

Business Standard



	Index on Nov 22, '19	*One-week	% chg over Dec 31, '18
Sensex	40,359	0.0	11.9
Nifty	11,914	0.2	9.7
Dow Jones	27,876	-0.5	19.5
Nasdaq	8,520	-0.2	28.4
Hang Seng	26,595	1.0	2.9
Nikkei	23,113	-0.8	15.5
FTSE	7,327	0.3	8.9
DAX	13,164	-0.6	24.7

*Change (%) over previous week Source: Bloomberg



COMPANIES P5 PAYTM RAISES \$1 BILLION AT \$16-BILLION VALUATION

COMPANIES P2 SLOWDOWN AN OPPORTUNITY FOR ENGAGEMENT: NESTLÉ INDIA CMD

RCOM LENDERS REJECT ANIL AMBANI'S RESIGNATION

The Committee of Creditors (CoC) of Reliance Communications (RCOM) has rejected the resignations of the company's directors and asked them to continue in their job until the corporate insolvency resolution process is through. The resignations were conveyed to the CoC in its meeting on November 20 and were unanimously rejected. Earlier this month, Anil Ambani, along with Chhaya Virani, Ryna Karani, Manjari Kacker, and Suresh Rangachar, resigned as director.

BACK PAGE P16 Submit Maharashtra gov letter on govt formation today: SC tells Centre

The Supreme Court on Sunday asked the Centre to place before it by 10.30 am on Monday morning the letter of Maharashtra Governor Bhagat Singh Koshyari inviting Devendra Fadnis, as also the letters the BJP leader submitted staking his claim to form the government in the state, including the letter of support that Nationalist Congress Party (NCP)'s Ajit Pawar furnished.

MAKING EFFORTS TO GARNER SUPPORT, SAYS BJP P16

ECONOMY & PUBLIC AFFAIRS P11 BPCL sale: Centre admits to tight race against time

The planned privatisation of Bharat Petroleum Corporation (BPCL) has led to a problem for those in the government tasked to execute a deal. While officials are confident that BPCL has the attractiveness to garner proceeds at a healthy premium for the exchequer, they are less so when it comes to the deal being completed before March 31, 2020, and, hence, being counted in 2019-20 divestment proceeds. Last week, the Cabinet cleared the sale of the government's entire 53.29 per cent stake in BPCL. ARUP ROYCHOUDHURY & SHINE JACOB write

LAND TROUBLE IN KOCHI MAY HIT BPCL STAKE SALE P11

ECONOMY & PUBLIC AFFAIRS P6 PF scam: UP underwrites investment in DHFL

Averting a major showdown with the Uttar Pradesh power employees on the illegal investment of their provident fund in Dewan Housing Finance Corporation, the Yogi Adityanath government has announced to underwrite the outstanding corpus. VIRENDRA SINGH RAWAT writes

BS ON MONDAY SPECIALS

BANKER'S TRUST: Who's afraid of bank trade unions? 8

An industry wage pact is a bizarre performance appraisal as the benchmark for such a pact is the paying capacity of the weakest of banks. TAMAL BANDYOPADHYAY writes

POLITICS & PUBLIC AFFAIRS: All too familiar 12

ADITI PHADNIS explains how sudden developments in Maharashtra are 1984 redux, and why Nationalist Congress Party needs to reinvent itself

Brokers under radar for client fund abuse

Over ₹10,000 crore at stake

SHRIMI CHOUDHARY & SAMIE MODAK
New Delhi/Mumbai, 24 November

Market regulator Securities and Exchange Board of India (Sebi) has trained guns on more brokers for indulging in the practice of using clients' shares.

Sources say the issue is not limited to just Karvy Stock Broking, with over three dozen more brokers under lens for misappropriating client funds to the tune of ₹10,000 crore.

The issue has come to light after several brokers missed the August 31 deadline set by Sebi for returning client funds. Market players said the issue could snowball into a bigger problem if these brokers are not able to return client money or have incurred losses on their proprietary trades. On Friday, Sebi imposed restriction on Karvy for alleged misuse of clients' securities.

Sources say Sebi is currently inspecting the books of several brokers who have used client funds to meet the liability of another client or pledged it with banks to meet margin requirement of other clients or their own proprietary obligations. Some brokers are being probed for divergence of funds in non-related businesses, such as real estate.

"In some cases, clients failed to take back securities despite no operations in their trading account for a long time, indicating high chances of these collaterals given as loan to brokers expecting high interest," said a regulatory source in the know. "The issue needs to be handled delicately, as unassuming investors' wealth is at stake," informed a source.

Until recently, it was common practice among brokers to use client securities as collateral another client trades or for proprietary trading. Further some brokers used these idle shares as a pledge with non-banking



KARVY'S MISTAKES MAY COST FIRM ITS BROKING BUSINESS

ECONOMY & PUBLIC AFFAIRS

TAKING STOCK

- Brokers enjoyed power of attorney over client securities
- Used it as collateral for proprietary trading, other clients' margin
- Some used it to borrow money for NBFCs; diverted money into other businesses
- In June, Sebi imposed complete ban on the use of client funds
- Set August 31 deadline to return client funds
- Some brokers yet to return client shares
- Could snowball if brokers fail to return money due to underlying problems

KARVY GROUP'S LIQUIDITY TO STAY STRETCHED IN MEDIUM TERM: CRISIL

PAGE 6

financial companies to raise capital. Brokers created a so-called 'stock broker-client account' to facilitate such transactions.

In June, Sebi cracked the whip on such practice directing brokers to wind up all such accounts. It directed all the players to unpledge and return client funds. Industry players said the move came as a big jolt to several brokers neck-deep in such practice and unable to wind up their positions even as the three-month deadline ended.

The practice was rampant as brokers enjoyed powers of attorney on their clients' demat accounts and were authorised to transfer client securities to the collateral account.

"Use of client funds was a fairly widespread practice in the broking industry till the time the new regulation was introduced in June. One has to understand any transition

takes time and if forced upon, can create disruption. The rot runs deep. We have seen many brokers defaulting or not meeting their commitments on time. Probably, a serious rethink is required to tackle this issue," said Alok Churiwala, managing director of Churiwala Securities.

The new rules mandate securities payout cannot be directly transferred from a pool account to a collateral demat account. Instead, it should be first transferred to the demat account of the respective client, ensuring concurrence of the client to such collateral creation and to create an audit trail for the same.

Speaking on the issue last week, Sebi Chairman Ajay Tyagi said, "We have made changes to the regulations to ensure brokers handle client funds properly. A lot has been done; more steps will be taken in this direction." Turn to Page 6

Economy firming up, say SBI, HDFC chiefs

ANUP ROY
Mumbai, 24 November

There is no cause for despair about the Indian economy though it is going through a phase of slowdown, said two top-most bankers of the country in a fireside chat at the *Business Standard* Annual Banking Forum last Friday. Companies have started enquiring about fresh loans, and there are signs that economic recovery is taking shape, according to Rajnish Kumar, chairman of country's largest, public-sector bank, State Bank of India (SBI), and Aditya Puri, managing director of the largest private-sector bank, HDFC Bank. "Demand slowdown is a reality. But the fact is also that in October and



RAJNISH KUMAR
CHAIRMAN, SBI

ADITYA PURI
MD, HDFC BANK

November, everybody says that we are better off than in August. Based on our conversations with businessmen, industrialists, and manufacturers — where we get their insights — it seems that we are on a recovery path," said Kumar. "In the last 10 days, we were having conversation on many other projects and these conversations were missing in the past three-four months. Nobody was coming to us for loans at that time... they have started coming now," said Kumar.

But the growth won't be a lift-off. It will be uneven and gradual. "The September numbers may not be that good, but is there scope for optimism? I think 'yes'. But do not have unbounded optimism. There will be a recovery. Our own estimate is that from the first quarter of the calendar, we will see a gradual pick-up," said Puri.

Credit demand is firming up and coming from roads, solar power projects, and the oil and gas sector, particularly city gas projects in the case of SBI. Demand is evident in rural and semi-urban areas, while payments system-

"WHOEVER WE TALK TO SAYS WE ARE ON A RECOVERY PATH. WE ARE AT LEAST BETTER OFF IN OCT-NOV THAN WE WERE IN AUG"

"INDIAN BANKING IS DOING QUITE FINE. IT IS OPEN BANKING, IT HAS COMPETITION, AND OUR CHARGES ARE ALSO THE LOWEST IN THE WORLD"



BANKING ROUND TABLE

ANNUAL BANKING FORUM 2019 P14

CEO ROUND TABLE

"Financial sector needs to rebuild trust"

NAVIGATING A CRISIS

Tighter regulations future of NBFCs

related demand from merchants, as well as for working capital requirements of smaller and larger companies, has been strong.

"But remember, when an elephant sits down, to make it stand up again it takes a little bit time," said Puri. In the case of non-performing assets, "the worst is probably over," according to Puri. An important aspect here is the recent ruling of the Supreme Court (SC) on the Essar Steel case, in which the rights of financial creditors and operations creditors have been settled for good. Turn to Page 6

RURAL INDIA NOT QUITE ODF YET, NSO REPORT SHOWS

The latest official survey conducted by the National Statistical Office (NSO) showed that more than one-fourth households in villages had no access to toilets. Around 71.3 per cent rural households and 96.2 per cent urban households had access to toilets during 2018, according to the NSO's *Drinking Water, Sanitation, Hygiene and Housing Condition in India* report released on Saturday. The findings have come more than a month after Prime Minister Narendra Modi declared rural India to be open-defecation free. SOMESH JHA writes



SpiceJet may raise ₹750 crore via QIP

ARINDAM MAJUMDER
New Delhi, 24 November

SpiceJet, India's second-largest airline, is planning to raise around ₹750 crore by selling new shares, three people aware of the development said.

The airline is considering a qualified institutional placement (QIP) as a prolonged grounding of the Boeing 737 MAX aircraft and a severe fare war have put the airline's balance sheet under pressure.

QIP is a capital-raising tool by which listed companies can sell shares, fully and partly convertible debentures, or any securities other than warrants to a qualified institutional buyer.

An airline spokesperson denied there was any such move, but

ON A WING & PRAYER

- While compensation from Boeing is yet to be finalised, SpiceJet has factored in ₹290 crore on that in Apr-Sep
- Prolonged grounding of the Boeing 737 MAX aircraft has put pressure on the airline's cost control as it has

stopped the sale and leaseback (SLB) income

- In the absence of SLB income and fare war against rival IndiGo, SpiceJet's cashflow has reduced to ₹130 crore in 2018-19, from ₹441 crore in 2017-18



multiple sources said the airline management had been holding talks with domestic funds, including Birla Sun Life Insurance Co and

Axis Asset Management Co. "The company has held exploratory talks with the investors but hasn't taken a final decision.

Board approval and selecting a banker are pending. They are probably judging the appetite of the market and compensation from Boeing to finalise the size," said a person aware of the development.

While compensation from Boeing is yet to be finalised, SpiceJet has reckoned on that ₹290 crore in the April-September period.

An executive of a domestic fund said there would be good appetite for a QIP in current condition.

"Despite competitive pressure, there is a massive growth prospect. Also with the grounding of Jet Airways, there is little chance of another closure at least in the next five years. All this makes it lucrative for an institutional investor to hold an airline stock but it has to be priced correctly," he said. Turn to Page 6

DoT committee to examine telco tariff increase

MEGHA MANCHANDA
New Delhi, 24 November

The Department of Telecommunications (DoT) has set up an internal committee to examine the impact of the increase in tariff hikes that Vodafone Idea, Bharti Airtel, and Reliance Jio have announced and will come into effect on December 1.

It is learnt that even though the subject is under forbearance (meaning market forces to operate), the government may intervene if the rise is 'exorbitant'. The committee was set up after the companies announced their decision to raise tariffs.

"We will not interfere in their decision to raise tariffs but if the consumer is affected due to the increase we will intervene. The hike should not be such that the consumer cannot afford it and we will closely watch that," a senior DoT official told *Business Standard*. "If the hike is more than 20 per cent of current tariffs, we will be forced to intervene," the official quoted above said.

If the hike is 10-15 per cent, it will not intervene. The Telecom Regulatory Authority of India (Trai) defines forbearance as allowing market forces to determine the rates mobile companies could set.

Under the forbearance policy, mobile companies have the flexibility to set tariffs for all the services except national roaming, fixed rural telephony, and leased lines. Turn to Page 6



DISTRESS SIGNALS

- Under the forbearance policy, mobile firms have the flexibility to fix tariffs for all the services they offer, except in the case of national roaming, fixed rural telephony, and leased lines

- The internal committee set up will examine the rate hike. For instance, if it is around 10-15% of the prevalent plans, then it will not intervene

- The acute financial stress in the telecom sector has been acknowledged by all stakeholders. A high-level Committee of Secretaries is looking into providing appropriate relief

The many 'Colors' of Sony

If Sony is indeed acquiring Viacom18, it will become the largest media company after Disney Star

VANITA KOHLI-KHANDEKAR
New Delhi, 24 November

Why is NPSingh smiling?

Sony Pictures Networks India, the company he heads, lost its single-biggest revenue earner — the Indian Premier League (IPL) — in 2017 to rival Star India. It is the smallest of the big three television (TV) networks in India and the bets were that it would get marginalised, even as the entertainment map of India was being redrawn.

Disney acquired Star last year to become India's largest media firm at about ₹12,000 crore in top line. The under-₹8,000 crore Zee Entertainment is in the throes of an ownership change. Google, Netflix, and Reliance Industries' (RIL's) Jio are emerging as the new face of competition. Where would not having IPL — India's largest sporting event — leave Sony in the linear and digital world?

In a place where Singh is smiling, "Without IPL, we are now larger and more profitable," he



ON THE BEAM

	Network share (%)	OTT (MAUs claimed, in mn)	Revenue (₹ cr., '18-19)
Disney-Star	21.4	300	12,000
Zee	19.7	77	7,934
Sony	8.8	100	6,425
Viacom18	9.8	80	3,667
Sony+Viacom18	18.6	180	10,092

*% to-date in 2019; OTT: Over-the-top; MAU: Monthly active users Sources: BARC, MPA, Registrar of Companies, company claims

says, declining to share any numbers.

According to the data sourced by Media Partners Asia (basis filings with the Registrar of Companies), in the first full operational year after losing the IPL, Sony not only maintained consolidated operational revenues of ₹6,336 crore, but managed to post a higher

profit after tax of ₹414 crore — up from ₹389 crore in 2017-18.

It is having a great run with *Kaun Banega Crorepati*. Add *The Kapil Sharma Show*, *Crime Patrol*, and *Taarak Mehta Ka Ooltah Chashmah* on SAB TV. Sony is rocking in the one market that determines the flow of ad and

pay revenues in India's ₹74,000-crore broadcasting and ₹8,000-crore over-the-top (OTT) industry. In sports, even after losing IPL, Sony is the second-largest broadcaster after Disney Star, with 12 per cent share of the sports audience in 2019.

"We are very well-placed in Hindi-speaking markets, sports, and movies. We are very strong in all the genres we are operating in and are well placed to seize the new opportunities the market throws up," said Singh to *Business Standard* when we met him just two weeks ago to talk about life after IPL. "The missing piece is the South and we are aware of that. We will keep all options open if we are to go to the South," said Singh, when we asked him about acquisitions. Turn to Page 6

Q&A PAGE 3
WE ARE LARGER AND MORE PROFITABLE WITHOUT IPL: N P SINGH, MD & CEO, SONY



COMPANIES P2

RELIANCE MAY BID FOR RCOM ASSETS TODAY
BHARTI: EVEN BSNL, MTNL ACTED THE SAME WAY AS US ON LICENCE FEE

OPINION P9

Edit: A sensible call