IndiGo parent to hold EGM on Jan 29 as Gangwal seeks changes in AoA

ENS ECONOMIC BUREAU
NEW DELHI, JANUARY 3

INTERGLOBE AVIATION, the parent company of India's largest airline IndiGo, Friday announced convening a meeting of shareholders on January 29, at the request of co-promoter Rakesh Gangwal, for removing various provisions in the company's Articles of Association (AoA).

In signs that the feud between the two promoter groups is continuing to persist, Gangwal — who co-founded IndiGo with Rahul Bhatia — is seeking to delete certain rules in the company's AoA that give Bhatia the 'right of first refusal' (ROFR) should Gangwal choose to sell his shares. The extraordinary general meeting (EGM) would discuss deleting various Articles pertaining to transfer and acquisition of the company's shares, including 'ROFR' and 'Tag Along Right', in the firm's AoA, according to the meeting notice posted by IndiGo with stock exchanges.

The development comes over six months after Gangwal flagged concerns over corporate governance lapses at InterGlobe Aviation. The meeting is being convened following request by Rakesh Gangwal (RG) Group and related entities, who together hold a 36.64 per cent stake in InterGlobe.

The group comprises Rakesh Gangwal, Shobha Gangwal and the Chinkerpoo Family Trust (Trustee: Shobha Gangwal and JP Morgan Trust Company of Delaware), as per the stock exchange notice.

The differences between the co-founders and co-promoters, Rakesh Gangwal and Rahul Bhatia, came to the fore last July after Gangwal sought the Securities and Exchange Board of India's intervention to address alleged corporate governance lapses at the company. Bhatia and affiliates — InterGlobe Enterprises (IGE) Group — have around 38 per cent stake in InterGlobe Aviation.

Gangwal also wants to remove an article that prevents either of the co-founders from buying publicly-listed shares in InterGlobe Aviation and potentially triggering an open offer for the rest of the company. Shares of InterGlobe, which fell early Friday due to a spike in oil prices, climbed over 6 per cent from the day's lows, before closing higher 2.1 per cent.

On December 24, a request for EGM was made by Gangwal and InterGlobe Aviation's Board of Directors, on December 31, approved convening such a meeting.

The company received a letter on November 13, 2019 from Gangwal seeking changes in the AoA, the filing said. An AoA typically provides the regulations for operating a company. The shareholders' agreement expired on the fourth anniversary of the company's initial public offering on November 10, 2019.

However, the AoA contains many provisions of that agreement. As these provisions have now expired, RG Group seeks an amendment to the AoA to remove those expired provisions, as per an annexure in the communication, dated December 24, from Gangwal seeking convening of EGM.

Gangwal has sought deletion of various Articles pertaining to transfer and acquisition of the company's shares, including 'ROFR' and 'Tag Along Right'. If any member of the IGE Group, led by Bhatia, or RG Group wants to transfer shares to a third party, then the non-transferring group will have the ROFR subject to certain conditions.

Similarly, the non-transferring group will also have the 'Tag Along Right' wherein it would have the option to sell some part of the shareholding.

3 KEY POINTS

1 Rakesh Gangwal is seeking to delete certain rules in the company's AoA that give Rahul Bhatia the 'right of first refusal' (ROFR) should Gangwal choose to sell his shares

2 According to the meeting notice posted by IndiGo with stock exchanges, the extraordinary general meeting (EGM) would discuss deleting various Articles pertaining to transfer and acquisition of InterGlobe Aviation's shares

3 The development comes six months after differences between the co-founders and co-promoters came to the fore when Gangwal sought Sebi's intervention to address alleged corporate governance lapses at the airline

TOTAL NUMBER OF TRANSACTIONS AT 1.3 BN

UPI transaction value crosses ₹2L cr in Dec

ENS ECONOMIC BUREAU
MUMBAI, JANUARY 3

THE VALUE of transactions made using the Unified Payments Interface (UPI) channel crossed Rs 2 lakh crore in December after falling marginally month-on-month in November. The UPI recorded 1.3 billion transactions in December worth Rs 2.02 lakh crore, up from 1.22 billion transactions worth Rs 1.89 lakh crore in the previous month.

According to the data released by the National Payments Corporation of India (NPCI), its Bharat Interface for Money (BHIM) app was used for making 17.82 million transactions worth Rs 6,316.37 crore. In other words, the app now contributes a mere 1.37 per cent to UPI usage in volume terms.

The first mover in UPI payments has been losing share since mid-2017 to rival apps launched by large internet and e-commerce players, many of them multinationals. The withdrawal of incentive schemes to merchants and consumers on BHIM could have hit it hard, while other apps continued with these.

Effective January 1, merchants will no longer have to shell out merchant discount rate (MDR) charges for accepting UPI payments. The move by the government is aimed at pushing greater adoption of the payments channel by smaller merchants.

Mandar Agashe, founder and vice-president of Sarvatra Technologies, said: "This would make it easy for every merchant to start accepting payments via RuPay debit card and UPI and push digital payments in a big way at merchant outlets." The government's mandate that all companies with a turnover of Rs 50 crore or more accept payments through RuPay debit cards and UPI QR codes will increase adoption across business sectors, he added.

At the same time, some industry watchers say the recent move to waive charges on National Electronic Fund Transfer (NEFT) transactions may end up cannibalising UPI transactions. At least 70 per cent of UPI volumes comprised peer-to-peer (P2P) transactions and there could be a significant overlap between UPI users and NEFT users.

Moreover, a two-year MDR subsidy that the government was offering for merchant transactions of up to Rs 2,000 expired on January 1. This, too, could lead to some merchants earlier using UPI falling off the network. **FE**

BHIM TRANSACTIONS CONTRIBUTE ONLY 1.37%

■ According to data released by the National Payments Corporation of India (NPCI), its Bharat Interface for Money (BHIM) app was used for making 17.82 million transactions worth Rs 6,316.37 crore. In other words, the app now contributes a mere 1.37 per cent to UPI usage in volume terms

■ The withdrawal of incentive schemes to merchants and consumers on BHIM could have hit it hard, while other apps continued with these

BRIEFLY

Gold at 4-mth peak on Middle East tension

New York: Gold prices surged on Friday to a four-month peak, racing past the key $1,550 an ounce level after a US air strike in Iraq killed the commander of Iran's elite Quds Force, prompting a rush into safety assets. Spot gold rose 1.4 per cent to $1,549.63 per ounce as of 10:29 am ET (1529 GMT), having risen to $1,551.36 earlier in the session, its highest since September 5. **REUTERS**

Ratings withdrawal norms tweaked

New Delhi: Credit rating agencies can downgrade the rating assigned to firms or instruments to non-investment grade with issuer not cooperating (INC) status, if an issuer has all the outstanding ratings as non-operative for over 6 months, regulator Sebi on Friday.

HDFC slashes home loan rate by 0.05%

New Delhi: HDFC Friday reduced the benchmark lending rate by 0.05 per cent, a move that will reduce interest rate for existing and new borrowers. **PTI**

Six bank unions to go on strike on January 8

Mumbai: Six bank unions will go on strike on January 8 to show their support for the central trade unions' strike call on the same day. SBI said the number of its bank employees participating in the strike is small so the impact on the bank's operation will be minimal. **FE**

Icra maintains negative outlook on PVs

New Delhi: ICRA Friday maintained a "negative" outlook on the passenger vehicle (PV) and commercial vehicle (CV) segments while maintaining a "stable" outlook on the two-wheeler OEMs and tractor segments.

SBI plans to sell 1% stake in NSE

New Delhi: SBI on Friday said it is looking to sell 50 lakh shares representing 1.01 per cent stake in the NSE as part of its capital raising exercise. Currently, SBI holds 5.19 per cent stake in the NSE. **PTI**

'China to stick with inflation target of 3%'

Beijing: China has decided to keep its inflation target unchanged this year at around 3 per cent, sources say, suggesting policymakers will continue to roll out economic stimulus. **REUTERS**

Deposit insurance: To hike or not to hike

After the collapse of Punjab and Maharashtra Co-operative Bank, there has been a demand from several quarters that the Deposit Insurance and Credit Guarantee Corporation (DICGC), the RBI subsidiary that gives insurance cover to bank deposits up to Rs 1 lakh, should hike the coverage cap

₹87,995 cr surplus funds with DICGC as of March 2019

₹12,043 cr was the premium income in 2018-19 against Rs 11,128 crore a year ago

₹152 cr was the claim in 2018-19 as against Rs 183 crore in the previous year

2,098 banks insured their deposits with DICGC

2,000 mn is the total number of fully protected accounts

₹5,120 cr is total claims paid since inception since 1962

₹33,70,000 cr is the total insured deposits as of March 2019

₹86,35,100 cr is the total uninsured deposits as of March 2019

DICGC FINANCIALS: IN A NUTSHELL (₹ CRORE)

PARTICULARS REVENUE STATEMENTS	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14
Premium income	12,043	11,128	10,122	9,199	8,229	7,312
Investment income	7,245	6,418	5,619	4,783	4,032	3,390
Net claims Revenue surplus	(152)	(183)	(027)	(005)	(034)	(093)
Before tax	19,147	18,457	15,720	14,673	14,689	9,152
Rev surplus after tax	11,931	11,507	9,715	9,596	9,696	6,072
BALANCE SHEET						
Fund Balance (Actuarial)	5,756	5,367	5,598	5,412	5,207	5,068
Fund Surplus	87,995	76,064	64,557	54,842	45,246	35,549

Source: DICGC Annual Report

WHAT'S THE PREMIUM: The premium was raised to .05 or 1/20th of 1 per cent per annum with effect from July 1, 1993. Since 2001, as it has had to settle claims for large amounts due to the failure of banks, the premium was raised to 8 paise per Rs 100 of assessable deposits from 2004-05 and later to 10 paise per Rs 100 deposits from 2005-06

HOW MUCH WILL DEPOSITOR GET: Irrespective of the deposit amount, the depositor will get only Rs 1 lakh if a bank collapses. Currently, only one-fourth of the deposits are insured

WHAT DAMODARAN PANEL PROPOSED? The panel set up by the RBI had recommended that the deposit insurance cover provided by DICGC, a subsidiary of the RBI, should be raised to Rs 5 lakh so as to encourage individuals to keep all their deposits in a bank convenient for them

INSURANCE COVER HIKE: When asked whether the government will consider hiking the insurance cover cap that was revised more than 25 years ago, Minister of State for Finance Anurag Thakur said in a written reply in the Upper House said no proposal has been received from the RBI in this regard

IS THE DICGC SURPLUS ENOUGH? While DICGC has a surplus of Rs Rs 87,995 crore, SBI has over Rs 30 lakh crore deposits. PMC Bank, which collapsed in 2019, has over Rs 11,000 crore deposits. If the insurance cover cap is hiked, the premium to be paid by the banks may also rise, bankers say

HIKE IN COVERAGE OVER THE YEARS Initially, under the provisions of Section 16(1) of the DICGC Act, the insurance cover was limited to 1,500 only per depositor for deposits held by him in all the branches of the bank taken together. It has been revised five times since then

Agriculture sector 'starved of income': Yashwant Sinha

RAEMEN SAHNEY
MUMBAI, JANUARY 3

"Demonetisation was a deathblow and the damage has not yet been fully accessed. It has led to the loss of income among farmers, reduction in consumption and significant unemployment"

YASHWANT SINHA
FORMER FINANCE MINISTER

FORMER FINANCE and External Affairs Minister Yashwant Sinha on Friday said he predicted a growth rate of less than 5 per cent in the last quarter of the financial year, which is low enough to negatively affect the general public.

A decrease from 8 per cent during the "golden period" to 4 per cent today can incur a devastating Rs 6-lakh crore difference in national income, he said. He was speaking at 'Econundrum' hosted by St Xavier's College, Fort.

He recalled his statement from two years ago when he said the private sector investment had shrunk as never before, industrial production collapsed, agriculture was in distress, construction industry was in the doldrums, service sector was in the slow lane and exports have dwindled. "I do not want to be a prophet who predicted doom for India's economy," he added.

Death of demand and demonetisation were the two main reasons for the slowdown, both of which have affected the agricultural sector immensely, he said. "In practice, farmers are losing out on income and in turn, their worker's wages are either stagnant or reducing. Overall, the agricultural sector is 'starved of income', upsetting the rural community," said Sinha.

"Demonetisation was a deathblow and the damage has not yet been fully accessed. It has led to the loss of income among farmers, reduction in consumption and significant unemployment. The loss of business in the unorganised sector spread and caused trouble within the organised sector. It is a vicious cycle," he added.

Speaking on the effect of the Citizenship Amendment Act (CAA) on the Indian economy, Sinha said: "It has caused great economic damage. People go by intentions of the government. Previously, when the National Registry of Citizens was spoken about in 2003, there was no hue and cry but with the current distrust of government, people are more suspicious."

Former President APJ Abdul Kalam's vision of a "developed country" by 2020 and a "$5-trillion economy" is a distant dream, Sinha said.

Adani Ports to buy 75% stake in KPCL for ₹13,500 crore

Mumbai: Adani Ports & Special Economic Zone (APSEZ), led by billionaire Gautam Adani, on Friday said it would acquire a controlling stake of 75 per cent in Krishnapatnam Port (KPCL) in Andhra Pradesh for a cash consideration of Rs 13,500 crore.

The acquisition of 64 million tonne (mt) capacity will help Adani Ports achieve its target of 400 mt of cargo handling capacity by FY25.

India's largest port developer plans to fund the acquisition through internal accruals and existing cash accruals of the company, and expects the acquisition to be completed in 120 days subject to regulatory approvals, including from the Competition Commission of India, the company said in a statement. **FE**

US factory sector in deepest slump in more than 10 years

REUTERS
WASHINGTON, JANUARY 3

THE US manufacturing sector fell into its deepest slump in more than a decade in December as the US-China trade war kept a lid on factory output, orders and employment, although the long-awaited Phase 1 deal between Washington and Beijing could limit further downside.

The Institute for Supply Management (ISM) said its index of national factory activity fell to 47.2 last month from 48.1 in November. It was the lowest reading since June 2009 and, coupled with readings for both new orders and factory employment at multi-year lows, thwarted expectations for a leveling off in the pace of decline in a sector buffeted by trade tensions.

A reading below 50 indicates the sector is in contraction, and December's reading marked the fifth straight month below that benchmark level. Economists polled by Reuters had been looking for an increase to 49.0.

The manufacturing sector had been under pressure for much of the second half of 2019, as tit-for-tat tariffs by the United States and China slowed the flow of goods between the world's two largest economies and contributed to a cooling in the pace of global economic growth. "Global trade remains the most significant cross-industry issue, but there are signs that several industry sectors will improve as a result of the agreement," Timothy Fiore, chair of ISM's Manufacturing Business Survey Committee, said.

MARKET CAME UNDER STRESS IN SEPT AS DEMAND FOR FUNDS TO SETTLE TREASURY PURCHASES & PAY CORPORATE TAXES OVERWHELMED LOANS AVAILABLE

Wall Street's biggest worry in 2019: Strain in repo market may lead to liquidity crunch

REUTERS
NEW YORK, JANUARY 3

THE $2.2-TRILLION repurchase agreement market, part of the inner workings of the US financial system, is facing what could be another strain as the year comes to a close. That could have wider implications than just Wall Street.

WHAT IS THE WORRY OVER REPO RATE?

The repo market came under stress in September as demand for funds to settle Treasury purchases and pay corporate taxes overwhelmed loans available.

Interest rates in US money markets shot up to as high as 10 per cent for some overnight loans, more than four times the Fed's rate.

An investor at a brokerage in Beijing on December 31, 2019. *AP*

Since September, the New York Federal Reserve has offered daily operations where it injects liquidity into the overnight market, in addition to frequent offerings of longer-term loans. It is the Fed's first major market intervention since the financial crisis more than a decade ago.

This helped the market this month get through another period of high corporate tax payments and Treasury debt settlements with relative ease.

Some analysts still fear, however, that there may be strains, when banks reduce risk taking to meet financial targets.

The Fed's repo operations are made only with major dealers, with the banks in turn passing liquidity on to their clients.

Heading into year-end the banks may be more reluctant to make these loans, which could leave borrowers struggling to raise cash. Some also fear that structural problems with the market leave it vulnerable to periods of stress.

The Bank for International Settlements said this month that growing reliance on the biggest US banks to keep the repo market functioning may have been a big factor in September's cash squeeze. The big four banks, which the BIS did not name in its report, have become net providers of funds to repo markets as they account for more than half of all Treasuries held by banks in the US at the Fed.

WHY IS THE REPO MARKET IMPORTANT?

The repo market underpins much of the US financial system, helping to ensure banks, companies and investors have the liquidity to meet their daily operational needs. In repo trades, borrowers offer US Treasuries and other high-quality securities as collateral to raise cash, often overnight. The next day, they repay the loans plus what is typically a nominal rate of interest and get their bonds back. In other words, they repurchase, or repo, the bonds.

The interest rate charged on repo deals typically stays close to the Fed's benchmark overnight rate, currently set in a range of 1.50 per cent to 1.75 per cent.

But when investors become fearful of lending, as seen during the global credit crisis, or when there is just not enough reserves or cash in the system to lend out, it sends the repo rate soaring above the federal funds rate.

Trading in stocks and bonds can become difficult. It can also pinch lending to businesses and consumers and, if the disruption is prolonged, it can become a drag on a US economy that relies heavily on the flow of credit.

September's funding strains did not spread to other markets. However, a prolonged disturbance or a weak economy would increase the risks of contagion.

IS THERE A PROBLEM WITH THE LEVEL OF BANK RESERVES?

A reduction in excess bank reserves, cash held at the Fed that can be made available for loans, was also cited as a large contributor to September's repo stress. JPMorgan in particular cut the cash it holds on deposit at the Fed by 57 per cent this year.

Coming out of the financial crisis, after the Fed cut interest rates to near zero and bought more than $3.5 trillion of bonds, banks built up massive reserves held at the Fed. But that level of bank reserves, which peaked at nearly $2.8 trillion, began falling when the Fed started raising interest rates in late 2015. It fell even faster when the Fed started to cut the size of its bond portfolio about two years later. To reverse this decline the Fed has been purchasing Treasury bills since October. When the Fed buys securities from a bank, it credits the bank's reserve account, which increases reserves in the system.

IS A PERMANENT FIX PLANNED?

To reduce the risk of further disruptions, some market participants say they expect the Fed to set up a permanent backstop for the market, known as a standing repo facility.

Fed Chair Jerome Powell said that officials are dedicated to keeping money markets calm through year end. He said policymakers are open to suggestions for adjusting supervisory and regulatory practices in a manner that does not affect the safety and soundness of the banking system.