GOLD ₹38,932 | RUPEE ₹70.91 | OIL $59.54 | SILVER ₹46,560

*Indian basket as on October 21, 2019

SENSEX: 39,058.83 ▲ 94.99 NIFTY: 11,604.10 ▲ 15.75 NIKKEI: 22,625.38 ▲ 76.48 HANG SENG: 26,566.73 ▼ 219.47 FTSE: 7,229.05 ▲ 16.56 DAX: 12,749.98 ▼ 4.71

*International market data till 1900 IST

SECTOR WATCH PHARMACEUTICALS

Boehringer's petition against DCGI nod to stroke medicine by Indian firm dismissed

PRABHA RAGHAVAN
NEW DELHI, OCTOBER 23

IN A blow to German drug giant Boehringer Ingelheim, the Delhi High Court has decided that the former's petition challenging the Indian drug regulator's approval of a stroke medicine marketed by a Pune-based firm was "unmerited".

Additionally, the court has found merit in arguments that Boehringer had caused a Kolkata-based neurologist to file a public interest litigation (PIL) raising safety issues with the approval before the German firm went to court itself.

On October 21, the court dismissed Boehringer's case and ordered it to pay a total of Rs 1,00,000 to the Drug Controller General of India (DCGI) and Pune-based Gennova Biopharmaceuticals. *The Indian Express* has viewed a copy of the court order, which was made public Wednesday evening.

"The petition is unmerited and is dismissed with costs quantified at Rs 50,000/- to be payable to each of the respondents. The said costs will be paid within a period of two weeks from today," stated the order by Justice Vibhu Bakhru.

Boehringer Ingelheim had approached the high court in August 2016 against the DCGI's approval to Gennova, a subsidiary of Emcure Pharmaceuticals, for its biologic drug 'Tenectase', marketed in India for treatment of acute ischemic stroke (AIS).

The German firm's Indian subsidiary had argued that Gennova's drug was a copy of its own complex biologic drug Metalyse (tenecteplase), which was approved only to treat heart attacks.

It had argued that marketing a biosimilar of its own drug to treat a different indication was "illegal" and raised safety concerns over such an approval. Boehringer has a separate drug, Actilyse (alteplase), which it markets for the treatment of ischemic stroke.

Gennova had argued that, while its tenectase contains the same active ingredient, tenecteplase, it had applied for it to be marketed as a new drug as it had a modified dosage and a different indication.

Boehringer's own petition came a few days after Kolkata-based neurologist Dr Deep Das had filed a PIL in the high court against the process followed by DCGI to approve Gennova's drug for AIS. However, during the course of the proceedings, Gennova had made submissions alleging that Boehringer and Dr Das had concealed important information about their relationship.

According to the order, the court has found merit in the arguments presented by the DCGI and Gennova on the safety of and process followed to approve tenectase. It has also accepted their arguments on Boehringer Ingelheim India and Dr Das' connection.

"This court finds merit in the contention that the petitioner had caused Dr Deep Das to file a PIL and had filed the present petition only after Dr Deep Das had failed to secure any interim order from this Court. There is no dispute that Dr Deep Das had relied upon on a document captioned — Good Clinical Practices For Clinical Research In India — ... and the printout of the said document indicates that the same had emanated from the computer system of the petitioner (Boehringer Ingelheim India)," stated the order.

It had also found that Dr Das' affirmations that he had "no relationship, whatsoever, with any entity including Boehringer" was not true.

"This statement is found to be incorrect since it was later revealed that Dr Deep Das had been paid an honorarium by the petitioner. Dr Deep Das had thereafter withdrawn that writ petition," the order stated.

Queries sent to Boehringer Ingelheim India remained unanswered by press time Wednesday.

LENDERS WORRIED

KPMG submits report to DHFL board; ED look-out notice against promoter

Will take a decision on the basis of the findings of KPMG report, firm says

ENS ECONOMIC BUREAU
MUMBAI, OCTOBER 23

THE ENFORCEMENT Directorate (ED) has issued a lookout notice against non-executive director and promoter of crisis-ridden Dewan Housing Finance (DHFL), Dheeraj Wadhawan, even as KPMG — which has carried out the forensic audit — submitted a draft report which has reportedly found instances of fund diversion to the DHFL board.

Sources close to the Wadhawan family said it was earlier this year that lookout notices were issues against over 40 people, including against the promoters of companies that have an exposure of over Rs 200 crore with banks.

"There is no connection in relation to the ED case. Dheeraj will give his statement to the agencies once he is well and out of the hospital," sources said.

With the DHFL crisis getting murkier, lenders have started getting worried, with supersession of the board of the housing finance company or liquidation as options before them in the wake of reports about fund diversion and the involvement of underworld don Iqbal Mirchi, said a banking source.

The KPMG report has reportedly found diversion of over Rs 19,000 crore of bank loans to DHFL's related entities, sources said.

Lenders have an exposure of more than Rs 30,000 crore in DHFL. Besides, mutual funds, pension bodies and investors have money locked in the company. Banks had earlier proposed to convert part of the debt into equity.

Sources in the financial sector have proposed superseding of the board of DHFL and taking the company to the bankruptcy court.

"If the company goes into liquidation, chances of recovering the funds are minimal. Banks will have to write off the loans. With the Mirchi link coming out in the open, many banks are now worried," said a banking source.

According to the ED, the Rs 225-crore land deal between Sunblink Real Estate Pvt Ltd and Iqbal Mirchi was negotiated on behalf of Dheeraj Wadhawan — popularly known as Baba Dewan and one of the promoters of DHFL.

The agency remand against a few of the arrested brokers who helped Sunblink clinch the deal also said that the brokers have allegedly said that the land deal was done on behalf of Dheeraj Wadhawan.

Sunblink is run by Sunny Bathija, the brother-in law of Dheeraj Wadhawan. The ED is yet to record Wadhawan's statement in the case as he is currently admitted in a hospital due to lung infection.

Earlier in April-May this year, the Ministry of Corporate Affairs (MCA) had issued lookout notices against the promoters of DHFL, in connection with its enquiry into the piling debt of the housing finance firm.

The MCA had issued lookout notices against all promoters of companies who had borrowed above Rs 200 crore from banks and were in a danger of defaulting on payments.

Meanwhile, amid indications that the patience of lenders is wearing thin, in the wake of reports about fund diversion and the involvement of an underworld don, the board of the crisis-ridden DHFL on Wednesday directed the company to review the key observations of KPMG's draft audit report and present a detailed response before the Audit Committee.

"The board also directed the company to share the responses with the lenders," the company said in a statement to the exchanges.

"We are waiting for the findings of the KPMG report. We will take a decision on the basis of the findings," it added.

The board of DHFL took cognizance of the key observations from the draft report prepared by KPMG — appointed by Union Bank of India, the lead banker of the consortium, on behalf all the members of the consortium.

OVER ₹30K CRORE OF EXPOSURE FOR LENDERS

- **Lenders have an exposure of more than Rs 30,000 crore in the crisis-ridden DHFL. Besides, mutual funds, pension bodies and investors have money locked in the company. Banks had earlier proposed to convert part of the debt into equity**
- **Earlier in April-May this year, the MCA had issued look-out notices against the promoters of DHFL, in connection with its enquiry into the piling debt of the firm; the MCA had issued lookout notices against all promoters of firms who had borrowed above Rs 200 crore**

Wheat MSP raised by ₹85/quintal; lowest hike in last four years

EXPRESS NEWS SERVICE
NEW DELHI, OCTOBER 23

THE CENTRE on Wednesday refrained from announcing a big hike in the minimum support price (MSP) of cereal, as it kept the MSP of wheat at Rs 1,925 per quintal — an increase of Rs 85 per quintal, the lowest in last four years. However, a higher increase in MSP was recommended for lentil, as well as safflower and gram.

Further, the Cabinet Committee on Economic Affairs (CCEA), chaired by Prime Minister Narendra Modi, also gave nod to a hike in the MSPs of barley and rapeseed and mustard for Rabi Market Season (RMS) 2020-21.

For the rabi crops of 2019-20, the MSP of wheat has been fixed at Rs 1,925 per quintal against Rs 1,840 per quintal in 2018-19 — a hike of Rs 85 per quintal. The latest increase in wheat MSP is the lowest in last four years: Rs 105/quintal in 2018-19, Rs 110/quintal in 2017-18, and Rs 100/quintal in 2016-17.

However, an official statement, released after the CCEA decision, said that the 2019-20 MSP of wheat is 109 per cent of the all India weighted average production cost of wheat, i.e. Rs 923 per quintal. Wheat — mainly grown in Uttar Pradesh, Punjab, Madhya Pradesh and Haryana — is an important cereal crop contributing more than 16 per cent to the gross cropped area and 35 per cent to the total food grain production of the country.

Meanwhile, the MSP of barley has been set at Rs 1,525 per quintal, over Rs 1,440 per quintal declared last year, showing an increase of Rs 85 per quintal.

However, some pulses and oilseeds have seen a bigger hike in MSPs. The highest increase in MSP has been recommended for lentil (Rs 325 per quintal), followed by safflower (Rs 270 per quintal) and gram (Rs 255 per quintal). The MSPs of lentil, safflower and gram have been fixed at Rs 4,800, Rs 5,215 and Rs 4,875, respectively, for 2019-20. In 2018-19, the per quintal MSPs of lentil, safflower and gram were set at Rs 4,475, Rs 4,945 and Rs 4,620, respectively.

Further, the MSPs of rapeseed and mustard have been fixed at Rs. 4,425 per quintal this year — Rs 225 per quintal more than last year's MSP of Rs 4,200.

A government statement said, "The increase in MSP for Rabi Crops for RMS 2020-21 is in line with the principle of fixing the MSPs at a level of at least 1.5 times of the all India weighted average cost of production, which was announced in the Union Budget 2018-19." The Centre has described the hike in MSPs as "a major step towards increasing the income of farmers".

EXPLAINED E.

Focus on protein-rich foodgrains

THE BIGGER increase in the MSP for pulses shows the Centre's focus on encouraging farmers to grow protein-rich foodgrains, while discouraging cultivation of water and chemical fertilisers intensive crops like paddy and wheat.

'Homes worth ₹1.54 lakh cr sold in top 7 cities in 2019'

Despite depressed consumption sentiment, the top seven cities saw homes worth approximately Rs 1.54 lakh crore sold in the first three quarters of 2019, rising yearly by 16 per cent, Anarock Property Consultants said

₹1.33 lakh cr
Overall value of housing units sold in first three quarters of calendar year 2018

2.02 lakh
Number of housing units sold between January and September 2019 across top seven cities, as against around 1.78 lakh units in year-ago period

HOUSING SALES IN VALUE TERMS:
- MMR (Mumbai Metropolitan Region): Rs 62,970 crore
- Bengaluru: Rs 28,160 crore
- NCR (National Capital Region): Rs 24,860 crore
- Pune: Rs 17,530 crore
- Hyderabad: Rs 9,400 crore
- Kolkata: Rs 5,850 crore
- Chennai: Rs 5,580 crore

17%
Yearly drop in value of sold homes across top seven cities, from Rs 50,535 crore in Q3 2018 to Rs 42,040 crore in Q3 2019

VALUE OF HOUSING SALES IN Q3 2019:
- MMR: Rs 17,300 crore
- Bengaluru: Rs 7,540 crore
- NCR: Rs 6,745 crore
- Pune: Rs 4,775 crore
- Hyderabad: Rs 2,350 crore
- Kolkata: Rs 1,710 crore
- Chennai: Rs 1,620 crore

Q3 sales:
Of the three quarters of 2019, Q3 saw the worst overall sales performance. This has been due to a combination of factors, which include:
- 'Shraadh' period, which is considered inauspicious
- Ban on subvention schemes
- Prolonged monsoon

Fuel retail business rules eased: non-oil firms can now set up petrol pumps

EXPRESS NEWS SERVICE
NEW DELHI, OCTOBER 23

THE CABINET Committee on Economic Affairs (CCEA) on Wednesday approved the entry of new players into the retail fuel market as it gave nod to the Review of Guidelines for Granting Authorization to market Transportation Fuels. The Centre said the move "marks a major reform of the guidelines for marketing of petrol and diesel".

At present, only companies that already have a Rs 2,000 crore investment in exploration and production in the oil and gas sector were allowed. Now, the norms have been eased so as to allow private companies that have a net worth of Rs 250 crore, with no condition of having any investment in exploration and production of oil and gas.

However, the new entrants, in addition to conventional fuels, will be required to install facilities for marketing at least one new generation alternate fuel — such as CNG, LNG, biofuels, electric charging, etc. — at their proposed retail outlets within the years of operationalisation of the said outlet.

The norms have been eased so as to allow private companies that have a net worth of Rs 250 crore

The Centre said the move will lead to healthy competition as more private players, including foreign players, are expected to invest in retail fuel marketing and also bring in foreign capital.

The existing policy has not been changed since 2002 and the new policy "will give a fillip to 'Ease of Doing Business', with transparent policy guidelines" and "boost direct and indirect employment in the sector," the government said in a statement.

Meanwhile, the Cabinet Wednesday also agreed for a cadre review of Group "A" General Duty (Executive) Cadre and Non-GD cadre of Indo-Tibetan Border Police (ITBP). Two new Commands (Western Command at Chandigarh and Eastern Command at Guwahati) will be created which will be headed by Additional Director General and assisted by Inspector General.

'NBFC crisis could lead to $50 bn capital shortfall for banks'

ENS ECONOMIC BUREAU
MUMBAI, OCTOBER 23

FITCH RATINGS has said Indian banks would face a capital shortfall of about $50 billion in the event of a systemic crisis in the non-banking finance company (NBFC) sector.

According to a stress test conducted by rating agency, the credit profiles of state-run banks would come under significant pressure, and the weakest would face heightened solvency risks without capital injections from the government.

"We also assume 30 per cent of banks' property exposure becomes non-performing, due to tight liquidity and weak sales. The property development sector is particularly reliant on NBFC financing," Fitch said. These defaults would reverse recent progress that banks have made in reducing their NPL ratios, it said.

Fitch said the banking system's gross non-performing loans (NPL) ratio would rise to 11.6 per cent by FY21 from 9.3 per cent in FY19, compared with its baseline expectation of a decline to 8.2 per cent. "Increased credit costs and a weaker economic environment would result in significant losses over the next two years," it added.

The agency further said losses would add to existing capitalisation pressures, particularly at the state-run banks.

"The sector is already $7 billion short of the capital required to meet a 10 per cent weighted-average common equity Tier 1 (CET1) ratio — the level that we believe would give them an adequate buffer above regulatory minimums," the agency said.

"The gap would rise to about $50 billion by FY21 under the stress scenario. Banks would also be $10 billion short of the capital required to meet the regulatory minimum of 8 per cent that is set to apply from end-March 2020," Fitch said.

"The shortfall at state banks would be larger, as we expect private banks to remain generally above the minimum.

"Aside from the weaker state-owned banks facing heightened solvency risks in the absence of additional fresh equity, those in the 'bb' category could breach the minimum regulatory additional Tier 1 (AT1) threshold of 5.5 per cent CET1, triggering compulsory AT1 write-downs," it said.

'HIGH RISK FOR WEAKEST STATE-RUN BANKS'

- **According to a stress test conducted by Fitch Rating, the credit profiles of state-run banks would come under significant pressure, and the weakest would face heightened solvency risks without capital injections from the government**
- **The rating agency said that the banking system's gross non-performing loans (NPL) ratio would rise to 11.6 per cent by fiscal year 2021 from 9.3 per cent in fiscal year 2019, compared with its baseline expectation of a decline to 8.2 per cent**

L&T Q2 net up 13% to ₹2,530 cr; no pick up in pvt capex, says firm

ENS ECONOMIC BUREAU
MUMBAI, OCTOBER 23

DESPITE OPERATIONAL headwinds, Larsen and Toubro (L&T) Wednesday posted results in line with analyst expectations on all fronts for the three months ended September 30, 2019, owing to robust order inflows and continued momentum in project execution. The management said domestic capex remained weak and there was no pick-up in private capex.

CEO and managing director SN Subrahmanyan said there was a strain on payments from governments and PSUs which has affected the company's working capital. Stalled projects in Andhra Pradesh, coastal road project and the Shivaji statue also contributed to strain on working capital, even though the dues are not high there. In March, working capital was brought to 18 per cent from 26 per cent earlier. In the June quarter, it stood at 22 per cent and continues at those levels. The company said it usually gets some payment released in the second quarter, which did not happen.

Despite slowing capex, L&T has kept its guidance intact on the order inflow at 10-12 per cent higher over the last year and a 12-15 per cent growth in revenue. The management said while the environment looked challenging and impacted the inflow of orders, the company was pursuing a fairly robust order book and is confident of meeting the guidance.

The company reported a 13 per cent year-on-year jump in the consolidated net profit to Rs 2,530 crore, while the revenue from operations increased 15 per cent y-o-y to Rs 35,330 crore. The performance during the quarter was impacted by it moving to the new corporate tax regime and the completion of the acquisition of Mindtree, as its numbers are consolidated with L&T. The company's effective tax rate this quarter stood at 25.17 per cent against 34 per cent earlier.

L&T reported an increase of 14 per cent y-o-y in EBITDA to Rs 4,020 crore, while the EBITDA margin remained flat at 11.4 per cent versus 11.5 per cent in the corresponding quarter last year. The staff cost rose 39 per cent y-o-y on resource augmentation in service businesses and Mindtree consolidation. **FE**

REPRESENTATIVE MAXINE WATERS HAD EARLIER CALLED FOR LIBRA TO HALT LAUNCH

Zuckerberg reassures US Congress on Libra plans

PETE SCHROEDER
WASHINGTON, OCTOBER 23

Facebook chairman and CEO Mark Zuckerberg testifies at a House Financial Services Committee hearing in Washington, US, on Wednesday. *Reuters*

FACEBOOK INC CEO Mark Zuckerberg sought to reassure skeptical US lawmakers on Wednesday that the company's planned digital currency Libra would be a force for good that could reduce costs for electronic payments and help more people participate in the global financial system.

Appearing in a suit and tie before the US House of Representatives Financial Services Committee, Zuckerberg said Facebook would not back any move by Libra, which comprises a consortium of 21 members including venture capital firms and nonprofits, to launch the cryptocurrency until it had satisfied all US regulatory concerns.

Representative Maxine Waters, the panel's fiery Democratic chair, had previously called for the Libra project to halt its planned 2020 launch, and has drafted legislation that would bar tech companies from entering financial services.

She quizzed Zuckerberg on Facebook's steps to combat misinformation and voter suppression ahead of the November 2020 US presidential election.

On Monday, the company disclosed it had removed a network of Russian accounts targeting US voters on Instagram, which Facebook owns.

"It would be beneficial for all if Facebook concentrates on addressing its many existing deficiencies and failures before proceeding any further on the Libra project," Waters told Zuckerberg.

Libra has faltered in recent weeks amid sustained criticism from lawmakers and regulators over fears it may aid money laundering and upend the global financial system. Several financial partners including Mastercard, Visa, PayPal and eBay have abandoned the project.

The Facebook chief executive last appeared before Congress in April 2018 when he fielded 10 hours of questions over two days from House and Senate panels on political consulting firm Cambridge Analytica's misuse of Facebook customer data to interfere in the US presidential election. **REUTERS**