NATIONAL

National Economy

PNB names Nirav Modi and Gitanjali Gems in the mega Rs 114-bn fraud

In one of the biggest scams in the country's corporate history, Delhi-based Punjab National Bank(PNB) had been defrauded of about Rs 114 billion by jeweller Nirav Modi, his maternal uncle Mehul Chinubhai Choksi, and other relatives through a clutch of companies they own. The country's second-largest PSB said two of its employees were involved in the scam, where the bank's core banking system was bypassed to raise payment notes to overseas branches of other Indian banks, including Allahabad Bank, Axis Bank, and Union Bank of India, using the international financial communication system, SWIFT. Three jewellers Gitanjali Gemsand its subsidiaries Gili and Nakshatra are also under the scanner of investigation agencies. Executives in other banks said they were insulated against the fraud, as the payment request was raised by PNB (irrespective of who raised that in the bank), and therefore, the payment would have to be met by the Delhi-based bank. In a letter to the chiefs of several banks, a general manager of PNB said the letters of undertakings (LoUs) were opened in favour of branches of Indian banksfor import of pearls for a period of one year, for which the Reserve Bank of India (RBI) guidelines stipulate a total time period of 90 days from the date of shipment.This stipulation was overlooked by overseas branches of Indian banks, who were also required to follow the RBI guidelines.

Insolvency: Bidders may not be able to sell stressed assets for 5 years

Bidders for assets of companies undergoing insolvency proceedings face up to a five-year lock-in for the shares they acquire. Lending banks are insisting on this to deter sales of the assets by the new promoter at a profit within months of the takeover. “It is a good strategy that the applicant's shares held in the restructured company be locked in for a reasonable period of time. This will provide comfort to creditors who have agreed to take a haircut in an attempt to revive the struggling company,” said Sumit Binani, a resolution professional. According to a source close to the development, bidders have already been informed that if they bag assets being auctioned under the Insolvency and Bankruptcy Code, they will not be able to sell shares or any other assets of the acquired companiesunless cleared by the lenders.

With $950-bn wealth, Mumbai only Indian city among world's top 15 richest

India's financial capital Mumbai, with a total wealth of $950 billion, has been named among the top 15 wealthiest cities globally, while New York topped the list, says a report. According to a report by New World Wealth, the economic hub of India is the 12th wealthiest city, followed by Toronto with a total wealth of $944 billion, Frankfurt (14th, $912 billion) and Paris (15th, $860 billion).Total wealth, refers to the private wealth held by all the individuals living in each city. It includes all their assets (property, cash, equities, business interests) less any liabilities. Government funds are excluded from the figures. Mumbai, also features among the top 10 cities in terms of billionaire population.The city is home to 28 billionaires, individuals with $1 billion or more in net assets.

Retail inflation eases to 5.07% in Jan, industrial output for Dec rises to 7.1%

The economy continued to witness high growth in industrial production in December and retail price inflationin January, despite both declining from their 17-month highs seen in the previous month. Despite persisting double-digit growth in capital goods and fast-moving consumer goods, the Index of Industrial Production (IIP) expanded at a slower pace of 7.1 per cent in December, from the upward revised 8.8 per cent in November. Provisional estimates had put the November growth at 8.4 per cent. Infrastructure and construction grew 6.7 per cent, against 13.89 per cent in November. The numbers were bolstered by manufacturing and a low growth of 2.4 per cent a year ago due to demonetization.

Business confidence index rose 9.1% in Oct-Dec: NCAER

Business Confidence Indexrose 9.1 per cent in December quarter 2017 over the previous three months as overall sentiment remained buoyant, a survey by economic think tankNCAER said today. The NCAER Business ConfidenceIndex (N-BCI) had declined 12.9 per cent in the September quarter as the economy was still adjusting to the implementation of GST, affecting business sentiment, it said." Overall, sentiment regarding production, domestic sales, exports, imports of raw materials, and pre-tax profits remained buoyant in October-December 2017 over July-September 2017," said the survey. These improved sentiment, it added, were broad-based with all the sectors showing increasing trends for all these components between the two periods. Further, there was a considerable improvement in the situation pertaining to labour employment and wages over the last three months, and expectations about future labour employment and wages were optimistic, it said.

UP Investors Summit: Adani, Birla, Ambani lead Rs 4 trn investment promises

The Uttar Pradesh government received what it said was an overwhelming response from business heads on the opening day of its 'Investors Summit', with 1,045 proposals worth Rs 4.28 trillion.The biggest announcement came from Adani Groupchairman Gautam Adani, who promised aggregate investment of Rs 350 billion over the next five years. Reliance Industrieschairman MukeshAmbanipromised extension of his Reliance Jiotelecom venture, with fresh investment worth Rs 100 billion.Kumar Mangalam Birla, chairman of the Aditya Birla Group, committed Rs 250 bn for the state in the next five years. Anand Mahindra, chairman of Mahindra Group, said his group could set up a manufacturing unit for electric vehicles, if the state government came up a with a favourable policy in this regard.This is the first time that as many as 5,000 delegates, including foreigners, have participated in any investor summit held by the state government.

Corporate Laws & Regulatory Authorities

CBEC notifies various recommendations made by the 25th GST Council meeting

The Central Board of Excise and Customs (CBEC) has issued several notifications to implement recommendations made by the GST Council in its 25th meeting held at New Delhi on 18 January 2018.The notifications include amendments in applicable rate of GST on various goods and services. Further, exemptions for certain goods and services have also been notified. The CBEC has also prescribed procedure for payment of tax on construction services against transfer of development rights and vice versa. In addition, notifications have been issued for introduction of collection of tax under reverse charge mechanism in case of renting of immovable property by Government to registered persons.

SEBI prescribes additional methods for achieving MPS criteria

Under the extant regulations, a listed company is required to maintain a minimum of 25 per cent public shareholding. In order to achieve minimum public shareholding (MPS), the Securities and Exchange Board of India (SEBI) had specified various methods through which a listed company could increase its public shareholding. In order to further facilitate compliance, SEBI has issued circular prescribing additional methods which can be used by listed entities to increase public shareholding and achieve the required MPS. The circular prescribes two additional methods for achieving required MPS while reiterating existing prescribed methods. The new methods prescribed are: (a) Open market sale of shares by promoter /promoter group of up to 2 per cent and up to five times the average monthly trading volume of the shares of that entity of its total paid-up equity share capital, subject to fulfillment of certain conditions and (b) By way of allotment of securities through Qualified Institutions Placements (QIP).

Restriction on offshore trading in Indian indices

Indian exchanges through a licensing arrangement, provide market and securities related feed to index providers for creating indices. Such Indices are licensed by index providers to prospective licensee, including foreign exchanges or foreign trading platforms, which in turn use the same to provide products for trading and settlement on such foreign trading platforms. However, it has been observed by the Exchanges that for various reasons the volumes in derivative trading based on Indian securities (including indices) have reached large proportions in some of the foreign jurisdictions, resulting in migration of liquidity from India, which is not in the best interest of Indian markets. Hence, in the best interest of Indian markets, the Exchanges[1] have issued a press release addressing the issues relating to the licensing of indices to foreign exchanges / platforms. As per the press release, it has been decided that Exchanges shall cancel licensing agreements for providing indices and securities-related data feed services to all foreign exchange and trading platforms with immediate effect, subject to the notice period mentioned in the respective licensing agreements. Further, it has been clarified that licensing agreement with exchange or trading venue in International Financial Services Centre (IFSC) operating in India shall not be cancelled.

RBI announces ombudsman scheme to address complaints against NBFCs

The Reserve Bank of India (RBI) brought non-banking financial companies (NBFC) under an Ombudsman Scheme, by which an aggrieved person can file a complaint against an NBFC.The scheme, for now, will cover NBFCsthat take deposits and will later include those with an asset size of Rs 1 billion and above with a customer interface.The scheme will not be applicable to infrastructure-related NBFCsand NBFCsunder liquidation.According to the RBI, there are 168 deposit-taking NBFCsout of the more than 11,500 registered with the regulator.There can be complaints about interest payment, deposits, cheques, or “undue” charges. Complaints can also be raised for not intimating customers in regional languages they understand.The customer has to first complain to the NBFC.

If the NBFC rejects the complaint or does not respond within a month, the customer can approach the Ombudsman. There will be an NBFC Ombudsman in Chennai, Kolkata, Mumbai, and New Delhi, and will handle complaints of customers in their respective zones.The scheme provides for an appellate mechanism in which the complainant and NBFC can appeal against the decision of the Ombudsman.The Ombudsman will submit annual reports to the RBIGovernor on June 30 every year

Companies

Videocon Industries moves Bombay HC against SBI, RBI

Videocon Industries has moved the Bombay High Court against State Bank of India and the Reserve Bank of India and the Union government, appealing to the court to stay the lender's move to send the company to the National Corporate Law Tribunal(NCLT) under the Insolvency and Bankruptcy Code. Videocon Industries was on the second list of 28 entities prepared by the RBIsent to the banks for action under the IBC 2016. The lenders then moved the NCLT early this month against these companies and appointed insolvency professionals on these Videocon had earlier made an offer to the lenders to sell its assets to pay its domestic debt pegged at Rs 20.9 billion, according to its 2017 annual report. The company said its overseas debt worth another Rs 220 billion was backed by global oil assets and was not part of the IBC process. With oil prices moving up, the company said it does not foresee any problem servicing its overseas loans.The company was declared a non-performing asset by Dena Bank in early 2017, leading to a sharp fall in its share prices.

Piramal Finance to expand in tier II cities; up biz in non-realty sectors

Piramal Finance, the investment arm of Ajay Piramal Group, is looking to widen its business in tier II cities and among non-real estate borrowers."While our wholesale lending arm can invest in Mumbai and Delhi, our housing finance company can lend in tier II cities also. The wholesale business would have found it difficult to lend in tier II city as it should open a branch there," said KhushruJijina, MD at Piramal Finance.Jijina said that Piramal's housing finance company will expand in cities like Surat and Nasik in the first quarter of next financial year and open branches in Gurgaon, Delhi, Noida, Pune and Bengaluru by the end of February 2018

Finance

ICICI Bank Q3 net profit falls 32%, revenues up 10%

ICICI Bank posted a mixed bag in its December quarter (Q3) results . While its core operations might not have left much for investors to cheer, positive trends in asset quality offer hope.Net profit plunged 32.4 per cent year-on-year to Rs 16.5 billion for the quarter, against Rs 24.4 billion in September-December 2016. This is the lowest profit in seven quarters. Net interest income grew by only 6 per cent to Rs 57 billion, inadequate to cover for an elevated provisioning cost. Not much support came from non-interest income as well, which fell about 20 per cent year-on-year to Rs 31.7 billion.A sharp plunge in treasury income caused by a trend reversal in bond yield movement also led to the decline in Q3. Overall, core operational profit, excluding this factor, grew by about 10 per cent. Overall operating profit dipped 8 per cent year-on-year.

NTPC Q3 net profit falls 4.4% to Rs 23.6 bn, revenue rises to Rs 210 bn

State-owned thermal power major NTPC recorded a fall of 4.4 per cent in its net profit to Rs 23.6 billion in the third quarter ended December 31. Total revenue rose to Rs 210 billion during Q3 compared to Rs 196.46 billion in the year-ago period. The board of directors decided to pay interim dividend at the rate of 27.3 per cent (Rs 2.73 per share) on the face value of paid-up equity shares of Rs 10 each for 2017-18.During the April-December period this financial year, the company's standalone net profit stood at Rs 74.17 billion compared to Rs 73.05 billion a year earlier.

Stellar performance in Q4: ACC posts 126% surge in profit, shares up 6.4%

The trinity of strong volumes, cost optimisation and favourable product mix helped ACC post a stellar performance for the quarter ending December'17, its fourth quarter as the company follows a January-December financial year. These helped ACC post a 126 per cent year-on-year surge in net profit to Rs 2.06 billion, much head of Bloomberg consensus estimate of Rs 1.65 billion. Thus, it is not surprising that ACC's share price surged 6.4 per cent to Rs 1,692.30 and there are more triggers for the company, which could take its share price even higher, say analysts.

Banks may take Rs 305-bn hit on rising bond yields, PSBs affected most

The persistent rise in bond yields is likely to shave Rs 305 billion from the banks' balance-sheetsin the current financial year, with state-run lenders being the worst hit, warns a report. A report by India Ratings also said public sector banks would continue to report losses for this financial year. Banks collectively had reported a gain on treasury of Rs 598 billion in FY17.The 10-year benchmark yield has moved up to 7.60 per cent in January, up from 6.50 per cent as on July 2017, up 110 basis points. According to the India Ratings, large losses emanating out of the quick rise in bond yields, especially in the past six weeks, will result in large mark-to-market losses on lenders' non held-to-maturity investment holdings.

Mergers & Acquisitions

Merger with MRPL should happen at earliest, says HPCL

Hindustan Petroleum Corp Ltd said its merger with Mangalore Refinery and Petrochemicals Ltdshould happen at the earliest as there exist lot of synergies between them. Oil and Natural Gas Corp ,India's biggest oil and gas producer, last month completed the acquisition of HPCL for Rs 36,915 crore. After this takeover, ONGC will have two refining subsidiaries - HPCL and MRPL. HPCL Chairman and Managing Director Mukesh Kumar Surana said it makes sense to bring the two companies under one fold. However, no discussion has yet been initiated on the merger, he said, adding that the board of ONGC, HPCL and MRPL would consider such a proposal, once discussions and modalities of the merger have been worked out

Dell, VMware decide to explore options including merger

US computer maker Dell Technologies Inc and business software provider VMware Inc have decided to explore options that could include a potential merger of the two companies. The move, which may not result in any deal, comes as Dell, the world's largest privately held technology company, seeks new avenues for growth following its debt-laden acquisition of data storage provider EMC Corp for $67 billion in 2016. VMware plans to announce that it will form a special committee of board directors to consider a combination with Dell, according to the sources. VMware is 80 percent-owned by Dell, so the special committee is aimed at making any combination subject to approval by disinterested directors who will safeguard the interests of VMware minority shareholders, the sources added.

HDFC in M&A talks with Apollo Munich

HDFC has initiated discussions for a possible acquisition of Apollo Munich Health Insurance after India's largest mortgage company raised capital to pursue an inorganic growth strategy, people directly aware of the matter said. HDFC, one of the contenders for buying Star Health and Allied Insurance, has shifted focus to Apollo, which incidentally has a common joint venture partner with HDFC. Ergo, which is the mortgage giant's joint venture partner, is part of the Munich Re group. In January 2017, Munich Re had announced transferring the primary health business to Ergo. Apollo holds 51% in the joint venture with Munich Re holding the remaining 49%. Top HDFC officials have had multiple meetings with members of the Apollo family to discuss a potential a stake purchase, which is still in the preliminary stages. The deal under discussions is essentially a bilateral one with no other suitor in the fray currently, sources added. If talks fructify, the transaction may be structured as a merger with Apollo retaining a stake in the combine.

Persons In News

Intel's Debjani Ghosh becomes the first woman to head India's tech industry

In a sign of the times, the organization that speaks for and champions India's $167 billion IT services industrywill soon get its first female head. Intel Corp. veteran Debjani Ghoshtakes over as president of the National Association of Software and Services Companies(Nasscom) in April -- three decades after its formation. After a two-decade career at the U. S. chipmaker, most recently as managing director for South Asia, Ghosh will lead the trade body that represents global leaders in software outsourcing from Tata Consultancy ServicesLtd. to InfosysLtd.Ghosh promises to advocate for women in a workplace that remains male-dominated. Her appointment underscores how the local industryis waking up to a gender imbalance that plagues the global technology sector, starting with its epicentre of Silicon Valley, and has resulted in harassment and discrimination at all levels.