EV industry upbeat, ICE players seek Govt.'s help

SPECIAL CORRESPONDENT
MUMBAI

The Society of Indian Automobile Manufacturers (SIAM) has said the government's vision of increasing electric mobility in the country has been acknowledged by the GST Council through its decision to slash tax on EVs (electric vehicles).

"Over [time], this will help popularise EVs," Rajan Wadhera, president, SIAM said.

He said since the automotive industry is currently going through a difficult time, the government must intervene to stimulate demand so that the industry can turn around.

Rahil Ansari, head, Audi India, said, "Measures supporting the overall industryare required. All players are struggling with declining sales, leading to production cuts and may lead to job losses, too. The draft notification on hiking registration for ICE (internal combustion engine) vehicles is detrimental to the overall development. We need support, not penalties."

Tarun Mehta, co-founder & CEO, Ather Energy, said, "The reduction of GST rates from 12% to 5% reduces the upfront cost of buying a vehicle by ₹8000-₹10,000. Compounded by the tax rebates offered in the Union Budget, today electric vehicles are an affordable upgrade from existing ICE options."

Sohinder Gill, director general, Society of Manufacturers of Electric Vehicles (SMEV) said the move would "reduce the gap between EVs and IC Engine vehicles. The EV industry now awaits corresponding reduction of 18% GST on spare batteries," he said

ICICI Bank clocks profit as provisions dip

Net NPA ratio lowest in 14 quarters; from a economic point of view, there is clearly a slowdown: Batra

SPECIAL CORRESPONDENT
MUMBAI

ICICI Bank reported a ₹1,908.03-crore net profit for the April-June quarter compared with a ₹119.55-crore loss during the same period of the previous year as additions to bad loans fell, lowering provision requirement.

Net interest income (NII) increased 27% year-on-year to ₹7,737 crore while net interest margin rose 3.61% compared with 3.19% in the same period of the previous year. Net interest margin was 3.72% during the fourth quarter of 2018-19.

Interest on I-T refund

"The impact of interest on income tax refund and interest collection from non-performing loans on net interest margin was about 17 basis points in Q1-2020 compared with about 25 basis points in Q4-2019," the bank said.

Non-interest income, excluding treasury income, stood at ₹3,247 crore compared with ₹3,085 crore while fee income grew 10% to ₹3,039 crore.

"The growth in core operating profit and reduction in credit cost resulted in a net profit of ₹1,908.03 crore," said Sandeep Batra, executive director (designate), ICICI Bank.

Core operating profit (profit before provisions and tax, excluding treasury income) grew 21% year-on-year to ₹6,110 crore.

Asset quality improved with gross non-performing assets falling by almost ₹8,000 crore in a year to ₹45,763 crore as at June end and the ratio came down to 6.49% from 8.81%.

Net NPA ratio decreased from 4.19% on June 30, 2018 to 1.77% at June 30 this year – the lowest in the last 14 quarters. Net NPAs decreased 51% to ₹11,857 crore.

As a result, provisions fell to ₹3,496 crore in Q1-2020 compared with ₹5,971 crore a year earlier. The bank had a provision coverage ratio of 74%.

"We continue to focus on reaching a consolidated return on asset of 15% by quarter ended June 2020," he added.

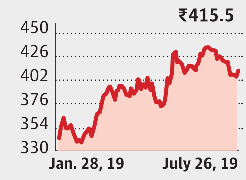
The total domestic advances grew 18%, driven by a 22% growth in retail loans. The corporate loan book grew 13%.

Mr. Batra declined to give any guidance on loan growth and said there was a slowdown in economic activity.

"From an economic point of view, there is clearly a slowdown. We have seen slowdown in transactions and auto sales. However, the services sector continues to do well and we are seeing some improvement in capacity utilisation in the public sector," he added.

Deposit growth was 21% year-on-year, driven by a 34% growth in term deposits. The share of CASA deposits to total deposits fell to 45.2% as on June 30, 2019 compared with 49.6% as on March 31, 2019 and 50.5% on June 30 last year.

Turning around



We continue to focus on reaching a consolidated return on assets of 15% by quarter ending June 2020

SANDEEP BATRA,
ED (designate),
ICICI Bank

Metrics	Q1 FY20	Q1 FY19	Growth (%)
Total income (₹cr)	21,405.50	18,574.17	15.24
Net profit/loss (₹cr)	1,908.03	(119.55)	-
Earnings per share (₹)	2.96	-	-
Net NPAs (%)	1.77	4.19	-

'Review legal set-up to tackle corporate failures'

Worst-case scenario ends up driving the law for entire society, says Sundaresan

SPECIAL CORRESPONDENT
CHENNAI

The legal framework needs a relook when it comes to tackling corporate governance and failure issues, senior lawyers Somasekhar Sundaresan and Arvind Datar said.

"If there is a governance failure which has led to a business failure, do we have a legal framework that actually deals with it? Sadly, the answer is no," Mr. Sundaresan said, speaking on the topic "Corporate failures – where does the buck stop?" organised by the Palkhivala Foundation.

Arvind Datar, left, with Somasekhar Sundaresan at a discussion on corporate failures. ▪ K.V. SRINIVASAN

Mr. Sundaresan also said that the system is still grappling with how to deal with real examples when they come up. "And, when an example comes up, we get into case-specific solutions and the worst case ends up driving the law for the entire society, including the largely compliant segments of society," he said.

Mr. Sundaresan pointed out how the Companies Act 2013 was framed entirely out of the issues that arose from the fallout of the Satyam scam.

He said that the approach seemed to be 'show me a problem, I will write a law.'

"Before writing the laws, should we not ask the question as to what the problems we are trying to solve are and the solutions for them, and invite public comments and then come up with a law based on the feedback?" Mr. Sundaresan asked.

Differentiation needed

Also speaking at the event, Mr. Datar said there should be differentiation between corporate failures due to frauds and those that were genuine failures.

He pointed out that sometimes regulation becomes the reason for business failure, giving the instance of sugar and real estate sectors that have been stuck with different regulations like State government rules, Insolvency and Bankruptcy Code and Real Estate Regulation and Development Act (RERA).

OYO Hotels to expand T.N. footprint

SPECIAL CORRESPONDENT
CHENNAI

Budget hospitality firm OYO Hotels & Homes will be offering its services in six tier-II cities of Tamil Nadu to strengthen its foothold.

OYO, which gets maximum bookings from Chennai and Coimbatore, is poised to enter Tirunelveli, Salem, Velankanni, Kancheepuram, Yelagiri and Tiruchendur.

"Supported by OYO's operational and technological capabilities followed by great customer and asset-owner feedback, we are expanding our presence across the State," said Aditya Ghosh, CEO, OYO India and south Asia, in a statement.

'Model Tenancy Act will rebuild trust between owners and tenants'

'Fair in terms of deposits, agreements'

LALATENDU MISHRA
MUMBAI

The Model Tenancy Act, 2019 drafted by the Union Ministry for Housing and Urban Development, is expected to benefit both owners and tenants, thus releasing lot of housing stock for rental purpose.

"There is a huge trust deficit prevalent between homeowners and tenants, creating a huge demand and supply gap when it comes to the home rental market," said Amarendra Sahu, co-founder & CEO, Nestaway Technologies Pvt. Ltd., a service provider in the space. "The Model Tenancy Act, 2019, offers a balance between the rights and benefits, for both owners and tenants; and identifies the role of property managers," he added.

He said when the company started in 2015, about 20% of its owner base was reluctant to give their house on rent fearing eviction risks.

For the past four years, he said, Nestaway had been working to reduce the trust deficit.

"We support the Model Tenancy Act 2019 and believe it will help both homeowners and tenants with the right pricing of rental homes, appropriate security deposits, and the nature and tenure of rental agreements, in a positive way," he added.

Commenting on the Act, Anuj Puri, chairman, Anarock Property Consultants, said, "At first look, the draft policies seem to favour both tenants and landlords. In all fairness, it aims to regulate the rental housing market by a more market-oriented approach by carefully balancing the interests of both land owners and tenants."

However, he said there could be some challenges in implementation.

"The cap on the security deposit can become a pain-point for many landlords – in cities like Bengaluru, a 10-month security deposit (with some scope for negotiation) was the accepted norm.

"Also, if a tenant defaults or causes significant damage to a property, a two-month security deposit may not cover the expenses the property owner incurs in repairs," he said.

Mr. Puri said while the government lays down the basic policies, the exact rules will likely change within each State since land is a State subject.

States' call

"Like we saw in the highly lopsided roll-out of RERA, the Model Tenancy Act, 2019 may lose its real purpose if States do not follow the basic guidelines and dilute them," he added.

According to Mr. Puri, while the capping of the security deposit amount to a maximum of two months may benefit tenants, the heavy penalty that will now be imposed for non-vacancy of the residential unit would act as a deterrent and protect the interest of owners.

INTERVIEW | AASHISH SOMAIYAA

'Worst is behind us, it's fine to invest in debt funds now'

'Problem isolated to 1-2 issuers, industry has handled it'

ASHISH RUKHAIYAR

There is a lot of uncertainty among investors in terms of market outlook and earnings, which is affecting the fund flows that may remain subdued for few months, says **Aashish Somaiyaa**, *MD and CEO, Motilal Oswal Asset Management Company. Also, the recent happenings in the debt fund segment carry important learnings for the mutual fund industry. Excerpts:*

Debt funds have been in the news for quite some time, mostly for the wrong reasons. Do you think investors should look at investing in debt funds? Is the worst over?

■ I personally feel there are two aspects to it. First is whether you should invest in a debt fund now. I think the problem has been isolated to one or two issuers, and at the same time the industry has handled it. So, by all means, one should consider investing in debt funds. Let us not paint the entire thing in a particular fashion.

Also, some issuers are working towards resolving the situation. There may be panic now, but I think in the next 3-6 months, we will find ourselves in a better place because some of these things are getting resolved and maybe, the worst is behind us.

As to retail investments, I think the issue is not about whether to invest, but more about where to invest. People think these funds should give us better returns than all the small savings products and the banks but the perception about risk is completely different. No one should think that this product is totally risk-free.

At least one quarter looks uncertain in terms of flows but after that, things will pick up in a big way

What are the learnings for the mutual fund industry from these instances?

■ First is the customer profile and the product structure. If you have to take risk, then maybe put it in an AIF (Alternative Investment Funds) structure and go to the right client. Second, we should not try to maximise yield in a low-yield environment. Thirdly, communication and expectation setting.

What is your take on the equity market?

■ The Nifty may be around 11,300 but it feels like 10,000. There is a conundrum. If you ask investors if they want to invest in equities they will say 'no', because they feel that while Nifty may be trading near all-time highs, there is uncertainty around EPS (earnings per share) growth.

Then, if you ask about their portfolios, they will say it has underperformed Nifty. Small- and mid-cap investors have all lost money. Investors should not act on their portfolio looking at Nifty because you may not be owning Nifty. Everyone has been preoccupied with the elections. In the background, the U.S. policy has changed, the RBI policy has changed, corporate results are at least better than what they were in the last couple of years, oil prices are not at $90. Change in U.S. policy gives a lot of legroom to our policymakers. Plus, there is a decisive mandate.

In that case, do you think this is a good time to look at passive investments?

■ Why is it getting attention now? It is because of the last one year return of the markets when the Nifty has been positive but most funds are struggling.

Passive funds will take off due to the youngsters today who are going digital and DIY (do-it-yourself). It will also take off due to the returns-versus-cost debate at a time when the awareness of cost is going up. Also, when fee-based advisory services are going up, the adviser would look for an underlying product that is cheaper.

Another factor is that when you are looking to invest for 20 or 30 years, which fund manager would you trust?

Flows into equity funds are at a multi-month low. In this context, how do you see SIP flows going ahead?

■ There will be uncertainty for the next two-three months. People would like to see some improvement, some positive news flow, some traction. So, at least one quarter looks uncertain in terms of flows but post that, things will pick up in a big way.

Task force to study coffee sector issues

SPECIAL CORRESPONDENT
COIMBATORE

The Union Government is expected to soon set up a task force that will engage with various stakeholders in the coffee sector, examine the issues faced by it and make suitable recommendations to the Union Commerce Minister.

According to Jeffry Rebello, chairman of the coffee committee of the United Planters' Association of Southern India, the industry representatives held detailed discussions with Commerce Minister Piyush Goyal recently on the issues faced by the sector.

This included the need for better research, permitting growers to add value, bringing down the percentage of chicory permitted to be mixed with coffee and schemes of the Coffee Board.

Indigo Paints to ramp up capacity

LALATENDU MISHRA
MUMBAI

Indigo Paints Pvt. Ltd., India's fifth-largest decorative paints company, is planning to ramp up capacity by investing ₹40-₹50 crore every year for five years as demand for its range of paints is picking up across the country, according to a top company executive.

"We have been growing at a rate of 45% year-on-year as against industry growth of 12-13%," said Hemant Jalan, managing director, Indigo Paints Pvt. Ltd.

"We are confident of maintaining our 45% to 50% growth for the next five years. For that, we need to invest ₹40-₹50 crore every year at all our three plants," he added.