ECONOMY



₹38,775



0

71.84





₹45,250

SENSEX: 40,284.19 ▼ 72.50 NIFTY: 11,884.50 ▼ 10.95 NIKKEI: 23,416.76 ▲ 113.44 HANG SENG: 26,681.09 ▲ 354.43 FTSE: 7,320.12 ▲ 17.18 DAX: 13,225.31 ▼ 16.44

SECTOR WATCH **FINANCE**

RBI to revamp norms to govern housing finance companies, UCBs

ENSECONOMIC BUREAU MUMBAI, NOVEMBER 18

THE RESERVE Bank of India (RBI) is reworking the regulations for housing finance companies (HFCs) and urban cooperative banks (UCBs) to improve governance, internal control mechanisms and put in place checks and balances in the system. "As HFCs now fall under the regulatory purview of the Reserve Bank, we are undertaking a review of extant regulations and are in the process of harmonising these regulations for HFCs with applicable regulations for NBFCs," RBI Governor Shaktikanta Das has said.

"In the aftermath of the IL&FS crisis and subsequent defaults by a few companies, asset quality concerns have emerged, which imposes liquidity constraints on NBFCs. The Reserve Bank has been proactive in taking several measures to address these concerns and strengthen the regulatory and supervisory architecture of the NBFC sector, thereby ensuring that the sector remains stable and robust," Das said at a function organised by Amrut Mody School of Management in Ahmedabad.

"We have attached considerable importance to make them resilient through harmonisation of regulations and a robust liquidity framework. RBI has come out with guidelines on liquidity risk management framework for NBFCs. Our objective is to ensure proper governance and risk management structures in NBFCs," he added.

Das said the central bank is working with the government to amend the Act governing co-operative banks. "We have suggested several legislative changes to the central government for better regulation and supervision of UCBs. On our part, we are reviewing the existing architecture of regulation and supervision of UCBs and shall carry out necessary changes in sync with the evolving requirements."

According to Das, going forward, UCBs are likely to increasingly face competition from players like small finance

The RBI is looking to set up a College of **Supervisors to** augment supervisory skills among regulatory staff

banks (SFBs), payments banks, non-banking finance companies (NBFCs) and micro-finance institutions (MFIs).

"It is, therefore, necessary

for them to adopt robust technology to enable them to provide banking services at lower costs and with adequate safeguards. The Reserve Bank has been taking proactive steps to assist these institutions to adopt a robust IT infrastructure. The proposed nationallevel Umbrella Organisation (UO) is expected to provide liquidity and capital support to member co-operative banks, and will therefore contribute to the strength and vibrancy of the sector," he said.

UCBs were brought under the ambit of the Banking Regulation(BR)Act, 1949 with effect from March 1, 1966. Certain provisions of the BR Act however, were not made applicable to them, limiting the scope of regulation and supervision over them. "Broadly speaking, banking-related functions of co-operative banks are regulated by the Reserve Bank and management-related functions are controlled by the concerned state/central government," Das said.

The RBI's regulatory control over UCBs is affected due to this duality of control. It has made concerted efforts in the past to mitigate the adverse impact of dual regulation in the form of MoUs with state/central governments and setting up of a State-level Task Force for Co-operative Urban Banks.

Das further said, "It is our endeavour to update the knowledge and skill levels of supervisors on a continuous basis. We are adopting a multipronged approach ... We are in the process of setting up a College of Supervisors to augment and reinforce supervisory skills among regulatory and supervisory staff."

SHARES OF SEVERAL PSU LENDERS RISE ON NSE

Essar Steel resolution: Banks may recover 90% of their exposure

SUNNY VERMA NEW DELHI. NOVEMBER 18

STATE BANK of India (SBI), ICICI Bank, Canara Bank, Punjab National Bank (PNB), Union Bank of India and Bank of India are set to benefit most from the Supreme Court judgment in the Essar Steel Insolvency case, with banks expected to recover 90 per cent of their exposure to the Essar Steel account, according to markets analysts and bankers.

Given that most banks, including SBI, have made full provisions for their exposure, the recovery of these bad loans would help them write back provisions and boost profits. Shares of most public sector banks rose as much as 3 per cent on Monday, continuing their streak for the second day since the Supreme Court's Friday order.

According to estimates, SBI is expected to recover nearly Rs 12,000 crore out of its Rs 13,220 crore outstanding in the case.

The apex court's order is being seen as bringing the rigour and momentum back into the Insolvency and Bankruptcy Code (IBC) as an effective tool to deal with stressed assets in the economy. Asserting that there must be an absolute "judicial hands-off" in any interference with the commercial wisdom of the Committee of Creditors (CoC), the SC on Friday gave the final nod to the Rs 42,000-crore resolution plan submitted by ArcelorMittal for Essar Steel.

EXPLAINED Lenders may get resources to deal with fresh stress THE SUPREME Court's recent judgment in the Essar Steel

case, and the government's move to provide for resolution of financial service providers through the NCLT mechanism under the IBC, are expected to bring back the momentum in the IBC-led process for resolution of bad loans. With banks likely to recover nearly 90 per cent of their

exposure to Essar Steel, this will boost the lenders' profitability, providing them the wherewithal to cope with any fresh stress that may come from NBFC and telecom accounts.

The approval ArcelorMittal's plan takes the corporate insolvency resolution process into the final lap for one of the biggest cases from amongst the Reserve Bank of India's first list of big defaulters. Essar Steel, which has a total debt of nearly Rs 54.000 crore, was among the biggest defaulters, which included the likes of Amtek Auto, Bhushan Steel, as

SBI and ICICI Bank should see a large amount of provision writeback post the Supreme court ruling, financial services company Jefferies' said in its report.

well as Bhushan Power and Steel.

"The judgment establishes secured financial creditors' (CoC) primacy in deciding apportionment of settlement proceeds of stressed cases, which is very positive for secured creditors like banks. In the Essar Steel case, it implies that recovery for banks will be more closer to 90 per cent (as suggested by the CoC) vs 60 per cent (as suggested by NCLAT)," brokerage firm Nomura said in its research report.

Last week, the Centre also paved the way for resolution of financial service providers (FSPs) through the National Company Law Tribunal mechanism under 1,566 crore, respectively, will also the IBC, by providing for "a generic framework for insolvency and liquidation proceedings of systemically important FSPs other than banks". This is expected to help the resolution process of some non-banking finance companies (NBFCs), including DHFL.

These twin developments bode well for the banks battling high non-performing assets, al-

Top five foreign

investors

For IBC, asset size for NBFCs set at ₹500 cr

New Delhi: The RBI can now seek resolution of NBFCs having assets worth at least Rs 500 crore under the insolvency law.

The Ministry Corporate Affairs (MCA) Monday issued a notification specifying the categories of financial service providers (FSPs) that can be taken up for resolution under the "generic framework" of the IBC. PTI

though likely stress from NBFC and telecom accounts will remain

Apart from SBI, Canara Bank and PNB have large exposure of Rs 3,798 crore and Rs 2,936 crore, respectively, to Essar Steel. Union Bank of India, Bank of India and Corporation Bank, which have exposures of Rs 2,122 crore, Rs 1,985 crore and Rs gain through recoveries. The impact on each bank's profitability will depend upon how much provisioning have they done for the Essar Steel exposure. At the end of trade at the NSE

on Monday, Bank of India shares were up 3.1 per cent, Canara Bank up 2.83 per cent, Union Bank up 2.33 per cent, SBI up 0.95 per cent and PNB up 0.57 per cent.

Vodafone Idea, Airtel to hike tariffs from Dec 1; first for sector in over five years

\$62.80

ENS ECONOMIC BUREAU NEW DELHI/MUMBAI, NOV 18

VODAFONE IDEA (VIL) and Bharti Airtel Monday announced they will increase tariff prices from December 1 — the first such hike in tariffs in India's cut-throat telecommarket since 2012. While the quantum of the hike in the mobile service rates was not announced, the move potentially sets the stage for a progressive upward revision of tariffs, which could have a positive impact on the bottomlines of India's telecom players. Analysts said this tariff hike

within the industry, after almost seven years, may turn out to be a big positive. While VIL has 32 crore customers and an average revenue per user (ARPU) of around Rs 107, Pankaj Pandey, head of research at ICICIdirect.com, said, "Every Rs 1 increase in ARPU for VIL will increase its revenue and EBITDA by Rs 370 crore to Rs 380 crore." With Airtel also following up with its hike announcement, analysts say that if this is the beginning of tariff hike cycle by telecom operators, it will help in revival of companies under stress."

So, if VIL increases its tariff by 10 per cent, it may actually increase its revenue and EBITDA by around Rs 4,000 crore. Similarly, a hike in tariff by Airtel, whose ARPU currently stands at Rs 128, will add directly to its bottomline.

Announcing a hike in price offerings in the month beginning December, Airtel said, "While continuing to provide affordable tariffs to customers, it would balance the needs of the company to remain viable and, thereby, continue to invest in the much needed digital infrastructure and maintain the quality standards required by our customers."

The upward revision in tariffs by VIL comes close on the heels of Finance Minister Nirmala Sitharaman stating that the Centre does not want any telecom company to shut operations. It also comes days after the telco reporting a consolidated loss of Rs 50,922 crore, the highest ever loss posted by any Indian corporate, for the quarter ended September 30 — almost entirely on account of liability arising out of the Supreme Court order in the adjusted gross revenue (AGR) case.

Meanwhile, the Cellular **Operators Association of India** (COAI), a lobby group for cellular operators, has pitched for the government granting telecom companies a three-year moratorium followed by an extended timeline for payment of all statutory dues at easier interest rates, as the telecom sector is reeling under losses after the SC ruling on AGR liabilities. On Monday, the VIL stock advanced nearly 25 per cent on the NSE over a possible governmentbacked rescue plan.

Pandey said that though it is not clear what the government will do to revive the sector, but "if they can go for a base level tariff for all players and provide some moratorium and leeway on spectrum payment, it would benefit the sector." He further said that since a lot of government initiatives on Digital India ride on the telecom industry and numerous startups have their business model relying on them, "you need to have a proper backbone and a healthy sector with at least three

MORATORIUM ■ The Cellular Operators Association of India has

COAISEEKS 3-YR

pitched for the government granting telecom companies a three-year moratorium followed by an extended timeline for payment of all statutory dues at easier interest rates

■ Last week, Vodafone Idea and Bharti Airtel reported a combined loss of Rs 74,000 crore for the second quarter ended September 2019, on account of statutory dues arising from the Supreme Court order on adjusted gross revenue

big players."

While the Centre has clearly indicated that it wants three players in the market other than BSNI and MTNL and is trying to revive the sector, experts tracking the industry feel that the current hike by VIL and Airtel would have come only after discussions with the government as they are holding meeting with officials on a regular basis. "It is therefore very unlikely that Reliance Jio will reduce the price when Vodafone Idea and Bharti Airtel increased their tar iff," said an expert closely tracking the industry.

In the past too, investors have burnt their fingers in the sector: Norway's Telenor ASA, the UAE's **Emirates Telecommunications** Group Co. PISC and Russia's Sistema PJSFC wrote off investments worth about \$2.5 billion, after the Supreme Court cancelled licenses in 2012 following allegations of corruption in the spectrum allocation process.

The telecom industry, since then, has been struggling with combined losses of listed mobile firms topping Rs 1 lakh crore in the quarter ended September 2019.

Last week, Vodafone Idea and Bharti Airtel reported a combined loss of Rs 74,000 crore for the sec ond quarter ended September 2019, on account of statutory dues arising from the Supreme Court order on AGR. The apex court had upheld the government's position on including revenue from nontelecommunication businesses in calculating the annual AGR of telecom companies, a share of which has to be paid as licence and spectrum fee to the exchequer.

Stung by the losses, VIL had said its ability to continue as a "going concern" is dependent on obtaining relief from the government and positive outcome of the proposed legal remedy. The telco had also indicated that the process of filing a review petition against the Supreme Court order.

The Department Telecommunications (DoT) had issued notices to telecom operators to pay their revenue share dues within three months, as directed by the Supreme Court, and had given an option to telecom operators to clear all the dues on self-assessment basis. The government had, last month, also constituted a committee of secretaries to explore a financial bailout package for the telecom sector.

'\$14 bn foreign PE to Indian real estate in five years'

Indian real estate attracted nearly \$14 billion of foreign private equity (PE) between 2015 and third quarter of 2019, according to latest data by real estate services firm Anarock

The percentage of overall

\$14 billion contributed by

RESIDENTIAL SECTOR attracted just \$1.5 billion of foreign PE in the same

period, trailing even the retail sector which saw cumulative inflows of \$1.7 billion

LOGISTICS AND WAREHOUSING sector drew over \$1 billion, and the remaining investments went into mixed-use developments **COMMERCIAL REAL ESTATE SEGMENT, on** the other hand, delivered a

comparatively stellar

five years

performance in the last



\$2.4 BILLION

The amount domestic PE ■Blackstone funds pumped into Indian real estate since 2015, of which nearly 71 per cent (approximately \$1.7 billion) went to the

housing sector

\$1.3 BILLION

The amount top five domestic funds invested into Indian real estate

Top five domestic funds

- Motilal Oswal
- HDFC Venture
- **■** Kotak Realty
- ASK Group
- Aditya Birla PE

Wadhawans' assets auction: RBI Guv meets ED, police officials

EXPRESS NEWS SERVICE MUMBAI, NOVEMBER 18

AIMING TO expedite the sale of assets of HDIL so that the nearly 16 lakh depositors who lost their money in the Punjab and Maharashtra Co-operative (PMC) Bank case get some reprieve, Reserve Bank of India (RBI) Governor Shaktikanta Das, RBI-appointed administrators, Mumbai Police Commissioner and senior Enforcement Directorate (ED) officials met at the RBI office

The first step in the process is likely to begin Tuesday if the ED gives a go-ahead to the court to auction movable properties belonging to the Wadhawans

Monday morning.

This is the first time since the case came to light that all concerned parties are coordinating to ensure that the process of auctioning assets and paying back depositors is carried out swiftly. While HDIL owes PMC Bank Rs 4,355 crore (including the principal

amount and interest), assets of the company's attached by the police are approximately worth over Rs 4,000 crore. The first step in the process is likely to begin Tuesday if the ED gives a go-ahead to the

court to auction movable proper-

ties belonging to the Wadhawans,

the promoters of HDIL.

An officer present at Monday's meeting said, "The main focus was to ensure that the auctioning process is not delayed so that the depositors can be repaid the amount they have lost."

Officers said they are hopeful that the auctioning of assets belonging to the Wadhawans would be good enough to cover the amount by which they have defaulted. Among the assets belonging to the Wadhawans that were seized by Economic Offences Wing (EOW) of Mumbai Police include their properties and land plots in Vasai,

Virar and Nallasopara, while movable assets include two nine-seater planes, one speedboat, three luxury cars and three all-terrain bikes, among others. While the immovable assets are believed to be worth at least Rs 2,500 crore, the total value is expected to yield over Rs 4,000 crore, an officer said.

The process, however, is a long-drawn one with separate procedures for movable and immovable assets. The process for the movable assets is likely to begin Tuesday if the ED does not raise any objections before the

court for movable assets being sold. Once that is done, advertisements will be given in two newspapers, the valuation of the goods will be carried out, following which the auction process will be carried out and eventually the repayment will be done.

The immovable assets that the Wadhawans securitised with PMC Bank will be auctioned once the courts and Wadhawans give nod for the same. The Wadhawans had said they wanted their assets to be sold off so that depositors were compensated.

Bezos: Our business in India is doing extremely well ... growing rapidly of other things that he wants to

LALITKJHA WASHINGTON, NOVEMBER 18

E-COMMERCE MAJOR Amazon is doing "extremely well" in India, its founder and CEO Jeff Bezos has

regulatory stability in the country. Bezos' remarks came in response to a question on Amazon's concerns over some Indian policies with regard to digitisation.

said while expressing hope for

"Regulatory stability is the thing that we would always hope for India. Whatever the regulations are ... they are stable in time and that's one of the things we're hoping will now be true. We'll see," Bezos, 55, told reporters on the sidelines of his induction into the National Portrait Gallery here on Sunday.

"Our business in India is doing extremely well. It's growing very rapidly," Bezos said. He said the head of his India Responding to another question, the Amazon head said he "definitely" wants to go to space, asserting that he is having a great deal of fun doing everything that he does.

Ruling out a 2020 White House run, Bezos said he has a lot

accomplish and is currently focused on them. "Governing and running are two different skill sets." he said. The US-based Amazon is pumping in over Rs 4,400 crore (more than \$600 million) in its various units in India including marketplace and food retail to provide them more ammunition to compete against rival Flipkart. Amazon, which is locked in a battle against Flipkart, had registered cumulative losses of over Rs 7,000 crore across various units in 2018-19.

Bezos had committed investment worth \$5 billion in the Indian market in 2016. On Friday, Microsoft co-founder Bill Gates, who boasts of a net worth of \$110 billion, replaced Bezos as the world's richest person. PTI

YAHOO JAPAN, LINE CORP DEAL

SoftBank to create \$30 billion technology giant

REUTERS TOKYO, NOVEMBER 18

SOFTBANK CORP plans to merge internet subsidiary Yahoo Japan with messaging app operator Line Corp to create a \$30 billion tech group, as it strives to compete more effectively with local rival Rakuten and US tech powerhouses.

The deal, which would combine the providers of two of Japan's top QR code payment services, offers Yahoo Japan access to 164 million Line users and their data in Japan and Southeast Asia as SoftBank expands into services outside its core wireless business.

AMID RAKUTEN EXPANDING ITS BUSINESS

■ The merger of Japan's most popular messaging app and one of Japan's top online retailers is the latest consolidation in its tech industry, and comes as Rakuten is expanding into SoftBank's core business with the launch of mobile services

It also gives loss-making Line a deep-pocketed patron who can offer its tech expertise, including potentially via the Vision Fund. The deal comes as SoftBank

Group founder Masayoshi Son

combine the providers of two of Japan's top QR code payment services, offers Yahoo Japan access to 164 million Line users and their data in Japan and Southeast Asia as SoftBank expands into services outside its core wireless business

■ The deal, which would

battles to restore his reputation after an ill-fated investment in office-sharing firm WeWork.

Telecoms firm SoftBank Corp said Yahoo Japan, which last month changed its name to Z complete its merger with Line, owned by South Korea's Naver Corp, in October 2020.

Holdings Corp, would aim to

The companies plan to reach a definitive agreement by next month under which SoftBank Corp and Naver will form a 50:50 venture that would control Z Holdings, which in turn would operate Yahoo Japan and Line.

SoftBank Corp and Naver, which owns 73 per cent of Line, plan to launch a tender offer for Line's remaining shares at 5,200 yen each - a 13.4 per cent premium to the price before news of the merger broke. That values

Line at about \$12 billion. Line's shares closed up 2.2 per cent at 5,150 yen after the an-

Holdings rose 1.2 per cent, with Naver's shares up 2.9 per cent and SoftBank Corp's down 0.3 per cent. Line has been looking for

nouncement. Shares in Z

growth through expansion into areas such as QR code payments with Line Pay, but has been squeezed because of its limited funds and heavy-spending peers including SoftBank, which has a rival service called PayPay.

The merger of Japan's most popular messaging app and one of the country's top online retailers is the latest consolidation in its tech industry, and comes as Rakuten is expanding into SoftBank's core business with the launch of mobile services.