasons are not very clear. "This is, to my

mind, the major issue," that needs to be tackled, Mohan said. Household savings reached about 21 per cent of GDP during 1997-2003 and ascended further to just under 24 per cent during 2008-11, but have since fallen to around 17 per cent in 2016-2018. There has been a dramatic fall in net household financial savings from the high of 11-12 per cent of GDP reached in 2007-08 to around 7 per cent in recent years, he said.

"These need to be restored to the 10 per cent level in the near future (from 7 per cent at present), and then increased gradually to around 13 per cent by 2030-35. Such a steep fall in recent years is difficult to understand since household financial savings had been around 10 per cent of GDP for almost 20 years right through the 1990s and 2000s," he added.

Mohan also said the crisis in non-banking financial companies and their knock-on effects on debt mutual funds may, however, have an adverse effect on household confidence in these market-re-

lated instruments. "Ensuring positive real returns on bank as well as small savings deposits in an environment of low and stable inflation is necessary to reverse the downward trend in household financial savings," he said.

Mohan said urgent policy attention is required to push growth to 8-7 per cent on a sustained basis. He also stressed on the need to relook the structure and functions of the think tank NITI Aayog, as well as giving it fund allocation powers analogous to that of the Planning Commission.

"The NITI Aayog must be technically strengthened and reorganised so that it can develop long-term integrated programmes for investment and management of key interconnected sectors," the former RBI Deputy Governor said.

"The Aayog's function to coordinate public investment programmes between ministries at the central level and across states must be restored, but within the framework of new cooperative federalism," he added.

'Organised jewellers to grow at 10-11% through FY22'

Aggressive promotional schemes and opening of new stores will help domestic organised jewellery retailers maintain growth of 10-11% over the next three fiscals, as against 11.9% growth between FY16-FY19, Crisil said

FUNDING TO RETAILERS

Bank credit to gems and jewellery sector remains constrained; new store additions by organised jewellery retailers will be largely funded through internal accruals

PRODUCTS SUPPORTING PROFITABILITY
Favourable product mix towards high-margin categories diamond and diamond-studded jewellery has supported operating profitability of late

17%
Expected revenue growth in the next three fiscals through 2022

~5%
Expected operating profitability of domestic organised jewellers

FACTORS THAT AIDED REVENUE GROWTH FROM FY16-FY19

- Increase in gold prices
- Rise promotional schemes period from 70-80 days to 150-170 days
- Store additions of around 33 per cent

200-300 BASIS POINTS
Expected rise in proportion of high-margin products in sales



Videocon loan case: ED questions Chanda & Deepak Kochhar, Dhoot

EXPRESS NEWS SERVICE
NEW DELHI, JUNE 28

THE ENFORCEMENT Directorate (ED) on Friday questioned former ICICI Bank chief executive Chanda Kochhar, her husband Deepak Kochhar and Videocon promoter Venugopal Dhoot in connection with its money laundering probe into the Videocon loan case.

The three had been issued summons by the agency for appearance earlier. Sources said their statements have been recorded under the Prevention of Money Laundering Act (PMLA).

They have been grilled by the agency in the past in connection with the case. Last month, the ED had questioned and recorded statements of Chanda Kochhar and Deepak Kochhar over multiple sessions at its office in Delhi.

ED is also preparing to analyse details of the Kochhars' assets and others, so that they can be provisionally attached under the PMLA. Chanda Kochhar's brother-in-law Rajiv Kochhar has also been grilled by the ED multiple times in the case. The Kochhars and Dhoot were questioned at the ED's zonal office in Mumbai after it conducted raids on March 1. The searches were

conducted at the premises of Chanda Kochhar, her family and Dhoot in Mumbai and Aurangabad (Maharashtra).

The ED had registered a criminal case under PMLA earlier this year against Kochhars, Dhoot and others to probe alleged irregularities and corrupt practices in sanctioning Rs 1,875-crore of loans by ICICI Bank to the Videocon. The case registration was based on an FIR registered by the CBI, which has named all the three and Dhoot's companies — Videocon International Electronics Ltd (VIEL) and Videocon Industries Limited (VIL) — in its case.

Airtel closing Kolkata 3G ops, to move to 4G

ENSE ECONOMIC BUREAU
NEW DELHI, JUNE 28

BHARTI AIRTEL has begun the process of shutting down its 3G services and migrating such customers to its 4G network. The company on Friday became the first incumbent telecom operator to have shut down its 3G network in Kolkata and said that it has reformed the 900 MHz spectrum being used for 3G to further strengthen its 4G network.

3G technology, which came to India only around 2011, has thus seen the fastest eclipse. Randeep Sekhon, CTO, Bharti Airtel, said, "Going forward, we

plan to reform all of our 3G spectrum across India and deploy it for 4G in a phased manner." Sources said that in the next six months, the entire 3G network will be shut down and subscribers moved to 4G.

Airtel will continue to have 2G subscribers as they comprise around 70 per cent of its total subscriber base and migrating them to 4G will not be as easy as the 3G users since they do not have smartphones.

However, the telecom company has started the process of weeding out low paying 2G subscribers by making it mandatory that customers recharge every month for a minimum Rs 35 voucher. **FE**

Airtel Africa IPO debuts at 80 pence

London: Shares of Bharti Airtel's Africa arm began trading at the London Stock Exchange Friday at 80 pence apiece. The initial public offer, to raise up to \$750 million, was oversubscribed with strong interest from a variety of reputed global investors across the UK, US, Africa, Europe, Middle East and Asia, Bharti Airtel said in a regulatory filing.

The company has put 744,047,619 new shares on offer, out of which 94.7 per cent of the stocks will be listed on

the London Stock Exchange (LSE) and rest in Nigeria.

"The Offer also came with a secondary listing on the Nigeria Stock Exchange with meaningful allocations to Nigerian investors," it said.

Trading for institutional investors began Friday, while retail investors can start trading in the shares from July 3 in the UK, and from July 5 in Nigeria. Bharti Airtel entered Africa in 2010 with the \$10.7 billion acquisition of Zain Telecom. The company operates in 14 African countries now. **PTI**

Payment security mechanism for private power plants launched

ENSE ECONOMIC BUREAU
NEW DELHI, JUNE 28

RESPONDING TO the long-standing demand of independent power producers (IPPs), Power Minister R K Singh on Friday approved implementation of the payment security mechanism. The new order, coming into force from August 1, would make it mandatory for power distribution companies (discoms) to open and maintain adequate letter of credit (LC) as payment security to private power plants.

Discoms' dues to power producers stood at Rs 35,845 crore as of April-end, up 30 per cent from a year earlier, and 58 per cent of these were "over-dues" with payment default of 60 days or more.

Calling it "a bold and innovative step to put an end to the decades old problem," Ashok Kumar Khurana, director general, Association of Power Producers, said, "States may oppose this step to discipline them but they need to recognise that they cannot keep on buying power without paying and make generators default in their debt obligations."

The order says load dispatch centres "shall dispatch power only after it is intimated by the generating company and distribution

ORDER TO COME INTO FORCE AUG 1

■ The new order would come into force from August 1

■ It would make it mandatory for discoms to open and maintain adequate LC as payment security to private power plants

companies that a LC for the desired quantum of power has been opened". Generating companies can encash the LC after expiry of grace period, which usually ranges between 45 and 60 days.

The order also makes sure that discoms cannot arm-twist generators by threatening to buy power from alternative sources if IPPs choose to curtail supply after payment default. However, the introduction of this mechanism signals that the Centre will not pursue the idea of the high-level empowered committee (HLEC) on stressed power assets anymore. The latter had proposed a model through which REC and PPC (now merged) could make upfront payment to private power producers. **FE**

G20 SUMMIT Trump prepares for 'productive talks' with Xi on trade war

REUTERS
OSAKA, JUNE 28

US PRESIDENT Donald Trump on Friday said he hoped for productive talks with Chinese President Xi Jinping on a trade war that is casting a shadow on global growth, but said he had not made any promises about a reprieve from escalating tariffs.

The trade feud and signs of a global slowdown have loomed over a two-day Group of 20 (G20) summit in the Japanese city of Osaka, where Trump and Xi met in passing and prepared for one-on-one talks on Saturday. To lay the groundwork, Chinese Vice Premier Liu He met Trump's treasury secretary, Steven Mnuchin, and Trade Representative Robert Lighthizer at the hotel where the US delegation was staying, a source familiar with the talks said.

Expectations have dimmed that the world's two biggest economies can ease tension when Trump and Xi meet. "At a minimum it will be productive. We'll see what happens and what comes out of it," Trump told reporters here.

Single battery module caused car fire in Shanghai, says Tesla



Newly built Tesla electric vehicles are transported for delivery along a highway in Los Angeles, US. Reuters

REUTERS
BEIJING/TOKYO, JUNE 28

TESLA INC said on Friday a single battery module caused a car to catch fire in Shanghai and it had revised its vehicle settings to further protect its batteries following an investigation into the incident.

The company said in a statement posted on its Weibo social media account that the joint investigation team had conducted an investigation and analysis of the battery, software, manufacturing data and vehicle history.

The investigation found no system defect, and the initial findings show the incident was

caused by a single battery module located at the front of the vehicle, Tesla said. Japanese battery manufacturer Panasonic supplies Tesla with battery cells, but not modules, which are a group of cells joined together.

The company has revised the charge and thermal management settings on Model S and Model X vehicles via an over-the-air (OTA) software update, to help further protect the battery and improve battery longevity, the statement said.

A parked Tesla Model S caught fire in Shanghai on April 21. Tesla has said its EVs are about 10 times less likely to experience a fire than petrol-powered cars.

Prasad sets up panel under Telecom Secy to look into spectrum charges

KIRAN RATHEE
NEW DELHI, JUNE 28

TELECOM MINISTER Ravi Shankar Prasad said on Friday he has set up a committee under Department of Telecommunications (DoT) secretary Aruna Sundararajan to look into the entire issue of rationalisation of levies and submit a report in two weeks' time. He added he will shortly meet the telecom operators to discuss the issues.

"The telecom sector has been going through stress for a very long time, I have myself noted that

... I have formed a committee under the Telecom Secretary to look into the entire issue of rationalisation of levies, etc, and ease of doing business. I have also told her to revisit the whole issue of spectrum usage charges and I expect a report in two weeks' time," Prasad said. He added that there has been a disruption in the sector but it has also resulted in cheapest mobile and data rates for people in India.

The industry has for long been demanding lower taxes and levies, which add up to about 30 per cent of their revenues. In the NDA government's last tenure, a

telecom policy statement said such levies would be rationalised. The outstanding industry debt is pegged at over Rs 7 lakh crore.

In fact, in the past, TRAI has recommended lowering of certain levies by way of providing financial relief to the operators. For instance, it has recommended fixing a flat spectrum usage charge (SUC) for operators at 3 per cent of their adjusted gross revenue.

At present, the SUC operators' pay varies between 3 per cent and 5 per cent because they hold a mix of administratively allocated spectrum and through auctions. **FE**

'Google leveraged Android dominance, put unfair conditions on device makers'

ADITYA KALRA
NEW DELHI, JUNE 28

GOOGLE APPEARS to have misused its dominant position in India and reduced the ability of device manufacturers to opt for alternate versions of its Android operating system, government officials found before ordering a wider probe in an antitrust case.

A 14-page order from the Competition Commission of India (CCI), reviewed by Reuters, found Google's restrictions on manufacturers seemed to amount to im-

position of "unfair conditions" under India's competition law.

Reuters reported last month that CCI had launched a probe in April against Google for its alleged abuse of Android's dominant position to block rivals, but the contents of the directive detailing the initial assessment upon which that probe was ordered have not been previously revealed.

This case is similar to one Google faced in Europe, where regulators imposed a \$5 billion fine on the company for forcing manufacturers to pre-install its apps on Android devices. Google

has appealed against the verdict. By making pre-installation of Google's proprietary apps conditional, Google "reduced the ability and incentive of device manufacturers to develop and sell devices operated on alternate versions of Android", the CCI said in the order. "It amounts to prima facie leveraging of Google's dominance". Asked for comment, Google referred Reuters to its statement last month, in which it said Android had enabled millions of Indians to connect to the internet by making mobile devices more affordable. **REUTERS**

BRIEFLY

Forex reserve hits record high

Mumbai: India's foreign exchange reserves soared to a new record high of \$426.416 billion in the week to June 21, surging \$4.215 billion boosted by higher foreign portfolio investments and a stable rupee. The previous high was \$426.028 billion in week to April 13, 2018. **PTI**

RBI tweaks ARC conditions

Mumbai: The Reserve Bank of India Friday permitted Asset Reconstruction Companies (ARCs) to acquire financial assets from each other on meeting certain conditions, in light of changes made in Sarfaesi Act. **PTI**

Leverage ratio for banks eased

New Delhi: The RBI has relaxed the leverage ratio for banks to help them boost their lending activities. The leverage ratio stands reduced to 4 per cent for Domestic Systemically Important Banks and 3.5 per cent for other banks effective October 1, 2019. **PTI**

Staff consortium of Jet set to bid

New Delhi: A Jet Airways Employee Consortium and Adigroup Friday announced a partnership to bid for 75 per cent of airline through the NCLT process. **PTI**

EU, Mercosur agree on FTA

Brussels: The European Union and South American bloc Mercosur have agreed a draft free-trade treaty, the parties to the deal said on Friday, bringing to an end almost 20 years of negotiations. **REUTERS**

Output: ONGC seeks partners

New Delhi: Oil and Natural Gas Corp has invited bids from private companies for handing over operations of 64 small and marginal oil and gas fields with a view to raising production. **PTI**

Merlin to be taken private

London: Lego's founding family and private equity firm Blackstone are taking Britain's Merlin private again in an agreed deal valuing the Madame Tussauds and Legoland owner at \$7.5 billion. The world's second-largest operator of visitor attractions after Disney said the deal would give it greater scope for "significant, long-term investment". **REUTERS**