## 'New rules could lead to more churn in liquid funds'

SPECIAL CORRESPONDENT
MUMBAI

The recent regulatory changes by the Securities and Exchange Board of India (SEBI) for valuation of debt securities could lead to more churn in liquid funds that already saw outflow of ₹1.5 lakh crore in June thereby dragging the overall assets in mutual fund (MF) industry.

According to the latest study by ICRA, institutional entities, who are the biggest investors in this segment, might look at other categories while those with a high-risk appetite might look at rebalancing their portfolios to higher-yield, higher-risk categories such as ultra-short and money market funds.

"The category [liquid funds] might see more churn going forward due to the recent regulatory amendments announced by the SEBI for debt-oriented schemes, which has made valuation of debt securities to be fully mark-to-market (MTM) compared with amortisation of securities with maturity less than 30 days," ICRA said.

The change in the threshold level for amortisation from 60 days to 30 days will have an impact on both returns and volatility of liquid funds. Incidentally, the SEBI had only recently introduced the 30-day norm since till June, the threshold was 60 days, it added. According to the monthly numbers from the Association of Mutual Funds in India, net outflows from income and debt oriented schemes totalling ₹1.71 lakh crore in June led to a decline in the MF assets under management to ₹24.25 lakh crore.

# Bad loans drag DHFL into loss

### Firm reports a loss of ₹2,223 crore as gross NPAs zoom to 2.74% in March quarter

SPECIAL CORRESPONDENT
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Troubled mortgage lender Dewan Housing Finance Corporation Ltd. (DHFL) reported a net loss for the quarter ended March 31 as bad loans zoomed.

DHFL reported a standalone net loss of ₹2,223 crore in the quarter ended March 31, 2019 against a net profit of ₹134 crore in the year-earlier quarter.

The lender had earlier deferred the board meeting to approve earnings.

Gross NPAs (non-performing assets) shot up to 2.74% of gross advances as at March-end compared with 0.96% a year ago.

For the full year 2018-19, DHFL posted a net loss of ₹1,036.05 crore compared with a profit of ₹1,701.02 crore during the previous financial year. "The operating profit was ₹372 crore for the quarter and ₹2,378 crore for the whole year.

However, due to the additional provisioning of ₹3,280 crore (inclusive of net loss on fair value), the company reported a net loss of ₹2,223 crore for the quarter and net loss of ₹1,036 crore for the whole year," said Kapil Wadhawan, CMD, DHFL.

Assets under management grew 8% year-on-year to ₹1,19,992 crore during FY19 while total revenues increased by 19% to ₹12,900.6 crore for the year ended March 31, 2019 as against ₹10,864.4 crore in the corresponding quarter of the previous year.

Mr. Wadhawan said, "Over the last nine months, with single-minded focus, we have met all our financial obligations."

DHFL is facing a cash crunch after banks curbed lending. It witnessed a rating downgrade and defaulted on commercial paper payment.

"Since September 2018, DHFL has managed to make repayments of over ₹41,800 crore. In the backdrop of a significant slowdown in disbursement and loan growth post September 2018, the financials of the company have been quite strained for the quarter, impacting the overall performance of the year," he said.

**Flight to trouble:** The firm is facing a cash crunch after banks curbed lending. ▪ REUTERS

# Booster shot for Dr. Reddy's in Suboxone patents case

### U.S. court says drug maker did not infringe upon 2 patents

N. RAVI KUMAR
HYDERABAD

The United States Court of Appeals for the Federal Circuit, by a 2-1 majority, has ruled drug maker Dr. Reddy's Laboratories did not infringe two patents pertaining to British drug maker Indivior's opioid dependence treatment drug Suboxone.

Friday's ruling is expected to come as a booster shot for the Hyderabad-headquartered firm in continuing with the sale of its generic version, something Indivior had sought to stop by appealing against a U.S. district court order. The appeal involved issues of infringement and invalidity of four patents covering pharmaceutical films and methods of making them. However, the parties' substantive disputes focus on only two of the four, the Court of Appeals for the Federal Circuit said. Besides Dr. Reddy's, the defendants in the case included Watson Laboratories, Actavis Laboratories and Teva Pharmaceuticals, which originally owned DRL's Abbreviated New Drug Application (ANDA).

Affirming the district court's judgment that DRL does not infringe the '514 patent', while Watson does, the ruling said Watson, Teva, and DRL, however, failed to prove that Indivior's patent is invalid. Likewise, DRL does not infringe the '150 patent', but failed to prove that it is invalid.

Dr. Reddy's in February, soon after the U.S. Supreme Court turned down a plea for stay filed by Indivior, relaunched its generic version of Suboxone. It had first started sale of the generic version in June last year for a while before a U.S. court passed a temporary restraining order on the sale in response to a plea by Indivior.

# Allahabad Bank reports ₹1,775 cr. fraud by BPSL

### Lender had made ₹900 cr. provision

PRESS TRUST OF INDIA
NEW DELHI

After Punjab National Bank (PNB), another state-owned lender Allahabad Bank on Saturday reported a fraud of over ₹1,774 crore by Bhushan Power and Steel Ltd. (BPSL) to the Reserve Bank of India (RBI).

In a regulatory filing, the bank said on the basis of forensic audit investigation findings and CBI filing FIR against the company and its directors, alleging diversion of funds from the banking system by BPSL, a fraud of ₹1,774.82 crore has been reported by the bank to the RBI.

Last week, PNB reported a fraud worth ₹3,805.15 crore by the bankrupt steel company by misappropriating bank funds and manipulating its books of accounts.

Around 85% of PNB's ₹4,399 crore exposure to the company had been siphoned off.

Allahabad Bank further said it had already made provisions amounting to ₹900.20 crore against exposure of the bank in BPSL.

At present, the case is in the National Company Law Tribunal (NCLT), which is at an advance stage and the bank expects 'good' recovery in the account.

It is expected that more banks may report fraud committed by BPSL as the CBI complaint registered in April names several other lenders.

# Sri Lanka keen on enhancing connectivity with Indian ports

### The ferry service will facilitate tourism and small-scale trade: Sri Lanka Ports Authority chairman

MEERA SRINIVASAN
COLOMBO

The Sri Lanka Ports Authority (SLPA) is keen on enhancing connectivity with Indian ports using ferry services to facilitate easier trade and tourism, its chairman Kavan Ratnayaka said.

"If the two countries can set up a ferry service connecting Kankesanthurai port (KKS) in Jaffna with Karaikal near Puducherry, and similarly between Colombo and Tuticorin in south India, there is scope for increased trade activity and tourism," he told *The Hindu*.

The ferry connection, he said, would primarily facilitate tourism and small-scale trade both ways. "It will help especially with Buddhist tourism from the south of the island, and by extension people-to-people connections," he said. Further, the KKS Port will facilitate increased trade opportunities for communities living in proximity to the port and reduce the cost of road and rail transport for bulk items such as cement. In 2011, India and Sri Lanka launched a ferry service between Tuticorin and Colombo, but it was soon terminated after private operators running it said it was not commercially viable.


**Boosting ties:** The East Container Terminal is being developed by India, Sri Lanka and Japan. ▪ MEERA SRINIVASAN

The proposals, according to the chairman, fit into the SLPA's broader vision of developing Sri Lanka into a global logistics hub, given its strategic location in the Indian Ocean, in close proximity to key, international sea routes. Sri Lanka is currently upgrading the KKS harbour with Indian assistance of $45.27 million, through an agreement signed with the Export-Import Bank of India.

**India's role**

India is also a partner in an initiative aimed at developing the East Container Terminal(ECT) at the Colombo Port. In May this year, Sri Lanka, Japan and India signed a Memorandum of Cooperation (MoC) to jointly develop the East Container Terminal (ECT) at the Colombo Port, at an estimated cost of up to $700 million.

The ECT has remained a contentious topic in Sri Lanka, with President Maithripala Sirisena's voicing opposition to India holding majority stake or control in it. With Japan stepping in, with a more visible and active role, the initiative has acquired some momentum in recent months.

As per the agreement signed, Sri Lanka will have 51% stake in the terminal operating company, while the stakes to be held by Japan and India are being discussed, Mr. Ratnayaka said.

"The [joint] working group negotiating the specifics is scheduled to meet soon. If all goes as per schedule, we should have the cranes on the keys by August next year."

INTERVIEW | SANDEEP KATARIA

# 'Digital sales integral to strategy'

### We made Bata accessible to all, says company's India CEO

INDRANI DUTTA

*Increased challenges from international footwear giants coupled with stiff competition from the local, unorganised sector and regional players, had all cut into the market share of Bata India. That was around three years back. Bata did not give up, although margins came under pressure. It closed unviable units, separated employees through VRS, realigned product lines and recast its store strategy to claw back. Excerpts from an interaction with CEO* **Sandeep Kataria**.

**How did Bata manage to bounce back?**

■ The cornerstone of our strategy was – Sweeping Angela off her feet. Angela is the name given to our ideal consumer, identified based on consumer research. Once we knew Angela, concerted efforts were made towards creating a Bata world that was customised for her.

The first step was placing the 'product is king' philosophy at the centre of all our efforts and introducing styles that were relevant to millennials and the youth. With products that stem from consumer understanding, we carved our niche in the market, forcing reconsideration among urban India.

Seamlessly reaching and winning across India through retail, franchisee and e-commerce-led omni-channel, we made Bata accessible to all.

Along with product and supply chain, focussed efforts were made towards improving customer experience through enhanced store ambience with contemporary collection and wide choice. While we are focussing on our larger objectives, we are making conscious efforts towards setting and achieving our sustainability goals.

**What steps are being taken to ensure the sustainability of the 2018-19 numbers in terms of top line and bottom line?**

■ Steps are the same as above. It is a five-year strategy and we are on year three already. While the core pillars of the strategy remain the same, the dynamic, socio-economic environment may call for timely reviews.

**How much did control of costs and expenses help boost profit?**

■ Indeed, cost-saving efforts have yielded results in improving the bottom line and leveraging economies of scale. Right-sizing and re-negotiating the store costs have been two key levers of our cost control measures.

> **GST has been helpful in using our inventories more productively and removing State-specific barriers**

**How many pairs does Bata sell annually?**

■ Approximately, 50 million pairs are sold annually.

**Has the GST roll-out helped in expanding the market for organised players?**

■ Implementation of GST has been helpful in using our inventories more productively and removing State-specific barriers, allowing us to service customers from anywhere to anywhere.

**You said that staying contemporary was the biggest challenge.... how are you meeting this challenge?**

■ It is an ongoing process of ensuring relevant marketing and communication based on customer insight, backed by the regular introduction of contemporary collections. In fact, we are currently driving an 'industry-first' practice of ensuring all our stores get new arrivals every Friday.

**What is your view on premiumisation?**

■ The Indian consumer is evolving and increasingly aspires for global fashion trends and is ready to pay a premium once they see value in the product. With an eye on changing consumer demands, we have increased the width and depth of our product offerings.

Employing technology-backed innovations such as memory foam in walking shoes, OrthoLite across sub-brands and Life Naturals in our school shoe range helps attract consumers who aspire for fashion with comfort.

We are innovating with materials and processes to deliver a more premium product to our customers.

**Your policy on digital sales?**

■ Digital plays an integral role in our strategy.

From direct connect with consumers through Bata.in, to presenting our extensive offering on partner platforms, we are able to leverage our inventories more productively across online and offline.

# Tata Steel to further reduce debt this year

SPECIAL CORRESPONDENT
KOLKATA

Tata Steel Limited (TSL) is planning to further deleverage its balance sheet during this fiscal and beyond through a combination of internal cash flow generation and continuing efforts to rationalise the portfolio to focus on core businesses and markets.

This was stated by CEO and MD T.V. Narendran and executive director and chief financial officer Koushik Chatterjee in TSL's latest annual report. They said through rigorous efforts, gross debt had been reduced by ₹17,864 crore to end the year with a ₹1,00,816 crore debt."

"We will continue to focus on deleveraging as a primary strategic initiative to rebuild the balance sheet strength," they said.

**Maturity profile**

"Despite some stress in the domestic debt markets, we extended the company's debt maturity profile by successfully raising ₹4,315 crore through non-convertible debentures with a maturity of 15 years. We also put in place a 12-year, long-term, take-out financing for ₹15,500 crore at Tata BSL Ltd," they said.

On the demand scenario, Mr. Narendran and Mr. Chatterjee felt although the first half was stable, the second half has brought with it a distinct decline in the automotive sector and other sectors too.

A key issue "has been the credit flow to the system and we hope that policy actions will be undertaken to ensure increased credit flow is restored and private investment is encouraged to revive the economy." Globally, while demand is expected to see gradual recovery, it will be at a lower pace (2018 global steel demand grew 2.1%), due to uncertainty in the trade environment.