

# MSME

## NEWS FLASH

### Enhanced Energy Efficiency for MSMEs

Mr. Nitin Gadkari, Hon'ble Union Minister for Micro Small and Medium Enterprises (MSME) and Road Transport and Highways, and RK Singh, Union Minister of State for Power and New and Renewable Energy, came together to inaugurate the National Conclave on Enhancing Energy Efficiency in the MSME sector in New Delhi.

A Memorandum of Understanding (MoU) was signed between the Development Commissioner, MSME, and DG, Bureau of Energy Efficiency, for developing a long-term roadmap to enhance energy efficiency and security for MSMEs through focused intervention.

According to Mr. RK Singh, "Industrial energy demand in India has almost doubled in the last five years, and it is expected to go up by over three times between 2012 and 2040. Therefore, adopting energy efficiency Initiatives and following best practices in this regard would be helpful in reducing the energy demand and strengthening energy security."

### Increasing Farmers' Income

The District Industries Centre in collaboration with MSME organized an interaction session with progressive farmers at Basht near Sudh Mahadev in Udhampur.

To explore ways to enhance farmer's income by value addition to their produce in the vegetable rich Chenani and Sudh Mahadev belt.

Exploring the possibility of setting up of a Common Production /Processing Centre for improving production line, that cannot be undertaken by individuals due to the higher cost of machinery.

### MSMEs in Telangana are Deprived of Subsidies

Scores of Micro, Small and Medium Enterprises (MSME) have cropped up in the State over the last few years, which cater to various industries, such as, aerospace, defence, manufacturing units in the State. However, many such MSME clusters do not enjoy the subsidies, that are given to industries.

MSME clusters do not enjoy the subsidies that are given to industries because many of these MSMEs — such as the companies in Kushaiguda, which cater to aerospace defence manufacturing units, are being run from private residential areas. These MSMEs have not been receiving loans from banks, electrical subsidy and other sops. The non-availability of subsidies is also clashing with their ambition of expanding — in terms of area or even just adding machinery to their plant.

When MSMEs from Kushaiguda apply to produce parts for defence companies or PSUs, these companies come to their plant for inspection. MSME owners want to land at subsidised rates, sops and ultimately want to shift to industrial parks.

### MSMEs as Key Driver in Making India a \$ 5 Trillion Economy

According to Hon'ble Union Minister for MSME – Mr. Nitin Gadkari, "the role of MSMEs in making India a USD 5 trillion economy is very important." He said: "India is the fastest growing economy and at the same time making India a USD 5 trillion economy and the role of MSMEs is equally important," while speaking at the curtain raiser for Indian Manufacturing Show (IMS) 2020.

Gadkari said, "We want to take the contribution of MSME sector to the GDP, from 29 % to 50%. We are also focusing on the small industries like agriculture and rural areas, on a high priority basis,".

The Minister also spoke on poverty and unemployment and termed it as big challenge for the country and to get rid of these problems more industries need to be set up in the country with different technology.

While praising IMS 2020, Gadkari said that- "it's going to give a new vision for the development for the people of this country, because the new technology, new innovation and new research are very important." "Considering all the sectors such as: transport, shipping and port, everywhere the India's progress is very remarkable", he said.

### Govt. Initiatives to Encourage Ladakh Youth Starting their Businesses

According to the MSME Ministry – "young minds, their skill, energy and drive must be harvested and invested in for development of the region by providing them with opportunities to start with their own enterprises through various schemes of Govt of India."

Every effort is being made to sanction every single application, ruling out any minor formalities "With guarantee of 75% coverage on various loan schemes, Government stresses on development of the budding entrepreneurs and therefore, no beneficiary should be left out. In this regard, information should reach every interested individual and therefore, an intensive workshop on schemes like PMEGP, REGP, Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE), Interest Subversive Scheme (ISS), Scheme of Fund for Regeneration of Traditional Industries (SFURTI) will be held in both the twin districts of Ladakh, Srinivas declared.

### Gujarat Govt. Scheme to Set up Solar Plants

The Gujarat government has launched an incentive scheme for the micro, small and medium enterprises (MSMEs) to tap renewable energy. Under which these firms will be allowed to set up solar plants to cater to their entire power requirements and even sell excess solar power, if any, to the state electricity board at Rs 1.75 per unit.

Solar power generation by these units have till now been capped to cater to a maximum of 50% of their power load. In case MSME units don't have adequate own land to install solar panels, they would be allowed to generate solar power in rented land. However, they will have to pay electricity duty and wheeling charges as per the provision made in Solar Policy 2015. The state has set a target to have 30,000 MW renewable energy capacity by 2022 end.

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### Govt. to Decrease Intellectual Property Rights Fees

“With an objective to foster innovation, the government has proposed reducing fees for various intellectual property rights such as: patents and designs for micro, small and medium enterprises and startups.” An individual, group or industry has to pay fees at different levels of intellectual property rights (IPR) application filings. As per the proposal, the fee for micro, small and medium enterprises (MSMEs), and start-ups for filing patent applications will be reduced to Rs 1,600 or Rs 1,750 from Rs 4,000 or Rs 4,400. For expedited examination, it will be reduced to Rs 8,000 from Rs 25,000 currently. Similarly, for renewal of patents, the fees will be reduced. For design applications filing, fees for MSMEs and startups will be reduced to Rs 1,000 from Rs 2,000, the ministry said.

For Geographical Indications (GI), fees was proposed to cut to nil for filing of application, issuance of certificate and renewal of GI from the current Rs 500, Rs 100 and Rs 1,000, respectively. It also said domestic filing for patents has increased from 22 per cent in 2013-14 to 34 per cent in 2018-19.

### Big Boost for the MSMEs in UP

Uttar Pradesh government is setting up a Rs 200 crore venture capital fund to promote micro, small and medium enterprises (MSMEs) startups, especially pertaining to traditional industries in the state. The government will sign a memorandum of understanding (MoU) with Small Industries Development Bank of India (SIDBI) in this regard. While, 25% or Rs 50 crore would be provided by the Yogi Adityanath government, the larger share of 75% or Rs 150 crore would be contributed by SIDBI, for creating the venture capital fund to handhold and finance startups and enterprises. SIDBI would also function as the venture capital fund manager and facilitate credit flow to the MSMEs, startups and artisans by coordinating with different microfinance institutions, non-banking financial companies (NBFC) and other such integrators. ■



I am happy to note that, the Institute of Directors, a pioneer institute for professional development of corporate India, has taken the initiative for hosting capacity building programmes for MSMEs in India

RAM MOHAN MISHRA, IAS  
Additional Secretary & Development Commissioner  
Ministry of MSME

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# NEWS & VIEWS



## ECONOMY >>>

### Auto Slide Continues in Aug, But Revival Steps Offer Hope

Sales of passenger vehicles fell further last month, maintaining the downward trend, with high vehicle ownership costs amid an overall slump affecting consumer sentiment adversely. Industry executives expressed the hope that recent stimulus measures announced by the government, some aimed specifically at the auto industry, will help revive sales during the upcoming festive season. The country's largest carmaker Maruti Suzuki posted a 35.9% decline in domestic sales to 94,728 units in August. Mahindra & Mahindra (M&M) saw volumes drop 32% to 13,507 units. At Honda Cars India, sales crashed 51.3% to 8,291 units.

### Expect No Slump in Govt Spends, Says Sitharaman

Finance minister Nirmala Sitharaman has ruled out any cutback in expenditure, allaying apprehensions sparked by hefty corporate tax rate cuts, and said the government would instead push spending as the country looks to stave off the economic slowdown that pulled down growth in the first quarter of this financial year to a six-year low. With this rate cut, the direction has been set for direct taxes and it would be difficult to raise corporate tax rates from here, said the minister. Anyone who wants to do so would have to go to Parliament and explain the rationale for raising tax. The minister said she will take stock of the fiscal situation during the exercise on revised estimates. The minister said the government will continue to focus on disinvestment as planned, pointing out that 23 companies had been approved by the Cabinet Committee on Economic Affairs (CCEA).



### Govt Wants Auditors to Make a Clean Breast of All Findings

Auditors of companies overseen by the National Financial Reporting Authority (NFRA) will

need to disclose their findings separately as the government looks to address audit-related concerns and step up transparency. The government is set to notify a new form that will require auditors to file key findings in respect of companies and any adverse comments and observations, among other details. The proposed disclosure form is designed along the lines mandated by the Public Company Accounting Oversight Board in the US.

### Local Fuel Prices may Feel The Heat of Flaring Crude

Crude oil jumped 10%, raising prospects of higher domestic fuel prices, while the government expressed confidence that supplies to Indian refineries would not be disrupted due to attacks on Saudi Arabian oil installations that had shut half of the kingdom's production. Brent oil posted its biggest intraday jump — to more than \$71 a barrel. Rupee fell 0.8% to 71.52 a dollar. The Sensex declined, reflecting the sour sentiment in the market and overshadowing the government's recent stimulus measures. The 5.7-million-barrels-per-day of lost production in Saudi Arabia is the single biggest disruption on record, and had wiped out 5% of global supplies.

### US Companies Will Find India More Attractive

FM Nirmala Sitharaman said Apple and its ecosystem relocating to India will encourage other companies also to shift their bases here. Component makers of the US manufacturer in China will find India more attractive since they will be taxed at 15% here, she said. Apple or any foreign firm can come and set up business and enjoy the competitive rate of 15%, she said, adding the stipulated deadline for product rollout from new units is March 31, 2023.

### Most Market Players Expect Indices to Rise up to 11% by Dec

The Sensex and Nifty could advance 6-11% by December as corporate tax rate cuts rekindle hopes of a revival in demand and growth as well as earnings boost. The investors expect large-cap stocks in banking, consumer and cement segments to benefit the most from the stimulus. Axis Bank, ICICI Bank, HDFC Bank, ACC and Britannia Industries are among the top picks of the poll participants. Investors — mainly foreign funds and the country's rich — had turned their backs on Indian equities recently following concerns of economic slowdown, liquidity crisis in nonbanking finance companies and lack of corporate earnings revival. The US-China trade war too contributed to the pessimism. Many mid- and small-cap shares have tumbled 50-70% since January 2018 while a few bluechips managed to minimise losses in Sensex and Nifty.

### UN releases 'Digital Economy Report 2019'

The United Nations has released Digital Economy Report of the United Nations Conference on Trade and Development, which examines the implications of the digital economy, especially for developing countries. The Report provides valuable insights and analyses to support policymakers at the national and international levels, to ensure that no one is left behind by the fast-evolving digital economy

### Faceless' Tax Assessment Pilot Likely From Oct 8

If you are a taxpayer in Mumbai, New Delhi or Ahmedabad, it's likely that tax officer assessing your income could soon be doing so from anywhere in the country. Taking the first concrete steps toward "faceless tax administration," the Central Board of Direct Taxes (CBDT) has given its approval for a programme that will kick start the ambitious plan for jurisdiction-free assessment, which is aimed at reducing the scope for corruption by eliminating the need for face-to-face interaction between officers and tax payers.



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## COMPANIES &gt;&gt;&gt;

**Amazon Plan to Buy Reliance Retail Stake Stuck**

Amazon's plan to acquire stake in Reliance Retail has likely fallen through due to the high valuation of Mukesh Ambani's retail business and the American ecommerce giant might have also demurred from such large investment in the Indian market after the government tightened regulations for foreign direct investment (FDI) in ecommerce.

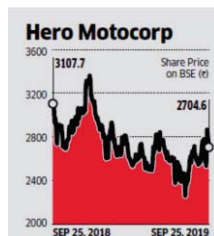
Reliance's pure play retail business comprising consumer electronics, smartphone devices, grocery, and fashion and lifestyle had generated about 73,508 crore sales last fiscal. Amazon was particularly drawn by Reliance's consumer electronics and grocery retailing business where it is leader by a huge margin. The government earlier this year tightened norms for FDI in e-commerce, much to the dislike of foreign e-commerce firms, by bringing in various clauses such as the one which prohibit marketplace entity to own more than 26% in a seller.

**Vedanta to Set Up ₹2,500-cr Plant for Flat-rolled Products**

India's largest aluminium maker Vedanta is expanding its portfolio of value-added products and is planning to set up an aluminium flat-rolled products plant with an estimated capital expenditure of ₹2,500 crore. Flat-rolled products, or FRPs, comprise foils, sheets and plates and are used in the automobile, aerospace, consumer durables sectors, among others. This capex will be part of the ₹15,000 crore investment plan by Vedanta to take its aluminium capacity from the current 2 million tonne per annum (mpta) to 3 mpta in the next three-four years. The company will be housing the plant at either of its two aluminium facilities in Chhattisgarh or Odisha.

**Zerodha allocates Rs 200 Cr to employees**

The festival season seems to have come early for online stockbroking platform Zerodha's employees. The stockbroker firm has constituted worth Rs 200 crore an employee stock ownership plan (ESOP) for its 850 employees. The allocation has been done on the basis of employees performance and gross earning over their years of service. The calculation of ESOPs was done through an internal assessment, including Zerodha's financials, cash in hands and future market opportunities. The move has come after, Zerodha turned public limited entity from being a partnership firm.

**Hero MotoCorp for 10% Growth in Festive Sales**

Hero MotoCorp, India's largest two-wheeler manufacturer, is eyeing sales growth of 10% in the upcoming festive season even as the industry continues to battle an inventory overhang and sluggish credit flow. The trigger for a turnaround will likely be the broader optimism after India announced the biggest cuts to date in corporate taxes, enhancing

incentives for companies to boost investments locally. Pent-up demand should boost volumes, which have otherwise continued to languish for about a year. Hero MotoCorp expects inventory levels to normalise to 30 days after the festive season.

**JSW Launches \$400-m Bond Issue to Fund Capex**

JSW Steel has launched a \$400-million bond issue to raise funds for capital expenditure. The 5.5-year issue was priced at a yield of 5.375%. The company will also sign a subscription agreement with lead managers appointed for the issue. Moody's Investors Service has assigned a Ba2 rating to the issue. The rating outlook is positive. The notes are on a similar footing as JSW's existing senior unsecured notes, and therefore, rated at the same level, Moody's said in a statement, adding they were also at the same level as JSW's Ba2 corporate family rating.

**OYO launches new joint ventures with SB Topaz**

Hospitality firm OYO has been surging ahead with expansion plans, making a series of strategic acquisitions and business restructurings since last year. Having a hectic September, OYO has acquired a four-star hotel in Ahmedabad, a European data science firm Danamica and its founder Ritesh Agarwal got the nod from Competition Commission of India (CCI) to buy back shares worth \$1.5 Billion. Adding to the series of developments, the parent company of the hospitality chain, Oravel Stays, has sprouted two new joint venture (JV) entities in partnership with its largest investor, SoftBank. The JVs named Mountainia Developers and Hospitality Pvt Ltd and MyPreferred Transformation and Hospitality Pvt Ltd have set up by Oravel Stays in conjunction with SB Topaz, the latter being a SoftBank controlled company.

**MobiKwik applies for IRDA licence**

MobiKwik has been selling sachet size insurance products for a while. Strengthening its play in the insurance distribution segment, it has applied for a corporate agency (composite) licence with the Insurance Regulatory Development Authority (IRDA). The Sequoia-backed company will start selling full-fledged insurance policies in categories including life, general and health like PolicyBazaar. If MobiKwik gets the licence, it will join the list of companies such as Paytm, PhonePe and Quikr who have been issued such permit by IRDA.

To aggregate insurance products in all classes, MobiKwik has altered its memorandum of association and added to its object clause "to solicit and procure Insurance business as Corporate Agency(composite)." On the lines of PolicyBazaar, the company will aggregate insurance products of companies such as ICICI Lombard, Reliance, Aditya Birla and others.

**Maruti Passes on Corporate Tax Cut Gains**

The country's largest carmaker Maruti Suzuki cut prices of select models by 5,000 to share the benefits of the reduction in corporate tax announced by the government. The price benefits will be extended to all variants of Alto 800, Alto K10, Swift Diesel, Celerio, Baleno Diesel, Ignis, Dzire Diesel, Tour S Diesel, Vitara Brezza and SCross, and the price reduction will be made applicable on ex-showroom price of these models. The new prices are effective since September 25, across the country. This reduced price will be over and above the current promotional offers for the company's vehicle range.

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252 <sup>nd</sup>	Pune	November 08-10, 2019
253 <sup>rd</sup>	Ahmedabad	November 22-24, 2019
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## PERSONS IN NEWS &gt;&gt;&gt;

**P. K. Mishra is Principal Secy to Modi**

Pramod Kumar Mishra was appointed principal secretary to Prime Minister Narendra Modi on Wednesday, succeeding Nripendra Misra. Former cabinet secretary Pradeep Kumar Sinha was appointed principal adviser to the prime minister, a new post. Mishra, who had been additional principal secretary to the PM since 2014, was promoted after Misra sought to be relieved of his duties. Mishra served as principal secretary to Modi when he was Gujarat chief minister between 2001 and 2004. Sinha's appointment order did not say whether he would be given the status of a cabinet minister like his senior counterparts in the Prime Minister's Office — PK Mishra and national security adviser Ajit Doval.

**Premji Sells 7,300 Crore Shares in Wipro Buyback**

Azim Premji and the promoter group of Wipro Ltd have sold stock worth over a billion dollars (₹7,300 crore) in the buyback programme announced by India's fourth-largest IT services company. The bulk of the funds will likely be used to boost the philanthropic initiatives of India's most generous billionaire whose eponymous foundation is one of the five largest private endowments in the world and the biggest in Asia. Wipro said, that its founder-chairman and entities controlled by him had sold 224.6 million shares in the recent share buyback programme, amounting to about 3.96% of the total equity stake held by them. In March, Premji had gifted all the earnings from 67% of Wipro shares — then valued at over ₹1.45 lakh crore, or \$21 billion — to the Azim Premji Foundation.

**Sachin Bansal Ventures into Financial Services**

Flipkart cofounder Sachin Bansal has picked up a majority stake in Bengaluru-based Microfinance Company Chaitanya Rural Intermediation Development Services (CRIDS), in what is probably a stepping stone into the broader financial services space for the internet billionaire. Bansal has acquired 94% stake, allowing a majority of the existing investors in Chaitanya to exit through the deal. The nonbanking finance company (NBFC), eyeing fresh funding, was reportedly in talks with Bansal for a deal over the last few months. Bansal, who will invest 739 crore in the NBFC, did not specify how much of that would be primary infusion of capital. The Flipkart cofounder will also take over as its chief executive officer.

**Thapar Takes Legal Action Against CG Power Board**

Gautam Thapar, who was ousted as chairman of CG Power & Industrial Solutions after a multi-crore rupee financial scam was unearthed, has sent a legal notice to the company board contesting his removal which he said was illegal. The board, which accused Thapar of siphoning funds from the company, will respond to the notice after consulting its legal team. Thapar was fired on August 29 after whistle blowers informed some board members about transactions allegedly not covered in the company's audited accounts. VG Venkatesh, the company's chief financial officer who was also sacked, was prevented from leaving the country at Mumbai airport, following lookout circulars (LoC) issued against him and Thapar by the ministry of external affairs, on the request of the ministry of corporate affairs.

**Amitabh Bachchan to Get Phalke Award**

Megastar Amitabh Bachchan, one of the most influential stars of his generation, was named the Dadasaheb Phalke award recipient for the year 2018 for his contribution to the Indian film industry. The award comes in a year when 76-year-old Bachchan completes 50 years as an actor. The award, named after the father of Indian cinema, Dhundiraj Govind Phalke, was instituted in 1969, the year Bachchan made his debut in Hindi film industry.

## INTERNATIONAL &gt;&gt;&gt;

**Fairfax to Invest \$5 Billion More in India in Next 5 Yrs**

Billionaire Canadian businessman and investor Prem Watsa proposes to invest another \$5 billion in India in the next five years, doubling what he's put in thus far, and says the country offers an "unusual opportunity," while shrugging off slowdown worries. Hyderabad-born Watsa, often described as Canada's Warren Buffett, said his company has invested \$5 billion in the country in the past five years. He was in India for less than a day to meet Prime Minister Narendra Modi. Watsa said Fairfax was open to participating in the Indian government's asset-monetisation and divestment plans. Fairfax employs 350,000 people in its companies in India and has investments in sectors such as travel, transportation, warehousing, banking and financial services.

**Central Banks Have Nothing to Fear from Libra**

Facebook Inc is once again defending Libra — this time against fears that the envisioned crypto currency could replace sovereign currencies from the US dollar to the Euro and threaten central banks' control over money creation. Facebook's crypto plans have faced intense push-back from regulators all over the world. One of the biggest concerns is that the new digital currency will be used by smugglers, drug dealers and terrorists. Another is that the social media giant should not be trusted to handle sensitive financial information. Facebook has said repeatedly it would be just one of many companies managing the new currency.

**Saudi market regulator in talks with Aramco**

The Saudi kingdom's stock market regulator typically requires firms offer at least 20% to 30% of their shares when floating. Saudi Arabia's Capital Market Authority (CMA) is in talks with Saudi Aramco and its advisers about the regulatory requirements for listing on the domestic stock exchange.

Aramco, whose chairman Yassir al-Rumayyan said this week that the IPO would be ready within the next year and preparations were continuing despite Saturday's attacks on its facilities, is yet to file its prospectus with the Saudi regulator. Aramco's primary listing will be on the Saudi stock exchange (Tadawul) in Riyadh, but the government is still considering a secondary listing overseas.

## NEWS &amp; VIEWS

**UK Travel Giant Thomas Cook Collapses**

British travel firm Thomas Cook collapsed into bankruptcy, leaving some 600,000 holidaymakers stranded and sparking the UK's biggest repatriation since World War II. The 178-year-old debt-plagued group, which had struggled against fierce online competition for some time and blamed Brexit uncertainty for a recent drop in bookings, failed to secure £200 million from private investors and collapsed.

The bankruptcy, which followed a lengthy period of chronic financial turmoil after a disastrous 2007 merger deal has 22,000 staff now out of a job.

**Ericsson Expects to Pay \$1 B in US Corruption Probes**

Ericsson AB said it expects to pay \$1 billion to resolve investigations by US authorities into business ethics breaches in six countries, including China, in one of the costliest corruption cases on record. The Sweden-based telecommunications equipment maker said, it has made a provision of 12 billion kronor (\$1.2 billion) to cover the penalty, and this will dent third quarter earnings. Ericsson has cooperated with investigators since 2013, when the SEC began its probe into possible Foreign Corrupt Practices Act violations. It hasn't disclosed details of the ethics breaches under investigation.

**Facebook Tightens Political Ad Rules for Singapore**

Facebook introduced strict criteria for political ads on the social network in Singapore to prevent the spread of misinformation as the city-state gears up for elections. Faced with criticism the site has been used to manipulate polls, Facebook has been tightening rules on such adverts around the world, from the United States to India. Those advertising in Singapore about elections and politics on Facebook or its Instagram app will now have to first confirm their identity and location, and disclose who is responsible for the ad. The new requirements will apply to those wanting to run ads related to social issues such as immigration and crime — topics that are hotly debated by Singaporeans on Facebook.

**MERGERS & ACQUISITIONS** >>>**Havas Group Acquires Digital Agency Langoor**

French communications network Havas Group has picked up majority stake in full-service digital agency Langoor for an undisclosed amount. With the deal in place, Bengaluru-headquartered Langoor, founded in 2010 by Ruchir Punjabi and Venugopal Ganganna, has now been rebranded as Langoor Havas. Ganganna will continue to lead the agency and will also join Havas Group at the newly-created position of chief digital officer. Langoor has 170 employees and presence across India, the Middle East and Australia. Among its clients are Unilever, Fossil, Wipro, Emami, Epson, Adobe, Infosys and Moneygram. The company has recorded a 30% year-on-year jump in revenue. This is the second big acquisition by the Havas Group in India within a year. In May, the company had acquired Think Design, an independent user experience consultancy and design studio for an undisclosed sum as part of its inorganic expansion plan. The Paris-headquartered company has chalked out an ambitious growth plan, including a series of acquisitions to increase its India workforce to about 1,000 from 300 by the end of 2019.

**Ericsson Acquires Niche AI Workforce for India Centre**

Swedish telecom gear maker Ericsson has acquired workforce of Niche AI for its Bengaluru-based artificial intelligence centre, and is looking for more buyouts to build a team of 150 high-tech engineers for India operations this year. The company started India wing of Global Artificial Intelligence Accelerator (GAIA) last year to develop open source solution to modernise telecom network, using AI and machine learning. Ericsson has plans to have a team of around 300 highly qualified engineers in GAIA by end of 2019, of which half are expected to be located in India.

**Junglee Games Acquires Gaming Start up Algorin TechLabs**

Skill-gaming platform Junglee Games has acquired Bengaluru-based gaming company Algorin TechLabs, which will enhance Junglee Games' position in the skill gaming space. Following the acquisition, a team of 20 people from Algorin TechLabs along with the founders have joined Junglee Games to build products focused on fantasy sports and help expand presence in the Indian market.

**BigBasket Merges 2 Core Arms to Speed up Delivery**

Online grocer BigBasket has merged two core businesses — on-demand 90-minute delivery and planned next-day orders — to supply a larger selection of items to its customers in less than 4 hours. The on-demand business offered a smaller range of products, while customers got to choose from a larger range in the case of next-day delivery. With the transition, however, the company will offer more than 85% items in 3-4 hours, while keeping select long-tail items for nextday delivery. The move is expected to help it better compete with established ecommerce players Amazon and Flipkart and food delivery company Swiggy, which has recently forayed into the grocery segment.

The move also comes at a time when the Bengaluru-based company is up against micro-delivery players such as MilkBasket and SuprDaily in the subscription-based milk delivery business and wholesale businesses like Jumbotail, Ninjacart and Udaan in its wholesale retailing business.

**HDFC to Buy Out Credila Co-promoters**

Home loan major Housing Development Finance Corp is set to buy out the co-promoters of student loan company Credila as it looks to grow quickly and prepare it for listing in a couple of years. HDFC owns 90.75% in HDFC Credila Financial Services. HDFC Credila is India's first dedicated education loan company, providing loans to students pursuing higher education in India and abroad. HDFC has listed life insurance and mutual fund subsidiary over the last couple of years. Its affordable housing arm Gruh Finance was merged with Bandhan Bank earlier this year. HDFC Credila funds students for higher education in both India and overseas. HDFC Credila, an HDFC Ltd. company, is India's first dedicated education loan company. HDFC Credila Financial Services pioneered the concept of specialist education loan lender.



### M&M, Ford Likely to Sign JV

Mahindra and Mahindra and Ford are likely to sign a joint venture that will see the American company end most of its independent operations in India. As per the deal, which has been in the making for almost two years, Ford will hold a 49% stake in the new company while Mahindra will hold the rest. The US carmaker will transfer most of its automotive assets and employees in India to the new company except an engine plant in Sanand, Gujarat. Ford and M&M have been in talks since 2017 when they first formed a strategic alliance to co-develop vehicles. The move can be seen as part of Ford's global business restructuring to pare costs to the tune of \$11 billion over a period of five years. In India, the company has invested over \$2 billion during its two-decades of operations, according to Reuters. Ford sold about 93,000 cars in India during FY19, accounting for a less-than-3% share of the domestic PV market. It was the largest exporter of PVs from the country during this period with dispatches of about 163,000 units. ■

## FINANCE >>>

### External Benchmarks may not Bring Down Loan Rates

Home, auto and personal loan rates may not fall sharply as expected after the RBI's directive as bad debt-laden banks strive to protect profitability with higher spreads over benchmark rates. Banking experts and analysts cautioned about pressure on banks' net interest margin after the RBI ordered lenders to ditch the current formula for setting rates and adopt a new one based on market-linked benchmarks. Some bankers and analysts warned that rates may either rise in the short term or stay where they are, as banks' cost of funds is linked to deposit rates that are sticky and not benchmarked. Banks may begin to charge a higher risk premium to cover the cost of deposits, which do not move in tandem with any of the RBI-suggested external benchmark interest rates — such as repo rate or treasury bills. ■

### Guarantee for Home Loans

The government is considering a fund that will provide guarantees for those who won't otherwise be eligible for a housing loan, allowing them to borrow funds to acquire a home. It's being envisaged as part of a package being prepared by the government to help the housing sector, which is burdened by heavy debt, stalled projects and unsold homes. A borrower will be able to avail of the guarantee from the proposed fund for a small fee. This could aid those without steady income flows and credit histories to become eligible for loans. This segment has traditionally relied on the informal sector for credit that comes at a high cost. ■

### PSBs to go on Lending Spree

In a bid to push credit before the festival season and revive growth, the government has asked state-run banks to hold open houses in 400 districts of the country, tasking them with extending credit to five new customers for every existing borrower. In addition, banks will not declare any stressed assets of MSMEs as non-performing until March 31, 2020, to help them recover. Banks have acquired 9,155 crore worth of pooled assets of nonbanking finance companies and housing finance companies under the partial credit guarantee scheme. Proposals for acquiring another 32,000 crore under the scheme are in the pipeline. ■

### Car Loans Hit a Bump as Lenders Tighten Norms

Rejection rates for new vehicle financing have shot up to 15-20% against 3-4% during normal periods, hurting sales which had slipped to a decade-low earlier this year. Some non-banking finance companies have pulled back from a market that had lent to 15-20% of car buyers, although private banks say liquidity is not an issue and they have not changed lending criteria. NBFCs, which in a normal year disburse 25,000 crore to 30,000 crore, used relatively easy CIBIL criteria to lend. Now, their customers are struggling to get alternative sources of funding. The country's top three carmakers said one in five applications for car loans is being rejected. Banks have put in place a couple of steps which shows their cautious approach to new vehicle loans. First, they have increased the margin money customers pay and have limited financing to the ex-showroom price of a vehicle, from the usual practice of funding the on-road cost. ■

## REGULATORY >>>

### Link Loans to Benchmarks: RBI to Banks

The Reserve Bank of India (RBI) has made it mandatory for banks to link loans to retail customers and micro, small and medium enterprises (MSMEs) to external interest rate benchmarks in a big push to make transmission of monetary policy more effective. Home and car loan rates, along with those for personal travel, are expected to fall, benefitting borrowers. The RBI also suggested a series of rates that lenders can choose from as the peg. The RBI has already cut the policy rate by 110 basis points this year to revive flagging growth, which sank to the slowest in six years in the June quarter. A basis point is one-hundredth of a percentage point. When the new framework goes into effect on October 1, banks will have to migrate from the Marginal Cost of Lending Rate (MCLR) regime. The RBI has left risk premium charges to be decided by the lenders, depending on the borrower's credit profile. ■

### MFs Can't Enter Into Standstill Pacts

India's capital markets regulator said that mutual funds can't enter into any kind of 'standstill agreement' with their borrowers, reiterating the primacy of existing rules for financial market entities a day after Subhash Chandra's Essel Group said some funds agreed to further extend the repayment deadline for its outstanding debt. "It is not there in any of the regulations. We have made our position clear," Ajay Tyagi, chairman of the Securities and Exchange Board of India (Sebi), said. "Entities have to follow the regulations that are there. There is no confusion on that." Essel and the lenders, led by mutual funds including Birla Sunlife, HDFC, Franklin Templeton, ICICI Prudential, SBI and Kotak, had first entered into standstill agreements late January. The deal gave the media group, which owns Zee Entertainment and Dish TV, time until September 30 to repay debt to the funds. The deals were made after the promoters failed to bring in additional collateral in the aftermath of pronounced declines in both Zee and Dish TV shares. ■

### Sebi Plans a New Framework to Levy Penalties for Glitches

The Securities and Exchange Board of India (Sebi) is planning to bring a new framework to impose penalties for technical snags and glitches that cost traders and investors dear. When such snags happen, investors who bear losses have no remedy since the trades made during snags are not reversed and investor losses are not compensated. The regulator's move comes as the use of technology in markets has become extensive with bulk of trading volumes generated online. Sebi has already put in place a cyber-security framework for all market institutions. The regulator is also planning to carve out a special department to supervise the compliance of market entities. ■