The Telegraph
BUSINESS
CALCUTTA WEDNESDAY 30 JANUARY 2019 XXCE

"We are entering 2019 with a healthy growth outlook

HCL Technologies president and CEO **C Vijayakumar**

STOCK CHECK

Sensex intra-day movement

Previous 35656.70

CURRENCIES

US $	Rs 71.11
UK Pound	Rs 93.48
Euro	Rs 81.30

INDICES

BSE		
Sensex	35592.50	-64.20
Midcap	14468.09	+56.55
Smallcap	13707.83	-13.71
NSE		
Nifty	10652.20	-9.35
Next 50	26398.80	+26.70
Nifty 500	8875.65	-0.95

Most active on NSE

Scrip	Price*	Traded value#
Yes Bank	205.50	1551.64
Bajaj Fin	2567.95	1512.65
Zee	379.20	1414.54
IBulHsgFin	721.55	1181.21
Reliance	1214.90	1131.43

*In Rs; #In Rs crore

COMMODITIES

Gold (10 gram in Rs)		
Pure	33435	+175
Hallmark	32195	+165
Silver (kg in Rs)		
Bar	39950	+200
Portion	40250	+200
Crude*	3739	+57.00
Copper#	425.50	+3.00

*per barrel in Rs; # per kg in Rs

MONEY MARKET

	Yield (%)
Call rate	5.00
91-day T-Bill	6.56
1-year Gilt	6.84
5-year Gilt	7.29
10-year Gilt	7.53

NCLT bins Ruia bid for Essar Steel

SAMBIT SAHA

Calcutta: The National Company Law Tribunal has rejected the Ruia offer to pay Rs 54,389 crore and clear the dues of all classes of creditors of Essar Steel in order to win back control of the crown jewel in the group.

On Tuesday, the NCLT held that the Ruia proposal was not maintainable while asserting that the withdrawal of the case can only be considered with the consent of the committee of creditors.

In case of Essar Steel, the CoC had approved ArcelorMittal's proposal and had rejected the Ruia settlement offer.

The Ruias intend to challenge the NCLT order based on their interpretation of a Supreme Court judgment last week that observed withdrawal from the corporate insolvency resolution process (CIRP) could be allowed in "exceptional cases" even at a late stage.

Tuesday's order came as a shot in the arm for ArcelorMittal, the bidder for Essar Steel which has the support of the company's creditors.

"We welcome today's ruling by the NCLT which protects the integrity of the IBC and ensures its legitimacy as a rule-based law. We hope now for a swift resolution to this case," ArcelorMittal said.

ArcelorMittal's proposal of Rs 42,000 crore had won the consent of creditors' nod with over 92 per cent vote and had been submitted to the NCLT for approval. The tribunal is likely to pass an order on this petition by Thursday.

The committee of creditors (CoC) had challenged the unsolicited and unilateral settlement proposal of Essar Steel Asia Holding Ltd, promoters of Essar Steel, which had wanted to withdraw from the CIRP under the Insolvency & Bankruptcy Code, 2016.

The Ruia family had offered to pay Rs 54,389 crore a day before the CoC was to approve the ArcelorMittal plan.

The Ruias had submitted their late offer under the terms of Section 12A of the IBC that allows withdrawal of case if 90 per cent of creditors agree. However, under regulation 36A, such a proposal has to be made before the issue of expression of interest (EoI).

ARCELOR EDGE

- Ruias made Rs 54,389cr offer to withdraw Essar under Section 12A
- Ruia cited SC order allowing withdrawal in exceptional cases
- Creditors must agree by 90% majority to withdrawal plan
- But creditors backed Mittal's Rs 42,202cr plan by 92% majority

Ruias live in hope

The Ruias are hoping to challenge the NCLT order — and will be basing their argument on a ruling given by Supreme Court Justices R.F. Nariman and Navin Sinha in the case of Brilliant Alloys. The same bench had delivered last week's judgment that upheld the constitutional validity of the IBC code in its entirety.

Last December, the apex court had permitted Brilliant Alloys to withdraw from the resolution process under Section 12A even though the application for such a withdrawal had been made long after the invitation for EoI from potential bidders.

The Chennai bench of NCLT had shot down Brilliant Alloys' proposal.

"The only reason why the withdrawal was not allowed, though agreed to by the corporate debtor as well as the financial creditor, was because Regulation 30A states that withdrawal cannot be permitted after issue of invitation for EoI. This regulation has to be read along with the main provision Section 12A which contains no such stipulation. Accordingly, this stipulation can only be construed as directory, depending on the facts of each case. We allow the settlement that has been entered into and annul the proceedings," the order on Brilliant Alloys read.

"We believe that our offer of Rs 54,389 crore is the most compelling proposal available to Essar Steel creditors. It seeks to repay all classes of creditors and fulfils the IBC's overriding objective of value maximisation that has been established time and again by courts at all levels. We submitted the proposal under the recently introduced Section 12A of the IBC and the recent judgment of the Supreme Court has established that the section's provisions are applicable retrospectively. We are awaiting a copy of the full NCLT order, and will take a call on the next step after we have thoroughly gone through the contents," Essar Steel said.

However, legal sources pointed out that there was a fundamental difference between the Essar Steel and the Brilliant Alloys' cases. The financial creditors and the corporate debtor (Brilliant Alloys) had agreed to withdraw from the resolution process. In the case of the Ruias, the proposal to withdraw came from the corporate debtor and not from the financial creditors.

"The only manner in which an insolvency process may be withdrawn is in accordance with Section 12A of the IBC, which requires 90 per cent consent of the CoC. The application has to be filed by the operational/financial creditors. These conditions were not met in the petition filed by Essar Steel Asia Holdings, which is spearheading the Ruia bid," a legal source said.

Potato headache

A STAFF REPORTER

Calcutta: Cold storage owners in Bengal are concerned about the storage of surplus potato crop expected in 2019 and have urged the state government to come out with a suitable marketing strategy.

"The production of potato in 2019 is expected to reach 115-120 lakh tonnes, which will be higher than last year's production of 100 lakh tonnes. Consumption within the state is 65 lakh tonnes, hence the balance stock needs to be marketed to other areas," said Gobind Kajaria, president of the West Bengal Cold Storage Association.

"Over a period of time, we have observed that there is a fall in demand for our crop in the neighbouring states. So, marketing this surplus stock may be difficult. A timely planning for a suitable marketing strategy may yield some positive results to avoid year-end distress sale of potato," he said at the 54th annual general meeting of the association on Tuesday.

There are 550 cold storages in the state of which 465 units are solely utilised for storing potatoes, the West Bengal Cold Storage Association said.

Hint of go-slow on online retail rules

R. SURYAMURTHY

New Delhi: The government is exploring the possibility of deferring the new FDI norms in e-commerce even as Walmart-backed Flipkart has warned of "significant customer disruption" if the norms are not delayed by six months.

The norms notified last month prohibit large online marketplaces such as Amazon and Flipkart from owning equity in any of their vendors or having control over the inventories sold on their platforms.

"We have received representation for and against the implementation of the new policy from February 1. A considerate view would be soon taken after taking all aspects into account," a senior commerce ministry official said.

Sources said the Modi government is in a Catch-22 situation as these changes are being seen by global business leaders as policy uncertainty and impacting investment sentiments. However, with general elections round the corner, the government cannot antagonise the trading community, a strong support base for the BJP, who had been affected by demonetisation and the GST, and the backdoor entry of online retailers with deep pockets. However, sources said the government could postpone the norms by a couple of months to enable the global players to restructure their businesses.

DEADLINE WOES

- Amazon has sought a deferment by four months
- Flipkart has proposed a six-month delay
- **Reason:** New rules involve extensive overhauling of the business model and systems. So Feb 1 deadline difficult to meet

The guidelines said e-commerce entities, which operate a marketplace, will not be allowed to exercise ownership or control over inventory. Any ownership or control over the inventory will convert the business into an inventory-based model. While Amazon has sought a deferment by four months, Flipkart is said to have proposed a six-month extension in their letters to the Department of Industrial Policy and Promotion (DIPP).

They have reportedly told the DIPP that it would be difficult for them to comply with the rules by February 1 as it involves extensive overhauling of its business model and systems.

The policy move has jolted Walmart, which last year invested $16 billion in Flipkart in its biggest-ever deal, and Amazon, which has committed $5.5 billion in India investments.

Industry sources have said the new policy will raise compliance costs and force Amazon and Flipkart to review their business arrangements in the country.

The global firms' concerns were voiced by the US government with Indian officials last week.

HEALTH WATCH

Quarter ended December

(In Rs crore)	2017	2018
Income	8824	10569
PAT	5300	2113
EPS (Rs)	33.06	12.29

HDFC earns Rs 2,113cr net profit

OUR SPECIAL CORRESPONDENT

Mumbai: HDFC Ltd, the country's largest housing finance company, on Tuesday reported a 60 per cent drop in net profit for the third quarter ended December 31, 2018. Standalone net profit came in at Rs 2,113.80 crore against Rs 5,300 crore in the October-December quarter of the last financial year.

However, HDFC said figures were not comparable as a year ago it had earned Rs 5,250 crore from the sale of its shares of HDFC Life Insurance Company Limited in an initial public offer.

During the quarter, total income at HDFC rose to Rs 10,569.12 crore against Rs 8,824.57 crore in the year-ago period.

HDFC said it had increased its exposure to the economically weaker section (EWS) and low income groups (LIG).

During the nine months ended December 31, 2018, 37 per cent of home loans approved in volume terms and 18 per cent in value terms were to customers in these segments.

Gross non-performing assets stood at 1.22 per cent of its total assets at the end of the quarter.

The capital adequacy ratio stood at 18.9 per cent of which tier-I capital is 17.2 per cent and tier-II capital, 1.7 per cent.

Truce time at Yes Bank

OUR SPECIAL CORRESPONDENT

Mumbai: Yes Bank promoters Rana Kapoor and Madhu Kapur have finally smoked the peace pipe, agreeing to nominate one representative director each on the bank's board.

In November last year, the private lender had said efforts were underway for a mutual resolution between the two promoter groups.

The near decade-old rivalry between the two camps had begun after the tragic death of Ashok Kapur in the 2008 terrorist attack in Mumbai. The matter reached the Bombay high court in early 2012 after Kapoor contested the eligibility of Madhu Kapur (widow of Ashok Kapur) as a promoter.

In a statement on Tuesday, Yes Bank said select senior directors of the board had interacted with Madhu Kapur and family. "The Madhu Kapur group and the Rana Kapoor group have agreed to nominate one representative director each on the bank's board, subject to the completion of the necessary documentation," the bank said, while pointing out two directors will be announced at the next scheduled board meeting in April.

"This is intended to ensure better coordination and support by the two promoter groups with the new MD & CEO and the board," it added.

Shagun role

It remains to be seen if the Madhu Kapur group nominates Shagun Gogia (daughter of Ashok Kapur) to the board. In 2009, the Kapurs wanted to induct Gogia as a board member, but it did not find favour with the bank board which felt she did not meet the RBI's criteria. Later again in 2013, the board had rejected the application.

STREET MOOD

Yes Bank share price on BSE in Rs

As on December 31, 2018, Rana Kapoor held 4.32 per cent in Yes Bank, while Madhu Kapur had a 7.58 per cent stake. Kapoor's associate firms Yes Capital and Morgan Credits held 3.27 per cent and 3.04 per cent, respectively. Kapur's Mags Finvest held 1.16 per cent.

Yes Bank further said its board had recommended the name of a senior board member to the RBI to temporarily hold the office of the MD & CEO as an interim special duty officer.

The bank is understood to have named Ajai Kumar, non-executive non-independent director on its board, as an interim MD & CEO for the RBI's recommendation.

Last week, Yes Bank had appointed Deutsche Bank India head Ravneet Singh Gill as its managing director & chief executive officer as incumbent Rana Kapoor is required to step down on January 31.

Axis profit spurts

OUR SPECIAL CORRESPONDENT

Mumbai: Private lender Axis Bank on Tuesday reported a better-than-expected net profit for the third quarter ended December 31, 2018. Net profit at the bank jumped 131 per cent to Rs 1,681 crore from Rs 726 crore in the year-ago period.

Analysts had expected the bank to report a net profit in the region of Rs 1,200 crore.

The more than two-fold jump came on the back of a strong rise in the bank's non-interest income even as it gained from a Rs 998-crore recovery from two written-off accounts. It also witnessed a good growth in the core net interest income.

STRONG SHOW

Quarter ended December

(In Rs crore)	2017	2018
NII	4,732	5604
Other income	2,593	4,001
Net profit	726	1,681
EPS (Rs)	3.00	6.54

During the period, the bank's NII grew 18 per cent over the year-ago period to Rs 5,604 crore from Rs 4,732 crore.

The non-interest income, which comprised fee, trading profit and other income, rose 54 per cent to Rs 4,001 crore in the third quarter from Rs 2,593 crore in the corresponding period last year.

The bank's asset quality also improved. As on December 31, 2018, the bank's gross non-performing assets (NPAs) stood at 5.75 per cent (5.96 per cent) of the gross advances, while net NPAs were 2.36 per cent (2.54 per cent) of the net advances.

Speaking to reporters for the first time after taking over as the MD & CEO from January 1 this year, Amitabh Chaudhry admitted that the bank had been facing challenges particularly on the asset quality front because of corporate slips even as its financial performance moderated and corporate loans grew below its long-term rates.

Policy pill for exports on agenda

OUR SPECIAL CORRESPONDENT

New Delhi: The government could come out with steps to boost exports by drawing out plans for different sectors and regions to meet industry's ambitious target of $2 trillion of exports and imports by 2025.

The 70-member Board of Trade, a top advisory body on external trade, is slated to meet next month to seek the views of stakeholders, including various government departments, exporters and industry members, to frame a new foreign trade policy and boost the shipments of goods and services, an official said.

The BoT meeting to be held on February 15 will be chaired by commerce and industry minister Suresh Prabhu. The board has representation from business chambers and trade bodies such as the Engineering Export Promotion Council and the Federation of Indian Export Organisations.

"Views would be taken on the new foreign trade policy, which is scheduled to be released later this year," a commerce ministry official said.

FIEO president G.K. Gupta said: "We are looking towards $2 trillion of exports and imports by 2025. This requires marketing support through a planned Export Development Fund with a corpus of at least 0.5 per cent of the shipment value so that exporters can be supported in their aggressive marketing."

He said schemes, particularly for MSMEs and for specific product clusters, need to be considered.

JSW in cash-for-steel deal

London: JSW Steel and global trading firm Duferco are in advanced talks on a five-year cash-for-steel prepayment deal, four sources familiar with the matter said, in a rare move for the industry.

JSW, India's biggest private steel maker, and Duferco had a prepayment deal in 2006 for $150 million in upfront cash that would be repaid over seven years with steel cargoes, but the scale of the proposed new deal is much larger.

Two sources said the deal, expected this quarter, would be worth about $600 million. Backed by banks, the Switzerland-based Duferco will provide the cash to be repaid with physical steel.

Duferco, one of the world's largest steel trading firms, declined to comment. JSW did not confirm the value of the deal, but said it had a long-standing relationship with Duferco that involved financing arrangements.

One of the sources said JSW was looking for alternative sources of funding while, for Duferco, the deal would lock in future sales of steel with its clients.

THE FINE PRINT

- This is a deal in steel derivatives. Duferco is paying for the steel upfront, and the Jindals will deliver the steel to Duferco over a period of time
- Deal is reportedly worth $600m
- Risk lies in future prices. If it falls from currently agreed rates, Duferco is loser and vice-versa

Jeff Kabel, chairman of the International Steel Trade Association (ISTA), said the deal would represent "a great move forward" for an industry that had seen few such arrangements.

Steel derivatives, which allow buyers and sellers to lock in future prices, are still in their infancy, making trade houses wary of pre-paying for large tonnages and risk prices moving against them in the future.

Such deals are frequent in commodities such as oil with the liquid derivatives markets that allow for hedging future sales. A $600-million dollar deal would be equal to about 1 million tonnes of steel supply.

"It's rather innovative. The only thing steel companies usually do is pre-export finance and not that big a number," said Kabel, referring to financing options that do not involve repayments in physical cargoes.

In 2013, as banks increasingly withdrew from Europe's steel sector, Duferco moved to offer its clients trade financing, though these deals typically involved it acting as a bank, not taking delivery of steel.

JSW plans to expand its steelmaking capacity by 2030 to 44-45 million tonnes from 19 million tonnes at present. *Reuters*

SBI to hold 15% if Jet bid takes off

OUR SPECIAL CORRESPONDENT

Mumbai: The State Bank of India may end up owning 15 per cent of Jet Airways if the cash-strapped airline's plan to convert debt into equity is approved by its shareholders.

The full service carrier will be holding an extra-ordinary general (EGM) on February 21 where it will seek shareholders' nod to convert existing debt into equity.

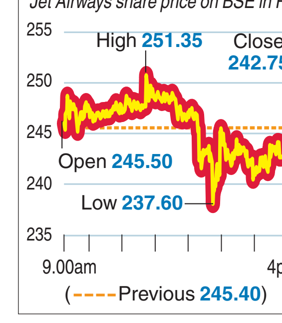
While the airline owes over Rs 8,000 crore to the lenders led by the SBI, a Bloomberg report on Tuesday said the country's largest lender may end up holding around 15 per cent in the carrier as its debt gets converted into equity.

The report added Etihad may bring in additional funds that will see its stake rising to around 40 per cent.

As a result, the holding of promoter Naresh Goyal in the carrier will fall to around 20 per cent.

STOCK IMPACT

Jet Airways share price on BSE in Rs



Etihad, at present, holds a 24 per cent stake in the airline. The Abu Dhabi based carrier had earlier set stiff terms for infusing more funds into the beleaguered carrier. It had even sought an exemption from open offer.

Jet had been hit by fierce competition from other low-cost carriers, a rupee depreciation and high oil prices. It owes money to banks, pilots, vendors and lessors.

Reports suggest the airline on Tuesday was forced to ground three of its Boeing 737 planes because of the non-payment of lease rentals.

The development led to the cancellation of more than 15 domestic flights. So far, the airline has grounded six aircraft for the non-payment of lease rentals. Shares of Jet Airways ended lower by over 1 per cent at Rs 242.75 on the BSE.

In a bid to come out of the crisis, Jet Airways is planning to increase the authorised share capital from Rs 200 crore, comprising 18 crore equity shares (of Rs 10) and two crore preference shares, to Rs 2,200 crore. The new structure will consist of 68 crore shares and 152 crore preference shares.

IN BRIEF

GST norms

NEW DELHI: GST officials are working out a mechanism to prompt taxmen to initiate profiteering complaints, which could be taken up for further investigation by the Directorate General of Anti-Profiteering. At present, only consumers file complaints against businesses for not passing on the benefits of a cut in GST. PTI

Electric vehicles

NEW DELHI: To promote domestic assembling of electric vehicles, the government on Tuesday lowered the customs duty on import of parts and components of such vehicles to 10-15 per cent. PTI

Cargo capacity

CALCUTTA: Calcutta Port Trust has engaged a consultant to prepare a master plan for ramping up annual cargo handling capacity to 90 million tonnes in 4-5 years. The capacity is now 60mt. Port chairman Vineet Kumar said there had been no official communication from the state to exit the joint venture on the proposed Tajpur deep sea port.

BOTTOM LINERS