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COMPANIES P2

BUCKING THE SLOWDOWN: BOOM TIME FOR UPSCALE HOTELS

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GOOGLE BARS POLL ADS FROM USING POLITICAL LEANINGS, VOTER DATA

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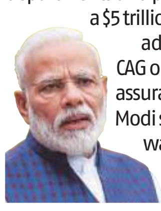
THE MARKETS ON THURSDAY		Chg#
Sensex	40,575.2▼	76.5
Nifty	11,968.4▼	30.7
Nifty Futures*	11,974.6▲	6.1
Dollar	₹71.8	₹71.8**
Euro	₹79.6	₹79.4**
Brent crude ($/bbl)##	62.8##	62.6**
Gold (10 gm)###	₹38,104.0▼	₹196.0

*(Nov.) Premium on Nifty Spot; **Previous close; # Over previous close; ## At 9 pm IST; ### Market rate exclusive of VAT; Source: IBJA

DEVELOP INNOVATIVE METHODS TO CHECK FRAUDS: PM TO CAG

PM Narendra Modi asked the Comptroller of Auditor General (CAG) on Thursday to develop technical tools to check fraud in government departments and play a role in making India a $5 trillion economy. He was addressing a conclave of the CAG on transforming audit and assurance in a digital world. Modi said the government wanted to move to evidence-backed policymaking by 2022.



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Chorus to put junked NSO report in public grows

Nobel laureate Angus Deaton, French economist Thomas Piketty, Oxford professor Barbara Harris-White have joined hundreds of others in asking the NDA government to release the junked NSO consumer expenditure survey report for year 2017-18. **SOMESH JHA** reports

COMPANIES P3

Toyota plans end of road for Etios, Liva

The Toyota Etios sedan, Etios Cross, and Liva hatchback could hit the end of the road once the stringent BSVI emission norms take effect from April 2020. According to sources, the high cost of switchover and low volumes have prompted Toyota to pull the plug on its mass segment models. Now on, Toyota is unlikely to make any model on its own for the mass segment; it is likely to source and rebadge cars of Suzuki India. **SHALLY SETH MOHILE** writes

THE SMART INVESTOR P10

MFs to gain as regulator tightens norms for PMS

The new norms on portfolio management services (PMS) introduced by the Securities and Exchange Board of India may further tilt the playing field in favour of mutual funds (MFs), say industry players. The market regulator is in the process of enacting several other changes through circulars, which will standardise performance reporting and fee structure, cap operational cost, and tightly regulate the industry. **SAMIE MODAK** reports

Sony eyes up to 30% in Ambani TV network

Fresh attempt by group in 10 months for a local buy after Zee bid failed

VIVEAT SUSAN PINTO
Mumbai, 21 November

Japanese major Sony Corporation is in preliminary talks with Mukesh Ambani's Network18 Media & Investments for a possible stake buy, making it the second attempt by the group in 10 months for a local acquisition.

In March, Sony had emerged the front runner to acquire a 20 per cent stake in Zee after the promoters of the latter said they were ready to offload up to half their shareholding to a strategic investor.

The talks had eventually fallen through over a valuation mismatch, forcing the Japanese major, which runs a bouquet of entertainment channels in the country, to look elsewhere, said persons in the know. Apart from a stake buy, some other options on the table include a merger of the entertainment businesses of Sony and Network18 Media, they said, as the Japanese major seeks to consolidate its presence in India, a market it considers key.

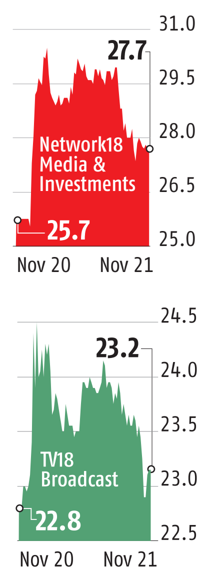
Sony, said sources, is expected to evaluate its options carefully owing to regulation around foreign direct investment in media. While 100 per cent FDI is permitted in the entertainment broadcast business here, FDI in news media is capped at 26 per cent, both in the broadcast and digital segments.

Sony may go for a 25-30 per cent stake in Network18, said persons in the know. Network18's FY19 gross debt stood at ₹3,045 crore, while net debt stood at ₹2,860 crore. Based on Thursday's close, Network18's market capitalisation stood at ₹2,900 crore, the data from the BSE shows.

Network18 has a presence across entertainment and news broadcasting with subsidiaries such as TV18 (news) and joint ventures such as Viacom18, where it holds 51 per cent stake.

AMBANI FIRMS RALLY

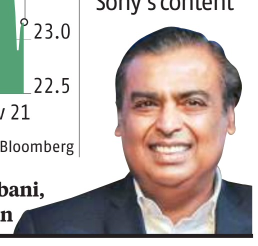
BSE price in ₹



Source: Bloomberg

WHO GAINS WHAT

- **Sony and Network18 both become powerful** in general entertainment
- **Can take on Star-Disney and Zee,** critical for Sony
- **On digital side, Sony channels can** ride on Jio platform
- **Network18 gets access** to Sony's content



Mukesh Ambani, RIL chairman

An e-mail sent to Sony Pictures Network elicited no response till the time of going to press. A spokesperson for Reliance Industries, the holding company of Network18, said: "Our firm evaluates various opportunities on an ongoing basis. We have made and will continue to make necessary disclosures in compliance with our obligations under the Securities and Exchange Board of India (Listing Obligations and Disclosures Requirements) Regulations 2015 and our agreements with the stock exchanges."

Experts said the two firms could exploit synergies if they came together. One is the collective might on the television broadcasting side where both Sony and Network18 are key players.

OIL, IOC may get Numaligarh

Pradhan hints IOC, other public sector undertakings may not be in race for BPCL

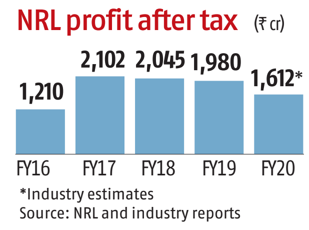
SHINE JACOB
New Delhi, 21 November

The strategic sale of 53.29 per cent in Bharat Petroleum Corporation (BPCL) would be done without Numaligarh Refinery (NRL), Finance Minister Nirmala Sitharaman said on Wednesday. So, the first hurdle before the government in the strategic sale of BPCL, for which it is running against time, would be the fast demerger of the Northeast-based refinery.

BPCL holds 61.65 per cent in NRL and analysts say BPCL's sale without NRL is likely to have an impact of ₹40 per share. "The challenge before the government will be to do the valuation of NRL first, and that is likely to delay the process of the BPCL strategic sale," said an expert. At current trading prices, government's stake in BPCL is valued at around ₹59,000 crore.

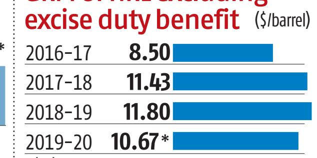
RACE HEATS UP FOR ASSAM'S CROWN

NRL profit after tax (₹ cr)



*Industry estimates
Source: NRL and industry reports

GRM of NRL excluding excise duty benefit ($/barrel)



*(Q1)
Source: PPAC

PAGE 9 EDIT: THE BIG PUSH, FINALLY

PAGE 10 BPCL VALUATION: GAINS FROM DIVESTMENT MOSTLY FACTORED IN

The firm's share price was down 5.66 per cent on Thursday.

Sources say exploration major Oil India (OIL) or Indian Oil Corporation (IOC) could bag NRL, as the government has decided to keep it with a public sector undertaking. An official from one of these oil firms told *Business Standard* the refinery might make more synergy with OIL, as a majority of its producing fields are in the Northeast and it already holds 26 per cent in the refinery (remaining stake is with the Assam government).

A major reason why the government kept NRL outside the strategic sale of BPCL was its importance to the Assam Accord. Assam Chief Minister Sarbananda Sonowal had also written to Prime Minister Narendra Modi, asking the government to keep NRL kept out of the strategic sale of BPCL as it is closely related to the state's history.

Union Petroleum Minister Dharmendra Pradhan, meanwhile, hinted on Thursday that IOC and other public sector undertakings might not be in race for the strategic sale of BPCL.

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RBI's oversight cadre move hits roadblock

Top officers tell central board that new regulatory and supervisory grouping can affect morale

RAGHU MOHAN
Mumbai, 21 November

The Reserve Bank of India's (RBI's) move to create a specialised supervisory and regulatory cadre has created a human resource (HR) problem, with officers threatening to go on agitation if their concerns are not addressed at the earliest.

Their grouse is a three-year "lock-in" for the specialised cadre. After the "lock-in", they can move to departments not related to regulation or supervision. It is being felt that in the early stages of the transition, the staff cannot move to functional areas of the central bank without a grounding in the subject they are supposed to handle.

While there is nothing on paper on the "lock-in" as of now, it is being discussed in the central bank's higher echelons.

With effect from the start of this month, the Department of Non-Banking Regulation and Department of Cooperative Banking Regulation were folded into the Department of Banking Regulation to form the Department of Regulation (DoR). And the Departments of Non-Banking, Co-operative Bank, and Banking Supervision were merged to form the Department of Supervision.

The newly created DoR has eight chief general managers (CGMs), headed by the most senior among them, Sourav Sinha; and the DoS with 10 CGMs is led by K J Dash.

"Such a large reorganisation has the potential to affect the careers of many. There is also a sense that this can turn out to be cosmetic, without leading to any betterment in regulation or supervision," said a senior regulatory official.

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RBI REVEALS LIST OF WILFUL DEFAULTERS P4

HOUSE-KEEPING WOES

- **3-yr lock-in for specialised cadre** to ensure a smooth transition
- **Lock-in not on paper as of date,** but it can affect career paths of staff
- **Option on the table is to have** significant lateral recruitments
- **Specialised cadre may not be a beneficiary** of cross-pollination from other critical depts
- **RBI has merged regulation and supervision** of various entities into one dept each
- **RBI had 29 depts prior** to the latest rejig; it now has 25

KPMG report, litigation may ward off bidders for DHFL

DEV CHATTERJEE
Mumbai, 21 November

A scathing forensic audit report by KPMG, apart from the ongoing litigation, would deter players from bidding for Dewan Housing Finance Corporation (DHFL), whose board was superseded by the Reserve Bank of India (RBI) on Wednesday, citing governance concerns and defaults.

Ongoing investigations by government agencies, including a Central Bureau of Investigation probe ordered by the Uttar Pradesh (UP) government into UP Power Corporation's employee provident fund trusts, and reports of a Serious Fraud Investigation Office probe are other concerns of the bidders. The housing finance company has defaulted on ₹84,000 crore of debt to Indian lenders, including banks, mutual funds, and fixed deposit (FD) holders. Banks would be reluctant to convert their debt into equity till the fraud charges made by KPMG are addressed, said a source close to the development.

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THE CONCERNS

- No clarity on DHFL's books
- KPMG forensic audit confirms fund diversion
- Litigation in SC, HC and DRT may spring surprises
- UP govt ordering CBI probe on PF deposits

Edit P9 A test case: DHFL resolution will strain IBC, but is systemically vital

SP GROUP FIRMS AMONG MOST LEVERAGED IN INDIA

The financial fiasco at Sterling & Wilson Solar, part of Shapoorji Pallonji Group (SP Group), was in the making for years as the group expanded rapidly in working capital-intensive sectors like construction, infrastructure, and solar projects. The group's top five firms, including the main operating and holding company Shapoorji Pallonji & Co, reported an average gross debt to equity ratio of 2.4x during FY19. **KRISHNA KANT** writes

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Telcos' AGR dues double the 2-year relief

SURAJEET DAS GUPTA
New Delhi, 21 November

The Cabinet decision to give a two-year moratorium to telecom companies for spectrum payment is too little, too late, senior executives said a day after the government announcement. The relief, pegged at more than ₹42,000 crore for three private telcos, may not help the industry as the government has made it clear that operators need to pay ₹1.47 trillion dues of adjusted gross revenue (AGR) along with spectrum usage charges (SUC) within 90 days as the Supreme Court (SC) has directed.

Incumbent telcos Bharti Airtel and Vodafone Idea have said they would go for a review petition of the top court's order, but they have limited time to move court. A review petition has to be filed within 30 days of the SC order, which came on October 25.

While Airtel, Vodafone Idea, and Reliance Jio would get a relief of ₹42,888 crore in FY21 and FY22 as a result of the moratorium, they have to fork out AGR dues of ₹49,995 crore in FY20, calculations show. Along with the spectrum usage charges (SUC), the payout comes to ₹91,000 crore this financial year.

DEFERRED SPECTRUM PAYOUT AFTER 2-YEAR MORATORIUM

To be paid each year (₹ cr)	Old plan	New plan	Cumulative difference to pay
2021-22	21,444.5	0	-42,889.0
2023-30	21,444.5	28,435	55,924.0
2031-32	21,122.0	27,953	13,662.0
2033	14,619.0	19,228	4,609.0
2034	4,532.0	5,879	1,347.0
Total	275,840	308,492	32,653.0

New plan means the one after Cabinet decision. Data based on Airtel, Vodafone Idea and Jio. Source: COAI

Since Jio's AGR dues are negligible, Airtel and Vodafone Idea will take a major hit even after the two-year spectrum payment breather announced by the government.

Goldman Sachs in its latest report has pointed out that the moratorium will help Vodafone Idea be close to a free cash flow break-even in FY21 and FY22, but that excludes the AGR payout. Even without the AGR burden, the firm could become free cash flow negative in FY23. It also opines that as interest will accrue for the moratorium period, there won't be any impact on the value of the stock. Nor will it help in improving its leverage, which is already at 20x of Ebitda.

The additional cash flow from the two-year moratorium is also negated by the fact that the telecom firms have to fork out much more every year on spectrum from FY23 onwards.

Interest, as specified during the time of auction, will be charged as the time line for payment has not been extended.

According to estimates made by the Cellular Operators Association of India (COAI), Vodafone Idea has to pay an additional ₹4,023 crore every year from FY23 to FY30.

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