ED summons Edelweiss founder

Rashesh Shah asked to appear on Monday; ED probing forex violations; firm terms allegations baseless

SHRIMI CHOUDHARY & DEV CHATTERJEE
Mumbai, 10 January

The Enforcement Directorate (ED) has issued fresh summons to Edelweiss Group founder and Chairman Rashesh Shah in connection with an alleged multi-crore forex violation. He has been asked to appear on January 13.

Confirming the development, an ED official said Shah was earlier called to join the investigation on Thursday (January 9), under the Foreign Exchange Management Act (FEMA). However, he is learnt to have sought some time, seeking personal engagement. The ED now issued fresh summons to him.

Sources said Shah has been called to produce certain documents, including his companies' books of accounts along with details of his companies in India and abroad.

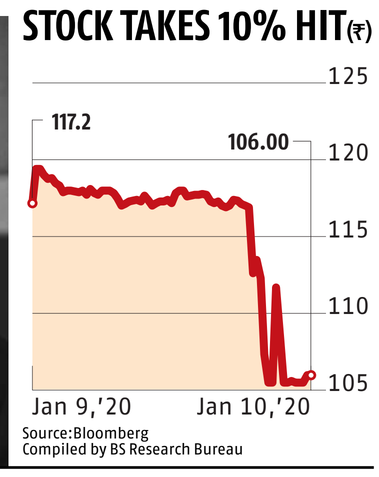
The agency is learnt to be probing whether there is any direct or indirect link between the Edelweiss chief and a Mumbai-based firm Capstone Forex. Sanjay Nathalal Shah, who is working with Edelweiss Finvest, is a 'person of interest' and has already been asked to give his statement on buying huge amount of foreign exchange through several entities, a source said. The information about the case first surfaced after a whistle-blower wrote a letter to the government agencies.

In a media statement, Edelweiss said "We have received a communication from the Enforcement Directorate to appear and provide information about Edelweiss Group Companies dealings with a company called Capstone Forex. We would like to state that none of our companies have any transaction with this company — Capstone Forex."

"We further deny the wild baseless allegations contained in the news items which are apparently attributed to unidentified sources. We are in fact shocked at the spread of unauthenticated allegations and inference being drawn there from," it added.

ED, however, is learnt to have come across some shell firms, which were allegedly created for these activities. Shah's personal appearance was required as the issue is serious in nature, said the official.

The news of the ED summons hit Edelweiss Financial Services shares as it fell by 10 per cent on Friday to close at ₹106 a share. The company has lost ₹1,046 crore in market capitalisation and has already lost 40.6 per cent or ₹6,780 crore of market value in the last one year.



Kochhars' assets, Mumbai house attached by ED

Assets include a south Mumbai apartment at CCI Chambers, valued at ₹3.5 crore (book value), along with assets of projects belonging to Deepak Kochhar's Nupower Renewables

SHRIMI CHOUDHARY
New Delhi, 10 January

The Enforcement Directorate (ED) on Friday provisionally attached assets and cash belonging to former ICICI Bank managing director and chief executive officer Chanda Kochhar and husband Deepak Kochhar in connection with the Videocon loan case.

These include a south Mumbai apartment at CCI Chambers, valued at ₹3.5 crore (book value), along with assets of projects belonging to Deepak Kochhar's Nupower Renewables and its subsidiaries, such as Wind Farms, Echanda Urja Private, worth ₹74 crore (book value). These farms located in Tamil Nadu and Maharashtra were worth ₹33 crore and ₹40.75 crore, respectively.

Besides, a cash amount of ₹10.5 lakh was seized by the ED during searches at premises of Pacific Capital Services, one of Deepak Kochhar's companies.

The total book value of these assets is ₹78 crore. However, the market value is higher at around ₹800 crore. "Some more assets are in pipeline, which we are evaluating. While the attached assets valuation is underway," said an ED source.

ED has issued provisional attachment order of proceeds of crime under the Prevention of Money Laundering Act (PMLA), which will be valid for 180 days, until the court confirms it and allows it to make a final confiscation on the ground that the assets were created out of the proceeds of laundered money.

"ED has provisionally attached movable and immovable assets consisting of flat, land, seized cash, plant and machinery in possession of accused Chanda and Deepak Kocchar and the companies owned/controlled by Deepak Kochhar under PMLA," ED said in a release.

The acquisition of the Kochhar residence in south Mumbai was complex, involving Deepak Kochhar and firms linked to Videocon group. "Flat no 45, CCI chambers, held in the books of Quality Techno Advisors Private (QTAPL) and the share certificate is in possession of Chanda Kochhar and her family," ED said in the attachment order.

This apartment was owned by QTAPL between 2009 and 2016. During this period, no rent was paid and no consideration was given for such residence. The apartment appeared to have been transferred in 2009 to Videocon group, presumably to satisfy a liability Deepak Kochhar or his business Credential Finance Limited (CFL) owed Videocon group. It was reacquired by Deepak Kochhar (indirectly by the family Trust acquiring 100 per cent of QTAPL) for nominal consideration.

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"Investigation revealed that Chanda Kochhar and her family acquired the apartment at Mumbai owned by one of the Videocon group companies, by way of acquiring that company through her family trust at a nominal price by creating book entries," said ED.

ED findings showed loans were refinanced and new loan aggregating to ₹1,730 crore was sanctioned to Videocon Industries (VIL) and its group companies and these became nonperforming assets (NPA) for ICICI Bank on June 30, 2017.

YES Bank scales down fundraising target to ₹10,000 cr

ANUP ROY
Mumbai, 10 January

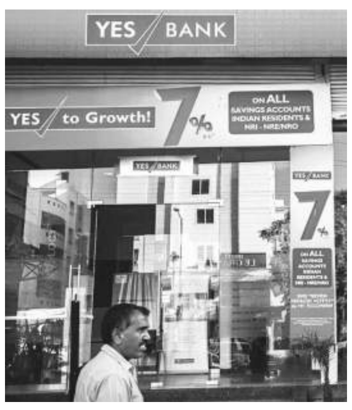
YES Bank on Friday scaled down its fundraising plan to ₹10,000 crore, from nearly ₹14,000 crore approved by the board in November, as it continued with its struggle to get investors.

The bank notified the exchanges that its board approved raising of funds up to ₹10,000 crore, in one or more tranches, through Qualified Institutional Placement (QIP), Global Depository Receipts (GDRs), American Depository Receipts (ADRs), Foreign Currency Convertible Bonds (FCCBs), or any other methods on private placement basis. The bank will hold an extraordinary general meeting for this purpose. The bank also said it received an updated proposal from Erwin Singh Braich and SPGP Holdings, but "decided not to proceed with the offer."

However, it is "willing to favourably consider the offer of $500 million of Citax Holdings and Citax Investment Group and the final decision regarding allotment to follow in the next Board meeting, subject to requisite regulatory approval(s)."

The Citax offer will be taken on next round as the "relevant conditions precedent could not be completed as on date." This is a remarkable scale down by the bank, which urgently needs capital, but has failed to get so. The bank's core equity capital is at 8.7 per cent, against the minimum regulatory requirement of 8 per cent. The bank's management had said in November that it received binding offer of $1.2 billion, with total interests of nearly $3 billion. Ravneet Gill, YES Bank's CEO and managing director, had said that the bank expected to close the deal by the end of calendar year.

However, a letter dated January 9 by Uttam Agarwal, an independent director and chairman of audit committee on the board of the bank, alleged that Gill might have misled the board, and shareholders. The letter alleged that the bank really did not have any credible offer, and that the investors that showed interest did not seem to be strong enough to invest the money in the bank. No due diligence was done on these investments and there was no firm commitment. Three other investors were interested in investing in debt papers of the bank, and not equities.



The bank received an updated proposal from Erwin Singh Braich and SPGP Holdings, but "decided not to proceed with the offer"

Govt may seek RBI dividend boost as revenue decreases

MANOJ KUMAR & AFTAB AHMED
New Delhi, 10 January

The government plans to push the central bank for a fiscal lifeline in the form of another interim dividend, as it struggles to meet its expenditure commitments amid a steep revenue shortfall, three sources directly aware of the matter said. The fresh call comes just months after the Reserve Bank of India (RBI) approved a ₹1.76 trillion ($24.8 billion) dividend payment to the federal government, including ₹1.48 trillion for the current fiscal year.

The RBI largely earns profits through its trading of currencies and government bonds. Part of these earnings are set aside by the RBI for its operational and contingency needs while the rest is transferred to the government in the form of dividend.

It earned a surplus of ₹1.23 trillion in its last financial year, which was substantially higher than previous years.

One of the officials said the government wants the RBI to consider its demand for an interim dividend given this financial year has been an "exceptional year," with economic growth projected to fall to an 11-year low of 5 per cent. "We do not want to make an RBI interim dividend a regular thing, but this year can be treated as extraordinary," said the source, adding the government is likely to push for a payout of between ₹35,000 crore and ₹45,000 crore ($4.9 to$6.3 billion). If agreed, it would mark the third straight year in which the RBI has agreed to give the government an interim dividend. Spokesmen for the finance ministry and RBI both declined to comment on the matter.

India's Finance Minister Nirmala Sitharaman is expected to present the annual budget for the next fiscal year on February 1, and is widely expected to announce a fiscal stimulus including more spending on infrastructure and tax incentives to boost consumer demand and investments.

Shaktikanta Das, who was appointed RBI governor by Prime Minister Narendra Modi in late 2018 after the resignation of Urjit Patel, has cut the policy repo rate five times by a total of 135 basis points and eased liquidity restrictions to support falling economic growth. REUTERS

THE SAVIOUR

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Payment firms' penalty norms tweaked

The Reserve Bank of India tweaked the norms for imposing penalties on payment system operators for not complying with regulatory requirements, with a view to ensure safety and security to various stakeholders, including customers. The amount of monetary penalty would vary depending on the impact on account of various factors. PTI

RBI releases strategy for financial inclusion

RBI released National Strategy for Financial Inclusion for five-year period. The financial inclusion is increasingly is a key driver of growth and poverty alleviation world over. Access to formal finance can boost job creation, reduce vulnerability to economic shocks and increase investments in human capital, RBI said. BS REPORTER

'There should not be any supply policy for coal'

Q&A

Days after the government eased the entry of domestic and foreign players into the coal mining sector, Union Minister for Coal, Mines & Parliamentary Affairs **PRALHAD JOSHI** said he wants an open market with no policy restrictions. Joshi, in his first interview since taking charge, tells **Shreya Jai** that state-owned Coal India would remain the primary player in the mining space. Edited excerpts:

What was the motive behind opening up the coal sector now?

We thought this is the best time to do it (coal reforms). Till 2015, it was a different era, and since then we have streamlined things without hampering demand. After gaining experience of auctioning captive mines, we decided to remove all restrictions, including end-use of coal from these mines. We have opened it under the direct route of Foreign Direct Investment (FDI). There is no point in keeping such restrictions — otherwise the FDI policy becomes useless.

Prime Minister (PM) Narendra Modi felt now is the time to do it. Having the fifth-largest coal resource in the world, we are importing 235 million tonnes. Of that, 100-135 million tonnes is substitutable.

What about forest and environment clearance?

We are bringing many changes without compromising on environment. The policies are being made keeping environment clearance in mind. We have requested the ministry concerned to have a look at it so that our natural resources are used in India only.

There was a time when you would go to the environment ministry and you had to do multiple things. That has changed now. In some cases, we upload the mining plan on a public portal — Parivesh. It is then available for all the ministries concerned to access. All departments — including the Central Mines Planning & Design Institute, which approves mine plan — are linked there. So, any successful bidder can directly apply there for clearances. All central-level clearances are integrated.

These reforms are reducing corruption at the highest level. In the past, there used to be an 'X-tax', which I don't wish to name. Now you even don't have to go to any ministry.

Would states be able to join the Parivesh portal?

We are ready to open it for them. It will benefit the country and the state. If the states stall mining, I am not losing anything. Industry is losing but the biggest loser is the state, which will miss on the revenue coming from these mines.

How much time, on an average, would it take to get forest and environment clearance under this new policy?

That I cannot say. That is the prerogative for the ministry concerned, especially the Ministry of Environment and Forests (MoEF). Of the 20 clearances that a company needs after winning a mine, only nine are from the central government. So, I want to appeal to the state governments to keep party politics and political rivalry aside. They should not think that just because the PM has initiated this reform, they will not cooperate.

The Union of India will not get a penny from these coal and mineral mines. Whatever revenue comes will go to the state governments. I appeal to the state governments to expedite the clearances at their level, make it a single-window system, which is time-bound.

The minerals available in the country, including coal, should not be imported. This is the advice I got from the PM. I am new to this field. The day I took charge, he told me you do the following — stop imports, talk to all stakeholders and involve them to make mining more industry-friendly, without affecting the environment. One should have system that's transparent and simple — that's the PM's vision. From 'X tax' to no-human interference to advance clearance, we have progressed.

"There is a shortfall and that's why we have opened up the sector. About the SHAKTI Policy... my predecessor Piyush Goyal has done well... As far as the power sector is concerned, coal stock at power plants has been rising for three months and stands at 32 million tonnes now. So there is no issue on supply side"

What is the estimated revenue expected from these mines?

In another four-five years, this prior approval will save eight-nine months for the companies. Calculating the benefit is difficult at this time, but import of substitutable coal will almost stop.

What would be the revenue-sharing formula for these mines between companies and the state?

It will be different for partially explored and fully explored. The rules will be framed. We will talk to the stakeholders and make it a win-win situation.

The coal sector is opening up at a time when all sectors are facing slowdown in demand and consumption. Will there be bidders for mines and buyers for so much coal?

Demand from the power sector this year was low because of monsoon and more hydropower. The PM has said demand will pick up, we are very confident about it as the government has taken many measures. Even if we imagine there is slowdown, we have to plan for the future. We have to be prepared.

There have been repeated concerns about coal shortfall, be it under the fuel supply agreement with Coal India or for stressed assets under the SHAKTI scheme. Your take?

There is a shortfall and that is why we have opened up the sector. About the SHAKTI Policy... my predecessor Piyush Goyal has done well. It is a good policy. But why are all these policies needed for the sake of coal supply. I think there should not be any policy. One should be able to get coal with ease and from various sources. As far as the power sector is concerned, coal stock at power plants has been rising for three months and stands at 32 million tonnes now. So there is no issue on supply side.

What are your plans to overhaul the coal supply system?

Coal India is already supplying to power and other industries. But every industry should have access to coal in an open market. If I have a mine, one should mine and sell, if possible.

Will you be changing the long-term fuel supply agreement under which Coal India supplies?

Commercial mining by private companies will take three-four years, so we will think about it. But, Coal India would remain our prime supplier, even after these reforms... may be in the ratio of 60:40. We want to strengthen Coal India. They should produce a minimum of 1 billion tonnes by 2023-24. We have allocated 16 blocks to them. We cannot depend on the private sector. But the private sector should meet the shortfall.

Did this decision face any resistance from Coal India workers' unions?

There has been no such thing. We have always duly communicated to Coal India. It already has mining capacity enough to operate for the coming 30-40 years. We are now giving them new blocks too.

How do you plan to improve the physical and financial situation of Coal India?

Coal India is the most economical miner in the world. To make it more efficient as far as mining and economic activity is concerned, we will work out some strategy. Currently, Coal India produces 600 million tonnes. I see India producing 1,400-1,500 million tonnes by 2023-24, including private players.

More on business-standard.com

Coal-fired plants need time to meet norms: Ministry

The power ministry has asked for coal-fired power plants around New Delhi, the capital city with the worst air quality in the world, to be given more time to install equipment to reduce emissions, after the year-end deadline for action passed.

A government official, who requested anonymity, told *Reuters* on Friday the power ministry had sent its recommendation to the environment ministry, which is in charge of enforcing the emission standards, for the power plants to be given new deadlines starting July 2020 and ending December 2021.

The utilities have cited costs and technical difficulties for missing earlier deadlines, at the end of 2017 and then the end of 2019.

Ultimately, the environment ministry and its federal pollution regulator could shut plants that continue to flout the rules, but such drastic action would appear highly unlikely, observers say, because of the public backlash to power shortages and the economic cost.

India had a phased plan for plants to comply with emission norms with some plants given until end-December 2019, while others had till the end of 2022. The required changes involve some 440 coal-fired units, with a combined capacity of 166.5 gigawatts (Gw). REUTERS