

14ECONOMY

STRESS FUND TO DEAL WITH STALLED PROJECTS IN DISCUSSION, SOURCES SAY FM meets realtors, homebuyers; govt to tackle liquidity issues, stalled projects

ENSECONOMICBUREAU
NEW DELHI, AUGUST 11

THE GOVERNMENT will step in to address issues impacting confidence in the real estate sector, including the possible setting up of a stress fund to deal with stalled projects. Industry bodies and homebuyers met Finance Minister Nirmala Sitharaman Sunday to flag their concerns regarding the ongoing liquidity crunch, demand slowdown and problem of stalled projects.

The Finance Minister on Sunday had two separate meetings — the first with the two apex realtors' industry bodies CREDAI and NAREDCO, and the second with homebuyer associations, to discuss the issues concerning the real estate sector and steps to be taken to strengthen the industry.

Housing and Urban Affairs Minister Hardeep Singh Puri, Minister of State for Finance Anurag Thakur and top officials from the departments of economic affairs, revenue, housing, Central Board of Direct Taxes, Corporate Affairs and RERA also attended the meetings.

Representatives of CREDAI and NAREDCO, who attended the meeting said that there is "unrest" in the sector because of liquidity crunch and poor sales, and demanded that banks and NBFCs should be encouraged to fund projects. They also expressed concern that the situation could become worse during the coming festival season, when

BRIEFLY

'DHFL seeks ₹15,000-cr lifeline'

Mumbai: Troubled mortgage lender Dewan Housing Finance (DHFL) has sought Rs 15,000-crore immediate funding from banks for on-lending to retail customers as well as to project developers, say sources. Last week, the nearly crippled company had submitted a draft resolution plan to lenders which are yet to be approved by them. "The company has asked for an additional funding of Rs 15,000 crore. The money will be used to fund viable projects that are stuck due to lack of money," said a source. When contacted, a DHFL spokesperson said it did not have any comment to offer apart from what it has informed the stock exchanges last week on the draft resolution plan.

IWEL assets sale proposed to NCLT

Mumbai: IL&FS group has proposed to the National Company Law Tribunal (NCLT) the sale of its wind energy business to Japan's Orix Corporation which will help reduce the debt of the company by Rs 4,800 crore. Infrastructure Leasing and Financial Services (IL&FS) said it has filed the proposal to complete the sale of its wind energy business, held under IL&FS Wind Energy Limited (IWEL) to Orix Corporation of Japan, with the tribunal for final approval.

Emami plans to pare ₹2.6K cr debt

Kolkata: The Rs 16,000 crore diversified conglomerate Emami will pare its entire debt at the group level, which currently stands at Rs 2600 crore, over the next 9 months, a company official said. **PTI**

EXPLAINED

Festive rush could add to real estate sector's woes

MIRRORING THE downturn in the broader economy, the "unrest" in the real estate sector is because of liquidity crunch and poor sales, alongside the problem of huge inventory.

There are concerns that the situation could worsen during the coming festive season, when generally demand is higher.

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There would be a separate high level meeting, under the chairmanship of the Cabinet Secretary, in the next few weeks to discuss setting up of a stress fund to deal with stalled projects and bail out lakhs of stuck homebuyers, sources added.

Briefing the media after the meeting, Puri said: "Lot of useful discussions happened at the meeting with the real estate industry. We looked at a number of issues, clarified a number of issues and the government will be addressing these issues in the days to come." With these discussions, he said, the process of finding solutions to some of the problems that have affected the real estate industry has started.

"Whatever problems are there of the homebuyers, stalled projects etc, we are exploring ways to move forward on this. Many homebuyers have moved the Supreme Court and there are

judgements too. So it's a very complicated arena. But given the goodwill within the government, amongst the homebuyers and industry, whatever problems are there we will find solutions for them," Puri asserted. When asked about creation of a stress fund, he said several issues were discussed, but declined to give details.

CREDAI chairman Jaxay Shah said, "We had a great positive, patient hearing from finance minister. Government is cognisant about the matter affecting real estate industry including the liquidity crunch and taxation issues. We are very hopeful to have some good and tangible results in coming weeks." CREDAI president Satish Magar said the government wanted to know about all the issues affecting the industry.

NAREDCO president Niranjan Hiranandani said, "As you know, the real estate indus-



Finance Minister Nirmala Sitharaman, Housing Minister Hardeep Singh Puri and MoS for Finance Anurag Thakur with representatives of real estate sector in New Delhi. **PTI**

try is going through a crisis, as is rest of the whole economy. So we are very glad that the Finance Minister and Housing Minister met us on a Sunday morning to understand the situation."

"The positive part is that the government understood that we need to take this thing forward and we need to do it quickly," he further said.

Asked about the Centre's response, Hiranandani said, "No response in terms of what actions the government wants to take, we are not aware and nor was anything committed on behalf of the government."

NAREDCO vice chairman Parveen Jain said the issue of stalled projects in the National Capital Region was also discussed on Sunday. To boost demand and address liquidity issues, the industry bodies suggested various measures, including reduction of interest rates on home loans to 7 per cent

and withdrawal of the recent National Housing Board (NHB) circular prohibiting subvention scheme — where the interest is paid by the developer for certain fixed time.

They also said the real estate regulators established under the RERA, should be the first point of grievance redressal for homebuyers. Meanwhile, homebuyers body Forum for Peoples' Collective Efforts (FPCE) President Abhay Upadhyay said five lakh customers are stuck across the country due to delayed projects.

He demanded creation of a Rs 10,000 crore stress fund to complete such projects and provide relief to these homebuyers.

Homebuyers of Jaypee Group told the Finance Minister that projects are not getting completed despite promoters having huge land bank along with assets like the Yamuna Expressway project. **WITHPTI**

SPECIAL STATUS REMOVAL OF JAMMU AND KASHMIR

NHPC 'hopeful' of recovering over ₹1,000 cr in dues from J&K power development PSU

PRABHARAGHAVAN
NEW DELHI, AUGUST 11

THE GOVERNMENT'S decision to remove special status for Jammu and Kashmir and bifurcate the region into two Union Territories has state-owned hydropower generator NHPC Ltd hopeful of recovering over Rs 1,000 crore in dues from the Jammu and Kashmir State Power Development Corporation (JKSPDC) sooner, said chairman and managing director Balraj Joshi.

Dues from JKSPDC, a PSU, are currently valued at Rs 1,091 crore and, including the late payment surcharge, it owes NHPC Rs 1,491 crore, according to Joshi. This makes up over 50 per cent of the total Rs 2,001.74 crore owed to NHPC from various distribution companies as on May 2019, shows data on the PRAA PTI portal.

"We expect that, with the changed situation, the central government can have a larger say and we will recover our dues faster," Joshi told *The Indian Express*.

NHPC Ltd, which currently operates eight hydropower projects in J&K, has entered into agreements with JKSPDC and the Jammu and Kashmir Power Development Department (JKPDD) to execute projects like the Ratle Hydroelectric Project, which has a capacity of 850 MW.

ENSECONOMICBUREAU
MUMBAI, AUGUST 11

VOLCAN INVESTMENT, the family trust of Vedanta group chairman Anil Agarwal, has sought an expression of interest (EoI) for grounded Jet Airways.

"Volcan Investment, investment company for Anil Agarwal, in an exploratory move, has sought an EoI for Jet Airways, to understand the business scenario for the company and the industry. This EoI is in no way linked to Vedanta," said the trust.

Volcan, which owns 100 per cent stake in Vedanta Resources, is one of the three interested parties which have expressed interest in the airline. Sources said Panama-based investment company Avantulo Group, and Russian Fund Treasury RA Creator also showed interest in Jet. The deadline for EoI was August 10.

Etihad Airways, which owns 24 per cent stake in Jet, has not yet submitted an EoI for the airline. Ashish Chhawchharia, Jet Airways' resolution professional

NHPC CMD SAYS JKSPDC OWES ₹1,491 CRORE

■ Dues from Jammu and Kashmir State Power Development Corporation (JKSPDC) are currently valued at ₹1,091 crore and, including the late payment surcharge, it owes NHPC Rs 1,491 crore, as per NHPC Ltd CMD Balraj Joshi; this makes up over 50% of the total ₹2,001.74 crore owed to NHPC from various firms

■ NHPC Ltd, which currently operates eight hydropower projects in J&K, has entered into agreements with JKSPDC and the Jammu and Kashmir Power Development Department to execute projects like the Ratle Hydroelectric Project, which has a capacity of 850 mega watt

It also has a joint venture with JKSPDC and PTC India to develop the 1,000 MW Pakal Dul project and construct the 624 MW Kiru project.

According to Joshi, the J&K government's tussle with NHPC Ltd over control of older projects like the Salal hydroelectric power station has died out as such projects have become unattractive due to falling tariffs.

"Initially, there was talk that J&K government wanted those projects, but now they have come to realise that all those projects have become old and the tariffs have fallen substantially, so there is no point getting those projects in its kitty," he said.

The Salal project was a point of conflict because it was transferred to NHPC Ltd at a time when

the arrangement of memoranda of understanding (MoUs) and allotment were not practiced, according to Joshi.

"But, as far as Uri-II and their later projects are concerned, we have a properly, well-defined MoU in which we have said we will be able to return this project on reaching the acceptable terms and conditions," he said.

"But, you need a kind of capacity to run these projects. You have to have the technical capacity and the financial capacity also, because you have to keep on doing the maintenance works," he said. "Right now, I don't think J&K is very much poised to actually operate these projects, so there is no point (transferring the projects to them). They will not be able to run those projects nicely," he added.

Anil Agarwal's family trust seeks EoI for Jet, says 'no link to Vedanta'

"Volcan Investment, investment company for Anil Agarwal, in an exploratory move, has sought an EoI for Jet Airways, to understand the business scenario for the company and the industry,"

VOLCAN INVESTMENT
FAMILY TRUST OF ANIL AGARWAL

(RP), will now evaluate the bids to decide on their eligibility and will shortlist names by early next week. The RP last month had invited EoIs to sell assets of the grounded Jet that stopped flying mid-April. The final bids are to be submitted by September 12.

The interim resolution professional (IRP) for Jet Airways had received claims worth Rs 24,887.93 crore against the carrier till July 4, according to the list of creditors uploaded on the company's website. Of these claims, the IRP has so far admitted claims worth Rs 8,462.78 crore and rejected claims

of over Rs 1,380 crore. Claims worth over Rs 15,000 crore are pending verification.

Domestic banks and financial institutions have claimed over Rs 6,441 crore, while foreign banks have claimed around Rs 1,569 crore. Claims of workmen and employees stood at Rs 443.56 crore. Operational creditors, other than workmen and employees, have submitted claims worth Rs 12,373.59 crore. These claims are yet to be verified by the IRP.

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. However, sources said the creditors are unlikely to get the full amount as the airline does not have many tangible assets left.

After SBI, BoB links home loan product to RBI's repo rate

ENSECONOMICBUREAU
MUMBAI, AUGUST 11

AS THE Bank of Baroda (BoB) on Sunday announced a new home loan product linked to the Reserve Bank of India's (RBI) repo rate. In doing so, BoB has gone the State Bank of India (SBI) way.

Following the latest Monetary Policy Committee decision to cut rates by 35 basis points (bps), several state-run banks, including Union Bank of India, Allahabad Bank, Bank of India and Syndicate Bank, have expressed their intention to launch loan products linked to an external benchmark, which in most cases so far has been the repo rate. For the time being, the new products are largely restricted to home and auto loans.

BoB customers opting for the home loan product would have a choice between MCLR-linked rate — indexed to the bank's cost of funds — or a rate linked to RBI's repo rate.

The marginal cost of funds based Lending Rate (MCLR)-linked product starts at 8.45 per cent. Meanwhile, home loans availed at repo rate-linked interest rate start at 8.35 per cent, passing on a further benefit of 10

Bank of Baroda customers opting for the home loan product would have a choice between MCLR-linked rate — indexed to the bank's cost of funds — or a rate linked to Reserve Bank of India's repo rate

bps to the current MCLR-rated pricing.

Union Bank of India, which had held its asset liability committee meeting on Friday, said in order to facilitate better interest rate transmission, it would soon link its housing and vehicle loan portfolio to the repo rate.

Transmission of monetary policy has been a sticky point between banks and the RBI.

Despite a cumulative 75 bps cut in the repo rate between February and June this year, banks across the country have reduced their weighted average lending rates on fresh rupee loans by a mere 29 bps during the same period. Reserve Bank governor Shaktikanta Das had said last week. **FE**

Tesla car catches fire after hitting tow truck in Moscow

REUTERS
MOSCOW, AUGUST 11

A TESLA Model 3 electric car caught fire after crashing into a parked tow truck on a Moscow motorway late on Saturday, with the Tesla driver saying he had failed to see the vehicle with which he collided. Asked in a video published on REN TV website if he was using an Autopilot self-driving system, driver Alexei Tretyakov said he was in a drive assistance mode in which he was still holding the steering wheel.

Tesla Inc has stood by safety claims for its Model 3 in the face of regulatory scrutiny, while documents showed the top US automotive safety watchdog issued at least five subpoenas since last year seeking information about crashes involving the company's vehicles. Tretyakov said he was driving at around 100 km (62 miles) per hour — the speed limit — when the car crashed on its left side into the stationary tow truck that he had not noticed.

Footage of the incident on state TV channel Rossiya 24 showed the car by the side of the road engulfed in flames and thick black smoke.

GROWTH WELL BELOW 3% ANNUAL RATE TRUMP CLAIMED IT WILL HIT

US Fed remains a target as economy falls short of Trump's ambitious goals



US President Donald Trump leaving the Rose Garden with Jerome Powell, chairman of US Federal Reserve at the White House in Washington, US, in November 2017. *Reuters File Photo*

jobs. But that has been true for nearly nine years, and as on many fronts the best days of "Trumponomics" may be in the past as the economy's performance reverts to an Obama-era trend of around 2 per cent annual growth. "He is so focused on the Fed because in terms of avoiding a recession that is truly in his eyes his biggest obstacle," to reelection, said a source in regular communication with the White House, explaining that Trump wants to take no chances, even if the risk of a downturn is low.

It's in that context that Trump

scorns a central bank whose longer-term approach to policy has clashed with his more immediate interests — the same tension apparent in other battles between the president and government agencies with their own institutional powers or culture.

In the Fed's case, while its chairman and Washington-based governors are appointed by the president, its responsibility is to a "mandate" established by Congress. The Fed's goals of "maximum employment, stable prices, and moderate long-term interest rates" are distinct from, and some-

times in conflict with, the economic or political priorities of the party in power, whether it's maximizing annual growth, gaining leverage in a trade negotiation or, gaining economic momentum in an election year with interest rates lower than the data would warrant.

Other things equal, lower interest rates can boost economic activity by encouraging households and businesses to borrow, spend and invest, but can also lead to financial excesses as happened in the early 2000s in the US mortgage market, and — less of a concern today — inflation.

Managing those mandated goals, Fed officials note, can require tradeoffs, involves looking further ahead than can be forecast with certainty, and always includes a judgment about whether the lower unemployment and other benefits that might come with easier monetary policy are worth the risks involved.

Trump's demands that the Fed stimulate the economy, by contrast, have covered a gamut of immediate needs, and moved well beyond convention to suggest, for example, that the Fed restart crisis-era asset purchases at a time of historically low unemployment. **REUTERS**