U.S. spares a few Chinese items from tax

REUTERS
WASHINGTON

The Trump administration is sparing some Chinese-made household furniture, baby items and Internet modems and routers from its next round of 10% tariffs.

The U.S. Trade Representative's office released a complete list of the items that were removed from $300 billion in tariffs scheduled to go into effect on September 1 and December 15, some of which had already been hit with 25% tariffs. The new list of 44 categories of spared imports also includes some chemical compounds used in the manufacture of plastics.

The bulk of the items removed from the tariff list were furniture products, and those made of plastics.

Consumer durables, services segments drag loan growth

Housing loans, however, grow 18.9% year-on-year, marking an exception

SPECIAL CORRESPONDENT
MUMBAI

No more king: Growth in consumer loans slowed down to 16.6% this year till June 21, from 17.9% a year earlier. • V. RAJU

Growth in bank credit moderated during the first quarter of the current financial year following a slowdown in the services sector while loans for consumer durables contracted significantly.

According to the latest data from the Reserve Bank of India (RBI) on the sector-wise deployment of bank loans, there was a 71.5% year-on-year contraction in the consumer durables category till June 21, compared with the 17.3% growth in the year-ago period.

Consumer loans are under the personal loan category where growth slowed down to 16.6% from 17.9%.

Outstanding bank credit to the consumer loan segment fell sharply to ₹5,800 crore from ₹20,300 crore.

Vehicle loans, another segment of retail finance, had also seen a sharp decline in credit growth. According to the data, vehicle loan growth had fallen to 5.1% from 11.1% recorded a year ago. The RBI had recently reduced the risk weight on products like personal loans to encourage banks to lend to these segments. Lower risk weight would mean banks have to set aside lesser capital while extending these loans. Loans against shares and bonds also contracted with year-on-year growth at a negative 5.4% compared with 8.3% a year ago.

Loan growth to the services sector slowed to 13% year-on-year from 23.3% from a year ago. After recording 13.2% year-on-year growth in 2018-19, bank credit moderated to 12.2% year-on-year till August 2.

One marked exception is in home loans, which is still holding steady. Housing loans have grown 18.9% year-on-year on top of the 15.8% growth a year ago.

While there is a demand slowdown, RBI has cut interest rates by 110 basis points in 2019 to boost loan growth.

Ujjivan to raise ₹1,200 cr. via public offer

SPECIAL CORRESPONDENT
MUMBAI

Ujjivan Small Finance Bank (USFB) has filed its draft red herring prospectus (DRHP) with the Securities and Exchange Board of India for an initial public offer to raise ₹1,200 crore.

According to the DRHP, the lender may consider a pre-issue placement up to ₹300 crore.

If the pre-IPO placement is undertaken, the amount raised from it will be reduced from the issue, subject to the minimum issue size constituting at least 10% of the post-issue paid-up equity share capital of Ujjivan SFB.

Kotak Mahindra Capital Company Limited, IIFL Securities Limited and JM Financial Limited are the book running lead managers for the issue.

The exercise is aimed at creating a road map for the future of the bank, says ED P. Ramana Murthy.

Central Bank holds consultative meet

Move follows FM's exhortation

MINI TEJASWI
BENGALURU

Central Bank of India is holding a two-day bottom-level consultative meet across 4,665 of its branches in the country in response to Finance Minister Nirmala Sitharaman's recent call for introspection and action among PSU banks.

Executive director P. Ramana Murthy said the takeaways from this exercise would be discussed and debated at a State-level interaction scheduled between August 22 and August 23, and the final outcome would be presented to the Finance Minister and the Prime Minister.

"There is a visible slowdown in the economy. Segments such as automotive and real estate are already not doing well. The government feels that people at branch level can do better in terms of lending to priority sectors such as agriculture, MSME, education, retail and infrastructure. Banks play a crucial role in creating buoyancy in the market and thereby boosting economic growth," he said.

The key performance indicators identified by the bank include: push for digitisation, its exposures to MSME, Mudra loan scheme, education, agriculture and other priority sectors, NPA management, alignment with local priorities, corporate governance and financial inclusion of women entrepreneurs.

"We have achieved all targets and sub-targets for the priority sector and we are also at a vantage position with 65% of our branches being in the rural markets."

16 key parameters

Five-year data, gathered from each branch of the bank, will be analysed and studied based on 16 key performance parameters identified by the bank.

"We are doing a peer to peer, intra- and inter-bank performance comparison study to gauge what makes a branch tick or why it does not grow, as also to identify additional revenue streams for branches. The exercise is aimed at creating a road map for the future of the bank, in line with national priorities of accelerated economic growth," he added. After posting losses for 14 straight quarters, the lender has reported a net profit of ₹118 crore in Q1 of FY20, versus a net loss of ₹1,522 crore a year earlier.

RIL's restructuring, stake sale intent points to succession plan

One of India's largest conglomerates may become a holding firm with three large subsidiaries, oil to chemicals, retail and Jio

PIYUSH PANDEY
MUMBAI

Reliance Industries (RIL) chairman Mukesh Ambani decision to carve out oil-to-chemicals (O2C) business into a separate entity and induct strategic partners for consumer-facing businesses of retail and telecommunications before listing is seen a precursor of RIL's long-term succession plans.

During the company's annual general meeting (AGM), a shareholder asked RIL chairman Mukesh Ambani to make throw light on succession planning at the conglomerate.

"This is in regard to succession planning. From Akash, Isha and Anant, who will be leading which business? How is the succession going to take place?" asked the shareholder.

However, Mr. Ambani did not give a direct reply. He said, "I deeply appreciate the suggestions given by shareholders. Any individual query or specifics will be answered by our company secretary.

"We take every suggestion very seriously. Some of the best suggestions come from all of you. The board has noted your expectations and we will try to meet your expectations."

Mr. Ambani (62) knows well the pitfalls of not having a clear succession plan and hence, has already started taking baby steps towards succession planning.

Family silver: Interestingly Mr. Ambani did not give a direct reply to a shareholder's query on succession. • VIJAY BATE

"I don't think [Mr.] Mukesh Ambani will commit the same mistake his father Dhirubhai did. The carving out of three big businesses hints at a possible succession plan in the making, given that he has three children," said a

> We have to wait and watch to see who gets what
>
> SANJIV BHASIN
> Executive VP, IIFL Securities

Mumbai-based analyst.

In fact, Mr. Ambani may have started thinking of succession planning in 2014 itself, when his son Akash and daughter Isha joined the boards of Reliance Jio and Reliance Retail as directors.

Size does matter

Since then, both Reliance Retail and Reliance Jio had grown to become India's largest retailer and largest telecom company, respectively Both Akash and Isha are very hands-on when it comes to retail and telecom, sources said.

"They also address shareholders every year and introduce new products and services. There is no doubt that they are going to take hold of the reins of the companies in the coming years," said an RIL shareholder.

"I still think Mr. Ambani has a long way to go. He is imaginative and far-sighted. It's very wise on his part that he is trying to place all three [in the business] given that there has been a problem historically.

"[However] we have to wait and watch to see who gets what," Sanjiv Bhasin, executive vice-president, IIFL Securities, told *The Hindu*.

'Coffee Day debt to drop to ₹1,000 cr.'

SPECIAL CORRESPONDENT
BENGALURU

The debt position of the Coffee Day Group post repayment of debt out of proceeds from the sale of Global Village to private equity major Blackstone is expected to come down to ₹1,000 crore in the next 45 days, Coffee Day Enterprises (CDEL) said in a regulatory filing.

This would exclude the debt on the books of its logistics arm Sical and Magnasoft. It added that its debt as on July 31, 2019 was ₹4,970 crore.

The company expects to have a 'comfortable position' to service the reduced debt obligations. Sical has been working on divestment of certain assets. The proceeds from the divestment is expected to significantly reduce the debt in Sical, it added.

Elaborating, the company said it had decided to divest Global Village, held by its subsidiary Tanglin Developments Ltd., for an aggregate consideration of ₹2,600 to ₹3,000 crore. On receipt of the consideration, after payment of required statutory payments, the debt position of Coffee Day Group will reduce around by ₹2,400 crore

As per the stock market declaration, the debt position of its subsidiaries are: Tanglin Developments, ₹1,622 crore, Coffee Day Global ₹1,097 crore, Sical Logistics ₹1,488 crore, Coffee Day Enterprises ₹480 crore and Way2Wealth Securities ₹121 crore.

Coffee Day Enterprises will announce its first quarter results for the current fiscal after the completion of scrutiny of its accounts and financials by recently appointed consulting firm, EY. The letter written by Mr. Siddhartha will remain 'purported' until the forensic study on it is completed to verify veracity, said a top executive in the company.

INTERVIEW | RAHIL ANSARI

'Credit crunch situation must change'

You need to reduce tax to make us invest more in products, says Audi India head

LALATENDU MISHRA

German luxury automobile major Audi is facing an uphill task in India with reduced sales volume. **Rahil Ansari**, *head, Audi India, discusses various issues and how petrol and electric cars will be the future. Excerpts:*

What has gone wrong with Audi India? You were number one once and now, gone to number three among luxury carmakers.

■ Nothing has gone wrong. When we came to this market, we were the last one to come. From number three, we went to number two and then to number one. Then, we went to number two and now, we are back to number three.

The luxury segment is very product life-cyclic business and more the products you launch, the more cars you sell. We had a couple of firsts in getting to number one, which was namely the A3 and the Q3 volume models.

If you look at past years, we didn't have as many launches as all of our competitors, which is one of the reasons why you don't sell the volumes that you were selling earlier.

Last year, we had an unforeseen closure in the NCR which was one of our largest dealerships and then, the change from the emission life cycle in Europe and the WLTP which led to our coming out with some of the other models a little later than expected.

I do still believe that the volume segment, overall, is not doing as great as it could be in India. The cake is not really getting bigger, which is mainly on account of credit crunch and it's on account of taxes. The taxes are very high, it's not really favourable.

So, it will go both ways. Now, when it comes to the products, of course, it's the year of the 8s. We will launch the A8, the Q8, the R8, this will all come in the second half of the year, most likely [by the] end of quarter three, beginning of quarter four.

We are working on a few more models for this year.

We don't have the final confirmation yet, so unfortunately, I cannot disclose anything at this stage but there may be one or the other model this year. For sure, there is something more planned for next year.

You sold 6,463 units in 2018; was this a conscious decision to sell less?

■ It was not a conscious decision. There are things like product life cycle. But I do believe that being too aggressive doesn't make sense, because if you look at the entire product portfolio, we have a lot of products. But for the size of 40,000 units (market in India), it doesn't do justice to have a much larger product portfolio.

So, yes we need more models. And, we will come up with models which will have higher volume impact. I do believe that in order to launch more cars and a much larger model variety, you need to have crucial changes in the entire tax system.

> The cake is not really getting bigger, which is mainly due to credit crunch and on account of taxes

Are you BS VI ready?

■ We will be ready on the first of April 2020.

When will Audi roll out its first electric car in India?

■ We have done a lot of development on this.

Our employees are fully trained on high voltage batteries and we have certified technicians from Audi India. We are ready with our concepts to roll out the E-tron. I hope the E-tron will come out by 2020.

But we are trying to make it a little earlier. It is a fantastic car, I do believe that electric mobility is the right step.

I do think that electric vehicles will do well in India and of course, the question is how the government is going to push the infrastructure rollout.

While there have been developments in a positive manner with GST implementation with lower taxes for electric vehicles, and some pilots running on infrastructure, of course, [they] have to be further pushed.

We are hopeful that once this is done, we can also bring out the car.

When will you manufacture electric cars here?

■ It is too premature to talk about this, and if there are not any favourable changes for the luxury segment, then there is no need to discuss that, to be honest, at this point.

You have said people will buy more petrol cars. So, how will you change your production strategies and sourcing ?

■ The product strategies in that sense will change. For the moment, we offer in all the models that we have, the petrol as well as the diesel versions.

We will, of course, focus more on petrol engines now; that is a clear strategy. For new cars, you will see a 'petrol first' or 'petrol only.'

Are metro markets saturating, prompting you to look at tier 2 and tier 3 markets?

■ The metro market has not yet saturated.

There is still a lot of potential and if you look at the entire volume split, a large part of the volume comes from metros and that will always remain the case. I do believe that there's more potential in the metro markets because you still have an upcoming middle class there; especially those that are entering corporates.,

What is the outlook?

■ The luxury market is challenging.

The credit crunch is not necessarily improving. I do believe that it has to change.

The positive mindset has to be there. I don't think that the automotive segment will recover in 2019 fully. It will, rather, happen in 2020, or even in 2021. Because, then you will have the BS VI that will also disrupt the market.

Then, 2020 is going to be challenging and from 2021 onwards, I think the market will stabilise. [Till then], it is going to be a very intense and challenging [market].

ChPT to create common-user empty container yard

Port to address export-import container traffic disparity

N. ANAND
CHENNAI

Chennai Port Trust (ChPT) will create a common-user empty container yard to address the disparity between import and export container traffic in the region.

ChPT receives more import containers than export containers. As a result, a large number of empty containers are generated after import cargo is destuffed, said P. Raveendran, chairman, Chennai Port Trust.

Therefore, there was a need for the container operator to reposition the containers for other ports of the region.

This issue would be addressed by the creation of a common-user empty container yard, which would receive and stack empty containers within the port area at a minimum cost to the trade, he said.

To boost auto exports, the port had developed 11.32 hectares of concrete yard.

Container survey

The port also plans to take up container survey, cleaning and minor repairs.

This would help container lines to feed empty containers to the required vessels with minimum delay and cost.

On car exports, he said that from January to July 2019, the port handled 57,462 cars through 15 vessels compared with 39,920 cars through nine vessels in the corresponding period last year.

To encourage automobile exports through Chennai, the port had developed 11.32 hectares of concrete yard.

Besides, the port had also rationalised vessel-based land allotment process.

The security deposit requirement had been reduced to one month against three months in the earlier scheme.

TVS Motor arm invests $3.2 mn in Predictronics

PRESS TRUST OF INDIA
NEW DELHI

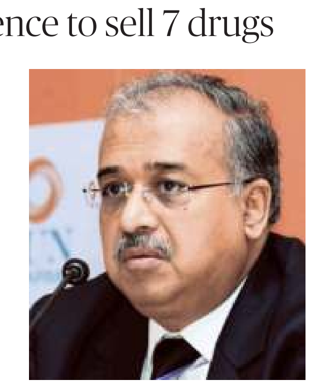
TVS Motor Company said its Singapore arm had invested $3.2 million in the U.S.-based Predictronics Corporation which specialises in providing end-to-end predictive maintenance analytics solutions.

TVS Motor (Singapore) Pte. Ltd. has signed definitive pacts with Predictronics Corporation, headquartered in Cincinnati, Ohio, the company said. CEO of TVS Motor (Singapore) Rajesh Narasimhan said: "We are happy to invest in and strategically partner with Predictronics as they continue to deliver business improvements for Fortune 500 companies while leveraging them for our businesses."

Sun Pharma arm signs pact with China's CMS

Grants partner licence to sell 7 drugs

SPECIAL CORRESPONDENT
MUMBAI



Dilip Shanghvi

A wholly-owned subsidiary of Sun Pharmaceutical Industries Ltd. has granted an exclusive licence to a subsidiary of China Medical System Holdings Ltd. (CMS) to develop and commercialise seven generic products in mainland China.

The collaboration with CMS now covers eight generic products including the seven products referred above. The total addressable market size for all these eight products is about $1 billion in mainland China.

The initial term of the agreement shall be 20 years from the first commercial sale of the respective products in Mainland China and may be extended for three years as per mutual agreement of the two parties. "This collaboration gives us entry into the Chinese generic pharmaceutical market. We see lot of potential in China for both our generics and specialty portfolio. With more than 65% generics penetration, China represents a significant opportunity for generic pharmaceutical companies," said Dilip Shanghvi, MD, Sun Pharma.