The Telegraph

BUSINESS

CALCUTTA SATURDAY 16 JUNE 2018

XXCE

STOCK CHECK

Sensex intra-day movement

Previous 35599.82

CURRENCIES

US $	Rs 68.02
UK Pound	Rs 90.33
Euro	Rs 78.80

INDICES

BSE		
Sensex	35622.14	+22.32
Midcap	16001.20	-64.18
Smallcap	16961.16	-78.90
NSE		
Nifty	10817.70	+9.65
Next 50	29215.65	-225.05
Nifty 500	9343.70	-12.95

Most active on NSE

Scrip	Price*	Traded value#
TCS	1840	1674.55
ICICI Bank	282	1337.63
Infosys	1288.80	1264.42
Reliance	1012.45	1146.94
Dr Reddy's	2357.90	1048.39

*In Rs; #In Rs crore

COMMODITIES

Gold (10 gram in Rs)		
Pure	31575	+10
Hallmark	30405	+10
Silver (kg in Rs)		
Bar	41600	+300
Portion	41700	+300
Crude*	4546	+29.00
Copper#	482.15	+0.60

*per barrel in Rs; # per kg in Rs

MONEY MARKET

	Yield (%)
Call rate	4.90
91-day T-Bill	6.52
1-year Gilt	7.16
5-year Gilt	7.92
10-year Gilt	7.89

“We will acquire two more PSUs by second quarter of this fiscal

NBCC chairman **Anoop Kumar Mittal** on the company's plans for loss making PSUs

TCS bares buyback plan

OUR SPECIAL CORRESPONDENT

Mumbai: The board of Tata Consultancy Services (TCS) on Friday approved a Rs 16,000-crore share buyback programme. The plan involves the purchase of up to 7.61 crore shares at Rs 2,100 apiece.

While the price represents a premium of over 17 per cent to the closing price of the TCS scrip on Thursday, the country's largest software services firm said it would use the tender offer route.

In a communication to the bourses on Friday, TCS said it will repurchase up to 7,61,90,476 shares, which represent 1.99 per cent of the total paid-up capital of the company. It is not immediately clear if the promoters will participate in the buyback.

As on June 8, the promoters held close to 71.92 per cent in the company. The rest is split among domestic financial institutions at 6.77 per cent, FII/NRIs and others at 17.13 per cent, retail shareholders at 3.52 per cent and others who hold less than 1 per cent.

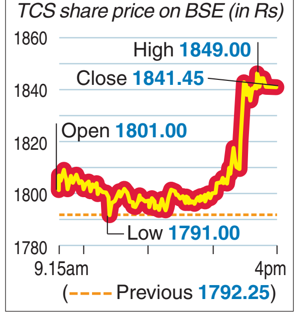
In terms of value, the current plan is similar to that done by the company last year.

TCS had then undertaken a Rs 16,000-crore share buyback offer, which entailed a purchase of 5.61 crore shares at a price of Rs 2,850 per share.

Speaking to shareholders at the company's annual general meeting here on Friday, TCS chairman N. Chandrasekaran said the company hopes to complete the buyback by the second quarter of this fiscal.

STREET MOOD

TCS share price on BSE (in Rs)



The buyback represents measures to return surplus cash to shareholders.

During the last financial year, TCS had returned Rs 26,800 crore to shareholders through a buyback and dividends. It has put in a policy of returning capital to the tune of 80-100 per cent of its free cash flow. Free cash flow of TCS in 2017-18 stood at Rs 26,360 crore.

Stock markets reacted positively to the announcement with TCS shares rising 2.75 per cent. The company also achieved another feat when it became the first to close the trading session with a market valuation of over Rs 7 lakh crore.

On the BSE, the TCS scrip jumped 2.75 per cent to close at Rs 1,841.45 after rising 3.16 per cent to Rs 1,849 during intraday trades. On the NSE, the scrip closed at Rs 1,840, up 2.93 per cent.

Led by the gain in the stock, the company's market valuation soared Rs 18,836.98 crore to Rs 7,05,012.98 crore ($103 billion) at close of trade.

On the equity volume front, 7.66 lakh shares of the company were traded on the BSE and over 91 lakh shares changed hands on the NSE during the day.

Last month, the IT bellwether's market valuation had briefly crossed the Rs 7-trillion mark in intra-day trades.

Part write-off of Air India loan on radar

JAYANTA ROY CHOWDHURY

New Delhi: The government may consider a proposal to write off part of Air India's huge loan overhang before issuing an IPO in a bid to make the ailing airline attractive.

After its attempts to privatise Air India flopped last month, the BJP-led government is seriously considering the suggestions of RSS affiliate Swadeshi Jagran Manch to revive the state-run carrier by raising capital through an IPO. In the interim, the government will inject the necessary capital and consider giving the loan write-off it was earlier offering as a sweetener to the potential bidders for the airline.

Ashwini Mahajan, the national co-convenor of the Swadeshi Jagran Manch, said, “We are asking for a loan write-off prior to an IPO. Our research on the airline is nearly complete and will be shared with the civil aviation ministry shortly.”

“If the government was willing to give a loan write-off to large corporations to make the sale offer attractive, we see no reasons for it not to offer a similar hair-cut to investors who subscribe to Air India shares through an IPO. Our reading is that we can raise far more through a combination of IPO and sale of unused assets than the amount involved in a loan write-off,” the think-tank head said.

In its bid document, the government had said it would write-off one-third of Air India's debt, reducing the liabilities to a more manageable Rs 33,392 crore. Officials said this was a proposal being considered by the government along with an infusion of around Rs 3,000 crore.

The Sangh Parivar, a loose confederation of right wing bodies affiliated to the RSS, has been opposing the privatisation of the airline ahead of the 2019 general elections. It is one of the reasons why the Centre decided against offering more sops to private airlines wanting bigger write-offs. It also didn't drop clauses such as continued government shareholding and presence on the board.

Air India's woes stem from a huge debt overhang following the purchase of 111 new aircraft and giving away of slots and flying rights. Its finances worsened after the downturn of 2008 on the back of a spike in oil prices, besides a badly managed merger of loss-laden Air India with profitable Indian Airlines.

The airline is, however, considered an attractive asset. It has aircraft and engineering assets along with buildings worth about Rs 30,000 crore. Routes and landing slots could fetch more money.

“While studying the airline we found that the previous managements have forced Air India to buy too many aircraft, the wrong kind of aircraft, given away many bilateral rights to rival foreign carriers and stopped it from using lucrative slots,” said Mahajan.

STEP BY STEP

- Govt may write off part of Air India's huge debt before going for an IPO
- Govt may infuse around Rs 3000cr in the interim
- Suggestion came from RSS-affiliate Swadeshi Jagran Manch
- In its earlier bid to sell stake in AI, govt had offered to write off one-third of the debt, trimming liabilities to Rs 33,392cr

Vakrangee tweaks strategy

OUR SPECIAL CORRESPONDENT

Mumbai: Technology firm Vakrangee has made changes in its capital allocation plan, which had earlier included a share buyback, dividend payout and reinvestment into the existing business.

The Rs 6,536-crore company runs a network of last-mile retail outlets (that includes ATMs) to deliver banking, insurance, e-governance, e-commerce and logistics services to the rural, semi-urban and urban markets.

The company announced after market hours on Thursday that it has changed the capital allocation policy based on the current capex plan for the ATM business and increased spending in marketing.

Vakrangee said it wants to upgrade its more than 45,000 outlets to “Nextgen Vakrangee kendras”. The new centres will have a standardised look and branding, designed by store brand consultants Lewis & Hickey.

The plan is to install ATMs in all these centres for which the total expenditure is expected to be Rs 900 crore, based on the cost of Rs 2 lakh per ATM.

The company has plans to set up and manage 75,000 such outlets across the country by 2020.

In February, Vakrangee had come out with the capital allocation policy, which involved a Rs 1,000-crore share buyback, Rs 250-crore dividend payout and a Rs 122-crore re-investment in the business.

The stock markets, however, reacted negatively to the announcement on Friday. On the BSE, the Vakrangee scrip shed 4.96 per cent, or Rs 2.15, to close at Rs 41.20.

Vakrangee was recently in the news after Pricewaterhouse resigned as its statutory auditor from April 27, 2018. Pwc had done the limited review for the period till December 31, 2017. The company subsequently appointed AP Sanzgiri & Co Chartered Accountants as the statutory auditors.

Bid to end US trade tiff

OUR SPECIAL CORRESPONDENT

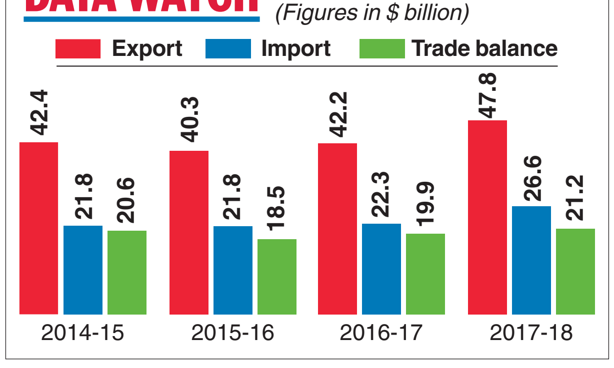
New Delhi: Senior officials of India and the US would meet later this month to thrash out the thorny issues in trade that on the Indian side range from visas and export concessions to duty on steel and aluminium and prices of certain medical devices.

“(Now) officers' meeting will take place very soon to discuss all pending issues. We have agreed to work on the resolution of various issues and address the concerns of either side,” commerce minister Suresh Prabhu told reporters here. He said the meeting of the officers might take place by the end of this month.

Prabhu this week held talks with US commerce secretary Wilbur Ross and US Trade Representative Robert Lighthizer in Washington.

“On the day of (my) visit, US President Donald Trump made a statement about G7. In that backdrop the meeting took place. Meeting with the USTR went very well. We made substantive progress on trade and investment issues.”

DATA WATCH *(Figures in $ billion)*



The minister said the meeting was significantly important in the backdrop of the fact the US was not even ready to talk with some of its close trading partners such as Canada.

India has time and again raised concerns over the impact of the tightening of visa norms by the US.

New Delhi has also asked America to continue extending duty-free access under Generalized System of Preferences (GSP) to its products such as chemicals and engineering. India also wants exemption from the hike in import duty on certain steel and aluminium items.

The US on the other hand has questioned the high duties on dairy products and the Harley Davidson bikes. It has also flagged the prices of medical devices.

When asked about the impact of possible US sanctions on Iran, Prabhu said: “We have to follow UN sanctions but if some country imposes it, we have to deal in a different way and that is what we are doing.” India is one of the major importer of crude oil from Iran besides being an exporter of basmati rice.

Deficit

India's trade deficit widened to a four month high of $14.62 billion in May as imports surged nearly 15 per cent due to a spike in global crude prices.

Prabhu said exports in May rose 20.18 per cent to $28.86 billion, while imports were up 14.85 per cent to $43.48 billion. Trade deficit widened to $14.62 billion from $13.84 billion in May 2017.

Oil imports were up 49.46 per cent to $11.5 billion. Gold imports were up 16.6 per cent to $1.18 billion in May.

“Even though merchandise export growth outpaced that of merchandise imports in May 2018, the trade deficit widened as a YoY (year-on-year) basis, as a higher net oil import bill wiped away the benefits of a contraction in the imports of gold and precious stones,” Aditi Nayar, principal economist with Icra, said.

IN BRIEF

SoftBank solar plans

- **TOKYO:** SoftBank Group Corp has decided to invest $60 billion-$100 billion in solar power generation in India, Japanese public broadcaster NHK reported on Friday. SoftBank and India are expected to reach a formal agreement soon after final arrangements are made. (Reuters)

RBI union

- **MUMBAI:** The employees union of the RBI has backed governor Urjit Patel for his action to stem the bad loan problem and other ills plaguing PSU banks, and urged him to monitor banks as an “alert inspector” and not as an “off-site surveyor”. PTI

DSP beams

- **CALCUTTA:** Durgapur Steel Plant has despatched the first consignment of wide parallel beams produced at its medium structural mill for use by Odisha Power Transmission Company on Thursday. The consignment was flagged off by CEO A.K. Rath.

BOTTOM LINERS

“As long as I'm fetching your paper, would you like me to fetch your laptop?”

Fitch finds gaps in ICICI, Axis risk check

OUR SPECIAL CORRESPONDENT

Mumbai: Global ratings agency Fitch on Friday said ICICI Bank and Axis Bank have “gaps” in its risk control mechanism.

The agency has revised down the outlook on Axis Bank to negative on sour assets worries.

“Both the banks exhibit gaps in risk controls. An ongoing investigation at ICICI Bank on extending a loan with a potential conflict of interest has also focused authorities' attention on the bank's governance,” it said.

The report also warned that adverse findings may create a “reputational risk”, especially if they point at broader weaknesses in management.

ICICI inquiry

Fitch's observation came amid reports that retired Supreme Court judge B.N. Srikrishna had been appointed to lead the “comprehensive” inquiry into charges levelled against ICICI Bank managing director & CEO Chanda Kochhar by an anonymous whistleblower.

While the largest private sector lender is yet to formally announce the appointment of Srikrishna, it is learnt that the former judge has accepted the task. It is expected that Justice Srikrishna will meet the audit committee of the bank, following which he is likely to lead a team to look into the matter.

The audit committee of ICICI Bank consists of three members. Chaired by Uday Chitale, the other members include Dileep Choksi and Radhakrishnan Nair. All three are independent directors on the bank board. Early this month, ICICI had appointed Nair as an additional (independent) director for a period of five years.

Late last month, the ICICI Bank board had decided to institute an inquiry to be headed by an independent and credible person to examine and enquire into the whistleblower complaint, which alleged that Kochhar had not adhered to provisions relating to the code of conduct of the bank and legal and regulatory provisions relating to conflict of interest over a period of time.

BoB move to get rid of sticky assets

OUR BUREAU

Calcutta: Bank of Baroda has put on sale advances worth Rs 7,407 crore across 30 accounts to offload part of the bad loans that had shot up to Rs 56,780 crore as of March 31, 2018 from Rs 42,719 crore a year ago.

The public sector lender through two separate notices dated June 14 and 15 has invited expressions of interest from potential buyers of these non-performing assets such as asset reconstruction companies and other financial institutions.

The sales will be on a cash-term basis, the bank said.

Among the NPA accounts chosen by the lender are Binani Cement, Essar Steel India and Bhushan Power Steel with outstanding amounts worth Rs 328.8 crore, Rs 994.33 crore and Rs 1,550.53 crore, respectively.

For these three accounts, the expression of interest is invited by June 22, while for the other 27 accounts that include firms such as Jindal India Thermal Power, Rolta India, GVK, GMR Chhattisgarh, GTL Infrastructure, Visa Steel, the date of submission is July 7.

The outstanding amount on sale in the list of 27 accounts ranges from Rs 75.11 crore to Rs 336.41 crore.

The Bank of Baroda scrip tanked 2.92 per cent on the Bombay Stock Exchange with the announcement of Fitch Ratings downgrading the viability rating of the bank.

Industry sources anticipate that the bank would be able to generate interest among some buyers provided both buyer and seller can arrive at an acceptable price.

Edelweiss group, for instance, which is a key player in the asset reconstruction segment, and has announced its plans to raise Rs 2,000 crore through an onshore fund to invest in stressed assets.

“The fund's investment mandate is centered around acquisition of non-performing debt from banks or financial institutions, funding companies for debt settlements, working capital financing and acquisition of stressed companies (debt & equity) under insolvency proceedings under the National Company Law Tribunal,” said Nitin Jain, CEO (global wealth and asset management) of Edelweiss Group.

Bank of Baroda, which is not yet part of the list of government banks where the RBI has triggered prompt corrective action, has been urged by Union finance minister Piyush Goyal to formulate a strategy to take over the good loans of banks already under PCA.

BANKING BLUES

- NPAs worth Rs 7,407 crore across 30 accounts on the block
- Sale will be on cash term basis
- For Binani Cement, Essar Steel and Bhushan Power Steel , EOIs are invited by June 22. For 27 other accounts, the last date is July 7

GST penalty to be split equally

New Delhi: The Centre and the “state concerned” will equally share the amount deposited by erring businesses in the consumer welfare fund set up as part of the GST anti-profiteering rules, a finance ministry notification has said.

Following the rollout of the GST in July last year, the government set up a national anti-profiteering authority to penalise businesses for failure to pass on tax benefits to consumers. In case the customer cannot be identified, the money has to be deposited in the consumer welfare fund.

The ministry has amended Central GST rules stating that 50 per cent of the amount is to be deposited in the Centre's consumer welfare fund and the remaining to the fund set up by the “state concerned”.

The “state concerned” would here mean the state where the anti-profiteering authority has passed its orders against the business.

So far, CGST rules had not clarified how the amount collected from erring businesses and deposited in the fund would be split.

Complaints of a local nature are first sent to the state-level screening committee, while those of the national level are marked for the standing committee. If the complaints have merit, the respective committees refer the cases for further investigation to the directorate-general of anti-profiteering.

The directorate generally takes about three months to complete the investigation. If a company has not passed on GST benefits, it will either be asked to pass on the benefits to consumers or if the beneficiary cannot be identified to transfer the amount to the consumer welfare fund within a specified timeline. PTI

Dhanuka-Lohia JV travels to Egypt

SAMBIT SAHA

Calcutta: Dhunseri Petrochem Ltd has signed a definitive agreement with Thailand's Indorama Ventures (IVL) to sell a 35 per cent stake in its Egyptian PET resin business, capping a series of recent transactions to restart the mothballed plant.

The two companies, who are already equal partners operating Indian businesses, including a similar plant at Haldia in Bengal, will eventually hold 50 per cent each in EIPET (Egyptian Indian Polyester Company SAE).

Indorama, promoted by Indian-born billionaire Alok Lohia, will immediately pump $25 million into EIPET, which plans to start production by the middle of August.

Indorama's investment will match a similar amount already put in by Dhunseri, promoted by Calcutta-based Chandra Kumar Dhanuka.

Located in the Ain Sukhna free trade zone, north-west of the Gulf of Suez in Egypt, the plant is capable of producing 540,000 tonnes of PET resin which finds use in the manufacturing of plastic packaging products.

The key raw material for the plant, PTA, will be shipped from IVL Portugal, thereby saving a significant amount in logistics cost.

Dhanuka said the business should generate at least $20 million EBIDTA in 2019, the first full year of commercial operations after restart.

Aloke Lohia, the group CEO of IVL, which earned $8.4 billion in revenue in 2017, said: “I'm delighted to extend our strategic partnership with Dhunseri through this acquisition. EIPET is a good fit with Indorama Ventures…It also marks Indorama Ventures' maiden entry into Egypt.”

Dhanuka pointed out that the Indian JV is operating “extremely smoothly”.

“We are very upbeat on entering the same in Egypt, which will be again an equal ownership JV,” he added.

The joint venture with Indorama culminates a series of back-to-back deals Dhanuka made to resolve the Egyptian puzzle which was draining the consolidated balance sheet of listed Dhunseri Petrochem because of sustained losses. The plant was closed for two years because of financial woes.

On May 21, it reached an agreement to buy out a 23 per cent stake from the local partner in phases.

Dhunseri, which had a 70 per cent stake before the transaction, will eventually buy the residual 7 per cent from another local company.

Four days later, it reached a final settlement with a clutch of overseas lenders by paying them $87 million. The lenders cumulatively had an exposure of $197 million.

While $25 million went from Dhunseri, the rest $62 million was arranged as a bridge loan from ICICI Bank.

EIPET will now raise $50 million fresh debt on its balance sheet and use $25 million that Lohia's IVL plans to inject to pay off ICICI Bank.

Consequently, EIPET will initially have $13 million as working capital on the books.

While Lohia will pay a token consideration of $1 million for the 35 per cent stake, half of what Dhunseri owns at present, IVL will share the cost of acquisition from the overseas partner equally.

PACT PUSH

- C.K. Dhanuka's Dhunseri Petrochem to sell 35% in its Egyptian PET resin business to Alok Lohia's Indorama Ventures
- Two to eventually hold 50% each in the plant
- Indorama to invest $25m immediately
- Plant was closed for two years; to restart by August