

SECTOR WATCH MUTUAL FUND

₹171K-cr outflows from income and debt MF schemes in June

AUM declined to ₹24,25,040 cr from Rs 25,93,559 cr as on May 31

ENSE ECONOMIC BUREAU MUMBAI, JULY 8

'USUAL QTR-END PHENOMENA'

Overall average AUM for June 2019 stood higher at Rs 25,81,397 crore, as compared to Rs 25,43,248 crore for May 2019

This is a usual quarter-end phenomena where the industry does witness temporary redemptions from liquid funds, said AMFI chief NS Venkatesh

INCOME AND debt oriented schemes witnessed net outflows of Rs 171,349.32 crore during June 2019, leading to an overall decline in the assets under management (AUM) of the mutual fund industry.

On the liquid fund outflows, NS Venkatesh, chief executive, Association of Mutual Funds of India (AMFI) said, "this is a usual quarter-end phenomena where the industry does witness temporary redemptions from liquid funds."

According to the AMFI, AUM of the industry declined to Rs 24,25,040 crore from Rs 25,93,559 crore as on May 31, 2019 due to the outflows from income and debt schemes. The overall average AUM for June 2019, however, stood higher at Rs 25,81,397 crore, as compared to Rs 25,43,248 crore for May 2019 and Rs 25,27,632.75 crore for April 2019.

AMFI said net inflows for the open-ended growth and equity-oriented schemes have been consistently rising for the last three months since April 2019, from Rs 4,608.74 crore at the start of the fiscal to Rs 7,663.14 crore for June 2019, largely driven by multi-cap and large cap fund categories.

"On the fixed income side, although there has been outflows from liquid schemes, the flows into gilt schemes and long duration schemes have stood positive, owing to the RBI's dovish stance on interest rates," he said.

The net inflows in the equity-oriented schemes have grown three times faster in

the last one month at Rs 2,256.37 crore from May 2019 to June 2019, compared to the rise in the earlier month at Rs 797 crore from April 2019 to May 2019.

NS Venkatesh, Chief Executive, AMFI said, "Stellar jump in the inflows into equity schemes over the last two months, especially after the decisive electoral verdict has helped re-orient investor trust. Political stability, lower inflation coupled with the RBI stance to lower interest rates leading to possible robust growth in the corporate earnings are leading enhanced retail flows towards equity oriented schemes."

According to AMFI, arbitrage schemes continue to witness positive net inflows, albeit lower as compared to May 2019, which has stood in favour of overall net inflows for Hybrid schemes at Rs 862.61 crore.

The trend in SIP contribution for June 2019 continues to be robust at Rs 8,122.13 crore coming from 2.73 crore SIP accounts, AMFI said.

MARKETS SPOOKED ON BUDGET PROPOSALS

Govt unlikely to clarify issue of surcharge, taxes on investors

ENSE ECONOMIC BUREAU NEW DELHI, JULY 8

FINANCE MINISTER Nirmala Sitharaman on Monday said there was no requirement of any fresh clarification on the issue of additional tax burden that could apply to foreign portfolio investors (FPIs) due to higher surcharges introduced by the Union Budget 2019-20 last Friday.

"I don't think clarification at the moment is all that required...do you think it is required?" Sitharaman said when asked whether the government will issue any clarification relating to tax impact of budget provisions on the FPIs. The finance minister said she may reply to queries relating to the imposition of surcharge on income tax during discussions in Parliament.

The budget proposed to raise the surcharge for those with taxable income between Rs 2 crore and Rs 5 crore from the existing 15 per cent to 25 per cent, and from the existing 15 per cent to 37 per cent for those with income higher



Finance Minister Nirmala Sitharaman and Reserve Bank of India Governor Shaktikanta Das along with other officials at the RBI's central board meeting in New Delhi. Tashi Tobgyal

than Rs 5 crore. Apart from the other proposals, this has been viewed negatively by the stock markets.

When asked about the surcharge issue, Sitharaman said: "I do not want to sound too much of a stickler for the rules. But probably this is a question which I will probably have to answer in the Parliament too, the session is on. And therefore I would rather do it, if I have to do it, in Parliament, rather than say it right now." She was speaking to reporters after addressing the central board of the Reserve Bank of India in a

summary post-budget meeting.

At the conference, RBI Governor Shaktikanta Das said the government will start discussions with the central bank on the proposal to raise a portion of government's borrowings in the overseas markets. The government plans to raise around \$10 billion in foreign currency loans to bridge the fiscal deficit — a proposal on which the RBI have had reservations in the past due to its implications on stability of economy.

"The Government has made a budget announcement. We will interact with the government as

the debt manager of the government of India. The government will have internal discussions with the RBI," Das said. The Governor said the budget proposals of reducing fiscal deficit target and of infusing Rs 70,000 crore in public sector banks are positive developments, as it provides enough capital to the banks to step up their lending and credit disbursement.

He said there is surplus liquidity in the financial system and lower fiscal deficit will ensure that there is no 'crowding out' of investment by the private sector. The budget provisions relating to Non Banking Financial Companies and the additional regulatory powers to the RBI over NBFCs would also help in reducing the stress in the sector.

Asked about the budget provision of Rs 90,000 crore surplus transfer from the RBI to the government this year, Das said the board and the audit committee of the central bank will take a decision on the transfer after finalising its annual accounts.

To a query on slow transmission of reduced policy rates into commercial interest rates of the banks, Das said the RBI now expects a quicker transmission of the interest rate cuts by banks to consumers by way of cheaper home, auto and personal loans.

'Capital infusion in PSBs credit positive, to boost economy'

The proposed Rs 70,000-crore capital infusion into public sector banks (PSBs) will provide a timely booster to these lenders. The move, announced in the Budget, is likely to be credit positive for the banking sector and the economy, according to S&P Global Ratings

HAIRCUTS: Capital infusion will help PSBs make necessary haircuts on their weak corporate loans and shore up their capital adequacy, it said

OUT OF PCA: It will help some banks to come out of the central bank's prompt corrective action (PCA) and resume lending and clean up their balance sheets

WHAT'S NEEDED: The rating agency believes PSBs still require substantial reforms to improve risk management, service quality, efficiency, and diversity of product offerings.

POOLED ASSETS: PSBs' purchase of high-rated pooled assets of Rs 1 lakh



ADDRESS LIQUIDITY NEEDS: Budget proposals may help Non-Banking Financial Companies to sell their highly-rated retail pool of assets and address their immediate liquidity needs and correct asset-liability mismatches

ON NBFCs: Amendment to the Reserve Bank of India Act was also announced which will strengthen the powers of the central bank over non-government-owned NBFCs

TRUST DEFICIT: Wider mandate and broader powers could lead to RBI evaluating asset quality review and higher provisions for finance companies, similar to what was done in banking sector

crore will now be eligible for a one-time six months' partial credit guarantee by the government. This may shore up demand for these assets

ON HFCS: Budget proposes to transfer regulation of housing finance companies to the RBI from the National Housing Bank. This proposal will make RBI the sole regulator for key financial sector entities

INTERVIEW WITH HEAD OF PRIME, AMAZON INDIA

'We try to find selections and price points keeping consumption trends in mind'

Amazon's third Prime Day event in India is set to begin from July 15. Amazon India's Head of Prime AKSHAY SAHI tells PRANAV MUKUL in an interview how the e-commerce company plans to launch 500 products this time that are offered by small sellers from various parts of the country. Edited excerpts:

"We have a lot of business intelligence and machine learning that looks at what demand pattern looks like,"

AKSHAY SAHI HEAD OF PRIME, AMAZON INDIA

Day. First year we launched just 30 products and our customers loved it and brands loved it. Last year, we launched 200 of which 30-40 were from small sellers because the magic of India is that there is an amazing selection in different pockets — whether it is south for silk, northeast for their own traditional handloom, etc. We started getting these sellers and helped them launch products. This year about 500 products are from small and medium sellers. We have Pochampally Ikkat, Patola Silk, Khadi, various other handicraft. It goes beyond handicraft. This year we have a startup that will launch a smart-bulb, which is Alexa controlled.

This is the first Prime Day since the new FDI norms kicked in. Did you have to do anything differently to plan your discounts and pricing, etc?

We are a pure marketplace, and we are always fully compliant with FDI norms. Because we had already planned for this, we didn't see any risks or difficulties in sourcing deals or selections from our sellers at this time.

Since Prime Day occurs during non-festivals season, is it able to produce a similar traction as

the Diwali sales? Prime members shop almost three times as much as non-Prime members. They shop in more categories and engage more with us. Last year, more Prime members joined in the month before Prime Day than any other part of the year.

Separately, our membership has doubled in the last 18 months. From this you can understand that it is having a great uptake.

Every year we continue to get feedback from our customers and Prime Day is a facilitator for getting traction in smaller towns and cities, who discover Prime because of this and now we have members from over 400 towns and cities. Almost everywhere that Amazon ships, there will be a Prime member.

There are some signs that show a slowdown in consumption of some consumer goods and consumer durables. Does that worry you?

All of us follow what the trends are. All our category leaders in fashion, technology are following what the consumption patterns are.

There are certain macro factors and micro factors that influence how customers consume. Our job is always to bring selection and pricing that allow us to work in those constraints. We take those trends into account but within Prime we haven't seen as much of what you're discussing.

CCI's Google probe sparked by junior researchers, law student

ADITYA KALRA NEW DELHI, JULY 8

TWO JUNIOR antitrust research associates and a law school student were behind a complaint that sparked a probe into Google's alleged anti-competitive practices in the country, in what has become another regulatory challenge for the US firm.

The Competition Commission of India (CCI) ordered an investigation into Alphabet Inc's Google in April for alleged abuse of its Android platform to hurt rivals, but the complainants' names came to light only when the order was made public last week. The case was filed by Umar Javed and

Sukarma Thapar, who works as research associates at the CCI, and Umar's brother Aaqib, a law school student who interned with the CCI briefly in 2018, their LinkedIn profiles showed. All three declined interview requests for this article.

Though it's unusual for CCI researchers to file cases with the watchdog, antitrust lawyers said, there is nothing wrong with it. They acted in their personal capacity, a senior government official said, adding that all are aged in their 20s. "They deserve appreciation, they have done a commendable job," SL Bunker, a former senior member of the CCI, said on Monday. "The developments will be watched eagerly as the case involves many intricacies and its im-

plications will be world over."

The CCI didn't respond to a request for comment. A recent antitrust case in the country against Google involved a matchmaking firm backed by top lawyers. In the latest case, the three young informants relied on the European Commission's order from last year in which Google was fined \$5 billion for forcing manufacturers to pre-install its apps on Android devices. Their complaint is against both Google LLC and the company's India unit. The CCI's preliminary finding was that Google appeared to be dominant on the basis of the material brought forward by the informants, who were identified in the order as Android users. REUTERS

UNION BUDGET 2019-20

Angel tax breather: Startups, investors divided over clarity

PRABHA RAGHAVAN NEW DELHI, JULY 8

THE BREATHER provided to startups over 'angel tax' in the Budget is expected to relieve them of increased scrutiny on the capital they raise from angel investors.

Delivering her maiden Budget speech on Friday, Finance Minister Nirmala Sitharaman had said that startups and their investors filing requisite declarations and providing information in their returns will not be subjected to any kind of income tax scrutiny over the valuations of their share premiums.

She also added that a mechanism for e-verification would be in place soon to resolve the issue of establishing the identity of in-

vestors. Some experts feel the move will lead to more angel investment, going forward, due to increased clarity on aspects like accreditation of angel investors.

"With the new regulations in place and (internal) circulars, most startups will not be harassed based on the point that these proceedings came before the new regulation," says Sanjay Jesrani of Go North Ventures. "There has been talk for a while now that, instead of subjecting startups to a great level of scrutiny, the government should basically accredit angel investors. If the government is clear about their credentials, then their investments should not be subjected to this provision, which is an anti-abuse provision that was meant to curb money laun-

dering," says VS Vasudevan, Partner, Lakshmikumaran & Sridharan. However, some startups, investors and legal experts feel the move lacks clarity on what it would mean for family members engaged in angel investing and companies that are already locked in disputes over demands to pay tax on capital they have raised through angel investment.

"Legally speaking, no solution or retrospective change has been provided where past cases will be dropped, so the expectation is that, as of now, the status quo will continue," says Vasudevan.

School Diary founder Ashish Chaturvedi says that since 2016 he has been battling notices and orders by the tax department to pay 'angel tax' on capital he raised for

his startup. While his is one of the startups that had received an exemption certificate from the government earlier this year, he says that his appeal at the Corporate Income Tax (CIT) office is yet to even be taken up.

"It is like you have this sword hanging over your head, because you don't know (what will happen to your case). And, because of the uncertainty, none of the investors are interested," he told The Indian Express. According to community social media platform LocalCircles, 73 per cent of over 2,800 startups that raised capital said they received one or more angel tax notices. Over 200 of these startups have received demand orders, according to LocalCircles founder Sachin Taparia. Angel in-

Spectrum auction: Considered 'all relevant factors' on prices, Trai to DoT

ENSE ECONOMIC BUREAU NEW DELHI, JULY 8

THE TELECOM Regulatory Authority of India (Trai) on Monday reiterated its recommendation on reserve price and valuation methodology for spectrum, including that for deploying 5G, telling the Department of Telecommunications (DoT) that it had considered "all relevant factors" while giving views on prices.

Last month the Digital Communications Commission (DCC), the DoT's apex decision-making body, decided to ask Trai to reconsider its suggestions on spectrum, to ensure competition and greater participation of larger set of players in the forthcoming auctions.

In its detailed response to the telecom department on Monday, Trai said it had considered all the relevant factors, including the methodology, assumptions, developments between the spectrum auction in 2016 and its suggestions of August 1, 2018, and the rationale for spectrum valuation and reserve price while giving its recommendations. "In view of the above, the authority reiterates the spectrum valuation and reserves prices as contained in its recommendations dated August 1, 2018," Trai said.

The telecom regulator has, however, yielded ground on the issue of lock-in period it had previously recommended for spectrum in 3300-3600 MHz band (for eligibility on spectrum trading). The telecom regulator has now suggested a lower lock-in period of two years for this band against 5 years prescribed earlier. "Authority recommends that

EXPLAINED Auction success to determine 5G roadmap

EVEN AS some industry players have pointed out that Trai's recommended price for 5G frequencies is five to six times higher than auction discovered prices in South Korea, Spain, the UK and Italy, a section believes that India should discover its prices through its own auction, wherein operators are free to bid if the rates are deemed high. The auction's success, however, is likely to determine the roadmap of India's 5G play.

no rollout obligations should be mandated for spectrum in 3300-3600 MHz band. Further, lock-in period for spectrum in this band for becoming eligible for spectrum trading should be same as in other bands that is 2 years," Trai said.

Trai had last year recommended auction of about 8,644 MHz of telecom frequencies, including those for 5G services, at an estimated total base price of Rs 4.9 lakh crore, but the financially-stressed industry that is buckling under high debt, had argued that proposed prices are unaffordable and exorbitant.

MindTree shares plunge after CEO, chairman resign

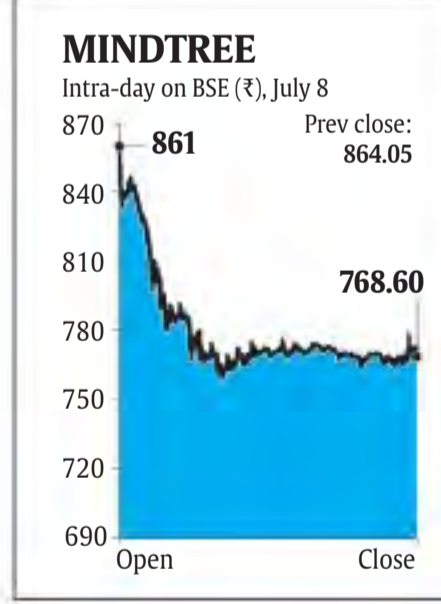
PRESS TRUST OF INDIA NEW DELHI, JULY 8

SHARES OF MindTree plunged 11 per cent on Monday after the IT firm's founders Krishnakumar Natarajan, Parthasarathy NS and Rostow Ramanan resigned from the board and executive roles. The company's scrip tumbled 11.05 per cent to close at Rs 768.60 on the BSE.

During the day, it tumbled 12 per cent to Rs 760.

chairman Natarajan, vice chairman Parthasarathy NS and chief executive Ramanan have quit the company, the firm said in a regulatory filing Friday.

The founders had vehemently opposed the L&T bid, terming it hostile and as a grave threat and value destructive to shareholders. "...at the board meeting held on July 5, 2019, Krishnakumar Natarajan (executive chairman), Parthasarathy NS (executive vice chairman and chief operating officer) and Rostow Ramanan (CEO and managing director) have submitted their resignations as members of the board of directors of Mindtree and as employees of the company," Mindtree said in a regulatory filing. Earlier last week,



Mindtree had announced that L&T had acquired control of the company and had been categorised as a promoter with 60.06 per cent stake in the company.

Meanwhile, L&T on Monday said the IT firm will be run as a separate entity and operate at an arm's length from the construction major's own tech units. There is no direct conflict between Mindtree and L&T Infotech (LTI) as they operate in vastly different areas with a minimum client overlap," L&T CEO and managing director SN Subrahmanyam said, asserting that no position is sought to be disturbed at Mindtree and no changes are being contemplated right now.