YES Bank conduct: Governance experts raise questions

Furquan Moharkan, DHNS, Bengaluru, JAN 12 2020, 21:09PM IST | UPDATED: JAN 12 2020, 21:15PM IST

Representational image

The double whammy at embattled YES Bank has raised many questions over its functioning by the governance experts and investors alike.

On Friday, the bank's head of audit committee and an independent director -- Uttam Agarwal -- resigned from the bank alleging that the CEO Ravneet Gill has been misleading the investors on the much-needed fundraising issue. The bank also doubled down on its initial plan to raise $2 billion funds and said that it would be raising $1.4 billion funds -- the investors for which are still unknown.

The experts say that it's the time for the bank to act up now and line up the investors.

"The days of discussing are way past over. It is time to raise the money and put all this behind them. If the board had decided to raise money four months ago, I am not sure why they need to meet each month. They need to line-up investors and approach investors for approval," said Amit Tandon, Founder and MD at proxy firm Institutional Investor Advisory Services (IiAS).

However, some other experts believe that it is over the disagreements between the directors of the board that they have not been able to raise the funds.

"Yes Bank capital raising efforts have not fructified and there seems to be disagreement between the Board and the management on various fronts including capital raising, disclosures, etc," InGovern MD, Shriram Subramanian said.

The bank has been dilly-dallying on the much-needed fundraising plans, with the board meeting multiple times, without any concrete fundraising plan -- which was first reported by *DH* in September 2019.

At least five different analysts and market observers, that DH spoke to, said that the bank needs at least $3 billion for the survival immediately in one quarter. The bank has, however, not been able to come up with a concrete action plan over the same.

As a fallout of the fiasco, the questions are being raised at former Reserve Bank Deputy Governor R Gandhi -- who was appointed by the central bank as the independent director of the bank to uplift

"R Gandhi as a nominee of RBI should ensure greater accountability of the management," said Subramanian.

The financial markets are getting jittery over the issue as well, fearing a huge contagion. "It is one of the top five private banks in the country. In case it doesn't get needed funds, the contagion is going to be multiple times heavier than that of the IL&FS collapse," the CEO at a fund house, that had declined to give funds to YES Bank, told *DH*.

The fund houses on their part are worried about bank's surging contingent liabilities and depleting CASA.

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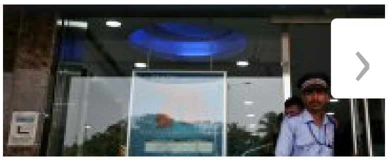

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Audi India moving towards petrol

The company recently launched their flagship SUV – Audi Q8

Vivek Phadnis, DHNS, JAN 20 2020, 07:41AM IST | UPDATED: JAN 20 2020, 07:41AM IST

The buzz in the auto industry, apart from the slowdown, is the switch from the current Bharat Stage-IV to the cleaner BS-VI emission norms from April 1 this year. Moreover, there is also talk of electric vehicles, which we will have to eventually move to.

luxury carmaker has brought in a petrol SUV says a lot about what we could expect from the industry in the future. Quite clearly, we are moving away from diesel as the nation looks to more environment-friendly mobility options. This is more so as we embrace the BS-VI emission norms.

“We are also moving towards petrol and there are headwinds that we face. Every manufacturer is switching from BS-IV to BS-VI and it is not possible to change all cars one day and everything is the same. With this change, we are also taking the very bold step of not keeping any of our existing cars the same and just change the engine. It will either be a completely new car like the Q8 or a new generation model like the A6. It could be a mid-life cycle improvement,” said Audi India Head Balbir Singh Dhillon.

“Diesel now is about 65 to 70% but we recently launched the A6, which is only petrol. The response to the car has been good. We lose some diesel customers, but other first-time customers have come to us. We also have a strategy to retain customers who only want diesel cars with certain programmes," he said.

“Personally, I too felt that SUV is always about diesel. There was never a thought that an SUV can sell in petrol. But my perception has changed. Petrol has changed from 5% to 30%. That itself is a big change. We are selling 50% SUVs and 50% sedans. It is a spread and I think we will able to manage this successfully,” he added.

So, does it mean that Audi India will totally go the petrol way? “The answer is no. For the short term, we want to go with petrol and electrification and keep diesel in abeyance,” Dhillon clarified.

“When we came up with ‘Strategy 2025’, we did not just look at one, two or three years. We looked at five to six years and the future as well. On the luxury side, all the manufacturers, especially in Europe, are investing heavily on electrification. It started when government regulations became stricter and stricter. The norms are becoming difficult and there is no choice but to move towards electrification,” he said.

“Investments on internal combustion engines are coming down. Keeping that in mind, there will be massive electrification in the coming years. So, we have taken the bold step to move towards petrol,” he stated.

The Q8 is a mild hybrid SUV and many cars have this technology. But Dhillon feels that the more superior plug-in hybrids may not really work at this point in time due to the high cost. “Plug-in hybrid is just one step below the electric car, but it is expensive. If I have the Q8 and a plug-in hybrid of this car, you would have to pay about 20-25% more. The question is are you willing to pay more? The answer would be no unless there are volumes. But we will switch to electric for sure because that is the way to go,” he explained, while adding that Audi could roll out an electric this year.

unit imports. Asked what Audi expects from the government, Dhillon said, "Our humble request to the government is to have a relook at the duty structure. The GST which is still high. It is not just 28% that is high for the whole industry. We also have 22% cess, then import duties, then registration tax that ranges between 10 and 20% across the country. We are paying duties on duties on duties. The government gets revenue, which it should. But if they give a bit of flexibility, then we can have volume sales and the government can get even more revenue."

Audi India   Petrol   SUV

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Secondary transactions aid big investors report gains in Swiggy investment

DHNS, Bengaluru, JAN 20 2020, 00:00AM IST | UPDATED: JAN 20 2020, 00:00AM IST

A spate of secondary transactions in online delivery platform Swiggy over the last couple of financing rounds have allowed multiple investors report gains on their investments. These transactions were seen in regulatory filings by the firm accessed by business intelligence platform paper.vc.

The filings show that over the last financial year, four key institutional investors have been steadily divesting a portion of their holdings in Swiggy to incoming investors during successive high-value financing rounds. Accel, SAIF Partners, Bessemer Venture Partners and Norwest Venture Partners have each steadily reduced their holding in the food delivery platform.

Media reports had speculated on the conclusion of large secondary transactions. For instance, early investors Harmony Partners and RB Investments continue to be on the captable. Only in 2019 did Prosus (Naspers) increase its holding to 38.82%.

The filings say that Prosus was not the only buyer - other stake acquirers included Tencent, Coatue, Hillhouse, Wellington Management, DST and Chinese delivery platform, Meituan Dianping.

"The founders also managed modest exits but by our estimate, the big four investment firms earned the most - Norwest, for instance, earned in the range of Rs 400 crore on an investment of Rs 87.81 crore. " Vivek Durai, founder, paper.vc said.

In the last year, multiple companies such as Paytm, OYO, BYJU’s and Dream11 have offered exits to their early backers.

Swiggy

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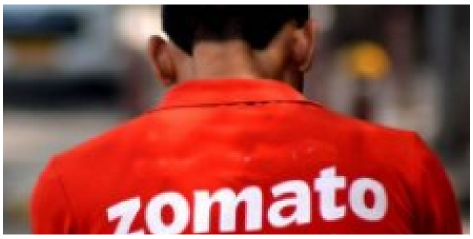

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Ready with BS-VI fuel for the switch: MRPL

Refineries in the country have already begun making the switch to the new BS-VI fuel and the Mangalore Refinery and Petrochemicals Ltd (MRPL) will be able to provide consumers with the new fuel at its outlets soon, a top MRPL official told DH.

On the sidelines of the inauguration of the 24th Refining and Petrochemical technology meet, M Venkatesh, Managing director MRPL said, " The refinery has switched over to the production of BS-VI grade diesel and petrol from September. The consumer will get BS-VI grade products in petrol pumps very soon. Though we have switched to production of BS-VI fuel completely, we need to finish the existing stock of BS-IV fuel as well."

The event is being organised Centre for High Technology (CHT), a wing of the Union Ministry of Petroleum & Natural Gas, in association with MRPL. It was inaugurated on Sunday by MM Kutty, Secretary PNG, Government of India.

Speaking about the event, Venkatesh said, "It is a platform that allows 1500 delegates from across the world to meet and learn more about various technologies in the fields of refineries and hydrocarbons and so on. It offers an arena for the exchange of ideas and technologies."

Bengaluru. The meet has 15 technical sessions on a host of issues and 82 technical papers will be presented.

In an attempt to cut down on consumption of freshwater in refineries, treated sewage water is being utilised by many companies. Despite the government push towards EV vehicles, Venkatesh is confident that oil will continue to be the primary energy source over the next two decades. " Though the share of renewable sources will go up, I feel that oil-based energy sources will continue to dominate. I do not see electric vehicles overtaking internal combustion engine-based vehicles in the near future."

Venkatesh did not offer any comment on the disinvestment plans of the government of Oil Marketing firms.

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  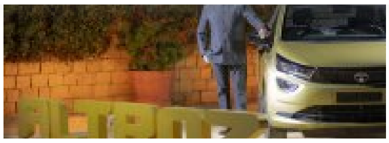

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Markets await budget sops

Siddharth Khemka, JAN 19 2020, 23:14PM IST | UPDATED: JAN 20 2020, 07:32AM IST

Indian equity markets ended the week on the positive note led by global and domestic cues. The benchmarks continued touching new highs while broader markets continued outpacing benchmarks. On the global front, phase 1 of the trade deal between US-China was signed this week.

season kick-started on a positive note with no major negative surprise while macro data were mixed with high inflation but positive IIP data and narrowing the trade deficit.
High expectations from the upcoming budget also kept the market sentiments buoyant. However, some profit booking was seen after SC verdict came on AGR dues which was unfavorable for the telecom players.

Nifty 50 and Sensex were up by 0.8% to close at 12,352/41,945 for the week. However, broader markets outperformed the benchmarks with Nifty Midcap100/ Nifty Smallcap100 being up 4%/3.8%.

Sectorally, all the sectors ended in green except for Banks which was down -1.6%. Media was the biggest gainer with gains of 5.6%, followed by Realty (+4.3%), Pharma (+3.6%) and FMCG (+3.3%). Auto and IT gained 2.5% each while others gained in the range of 0.8%-1.5%.

FIIs continue to be net buyers, buying equities worth more than Rs 60 crore while DIIs were net sellers to the tune of Rs 3,100 crore.

CPI-based retail inflation shot up to a 67-month high of 7.4% in Dec’19 from 5.5% a month ago, led by food inflation which accelerated to over six-year high.

However, CPI inflation excluding vegetables was at 4.1% in Dec’19 - the highest in 14 months, which is worrisome. On the positive side, India’s merchandise trade deficit narrowed to $11.3 billion in Dec’19 from $12.1 billion a month ago and $14.5 billion a year ago due to a faster decline in imports than exports. Although exports declined YoY, they were at a seven-month high in absolute terms, largely because of higher non-oil exports on a sequential basis. We expect crude oil prices to hover around the range of $65 per barrel, which might keep the import bill muted.

Market sentiments continue to be high on the back of tax sops expected from the budget, earnings recovery and the signing of an initial trade deal between US-China which would open the gate for future talks. Expectations to the runup to the budget are expected to drive certain sectors related to Agri, rural, fertilizers, PSUs, Infra and construction. Next week key results to watch out for would be ICICI Bank, JSW Steel, Zee, Havells, HDFC AMC, etc.

Technically, Nifty is currently hovering around its strong hurdle of Rising Trendline on the weekly chart. Though the index is trading near its resistance level, we are not seeing any noticeable weakness in prices.

Thus, traders are advised to refrain from taking pre-emptive shorts till Nifty sustains above its immediate support of 11280 – 12293 zone. While major support exists at 12150 levels. On the flipside, resistance is placed in the zone of 12450 – 12500.”

FIIs Nifty Sensex ICICI HDFC GDP

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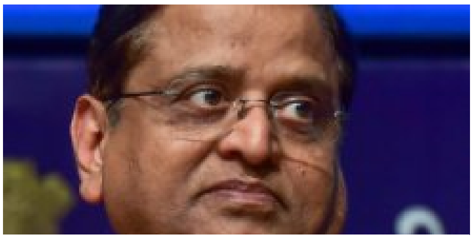

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