



**Centre sells 2.5% stake in L&T for over ₹40 bn**  
MUMBAI  
The Union government on Wednesday sold a 2.5% stake in Larsen & Toubro Ltd (L&T), raising more than ₹40 billion that will help the government meet its annual fiscal deficit target. The stake, held by the state-owned Specified Undertaking of Unit Trust of India (SUUTI), was sold through block deals in stock markets, said Neeraj Gupta, the top bureaucrat looking after government stake sales. REUTERS

**GMR Infra-Terna bid to operate Belgrade airport**  
BELGRADE  
Four consortiums, including one comprising GMR Infrastructure Ltd. and Greece's Terna, and one company have submitted non-binding bids for a 25-year concession to operate Belgrade's Nikola Tesla airport, the biggest in the region, the company and a government commission said on Wednesday. The Serbian government which has 83.1% stake in the airport, expects the deal to be worth about €400 million. REUTERS

**CDSL IPO subscribed 170 times, sees big demand**  
NEW DELHI  
The initial public offer of Central Depository Services (India) Ltd (CDSL) received overwhelming response from investors as the issue was subscribed 169.91 times on the last day of the three-day bidding on Wednesday. The IPO of BSE's depository arm, to raise ₹524 crore, received bids for more than 421 crore shares against the total issue size of 2.48 crore shares, as per National Stock Exchange data. PTI

# Price Waterhouse may face SEBI action in Satyam case

Regulator could bar audit firm from dealing with listed companies

**ASHISH RUKHAIYAR**  
MUMBAI  
The Securities and Exchange Board of India (SEBI), which has time till July to pass an order against Price Waterhouse in the matter related to Satyam Computer Services, could bar the auditor from dealing with listed companies for a certain period of time on charges related to alleged negligence and professional lapses while being the auditors of erstwhile IT major.

The regulator is of the view that the auditing firm – along with its partners – can be barred from the securities market by making its opinion or services inadmissible in the case of entities that are regulated by SEBI, said a person familiar with the matter.

"There have been cases when SEBI has acted against statutory auditors and partners by barring them from directly or indirectly issuing any certificate required under securities laws for a fixed period of time," said a person familiar with the matter. He declined to be identified as the final order is yet to be issued.

Speaking on the sidelines of a conference on Wednesday, SEBI Chairman Ajay Tyagi said that the Bombay High Court had ruled that SEBI does have jurisdiction on auditors as public shareholders can be affected by their actions.

When asked if SEBI had powers to ban an auditor from dealing with listed companies, he said that "theoretically, it can happen... SEBI can issue directions" if an audit has not been done properly as shareholders were dependent on it.

In 2010, SEBI issued a show-cause notice to Price Waterhouse, among many



**Power to act:** "Theoretically, ... SEBI can issue directions" if an audit has not been done properly, says SEBI chief Ajay Tyagi.

other entities, after it emerged that the accounts of Satyam were falsified and inflated.

This followed the letter written in January 2009 by the then chairman of Satyam, B. Ramalinga Raju in which he said that the balance sheet of the company included inflated and non-existent cash and bank balances.

**Jurisdiction challenged**  
The audit firm, however, filed a petition challenging the jurisdiction of SEBI over audit firms that are regulated by the Institute of Chartered Accountants of India (ICAI). The Mumbai High Court had ruled that given the powers of SEBI, it can act against the auditors if their actions impact the public shareholders at large.

In January, the Supreme Court directed SEBI to expedite the investigation and conclude the probe by July.

On May 9, the audit firm went to SEBI for a hearing before the whole-time member, as per information available on the regulator's website.

"The current proceedings at SEBI are in an old matter where we are participating in usual course and no such action by SEBI is either apprehended or even conceptualised at this stage while proceedings are ongoing," said a Price Waterhouse spokesperson, in response to an email query.

**'Precedent exists'**  
Interestingly, any action taken by SEBI against the auditors would not be the first of its kind.

In February 2016, the regulator barred Shashi Bhushan, proprietor of Bhushan Aggarwal & Co from issuing any certificate required under securities laws for a period of one year in the matter of Ritesh Prop-

erties and Industries Ltd. The SEBI probe found the firm guilty of misrepresenting and false reporting of accounts.

"... disclosure of true and fair information is crucial for investor protection and to maintain and restore their confidence in the securities market."

"The false and misleading disclosures in financial statements as found in this case are not only detrimental to the interests of investors but also endanger integrity of the securities markets," stated the order.

In another case, Amar, Ashok and Associates' partners faced action from SEBI by being barred from the securities market for five years. In the case of United Spirits Ltd. as well, the regulator had stated that "the role of the auditors, inter alia, in the non-detection of diversion of funds from USL (United Spirits Ltd.) is also being examined separately by SEBI."

"Ensuring reliable financial reporting is no less [an] investor protection function. In suitable cases, they [SEBI] should hit hard and the sanction needs to be quick to be effective," said Sumit Agrawal, Partner, Suvan Law Advisors.

"In recent years, SEBI has passed few widely-worded orders against CAs and auditors."

"While the Bombay HC had held auditors to be 'persons associated with securities market' and amenable to SEBI's jurisdiction, SEBI needs to take stringent action only where evidence of collusion or fraud is found but not where a professional had a 'good faith error in their judgment'," said Mr. Agrawal, who had earlier worked as an assistant legal advisor at the Securities and Exchange Board of India.

# Tea Board wants 100% of output sold via auctions

'Partial routing of produce leading to low quality products'

**INDRANI DUTTA**  
KOLKATA  
The Tea Board of India wants 100% of the country's tea output (except the quantity meant for direct exports) to be routed through the auction system, saying that this is considered to be the most secured way of marketing.

The board recently issued a notice seeking comments from the industry and trade on the matter by June-end. Currently, all registered manufacturers have to sell 50% of their produce through public auctions.

**'Purpose not served'**  
However, it is increasingly being felt that this measure, introduced last year to improve price-realisation, may not have achieved its object-



**Best brew:** Manufacturers sell 50% of their produce through public auctions.

ive. "Allowing partial routing through auction is leading to offering low quality tea which is affecting the entire price realisation mechanism," the board said.

It also said that a detailed analysis of auction participation by the manufacturers was being carried out at

present by the industry regulator. The Tea Marketing Control Order of 2003 was amended in October 2015 through a notification to put in place the 50% mandatory system. The regulator noted in this context that the initial proposal to implement 70% routing was diluted to 50 following industry representations.

Trade and industry sources were not very happy with the proposal saying that low tea prices were not directly linked with the amount being offered in auctions. "There is a wide variation from auction to auction and from producer to producer on the offering," they said.

However, small tea growers were happy with the proposal since it would help them get better prices.

# EESL mulls ₹200 crore share sale this fiscal

**SPECIAL CORRESPONDENT**  
HYDERABAD

Energy Efficiency Services Ltd (EESL), a company under the Ministry of Power, facilitating implementation of energy efficiency projects, is considering an Initial Public Offering (IPO) to raise ₹200 crore in the current fiscal.

The IPO, by diluting the stake by 20%, forms part of the company's plans to mobilise funds for the ₹6,000-crore capex it is proposing in the financial year.

Stating that the public issue was likely in the fourth (January-March) quarter, Managing Director Saurabh Kumar said 80% of the ₹6,000 crore would be raised through debt. The remaining 20% equity component will be by way of the paid-up capital of about

₹465 crore, raising ₹30 crore from the promoters, besides the IPO.

The ₹4,800-crore debt, he added, would comprise domestic borrowings of ₹2,000 crore and almost an equal amount through bonds, including a \$100 million masala bond. The company has tied up for ₹800-1,000 crore with multilateral agencies. The masala bond, for which the company has selected Barclay and Standard Chartered banks, would be made once the RBI accords permission.

The company, which had in September raised a ₹500-crore seven-year bond at a coupon rate of 8.07%, is planning to raise ₹1,000 crore next month. It is also expecting its current AA rating to be upgraded to AAA, he said.

# Leyland arm defers IPO plan

**SPECIAL CORRESPONDENT**  
CHENNAI

Hinduja Leyland Finance Ltd., the commercial vehicle financing unit of Ashok Leyland, has deferred its plans to go for a public listing.

"We had raised ₹250 crore in October 2016 through the rights issue," said S. Nagarajan, managing director, Hinduja Leyland Finance. "Again we raised ₹100 crore in June 2017."

"We wanted to go for IPO in the last quarter of 2016, but demonetisation happened. By then, the promoters and the group companies had already infused the money. We will go for IPO whenever we think the time is right," Mr. Nagarajan said.

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