

Infra Debt Funds Expected to Stage a Comeback This Fiscal

RBI nod to raise up to 10% of outstanding borrowings via shorter-tenure loans to help cos reduce their cost of funds

Joel Rebello & Saikat Das

Mumbai: Infrastructure Debt Funds (IDFs) could stage a revival this fiscal on the back of lighter investment regulations and more flexibility in raising resources, experts say.

Last week, the Reserve Bank of India (RBI) had allowed Infrastructure Debt Fund-non banking financial institutions (IDF-NBFCs) — or investment vehicles sponsored by NBFCs with investments from domestic and offshore institutional investors mainly for refinancing debt of infrastructure companies — to raise up to 10% of their total outstanding borrowings through shorter tenure bonds and commercial papers, giving them the much-needed flexibility to manage their assets and liabilities.

Analysts said borrowing through a shorter tenure will allow these companies to reduce their cost of funds by timing some of their borrowings through these instruments, especially when interest rates are down.

"They can now afford to time the market and borrow cheaper funds," said Karthik Sriniva-

In Revival Mode

Lighter investment regulations and more flexibility in raising resources could boost IDFs

IDF-NBFCs can now also invest in private infrastructure projects

They can raise up to 10% of their total outstanding borrowings

IDFC, L&T and ICICI backed India Infradebt together have a total of around ₹ 6,000 crore assets under management



san, co-head financial sector ratings at ICRA. "For example, the one year commercial paper currently is less than 8% while a bond of the same tenure is around 8.5%. This will generally mean some cost saving for IDFs, but the saving will be limited because such short-term borrowing is capped at 10%," he said.

RBI's easing of regulation on borrowing for IDF-NBFCs followed other important measures announced in May 2015.

The central bank had then allowed these funds to invest in public-private partnership projects even without a government-backed authority, opening the possibility of even private infrastructure projects receiving funds,

provided they have completed at least one year of satisfactory commercial operations.

RBI also did away with a requirement for the IDF to sign a three-way agreement with a government agency like NHA as one of the party, making it simpler for these funds to invest.

"The changes in May had eased the asset side of our business because it allowed us to invest even in non-PPP projects. The latest changes will ease our liability side as it gives us scope to raise short-term funds," said Sadashiv Rao, CEO of IDFC IDF.

Three NBFC IDFs — IDFC IDF, L&T IDF and ICICI Bank-backed India Infradebt — are currently active with total consolidated assets under management of around ₹6,000 crore. However, these funds are still minuscule compared with ₹1 lakh-crore infrastructure loans given by banks.

"The newest RBI regulation will provide these funds with additional flexibility because they can use these short-term instruments to bridge their asset-liability gaps. But this flexibility will not result in any extraordinary jump in these companies' profits or margins," said Abhishek Bhattacharya, co-head for banks and financial institutions ratings at India Ratings & Research.

Bhattacharya said IDFs face challenges in choosing the right kind of projects because the infrastructure sector has still not recovered fully. He estimated that around ₹12,000 crore of renewable energy projects and at least ₹2,600 crore of road projects will be up for refinancing soon, for which IDFs can bid.

Rahul has Evolved, Says Pawar

►► From Page 1

The Congress vice-president has also evolved and while it's still too early to give a verdict, he's making the effort to get to grips with playing a national role. It "depends on how Rahul performs over the next three years. As of today, I say Rahul Gandhi is the only leader who is practically visiting most states", Pawar said.

He said the government is "not serious" about pursuing the Agusta-Westland case, which has embroiled the top Congress leadership in kickback allegations. BJP leaders have told him informally that they don't see much political ammunition in the issue.

"When allegations first surfaced, (former prime minister) Manmohan Singh immediately took the decision to cancel it. Whatever advance was given was also withdrawn. CBI (Central Bureau of Investigation) inquiry was formed. There were three-four helicopters that had reached India and that was not taken... If suppose some monetary interest was involved, how will they take all these actions? Who will pay money if the contract is cancelled? Those who are raising it are also fully aware of



NCP Chief Sharad Pawar

by it in Arunachal Pradesh and Uttar Pradesh. This has allowed BJP to take advantage of the situation.

"Looks like that the number two (in the Congress party), if he is going to control the decision-making process, if that is correct, and this is what we hear from different quarters, indicates this kind of delayed reaction," he said.

Pawar, who correctly predicted victory for the Nitish Kumar-Lalu Prasad-led Mahagathbandhan in Bihar, said Mayawati-led Bahujan Samaj Party is best poised to form the next government in the politically crucial state of Uttar Pradesh, where elections are due in 2017.

When asked to compare the relative merits of Arvind Kejriwal and Nitish Kumar as leaders of an anti-BJP alliance, he said the Delhi chief minister cannot play the same role as he doesn't have the Bihar CM's vastly greater depth of experience.

"Nitish was a member of the Union Cabinet. Because of that he got exposure and experience of many states. He has been the chief minister for three terms. He is essentially a political worker who came from the lowest rank. Nobody knows Kejriwal. We have just heard his name," said Pawar.

Tapping Experienced Talent

►► From Page 1

The latest figures are a clear sign that India's largest outsourcing firms are succeeding at 'non-linear' growth where revenue increases rise disproportionately compared to hiring.

While the numbers are good news for an industry that is trying to defend profit margins, it raises concerns over the future of hiring and the availability of engineering jobs in a sector that employs over three million people.

"What you're seeing now is about 200,000 people being hired in the IT industry — it's not the 4-5 lakh that they used to hire 10 years ago. And that's because the growth has shrunk from 35-40% and the competition was for resources," Infosys cofounder Kris Gopalakrishnan said in a recent interview. "Even now the competition is for resources, but it's for slightly more experienced resources — people who can work on automation, artificial intelligence, machine languages, data science.

So, it's not hiring for Java coding any more."

According to data compiled by McKinsey & Kotak Institutional Equities, India's IT industry required about three million engineers to add the first \$100 billion of revenue. However, the number of engineers required to earn the next \$100 billion will drop sharply by about a third.

"The rate of hiring will slow down, but it (hiring) will continue to rise. But not at the incredibly rapid rate that we used to see because the number of people per value delivered will continue to come down," Infosys Chief Executive Officer Vishal Sikka said in an interview after announcing fourth-quarter earnings this month.

According to experts, software firms require much fewer people to generate revenue from newer, high-paying services such as cloud computing and data analytics. They are quickly adding capabilities in these areas as low-end back-office services that came to define In-

dia's outsourcing boom through the 1990s and 2000s fade into the background.

Customers such as Royal Bank of Scotland and Target are increasingly questioning the relevance of the labour arbitrage model and the industry grapples with slowing revenue growth that is also leading to lower levels of hiring.

"In the past we looked at arbitrage, we looked at headcount. It was more like 'you're told and we will do' versus looking at customer outcomes. Headcount is no longer a discussion — so I think it's more about customer-centric outcomes," said Pankaj Phatarphod, managing director at Royal Bank of Scotland, which currently outsources to companies such as Infosys.

The likes of Infosys and Tata Consultancy Services are also investing in automation platforms where software bots and robots can perform commoditised IT jobs at a fraction of the cost and time it takes a human engineer.

Norms on Encashing Liquid Assets

►► From Page 1

"We have advised banks to conduct second verification of valuation reports and legal opinions submitted by borrowers which are usually relied upon by banks while sanctioning loans. This task can also be outsourced to another agency. Also, banks can set up their own consultancy divisions. What I want to say is there's no point running after bank managers once an account has turned into a non-performing asset," Central Vigilance Commissioner KV Chowdhary told ET without making any direct reference to the Mallya case.

It may be recalled that IDBI relied on Kingfisher's improved credit ratings to sanction a loan of ₹950 crore. This rating, the Central Bureau of Investigation later claimed, was inflated and was not an accurate representation of the company's financial health. Further, the anti-corruption watchdog has asked the banks to come up with guidelines on when they can start selling liquid assets of a borrower there are indications that a loan is moving into the 'stressed' category. "At present there are no guidelines by banks at what stage they can encash liquid assets. We feel they must have a clear policy on this," said Chowdhary.

In Kingfisher's case, banks kept holding on to liquid assets, which were worth little when its share prices plummeted.

He also said banks should define the term 'due-diligence' for managers while granting loans. "The term due-diligence is loosely used. From sanctioning a simple overdraft to setting up an atomic power plant, the procedure seems to be the same."

These objective, according to the CVC, should be to have uniform guidelines for both PSU and private sector banks as this will help identify frequent borrowers who constantly jump banks. "At present, many banks are not aware if a person has taken a loan earlier or not," added Chowdhary.

Full Impact of S7 in Current Quarter

►► From Page 1

The company's chief executive officer Tim Cook said the Indian market was at the same stage of development as China's about 7-10 years ago. The success of Samsung's latest blockbuster model Galaxy S7 launched last month and price drop on older popular models such as Galaxy S6 and Note 5 has turned the market in its favour, analysts said.

"The impact of Galaxy S7 sales was for half month in March and the full impact will be in the current quarter when we expect Samsung may further expand its lead in the premium segment considering iPhone SE has been lukewarm demand till now," said Counterpoint Research Senior Analyst Tarun Pathak.

Industry executives said Apple is also losing ground in India due to the huge online discounting on iPhones which had led the brick-and-mortar stores to cut down stock. This led Apple to recently ask its distributors in India to bring about online and offline pricing parity and stop arbitrary discounting on iPhones. Emails sent to Samsung and Apple did not elicit any response till Thursday press time.

India is the latest war zone between Apple and Samsung with global smartphone sales becoming flat for the first time ever during January-March.

Need to Question Michel

►► From Page 1

The Milan Court of Appeals, which ruled that the 2010 Agusta deal with the Indian Air Force involved corruption, has raised a big question on the ₹18 million.

The Italian court has observed that while 18 million euros were paid by Agusta to a Michel-owned company named Global Services FZE, an internal report ordered by Agusta itself raised doubts on this. "Why do we have to pay 18.2 million euros for some scrap whose value... was estimated 10 years ago at 5% of 18.2 million euros?" the court observed, quoting the internal report. ED's probe into Michel's transactions show how the fugitive Briton, sought by both ED and the Central Bureau of Investigation, operated. In May 2010, Michel entered into a contract with Agusta to purchase 14 discarded WG-30 choppers from Pawan Hans.

The choppers had been sold in the 1980s by Westland, which was then a British company and later merged with Italian

Agusta. WG-30s had developed severe problems and Agusta's logic, Indian sleuths say, may have been that buying back those helicopters would be a goodwill gesture towards India. But that doesn't justify the quantum of money set aside, as the Italian court and Indian investigators point out.

The Italian court has referred to this WG-30 buy-back and a post-contract service deal for VIP choppers as part of its indictment of Michel.

ED officials, who have been probing the case and are hot on Michel's trail, told ET that they suspect the consultant floated a company named Gufic Trading in Dubai and later transferred money from Global Services FZE, the company that got 18 million euros from Agusta.

"For investigations to progress further, we need to question Michel regarding the contract. It is also possible that the deal was cancelled. Another possibility could be that he forged the documents to get the contract from AW," said an ED official.

'Private Labels to be Big Differentiator'

►► From Page 1

"100% FDI in food marketing will provide better realisation to farmers and bring down prices of essential commodities," said the India head of Walmart, which so far does not sell directly to consumers in India. It operates 21 cash-and-carry stores, with small retailers and businesses being its main customers. The retailer plans to open another 50 such outlets in the next three years.

The company sources its own brands — Members Mark and Right Buy — from within the country, something that sits well with the 'Make in India' initiative. "Private label will be a huge differentiator in terms of bringing store footfalls. They are being made in India and benefit customers in terms of lower prices and better quality," Iyer said, adding private labels will have an important role to play in food retail.

In-house brands account for 20-30% of sales and nearly half the profits of most retailers. With nearly 60% of this coming from food alone, many Indian

retailers are now present in over a dozen food and packaged commodity product segments.

The Department of Industrial Policy & Promotion has moved a Cabinet note and industry officials believe that final rules will be approved in 4-8 weeks. They are hoping that besides brick-and-mortar stores, the government will allow online retailing of food products and will also expand the definition of food to include grocery.

Iyer, who joined the Indian unit of the world's largest retailer two years ago, said food items along with home and personal care products would make the model more viable.

Walmart had entered India a decade ago in a 50:50 cash-and-carry JV with the Bharti Group. This foray was seen as a first step by the US retailer towards eventually opening its own stores to sell directly to consumers, once government policy was suitably amended. But the move to open up the retail sector to foreign investments got mired in political controversy. While the United Progressive Alliance regime eventually al-

lowed 51% FDI in the sector, Bharatiya Janata Party has so far been opposed to allowing foreigners to open multi-brand retail stores in the country.

The move to allow foreign investment in food retail represents the first possible thaw in BJP's position. Industry experts say foreign companies such as Walmart would be interested in opening stores that are 100% owned by them.

"Retail is a local business and it won't work without local leadership or by following global template. But given Walmart's history, they would want to enter retailing alone as it will give them confidence on the expansion strategy as well as proper control," said Devangshu Dutta, chief executive at retail consultancy Third Eyesight. "Even if FDI is allowed completely, the caveats or riders will mostly support local business."

Morgan Stanley expects India's food and grocery segment to become the fastest-growing category, expanding at a compounded annual rate of 14% by 2020 and contributing \$15 billion, or 12.5%, of overall retail sales.

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Extract of Consolidated Audited Financial Results for the Quarter and Year ended 31 st March, 2016				
Particulars	Quarter ended 31-Mar-16 (Note 4)	Quarter ended 31-Mar-15 (Note 4)	Year ended 31-Mar-16	Year ended 31-Mar-15
	(₹ in Lacs)			
Total income from operations (net)	145,923	147,363	571,412	575,214
Net Profit from ordinary activities after tax	10,469	9,391	44,649	31,718
Net profit for the period after tax (after extraordinary items)	10,469	9,391	44,649	31,718
Equity Share Capital	4,045	4,045	4,045	4,045
Reserves (excluding Revaluation Reserves as shown in the Balance Sheet of previous year)	201,507	163,279	201,507	163,279
	(As on 31/03/2016)	(As on 31/03/2015)	(As on 31/03/2016)	(As on 31/03/2015)
Earnings Per Share (before and after extraordinary items) (of ₹ 10 each)				
Basic :	25.88	23.22	110.38	84.62
Diluted :	25.88	23.22	110.38	84.62
Notes :				
1) The above results of the Company, its subsidiaries and Joint Ventures were reviewed by the Audit Committee and approved by the Board of Directors at its meeting held on April 27, 2016.				
2) Information of Standalone Audited Financial Results of the Company is as under :-				
Particulars	Quarter ended 31-Mar-16	Quarter ended 31-Mar-15	Year ended 31-Mar-16	Year ended 31-Mar-15
	(₹ in Lacs)			
Turnover (Net of Excise duty)	139,141	142,533	549,415	554,142
Profit before tax	13,086	12,872	63,607	44,286
Profit after tax	10,223	8,944	45,252	29,897
3) The above is an extract of the detailed format of Quarterly / Annual Financial Results filed with the Stock Exchanges under Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. The full format of the Quarterly / Annual Financial Results are available on the Stock Exchange websites: www.bseindia.com, www.nseindia.com and on the Company's website www.ceat.com.				
4) The figures of the last quarter are the balancing figures between the audited figures for the full financial year and the unaudited published year to date figures up to the third quarter of the financial year.				
Place : Mumbai				By order of the Board
Date : April 27, 2016				Anant Vardhan Goenka Managing Director

DAKSHIN HARYANA BIJLI VITRAN NIGAM

NIT No. : TSGP-02/2016-17

E-tenders are invited in two parts (Part I Technical Bid & Part-II Price Bid), from the bidders as per following details :-

Description of work	Estimated cost (in Rs. Cr.)	Earnest Money Deposit (in Rs. Lacs)
Conducting foot survey, designing the system, supply of material and erection for conversion of existing 11 kV and LT overhead distribution system into 100% redundant underground system in Ring main configuration and installation of 11/0.433 kV Distribution Transformer (conventional and package type) and SCADA enabling equipments such as RMU with inbuilt FRTU and FPI, optical fibre cable, LT feeder panel, street light alongwith the associated civil works dismantlement of existing HT/LT system integration with existing systems, complete testing and commissioning, alongwith the support services including operation and maintenance of the system so installed for a period of 5 years after the commissioning of entire project-in the area of DLF operation subdivision, DHBVN, Gurgaon, under the jurisdiction of DHBVN, on turnkey basis in Haryana State against tender enquiry no. TSGP-02/2016-17	504.43	10.00

Start date	Pre-Bid Meeting	Last date of uploading the tenders	Opening date of Part-I tenders
15.04.2016 (11.00 AM)	06.05.2016 (11.00AM)	06.06.2016 (11.00AM)	06.06.2016 (03.00 PM)

- The pre-Bid meeting shall be held on 06.05.2016 at 11.00 AM at Hetri House, IDC, DHBVN, Gurgaon. The bidders may attend the same through their authorized representatives only.
- The tender documents having detailed terms and conditions can be downloaded from the website <https://www.haryanaeprocurement.gov.in> and www.dhbvn.org.in

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