NEWS & VIEWS

ECONOMY

5G launch in India likely by 2020, economic impact of $1 trillion by 2035

Fifth-generation (5G) telecommunication services, which can create an economic impact of $1 trillion in India by 2035, are expected to be launched in the country by 2020. To make 5G a success in India, a steering committee on 5G has suggested increasing the quantum of spectrum with lower pricing. The committee, headed by Stanford University Professor A J Paulraj, was formed in September last year to formulate a road map for 5G in India. “By acting early to embrace the 5G opportunity, India can accelerate the 5G dividend and potentially also become an innovator in 5G applications,” the panel said in its report submitted to the government. The panel has given wide-ranging recommendations entailing spectrum policy, regulatory policy, development of application standards, education, etc. ■

Staring at uncertainty, India's solar industry searches for a ray of hope

After a five-year dream run when the tariff slid 80 per cent and capacity addition increased ten-fold, the Indian solar sector is staring at the darkness of uncertainty. Tariffs are one part of the problem, to which can be added the recent order by the Directorate General of Trade Remedies (DGTR) imposing 25 per cent safeguard duty on solar panel imports. These problems can be resolved — indeed, the court has granted a provisional stay on the DGTR order. The clarity on the duty imposition is again in a time loop, now. So the big question is: Can India afford to wait to meet the ambitious target it has set for itself — 100 Gw of solar power capacity by 2020? The government says it is confident of meeting that target and has, in fact, decided to set up 225 Gw of solar power by 2022. The industry is sceptical. ■

Note ban slowed MSME credit, sector's exports dampened by GST

Credit to micro, small and medium enterprises (MSMEs) sector is showing healthy signs of recovery from the impact of demonetisation and goods and services tax (GST), says a study by the Reserve Bank of India (RBI) . MSME credit saw healthy growth in recent quarters and has recovered since the lows of late 2017 to reach the mid-2015 level. However, the latest RBI data shows credit to micro and small enterprises in June decelerated by 2.4 per cent from March 2018. MSME credit saw a year-on-year (y-o-y) growth of 0.7 per cent in June 2018 against June 2017. “Demonetisation led to a further decline in the already decelerating credit growth of the MSME sector, while GST implementation does not seem to have had a significant impact on overall credit to MSMEs.” However, MSME exports appear to be affected more by GST implementation vis-à-vis demonetisation. ■

India has 49% more than earlier estimated oil and gas reserves

India has 42 billion tonnes of oil equivalent (BTOE) reserves, according to a new assessment, done after 22 years. The Mumbai Offshore and Krishna-Godavari basinswill continue to hold the key to the country's energy future with the maximum reserves. The current estimate is 49 per cent higher than the last assessment, which projected, in 1996, around 28.09 BTOE in 15 sedimentary basins including onshore, shallow water and deep-water areas. The current report by the Directorate General of Hydrocarbons(DGH) is based on in-place resources, around 41.872 BTOE, in 26 sedimentary basins. Of this, around 29.796 billion tonnes are undiscovered hydrocarbons while the share of discovered hydrocarbons is 12.076 BTOE. ■

India's CAD to widen to 2.5% of GDP in FY19 on higher oil prices

India's current account deficit(CAD) will widen to 2.5 per cent of the GDP in the current fiscal due to ,that have been accentuated by rupee depreciation, Moody's and other experts have said. Rupee dropped to a record low of 70.32 to a US dollar as political turmoil in Turkey and concerns about China's economic health continued to support safe-haven assets and weighed on emerging market currencies. Joy Rankothge, Vice President - Senior Analyst, Moody's Investors Service said while the weaker rupee will benefit exports at the margins, it is unlikely to reverse the trade deficit, which hit a five year high of $18.02 billion in July. "India's current account deficit is likely to widen to 2.5 per cent in FY 2018-19, up from 1.5 per cent in fiscal 2017 due to higher oil prices and strong non-oil import demandas domestic demand accelerates," he said. "Net oil imports accounted for 2.6 per cent of GDP in FY 2017-18 and will increase further in fiscal 2019." ■

Phased rollout of face recognition feature for Aadhaar from Sept 15

Aadhaar-issuing body UIDAI has finally announced a phased rollout of face recognition feature as an additional mode of authentication, starting with telecom service providers from September 15. The Authority had earlier planned to roll out face recognition feature from July 1, a target that was later pushed to August 1. It has also proposed a monetary disincentive for telcos found slipping on the prescribed targets from mid next month. For authentication agencies other than telecom service providers (TSPs), UIDAI said specific instructions will be issued on the implementation of face authentication feature, but did not give a fresh deadline. Significantly, the Unique Identification Authority of India(UIDAI) has further said 'live face photo' capture and its verification with the photo obtained in eKYCwill be essential in those cases where Aadhaaris used for issuance of mobile SIMs. ■

COMPANIES

RIL first Indian firm to hit Rs 8 trillion market cap, TCS not far behind

Reliance Industries (RIL) has become the first Indian company to cross Rs 8 trillion in market capitalisation. The stock gained 1.9 per cent to close at Rs1,270, valuing the MukeshAmbani-led firm at Rs 8.05 trillion ($115 billion at current exchange rate of Rs 70.11 for a dollar). Shares of RIL have rallied 34 per cent from their recent low of Rs 945 on June 28 amid big-bang announcements during its annual general meeting (AGM) in early July. During the same period, the benchmark BSE Sensex gained 9.5 per cent. Tata group flagship Tata Consultancy Services (TCS) also is nearing the same milestone. Currently, the technology giant is valued at Rs 7.8 trillion ($111 billion), 2.6 per cent away from the Rs 8-trillion mark. The oil-to-telecom conglomerate added the latest Rs 1 trillion in market cap in just 23 trading sessions. TCS, on the other hand, has seen its shares soar 51 per cent this year and market value go up by Rs 2.63 trillion. ■

Paytm Money targets 20 million MF investors in 3 years

Vijay Shekhar Sharma, the founder of mobile payments company Paytm that is soon to launch its mutual fund distribution platform, said Paytm Money has set a target of adding 20 million customers in 1,000 days. As of June quarter, the industry's folio tally stood at 74 million. He shared the latest number of sign ups on Paytm Money app had now crossed 750,000. He added in terms of assets under management, close to 90 per cent of the industry had got empanelled with Paytm Money. However, Paytm Money would want 90 per cent of the 42 players in the industry to sign up. Sharma conceded that mutual fund in India is still a push product. He said Paytm Money would also be open to opportunities of working along with the distributor community, including independent financial advisors (IFAs). ■

Apple has hired 3,500 for Hyderabad facility; to add 1,500 more

Apple has hired 3,500 people for their development centre in Hyderabad and is expected to take the number to 5,000 eventually. Apple has taken 3,500 people so far for their development centre in Hyderabad. They will totally hire 5000 people eventually. There is no time frame for that (to achieve 5000 headcount)," Jayesh Ranjan principal Secretary IT and Industries told PTI. The Cupertino, California-based tech giant in May last year opened it development centre that will focus on development of Maps for its products, including iPhone, iPad, Mac and Apple Watch. The Californian firm had then said the investment in the facility will accelerate Maps development and create up to 4,000 jobs. ■

MCA probes Jet Airways on suspicion of siphoning funds

The Ministry of Corporate Affairsis probing allegations of fund siphoning at Jet Airways, the country's second largest domestic airline by market share. "The probe is at a very crucial stage. The inquiry is being carried out by the western division based in Mumbai," a senior government official said. The inquiry comes in the backdrop of Jet Airwaysdeferring its first quarter results. While sources attributed the delay in announcing its result to differences with auditors, the airline denied any clash between the two. Subsequently, the company said it would declare the first quarter result on August 27." The valuation of Jet Airwayshas tanked to historic lows eroding shareholders' money. ■

Airtel, Zee Entertainment join hands to drive growth of digital content

Telecom major BhartiAirtel and media and entertainment network ZEE Entertainment Enterprises(ZEEL) have entered into a strategic alliance to drive the growth of digital and over-the-top (OTT) video content in India. According to the deal, Airtel and ZEELwill work closely to curate digital/OTT video content solutions for customers across India. The aim is to bring hundreds of millions of new users onto digital content platforms driven by rapid adoption of smart devices and wider availability of high-speed data services. Airtel customers — both mobile and home broadband — will get exclusive access to premium content of ZEEL. Over the next three years, curated, select video content such as TV shows, original series, and movies produced by ZEELwill be exclusively available on Airtel's digital properties such as Airtel TV, in addition to ZEE's digital platform, ZEE5. ■

Amazon plans to invest $700 million in Kishore Biyani's Future Group

The Indian unit of Jeff Bezos-led Amazon has begun formal negotiations with Kishore Biyani's Future Groupto invest around $600-700 million for a 12 to 15 per cent stake in the retail major, it is learnt. The two entities have signed a term sheet to take the talks further, . Although there's nothing binding about a term sheet, it denotes the two sides have officially entered a pact. The deal, if it fructifies, is likely to be a combination of cash and stocks.

The development is significant as it comes soon after the world's largest retailer Walmart Inc. closed the $16-billion deal to buy 77 per cent stake in leading e-commerce company Flipkart. ■

Orient Electric plans exports to US, Europe and other destinations

After firming up its exports across Asia, Africa and North America, Orient Electric, part of the diversified Rs 126-billion CK Birla Group, is planning to start export of electric fans to the US, Europe and other destinations. "We are currently increasing the depth of our exports in the countries we are present in and looking at new countries to export to. Such exports to the US, Europe and other countries is expected to start in another years' time", said Atul Jain senior vice-president and business head, Orient Electric. Out of an estimated 3 million units of fans exported from India, Orient Electric commands a 60 per cent market share. It is the market leader in the premium segment with a 40 per cent market share. It is trying to increase its market share in the premium segment to 50 per cent. ■

FINANCE

Big cracks surface among banks over inter-creditor agreement pinpricks

All's not well among banks despite a public show of solidarity on the stated merits of the freshly minted inter-creditor agreement (ICA) to clean up the dud-loan mess which has topped Rs 10 trillion at end of March 2018.The heartburn is over six sensitive issues: lack of a well-defined exit clause from the mechanism; status of third-party and current security-sharing terms; an option to stay out of a fresh funding scheme to a beleaguered borrower; a tweak of buyout valuations to on-board the concerns of lead-bankers' and dissenters'; the scope of the indemnity cover given to the lead-bank in a rehabilitation proposal; and to open the gates to waive in asset reconstruction companies within the framework. The Indian Banks' Association's legal advisor, the New Delhi-based Cyril Amarchand Mangaladas, is to hold an interaction with bankers to get a sense of the emerging topography. ■

RBI monetary policy: FEMA rules under review to ease scope of hedging

The Reserve Bank of India (RBI) will review its guidelines under the Foreign Exchange Management Act (Fema), to ease the scope for hedging currency risk through derivative contracts.The proposed revisions would be issued for public comment by the end of September."It (the exercise) is meant to reduce the administrative and documentation requirements," said Deputy Governor Viral Acharya.This was after RBI governor Urjit Patel told journalists the tariff war between America on the one hand and Iran, Russia and China on the other could spill into currency wars. In this background, the central bank wishes to recheck the regulations, to protect the interests of domestic residents and companies. ■

REGULATORY

SEBI is working on a special policy to ensure data privacy for investors

The Securities and Exchange Board of India (Sebi) will be coming up with a special policy to ensure data privacy for investors. Sources say the regulator is working on standard procedures for sharing and storing of investor data among market intermediaries and third parties. The move comes at a time when the clamour for strict data privacy laws is growing louder with other regulatory agencies, including the Reserve Bank of India, making efforts to address concerns. The proposed framework will focus on ensuring privacy of investor data. The development assumes significance as the amount of sensitive data collected by market intermediaries has gone up significantly in the recent past. The policy will also set a strict protocol for sharing of investor data and address concerns raised by overseas investors, said people with knowledge of the development. ■

Companies (Appointment and Qualification of Directors) Fifth Amendment Rules, 2018

The Ministry of Corporate Affairs issued the Companies (Appointment and Qualification of Directors) Fourth Amendment Rules, 2018 on July 5, 2018, effective from July 10, 2018, in order to amend the Companies (Appointment and Qualification of Directors) Rules, 2014. The amended provisions are stated below:

- In addition to the process of cancellation or surrender or deactivation of DIN, the Central Government or Regional Director (Northern Region), or any officer authorised by the Central Government or Regional Director (Northern Region) shall have the power to deactivate the DIN, of an individual who does not intimate his particulars in e-form DIR-3-KYC within stipulated time in accordance with Rule 12A. [Rule 11(2)]
- The revised provisions allow for the de-activated DIN to be re activated only after e-form DIR-3-KYC is filed along with fee as prescribed under Companies (Registration Offices and Fees) Rules, 2014 in addition to the requirements of cancellation or surrender or deactivation of DIN. [Rule 11(2)]
- A new provision Rule 12A has been inserted whereby every individual who has been allotted a DIN as on 31st March of a financial year, as per these rules shall, submit e-form DIR-3-KYC to the Central Government on or before 30th April of immediate next financial year. Provided that every individual who has already been allotted a Director Identification Number (DIN) as on 31st March 2018, shall submit e-form DIR-3 KYC on or before 31st August 2018.
- In the Annexure after Form DIR-3 i.e. KYC form details of the director along with his verification in the said regard are to be included.

The new amendments aim to ensure the appointment of directors having fulfilled the requisite needs in respect of the DIN. ■

Ministry Of Corporate Affairs Amends Limited Liability Partnership Rules

The Ministry of Corporate Affairs vide notification G.S.R 557 (E) dated June 12, 2018 amended the Limited Liability Partnership Rules, 2009 (hereinafter referred to as the "Parent Rules") and brought into force the Limited Liability Partnership (Amendment) Rules, 2018 (hereinafter referred to as the "Amendment Rules")[1]. The Amendment Rules have made changes in the Forms for making application to obtain Designated Partner Identification Number (hereinafter referred to as the "DPIN") and for intimating change by designated partner to whom DPIN has been allotted.

The Amendment Rules provide in Clause 10(1) that every individual, who intends to be appointed as a designated partner of an existing limited liability partnership, shall make an application electronically in Form DIR-3 under the Companies (Appointment and Qualifications of Directors) Rules, 2014 for obtaining DPIN.

Under the Parent Rules, the application for DPIN was to be made under Form 7 to the Central Government.

The second amendment has been made in Clause 10 (4) of the Parent Rules. Clause 10 (4) of the Parent Rules stated that a provisional DPIN generated online would remain valid for a period of 60 days from the date it was generated[2]. The Parent Rules were amended on July 5, 2011 wherein sub-clause (i) of Clause 10(4) was introduced which stated that every Designated Partner who has been allotted DPIN shall intimate to the Central Government within 30 days of any change in the event of change in particulars as stated in Form 7, i.e., the form in which the application for DPIN was made by the designated partner[3].

Such intimation would be made in Form DIN-4 of Companies (Director Identification Number) Rules, 2006. The Amendment Rules that such application to intimate change should be made in Form DIR-6. ■

PERSONS -IN- NEWS

Srikrishna panel report on Chanda Kochhar

ICICI Bank Chairman G. C. Chaturvedi said that the decision on the continuance of Managing Director (MD) and Chief Executive Officer (CEO) ChandaKochhar will be taken after the Justice B N Srikrishna panel report - probing certain allegations against her - is finalised, which is likely in two and a half months. The former Supreme Court judge is heading the panel, which is probing the allegations of quid pro quo by Kochhar in sanctioning of a loan by ICICI Bank. He further said that pending the report, Kochhar remains the CEO of ICICI Bank. Kochhar, however, is on indefinite leave following the conflict-of-interest allegations. On the latest quarterly losses posted by the bank, Chaturvedi said they were due to the Reserve Bank of India(RBI) norms. However, slippages have ended, he added. ▪

Aditya Birla realty fund CEO Maneesh Yadav quits

Maneesh Yadav, chief executive officer (CEO) of Aditya Birla Real Estate Fund, has put in papers after being at the helm for about two years. Yadav is believed to be joining a large fund manager, sources said. “Currently, Yadav is serving his notice period. They are looking for a new CEO,” sources said. The reason for Yadav's exit is not known. This is the second exit in the fund manager after earlier CEO Apurva Muthalia quit and joined the Indian arm of Chinese company Fosun International as its head in late 2016.Yadav has spent over a decade in Adiya Birla Capital and he was the head for mortgage and real estate business at the firm before becoming the CEO of the real estate fund. Currently, Aditya Birla Real Estate Fund is raising a $100 million fund and has raised $20 million and got a commitment for another $20 million, sources said. ▪

Dheemanth Nagaraj, India's first technologist to become Intel Fellow

As technology giant and chipmaker Intelmarks its golden jubilee this year, the company's design centre in Bengaluru has an added reason for celebration. For the first time in its 20-year history, an executive at the Intel India Design Centre has earned the distinction of being designated an Intel Fellow. Dheemanth Nagarajgot the honour, which is given to outstanding technological experts within the company, for his innovations such as conceiving and building the Intel Xeon Dprocessor, a density-optimised and low-power chip for the hyper-scale cloud, networking and storage market segments. What makes Nagaraj's achievement significant is the fact that there have been only about 80 Intel Fellows globally in the 50 years of the company's operation. The prestigious title is given to employees whose technological innovations are not only path breaking for Intel, but for the industry as a whole. ▪

Infosys CFO Ranganath quits

In a move that might add to Infosys' woes, M D Ranganath, a company veteran who is currently its chief financial officer (CFO), has decided to leave the IT major to pursue external opportunities. Infosys said that the board of directors has accepted his resignation, and the company will immediately commence the search for the next CFO. The company also said that Ranganath will continue in his current position till November 16, which will ensure smooth transitioning of role to his successor."Over the past 18 years, Ranga has played a pivotal role in the growth and success of Infosys," said Infosys chairman Nandan Nilekani. "With Ranga as CFO, the company has in the past 3 crucial years, delivered a strong and resilient financial performance on multiple fronts, implemented an efficient capital allocation policy and earned the respect of all stakeholders through enhanced value creation. ▪

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Walmart completes acquisition of majority stake in Flipkart

Walmart, the world's largest retailer, has completed the acquisition of majority stake in India's leading ecommerce market place, Flipkart. In a joint statement issued, Walmart and Flipkart announced the completion of the $16-billion deal that would see the US giant taking ownership of 77 per cent stake in the Indian firm. The deal, which is the largest of its kind globally, was announced in May and received the nod from India's competition watchdog earlier this month. Its closure sets the stage for India to become the latest battlefield in the fight for dominance between Walmart and its biggest rival, Amazon. "Walmart and Flipkart will achieve more together than each of us could accomplish separately to contribute to the economic growth of India, creating a strong local business powered by Walmart," said Judith McKenna, president and CEO of Walmart International. ▪

CCI approves Teleperformance's $1 billion acquisition of Intelenet

The Competition Commission has approved the billion dollar acquisition of BPO firm Intelenet by French outsourcing firm Teleperformance from private equity major Blackstone. Teleperformance had announced the acquisition of Intelenet from Blackstone in June for USD 1 billion. Euronext-listed Teleperformance, which reported consolidated revenue of about USD 4.7 billion, has 2.23 lakh employees across 350 contact centres in 76 countries. DCC and Indian Subco are indirect wholly owned subsidiaries of Teleperformance. IndianetBidco is wholly owned and controlled by the Blackstone Group. Intelenet, which was founded in 2000 and is headquartered in Mumbai, had posted revenue of USD 449 million for the fiscal year ended March 31, 2018. ▪

PVR set to acquire SPI cinemas in a cash-cum-stock deal

After years of on-again-off-again negotiations, Ajay Bijli-led India's leading multiplex chain PVR LtdNSE 0.90 % has finally reached an agreement with South India's largest premium cinema exhibitor SPI Cinemas to acquire the company at an enterprises valuation of over Rs 850 crore.

In a cash and stock deal PVR will acquire SPI Cinemas, which operates brands like Sathyam Cinemas, Escape, Palazzo, The Cinema and S2, in key markets of Tamil Nadu, Telangana, Andhra Pradesh, Karnataka, Kerala, and Mumbai. SPI Cinemas has a network of 76 screens (68 operational and 8 expected to commence operations soon) across 17 properties and 10 cities. The company also has a signed pipeline of over 100 screens which are expected to be rolled out over the next 5 years.

INTERNATIONAL

New tariffs on Chinese imports may cost Americans from cradles to coffins

A broad cross-section of US businesses has a message for the Trump administration: new tariffs on $200 billion of Chinese imports will force Americans to pay more for items they use throughout their daily lives, from cradles to coffins. Six days of public hearings on the proposed duties of up to 25 per cent took place in Washington as part of President Donald Trump's and the US Trade Representative's efforts to pressure Beijing for sweeping changes to its trade and economic policies. Unlike previous rounds of US tariffs, which sought to shield consumers by targeting Chinese industrial machinery, electronic components and other intermediate goods, thousands of consumer products could be directly hit with tariffs by late September.

Venezuela launches crypto-pegged forex rate, effectively devaluing by 96%

Venezuela's president Nicolas Maduroannounced a single exchange rate and pegged it to his socialist government's petro cryptocurrency, effectively devaluating by 96 per cent.Maduro said he would overhaul Venezuela's disparate exchange rates and peg salaries, pensions, and prices to the petro, a cryptocurrency launched by the government earlier this year. He said one petro would equal $60 and have the equivalent of 360 million bolivars.That implies a new exchange rate of 6 million bolivars per dollar, broadly on par with widely used black market exchange rates, entailing a 96 per cent devaluation compared with the current official DICOM rate of 248,832 bolivars per dollar.Since 2003 Venezuelahas had strict currency controls, identified by economists as a major cause of its economic crisis, which has spawned hyperinflation and rendered the bolivar currency near worthless.

Kofi Annan, diplomat who redefined the United Nations, dies at 80

Kofi Annan, a soft-spoken and patrician diplomat from Ghana, who became the seventh secretary general of the United Nations, projecting himself and his organization as the world's conscience and moral arbiter despite bloody debacles that left indelible stains on his record as a peacekeeper, died on Saturday. He was 80.His death, after a short illness, was confirmed by his family in a statement from the Kofi Annan Foundation, which is based in Switzerland. Awarded the Nobel Peace Prize in 2001, he was the first black African to head the United Nations, and led the organization for two successive five-year terms beginning in 1997 — a decade of turmoil that challenged the sprawling body and redefined its place in a changing world.

US firms cement their dominance in the top 500 league, Indian tally falls

Despite the growing prominence of emerging markets(EMs) such as India on the world stage, the big-boy club of global markets continues to be dominated by US-based corporations. According to data, 203 of the world's 500 biggest companies in terms of market capitalisation are from the US. A decade ago, there were only 164 US companies in the list. On the other hand, the tally of EMs, which include India and South Korea, has fallen. For instance, the number of Indian companies in the top 500 list has fallen from 13 to 11 between 2008 and 2018 even as India dethroned three other markets to emerge as the eighth-largest in terms of market value during this period. Similarly, the number of companies from South Korea featuring in the list has fallen from six to three. China has been an outlier, with the number of Chinese firms in the list jumping from 25 in 2008 to the present-day 40, data showed.

No compromise in Brexit plan, says British Prime Minister Theresa May

British Prime Minister Theresa May said she would not allow compromises to her Brexit strategy that went against the national interest, seeking to allay fears among some in her Conservative Party that she will cave in to Brussels' demands in negotiations. But her words drew skepticism, including from the former Brexit negotiator David Davis who said the pledge was little reassurance and that he would vote against parliament giving May's exit plan its required approval. With under two months before Britain and the European Union (EU) want to agree a deal to end over 40 years of union, May is struggling to sell what she calls her business-friendly Brexit to her own party and across a divided country. After an initially skeptical reaction, the EU is formulating its response to what has become known as the Chequers plan, which is designed to protect cross-border trade. Boxed in between a those at home who would balk at further concession and an EU negotiator demanding more concession, difficult talks lie ahead, followed by a vote in parliament on whatever deal is reached.

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