The Telegraph
BUSINESS
CALCUTTA SATURDAY 12 JANUARY 2019 XXCE

“Funding (to India) could increase to $4.5 billion in 2019
ADB India country director **Kenichi Yokoyama**

STOCK CHECK

Sensex intra-day movement

Previous 36106.50

CURRENCIES

US $	Rs 70.49
UK Pound	Rs 90.16
Euro	Rs 81.21

INDICES

BSE		
Sensex	36009.84	-96.66
Midcap	15177.03	-19.37
Smallcap	14600.37	-27.87
NSE		
Nifty	10794.95	-26.65
Next 50	27707.55	-90.65
Nifty 500	9098.20	-21.20

Most active on NSE

Scrip	Price*	Traded value#
TCS	1843.45	1703.23
Infosys	684.35	834.15
Reliance	1095.50	710.58
Yes Bank	183.40	623.62
PrajInd	150.30	562.96

*In Rs; #In Rs crore

COMMODITIES

Gold (10 gram in Rs)		
Pure	32665	—
Hallmark	31455	—
Silver (kg in Rs)		
Bar	39300	-100
Portion	39400	-100
Crude*	3735	+57.00
Copper#	415.90	+3.50

*per barrel in Rs; # per kg in Rs

MONEY MARKET

	Yield (%)
Call rate	5.00
91-day T-Bill	6.63
1-year Gilt	6.84
5-year Gilt	7.33
10-year Gilt	7.50

Infosys profit falls 30%

OUR SPECIAL CORRESPONDENT

Mumbai: Infosys on Friday missed estimates when it reported a 30 per cent fall in net profit for the December quarter in a seasonally weak period that was marked by higher costs.

However, the country’s second largest IT services firm upped the revenue guidance for this fiscal amid a positive outlook despite apprehensions of a slowdown in developed economies such as the US.

Infosys also cheered shareholders by announcing a share buyback of Rs 8,260 crore at a price not exceeding Rs 800 per share and a special dividend of Rs 4 per share. The latter would result in a payout of Rs 2,107 crore.

The Bangalore-based firm on Friday reported a net profit of Rs 3,610 crore that was lower than Rs 5,129 crore recorded a year ago. While analysts had expected the company to post profits of around Rs 3,900 crore, it also disappointed on the margins front as operating margins came in at 22.6 per cent, which were 110 basis points lower than 23.7 per cent in the second quarter ended September 30.

Infosys said the fall in margins came as it continued to make strong investments to drive sales apart from putting more money in digital and in re-skilling its work force. The lower margins were also on account of a greater localisation in geographies such as the US and Europe.

While the company had earlier announced it will be selling Panaya and Skava, it has now almost given up the idea. The assets were classified as “held for sale” in the March quarter.

Consequently, a reduction in the fair value of Rs 118 crore and Rs 270 crore in respect of Panaya was recognised for 2017-18 and the first quarter of 2018, respectively. Infosys added that during the December quarter, based on the evaluation of proposals received and progress of negotiations with potential buyers, it has “concluded that it is no longer highly probable that the sale would be consummated by March 31, 2019’’. Therefore, they were declassified from “held for sale” and the company had to recognise additional depreciation and amortisation expenses.

Speaking to reporters in Bangalore on Friday, CEO Salil Parekh said the good performance during the third quarter was a reflection of its focus on clients and on meeting their needs.

He added that revenues from digital services continued to grow at a fast clip and it now accounts for 33 per cent of its total revenues. Infosys, he said, also witnessed a robust growth in its core services that rose 1.8 per cent on a sequential basis.

Revenues during the third quarter increased 10.1 per cent in constant currency terms. Despite the margin miss, Infosys raised its revenue guidance for the fiscal at constant currency to 8.5-9 per cent from 6-8 per cent earlier.

EARNINGS MISS ESTIMATES

- **Revenue guidance** for 2018-19 in constant currency revised upward to 8.5-9.0 per cent; Operating margin guidance retained at 22-24 per cent
- **Buyback** under open market route of Rs 8,260 crore at a maximum price of Rs 800 per share
- **Special dividend** of Rs 4 per share
- Company gives up plans to sell **Panaya and Skava**

Quarter ended December

(In Rs crore)	2017	2018
Revenues	17794	21400
Operating profit	4319	4830
Adjustment for Scava	—	(451)
Net profit	5129	3610
EPS (Rs)	11.27	8.3

Factories crawl in November

OUR SPECIAL CORRESPONDENT

New Delhi: The country’s factory output growth plunged to a 17-month low of 0.5 per cent in November on the back of a contraction in manufacturing, hinting at a slowdown in industry as investment and liquidity concerns trouble businesses.

November’s low factory growth was also partly because of a high base effect as IIP had grown a healthy 8.5 per cent in November 2017, according to data released by the Central Statistics Office. The previous low was in June 2017, when IIP contracted 0.3 per cent. The growth for October 2018 was revised upwards to 8.4 per cent from 8.1 per cent.

“There has been a perceptible slowdown in industry... we have noted that foreign direct inflows have been drying up compared with about $18 billion flowing in between April and October 2017. This year in the same period we have netted $13 billion,’’ Biswajit Dhar of the Centre for Economic Studies and Planning, JNU, said.

Banks hit by huge NPAs have been reluctant to lend, while defaults by mega non-banking financial giant IL&FS have seen contraction in funds from that quarter, too.

The non-performing assets, or the bad loan portfolio, of India’s banks increased to Rs 9.62 lakh crore in March 2018 from Rs 2.51 lakh crore in March 2014, before dipping slightly to Rs 9.46 lakh crore in September-end 2018.

Bankers say this has made bankers reluctant to lend, except to absolutely safe projects.

The manufacturing sector, which constitutes 77.63 per cent of the index, contracted 0.4 per cent in November against a growth of 10.4 per cent a year ago. The mining sector posted a 2.7 per cent growth during the month against 1.4 per cent in November 2017. Power sector output also grew 5.1 per cent compared with 3.9 per cent a year ago.

Shubhada Rao, chief economist at Yes Bank, said, “While the adverse base and the post festive winding down of momentum along with fewer working days was expected to lower IIP growth, the magnitude of correction has been sharper. Tighter domestic financing conditions may also have played a part.”

Shailen Shah, senior India economist of Capital Economics, said, “The breakdown of the data show the main drags came from the production of intermediate and capital goods, which contracted in November.”

Intermediate goods contracted 4.5 per cent, while capital goods output declined 3.4 per cent compared with a growth of 3.7 per cent a year ago.

Economists and bankers said the main impact of this will be on banking rates. “Falling inflation coupled with low growth should spur the RBI to reduce rates,” said Amit Bannerjee, an independent merchant banker specialising in East Asian funds.

DATA SCARE

IIP growth in %

In November	2017	2018
Manufacturing	10.4	-0.4
Mining	1.4	2.7
Electricity	3.9	5.1
Capital goods	5.7	-3.4
Durables	3.1	-0.9
Non-durables	23.7	-0.6
Intermediate	6.5	-4.5

Chawla quits as NSE chairman

OUR SPECIAL CORRESPONDENT

Mumbai: Ashok Chawla on Friday resigned as the chairman of the National Stock Exchange (NSE).

The development came on a day the Central Bureau of Investigation (CBI) informed a Delhi court that the central government has granted sanction to prosecute five people, including serving and former bureaucrats (one of them being Chawla), accused in the Aircel-Maxis case.

According to the current rules, a government approval is necessary to prosecute acting and former bureaucrats. Earlier, there were reports that the Securities and Exchange Board of India (Sebi) would decide whether to allow Chawla to continue in the post in the light of the allegations.

In November last year, Chawla had resigned as the non-executive (independent) chairman of Yes Bank.

“Ashok Chawla has resigned as public interest director/chairman of the board of directors of the NSE with immediate effect in light of recent legal developments,’’ the bourse said in a late evening announcement on Friday.

In May 2016, Chawla was appointed as the chairman of the National Stock Exchange.

The market regulator had approved the appointment and his tenure as chairman was till March 27, 2019.

The former civil servant retired as the Competition Commission of India (CCI) chairman after being at the helm for nearly five years. He has also served as the finance secretary and the civil aviation secretary, among other posts.

Meanwhile, the Competition Commission has dismissed a complaint of discriminatory conduct made against the NSE with regard to alleged preferential access extended to certain trading members in the co-location case.

Jet delay draws lessor ire

Singapore/New Delhi: Crisis talks between cash-strapped Jet Airways Ltd and aircraft lessors have failed to ease a row over late payments, prompting some lessors to explore taking back the aircraft, three people familiar with the matter said.

In what one of the sources described as an ill-tempered showdown between the airline and some of the world’s leading leasing firms, Jet’s main lender, the State Bank of India, sought to provide reassurance that the full-service carrier was doing all it can to pay its staff, suppliers and creditors.

“Jet has been delinquent for many months. Nobody wants to get into a situation where the problems worsen and it becomes even more difficult to take out aircraft,” one of the people said.

Jet controls over a sixth of a market experiencing an unprecedented boom in air travel. Yet high fuel taxes, a weak rupee and price competition have squeezed profitability, leaving Jet with $1.14 billion in net debt at the end of September and defaulting on payments.

The airline had previously told some lessors that it would clear arrears by December 31, but was unable do so, the people close to the matter said.

At meetings on Tuesday, held at the SBI’s headquarters in Mumbai, the bank’s chairman Rajnish Kumar was asked how Jet planned to raise equity or debt, said one of the sources, who found the responses lacked sufficient details.

Other attendees included Jet’s management team, including the airline’s founder and chairman Naresh Goyal, as well as a senior adviser of Etihad Airways, which owns 24 per cent of Jet and which did not provide any assurances, the source said.

An official from Punjab National Bank later said lenders have “in-principle” agreed to extend some help to Jet, but details on the mechanics of it are still being worked out.

Some lessors have engaged with lawyers and are working with their technical teams about repossession, but the situation could be complicated by the new bankruptcy law that allows up to 270 days where no action is permitted against the debtor or its assets, the person said.

Lessors such as GE Capital Aviation Services, SMBC Aviation Capital and Jackson Square are looking to stop the transfer of Boeing Co 737 MAX jets that had been due for delivery to Jet, the person said.

A second person said deliveries of 737 MAX jets from lessors had been behind schedule since November.

Avolon, DAE Aerospace, BOC Aviation Ltd and Aircastle Ltd also attended the meetings along with GECAS and SMBC, one of the sources said, declining to specify which are considering reclaiming planes.

Jet Airways, in a statement on Friday, said the airline was working on its turnaround strategy and updating its partners, in real time, on efforts taken to improve its liquidity. Reuters

TROUBLE DEEPENS

- Jet had told lessors it would clear arrears by December 31, but was unable do so
- Lessors now exploring options to take back aircraft
- Lessors include GE Capital Aviation Services, SMBC Aviation Capital, Jackson Square

IN BRIEF

Steel duty meet

NEW DELHI: India has sought consultations with the European Union under the aegis of the World Trade Organisation (WTO) against a move of the 28-nation bloc to impose safeguard duties on certain steel products. The country has sought these consultations under WTO’s Agreement on Safeguards. PTI

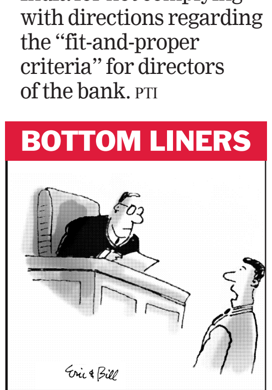
ADB view

NEW DELHI: Joining the debate on farm loan waivers, Asian Development Bank (ADB) Country director Kenichi Yokoyama on Friday said such write-offs were against economic principles and cannot effectively address the agrarian distress. PTI

Citi penalty

MUMBAI: The Reserve Bank of India has imposed a penalty of Rs 3 crore on Citibank India for not complying with directions regarding the “fit-and-proper criteria’’ for directors of the bank. PTI

BOTTOM LINERS



“The only thing I’m guilty of is pleading not guilty.”

Risk cover for small GST traders on way

OUR SPECIAL CORRESPONDENT

New Delhi: The Narendra Modi-government is mulling an accidental insurance cover of Rs 10 lakh for traders registered under the GST, as the BJP looks to win over a key vote bank with polls only months away.

Small traders could get accidental insurance cover of up to Rs 10 lakh based on turnover and the scheme could be announced by the end of this month before the start of the budget session, sources said.

The scheme may provide accidental insurance cover on the lines the of Pradhan Mantri Suraksha Bima Yojana (PMSBY) for the traders at an affordable premium. The PMSBY provides Rs 2 lakh accidental cover at an annual rate of Rs 12.

Besides, the government is considering concessional finance to traders, who want to computerise their operations.

A special policy may be formulated to encourage women entrepreneurs, sources said, adding a higher interest subvention is under consideration. Out of the government procurement mandated from small traders, certain percentage could be reserved for the women entrepreneurs.

The government on Thursday announced changes in the GST tax rules which would exponentially exempt an extra 2 million small businesses from paying the tax.

“We will exempt small businesses with annual sales of up to Rs 40 lakh from paying taxes under the GST,” finance minister Arun Jaitley told newspersons after a meeting of the GST Council on Thursday.

The government has also raised the turnover ceiling for a composition scheme for businesses registered for the GST, which lets them pay a tax of just 1 per cent to Rs 1.5 crore from Rs 1 crore. There are around 6.5 crore MSMEs that provide employment to an estimated 12 crore people.

Small businesses have been unhappy about what they see as a chaotic tax which has impacted their businesses adversely ever since its launch one-and-a-half-year ago.

Expansion key to Accor growth plan

A STAFF REPORTER

Calcutta: Accor Hotels, the French hospitality major, has chalked out an expansion plan in India that involves strengthening its presence in existing locations and eyeing a 25 per cent growth in its inventory of around 9,000 rooms over the next five years.

“Our expansion will be across brands. The main focus today in terms of portfolio is densification in existing cities. Let’s say in a city such as Calcutta we have three brands (Swissotel, Novotel, Ibis) and if we believe the market can support more, we will do that,” said Jean-Michel Cassé, chief operating officer — India and South Asia — Accor Hotels.

At present, the hospitality firm operates 50 properties across nine brands, including Swissotel, Fairmont, Sofitel, Pullman and Ibis.

Novotel is the biggest brand in the portfolio with 20 hotels followed by 19 under the Ibis brand.

Cassé was in the city to inaugurate the 189-key Ibis hotel in Rajarhat, developed in partnership with Interglobe Hotels. He said the upcoming hotels would follow the asset-light approach whereby Accor will be engaged primarily in managing the property.

“The priority of Accor today is to be asset light. But when we came in 10 years ago, we realised that we would be able to invest provided we have the right partner. We had to do this to make sure we can develop fast and with quality that we want to. Now we are growing by going asset light,” Cassé said, adding that majority of the upcoming hotels will be under this strategy.

Jean-Michel Cassé with J. B. Singh in Calcutta on Friday. A Telegraph picture

Premium space

Accor will evaluate the premium hotel space after it has acquired brands such as Fairmont, Raffles and Swissotel in 2015 and Movenpick last year.

“It’s not a matter of just bringing new brands for the sake of bringing new brands. We need to make sure that every brand is relevant. There may be opportunity in the luxury space,” Cassé said.

“Developed with an investment of Rs 120 crore, Ibis Calcutta will have 189 keys, taking the Ibis brand to 19 hotels across 13 cities with over 3,000 rooms. Strategically placed near the airport, IT parks and malls, the hotel will cater to the emerging IT and ITES hub,” said J.B. Singh, president and CEO of Interglobe Hotels.

He added that more properties are in the pipeline in Mumbai, Goa and Bangalore with the room count expected to cross 4,000 by 2022.

Push for court role in IL&FS

New Delhi: The National Company Law Appellate Tribunal (NCLAT) on Friday suggested that all further proceedings for the transfer of assets of crisis-hit IL&FS should take place under the supervision of a retired Supreme Court judge.

The new management of the Infrastructure Leasing and Financial Services Ltd (IL&FS) is considering assets sales to bail out the company from its financial mess and pay back to its lenders over Rs 90,000 crore.

“As it appears that a process required to be followed, similar to the corporate insolvency resolution process, for the purpose of proper resolution of IL&FS and its subsidiaries,” said a two-judge bench headed by Justice S.J. Mukhopadhaya.

It added that in such a case, a committee of creditors (CoC) may be required to be formed for determining “viability, feasibility and financial matrix of the plan or offer, if any, given by one or other party for acquisition of one or other group companies or its assets”.

“In such case, parties are directed to address as to why this appellate tribunal will not direct that while matter to be supervised by a retired Supreme Court judge,” the appellate tribunal said.

Meanwhile, the NCLAT also clarified that “IL&FS and its board may be allowed to proceed with the matter”.

The NCLAT also directed IL&FS to submit all details of the arbitration proceedings going against it and its 348 group companies.

“IL&FS will provide the details of arbitral proceedings filed by it or by any of its group companies or filed against IL&FS or any of its group companies by the next date,” said the NCLAT. PTI

Duracell, Energizer eye Eveready pie

OUR SPECIAL CORRESPONDENT

Calcutta: Berkshire Hathaway-owned Duracell and Energizer, two of the world’s largest dry cell battery makers, may be vying for a pie of Eveready Industries, the flagship of Williamson Magor Group.

Some top private equity players are also said to be in the fray for Eveready (EIL), industry sources said.

The Khaitan family, promoters of EIL, which also manufactures flash lights and consumer appliances, is keen on a partnership, indicating it wants to hold on to a minority stake.

Led by Amritanshu Khaitan, who spearheads Eveready as its managing director, the company is open to multiple options. It could get a partner at the holding company level or even spin off the battery and flashlight segment into a separate subsidiary and dilute equity partly or fully.

When contacted, a spokesperson for St. Louis, Missouri-based Energizer Holdings, said: “No comments. We don’t comment on rumour or speculation.”

Energizer Holdings owns the Eveready brand and sells batteries under it in several countries, except India where the right remains with the Calcutta-based Khaitans. It also sells battery under the Energizer brand.

Duracell, which is present in India, is yet to respond to queries. Duracell is owned by visionary investor Warren Buffett’s Berkshire Hathaway.

Amritanshu Khaitan could not be reached for comment.

The EIL stock jumped at the prospect of a stake sale and closed 12.22 per cent, or Rs 22.20, higher at Rs 203.90 on the NSE.

Industry observers feel the interest being shown by the global majors could be attributed to their inability to enter two of the largest global markets for dry cell batteries, India and China, in any significant manner.

Given that Eveready enjoys over a 50 per cent market share, it will give a potential buyer a large pie of the Indian market, which is growing at 6-7 per cent annually.

For PE players, who already have a stake in the FMCG space, EIL’s vast distribution network of 0.8 million sales point could be a big draw.

The stake sale could possibly open up multiple options for Eveready too, apart from paring debt at the group level.

For instance, the existing owner could be focusing on growing the appliance business, which has grown significantly in the last few years. Moreover, it can pump in more cash to expand the nascent FMCG business.

Dry cell batteries contribute 50.32 per cent of the Rs 1,456.35-crore revenue of the last fiscal, while flashlights and torches contributed 12.13 per cent.

The lighting and electrical division accounted for 23.72 per cent of revenues.

According to one estimate, the enterprise value of EIL could be as much as Rs 4,000 crore. A stake sale would help the owners to pare debt at the group level.

STREET BEAT

Eveready share price on BSE (In Rs)