ECONOMY

MARKET WATCH

FPIs REMAIN NET BUYERS IN JULY

New Delhi: Foreign portfolio investors (FPIs) have remained net buyers in the Indian capital markets this month so far, having withdrawn a net sum of Rs 4,953.77 crore from equities during July 1-12, but pouring in a net Rs 8,504.78 crore into the debt market. **PTI**

Business brought to standstill: DHFL

ENS ECONOMIC BUREAU
MUMBAI, JULY 14

DEWAN HOUSING Finance Corporation (DHFL), which posted a loss of Rs 2,223 crore on Saturday, said business has been brought to a standstill with there being "minimal or virtually no disbursements".

The company, which owes around Rs one lakh crore to banks and investors, said "it is undergoing substantial financial stress since second half of the current financial year."

"The company's ability to raise funds has been substantially impaired and the business has been brought to a standstill with there being minimal/virtually no disbursements," it said in a stock exchange filing.

"These developments may raise a significant doubt on the ability of the company to continue as a going concern," the housing finance company said.

According to DHFL, due to the current business environment, the company no longer holds the project loan, SRA loan and wholesale mortgage loan portfolio for the purposes of solely collecting the principal and interest.

"The management envisages to monetise the wholesale loan portfolio. Consequently, the said loans aggregating Rs 34,818 crore (including Rs 16,487 crore) have been reclassified as Fair Value Through Profit or Loss (FVTPL) as at March 31, 2019 due to the change in business model," it said.

As required under Ind AS 109, these assets have been fair valued as at March 31, 2019 based on internal valuations which involve management's judgment and assumptions at Rs 31,628 crore and the resultant fair value loss aggregating Rs 3,190 crore has been charged to the statement of profit and loss, DHFL stated.

Despite these adverse conditions, the company has repaid amounts aggregating approximately Rs 41,800 crore since September 1, 2018, part of which related to prepayment of its liabilities, it said.

"The company is taking active steps to monetise its assets and is in discussions with multiple Indian banks and international financial institutions to sell off its retail as well as wholesale portfolio," DHFL said.

IN LINE WITH ORDERS BY CIC IN APRIL 2011 & DELHI HIGH COURT IN FEB 2015

Govt advises NDDB to bring Mother Dairy, other units under RTI ambit

SANDEEP SINGH
NEW DELHI, JULY 14

IN A bid to increase transparency, accountability and trust of consumers, the government has advised the National Dairy Development Board (NDDB) to extend provisions of the Right to Information (RTI) Act, 2005 to its subsidiaries, including Mother Dairy Fruits and Vegetables Pvt. Ltd (MDFVPL) and NDDB Dairy Services among others.

The Ministry of Animal Husbandry, Dairying and Fisheries recently told the Parliament that as NDDB Dairy Services was set up through a Rs 200 contribution from NDDB, it has advised NDDB to "extend the provisions of the RTI Act, 2005 to its subsidiary companies including NDDB Dairy Services."

Sanjeev Kumar Balyan, Minister of State for Fisheries, Animal Husbandry and Dairying, further told the Parliament that both the Department of Legal Affairs and Ld. Solicitor General have opined that Mother Dairy should qualify in the semi-government, if not a fully government, dairy as all of its shareholding is government-owned and in line with the same it has requested NDDB board to "put the decisions of MDFVPL in public domain in the interest of transparency, accountability and also to increase trust of consumers."

EXPLAINED

Aimed at ushering in transparency in NDDB subsidiaries

TILL NOW, Mother Dairy managed to stay out of the ambit of the RTI Act, even though it has been a government-owned entity.

However, the decision by the Ministry of Animal Husbandry, Dairying and Fisheries to bring Mother Dairy and other subsidiaries of NDDB under the RTI Act will usher in higher standards of transparency and accountability.

The minister said that the Central Information Commission (CIC) had in its order dated April 15, 2011 given judgment that MDFVPL is a public authority under clause (i) of Section 2(h) of the RTI Act and it will appoint a CPIO and the Appellate Authority as per the mandate of the RTI Act.

While MDFVPL's appeal against the CIC order was dismissed by Delhi High Court on February 2, 2015, the divisional bench of high court vide order dated March 17, 2015 stayed the order under appeal.

So, while MDFVPL is currently out of the ambit of RTI Act, the ministry has through a recent letter requested NDDB to accept the orders of CIC and Delhi High Court dated April 2011 and February 2015, respectively.

"This Ministry vide letters dated 10.12.2018 and 10.07.2019 has taken a view and requested NDDB Board, which owns 100 per cent shares of MDFVPL, to suo moto accept the orders dated 15.4.2011 and 2.2.2015 of CIC and Delhi High Court and put the decisions of MDFVPL in public domain in the interest of transparency, accountability and also to increase trust of consumers. The decision of the Board of NDDB in this regard, is awaited," Balyan told the Parliament last Friday.

Over the last few months, MDFVPL has been in the news over its investment of around Rs 190 crore in the IL&FS Group and over allegations of fraud amounting to around Rs 1,000 crore.

In May, *The Indian Express* reported that an individual Dharmendra Pratap Singh had alleged fraud amounting to over Rs 1,000 crore at MDFVPL and had sent his complaint to the Department of Economic Affairs, Ministry of Finance.

While the Department of Economic Affairs had directed the same to the Ministry of Corporate Affairs on April 29, 2019, "for necessary action under intimation to the department," it had also forwarded the same to the Ministry of Agriculture and Farmers Welfare. Later, through a written response to Department of Animal Husbandry and Dairying, NDDB had termed the allegations of fraud as "false and baseless".

The complainant alleged various instances of fraud including investment of Rs 190 crore of farmer dues in the debt-ridden IL&FS Group at a time when the infrastructure major was already defaulting on its debt papers and alleged fraud in utilising contributions of more than Rs 450 crore from NDDB in illegally setting up over 15 subsidiaries and channelising Rs 100 crore into them and then making the companies disappear.

However, in its response to the Ministry of Agriculture and Farmers Welfare, NDDB said, "the investments in IL&FS were initiated in February 2016" under the previous chairman and MD and that these investments were made on temporary surplus cash available with the company.

It further pointed that "even the Central Government Employees Provident Fund Organisation and private provident fund trusts (including GCMMF – AMUL) have made investments in IL&FS."

NDDB made the case that, "shouldn't these organisations be also investigated whether powers to be in these organisations have received kickbacks," adding that "no payment is due to farmers from MDFVPL."

Merger of three PSU general insurance companies to get 'serious push' this fiscal

GEORGE MATHEW
MUMBAI, JULY 14

THE GOVERNMENT is planning to expedite the merger of three public sector general insurance companies — National Insurance Company, Oriental Insurance Company and United India Insurance Company. Though former Finance Minister Arun Jaitley had announced their merger in his Budget speech 2018-19, there was hardly any momentum in its implementation. However, sources in the Finance Ministry have indicated that the government is now serious about the merger of three companies.

"Earlier, the department of disinvestment had its own ideas as to how this merger of three companies has to happen to maximise the valuation potential. After examining everything over time, we have decided to go ahead with the merger plan that was announced in Budget 2018-19," sources said.

Meanwhile, Budget 2019-20 – announced by incumbent Finance Minister Nirmala Sitharaman – has proposed the enabling provision for the merger of non-life insurance companies by seeking to amend the General Insurance Business Nationalisation Act. The Finance Bill proposes to reduce the section that says "there will be four companies" with "there will up to four companies".

This means there could be three companies or two companies or just one entity in the government sector. The three companies had appointed EY as a consultant for the merger.

ANNOUNCED IN 2018-19 BUDGET

■ **In Budget 2018-19, Jaitley had announced the merger of National Insurance Company, Oriental Insurance Company & United India Insurance Company**

■ **Budget 2019-20 has proposed enabling the provision for the merger by seeking to amend the General Insurance Business Nationalisation Act**

With continuity in the elected government ensured, action on the merger of the three public sector undertaking (PSU) general insurance companies is bound to gather momentum now.

"Merger of three weak companies may not immediately create one strong company. But it will surely eliminate suicidal business competition among the three," said KK Srinivasan, former member, Insurance Regulatory and Development Authority of India.

After the 2018-19 Budget speech, "there was little concrete action on the merger. The intervening period of uncertainty, coupled with delays in appointment of CMDs of two out of the three companies, appear to have adversely affected the performance of the three. Any further delay will not augur well for the health of these companies," he added.

The three companies have different technology and IT platforms. Platform migration and integration will be an immediate challenge. Apart from the technological issues, there will also be formidable HR issues given the proliferation of trade unions in the three PSU insurance companies. "Here the role played by the chairman of SBI in the smooth merger of its associate banks with it, perhaps will serve an example worth learning from," Srinivasan said.

Though the proposed merger of three PSU general insurers to create the largest general insurance company in the country, the plan is likely to make redundant 10,000-15,000 excess staff and result in savings of over Rs 3,000 crore annually, insurance officials said. While these insurers each have around 800-900 branches and around 15,000 employees and Rs 30,000 crore of assets, it is not clear what they will do with the excess staff.

Officials said cut-throat competition among state-run general insurers will come to an end after the merger, and cost of operations will come down. As of now, all three firms put together have 90 regional offices, which will now come down to 30 post merger.

The three companies, among themselves, have some 1,200 divisional offices (DOs) with each DO costing around Rs 5 crore annually. "If the number of DOs is rationalised and some shifted to unrepresented areas and the total number reduced to around 600, the savings in cost is around Rs 3,000 crore annually. The huge savings in cost alone will turn the entity into a profitable one, provided the business momentum is maintained," said an official.

"More than physical merger, emotional integration of the companies is important to achieve the desired results," said the CMD of a public sector insurance company, who wished for anonymity.

The four PSU general companies were created in the 1970s to provide a modicum of competition in the government monopoly environment.

With liberalisation and opening up of the market to private players, unhealthy competition among the four companies has resulted in them rapidly going down in terms of profitability and solvency.

It is worth noting that unlike unions in other public sector companies, all major unions in the public sector general insurance companies have demanded merger of state-owned general insurers. The government is unlikely to face any opposition from the unions for merger.

BRIEFLY

BHEL bags order for solar power plant

New Delhi: BHEL Sunday said it has bagged a Rs-100 crore order from NTPC for setting up a 25 MW floating solar photovoltaic power plant at Simhadri in Andhra Pradesh, adding that it will be set up on the raw water reservoir of NTPC's Simhadri Thermal Power Plant.

'Snooping on social media a misconception'

New Delhi: It is a "misconception" to think that the Income Tax Department is snooping on social media posts related to exotic foreign tours or possession of expensive goods to check undisclosed income, CBDT Chairman P C Mody said.

RBI to release app to identify currency notes

New Delhi: The Reserve Bank of India will come out with a mobile application to help visually challenged people in identifying currency notes. **PTI**

'Huawei planning several layoffs in US operations'

REUTERS
BENGALURU, JULY 14

HUAWEI TECHNOLOGIES Co Ltd is planning extensive layoffs in the United States as the Chinese telecoms equipment company grapples with its US blacklisting, the *Wall Street Journal* reported, citing people familiar with the development.

The layoffs are expected to affect jobs at Huawei's US-based research and development subsidiary Futurewei Technologies, which employs about 850 people in research labs across the United States, the *Journal* said.

The layoffs could be in the hundreds, one person told the Journal. Huawei's Chinese employees in the United States were being given an option to return home and stay with the company, another person added.

Some employees have already been notified of their dismissal, while more planned job cuts could be announced soon, the newspaper said.

Layoffs are expected to affect jobs at Huawei's US-based R&D arm Futurewei Technologies. *AP File Photo*

Huawei declined to comment when contacted by Reuters.

After the Commerce Department decided to put Huawei on its so-called entity list, Futurewei employees have faced restrictions to communicate with their colleagues in Huawei's home offices located in China, the people told the Journal.

Last week, Commerce Secretary Wilbur Ross said the US government would issue licenses to companies seeking to sell goods to Huawei where there was no threat to national security.

INDIGO PROMOTER SPAT

Bhatia's IGE Group says Gangwal 'pushed for business to be sold'

PRESS TRUST OF INDIA
NEW DELHI, JULY 14

ASSERTING THAT the arrangement between the promoter groups has been transparent from inception at IndiGo, Rahul Bhatia group Sunday claimed that Rakesh Gangwal always limited his financial risks and was making insidious efforts to create an unseemly controversy about corporate governance.

In a reflection of the deep differences between the two promoter groups, InterGlobe Enterprises (IGE) Group has now issued three statements in less than a week seeking to clarify issues and reject the allegations by Gangwal.

Gangwal has sought markets watchdog Sebi's intervention to address the corporate governance issues at InterGlobe Aviation — the parent of the country's largest carrier IndiGo — where he holds around 37 per cent stake while Bhatia group has about 38 per cent shareholding.

"Even more significantly, during the turbulent period of a fledgling airline, it was left to the IGE Group, as a responsible founder, to fend for IndiGo. Gangwal was missing in action at that time and there were stages where he wanted to de-risk and pushed for the business to be sold," the group said in a statement that also provided details about investments made by the two sides.

Noting Gangwal has much to answer, the group wondered if there is sanctity in agreements entered into by business people, freely and at their own will. "Do business ethics and morals permit a contracting party to walk away from its obligations at its convenience after it has enjoyed the benefits under an agreement and pretend to be a victim?," it said.

Referring to purchase of planes from Airbus, the statement said that the IGE Group and Gangwal gave a joint undertaking of support IndiGo in November 2005, wherein both sides undertook to invest in the airline at least $50 million (which then was about Rs 200 crore), and maintain that investment until the delivery of the last aircraft.

"As Gangwal was not going to take any further financial risk or obligation, IGE singly (though the undertaking to Airbus was a joint one) took the obligation to further invest up to Rs 110 crore in IndiGo so that taken together with the then existing investment of Rs 99 crore, the conditions placed by Airbus could be met," the group claimed.

According to the statement, IGE Group continued to support the startup (IndiGo) without diluting Gangwal's potential upside. Further, the group said that there was a "risk ratio of almost 80:1 as between the IGE Group and Gangwal".