MARKET WATCH

	18-07-2019	% CHANGE
Sensex	38,897	-0.81
US Dollar	68.97	-0.22
Gold	35,670	0.48
Brent oil	61.99	-3.39

NIFTY 50

	PRICE	CHANGE
Adani Ports	412.40	-4.65
Asian Paints	1384.95	-10.95
Axis Bank	740.40	-12.20
Bajaj Auto	2630.80	-66.10
Bajaj Finserv	7847.65	-6.90
Bajaj Finance	3467.65	4.35
Bharti Airtel	342.50	-3.75
BPCL	349.25	-3.55
Britannia Ind	2820.85	23.05
Cipla	547.00	-10.55
Coal India	220.30	-9.70
Dr Reddys Lab	2655.55	-10.75
Eicher Motors	18406.00	-27.70
GAIL (India)	141.95	-1.45
Grasim Ind	907.70	-19.00
HCL Tech	1018.55	-22.20
HDFC	2345.15	58.45
HDFC Bank	2411.90	14.45
Hero MotoCorp	2479.45	-43.50
Hindalco	200.55	-2.90
Hind Unilever	1739.15	-21.55
Indiabulls HFL	659.10	-9.10
ICICI Bank	418.65	-6.05
IndusInd Bank	1471.45	-29.80
Bharti Infratel	263.15	-0.85
Infosys	792.70	-1.45
Indian OilCorp	147.60	0.75
ITC	273.00	0.10
JSW Steel	266.10	-5.80
Kotak Bank	1538.25	3.65
L&T	1435.20	-20.25
M&M	597.40	-20.55
Maurti Suzuki	5882.35	-193.35
NTPC	127.05	-2.05
ONGC	143.40	-6.50
PowerGrid Corp	205.35	-2.65
Reliance Ind	1261.85	-20.00
State Bank	363.65	-8.75
Sun Pharma	426.20	-3.85
Tata Motors	160.75	-7.15
Tata Steel	466.60	-9.10
TCS	2065.95	-51.30
Tech Mahindra	687.20	-3.60
Titan	1080.00	-29.90
UltraTech Cement	4601.75	-7.20
UPL	654.75	-5.00
Vedanta	163.05	-5.60
Wipro	269.10	9.50
YES Bank	85.80	-12.60
Zee Entertainment	360.10	6.85

EXCHANGE RATES

Indicative direct rates in rupees a unit except yen at 4 p.m. on July 18

CURRENCY	TT BUY	TT SELL
US Dollar	68.75	69.07
Euro	77.14	77.50
British Pound	85.82	86.22
Japanese Yen (100)	63.78	64.08
Chinese Yuan	9.99	10.04
Swiss Franc	69.71	70.04
Singapore Dollar	50.53	50.77
Canadian Dollar	52.64	52.89
Malaysian Ringitt	16.69	16.79

Source:Indian Bank

BULLION RATES CHENNAI

July 18 rates in rupees with previous rates in parentheses

Retail Silver (1g)	43.8	(42.3)
22 ct gold (1 g)	3332	(3294)

Yes Bank promoters may have to cut stake

RBI likely to ask the lender to provide a road map or timeline to reduce promoter shareholding to 15%

MANOJIT SAHA
MUMBAI

In the crosshairs: Yes Bank has been under the central bank's watch in recent years. • REUTERS

Following reconciliation between the groups of the two promoters of Yes Bank, Rana Kapoor and Madhu Kapur, the Reserve Bank is now likely to ask the private sector lender to bring down promoter shareholding to 15%.

At present, Rana Kapoor, the co-founder and former MD & CEO of Yes Bank, has about 10.68% stake, while the Madhu Kapur group has 9.18%, as reported for the quarter ended March 2019.

According to central banking sources, the regulator internally discussed the need to reduce promoter shareholding in line with other private sector banks, after both the groups, engaged in a legal battle for a few years, decided to patch up in April this year.

After promoters buried the hatchet, Shagun Kapur Gogia was appointed to the board of Yes Bank on behalf of her mother Madhu Kapur, who inherited promoter holding from her late husband Ashok Kapur, the other co-founder of Yes Bank.

Sources said the RBI is likely to ask Yes Bank to provide a roadmap or a timeline for reducing promoters' stake to 15%. RBI has been strict in recent times with regard to promoter holding and expects banks to adhere to norms.

RBI had internally discussed the need to reduce shareholding, in line with other private banks

Bandhan, Kotak banks

RBI had barred Bandhan Bank from opening branches after not adhering to promoter shareholding norms, while another private lender Kotak Mahindra Bank was fined ₹2 crore by RBI for not complying with the directions regarding dilution of promoters' shareholding in the company. Yes Bank has been under RBI's watch in recent years. MD & CEO Rana Kapoor was denied an extension till 2021, despite the endorsement of the board.

Instead, he got an extension till January 2019 after his term ended in August 2018. After Mr. Kapoor's term was over, Ravneet Gill was appointed as the MD & CEO. Yes Bank is planning to raise $1.2 billion capital over the next 12-18 months, in two equal tranches, to fund its growth plans, which may also see promoter shareholding diluted to some extent.

An email query sent to Yes Bank on preparing a roadmap for reducing promoter stake remained unanswered till the time of going to press.

As the IBHFL-LVB merger was announced after the R1 licence, the insurance bid may be revisited. • G. RAMAKRISHNA

Indiabulls' insurance foray may be delayed

RBI nod for IBHFL-LVB merger crucial

MANOJIT SAHA
MUMBAI

Indiabulls Group's foray into the insurance sector is likely to get delayed as the insurance regulator is scrutinising the merger proposal of its housing finance arm and Lakshmi Vilas Bank (LVB) to understand its implications on the capital position of the group.

Indiabulls Life Insurance as well as Indiabulls General Insurance have received the R1 approval – which is the first stage, in-principle approval – from the IRDAI. However, since the LVB merger with Indiabulls Housing Finance was announced after the R1 licence, insurance regulatory sources said the entire proposal needs to be revisited in its wake.

Capital needs

"Insurance business needs capital. Now, the group's housing finance arm will be entering banking; that will also need capital, given that LVB's capital position is weak.

"We have to make sure that the group can generate sufficient capital for its insurance venture," said a source.

The merger would solve LVB's capital needs as its capital adequacy ratio would rise significantly, post the merger, due to the mortgage lender's strong capital position.

Both the life and general insurance companies are subsidiaries of Indiabulls Integrated Services Ltd. (IISL) and the latter is not related to Indiabulls Housing Finance.

Indiabulls Life Insurance had already applied for R2 licence, while the general insurance company is planning to apply for the same shortly.

IISL had infused ₹200 crore after the life insurance arm received R1 approval, taking the total infusion to ₹310 crore, which is much higher than the minimum requirement.

"IRDAI will wait for Reserve Bank of India's approval for the merger proposal of Indiabulls Housing Finance Ltd. (IBHFL) and LVB before granting the final licence, to see what the conditions attached along with the approval are," the source added.

IBHFL had received the approval from the Competition Commission of India for the proposed merger, while it awaits other regulatory approvals.

India may have to revise downwards 'potential' growth rate from 7-8%: ex-CEA

'Today's 4.5% is impressive as size of the economy now is five times of 1980 levels'

TCA SHARAD RAGHAVAN
NEW DELHI

Arvind Subramanian

India may have to revise downwards what is considered its "potential" rate of growth from 7-8% to bring expectations more in line with reality, former Chief Economic Adviser (CEA) Arvind Subramanian has argued in a paper.

This paper comes as a follow-up to the one Mr. Subramanian published last month, in which he had argued that India's GDP growth in the 2011-17 period had been overestimated by 2.5 percentage points and that the actual growth rate was about 4.5%.

The original paper drew a lot of criticism over its methodology and assertions. The follow-up paper is an attempt to address those criticisms. The first question raised, Mr. Subramanian said, was how India can, right now, grow at the same rate as it did in the pre-1980 Hindu rate of growth period, when the economic condition was clearly much worse.

"To begin with, today's 4.5% translates into a per capita growth rate of about 3%," he said. "In the pre-1980s era, the GDP growth rate was about 3-3.5% and the population growth rate was 2%, yielding a per capita growth rate of 1-1.5%. So, today's 4.5% represents more than a doubling of the old "Hindu" per capita growth rate."

Further, he said, the 4.5% growth rate was all the more impressive because the size of the economy now is five times of the 1980s. "Most impressively, a 4.5% growth rate is a notable achievement in the current, post-Global Financial Crisis world," he added.

"In fact, if we take all the large major economies of the world, say those with GDP greater than $1 trillion [there are 13 of them], India, at 4.5% real GDP growth, would be the second-fastest growing economy in the 2012-2016 period, just as it was in the 10 years preceding." The second issue he sought to address was that the cognitive benchmark during India's boom years was 8% growth and that this benchmark has not changed over the years.

He argued that this benchmark of 8% failed to take into account a number of factors that took effect in the years following the boom years, such as the twin balance sheet (TBS) problem, the export collapse, rising oil prices, loss of macroeconomic stability under UPA-II, drought in 2014-15, and finally, demonetisation.

Yes Bank stock tanks 13% after weak earnings

SPECIAL CORRESPONDENT
MUMBAI

Yes Bank saw its shares price plunging close to 13% to ₹85.80 on the BSE on Thursday after it reported a 91% decline in net profit for the first quarter of the current financial year, with asset quality worsening.

Asset quality of the lender deteriorated sharply with gross NPA ratio rising to 5.01% as at June end, compared to 1.31% a year ago and 3.22% as at March end.

"We believe only a certain part of exposure can be resolved quickly, while [a] large part of exposure slipping into NPAs remains a high chance, which we factored in over FY20 & FY21," broking firm Prabhudas Lilladher said in a note to clients.

Centre issues notices to TikTok, Helo

SPECIAL CORRESPONDENT
NEW DELHI

The Centre has issued notices to social media platforms TikTok and Helo, both owned by Chinese firm ByteDance, asking them to answer 24 questions, including those relating to collection and use of users' data, mechanism to deal with fake information and protecting child's privacy. This follows allegations levelled by some MPs in the ongoing session of Parliament that TikTok shared Indian users' data with China and aided in the spread of fake information. Swadeshi Jagran Manch, a right-wing leaning body, had also written to Prime Minister Narendra Modi to ban these apps for their "anti-national content."

The Ministry of Electronics and IT asked the firm to reply to the queries by July 22, failing which it will face serious action, including a ban on the applications, a senior official said.

SEBI opposes Centre's proposal to transfer surplus money to CFI

Regulator says the plan will undermine its autonomy

SPECIAL CORRESPONDENT
MUMBAI

The government's proposal to transfer surplus money with the Securities and Exchange Board of India (SEBI) to the Consolidated Fund of India (CFI) has met with a strong opposition from the regulatory body.

The capital markets regulator feels that the proposal would result in compromising its "autonomy and its ability to function effectively" towards the progress and development of the Indian securities market.

The government has proposed an amendment to the SEBI Act, which states that the SEBI would constitute a reserve fund and 25% of the annual surplus of the general fund would be put in the reserve fund. Further, the size of such reserve fund cannot exceed the total of annual expenditure of the preceding two financial years.

More importantly, the surplus of the general fund, after factoring in all the SEBI expenses and the transfer to the reserve fund, needs to be transferred to the CFI as per amendments proposed in the Finance Bill, 2019.

Staff missive to Centre

In a communication to the government, the employees' association of the SEBI had said that the proposal was "regressive" especially since the SEBI did not have any mandate to raise revenue for the government.

SEBI Chairman Ajay Tyagi had also taken up the matter with the Ministry, while highlighting the employees' concerns. "These proposed amendments are regressive in nature as they are against the spirit of the SEBI Act... Autonomy of a regulatory institution like SEBI is critical... The proposal would result in compromising SEBI's autonomy and its ability to function effectively towards its stated objectives, and thus, hamper the progress of Indian securities markets," stated the letter.

Incidentally, all the penalties levied by the SEBI already go to the CFI. Similarly, settlement amounts are also credited to the CFI.

The general fund of the SEBI, which currently has a balance of over ₹3,000 crore, is used to meet the expenses of the regulatory body, including salaries and allowances. The fund gets money via charges that the SEBI levies on market participants in the form of registration or processing fees.

'Government can prosecute IL&FS auditors'

PRESS TRUST OF INDIA
MUMBAI

The NCLT has given a go-ahead to the government to prosecute Deloitte and BSR Associates for their failure to detect and report the scams that took place across the now bankrupt IL&FS Group and 21 other entities, when they were the auditors of IL&FS Financial Services.

The NCLT, in an order posted on its website on Thursday, said the Corporate Affairs Ministry can go ahead with the prosecution based on the findings of the probe conducted by the Serious Fraud Investigation Office (SFIO).

But the posting does not mention its views on the government's demand to ban these two auditors from business for five years. The tribunal also allowed the government's plea to implead Udayan Sen, a partner of Deloitte and BSR Associates' partners Kalpesh Mehta and Sampath Ganesh.

'Transmission sector needs ₹5 lakh crore investment for future needs'

India likely to consume 1.8 lakh crore units by 2025, says CII

SPECIAL CORRESPONDENT
NEW DELHI

One of the key requirements for a $5-trillion economy is an investment of about ₹5 lakh crore in the power transmission sector over the next few years, in order to cater to the 1.8 lakh crore units of electricity that India is likely to consume by 2025, according to a White Paper released by the Confederation of Indian Industry (CII).

"Prime Minister Narendra Modi's vision of a $5-trillion economy will require an estimated investment of ₹5 lakh crore in the transmission sector over the next few years," CII said. "As per estimates, India will be consuming 1.8 trillion units by 2025 as India's growth trajectory accelerates, and this requires large investments in the transmission sector, particularly at the State level."

The transmission sector, CII added, had seen a reduction in investments to below ₹1.8 lakh crore in the last five years. The White Paper goes on to enumerate eight action points that the government must work on to enhance the transmission sector in line with the growth of the economy that is envisaged.

"Traditional coal-fired power plants took 5-6 years to build compared to three to four years for construction of transmission lines required for power evacuation," the White Paper said. "In comparison, wind or solar plants take 12-18 months to build, implying the need for advance planning of transmission projects."

CII also recommended the separation of the Central Transmission Utility from the Power Grid Corporation of India since the set up is currently creating a conflict of interest between the two.

The paper also called for improved reliability of the transmission network through the development of contingencies in the system.

Huge time overruns

"Currently, the average time taken from the notification of a project to the start of its construction is around 760 days, caused by huge time overruns in the bidding and forest clearance process," the paper said.

The industry body also highlighted the fact that current guidelines for the construction of transmission lines, as laid out by the Central Electricity Authority, did not leave enough scope for adopting new technologies. This increases the capital expenditure and the per unit tariff.

Jet Airways creditors put in claims worth ₹25,000 crore

₹230-crore claim by Goyal-owned agent rejected

SPECIAL CORRESPONDENT
MUMBAI

The NCLT-appointed Interim Resolution Professional (IRP) of Jet Airways has received 16,643 claims worth ₹24,887.93 crore from financial and operational creditors of the Naresh Goyal-led airline.

While 37 financial creditors have claimed ₹10,231 crore, 33 claims worth ₹8,463 crore have been admitted by the IRP. The operational creditors (other than workmen and employees) have claimed ₹12,372 crore from Jet Airways, but IRP Ashish Chhawchharia of Grant Thornton India, is yet to approve these. Claims of ₹1,381 crore, including some from entities owned by Naresh Goyal have been rejected. Jet Airways LLC, which has put up a claim of ₹426 crore, is under verification. The IRP has put up the claims' details on the firm's website in a more than 500-page document. A ₹230-crore claim by Jetair, a general sales agent of Jet Airways and owned by Mr. Goyal, has been rejected. More claims are expected in the coming days.

IN BRIEF

All Nippon connects Tokyo with Chennai

MUMBAI

Japan's All Nippon Airways (ANA) has announced a new a route connecting Tokyo's Narita Airport and Chennai International Airport starting October 27. The airline would deploy Boeing 787-8 aircraft on this route. This expansion would bring the total number of cities serviced by ANA to 46. "When the service begins this October, ANA will be the only airline providing direct flights from Japan to south India," the airline said in a statement.

L&T Hydrocarbon bags over ₹7,000-cr. project

MUMBAI

L&T Hydrocarbon Engineering Ltd. (LTHE), a subsidiary of Larsen & Toubro has bagged another mega project in the Marjan Field by Saudi Aramco, worth over ₹7,000 crore. The company is executing the Hasbah Gas Increment Project and other projects in the Kingdom of Saudi Arabia, including, Marjan, Safaniya, Zulf and Berri. All projects were executed through LTHE's fabrication facilities in west Asia and India.

EU fines chipmaker Qualcomm $271 million

BRUSSELS

In yet another European Union (EU) move against a U.S. tech giant, the bloc's antitrust chief on Thursday fined chipmaker Qualcomm $271 million, accusing it of "predatory pricing" to drive a competitor out of the market. EU Antitrust Commissioner Margrethe Vestager said Qualcomm was abusing its market dominance in 3G baseband chipsets. She said it sold them below the cost of production. AP

'Interest subsidy subject to GST'

TN AAR order comes in a case relating to Daimler Financial Services India

SANJAY VIJAYAKUMAR
CHENNAI

Given the ambiguity, the Centre should consider issuing an explicit clarification, says an analyst. ▪GETTYIMAGES/ISTOCK

The Tamil Nadu Authority for Advance Ruling (AAR) has ruled that the interest subvention income received by Daimler Financial Services India Private Limited (DFSI) from Mercedes-Benz India Private Limited, to reduce the effective interest rate to the final customer, attracts a GST of 18% (9% CGST and 9% SGST).

Daimler Financial Services had moved the AAR seeking a clarification on whether interest income from the motor vehicle manufacturer for retail financing to purchasers of motor vehicles is liable for GST (Goods and Services Tax).

"Customers who purchase Mercedes-Benz cars from the authorised dealers may require financing. Daimler Financial acts as a financier and provides loan to customers at interest rates lower than alternative providers," it said.

The differential interest (market rate less the rate offered to customers) is paid to Daimler Financial by Mercedes-Benz. The AAR said that the agreement between DFSI and Mercedes-Benz India is for the furtherance of the business of lending of the former.

The customers would prefer to take out a loan from DFSI because of the lower interest rates offered as a consequence of their agreement with Mercedes-Benz and therefore, the transaction is a supply under Section 7 of CGST Act, it said.

'Not setting precedent'

"An advance ruling is binding only on the applicant and the revenue in so far as that applicant is concerned. It is not in the nature of a judicial precedent and need not affect other assessees," said K. Vaitheeswaran, advocate and tax consultant.

Abhishek Jain, tax partner, EY, said "This has been an issue especially for the automotive and consumer goods industry from the service tax era, with inheritance under GST as well. Given the ambiguity, the government should consider issuing an explicit clarification."

SEBI moots tougher disclosures for resignation of auditors

Auditors quitting abruptly have to give a detailed reason

SPECIAL CORRESPONDENT
MUMBAI

Auditors who resign in an abrupt manner in the middle of a financial year may soon have to give a detailed reason for such a move while ensuring that the audit is either completed for the fiscal or at least a limited review or audit report is issued prior to the exit.

Companies, on their part, will have to disclose their audit committee's views on the resignation along with the details of the deliberations of the committee on the reasons of such a move by the auditor.

These are part of the proposals in the discussion paper released by the Securities and Exchange Board of India (SEBI) as part of its attempts to strengthen the disclosures for investors while also strengthening and clarifying the role of the audit committee.

"If the auditor has signed the audit report for all the quarters [limited review/audit] of a financial year, except the last quarter, then the auditor shall finalise the audit report for the said financial year before such resignation," stated the discussion paper. If the reason for the auditor's resignation is the entity not providing information, the auditor shall provide an appropriate disclaimer in the audit report to that extent, it added.

The recent past saw Price Waterhouse resigning abruptly as the auditors of some of the group companies of Anil Dhirubhai Ambani Group (ADAG). Similar resignations have been witnessed in many other listed entities as well.

Meanwhile, the regulator has said that the auditor would have to disclose the detailed reasons for resignation and also that there are no material reasons other than those mentioned in the resignation letter.

Auditors will also have to disclose whether "the inability to obtain sufficient appropriate audit evidence was due to a management-imposed limitation or circumstances beyond the control of the management," as per the SEBI.

ACC first quarter profit rises 39% to ₹456 crore

Firm reports better realisations

SPECIAL CORRESPONDENT
MUMBAI

ACC Limited, a member of the LafargeHolcim Group, reported a 39% growth in its first quarter net profit to ₹456 crore led by better realisations and operational efficiencies

The rise in profit was reported on an 8% increase in consolidated revenue to ₹4,059 crore despite weak offtake in the quarter due to the slow pace of construction activity. Operating EBITDA for the quarter registered year-on-year growth of 25% to ₹783 crore.

"ACC made significant progress in its goals in the quarter with strong operating performance, including good net sales growth. I am pleased that EBITDA improved significantly on account of better realisations, operational efficiencies and supply chain efficiency improvement. Despite subdued cement demand, our strong customer relationships, loyal channel network and range of innovative products have helped us deliver a robust quarter," said Neeraj Akhoury, managing director and CEO.

Cost increase on account of higher fuel prices year-on-year was partly mitigated by lower cost of raw materials, improvement in operating efficiency and lower fixed cost. The ready mix concrete business continued to deliver robust sales volume growth of 11%.

Cyient profit rises to ₹90 cr.

SPECIAL CORRESPONDENT
HYDERABAD

IT firm Cyient posted a consolidated net profit of ₹89.9 crore for the quarter ended June 30, a 10.17% growth over ₹81.6 crore recorded a year earlier.

Revenue from operations of the Hyderabad-headquartered firm was almost flat at ₹1,089 crore (₹1,080 crore).

Managing director and CEO Krishna Bodanapu said the results were "disappointing. We recorded a revenue of $156.6 million, lower by 4.8% quarter-on-quarter (Q-o-Q) and 0.6% year-on-year. Our services business was lower by 5.7% Q-o-Q predominantly driven by communications, aerospace, energy and utilities and portfolio business units."

Centre seeks response from IndiGo on 'misgovernance'

Co-promoter Gangwal has levelled charges against Bhatia

SPECIAL CORRESPONDENT
NEW DELHI

The government has sought a response from IndiGo on allegations of corporate misgovernance levelled by its co-promoter Rakesh Gangwal, the airline informed the stock exchanges on Friday.

"The company has received a communication from the Ministry of Corporate Affairs (MCA), Office of Registrar of Companies... requiring the company to furnish certain information/explanations pursuant to Section 206 (4) of the Companies Act, 2013, in relation to complaint dated July 8, 2019 received from Mr. Gangwal, co-founder and director of the company. The company will respond to MCA within the prescribed period," IndiGo said.

Battle of sorts

The airline is witnessing a battle of sorts with Mr. Gangwal seeking the Securities and Exchange Board of India's intervention in the matter relating to 'unusual rights' available with another promoter, Rahul Bhatia, allegedly leading to governance problems.

Mr. Bhatia called the charges an attempt to dilute his controlling rights

He had also raised an issue with the businesses conducted between IndiGo and Mr. Bhatia's InterGlobe Enterprises.

Mr. Bhatia, though, had called these charges "hot air" and an attempt to dilute his controlling rights.

Amid this tussle, the IndiGo board is headed for a stormy meet on Friday to finalise June quarter results.

Filatex India to set up fabric unit

SPECIAL CORRESPONDENT
COIMBATORE

Filatex India, which produces synthetic filament yarn, plans to set up a fabric-making unit next year.

Madhu Sudhan Bhageria, chairman and managing director, Filatex, said the company planned to invest ₹200 crore in the fabric-making unit set to come up in Maharashtra or Gujarat.

"We want to get into the value chain. We can innovate and think of a garment unit, too, later," he said.

The firm, which has two manufacturing facilities, has the capacity to make 3.28 lakh tonnes of yarn a year and is expanding the capacity to make 3.82 lakh tonnes annually.