

“Our consistent focus is to grow our businesses faster than the market in which they operate”

Sun Pharma MD Dilip Shanghvi



XXCE

CALCUTTA THURSDAY 1 AUGUST 2019

## STOCK CHECK

Sensex intra-day movement



Previous 37397.24

## CURRENCIES

US \$	Rs 68.79
UK Pound	Rs 83.73
Euro	Rs 76.69

## INDICES

BSE		
Sensex	37481.12	+83.88
Midcap	13643.38	+97.36
Smallcap	12692.18	+42.44
NSE		
Nifty	11118.00	+32.60
Next 50	26071.30	+233.30
Nifty 500	9044.95	+40.90

## Most active on NSE

Scrip	Price	Traded value#
Axis Bank	674.80	3788.13
Yes Bank	89.70	1188.97
Reliance	1165	1139.29
IBUHSgFin	537.35	107.8.75
IndusIndBk	1408	1071.06

## COMMODITIES

Gold (10 gram in Rs)		
Pure	35375	-100
Hallmark	34065	-95
Silver (kg in Rs)		
Bar	41100	-50
Portion	41200	-50
Crude*		
	4035	+48
Copper#		
	445.20	-0.25

\*per barrel in Rs; # per kg in Rs

## MONEY MARKET

Call rate	Yield (%)
4.40	
91-day T-Bill	
5.73	
1-year Gilt	
5.93	
5-year Gilt	
6.31	
10-year Gilt	
6.37	

## IN BRIEF

### Core sector growth falls

**NEW DELHI:** Growth of eight core industries dropped to 0.2 per cent in June mainly due to a contraction in oil-related sectors as well as in cement production, according to official data. The eight core sector industries — coal, crude oil, natural gas, refinery products, fertiliser, steel, cement and electricity — had expanded by 7.8 per cent in June last year.

### eBay in Paytm Mall

**NEW DELHI:** US based eBay has bought a 5.59 per cent stake in Paytm Mall for \$160 million (Rs 1,101 crore), a regulatory filing by Paytm E-commerce said. Paytm E-commerce, Paytm Mall's parent, has issued preferential shares on private placement basis to e-Bay.

### HDFC rates

**MUMBAI:** HDFC on Wednesday announced a reduction in retail loan pricing by 10 basis points across tenors and buckets of loans, both for new as well as existing borrowers, effective Thursday.

### BOTTOM LINERS



"I'm for it and I'm against it — I hope that clarifies my position."

# Essel sells 11% stake in Zee

OUR SPECIAL CORRESPONDENT

**Mumbai:** The Essel group is selling 11 per cent of its stake in broadcaster Zee Entertainment Enterprises Ltd (ZEEL) to Invesco Oppenheimer for Rs 4,224 crore.

The transaction will ease the huge debt burden of the promoters who owe close to Rs 11,000 crore to lenders against pledged shares.

The group, led by Subhash Chandra, is now looking to sell some of its non-media assets (solar and road) and an additional stake in Zee to repay the entire amount.

The deal values Zee Entertainment at Rs 38,400 crore, which translates into a per share price of Rs 400, a premium of around 11 per cent to the closing price of the company on the BSE on Wednesday.

The market has been eagerly awaiting this deal though the stock could not hold on to its gains on Wednesday and closed 5.18 per cent down at Rs 361.45.

Atlanta-based Invesco Oppenheimer's Developing Markets Fund, which already owns 7.74 per cent in ZEEL, will pick up the fresh stake. The global fund house has been a financial investor in Zee since 2002.

The promoters, who since last November have been trying to pare their stake by half, own 35.79 per cent in ZEEL as of June 2019, of which 63.98 per cent have been pledged with mutual funds and other financial institutions. Following this transaction, the promoters' stake will come down to around 23 per cent.

Essel Group has started divesting its key assets to repay all the lenders by September 2019.

A statement said the group had received a positive response from multiple partners

## STREET MOOD

Zee Entertainment Enterprises on BSE (in Rs)



who are interested in buying its stake in Zee and other key non-media assets.

According to the firm, the announcement of an 11 per cent stake sale in ZEEL to the fund is a strong step in the overall divestment process and it gives the promoters the required financial fillip to initiate the repayment process.

Speaking to analysts at a conference call, Punit Goenka, managing director and CEO of ZEEL, said the group was confident of repaying the lenders within the agreed timeline.

While there have been reports of a consortium, including Comcast and others such as Reliance Jio and Sony, expressing their keenness to acquire the stake, Goenka said the preference was given to a financial investor over a strategic investor as it will allow Chandra to remain in charge of the firm.

Goenka added that the tax liability emerging from the transaction would be very small.

According to Goenka, while the transaction with Oppenheimer is a pure equity deal, there will be no board seat for the buyer and that no conditions of any lock-in has been set. "The priority for the family is to retire the entire loan against shares and that takes precedence over what we choose to do," he said.

# Coffee Day gets new chief

OUR SPECIAL CORRESPONDENT

**Mumbai:** The board of Coffee Day Enterprises on Wednesday afternoon named independent director S.V. Ranganath as the interim chairman in place of founder V.S. Siddhartha whose body was found early morning on a river bank in Karnataka in what the police said was a case of suicide.

The board also decided to investigate the financial transactions that figured in a letter purportedly written by Siddhartha to the board three days ago. The founder of the country's largest retail coffee chain was missing since Monday night.

The letter by Siddhartha to the company's board and the "Coffee Day family" has raised several questions. Market regulator Securities and Exchange Board of India (Sebi) is now looking into the disclosures made by the company to see if there have been any lapses. The investigation at a very early stage.

Amid the shocking developments, the board of Coffee Day Enterprises met for more than two hours in Bangalore. The board took three major decisions that included the appointment of Ranganath as the interim chairman of the company to replace Siddhartha. It also appointed Nitin Bagmane as interim chief operating officer.

The board also formed a panel which will have the same powers that were earl-



An employee walks past a portrait of V.G. Siddhartha at the company's corporate office in Bangalore on Wednesday. AFP

er vested with the CEO.

A statement from the company said an executive committee comprising Ranganath, Bagmane and chief financial officer R. Ram Mohan has been constituted "to exercise the powers previously vested with the Chief Executive Officer of the company and the Administrative Committee constituted by the Board in 2015".

The company added that the board will in due course prepare a detailed charter of authorities vested in the executive committee and approve it.

It further disclosed the executive committee will also explore opportunities to deleverage the Coffee Day group. Sid-

hartha had said in his letter that Coffee Day Enterprises was in talks with Coca-Cola and ITC for an operational partnership for the Café Coffee Day chain.

The directors also decided to investigate the financial transactions mentioned by Siddhartha in his letter that were outside the knowledge of the senior management, auditors and the board, though they were yet to establish its veracity.

"The board took cognisance of statements in the purported letter from Siddhartha relating to financial transactions outside the knowledge of the senior management, auditors and the board... While the authenticity of the letter is unverified and it is unclear whether these statements pertain to the company or the personal holdings of Siddhartha, the board took serious note of the same and resolved to thoroughly investigate this matter," the company said.

The board is scheduled to meet again on August 8 to consider its first quarter results. The company said its audit committee and the executive committee will engage in discussions with its statutory auditors and such other advisors with a view to recommend the appropriate next steps to the board at the August 8 meeting.

The board has appointed Cyril Amarchand Mangaldas as its legal counsel to advise on these matters.

# Fed cuts rate by 25 basis points

**Washington:** The US Federal Reserve has cut interest rates on Wednesday for the first time since 2008, citing concerns about the global economy and muted US inflation, and signaled a readiness to lower borrowing costs further if needed.

Financial markets had widely expected the quarter-percentage-point rate cut, which lowered the US central bank's benchmark overnight lending rate to a target range of 2 per cent to 2.25 per cent.

In a statement at the end of its latest two-day policy meeting, the Fed said it had decided to cut rates "in light of the implications of global developments for the economic outlook as well as muted inflation pressures".

The Fed said it will "continue to monitor" how incoming information will affect the economy, adding that it "will act as appropriate to sustain" a record-long US economic expansion.

The decision drew dissents from Boston Fed president Eric Rosengren and Kansas City Fed president Esther George who argued for leaving rates unchanged. Both have raised doubts about a rate cut in the face of the current expansion, an unemployment rate that is near a 50-year-low and robust household spending.

On the opposite flank, US President Donald Trump is likely to be disappointed the Fed did not deliver the large rate cut he had demanded. Trump has repeatedly harangued the central bank and Fed chairman Jerome Powell for not doing enough to help his administration's efforts to boost economic growth.

Powell and other Fed officials in recent weeks have walked a middle ground, flagging risks such as continued uncertainty on the global trade front, low inflation and a weakening world economy, but repeating the view the US is fundamentally in good spot.

The Fed said in its statement that it continued to regard the labour market as "strong" and added that household spending had "picked up". Reuters

# Mallya rails at 'vicious' authorities



Vijay Mallya

**London:** Embattled liquor tycoon Vijay Mallya has dubbed the Indian government "vicious and unrelenting" in his latest intervention on the social media, as he spoke out in support of Café Coffee Day founder V.G. Siddhartha who was found dead on Wednesday amid financial troubles.

The 63-year-old former Kingfisher Airlines boss, who is fighting extradition to India in relation to fraud and money laundering allegations, accused the government of not doing enough to support entrepreneurs in debt.

"I am indirectly related to V.G. Siddhartha. Excellent human and brilliant entrepreneur. I am devastated with the contents of his letter," said Mallya on Twitter.

"The govt agencies and banks can drive anyone to despair. See what they are doing to me despite offer of full re-

payment. Vicious and unrelenting," he said.

Siddhartha's body was found after a note left by him accused the income-tax department. While the authenticity of the letter is now being questioned, Mallya compared the situation of debtors in India with those in the West.

"In Western countries, the government and banks help borrowers repay their debts. In my case they are obstructing every possible effort for me to repay my debt whilst competing for my assets."

Meanwhile, Mahindra Group chairman Anand Mahindra said entrepreneurs must not allow business failures to destroy their self-esteem. Paytm founder Vijay Shekhar Sharma tweeted that he was "saddened beyond words".

# DSP Mutual takes haircut

OUR SPECIAL CORRESPONDENT

**Mumbai:** DSP Mutual Fund has marked down by half, the value of its investment made in the non-convertible debentures (NCDs) of Coffee Day Natural Resources Pvt Ltd (CDNRPL), which is part of the Coffee Day group.

The fund house said its DSP Credit Risk Fund has an exposure of Rs 69 crore (as on July 29) to the secured NCDs issued by CDNRPL. It added that the exposure was secured by a pledge on the listed shares of Coffee Day Enterprises Ltd and a land parcel. The fund house pointed out that while recent developments have contributed to significant diminution to the value of the cover, Coffee Day Enterprises Limited has asked for two weeks to come back with a concrete plan regarding the exposure. "While we await the CDEL plan, erosion in value of cover, merits to revisit the scheme's exposure in CDNRPL, hence we have taken a 50 per cent hair cut on our exposure."

The shares of Coffee Day Enterprises have again hit the lower circuit on Wednesday. Its shares settled at Rs 123.25, a drop of 19.99 per cent or Rs 30.80 over the previous close.

BOI Axa and Indiabulls Mutual Fund also have exposures to the instruments of the Coffee Day group. The two have exposures to Tanglin Developments.

Meanwhile, IDBI on Wednesday denied IDBI Trusteeship Services Limited has an exposure of Rs 4,575 crore to Café Coffee Day. A bank release said it had no exposure.

# IOC profit down 47%

OUR SPECIAL CORRESPONDENT

**New Delhi:** Indian Oil's June-quarter net profit fell 47 per cent to Rs 3,737.50 crore from Rs 7,092.42 crore a year ago because of a drop in refinery margins and inventory gains.

"The variation is majorly on account of lower inventory gain during the quarter," the company said.

IOC, the nation's biggest oil firm, recorded an inventory gain of Rs 2,362 crore as opposed to Rs 7,065 crore gain in the April-June 2018 period.

Inventory gain accrues when a company buys raw material (crude in case of IOC) at a given price but by the time it is able to process and convert it into consumable products (fuel in case of IOC), prices have moved up. And, since the

## REPORT CARD

\*In lakh crore; # In Rs crore

June quarter	2018	2019
Income*	1.52	1.53
Expense*	1.41	1.47
Net profit#	7092	3737
EPS (Rs)	7.48	4.07

final product is sold at a prevailing market price, the company books an inventory gain. Inventory loss occurs when the reverse happens.

Revenue was almost flat at Rs 1.53 lakh crore in the first quarter of 2019-20. The company earned \$4.69 on turning every barrel of crude oil into fuel in April-June, down from \$10.21 per barrel average gross refining margin (GRM) in the

corresponding quarter of the previous financial year.

"GRM excluding inventory gain/loss and price lag is \$2.27 per barrel compared with \$5.18 a barrel in 2018-19," the statement said.

IOC said it had a foreign exchange (forex) gain of Rs 91.75 crore in the first quarter compared with Rs 1,804.85 crore forex loss in the previous year. IOC chairman Sanjiv Singh said the company sold 22.66 million tonnes of products, including for exports, during the first quarter.

IOC's refineries processed 17.28 million tonnes of crude oil and its pipelines transported 21.85 million tonnes of oil during the quarter. The company got Rs 656 crore subsidy support for kerosene sold through PDS and Rs 3,997 crore for cooking gas (LPG).

# Pact for electric 2-wheelers

OUR SPECIAL CORRESPONDENT

**New Delhi:** Calcutta-based KSL Cleantech on Wednesday joined hands with Chinese firm Huaihai Holding Group to roll out 10 models of electric two- and three-wheelers in the country over the next three years.

"The JV will invest Rs 200 crore over the next three years to set up manufacturing, assembly units in the country along with sales network, distribution network, vendor development and other activities," KSL Group managing director Dhiraj Bhagchandka told reporters here.

The JV would focus on electric two and three-wheelers for both commercial and passenger segments and may also consider developing four wheeler options for the Indian market in the future.

The equal partner JV aims to launch up to 10 such models over the next 12-36 months, he added. The company is currently in the process of customising the products to suit Indian conditions. The first model is expected to roll out in the market in the next 3-6 months.

"The JV firm aims to sell around 1 lakh units over the next three years. We aim to work with fleet operators and are currently in talks with various such firms," Bhagchandka said.

The group currently has a plant at Calcutta with an installed production capacity of 10,000 units per month. The JV plans to ramp up the production in phases at the facility.

# Fiscal deficit worry

OUR SPECIAL CORRESPONDENT

**New Delhi:** The government's fiscal deficit has touched Rs 4.32 lakh crore on June 30, which is 61.4 per cent of the budget estimate of Rs 7.03 lakh crore for the 2019-20 fiscal, according to data released by the Controller General of Accounts (CGA) on Wednesday.

The deficit was 68.7 per cent of the 2018-19 budget estimate in the year-ago period. The government aims to restrict the fiscal deficit to 3.3 per cent of GDP in the current fiscal, against 3.4 per cent a year ago.

"The realisation of the target for direct taxes and GST collections, and dividends and surplus from the RBI, nationalised banks and financial institutions and PSEs, will be

## KEEP A TAB

- Fiscal deficit till June: Rs 4.32 lakh crore
- Target for year: Rs 7.03 lakh cr
- Deficit reaches 61.4% of target by June
- Revenue till June: Rs 2.84 lakh crore

crucial to prevent a revenue slippage in 2019-20," Ica principal economist Aditi Nayar said. The speed with which the disinvestment programme kicks off, as well as the interest shown by potential buyers in the PSUs being offered for strategic disinvestment would be critical.

"At present, we can't rule out that expenditure cuts may

be required to prevent a fiscal slippage, if the revenue targets are missed," she said.

Nayar said the size and timing of the sovereign bond issuance would impart a disproportionate effect on the G-sec yields. Ica expects the 10-year G-sec yield to trade in a range of 6.2-6.6 per cent in the second half of the fiscal. The RBI board is likely to discuss the bonds at its board meet on Wednesday.

The CGA data showed that revenue receipts of the government during April-June, 2019-20 was 14.4 per cent of the budget estimate (BE). It was 15.5 per cent of BE in the year-ago period.

Revenue receipts stood at Rs 2.84 lakh crore at June-end 2019. During the entire year, the revenue receipts has been pegged at Rs 19.77 lakh crore.

# Cabinet nod to chit fund bill



Prakash Javadekar in New Delhi on Wednesday. PTI

**New Delhi:** The cabinet on Wednesday approved a bill that seeks to reduce the compliance burden of the registered chit funds industry and protect the interest of subscribers.

The cabinet gave approval for the introduction of Chit Funds (Amendment) Bill, 2019, in Parliament, information and broadcasting minister Prakash Javadekar said after the cabinet meeting.

He said the bill was aimed at fulfilling the objectives of reducing the regulatory or compliance burden of the registered chit funds industry as well as protecting the interest of subscribers.

The government had earl-

ier in 2018 introduced a bill to regulate the chit fund industry but it lapsed, the minister said.

The bill was introduced in the Lok Sabha in March 2018 and later referred to a standing committee on finance for scrutiny. The parliamentary panel had suggested the government to incorporate element of insurance coverage for subscribers, among others.

It also noted that mobilising short-term funds to meet various personal needs has been a chronic problem faced by the general public in developing countries such as India.

## Fertiliser subsidy

The government also hiked the subsidy on non-urea fer-

tilisers to make available farm nutrients at affordable prices to farmers, a move that would cost the exchequer Rs 22,875.50 crore in this fiscal.

A decision in this regard was taken at a meeting of Cabinet Committee on Economic Affairs.

"The CCEA approves NBS rates for Phosphatic and Potassic (P&K) fertilisers for the year 2019-20; expected expenditure during 2019-20 to be Rs 22,875.50 crore," Javadekar told the media.

The subsidy for nitrogen has been fixed at Rs 18.90 per kg, phosphorous at Rs 15.11 per kg, potash at Rs 11.12 per kg and sulphur at Rs 3.56 per kg for the current fiscal.

## A STAFF REPORTER

**Calcutta:** Allahabad Bank is bullish on the amendments to the Insolvency and Bankruptcy Code passed by the Union cabinet earlier this month.

The bank, with headquarters in the city, is expecting a recovery of around Rs 1,000 crore from the two accounts — Essar Steel and Bhushan Power and Steel — where the cumulative exposure of the lender is around Rs 2,000 crore.

"We have been expecting recovery in these accounts since the last few months. Recently, cabinet has approved the amendments to the IBC Act. As this becomes law, the advantage is that these cases

## HEALTH WATCH

June quarter (in Rs crore)

NPA in %	2018	2019
Nil	4599	4323
Net profit	(1944)	128
Gross NPA	15.97	17.43
Net NPA	7.32	5.71

will then see their logical end," said CH S.S. Mallikarjuna Rao, the managing director and chief executive officer of Allahabad Bank, on Wednesday. The Rajya Sabha has passed the Insolvency and Bankruptcy Code (Amendment) Bill, 2019 on July 29, 2019.

As recovery through the NCLT route takes place, the bank expects its gross NPA to go below 15 per cent of assets by March 2020.

For the quarter ended June 30, 2019, gross NPA ratio of the bank was 17.43 per cent, higher than 15.97 per cent in the corresponding quarter of the previous year.

Allahabad Bank had earlier reported a fraud of Rs 1,774.82 crore in Bhushan Power and Steel on the basis of a forensic audit investigation and CBI filing FIR against the company and its directors. The bank said it gave the loan to Bhushan Power as part of a consortium of 33 lenders, and the case is close to resolution under the NCLT.