

CORPORATE WATCH INTERGLOBE AVIATION

IndiGo board meets today: Promoter rift likely to overshadow strong Q1 earnings

PRANAV MUKUL
NEW DELHI, JULY 18

THE BOARD of Directors of InterGlobe Aviation, the parent company of IndiGo, will meet on Friday in what is expected to be a turbulent congregation. On the one hand, the Board will approve results for three-month period ended June 30, wherein the firm's bottomline is expected to jump over 20 times year-on-year, for what was a strong quarter for Indian aviation companies.

On the other hand, the Board of the airline led by chairman M Damodaran will discuss the rift between the two promoters Rahul Bhatia and Rakesh Gangwal in light of allegations about corporate governance lapses by the latter — something that the Street is looking at negatively. IndiGo, India's largest airline by domestic market share, extended its lead during the quarter due to the fall of Jet Airways that caused a sudden capacity crunch in the aviation industry leading to an uptick in fares and increase in yields for airlines. In addition to the Jet episode, airlines were supported by domestic turbine fuel (ATF) prices during the June-quarter, which is considered to be a seasonally strong period for air travel.

With net addition of 17 aircraft in the quarter, IndiGo continues to aggressively add capacity. Benefiting from Jet's fiasco, we expect IndiGo to report yield expansion (7.5 per cent on year) along with high load factors (around 89 per cent). With ATF prices in check (down around 1.2 per cent year-on-year), we expect IndiGo to report strong EBIT-DAR (earnings before interest, taxes, depreciation, amortisation, and aircraft and engine rentals) margins and profitability," brokerage firm Prabhudas Lilladher said in a research note. Edelweiss Research expects InterGlobe Aviation's EBITDAR to increase by 178 per cent on year, while it sees the airline's core profit after tax for the June-quarter rising to Rs 858.90 crore, compared with Rs 27.8 crore in the same period last year.

However, expectations of a good financial quarter has failed to cheer the markets, primarily on account of the feud between the two co-founders. Shares of InterGlobe Aviation fell nearly 1 per cent Thursday ahead of the Board meet. The scrip declined 0.55 per cent to close at Rs 1,458.65 on the BSE. In a separate report, Edelweiss Research noted: "Although we do not see any serious repercussions as yet, management distractions could impact InterGlobe Aviation's currently strong franchise. Moreover, current valuations reflect high growth expectations in an industry characterised by low

EXPLAINED
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Markets to watch firm's commentary for clues

GIVEN THAT InterGlobe Aviation's share price has declined around 7 per cent since July 9, when the spat between the promoters became public, the market is expected to watch out for indicators of a resolution, if any, from post-earnings commentary.

barriers and innumerable past failures".

The differences between the promoters, which have been simmering for nearly a year, have brought InterGlobe Aviation under the regulatory scanner with both the Sebi and the Ministry of Corporate Affairs (MCA) seeking response from the company over the allegations leveled by Gangwal.

Thursday, the company informed the stock exchanges that it has received a notice from MCA asking it to furnish explanations pertaining to the complaint made by Gangwal.

The airline has also been asked by Sebi to respond to Gangwal's complaints of corporate governance lapses by Friday. Bhatia-led InterGlobe Enterprises, which, along with associates, owns around 38 per cent stake in InterGlobe Aviation, has issued statements refuting various charges mainly around related party transactions and unusual controlling rights over IndiGo. The MCA, according to sources, is expected to check the adherence of the shareholders' agreement between Bhatia and Gangwal with the Companies Act. While the management of the airline has distanced itself from the episode suggesting that the company's functioning remains unaffected, analysts expect that the disagreement between the promoters could impact the airline's strategy.

"Impact of the feud on earnings as a function of possible change in business strategy is contingent on the outcome of the current dispute," JM Financial Institutional Securities noted in a report.

Friday's Board meet is expected to throw light on where the dispute is headed and whether Damodaran, a former Sebi Chairman, manages to draw a truce between the promoters.

'TRANSFORMATION OF INDIAN AGRICULTURE' CMs' agri panel favours linking FinComm grants with reforms

EXPRESS NEWS SERVICE
MUMBAI/NEW DELHI, JULY 18

GRANTS AND allocations made by the Finance Commission to states should be linked with reforms in the agriculture sector, Maharashtra Chief Minister Devendra Fadnis and Convenor of a Committee of Chief Ministers on agriculture said.

A proposal to this effect was discussed at the first meeting of the 'High-Powered Committee of Chief Ministers for Transformation of Indian Agriculture', set up by the Centre, at Niti Aayog in New Delhi, in which Fadnis identified key reforms which were necessary and integral for the higher agriculture growth and farmers livelihood.

Other members of the committee, who attended the meeting, include Haryana Chief Minister Manohar Lal Khattar, Arunachal Pradesh CM Pema Khandu, Gujarat CM Vijay Rupani, Union Agriculture Minister Narendra Singh Tomar, Niti Aayog member Ramesh Chand, Madhya Pradesh Chief Minister Kamal Nath joined the meeting via video conferencing, while Uttar Pradesh Chief Minister Yogi Adityanath sent his views in writing as per a PTI report. Karnataka CM HD Kumaraswamy is also a member of the committee.

Niti district development rankings: Chhattisgarh's Kondagaon tops

New Delhi: Chhattisgarh's Kondagaon district has topped the ranking of aspirational districts by Niti Aayog for May 2019. It was followed by Fatehpur (Uttar Pradesh) and Pakur (Jharkhand), the Niti Aayog said in a tweet. Dhaulpur (Rajasthan) and

Chitrakoot (Uttar Pradesh) were ranked fourth and fifth in the government's aspirational districts programme.

The delta rankings measured the incremental progress made by over 100 aspirational districts in May 2019 across six developmental areas. PTI

Niti Aayog Chief Executive Officer Amitabh Kant also attended the meeting.

"Grants of the Central government and fund allocation of the Finance Commission should be linked with the agriculture reforms undertaken in states," Fadnis said while adding that it is essential to ensure simultaneous reforms in states. "The Centre provides Rs 13 lakh crore crop loan for farmers. Unfortunately, large number of farmers, especially small and marginal, remain outside the institutional credit mechanism. High on the committee's agenda is to bring all the farmers within the credit ambit," he said.

The committee intends to take the banks and financial institutions on board to work out a flawless model. The matter will be discussed with RBI, Fadnis said.

According to PTI, Rupani made a point of doubling the income of farmers and suggested to make changes in the market system to attain the same. He said the criteria to calculate a farmer's income should be based on his profit and by changing the role of markets, benefiting farmers would be easier. Among other things, some committee members also questioned the utility of the Essential Commodity Act (ECA), 1955, in the food sector. "Chief Minister of Madhya Pradesh Kamal Nath was in favour of scrapping the Essential Commodity Act (ECA), 1955," Fadnis said.

From effective use of technology, digitisation of entire process from sowing to marketing, use of drones and satellites, focus on group farming for sustainable farm practices were discussed at

the meeting. The committee also pitched for promoting contract farming in states. It also discussed ways to promote the food processing industry. "There is a need for boosting private investment in the agriculture sector and promoting contract farming," he said.

Emphasising the need for drastic reforms in the sector, Fadnis said, "At 3 to 4 per cent the agriculture sector growth is a cause of serious concern. What compounds the problem is the lower investment flow in the agriculture section not exceeding one per cent. The primary task would be work for a dynamic system to ensure higher agriculture growth along with higher capital investment." Reflecting on the mismatch between agriculture produce demand and supply often resulting in farmers incurring huge financial losses, Fadnis said there should be greater coordination between the ministries of agriculture and commerce, as the former deals with production, while the latter with marketing.

Fadnis said the terms of reference (ToR) of the committee also includes making sure that more farmers in the states get institutional loans. He said the committee has finalised ToR, and states have been asked to give their feedback by August 7. The next meeting of the committee will be on August 16. WITHPTI

INSOLVENCY PROCESS Jet Airways interim resolution professional gets 16,643 financial claims worth ₹24,887 cr

ENS ECONOMIC BUREAU
MUMBAI, JULY 18

THE INTERIM Resolution Professional of grounded Jet Airways has received 16,643 financial claims from banks, operational creditors and employees amounting to Rs 24,887 crore.

According to a statement by Ashish Chhawchharia, Interim Resolution Professional (RP) for Jet Airways, which is undergoing the bankruptcy proceedings under the Insolvency and Bankruptcy Code (IBC), 37 banks have made claims worth Rs 10,231 crore. However, the RP notice said Rs 337 crore claims of banks were rejected and another Rs 1431 crore worth of claims are under verification. Out of Rs 24,887 crore claims, it has so far admitted only claims of 33 banks worth Rs 8,462 crore. The RP has rejected claims worth Rs 1308 crore so far.

The Jet Airways RP said operational creditors have made 2,493 claims worth Rs 12,372 crore. However, this is under verification as per the RP's notice. RP has also received 2,027 claims worth Rs 443 crore from workmen and employees and another 11,965 claims worth Rs 735 crore from authorised representatives of workmen and employees.

Besides, out of 121 other creditors who submitted claims worth Rs 1105 crore, RP rejected claims worth Rs 1,043 crore. "The amount admitted in few cases may undergo changes, communication has been sent to the creditors as per regulation 10 of IBCI (Insolvency Resolution Process for Corporate Persons) Regulations, 2016, calling for additional documents/clarifications," the statement said. "For

Operational creditors make 2,493 claims worth Rs 12,372 crore, while claims of 33 banks worth Rs 8,462 crore admitted

aircraft lessors, we are in process of confirming if any of these are related parties under the provision of IBC, 2016," it said.

On June 18, two months after Jet Airways shut down its operations, banks decided to refer the airline to the bankruptcy court — National Company Law Tribunal (NCLT) — for resolution under the Insolvency and Bankruptcy code after the bidding process failed to identify a suitable white knight. The fate of the airline, which shut down operations on April 17, 2019 after it ran out of cash, will be decided as per the June 7 circular of the Reserve Bank of India (RBI). However, sources said the creditors are unlikely to get the full amount as the airline doesn't have much tangible assets left.

The airline which defaulted on repayments, was looking for an investor to pump in funds but failed to get any funding source. Etihad Airways, which holds around 24 per cent stake in the airline, refused to bring in funds. On March 25, as part of the bailout plan worked out by the lenders, Naresh Goyal and his wife Anita Goyal stepped down from the board. The bid from Etihad Airways disappointed the lenders with the Abu Dhabi-based airline putting in stiff conditions including write-off of debt, bringing in another investor and exemption from open offer.

'Office space leasing doubled in Apr-Jun'

The gross leasing of office space doubled to 18.7 million sq ft during April-June quarter this year across eight major cities, Cushman & Wakefield said

CITIES WITH DECLINE IN OFFICE SPACE LEASING:	
Pune: 2.04 mn sq ft, down from 2.1 mn sq ft a year ago	Chennai: 1.45 mn sq ft, down from 0.83 mn sq ft a year ago
CITIES WITH RISE IN OFFICE SPACE LEASING:	
Bengaluru: 5.52 mn sq ft, up from 2.56 mn sq ft a year ago	Hyderabad: 2.57 mn sq ft, up from 0.48 mn sq ft a year ago
Mumbai: 3.42 mn sq ft, up from 0.9 mn sq ft a year ago	Kolkata: 0.22 mn sq ft, up from 0.1 mn sq ft a year ago
Delhi-NCR: 3.4 mn sq ft, up from 2.2 mn sq ft a year ago	Ahmedabad: 0.08 mn sq ft, up from 0.03 mn sq ft a year ago

32 mn sq ft Gross office space leased out across metro cities in H1:2019	14.1 mn sq ft Net office space leased during April-June 2019 across said eight cities	9.28 mn sq ft Office space leased during April-June period last year across said eight cities
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OFFICE SPACE ABSORPTION SHARE OF VARIOUS SECTORS:
■ IT-BPM: 41%
■ Captive centres: 15%
■ Co-working: 10%

G7 nations urge tough Libra regulation

REUTERS
CHANTILLY, FRANCE, JULY 18

DIGITAL CURRENCIES such as Facebook's planned Libra raise serious concerns and must be regulated as tightly as possible to ensure they do not upset the world's financial system, Group of Seven finance ministers and central bankers said on Thursday.

Finance Minister Bruno Le Maire of France, which holds the rotating presidency of the G7 top world economies, told a news conference the group opposed the idea that companies could have the same privilege as nations in

creating means of payment — but without the control and obligations that go with it. In a summary of the informal G7 talks in Chantilly, north of Paris, the French presidency said the ministers and governors had agreed that "stablecoins and other various new products currently being developed, including projects with global and potentially systemic footprint such as Libra, raise serious regulatory and systemic concerns".

They also agreed that there should be a minimum level of tax to discourage countries from competing in a "race to the bottom" to attract business from digital multinationals.



French Finance Minister Bruno Le Maire talks with US Treasury Secretary Steven Mnuchin before a meeting during the G7 Finance Ministers and Central Bank Governors meeting in Chantilly, near Paris on Thursday. Reuters

Ex-CEA defends his growth numbers, says important to re-visit methodology

ENS ECONOMIC BUREAU
NEW DELHI, JULY 18

FORMER CHIEF Economic Adviser Arvind Subramanian has issued a detailed response to questions raised by several economists over his claims that India's GDP growth has been overestimated by 2.5 percentage points between 2011 and 2016.

In a paper presented at the India Policy Forum in New Delhi, Subramanian begins by arguing that in the period between 2011 and 2016, the Indian economy was hit by a series of shocks which should have negatively impacted economic activity. The collapse in exports, loss of macro economic stability during the last few years of UPA 2 government, the problems of an over-leveraged corporate sector and bruised bank balance sheets, the drought in 2014-15 and demonetisation — all should have severely impacted growth.

But, on the contrary, despite all these shocks GDP growth slipped only marginally from 7.7 per cent to 6.9 per cent. "Is it really possible that these five large adverse shocks had such little impact on GDP growth?" he asks.

Subramanian then proceeds to examine several possible factors that could have possibly offset the impact of these shocks on the economy. First, he argues that the shift to the goods and services tax regime and the implementation of the Insolvency and Bankruptcy Code (IBC) are unlikely to have had an impact on growth as the benefits from these reforms would flow only over the medium term. Second, he also questions the explanation offered by some commentators that the new GDP series captures a rise in productivity. The former CEA argues that it is difficult to believe that productivity would have accelerated during the last two years of the UPA 2 regime as that period was marked by "acute macro stress and a collapse in policy credibility". He adds, "It is much more likely that during this difficult period productivity actually collapsed.



■ In a paper presented at India Policy Forum, Ex CEA Subramanian argues that in period between 2011 & 2016, economy was hit by shocks which should have negatively impacted economic activity

■ But, on the contrary, despite all the shocks GDP growth slipped only marginally from 7.7 per cent to 6.9 per cent. "Is it really possible that these five large adverse shocks had such little impact on GDP growth?" he asks

Further, if indeed productivity had risen, then it would have resulted in higher profits for firms." But that has not been the case.

On the issue of tax collections, Subramanian notes that while growth of direct taxes dipped from about 22 per cent pre-2011, to around 11.5 per cent post 2011, consistent with the decline in growth, it is difficult to examine indirect taxes to gauge the health of the economy, as the Indian government raised the excise duty on petroleum sharply during this period as global crude oil prices fell.

Much of the problems with the new GDP series, he argues, can be traced to the use of a new database, the MCA21, to estimate formal manufacturing, and the suitability of price deflators used by the CSO. However, the former CEA says that his paper attempted "not to estimate but to cross check and validate CSO figures", and that the "most important task is to re-visit the GDP methodology, to see how the problems that seem to have resulted in an overestimation of GDP growth can be addressed."

ACTIVATING 5G WHEREVER YOU HAVE 4G, SAYS ERICSSON INDIA HEAD

'Switching on 5G is easy, but better speed needs bandwidth'

NANDAGOPAL RAJAN
NEW DELHI, JULY 18

FOR TELECOM major Ericsson switching on 5G services will be as easy as activating the service in areas where network operators are using its latest radios, but the company says the efforts will not be worth it unless there is adequate bandwidth.

"Technically, you can activate 5G overnight. Our fight is also about getting better speed, which comes with bandwidth. Now, that's where 3.5GHz and 28GHz play a key role because our recommendation is at least 100MHz to see the value off the higher data," explains Nitin Bansal, head of Ericsson India and head of

Network Solutions Ericsson South East Asia, Oceania & India. "Activating 5G on the existing radios, you get speeds similar, maybe a few per cent better than 4G, and you will get the advantage of lower latency," he told indianexpress.com. The company is working with at least 23 networks across the world on 5G deployment.

Bansal, who has been with Ericsson for close to two decades in different roles, remembers that when rolling out 4G, because the coverage was not ubiquitous, everyone was using 3G as a backup. "In 5G, especially with the Ericsson installation, we are basically activating 5G wherever you have 4G". So for those networks that got Ericsson radios sys-



"Activating 5G on the existing radios, you get speeds similar, maybe a few per cent better than 4G, and you will get the advantage of lower latency"

NITIN BANSAL, HEAD, ERICSSON INDIA

tems post 2015, it will be a mere software upgrade.

"In hotspots, you will also use the advantage of mixing it with the lower band and increasing the coverage," explains Bansal, adding that in India "the newer equipment has gone to areas

where you expect it". But it will not be a 100 per cent, he reiterates. "The logic is that you will put the latest and the greatest equipment in areas where it matters, right?"

According to Ericsson, data traffic per smartphone per

month, which is the highest in India at 9.8 GB, is expected to double by 2024 as total subscriptions reach 1.1 billion. But this won't all be 5G drive as Ericsson's data shows that by 2024, LTE will account for nearly 82 per cent of all mobile subscriptions in India compared to 38 per cent in 2018 — 5G will account for just 6 per cent of total subscriptions.

Bansal underlines that there are some prerequisites for tapping the opportunities presented by this new generation of technology. "The real advantage comes when you have 100MHz, because that's when you are getting the economies of scale and the cost of production on the device starts to decline. Spectrum has to be definitely one of those.

Then there is the need for backhaul, either through fiber or microwave and whatever is going to be right," he adds.

"For me an important use case for India is fulfilling the need of subscribers to get high speed internet connectivity at home. Then when it comes to industry, there is a lot of work going on in B2B. Then again, it is also quite country specific, that you are trying to solve something which can be improved in a certain country or a city or a specific application."

Ericsson's studies have shown that Indian smartphone users are willing to pay more than 66 per cent premium for 5G services like 5G TV, VR Cloud Gaming, 5G in-car entertainment and Virtual Tactile Shopping.

NCLT allows govt to prosecute auditors of IFIN, C Sivasankaran

PRESS TRUST OF INDIA
MUMBAI, JULY 18

THE NCLT has given a go-ahead to 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 (IFIN).

The NCLT in an order posted on its website on Thursday said the corporate affairs ministry can go ahead with 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 demand to ban these two auditors for five years from business, though.

The tribunal also allowed to the government plea to implead Udayan Sen, a partners of Deloitte, and BSR Associates partners Kalpesh Mehta and Sampath Ganesh. Both these auditing companies any longer work with the group of the company, though.

The tribunal allowed prosecution of C Sivasankaran and his group as the probe has revealed that management of IFIN abused their position by giving loans to

ACTION BASED ON PROBE BY SFIO

■ NCLT asked the Corporate Affairs Ministry to implead Surinder Singh Kohli and Subhalakshmi Panse, former IFIN independent directors

■ The tribunal said the MCA can go ahead with prosecution based on findings of the probe conducted by SFIO

the Siva group as some group companies failed to repay the earlier loans granted to them by IFIN.

Investigation also revealed Sivasankaran had personal relationship with Ravi Parthasarthy and Hari Sankran, the former chairman and the former vice-chairman of IL&FS Group. Further, the tribunal also asked the corporate affairs ministry to implead Surinder Singh Kohli and Subhalakshmi Panse who were independent directors of IFIN and were part of the audit committee, but asked the government not to prosecute them the SFIO probe

did not name them.

"Therefore, their prosecution is not justified at this stage but both Kohli and Panse, can be impleaded as they were independent directors and were thus part of the audit committee," the tribunal said.

According to the SFIO complaint it was alleged that the auditors were aware that IFIN was lending to defaulting borrowers through group companies hence suppressing its non-performing assets and not provide for the bad debt.

Moreover, SFIO report said, auditors failed to verify the end-use of bank loans and money raised via NCDs despite it being a regulatory mandate for verifying such things.

The SFIO report has found that the audit committee members colluded with the management and overlooked many impairment indicators in contravention of the accounting standards and principles of prudence.

In case of Panse and Kohli, the investigations revealed they were aware of the NPAs of the company and also knew that loans were being granted to group companies of existing defaulting borrowers in order to prevent them being classified as NPA.

IN WAKE OF RISING INSTANCES OF AUDITORS RESIGNING

Sebi proposes stricter norms for auditors to exit companies

Resignations understandable only in exceptional circumstances, says regulator

ENSECONOMIC BUREAU
MUMBAI, JULY 18

MARKETS REGULATOR Securities and Exchange Board of India (Sebi) on Thursday proposed stricter norms, including detailed reasons, on resignation of auditors in the wake of rising instances of auditors quitting companies.

Sebi has decided to tighten the auditor exit norms as it has found that "the statutory auditors have suddenly resigned without completing their assignments for the year, generally citing 'pre-occupation' as the reason for resignation".

According to Sebi, 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 should finalise the audit report for the said financial year before such resignation. In all other cases, the auditor should issue limited review/audit report for that quarter before such resignation (i.e. previous quarter in reference to the date of resignation), it added.

"If the auditor of a listed entity makes a decision to resign in August 2019, the auditor shall is-

'32 auditors resigned mid-term for various reasons in Jan-May'

Mumbai: Prime Database has said that between January and May, 32 auditors have resigned mid-term citing various reasons. For 2017-18, the number of exits stood at 36, while it was 18 in 2016-17. The reasons behind the auditor exits have ranged from lack of adequate information on the company's businesses, revenues, tax observations to 'mutual exits' and non-payment of fees.

Unitech Ltd said Tuesday that its internal auditors SKP & Co Chartered Accountants has resigned citing time constraints. IL&FS Engineering and Construction's joint statutory auditors BSR Associates quit citing non-payment of fees for year ended March 31, 2018 and non-receipt of some pending information and responses to audit matters. ENS

for the year seriously hampers the investor confidence and leaves the investors with lack of reliable information for taking their financial decisions, it said. "If resignation from the audit before issuing the auditor's report is not practicable or possible, disclaim an opinion on the financial statements," Sebi said. It added that the auditor should approach the Chairman of the Audit Committee directly and immediately in case of any concerns with the management like non-availability of information, any non-cooperation by the management. The auditor should not specifically wait for the quarterly meetings to take place in order to raising such concerns, Sebi said. The auditor should bring to the Audit Committee's notice all the concerns the auditor has with respect to such resignation, along with relevant documents. In cases where the resignation is due to non-receipt of information or explanation from the company, the auditor should enlighten the Audit Committee of the details of information or explanation sought and not provided by the management, as applicable.

However, resignation of an auditor due to reasons such as pre-occupation before completion of the audit of the financial results

of an auditor is understandable in exceptional circumstances where, as per the auditing standards, "the auditor concludes that the possible effects on the financial statements of undetected misstatements, if any, could be both material and pervasive so that a qualification of the opinion would be inadequate to communicate the gravity of the situation."

According to Sebi, resignation

Procedure for despatch centres: Govt 'aiming to make states accountable'

Move may disrupt power supply in some states, analysts say

ENSECONOMIC BUREAU
NEW DELHI, JULY 18

THE GOVERNMENT aims to make states accountable for the financial condition of their electricity distribution companies (discoms) through its latest rules enforcing a mandate of bank guarantees for access to power, according to senior government officials close to the development. They expect the move, which causes an imminent threat of power cuts in several states if discoms are unable to provide such payment security come August 1, will trigger a long-needed turnaround in operations in this sector.

At the same time, some analysts believe the move may disrupt power supply as several state-owned discoms are in debt due to frequent hikes in electricity tariffs, high expenses and irregular subsidy disbursement.

The Power Ministry on Wednesday notified procedures for load despatch centres (LDCs) providing power to discoms to follow, so as to ensure that a payment security mechanism is implemented under power purchase agreements (PPAs) with generators. These procedures direct LDCs to withhold access to power to discoms in the event that discoms are unable to provide a letter of credit (LC) or advance payment for the desired amount

The procedures direct LDCs to withhold access to power to discoms in the event that discoms are unable to provide a LC or advance payment for the desired amount of power they require from generating stations.

"What we are looking at is the financial sustainability of the power sector, where every player is financially healthy. Right now, power generators and transmission people are not getting paid for their services," a senior official told *The Indian Express*.

"The state's machinery must work together to make this sector viable instead of promoting non-economic measures without the financial support to back them," the official added, requesting anonymity.

The procedures follow an earlier order on June 28 directing LDCs to ensure that provisions under these PPAs are implemented "strictly" to ensure that generators can continue to operate efficiently.

They also come in the back of several southern states reportedly seeking an extension from the Ministry on implementation of the order and raising concerns

that they were financially unable to open such guarantees. It is not clear whether these states will initiate separate negotiations with the Centre over these procedures.

"Discoms have to bring in efficiencies," said the official cited earlier, adding that a "do or die" situation like this is expected to drive them to make more efforts to become sustainable and efficient. Financial woes of discoms have been a long-standing issue and extensions would not help bring about improvements, said the official.

However, according to analysts, the latest move may disrupt power supply in different states if followed to the letter, as they are in debt due to infrequent hikes in electricity tariffs, high expenses and irregular subsidy disbursement.

"The sector does not have enough cash flow to support LC in the short term. Also, issues of disputes in generator invoices remain due to contractual and regulatory issues," said Sambitosh Mohapatra, partner, PwC India-Power and Utilities.

"This move requires discoms to have liquidity, and state governments need to give subsidies on a monthly basis instead of tranches of payments given out once in six months or a year," said Divya Charen C, senior analyst, India Ratings and Research.

Discoms are required to pay generators every two months.

'Divestment, FDI, public shareholding can fetch \$25 bn'

Budget proposals to address the country's free-float problem can result in inflows of \$25 billion, brokerage firm Morgan Stanley said in a note

\$25 billion: These proposals will result in inflows of \$25 billion or a 1.46 percentage points jump in India's weighting in MSCI emerging markets index and a 7 percentage points rise in foreign free-float

\$6.4 billion: Government sell off of 51 per cent stake in central units would increase India's index weight by 0.37 per cent with an active and passive flow implication of \$6.4 billion

\$14.2 billion: The move to increase the minimum statutory limit for FPI investment in a company from 24 per cent to sectoral foreign investment cap will



alone increase the weight of the country in the EM index by 0.81 per cent and lead to inflows of \$14.2 billion

\$30 billion: For increasing public

shareholding in all the companies to 35 per cent, the brokerage firm said controlling stakeholders of the BSE 200 index would need to supply about \$30 billion of stock

CAP ON FPIs: Finance Minister Nirmala Sitharaman's proposals include increasing the limit on foreign portfolio investors (FPIs) from 24 per cent in companies to get them on par with the sectoral foreign direct investment (FDI) limits and increasing minimum public holding to 35 per cent from the present cap of 25 per cent

OTHER PLANS: Government increasing public shareholding in remaining companies controlled by it to 25 per cent and including the stakes of companies it controls while calculating 51 per cent stake in non-financial companies

'Mayday: DGCA nod to Vistara pilots to fly again'

PRESS TRUST OF INDIA
NEW DELHI, JULY 18

AVIATION REGULATOR DGCA Thursday permitted two Vistara pilots, who had issued a 'Mayday' distress call due to low-fuel near Lucknow airport while operating a Mumbai-Delhi flight, to resume their duties till the final investigation report comes in, sources said.

"Both the pilots have been permitted by the DGCA to resume

their flying duties. However, the final decision regarding them would be taken once the final investigation report comes in," a source said.

The preliminary enquiry by the DGCA showed that when the pilots were approaching Delhi airport's runway 29, at a height of 250 feet, the pilot-in-command decided to divert to Lucknow due to "perceived increase in tail winds beyond the aircraft limitations", the source said.

'Excise duty collection on ATF in 2018-19 up by 31%'

PRESS TRUST OF INDIA
NEW DELHI, JULY 18

THE CENTRE collected Rs 2,540 crore in excise duty on Air Turbine Fuel (ATF) in 2018-19, up 31 per cent from the previous fiscal, Civil Aviation Minister Hardeep Singh Puri told the Lok Sabha on Thursday.

In 2017-18, the Union government earned Rs 1,938 crore in excise duty on ATF, a jump of 27.5 per

cent, from Rs 1,520 crore collected in 2016-17, he said in a written response to a question in the Lower House.

Puri also said the Centre has collected Rs 229 crore and Rs 162 crore in customs duty on ATF in 2018-19 and 2017-18 respectively. A basic customs duty of five per cent is levied on import on ATF.

He told the Lok Sabha that the decision to include ATF in Goods and Services Tax (GST) regime rests with the GST council only.

Qualcomm fined €242 mn over market abuse by EU Commission

REUTERS
BRUSSELS, JULY 18

QUALCOMM, THE world's no.1 chipmaker, was fined 242 million euros (\$272 million) by the European Commission Thursday for blocking a rival from the market about a decade ago, its second EU antitrust penalty. The Commission, EU's competition regulator, accused Qualcomm of predatory pricing between 2009 and 2011 aimed at forcing out British phone software maker Icera, now part of Nvidia Corp.

"Qualcomm's strategic behaviour prevented competition and innovation in the market," Competition Commissioner Margrethe Vestager said in a statement. In a news conference, she later defended the time it had taken to reach a decision - the Commission first accused the company of predatory pricing in 2015 - saying it had been a complex case that depended on evidence from Qualcomm. The fine amounts to 1.27 per cent of Qualcomm's turnover in 2018. Qualcomm said it would appeal the decision.

Netflix India to roll out cheaper mobile-screen plans in July-September

ENSECONOMIC BUREAU
NEW DELHI, JULY 18

VIDEO STREAMING player Netflix, which has been testing mobile-only plans in India, on Wednesday said it will roll out lower-priced mobile-screen plans in the country in the July-September quarter. The move is seen as taking on competition from other similar OTT players like Amazon Prime Videos which are priced lower.

The US-based streaming platform said Indian audiences "growing engagement" with the platform motivated it to introduce cheap mobile tier offering in the country. The company said it is in India for the long haul where "growth is a marathon".

"In a market where the typical pay-TV package is under \$5, we think we need to have a lower price offering to improve the accessibility, but also one that complements the existing tiering structure that we have," chief product officer Greg Peters said in the Q2 2019 earnings call.

Netflix has been testing weekly and monthly mobile-only plans starting at Rs 65 per week and Rs 250 per month for select

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GREG PETERS
CHIEF PRODUCT OFFICER, NETFLIX

mobile users in India. Its current monthly plans are priced at Rs 500, Rs 650 and Rs 800, considerably higher than its competitors. According to research firm Media Partners Asia, Netflix has around a million subscribers in India and about 150 million subscribers globally.

Netflix competes with global OTT (over-the-top) players like Amazon Prime Video and domestic players Hotstar, Zee5, SonyLiv and AltBalaji in the Indian market. The company's India unit posted a net profit of Rs 20.2 lakh in the year to March 2018.

In India, Hotstar is the top app in terms of downloads and monthly active users (MAUs), according to a Ficci-EY report released in December 2018. FE

Non-food credit up 14.63% to hit 6-month high

ENSECONOMIC BUREAU
MUMBAI, JULY 18

NON-FOOD CREDIT, or loans to individuals and companies, grew by 14.63 per cent year-on-year during the fortnight to July 5 to Rs 96.26 lakh crore - the highest growth in the past 12 fortnights. During the comparable fortnight a year ago, the non-food credit growth of scheduled commercial banks stood at 12.73 per cent, data from the Reserve Bank of India (RBI) showed.

Meanwhile, deposits in the banking system grew by 10.32 per cent y-o-y to Rs 126 lakh crore in the fortnight ended July 5 - the

DEPOSITS IN SYSTEM UP 10.3% Y-0-Y

■ Deposits in the banking system grew by 10.32 per cent year-on-year to Rs 126 lakh crore in the fortnight ended July 5, as per RBI data

■ Bank credit in the country is expected to grow at 13-14 per cent on an average between financial year 2019-19 and 2019-20

highest growth in the past three fortnights, and a rise of 30 basis points (bps) over the previous fortnight. Bank deposits grew by 8.36 per cent in the same fortnight last year. Over the past fortnights, the rate of deposit growth had been a matter of concern.

Bank credit in India is expected to grow at 13-14 per cent

on average between FY19 and FY20, significantly faster compared with 8 per cent in FY18. That would force a change in the deposit mobilisation plans of banks over the medium term, said experts at Crisil Ratings. To meet this credit growth, banks will have to raise about Rs 25 lakh crore over the two fiscals, the experts said.

Trade, tariff issues potential stumbling blocks to growth of India-US partnership: CRS report

LALIT K JHA
WASHINGTON, JULY 18

TRADE AND tariff issues between India and the US and their divergent approach to ties with Russia, Iran and Pakistan are potential stumbling blocks to the continued development of the bilateral partnership, a US congressional report has said.

India is often called a preem-

inent actor in the Trump Administration's strategy for a free and open Indo-Pacific, Congressional Research Service (CRS) said in its latest report.

Yet there are potential stumbling blocks to the continued development of the partnership, it said.

The report titled 'India's 2019 National Election and Implications for US Interest' prepared for the members of the US

Congress reviews the recent election process and results, the country's national political stage, and possible implications for US interests in the areas of bilateral economic and trade relations, defense and security ties, India's other foreign relations, and human rights concerns.

The CRS is an independent research wing of the US Congress. It periodically prepares reports on issues for mem-

bers of the Congress to take informed decisions. The CRS reports are not an official view of the Congress.

In its 15-page report dated June 28, a copy of which was obtained by PFI, the CRS said in 2019, differences over trade have become more prominent, and India's long-standing (and mostly commercial) ties to Russia and Iran may run afoul of US sanctions laws. PFI

BRIEFLY

CCI nod to acquiring of RNAM stake

New Delhi: The Competition Commission of India (CCI) Thursday said it has given its approval to Nippon Life Insurance to acquire up to 75 per cent stake in Reliance Nippon Asset Management.

Cyient Q1 net profit up 9.7% at ₹90.5 crore

New Delhi: IT firm Cyient Thursday posted a 9.7 per cent rise in net profit at Rs 90.5 crore for June quarter.

GoAir set to launch several new flights

New Delhi: GoAir Thursday announced it would start 12 new flights on international sector connecting India with cities such as Bangkok and Dubai. It said it would start 16 new domestic flights. PFI

EU clears Vodafone's Liberty deal

Brussels/London: Vodafone secured on Thursday antitrust approval from the European Union for its \$22 billion bid to buy Liberty Global's cable networks in Germany and central Europe after offering concessions in May. REUTERS

Disagree with ICRA revision: Reliance Power

Brussels/London: Reliance Power Thursday said it "disagrees" with the revision in long-term and short-term ratings of the firm along with its subsidiary Vidarbha Industries Power Ltd to 'D' issuer not cooperating. PFI

Govt merges CTDP with Board of Trade

New Delhi: The government has merged the Council of Trade Development and Promotion with the Board of Trade, according to a DGFT notification. PFI

Oil falls as US Gulf platforms return to service

New York: Oil fell more than 1.5 per cent a barrel on Thursday, weighed down by weakness in US equities markets and an expectation that crude output would rise in Gulf of Mexico. Brent crude futures were down at \$62.73/barrel. REUTERS

FY20: ADB cuts India GDP growth forecast to 7%

PRESS TRUST OF INDIA
NEW DELHI, JULY 18

ASIAN DEVELOPMENT Bank (ADB) Thursday lowered the growth forecast for India from 7.2 to 7 per cent for the current fiscal, due to moderation in growth prospects for the advanced economies which could adversely affect tradable services.

ADB, however, maintained that India would continue to remain the fastest growing major economy ahead of China.

Releasing its update on the Asian Development Outlook (ADO) 2019, it said China will grow at 6.3 per cent in 2019, and slip further to 6.1 per cent in 2020, mainly on account of continuing trade war with the US.

India's economic growth, it said, is expected to inch up again to 7.2 per cent in FY2020 (2020-21), helped by recent reforms to improve the business climate, strengthen banks, and relieve agrarian distress, ADB said in the supplement. Notably, the 7.2 per cent economic growth projection in April this year was also curtailed from ADB's earlier projection of 7.6 per cent for the current fiscal ending March 2020.