

17 ECONOMY

GOLD	RUPEE	OIL	SILVER
₹35,970	₹68.92	\$61.74*	₹41,960

*Indian basket as on July 19, 2019

SENSEX: 38,031.13 ▼ 305.88 NIFTY: 11,346.20 ▼ 73.05 NIKKEI: 21,416.79 ▼ 50.20 HANG SENG: 28,371.26 ▼ 394.14 FTSE: 7,537.61 ▲ 28.91 DAX: 12,295.73 ▲ 35.66

International market data till 1900 IST

ICIJ-THE INDIAN EXPRESS INVESTIGATION

Via Mauritius, Religare moved funds to Singh brothers' offshore company: records



MALVINDER SINGH **SHIVINDER SINGH**

PVAIDYANATHANIER
NEW DELHI, JULY 22

USING A web of offshore companies, funds were allegedly diverted from Religare Enterprises Ltd (REL), a company listed in India, into a Jersey firm that was solely owned by Malvinder Singh and Shivinder Singh. REL, which earned consolidated profits of Rs 92 crore on revenues of Rs 748 crore in 2007-08 turned into a loss-making firm in subsequent years with losses mounting to Rs 1,350 crore on revenues of Rs 2,586 crore in 2017-18.

The Singh brothers had a fallout with Sunil Godhwani, who was appointed by the brothers to lead their family office after Ranbaxy sale in addition to his role in Religare (of which he had become the CEO in 2001). Godhwani quit as Chairman and Managing Director of REL in July 2016, and stepped down as whole-time director in September 2017.

Later on, the two brothers fought, blaming each other and Godhwani for fraud. Malvinder alleged that loans were given to Gurinder Singh Dhillon, the spiritual guru of Radha Soami Satsang Beas, to buy real estate.

Documents obtained from Appley and Mauritius-based Conyers, Dill and Pearman — two big and reputed incorporators of offshore companies — show that Religare Capital Markets Ltd (RCML), a wholly-owned subsidiary of REL, set up an investment holding subsidiary in Mauritius in 2008.

Called Religare Capital Markets International (Mauritius) Ltd, this became a vehicle to acquire a 30 per cent stake in another Jersey-headquartered entity, NCM Limited.

The NCM's shareholders, according to Appley documents, are Malvinder Singh and Shivinder Singh, and their spouses Japna Malvinder Singh and Aditi Shivinder Singh. Between June 23, 2009 and August 26, 2015, the Indian company or RCML subscribed to ordinary shares and zero per cent optionally convertible debentures adding up to \$367.64 million in share capital. The Singh brothers, however, denied holding any stake in NCM Ltd. "We would like to reiterate the promoters neither own or have or had any stake in NCM Ltd. Appley's have named the promoters, as this is the regulatory requirement in Jersey where NCM Limited was incorporated," a spokesperson for the Singh brothers said. Annual accounts of Religare Capital Markets Ltd for 2015-16 show that as on March 31, 2016, the Mauritius subsidiary has an equity of \$404.17 million. During the year, it posted losses of \$405.66 million.

Appley undertook due diligence for Religare Mauritius when it wanted to roll over a standby letter of credit (SBLC) of \$72.5 billion in September 2015. An SBLC is a guarantee issued by a bank on behalf of a client and invoked if the client fails to honour a commitment to a third party. The company had originally entered into an SBLC facility agreement with Axis Bank in September 2014,

with personal guarantees by the Singh brothers. Internal correspondence of Appley suggests that RHC Financial Services (Mauritius) Ltd had entered into a similar transaction earlier. It probably referred to \$50 million borrowed from JP Morgan Chase in March 2011, with Conyers, Dill and Pearman, acting as a special legal counsel for the latter in this transaction. RHC Financial Services, according to documents with Conyers, Dill and Pearman, was incorporated in November 2010 in Mauritius and is fully owned by RHC Holding Private Ltd. RHC Holding's final beneficiaries again are the Singh brothers and their spouses, as per the Incumbency Certificate issued by Mauritius International Trust Company, and available with Conyers. RHC Holding had signed an agreement with Religare Enterprises Limited (REL), a company listed in India, and its subsidiary Religare Capital Markets Limited (RCML) on February 13, 2012, as per which, "RHC entities infused preference share capital to the tune of Rs 1,333.47 crore in RCML in various tranches between 2011-12 and 2015-16." At the time of this tripartite agreement, RHC Holding was the "ultimate holding company" of the REL. On June 19 last year, however, RHC sent a legal notice to REL and RCML stating that it was "shocked to discover" that RCML has suffered huge losses worth Rs 731.84 crore on account of "provisioning/write-off of amount equal to the value of investments made by RCML in Religare Capital Markets International (Mauritius) Limited."

The blame game had begun. In June 2018, the Singh brothers held REL and its management (in other words Godhwani) responsible for diversion of funds. Couple of months later, Shivinder blamed Malvinder and Godhwani for the problems. Then in February this year, Malvinder called out Shivinder, Godhwani and Dhillon, and blamed them for the mess in the group. Full response of Malvinder Singh & Shivinder Singh at www.indianexpress.com

'OPEN MIND FOR A CENTRAL BANK DIGITAL CURRENCY'

Inter-ministerial body proposes ban on private cryptocurrencies

SUNNY VERMA
NEW DELHI, JULY 22

AN INTER-MINISTERIAL Committee set up by the government has proposed a complete ban on private cryptocurrencies due to various adverse effects, but suggested the government to keep "an open mind for a central bank digital currency" which is based on the same blockchain or distributed ledger technology (DLT). The committee has also proposed a draft bill 'Banning of Cryptocurrency & Regulation of Official Digital Currency Bill, 2019'.

"... the Committee is of clear view that the private cryptocurrencies should not be allowed. These cryptocurrencies cannot serve the purpose of a currency. The private cryptocurrencies are inconsistent with the essential functions of money/currency, hence private cryptocurrencies cannot replace fiat currencies," the Committee, chaired by Economic Affairs Secretary Subhash Chandra Garg, said in its report released Monday.

While no accurate information of trading volumes in India is available, in February 2018, there were around 50 lakh traders in India in 24 exchanges and cryptocurrency trading volumes were in the range of 1,500 Bitcoins a day, or around Rs 100 crore, whereas the global 24-hour trading volume is in excess of \$21 billion, the report noted.

However, given the utility of the blockchain or the DLT, the committee recommended "that it would be advisable to have an open mind regarding the introduction of an official digital currency in India."

The panel noted that enabling

STATUS OF CRYPTOS IN OTHER COUNTRIES

- BARTER TRANSACTIONS:** Countries like Russia and Canada allow virtual currencies to be traded for other goods or services.
- MODE OF PAYMENT:** Some countries like Switzerland and Thailand allow for virtual currencies to be modes of payment. However, since they are not classified as legal tender, parties are not legally obliged to accept them.
- LEGAL TENDER:** No country across the world treats virtual currencies as legal tender.
- COMPLETE BAN:** Countries like China have banned virtual currencies. It does not allow any sort of legal transactions in them.

EXPLAINED Use of blockchain tech may improve governance

A COMPLETE ban on private virtual currencies suggested by a government panel stems from a variety of risks such as currencies pose — including fluctuation in value, cyber fraud and concerns relating to money laundering. The panel, however, has favoured use of the blockchain technology, which gave birth to virtual currencies, for improving governance and citizen services while also keeping an open mind towards central bank digital currencies.

provisions are available in the Reserve Bank of India Act that permit the central government to approve a "Central Bank Digital Currency" recommended by the RBI to be a "bank note" and therefore, a legal tender in India.

Other than Bitcoin, various other cryptocurrencies have emerged including Ethereum, Ripple and Cardano. As of date, there are around 2,116 cryptocurrencies, with a market capitalisation of \$119.46 billion. While

The inter-ministerial panel, comprising Secretary of MeitY, Chairman of Sebi and Deputy Governor of RBI as members, has suggested the use of DLT in India, especially in financial services. "The DLT-based systems can be used by banks and other financial firms for processes such as loan-issuance tracking, collateral management, fraud detection and claims management in insurance and reconciliation systems in the securities market," the report said.

It highlighted that Europe's largest shipping port, Rotterdam, has launched a research lab to explore blockchain's applications in logistics, and utilities in North America and Europe are using this technology for trading energy futures. Business forecasts project blockchain's business value addition to grow to \$176 billion by 2025.

The major point of difference between fiat currency and virtual currency is that while the former is expressly guaranteed by the central government, the latter has no such backing. In order for any virtual currency to be declared legal tender, it will have to be expressly guaranteed by the Central government. In that case, parties are legally bound to accept it as a mode of payment, the committee noted. Non-official virtual currencies can be used to defraud consumers, and sharp fluctuation in their value can cause significant losses to investors. In December 2017, Bitcoin was valued at around \$20,000 per coin. However by November 2018, Bitcoin was trading at a price of \$3800. These can also affect the central bank's ability to regulate the money supply, restricting their ability to stabilise the economy.

Delayed monsoon, weak farm sentiment hit production and sales of tractors

SANDEEP SINGH & ANIL SASI
NEW DELHI, JULY 22

THE DECELERATION in the rural economy is showing up in the worsening slide in sales in the tractor segment, which had bucked the broader downturn in the auto sector to post a third consecutive year of double digit growth until March 2019.

As the rural demand continues to decline over factors such as shrinking credit disbursal by NBFCs, weak farm sentiment and delayed monsoon, the sales of tractors — which serve as a proxy for rural consumption, alongside two-wheelers, and are a key input in agriculture mechanisation — recorded the biggest monthly fall in production of over 32 per cent in June 2019.

Sales have consistently fallen by over 14 per cent since March 2019, amidst weak farm sentiments and overall weakness in the rural economy. With volumes representing a double-digit fall over the past three months, the industry recorded an over 32 per cent decline in production in June 2019 while sales, including exports, too were down 15 per cent.

The correlation of tractor sales with agriculture GDP has increased from 0.3 over historical sample (2005-2017) to about 0.7 over the five years to March 2018, according to Bloomberg Economics data. To that extent, a decline in tractor sales is more worrying now than five years back.

This comes amid the third advance estimates of crop production indicating a slide in rabi production while kharif sowing has remained weak so far. According to rating agency ICRA, even as fears persist of a curb in lending amid weak farm cash flows, financing availability in the sector continues to remain inadequate amid the NBFC crisis.

Tractor sales for June of market leader Mahindra and Mahindra Ltd (M&M), which commands a 40 per cent share of the domestic market, posted a 19 per cent slide. M&M has been reporting a year-on-year dip in sales since December while Escorts Ltd has been posting a decline in sales from March 2019. For M&M, the slide in June sales comes on the back of double-digit decline in sales in April and May.

On the rural slowdown, Pronab Sen, country director for the India Programme of the

The industry recorded an over 32% decline in production in June 2019, while sales, including exports, were down 15%

International Growth Centre and former Chief Statistician of India, said that although agriculture is holding up in terms of physical volumes, the consumption breakdown is mainly originating from the non-agricultural segment in rural areas. This is likely to intensify and spill over to the agri side in the wake of the IMD's forecast of monsoon precipitation in the ongoing southwest monsoon season, pegged at 96 per cent of long period average (LPA). While monsoon onset was delayed, the precipitation has remained weak in June, raising further concerns over the recovery of the rural economy.

Over the last three years, the domestic tractor industry growth has stayed positive and bucked the progressively intensifying downturn in automobile sales on account of farm cash flows gaining from consecutive favourable crop cycles. Besides healthy farm cash flows, an improved haulage demand, as a result of investment uptick in infrastructure creation, coupled with the government's farmer welfare programmes, provided support to tractor demand.

Since early this year, industry volumes have been under pressure on the back of weak rabi crop cash flows and depressed crop prices. The volume decline of 15 per cent in June 2019 represented the fourth consecutive month of double digit decline in volumes (on a YoY basis). While weaker rabi cash flows and a delayed harvest have been the primary reasons, fears of an adverse monsoon precipitation (amid a delayed monsoon onset) and a tightened liquidity scenario have also curtailed demand.

A report by Edelweiss said, "Q3FY19 was characterised by slowdown in automobile as well as consumer durable sectors. Sales growth of consumer staples, however, remained resilient largely on account of direct transfer schemes and government led initiatives. But, the cookie crumbled in Q4FY19 as the government, to manage fiscal deficit, massively slashed its expenditure. This triggered deceleration in the rural economy."

Digital media to reach \$5.1 bn by 2021'

Digital media in India is expected to overtake film entertainment in 2019 and print by 2021 to reach \$5.1 billion in 2021, a FICCI-EY report said

570 MN: Number of internet subscribers in India — second highest after China — growing at a rate of 13 per cent annually	PAYING SUBSCRIBERS expected by 2021:	SUBSCRIPTION MODEL:
■ 325 mn: Online video viewers in 2018	■ 30-35 mn: Over-the-top (OTT) video	■ \$0.2 bn: Value in 2018
■ 150 mn: Audio streaming users in 2018	■ 6-7 mn: Audio	■ \$0.8 bn: Estimated value by 2021
	VALUE OF digital media:	ADVERTISING-LED MODEL:
	■ \$2.4 bn in 2018, growing by 42 per cent	■ \$2.2 bn: Value in 2018
	■ \$3.2 bn in 2019 expected	■ \$4.3 bn: Estimated value by 2021

VALUE OF FILM ENTERTAINMENT:	VALUE OF PRINT SEGMENT:
\$2.5 bn in 2018	\$4.4 bn in 2018
\$2.8 bn in 2019 expected	\$4.8 bn in 2021 expected

Sensex falls 306 pts; Investor wealth down ₹4.37 lakh cr in 3 sessions

ENSECONOMICBUREAU
MUMBAI, JULY 22

INVESTORS' WEALTH, or market capitalisation of listed shares, plunged by over Rs 4.37 lakh crore in three sessions to Rs 144.76 lakh crore as stock markets extended their losses for a third straight day with cumulative losses of Sensex at 3.05 per cent or 1,184 points since July 18.

After falling 878 points on July 18 and 19, the 30-share Sensex on Monday fell 306 points or 0.80 per cent to settle at 38,031.13, a level

not seen since May 17, as foreign investors continued their selling spree. The broader NSE Nifty was down 73.10 points to close at 11,346.20.

Foreign portfolio investors (FPIs) have pulled out Rs 8,796 crore in the month of July so far. The selling spree was triggered after Finance Minister Nirmala Sitharaman last week declined to remove or relax the applicability of the new surcharge on the super rich on (FPIs), but advised those staring at an increase in tax outflows to shift to the corporate structure where the Budget has

Gold at all-time high of ₹35,970

New Delhi: Gold prices touched a new high of Rs 35,970 per 10 gram in the national capital after gaining Rs 100 on Monday due to continued buying from jewellers, according to the All India Sarafa Association. Silver also followed the

suit and gained Rs 260 to Rs 41,960 per kg. Traders attributed the rise in gold prices to strong demand from local jewellers. Globally, spot gold was trading almost flat at \$1,425.60 an ounce, while silver quoting higher at \$16.40 per ounce. PTI

n't made any change in tax treatment. "Escalating tensions in the

Middle East boosted safe-haven assets and oil prices. Emerging-market assets fell on Monday as

expectations dwindled for an aggressive interest-rate cut by the US Federal Reserve, while the introduction in China of a Nasdaq-style index pulled investment away from existing indices," said Deepak Jasani, head retail research, HDFC securities.

The Sensex had fallen 560 points on Friday amid concern over FPI pullout. The rupee depreciated by 12 paise to close at 68.92 against the US dollar on Monday tracking heavy losses in the domestic equity market and a spike in crude oil prices following Iran's seizure

of a British tanker. The strong US dollar against major currencies overseas also weighed on the rupee sentiment.

The rupee had settled at 68.80 against the US dollar on Friday. "Indian sovereign bonds fell after the Reserve Bank of India Governor Shaktikanta Das said further rate cuts will depend on incoming economic data. This statement has turned down the expectations of large easing in upcoming monetary policy," said V K Sharma, head PCG & Capital Markets Strategy, HDFC Securities.

HUMA ABIDI, DIRECTOR OF MACHINE LEARNING AND DEEP LEARNING SOFTWARE ENGINEERING, INTEL

Behind cutting edge AI work, Lucknow woman who set out to be a doctor

NANDAGOPAL RAJAN
NOIDA, JULY 22

"KILLER ROBOTS are, if not hundreds, then tens of years away... So that idea of computers taking over and all, that is not true." Huma Abidi is categorical when she dismisses the hype and mumbo-jumbo that abounds the general perception of her domain. But the Director of Machine Learning and Deep Learning Software Engineering at Intel, one of the world's largest tech firms, is certain that by 2020 artificial intelligence will generate \$13 trillion across the world. Hailing from Lucknow, Abidi joined the chipmaker as a software engineer and is now respon-

sible for deep learning framework software optimisation for Intel's top of the line Xeon processors. "I was actually studying to be a doctor. But that was a long time ago and somehow it just ended there," says Abidi who followed up her BS in pre-med and chemistry with an MS in computer science from the University of Massachusetts. Being responsible for optimising deep learning frameworks and workloads, Abidi now helps companies like Google, Facebook and Baidu iron out all areas where deep learning runs on Intel hardware. "My team works daily with Google. The optimisations we do get upstreamed to Google Tensorflow. Anybody downloading Tensorflow gets all the work my team has done."



Huma Abidi Nandagopal Rajan

On open source machine learning library, Tensorflow powers a lot of Google's machine learning products like image recognition. Abidi's portfolio is broad, straddling both the hardware and software sides of what Intel is doing in top-end computing. "On the hardware side, there are data centres and accelerators as well some-

thing like a compute stick. On the software side, which is my focus, we did so much work that it became a par with the competition," explains Abidi, whose team came in for recognition for their work improving deep learning capabilities by 278 times.

For someone who has been in the IT industry for well over two decades, the work on AI has been an eye opener. "What I liked the best about AI is how people are building over each other's breakthroughs. The models have been put on GitHub, papers are being shared, archive downloaded... I have not seen this before. Unbelievable," she says, adding how everybody is coming together to standardise as much as possible. Abidi says her team's

work on Intel One API — a set of developer tools that provide a unified programming model — is an attempt to offer a solution so that everyone can collaborate more across different architectures.

AI is nothing new, says Abidi, but now the coming together of data availability, cheap hardware and powerful algorithms have made this spurt possible. "So it is moving in a very good direction and that AI winter and all is gone. This is phenomenal and I'm really happy to be part of it. But if someone is hoping it to solve all those problems, then it is early." But there are many projects that have given Abidi immense satisfaction. Like the work her team did to help Novartis process an image about 26 times larger than what

they were used to in a matter of minutes and not days like before. Then there is the work on handheld devices that can detect diabetic retinopathy, as well as some image detection work that helped reduce poaching in Tanzania.

For companies looking to add an AI layer to their work, Abidi has a simple message: "Don't do AI for the sake of AI, but do it so that it helps your business... And don't reinvent the wheel." She cites the example of Mujeeb Kolasseri from Palakkad in Kerala, a high school dropout who set up a business of tagging data from camera for clients all over the world to help machine learning. "That's what I said about the kind of jobs that can be created."



CHINA'S NASDAQ-STYLE 'STAR MARKET'

China Securities Regulatory Commission (CSRC) Chairman Yi Huiman (centre right) and Chinese Shanghai Party Secretary Li Qiang (centre left) attend the listing ceremony of the first batch of companies on STAR Market, China's new Nasdaq-style tech board, at Shanghai Stock Exchange (SSE), China on Monday. *Reuters*

- Trading on China's new Nasdaq-style board for homegrown tech firms hit fever pitch on Monday, with shares up as much as 520% in a wild debut.
- Sixteen of the first batch of 25 companies — ranging from chip-makers to health care firms — increased their already frothy IPO prices by 136% on the STAR Market.
- The first day of trade tripped the exchange's circuit breakers. The day saw the creation of 305 billion yuan (\$44.3 billion) in new market capitalisation. *REUTERS*

SC puts on hold ArcelorMittal's takeover of Essar Steel; to hear appeals filed by CoC on August 7

INDU BHAN
NEW DELHI, JULY 22

BANKS WILL likely reign supreme when it comes to commercial decisions concerning firms under the insolvency process: while last week the Cabinet approved amendments to the relevant code to buttress the powers of the committee of creditors (CoC), the Supreme Court on Monday seemed throwing its weight behind the move.

The apex court has put on hold ArcelorMittal's takeover of debt-laden Essar Steel, after the lenders sought a stay on the National Company Law Appellate Tribunal's (NCLAT) ruling that reduced their share of sale proceeds

The takeover has been put on hold after lenders of Essar Steel sought a stay on the NCLAT ruling that reduced their share of sale proceeds from 90 per cent to 60 per cent

from 90 per cent to 60 per cent and also put the financial creditors and operational creditors on a par in settlement of claims.

A Bench led by Justice RF Nariman, while agreeing to hear all the four appeals, filed by SBI-led CoC, ICICI Bank, SBI and ArcelorMittal, on August 7, also asked the parties to maintain status quo with regard to the acquisition of Essar Steel till then.

Also, Justice Nariman cited a February 2019 judgment by the

Justice AM Khanwilkar's Bench in the case, K Sashidhar vs Indian Overseas Bank, where it was held that there is no provision in the Insolvency and Bankruptcy Code that empowers the resolution professional, the adjudicating authorities (NCLT & NCLAT), to reverse the "commercial decision" of the CoC.

The court said it would resolve all the issues arising from the Essar Steel verdict expeditiously and observed that NCLAT could

REPRESENTATIVES FROM SECTORS LIKE CHEMICALS, PHARMA ETC TAKE PART

Goyal holds 'marathon' of consultations with industry players ahead of RCEP meet

PRABHA RAGHAVAN
NEW DELHI, JULY 22

COMMERCE AND Industry minister Piyush Goyal on Monday called on industry bodies in Mumbai to review issues that India would need to keep in mind when continuing deliberations on the Regional Comprehensive Economic Partnership (RCEP) next month in Beijing. Similar consultations will take place in Delhi Tuesday, officials and industry representatives close to the development told *The Indian Express*.

Goyal held a "marathon" of meetings with representatives of "all" sectors, including gems and jewellery, steel, copper, aluminium, zinc, chemicals, pharmaceuticals, plastics, rubber, leather, textile, apparel, auto, electronics and engineering products, according to them.

ANOTHER MEETING TO BE HELD TODAY

■ Another meeting on Tuesday might focus on hashing out resolutions to issues between upstream stakeholders and downstream stakeholders, according to an official

■ RCEP is a mega free trade agreement being negotiated between ASEAN nations, India, China, Japan, South Korea, Australia and New Zealand. India has until November to join it

While senior Commerce Ministry officials held similar closed-door meetings last week, Goyal wanted to conduct "wider" stakeholder discussions before meeting with trade ministers of other RCEP countries.

"The main purpose of these meetings is to take the views of the industries, their sensitivities, aspirations and challenges when negotiations resume in Beijing," said an official privy to the developments on condition of anonymity.

The meeting on Tuesday might focus on reviewing and hashing out resolutions to issues between upstream stakeholders, like raw material producers, and downstream stakeholders, like finished goods manufacturers, according to the official.

"When there are competing interests, there are bound to be various concerns (that need to be worked out)," the official said.

RCEP is a mega free trade agreement being negotiated between the 10 ASEAN group

countries, India, China, Japan, South Korea, Australia and New Zealand. India has until November to join it.

All chapters of the deal, including those covering agriculture, steel, marine and textiles sectors, were discussed at Monday's meetings, said persons close to the development.

Some industry representatives at the meetings on Monday, however, said the Minister shared his apprehension over signing the deal over fears that it would let some RCEP countries, especially China, flood the Indian market with cheaper goods. "While the Minister himself has been apprehensive of signing it, he realises that it is such a big trading bloc," an executive said.

Goyal expressed concerns that as RCEP countries currently account for over 40 per cent of global trade currently, not entering the agreement would leave

India completely isolated from technology transfers and without a competitive advantage, added the executive.

"He also felt that participating in the RCEP agreement would give India the chance to improve upon its existing free trade agreements with RCEP countries, which have currently put the country at a disadvantage as it has a trade deficit with most of them," the person said.

The consultations also assume importance as stakeholders from industries like steel have raised concerns over the potential impact of the agreement on their business. On the other hand, finished goods manufacturers have argued that limiting steel supply to domestic producers through higher import duties makes it expensive for the former to manufacture and puts them at a disadvantage.

NHB asks housing finance firms to stop funding 'subvention schemes'

ENS ECONOMIC BUREAU
MUMBAI/NEW DELHI, JULY 22

SEVERAL ONGOING and soon-to-be-launched housing projects in metros and other major cities could take a hit as a National Housing Bank (NHB) directive has circumscribed the developers' ability to raise low-cost funds for construction under the schemes where they service the loans taken by homebuyers to make down payments, till the projects are completed.

In a circular dated July 19, NHB asked the housing finance companies (HFCs) to stop funding such 'subvention schemes', including in cases where the loans have been sanctioned but disburse-

ments are yet to commence.

The NHB decision follows reports of widespread fraud in such schemes, but many developers who use the funds strictly for the projects concerned could also be impacted, analysts said. Analysts say as far as the homebuyer is concerned, the regulation could cut both ways. On the one hand, developers may choose to offer a discount in order to push sales and on the other, it could affect their ability to repay.

The NHB directive comes close on the heels of the Budget decision to strip it of the role of regulator of HFCs — it will continue to be refinance of these firms. RBI may soon issue a similar directive to banks as there are instances of such subvention

schemes run by the banks. In 2013, the Reserve Bank had told lenders to link loan disbursements in what were known as "80:20" and "75:25" schemes to stages of construction.

Though well-intentioned, the NHB move could in many cases have unintended consequence of taking the wind out of the real estate projects' sail, when the developers and liquidity-starved HFCs are in the throes of ending a prolonged slump in the realty sector that have hurt all stakeholders, including the home-buyers.

Anarock Property Consultants chairman Anuj Puri said, "Albeit indirectly, this will definitely put even more strain on many developers' already precarious liquidity situation." *FE*

IL&FS Transportation Networks defaults on NCD interest payment

ENS ECONOMIC BUREAU
MUMBAI, JULY 22

IL&FS TRANSPORTATION Networks (ITNL) on Monday said it has defaulted on repayments to holders of its non-convertible debentures (NCDs) worth Rs 450 crore. The default was on interest repayments to the tune of Rs 26.03 crore.

The firm is believed to have been classified as a 'red' entity by lenders as it is unable to service its dues to any of its creditors. Other entities from the troubled IL&FS Group have been categorised as either 'green' — those which can service all financial obligations — or 'amber' entities, which can service their debts to secured creditors but not to others.

Earlier, ITNL had defaulted on debt worth Rs 179 crore, due in six

ITNL CLASSIFIED AS 'RED' ENTITY

■ ITNL is believed to have been classified as a 'red' entity by lenders as it is unable to service its dues to any of its creditors

■ Other entities from the troubled IL&FS Group have been categorised as either 'green' or 'amber' entities

separate repayments on October 29 and 30, 2018. ITNL, along with IL&FS Financial Services (IFIN) and IL&FS, is having its past ratings reviewed by Grant Thornton.

In its interim report, Grant Thornton had said that credit rating agencies (CRAs) seemed to have consistently given the companies good ratings over the years till July-August 2018, when they downgraded ITNL's ratings for the first time after it defaulted on repayments to holders of its commercial papers.

The IL&FS Group, whose management is currently headed by Uday Kotak, had said in January that it has received a strong response with more than 30 expressions of interest (EoIs) for its domestic roads business housed under ITNL.

On December 17 last, IL&FS had invited EoIs for 19 of its road projects, four of which are still under construction, seven annuity projects and eight toll road projects. The last date for submission of bids was January 8. *FE*

ICRA, Care question Grant Thornton's IL&FS report

PRESS TRUST OF INDIA
MUMBAI, JULY 22

RATING AGENCY Care Monday claimed that the interim report by Grant Thornton's on IL&FS Group "misses" some rudimentary elements of the process of credit rating. Separately, another rating firm IcrA has said the report "ignores" the alleged fraud perpetrated by former IL&FS management.

Grant Thornton in its recently conducted forensic audit of the cash-strapped IL&FS evaluated the role of credit rating agencies in rating various debt instruments and facilitating excessive borrowings from money markets across group companies that eventually led to defaults.

"The report by Grant Thornton on IL&FS group relating to the linking of ratings assigned by Care Ratings to various entities in the IL&FS group should be read with caution as it misses some rudimentary elements of the process of credit rating," Care Ratings said in a statement.

Care, IcrA, India Ratings and Brickwork were the main rating agencies for IL&FS Transportation Networks (ITNL), IL&FS Financial Services (IFIN) and IL&FS for the last 10 years for which the forensic audit was carried out.

From 2016, Brickwork was also introduced for IFIN and ITNL. It replaced Crisil for ITNL.

Ban on IFIN auditors: NCLT reserves order

New Delhi: The National Company Law Tribunal (NCLT) on Monday reserved its order in the Ministry of Corporate Affairs (MCA) plea seeking five-year ban for IL&FS Financial Services auditors — Deloitte and BSR Associates. *PTI*

Crisil maintained that it has never rated IL&FS, IL&FS Financial Services, or any debt issued by these companies.

"We strongly urge to refrain from drawing conclusions about the role of IcrA on the basis of unverified information contained in an interim report commissioned by the IL&FS Board, which largely ignores the alleged fraud perpetrated by former IL&FS management," said IcrA in a statement issued Monday.

Notably, the audit report found numerous cases of favours and gifts such as tickets for a Real Madrid football match and hefty discounts on a luxurious villa to a Fitbit watch and shirts extended by the erstwhile top management of IL&FS to senior officials of rating agencies and their family members.

'Govt to ask CCI to review Big Four audit companies'

ADITYA KALRA & ABHIRUP ROY
NEW DELHI/MUMBAI, JULY 22

THE GOVERNMENT wants the country's antitrust body to assess whether the so-called "Big Four" auditing firms and their affiliates are hurting competition in any manner, a senior government official said.

"The Competition Commission of India (CCI) needs to conduct a survey or an investigation to assess whether the Big Four that include PwC, EY, Deloitte and KPMG are abusing their dominant position in the Indian audit market," said the official, who spoke on condition of anonymity.

The Ministry of Corporate Affairs, which holds that view, is yet to send any formal request to the CCI to probe the matter, said the official. "If you look at the top 500 companies in India, they are totally dominant and the Big Four seem to be sharing the work... whatever be the reason there seems to be entry barriers. The CCI should look into the dominance of these four global auditors and whether they are thwarting competition," the official added.

The CCI and the four auditors did not immediately respond to a request for comment. *REUTERS*

18% GST on flat owners paying maintenance of over ₹7,500 per month

PRESS TRUST OF INDIA
NEW DELHI, JULY 22

FLAT OWNERS will have to pay GST at 18 per cent if their monthly contribution to resident welfare association (RWA) exceeds Rs 7,500, the Finance Ministry said Monday. As per the rules, RWAs are required to collect GST on monthly subscription/contribution charged from its members if such payment is more than Rs 7,500 per flat per month and the annual turnover of RWA by way of supply of services and goods exceeds Rs 20 lakh.

In a circular issued to field offices on how should the RWA calculate GST payable where the maintenance charges exceed Rs 7,500 per month per member, the Finance Ministry said the exemption from GST on maintenance charges charged by an RWA from residents is available only if such charges do not exceed Rs 7,500 per month per member.

"In case the charges exceed Rs 7,500 per month per member, the entire amount is taxable. For example, if the maintenance charges are Rs 9,000 per month per member, GST @18 per cent shall be payable on the entire amount of Rs 9,000 and not on (Rs 9,000-Rs 7,500) = Rs 1,500,"

Invoice relief on goods taken for exhibition

New Delhi: The Finance Ministry on Monday said entities taking goods abroad for exhibitions or other export promotion events will not have to generate tax invoice for those goods which are brought back to India within six months. *PTI*

the circular said.

On how the tax liability would be calculated for a person who owns two or more flats in the housing society or residential complex, the Ministry said in such cases the ceiling of Rs 7,500 per month per member shall be applied separately for each residential apartment owned by him.

"For example, if a person owns two residential apartments in a residential complex and pays Rs 15,000 per month as maintenance charges towards maintenance of each apartment to the RWA (Rs. 7500/- per month in respect of each residential apartment), the exemption from GST shall be available to each apartment," it said.

Investments via P-notes fall to ₹81,913 cr in June

Investments through participatory notes (P-notes) in the Indian capital market slipped to Rs 81,913 crore in June after posting growth for the previous four months, as per data from Securities and Exchange Board of India (Sebi)



CUMULATIVE INVESTMENT MADE IN LAST 4 MONTHS:

Rs 73,428 crore: Till February-end	Rs 81,220 crore: Till April-end
Rs 78,110 crore: Till March-end	Rs 82,619 crore: Till May-end

₹ 81,913 cr:

Total value of P-note investments in Indian markets — equity, debt, and derivatives — till June-end

0.85%:

Decline in total value of June P-notes investment from previous month

\$1,000

fee to check misuse: In July 2017, Sebi had notified stricter norms stipulating a fee of ₹1,000 on each instrument to check any misuse for channelising black money

WHAT ARE P-NOTES:

P-notes are issued by registered Foreign Portfolio Investors (FPIs) to overseas investors who wish to be part of the Indian stock market without registering themselves directly after going through a due diligence process

SHARE OF TOTAL JUNE P-NOTE INVESTMENTS:

- Rs 56,664 crore: In equities
- Rs 24,428 crore: In debt
- Rs 821 crore: In derivatives market

BRIEFLY

OBC first quarter profit at ₹112.68 crore

New Delhi: Oriental Bank of Commerce Monday posted a net profit of Rs 112.68 crore for quarter ended June 30, 2019. The lender posted a net loss of Rs 393.21 crore in the same quarter of 2018-19.

Target to add 1.3 crore I-T filers this fiscal

New Delhi: The government has set a target of adding 1.3 crore income tax (I-T) filers in the current financial year against 1.1 crore new filers last year, Parliament was informed on Monday.

159th I-T day: Sitharaman to attend event

New Delhi: The Central Board of Direct Taxes will launch a taxpayer e-assistance campaign on the occasion of 159th Income Tax Day on Wednesday, and Finance Minister Nirmala Sitharaman will attend an event here to mark the day, officials said on Monday.

NSE co-location case adjourned to Sept 18

Mumbai: The Securities Appellate Tribunal Monday adjourned the NSE co-location matter to September 18 after capital markets regulator Sebi sought additional time to submit replies on a bunch of petitions.

WTO reforms: India, 9 others submit paper

New Delhi: Ten World Trade Organization (WTO) member nations, including India, have suggested expeditious resolution of problems being faced by the dispute settlement body and called for addressing issues emanating from unilateral actions taken by some nations. *PTI*

Anti-bribery: Microsoft to pay \$25.3 mn fine

New York: Microsoft Corp agreed on Monday to pay about \$25.3 million, including a criminal fine, to settle US charges it made improper payments that were used to bribe government officials in Hungary and other countries. *REUTERS*

'FB's \$5 bn settlement may be this week'

Washington: The US Federal Trade Commission is expected to announce a \$5 bn settlement with Facebook Inc this week. *REUTERS*

