Market Watch

	MARKET			GOLD			SILVER		FOREX	
46.64 ▲	Sensex	35,739.16	₹2 ▲	24 carat (1 gm)	₹3,102	₹.20 ▲	Per kg	₹44,100	▲ Dollar	67.645
13.85 ▲	Nifty	10,856.70	₹2 ▲	22 carat (1 gm)	₹2,954	₹200 ▲	Per gm	₹44.10	▲ Euro	79.521

HDFC Bank gets Cabinet nod to raise ₹24,000 crore via FDI

After fund infusion, the bank will hit FDI cap of 74%; additional amount aimed at improving bank's capital adequacy ratio, banking operations across the country


Union Minister Piyush Goyal addresses Press after the Cabinet meeting | PTI

ENS ECONOMIC BUREAU
@ New Delhi

THE government has cleared the HDFC Bank's proposal to raise an additional share capital of ₹24,000 crore through Foreign Direct Investment (FDI), thus allowing it to take its FDI cap to 74 per cent, which is the regulatory ceiling.

Currently, FDI in the country's second largest bank stands at 72.62 per cent.

"That (the infusion) will not result in a breach of the 74 per cent cap on overseas investors' stake in the bank," interim Finance Minister Piyush Goyal told reporters after a Cabinet meeting chaired by Prime Minister Narendra Modi on Wednesday.

Currently, foreign investments up to 49 per cent are allowed in Indian banks without regulatory approval, but increasing it to 74 per cent requires regulatory and government approval.

In December last year, HDFC Bank's Board of Directors had approved a proposal to raise ₹24,000 crore through a mix of instruments, which was aimed at improving the bank's capital adequacy ratio and to expand its banking operations across the country.

As per the statutory requirement, HDFC Bank had sought approval for maintaining the permissible foreign holding in the bank up to 74 per cent of its total paid-up capital, out of which the Foreign Institutional Investors sub-limit would be 49 per cent and the balance 25 per cent would be FDI.

> That (infusion of additional ₹24,000 crore) will not result in a breach of the 74 per cent cap on overseas investors' stake in the bank
>
> Piyush Goyal, Union Minister

Of the additional ₹24,000 crore, ₹8,500 crore is proposed to be allotted to HDFC Ltd, the promoter, on a preferential basis.

In 2015, the government had allowed HDFC Bank to raise ₹10,000 crore from foreign investors.

The bank had posted 20.3 per cent growth in its standalone net profit at ₹4,799.3 crore for the March 2018 quarter. With rising bad loans in Public Sector Banks (PSB), private banks like HDFC Bank had attracted a large number of investors and had seen a steep rise in their valuation.

As on May 25, 2018, HDFC Bank's market cap stood at ₹5.22 lakh crore, almost double than that of the largest PSB State Bank of India at ₹2.38 lakh crore.

Now, govt events costlier than ₹40L need FinMin approval

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THE Centre has made it mandatory for all ministries and government departments to seek prior approval of the Finance Ministry if their expenditure on seminars, workshops and similar events exceeds ₹40 lakh.

This is in order to keep in check the rising number of bills being posted on such events.

Proposals involving expenses less than ₹40 lakh will have to be approved by the financial advisor of the concerned ministry.

"It has been decided that henceforth, only proposals involving expenditure of above ₹40 lakh for international as well as domestic seminars/conferences/workshops etc. will need to be referred to the Department of Expenditure," a recent office memorandum of the Department of Expenditure said.

The fine print

- Seminars, workshops and similar events whose expenditure exceeds ₹40 lakh needs prior approval of Finance Ministry
- Proposals involving expenses less than the amount will have to be approved by the financial advisor of the concerned ministry
- The move is to keep a check on rising number of bills posted by ministries government departments on such events

The memorandum has also advised against holding exhibitions, fairs, seminars, conferences and workshops abroad unless it is necessary for the promotion of trade and business and for 'Brand India' projects.

It also said that the departments should exercise utmost austerity with regard to travel, and the accommodation cost should be kept at the barest minimum.

According to sources in the Finance Ministry, the move was initiated after two ministries posted "extravagant bills" on such events, much to the dismay of the government.

"In many ministries, the bills of fairs and workshops were abnormally high. Also, in many cases, bills on food and beverages were quite high. The purpose of such events is to brainstorm. There is no need for such an extravagant ways," a senior official from the ministry told *The New Indian Express*.

The official added that the government will closely scrutinise such expenditure in future.

NICHE BIZ

Ezi Drive cab-hailing app gathers momentum

SESA SEN @ Bhubaneswar

EVEN as Ola and Uber are competing among themselves to win the driver's seat, Ezi Drive, a newly launched mobile app, seems to be racing ahead of the curve. The first-of-its-kind mobile app, launched in Bengaluru and Chennai, facilitates hiring of both drivers as well as cabs on the same app.

Having carved out a niche for itself, Ezi Drive caters to all segments of the driver hire market, including local and outstation travels. "We take all the necessary measures to assure passengers' safety including thorough background verification checks for drivers, detailed documentation process for driver recruitment, which includes referral letters/ police certificates, periodic driver in-house training and recruiting only experienced drivers," said Ram Prasath, CEO & founder of Ezi Drive Tours and Travels Pvt Ltd. The start-up will not have surge-pricing or pooling facility.

The company has an ever-growing customer base, which currently stands at around one lakh and a supplier base of around 800 drivers. Prasath said that the company aims to double its fleet size and is also looking to foray into the northern markets, including New Delhi, by the year-end.

Stressing on the need for ensuring safe transport for everyone, especially women, Prasath further added that Ezi Drive app has all functionalities that makes it equipped to deal with any concerns such as SOS alert, real-time tracking of drivers and cabs, cashless payment, and direct email interface with the top management.

Like others, this app also allows customers to give feedback and rate the driver at the end of a ride. If the driver's rating drops below the standard set by Ezi Drive, he could be relieved from the system. "This encourages drivers to maintain high quality in their services," said Prasath.

'India's demographic dividend could turn a disadvantage by 2030'

ENS ECONOMIC BUREAU
@ New Delhi

INDIA'S much vaunted demographic dividend — its ace in the hole to vault itself into the community of developed nations — might run out in just a decade, a report from SBI Research warned on Wednesday. If India fails to take advantage of this huge, young workforce by then, it may well turn into a disadvantage, the report added.

Making the observations after analysing school enrolment trends across the country, SBI Research pointed out that states that have reduced birth rates have begun to see an increase in the proportion of senior citizens. The population growth trend indicates that incremental population growth has been stagnant in the last two decades at approximately 18 crores, and fertility rates are quite diverse across states.

"The population of Karnataka is ageing with less number of babies born. In 1971, there were only 17.9 lakh (6.1 per cent of total population) 60+ population in Karnataka which has increased to whopping 57.9 lakh (9.5 per cent of total population) according to the census of 2011," it said.

> The moot point of this discussion is that India has only a limited window of a decade to get into the developed country tag or stay perpetually in emerging group of economies
>
> SBI Research report

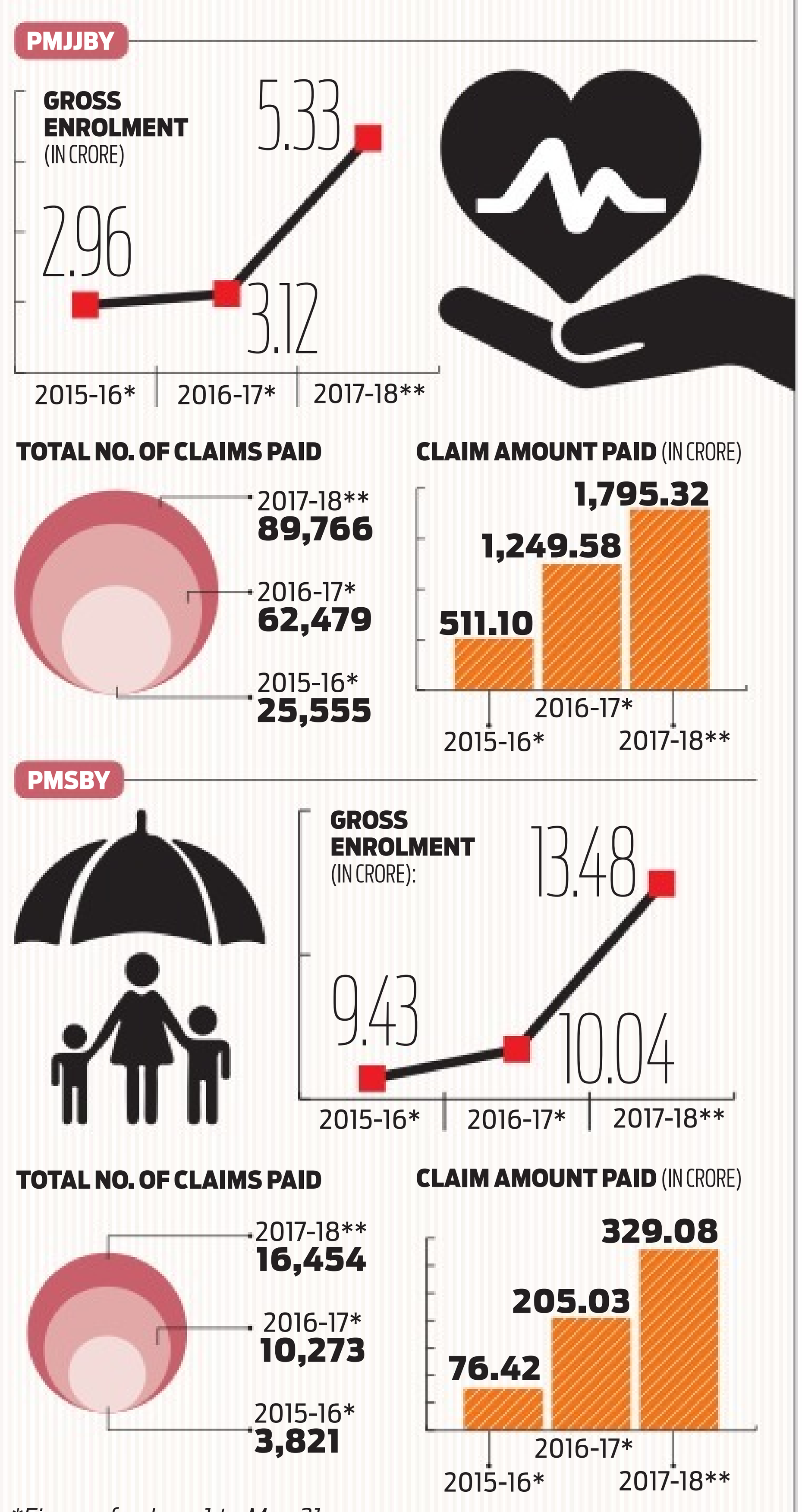
While this is seen in an increase in the demand for private schools, with such populations becoming richer and hence able to afford better options for their children. "There is a larger picture here. How will the Karnataka government handle this problem of ageing? We believe this is a problem across other states too and India's strength of demographic dividend could actually turn into India's advantage by 2030," SBI Research warned.

"The moot point of this discussion," concludes the report, "is that India has perhaps now only a limited window of a decade to get into the developed country tag, or stay perpetually in emerging group of economies. Policymakers, wake up and smell the coffee!"

According to analysts, India currently sits on a demographic "gold mine", with Deloitte India observing last year that India has a median population age of 27.3 years compared to that of 35 years for China and around 47 years for Japan.

Widening safety nets

Pradhan Mantri Suraksha Bima Yojana (PMSBY) and Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) were launched in May, 2015 with a view to enhance the level of insurance penetration in the country and to provide insurance cover to common people especially poor and the under-privileged sections of the society. Here's a look at how they have performed:



*Figures for June 1 to May 31
** Figures for June 1, 2017 to April 4, 2018 Source: Ministry of Finance

Odisha govt initiative may give succour to Vedanta Aluminium

SESA SEN @ Bhubaneswar

THERE is much controversy doing the rounds in Lanjigarh town of Kalahandi district in Odisha, where metal and mining major Vedanta has a one million tonne alumina refinery.

For the Vedanta group of companies, this is not something new. Billionaire Anil Agarwal, who rose from a scrap dealer to metal magnate, has been a magnet of bad press especially since the Tuticorin incident — where police opened fire on protesters seeking to shut down Vedanta's copper smelter plant, killing 13.

This has now given fresh impetus to Lanjigarh's tribesmen seeking closure of the alumina unit run by the company's Indian unit, Vedanta Limited. Hundreds of tribals, along with members of various forums, fear that the company aims to revive plans to extract bauxite in the unique tribal region of Niyamgiri.

But how far does this pose a challenge for Vedanta? Without commenting on whether it aims to access the Niyamgiri reserve, a company executive said that the government, in February, had approved a long-term linkage policy for bauxite, the key raw material used to make aluminium.

According to the policy, 70 per cent of saleable stock of bauxite would be made available for long-term linkage, with sources saying that this signifies that there is no question of shutdown as the plant has the backing of the state government.

For Vedanta, which has been running its Lanjigarh refinery on bauxite sources from Andhra Pradesh, Brazil and Guinea, the move will enable it to purchase bauxite from state-run Odisha Mining Corporation on a long-term basis at market prices.

Meanwhile, allegations of air and water pollution by Vedanta's alumina refinery in Lanjigarh notwithstanding, it can be argued that the area around the plant has benefited from good roads, housing, healthcare and schools. The Niyamgiri villages, on the other hand, do not have access to these. Vedanta has also denied any violations of environmental norms.

The company executive added that Vedanta aims to expand the refinery's capacity to six million tonnes of alumina a year. "Despite huge revenue loss, we'll try our best to run the plant, as aluminium is the future," Abhijit Pati, former CEO (Aluminium), Vedanta Resources, had said during his visit here in March this year.

In addition, the two mines with 15 mtpa bauxite reserves which it has bagged this year will help Vedanta convert its unit into six mtpa alumina.

In a nutshell, Vedanta is looking forward to a turnaround for mega aluminium operations in Odisha, including the two smelters in Jharsuguda.

PNB's capital adequacy nosedives

ENS ECONOMIC BUREAU
@ New Delhi

BESET by a mammoth scam estimated to have had an impact of nearly ₹14,000 crore, the Punjab National Bank (PNB) on Wednesday said that its capital adequacy ratio has fallen below the required by regulations.

At the end of March, 2018, total capital ratio as per the Basel-III requirement declined to 9.20 per cent as against 11.66 per cent at the end of March 2017. On consolidated basis, it slipped to 9.82 per cent during the same period. As per RBI norms, the total capital adequacy, including counter-cyclical buffer should be upwards of 11.5 per cent.

"...the capital position of the bank as at March 31, 2018 being below the regulatory requirement (including countercyclical buffer) of Reserve Bank of India, Hong Kong Monetary Authority (HKMA) is enhancing the Supervisory arrangements on our Hong Kong branch," PNB said in a regulatory filing.

The erosion of capital can primarily be attributed to the over ₹14,000 crore allegedly lost due to a fraud perpetrated by diamantaire Nirav Modi and associates through fraudulent letters of undertaking (LoUs) from one of the branches of PNB for overseas credit.

In the aftermath, the bank posted its largest ever quarterly loss of ₹13,416.91 crore for the January-March period, mainly on account of high provisioning due to the fraud. The bank paid ₹6,586.11 crore to other banks to discharge its liabilities towards LoUs and Foreign Letter of Credits issued fraudulently and in unauthorised manner to certain overseas branches of Indian banks through the misuse of SWIFT system of the bank, which was then not integrated with CBS. According to analysts, PNB financial position will get better in the coming quarters since it expects to gain ₹8,000 crore from the recovery during the first quarter itself.

TODAY'S STOCK PICK

REPCO HOME FINANCE

Current Price ₹566.60

Target Price ₹710

Presence in the underserved markets, reasonable pricing power on the asset side and expanding reach should support Repco's earnings over long term. In the recent past, the company has been plagued with several issues, predominantly on the growth front. We believe these issues should get resolved over next few quarters.

— Motilal Oswal Securities Limited

SOLAR POWER

CECRI, Raasi join hands to set up India's first lithium ion battery unit

> We are working with CECRI, whose plant in Chennai makes about 500 cells per day ... We expect to start a 1 GW factory in Tamil Nadu's Krishnagiri district in 2019
>
> C Narasimhan, CMD, Raasi Group

GAYATHREE GANESAN @ Chennai

INDIA might have gotten a little bit closer to achieving its solar vision, with officials from the Central Electro Chemical Research Institute (CECRI) and Raasi Solar Group huddling together in Bengaluru to thrash out a deal to co-develop the country's first lithium ion (Li-ion) battery manufacturing project.

"We are currently working with CECRI, whose plant in Chennai makes about 500 cells per day on a pilot project. We expect to start a 1 gigawatt factory in Krishnagiri district of Tamil Nadu in 2019," said C Narasimhan, Chairman and Managing Director of Raasi Group. The factory could see an investment of ₹900 to ₹1,100 crore.

"We are in talks with the Murugappa Group to source graphite for the anodes and are working with Tata Chemicals to source some other chemicals indigenously. But, a few components for the cathode can be sourced only from countries like China, Japan and parts of South America," pointed out Vijayamohan K Pillai, Director, CECRI. The project's managers have also signed agreements with a few Chinese manufacturers and are in talks with representatives from Argentina and Bolivia to ensure uninterrupted supply of raw materials.

However, the Indian Geological department's possible discovery of lithium deposits in India might make sourcing lithium a lot cheaper.

"Lithium consumption to develop battery technology is only about two per cent, so we are looking to collaborate with a few government departments like the National Mineral Development Corporation so that they can start mining the lithium deposits in India itself. This would bring down the costs by 15 per cent. However, this will take some time," said Narasimhan.

With much of the subsidies for electric vehicles mopped up by automakers, Narasimhan, who is also the president of the Indian Solar Association, said that they were seeking incentives for development of lithium-ion batteries.