The Telegraph
BUSINESS
CALCUTTA MONDAY 18 MARCH 2019 XXCE

“Right now, we are half way through

Renault India country CEO and managing director **Venkatram Mamillapalle** on plans to double sales volume

IN BRIEF

RBI to meet trade bodies

■ **NEW DELHI:** Reserve Bank of India (RBI) governor Shaktikanta Das will hold discussions on March 26 with representatives of trade bodies and credit rating agencies on interest rate and steps to boost economic activities, said sources. The meeting, which comes ahead of the next financial year’s first MPC meet scheduled for April 4, is aimed at broadening the consultation process, they added. PTI

J&K Bank move

■ **NEW DELHI:** Jammu and Kashmir Bank on Sunday said it proposed to sell its stake in PNB Metlife India to private equity player Oman India Joint Investment Fund II for Rs 185 crore. The bank has executed a share purchase agreement with Oman India Joint Investment Fund II for the sale of 4.1 crore shares of PNB MetLife India Insurance Company Ltd, J&K Bank said in a regulatory filing. PTI

ONGC tender

■ **NEW DELHI:** New York-listed contractor Schlumberger — the sole bidder in state-owned ONGC’s tender for raising oil production from aging fields — has sought several deviations from the bidding norms, including projection of a 26-27 per cent decline in output in the next few years. PTI

Jubilant drug recall

■ **NEW DELHI:** US-based Jubilant Cadista Pharmaceuticals is recalling over 5,700 bottles of Bupropion Hydrochloride extended-release tablets, used to treat major depressive disorder, from the US market. PTI

Yamaha plans

■ **NEW DELHI:** Yamaha has started studying plans to add additional capacities in India with an eye to garner 10 per cent of the two-wheeler market in the next five years, Yamaha Motor India chairman Motofumi Shitara said. PTI

Dollar inflow

■ **NEW DELHI:** Overseas investors poured in more than Rs 20,400 crore in the domestic capital market in the first half of March, mainly driven by positive global cues. The expectation of a positive outcome from the US-China trade agreement along with US Fed’s decision to put rate hike on hold worked in favour of the markets. PTI

BOTTOM LINERS

“There’s no need for a trial. You’re a lawyer. I already find you guilty.”

Exporters fret over credit flow

R. SURYAMURTHY

New Delhi: Exporters have expressed concern over the lack of credit to the sector and urged the government and the Reserve Bank of India to take appropriate steps to achieve the target of $375 billion in shipments for the next financial year.

“The small and medium enterprise exporters are the worst sufferers and the lack of credit equally affects our export performance,” Ganesh Kumar Gupta, president of the Federation of Indian Export Organisations (Fieo), told **The Telegraph**.

He said there was a need to increase the flow of credit to the sector by encouraging banks and also ensuring the online filing, processing and monitoring of export credit.

According to the latest RBI data, export credit came down 45.5 per cent in January from a year ago. Estimates for the current fiscal indicate the credit falling 38.1 per cent.

Export credit, which is on the priority sector lending list of banks, fell to Rs 17,500 crore in January 2019 from Rs 32,100 crore in January 2018. The overall priority sector growth was 9.4 per cent in the same period and showed that advances to exporters were not given due priority.

“The decline in absolute terms is a cause for concern for exporters... Though the RBI has cut the repo rate by 25 basis points, but whether that will translate into a reduction in cost of credit to exporters, especially for the MSME sector, is yet to be seen,” the FIEO president said.

Gupta said the efforts of commerce minister Suresh Prabhu, who is taking several steps to promote exports, would not materialise if banks fail to lend adequately at affordable rates.

He said the banks were taking enormous time and asking for voluminous documents even for the renewal of limit. Banks should grant limit within a reasonable time frame of 30 days and should not raise objections in a frivolous manner to delay the process.

On the e-wallet scheme, which is supposed to be implemented from April 1, Gupta said “not much progress is visible and seems unlikely that it would take on from next month”.

He said the GST Council should provide for “an outright exemption window to exporters as was in existence before the GST regime to mitigate the liquidity problem”.

The e-wallet eliminates the process of exporters having to seek refunds after paying taxes.

Under this mechanism, a notional credit would be deposited in the exporters’ accounts on the basis of their past record. This would be similar to a virtual payment system where exporters will pay the notional duty and get notional refunds later.

Claiming refunds against input tax credits is a cumbersome process even though refunds under the integrated GST regime are being processed quickly.

Gupta said exports had done well despite increasing protectionism, tough global conditions and constraints on the domestic front.

During the April-February period of the current fiscal year, exports grew 8.85 per cent to $298.47 billion, while imports rose 9.75 per cent to $464 billion.

The trade deficit has widened to $165.52 billion during the 11 months of the current fiscal from $148.55 billion in the year-ago period.

“The economies across Asia, especially China and the Southeast Asian nations, have been showing signs of sluggishness with contraction in manufacturing because of the slowdown in global trade and a fragile world economy,” he said.

China’s exports contracted 20.7 per cent in February, the largest decline in three years, while imports fell 5.2 per cent, stirring fears of a trade recession.

He said the country could take advantage of the global situation and boost its exports if pro-active measures are taken by the authorities, which can result in exports touching $375 billion next fiscal.

While scaling down global growth by 20 basis points to 3.5 per cent on the back of sustained trade tensions between the US and China, the International Monetary Fund said India’s economy is poised to pick up from 7 per cent a year ago to 7.5 per cent in 2019-20, benefiting from lower oil prices and a slower pace of monetary tightening than previously expected as inflation pressures ease.

LOANS IN JANUARY WITNESS A SHARP 45% FALL

■ Export a priority sector for loans, but banks have accorded low importance

■ Banks taking enormous time to approve loans

■ Exporters allege banks are raising frivolous objections

■ Government support required to meet target for next fiscal

■ Exporters seek online processing of credit

■ Small and medium exporters hit the most, raising job concerns

■ Refunds under GST add to exporters’ worries

■ Exporters demand outright tax exemption

Kesoram gets a rating rap

SAMBIT SAHA

Calcutta: Care Ratings has revised downwards the bank loan facilities of Kesoram Industries Ltd because of “significantly higher than envisaged losses” in the first nine months of this fiscal that led to “further weakening in the credit and financial risk profile”.

The agency came up with the rating on Friday, the day the company informed market regulator Sebi and the stock exchanges that Kumar Mangalam Birla, chairman of Aditya Birla Group and grandson of Basant Kumar Birla, wanted to become a public shareholder by shedding the promoter tag.

Care rated long/short term bank facilities worth Rs 906 crore and a short-term bank facility of Rs 705 crore. The long term facilities were revised from Care BBB to Care BB+ with “under credit watch with developing implications”.

The short-term facilities were revised down to A4+ from A3+, under credit watch with developing implications.

According to the definition provided by the agency, BB indicates instruments having moderate risk of default. In contrast, BBB indicates instruments having moderate degrees of safety in timely servicing of debt obligations. Such instruments carry moderate credit risk.

The modifier + points towards relative standing within the category.

The A4 rating is assigned to instruments with minimal degree of safety in timely payment of financial obligations.

In comparison, A3 rated instruments are considered to have a moderate degree of safety in meeting obligations.

Care noted in the September-December quarter, the loss before interest and tax from the tyre division widened to Rs 43.46 crore compared with Rs 19.87 crore in the preceding quarter against expectation of improvement.

“The ratings remained constrained by the leveraged capital structure and continued cash losses, the exposure of tyre segment to risk of volatility in raw material prices and high competition and cylical nature of the cement industry,” the agency wrote.

The third quarter also saw total debt rising again. After dipping to Rs 3,413.43 crore as on September 30, 2018, from Rs 3,895.81 crore in March 2018, it went up to Rs 3,520.41 crore as on December 31, 2018.

Kesoram had nearly became “potentially sick” and a reference to the then BIFR on March 31, 2016, was averted when a series of transactions undertaken by the promoters reduced the debt of Rs 5,300 crore (as on February 2016) and addressed the losses of Rs 3,200 crore over the six preceding years. The company had then sold the north Indian tyre plant to bring down debt.

The management has now proposed to split the tyre business, which contribute 39 per cent to the turnover, into a separate company and list it on the bourses. This will also lead to debt level of Kesoram going down by nearly Rs 1,000 crore.

Promoter backing

Care has pointed out to the tight liquidity situation. The promoters had infused Rs 312 crore in the last fiscal as equity and also advanced Rs 150 crore in the first half of this fiscal.

“The company has been meeting debt obligation through support extended by the promoters. The company had significant debt repayment in the fourth quarter which was partly made out of sanction of fresh debt and partly through operational cash flow,” Care noted.

A downward revision of rating and the exit of Kumar Mangalam Birla as promoter could put additional pressure, sources said, adding that banks may seek higher interest and tighter covenants.

Lenders are believed to have taken a lenient view on Kesoram, knowing that the might of the Aditya Birla group, a $44.3-billion corporation, is behind the company.

A section of Kesoram investors wondered if Kumar’s desire to be a public shareholder had anything to do with the company’s worsening financial condition. The letter Kumar wrote to the company referred to “compliance complications” related to the Insolvency & Bankruptcy Code, 2016, as one of the reasons.

UNDER WATCH

■ Kesoram loan facilities revised downwards because of huge losses

■ Revision implies moderate risk of default

■ Loss from tyre division in third quarter widens to Rs 43.46 crore

■ Total debt up at Rs 3,520.41 crore as on December 31, 2018

BSNL dues call to R-Com

New Delhi: State-owned telecom firm BSNL will approach the National Company Law Tribunal this week to recover dues of about Rs 700 crore from Reliance Communications, according to official sources.

Earlier, debt-ridden R-Com in its plea before the National Company Law Appelate Tribunal (NCLAT) stated that it wanted to voluntarily go back into the insolvency process as it would help to sell its assets in a time-bound manner.

It had moved the appellate tribunal, seeking directions to the 37 lenders led by the SBI to release Rs 260 crore directly to Ericsson. However, the lenders of R-Com have opposed the plea, saying it will lead to an outgo of public money for settling the payment of a private party.

“BSNL has already invoked a bank guarantee of around Rs 100 crore submitted by R-Com for default on payments. Decision was taken on January 4 by BSNL chairman and managing director Anupam Shrivastava to start legal proceedings against R-Com for recovery of dues of around Rs 700 crore,” the sources said.

BSNL has brought in Singh and Kohli law firm for the suit. The case filing got delayed because of the collection of invoices from all circle offices.

R-Com has been struggling to pay Rs 453 crore of the Rs 550 crore to Ericsson under a settlement reached between the two firms before the NCLAT.

The Supreme Court has given time till March 19 to R-Com to make payments to Ericsson, failing which its chairman Anil Ambani will have to serve a three-month jail term.

R-Com has already paid Rs 118 crore to Ericsson. It approached the NCLAT to direct the SBI to release Rs 260 crore, which the company has received as income tax refund in its current and retentionship account held at the public sector bank as it will help the company to pay Ericsson and purge contempt of court.

The NCLAT on Friday declined to issue any direction to the SBI and has asked for an update on the development with regard to the payment of the Ericsson due on March 19. The tribunal will hear the case of April 8. PTI

OWES RS 700CR

■ BSNL to approach NCLT to recover due

■ Has invoked bank guarantee of around Rs 100cr submitted by R-Com for default on payments

■ R-Com struggling to pay its dues to Ericsson

Sebi seeks recovery leeway

New Delhi: Market regulator Sebi is considering separate recovery rules to collect penalties, fees, disgorgement amount and refund orders made under the Sebi Act, officials said.

In matters of recovery, the Securities and Exchange Board of India (Sebi) follows the income-tax act. However, “outdated” provisions of the act have caught the eyes of Sebi during a review of recovery powers available to the regulator, which it exercises when someone fails to pay penalties or fees or defaults on regulatory orders. In consultation with the ministry of finance, the securities market regulator is now considering drafting separate recovery rules.

Sebi is empowered to order the attachment and sale of defaulters’ properties as well as bank accounts, as also to order the arrest and detention of a defaulter and to appoint a receiver for the management of the defaulter’s movable and immovable properties.

The watchdog is required to apply relevant provisions of the Income Tax Act, as in force from time to time, while taking into account necessary modifications to the tax law, for recovery purpose.

However, Sebi has told the government that it may be difficult to keep a tab on the amendments made to the income tax laws and there might be ambiguity as to how the modifications would be made, whether by the Act, rules or regulations.

“Furthermore, some provisions of the IT Act are outdated, such as beating of drums and public auction. Newer methods like newspaper advertisements and e-auction provide better results and are efficient,” an official said, citing a presentation made by Sebi to the government.

Sebi had asked the government to make necessary provisions in the laws to enable it to make regulations and amendments to provide for faster and efficient methods for recovering monies.

In reply to Sebi’s suggestions, the ministry of finance told the regulator that the power to modify the Income Tax Act provisions for recoveries to be made under the Sebi Act should vest with the central government and therefore modifications need to be prescribed through rules made by the government.

Alternatively, the finance ministry also suggested that the regulator might draft separate recovery rules specific to the Sebi Act. PTI

DUES DELAY

■ Recovery of dues by Sebi governed by I-T act. Regulator finding it difficult to follow I-T rules. Some, reportedly are outdated

■ Sebi wants necessary provisions for timely collection of recovery

■ Finance ministry open to separate recovery rules specific to Sebi Act

Deutsche in merger talks

Frankfurt: Deutsche Bank and Commerzbank on Sunday confirmed they were in talks to possibly merge, an indication that efforts to combine Germany’s two largest lenders are gaining pace.

The announcement followed meetings of the management boards of both the banks, a source said.

“In light of arising opportunities, the management board of Deutsche Bank has decided to review strategic options,” Deutsche said in a statement. It said there was no certainty of a deal and that the board was “focused on improving the growth profile and profitability of the bank”.

Commerzbank said the outcome was “open”.

Formal disclosure of talks increases the chances of concluding a tie-up that has long been the subject of speculation and surfaced in 2016 before both banks decided to focus on restructuring.

The German government has pushed for a combination given concerns about the health of Deutsche, which has struggled to generate sustainable profits since the 2008 financial crisis. The government, which holds a stake of more than 15 per cent in Commerzbank following a bailout, wants a national banking champion to support its export-led economy, best known for cars and machine tools.

Berlin also wants to keep Commerzbank’s speciality — the funding of medium-sized companies, the backbone of the economy — in German hands.

“We are going to seriously evaluate a merger,” the source said ahead of the announcement. Reuters

IL&FS asset sale starts

New Delhi: Cash-strapped IL&FS Group will receive the first set of bids under an asset monetisation process on Monday as part of a resolution process.

This will be the first set of bids that will be opened under the asset monetisation process by the government-appointed board, which includes Uday Kotak-led new board, sources said.

The company’s board will later consider bids for the Rs 8,000-crore renewable energy business that was put on the block in November 2018, they added.

The group, which is sitting on a debt of about Rs 94,000 crore, had decided to sell assets in various verticals, including roads, education, renewable energy, and broking in November last year.

The renewable assets of the group include operating wind power plants with aggregate capacity of 873.5MW and under-construction plants with 104MW capacity. It also includes the solar power business, under which it has around 300MW of under-construction projects.

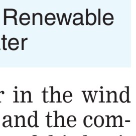
Japan’s Orix is the joint venture partner in the wind power business and the completion of the sale of this business is expected to reduce IL&FS debt of about Rs 5,000 crore. An IL&FS spokesperson declined to comment.

According to sources, nearly two dozen firms had participated in the expression of interest sought by the company that ended on December 10, 2018.

Several companies, sources said, have completed their due diligence of the underlying assets. However, the completion of the entire process and shortlisting of the final bidder will take a few weeks as multiple processes are involved.

The LIC is the single largest shareholder with over 25 per cent stake in IL&FS. PTI

STEP BY STEP



■ **Debt pile:** Rs 94,000cr

■ **On the block:** Assets in segments such as roads, education and broking

■ **Prime pick:** Renewable energy; bids later

Govt scheme hurts pharma players

OUR SPECIAL CORRESPONDENT

Mumbai: The Rs 1.3-lakh-crore Indian pharmaceutical market is likely to see a lower growth in sales, analysts fear.

Factors such as higher purchase of “trade generics”, or generic drugs pushed by chemists, and weak summer and monsoon seasons affecting the sales of acute and chronic therapy drugs amid the government’s focus on the Jan Aushadhi scheme have led to a slowdown in the domestic market.

According to a report by Edelweiss Securities, growth has decelerated to 10 per cent from 13.5 per cent over the past three years.

“The street is building in 13-15 per cent domestic sales growth. Our analysis indicates that beating a 10 per cent growth will be a challenge and consensus is likely to take 2-3 per cent cut in sales, which implies 3-5 per cent earnings impact. Companies having large domestic exposure are Alkem, Torrent, Cipla and Glenmark. Also, expensive valuations for domestic-focused companies, which trade at significant premium, are likely to soften,” the brokerage said in a report.

One of the key elements contributing to the tapering of growth is the rise in trade generics, which has adversely impacted branded generics where the margins are higher for domestic companies.

Apart from growing awareness about cheaper alternatives to generics, an increasing number of channels providing access to these drugs have hurt the volumes growth of branded generics.

The Centre’s push towards Jan Aushadi stores has also played its part. With the objective of making quality generic drugs available at affordable prices, the Jan Aushadhi Scheme was launched by the ministry of chemicals & fertilisers in November 2008.

The scheme was later renamed Pradhan Mantri Bhartiya Janaushadhi Pariyojana. Implemented through the Bureau of Pharma PSUs of India, under the ministry of chemicals & fertilisers, the medicines are made available through exclusive outlets, called Pradhan Mantri Bhartiya Janaushadhi Kendras.

The first store was launched in Amritsar in 2008. There are more than 4,800 such stores as of January 31, 2019. The stores offer more than 800 drugs covering major therapeutic groups such as anti-diabetic, cardio-vascular, respiratory and the central nervous system. It is expected that the number of these stores will go up further over the next couple of years.

Though these stores have brought good news in terms of the availability of drugs at affordable prices (50-90 per cent discount compared with their branded peers), the growth of branded generics has taken a hit.

“The biggest impact has been the push to Jan Aushadhi. The scheme is expected to top revenue of Rs 300 crore this fiscal and could disrupt one per cent of the Indian pharmaceutical market. We estimate the current impact on market growth at around 120 basis points,” the brokerage said.

WOE FACTORS

■ Rise in availability of affordable versions of generic drugs

■ Sale of such drugs pushed by chemists and government’s Jan Aushadhi scheme

■ Such drugs are 50-90% cheaper compared with their branded peers