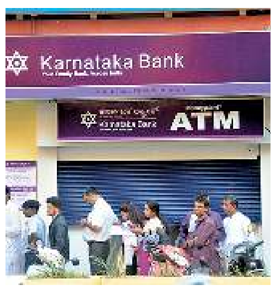
IN BRIEF



Karnataka Bank reports ₹86.47 crore fraud

CHENNAI

Karnataka Bank Ltd. has reported a fraud to the tune of ₹86.47 crore. It relates to the extension of fund-based working capital facilities to Gitanjali Gems Ltd., the bank said in a stock exchange filing. The fraud occurred due to non-realisation of export bills and diversion of funds, the bank said. However, Karnataka Bank said that it did not have any letter of undertaking (LoU) exposure in Gitanjali Gems.

Pisciculture loans: IDBI Bank provides 100%

MUMBAI

Public sector undertaking IDBI Bank on Thursday said it had made 100% provision for pisciculture loans, given during 2009-2013, that was detected and disclosed as fraud in 2013. "The bank would like to reiterate that all the pisciculture loans identified as fraudulent have been fully provided for and there will be no further impact on the profitability/ balance sheet of the bank," the bank said in a statement.

R-Series field to start gas output in 2020: BP

NEW DELHI

Reliance Industries and BP Plc. will start natural gas production from R-Series gas field in the flagging KG-D6 block in the Bay of Bengal by 2020, the U.K. firm said. Gas production from other newer fields will start by 2021, it said. While RIL-BP are implementing project to bring to production R-Series of gas field in the KG-D6 block, a government panel had last month approved their $4 billion investment plan in two other sets of gas discoveries. PTI

RBI fines ICICI Bank ₹58.9 cr.

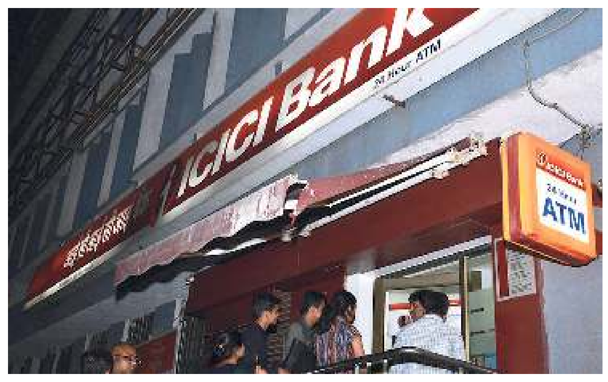
Lender did not disclose the sale of securities as per the central bank's norms

SPECIAL CORRESPONDENT
MUMBAI

The Reserve Bank of India (RBI) has imposed a penalty of ₹58.9 crore on ICICI Bank for not complying with norms relating to sale of bonds from held-to-maturity (HTM) portfolio.

The RBI said the penalty was imposed for non-compliance with directions on direct sale of securities from its HTM portfolio and specified disclosure in this regard.

According to RBI norms, banks are required to classify investments into three categories – held-for-trading (HFT), available- for- sale (AFS) and held-to-maturity (HTM). The securities acquired by banks with the intention to hold them till maturity are classified under HTM. If the value of sale of securities from HTM category exceeds 5% of the HTM investments, banks are required to disclose the market value of the investments and indicate the difference between the book value and the market value in the annual financial statements. "ICICI Bank had continued with the sales from HTM category for a few weeks during the quarter ended March 31, 2017, due to a genuine misunderstanding on the timing of the applicability of RBI's direction in this matter," the lender said in a statement. The bank said it had disclosed in its annual report for FY17 that it had sold more than 5% of investments categorised as HTM and had not made the specified additional disclosure at that time.



Costly breach: The bank said it continued selling the securities due to genuine misunderstanding. ▪SHIV KUMAR PUSHPAKAR

'Making disclosures'

"The bank has subsequently been making the specified disclosure as directed by RBI in the audited financial results since the quarter ended June 30, 2017," the bank said, adding in the current financial year it sold less than 5% of HTM securities.

"This action is based on the deficiencies in regulatory compliance and is not intended to pronounce upon the validity of any transaction or agreement entered into by the bank with its customers," the RBI said.

Public issues fetch record ₹1.77 lakh crore in 2017-18

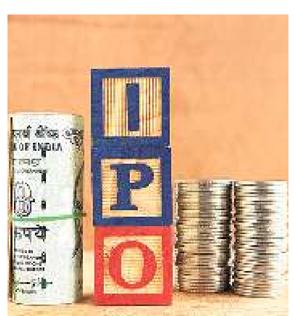
45 companies raise ₹82,109 crore; GIC tops with ₹11,257 cr.

SPECIAL CORRESPONDENT
MUMBAI

The financial year 2017-18 saw a record mobilisation of ₹1.77 lakh crore through public issues, which was much higher than the all-time high of ₹86,710 crore recorded in 2009-10.

According to Prime Database, the total money raised in 2017-18 was 3.46 times that of the preceding financial year that saw offerings – including initial public offers (IPOs), qualified institutional placements (QIPs), follow-on offers, public bonds –worth ₹51,120 crore.

In terms of only IPOs, 2017-18 saw 45 companies raise ₹82,109 crore, again a record in terms of the quantum of funds raised.



▪GETTY IMAGES/ISTOCK

The largest IPO of the financial year was that of General Insurance Corporation (GIC) that raised ₹11,257 crore. The average deal size during the period was also high at ₹1,825 crore.

A notable feature of the year was that several companies that hit the market had a prior investment from either a private equity (PE) investor or a venture capitalist (VC), as per Prime Database. As many as 17 IPOs had a prior PE/VC investment with their total offer for sale component pegged at ₹10,831 crore or 13% of total IPO raising.

Post-listing show

Public issues saw a strong post-listing performance as well with 17 of the 38 IPOs that listed giving a return of more than 10% on the day of listing. IPOs of SMEs also witnessed a record year with 155 such offerings raising ₹2,247 crore. The largest SME (small, medium enterprise) IPO of the year was that of East India Securities that raised ₹88 crore.

LoU ban: govt. wants RBI to help

PRESS TRUST OF INDIA
NEW DELHI

The Finance Ministry has asked the RBI to look into the problems being faced by industry and banks following the abrupt ban on LoUs and provide some breathing space to them, sources said.

The Reserve Bank of India (RBI) this month banned the issuance of letters of undertaking (LoUs) and letters of comfort (LoC), used extensively for trade finance, following the unearthing of Nirav Modi fraud case.

Nirav Modi and associates, in connivance with some officials of the Punjab National Bank (PNB), used the LoUs to defraud the lender of more than ₹13,000 crore.

'A third of top 500 firms lack a woman director'

RIL, Wipro among firms needing to separate the CMD's role

ASHISH RUKHAIYAR
MUMBAI

India's listed corporates will have to initiate quick action to get on board more directors, including a woman, if they to ensure compliance with the Securities and Exchange Board of India (SEBI)'s new corporate governance norms.

While SEBI has given companies time to comply with the latest rules many firms are currently non-compliant and would need to act fast to conform including ensuring that the role of a chairperson and managing director is separated within the next one year.

There are a total of 65 companies that will have to increase the number of independent directors by April 1, 2019, while as many as 165 companies of the top 500 entities will have to separate the role of MD or chief executive officer from that of the chairman, according to data from Prime Database.

Further, there are at least 155 companies among the top 500 listed ones that would have to appoint a woman director by April 1, 2019, and if the universe of companies is expanded to the top 1,000 then 336 companies will have to include a woman director in the board by April 1, 2020.

On Wednesday, the capital markets regulator approved most of the recommendations of the Uday Kotak Committee that was formed to suggest ways to strengthen corporate governance at listed entities.

The market watchdog decided to reduce the maximum number of directorships for individuals from 10 to seven in a phased manner while expanding the eligibility criteria for such directors. The new norms also require at least one woman independent director in the top 500 listed entities by market capitalisation by April 1, 2019, and in the top 1,000 listed entities, by April 1, 2020.

Time to act: There are a total of 65 firms that will have to increase the number of independent directors. ▪REUTERS

The list of companies that will have to induct a woman director within the next one year include Ambuja Cements, Avenue Supermarts, Bharti Airtel, Castrol India, DLF, Fortis Healthcare, Glenmark Pharmaceuticals, Godrej Industries, HDFC, ICICI Prudential Life Insurance and Reliance Industries along with most of the banking entities like State Bank of India, Andhra Bank, Bank of India, Canara Bank and Central Bank of India.

"All decisions have been taken with a view to enhance corporate governance but governance cannot improve only on the basis of law. One needs to ensure that the implementation is done religiously," said J.N. Gupta, managing director, Stakeholders Empowerment Services (SES), a proxy advisory firm.

Meanwhile, companies that currently have no segregation between MD/CEO and chairperson include Adani Ports, BPCL, BHEL, Coal India, General Insurance Corp., Wipro, Hero Motocorp, HPCL, TV Today Network, RIL and PVR among others.

The three-tier structure of a company that includes shareholders, board and the management need to be separate and independent of each other and hence SEBI has segregated the roles of MD/CEO with that of the chairman.

Audit panel's role

SEBI has also enhanced the roles of a company's audit committee, nomination & remuneration committee and risk management committee. The Kotak panel had recommended enhanced disclosures on auditor's credentials, audit fees and reasons for resignation of auditors.

"The government recently notified norms for appointment of chairperson and members of National Financial Reporting Authority," said Sumit Agrawal, a former SEBI official and regulatory lawyer. "SEBI's decision to make mandatory disclosure of auditor credentials, audit fee, reasons for resignation of auditors, seem to be in sync with the government's efforts of increasing governance in the audit profession."

Toyota, Suzuki to make cars for each other in India

Japanese firms to supply petrol hybrids to rebadge and sell

REUTERS
TOKYO

Toyota Motor Corp. and Suzuki Motor Corp. agreed on Thursday to produce cars for each other in India as Toyota aims to increase its market share in the world's fifth-largest passenger car market.

The agreement follows an R&D tie-up announced by the two Japanese automakers a year ago, and will see Toyota, one of the world's biggest automakers, secure production from its much smaller rival, which dominates India with its line-up of affordable compact cars.

Suzuki will supply gasoline and mild-gasoline hybrid versions of its Baleno hatchback, along with the Vitara Brezza compact SUV to Toyota while the latter will produce gasoline and gasoline-hybrid Corolla sedans for Suzuki, the automakers said.

Expand presence

Analysts said the arrangement would help Toyota expand its presence in India, where it has struggled to grow sales due to lean demand for its lower-cost models.

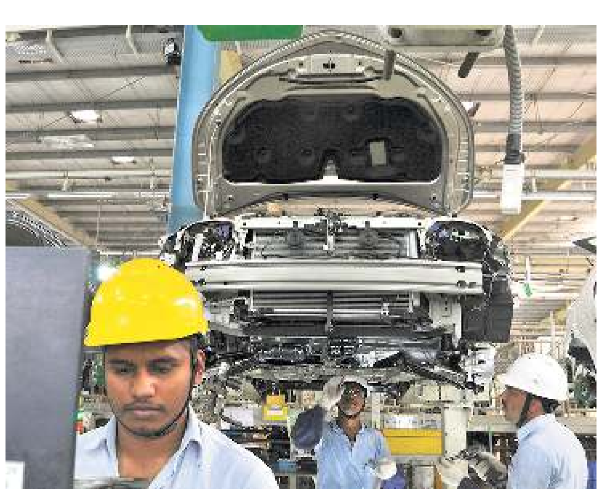
"India is a big blemish on Toyota's otherwise strong track record for breaking into emerging markets," said Janet Lewis, head of Asia transportation research at Macquarie Securities.

"By selling rebadged and slightly changed Balenos and Vitaras, Toyota can bolster its distribution network and move more towards expanding its market share."

Manufacturing will begin by mid-2019. Under the deal, vehicles made by Suzuki will be rebranded and exported as Toyota cars, while the Toyota vehicles will sport the Suzuki badge.

A Toyota spokeswoman declined to give details on production figures, while the Nikkei business daily reported that Toyota would supply about 10,000 vehicles to Suzuki, while Suzuki would produce up to 50,000 units annually for Toyota.

The deepening partnership between the two automakers will enable Suzuki to tap into Toyota's R&D firepower to develop lower-emission vehicles and self-driving cars – areas which Suzuki has admitted it is struggling to keep up with.



Win win: Toyota's sales have been dented by poor demand for its India-made models while Suzuki is market leader. ▪REUTERS

Electric cars

The two companies plan to introduce electric cars in India around 2020.

Suzuki has dominated the Indian automobile market through a majority stake in Maruti Suzuki India Ltd., the country's largest automaker, which sold roughly 1.6 million vehicles last year, accounting for every other car sold in the country. Producing 50,000 vehicles for Toyota would represent just a sliver of what Suzuki sold in India in 2017.

Toyota lags far behind with a roughly 5% market share. An additional 50,000 units could push Toyota's annual sales above those of Honda Motor and Tata Motors, but it will still lag far behind the top three manufacturers – Suzuki, Hyundai Motor Co. and Mahindra & Mahindra. Last year, Toyota sold roughly 1.4 lakh cars in India, leaving its two plants in the country to operate at about half their capacity of manufacturing more than three lakh vehicles a year.

Toyota has produced cars specifically for the Indian market for 20 years, but sales have been dented by poor demand for its last two no-frills models made specifically for India, the Etios sedan and the Liva hatchback, which were criticised for compromising on quality and finish to keep costs low.

The supply from Suzuki would alleviate pressure on Toyota to develop its own low-cost models for the country under its Daihatsu compact car brand, which has made limited progress in developing affordable, appealing models for emerging markets.

In the past, Toyota had looked to Daihatsu for help to develop affordable, competitive cars in India. But its engineers and parts purchasing managers have told Reuters that establishing supply chains from scratch which can compete with Suzuki's would be highly time-consuming.

Bharatmala to hit 25 toll roads: ICRA

SPECIAL CORRESPONDENT
MUMBAI

The 44 new economic corridors (EC) proposed to be built under the Bharatmala network, designed on the shortest possible route connecting the origin and destination, would impact the existing highway networks by directly competing with a few stretches, including some existing Build Own Transfer (BOT) (toll) road projects, ICRA said in a report.

ICRA said the debt servicing ability of some of the BOT (toll) and OMT (own, maintain, transfer) projects would be impacted by proposed network. "An estimated 25 NH-toll projects involving ₹19,435 crore of debt would be at risk as a result of new economic corridors under Bharatmala Pariyojana," the rating agency said in the report.

IDBI nets ₹4,400 cr. via asset sales

SPECIAL CORRESSPONDENT
MUMBAI

IDBI Bank, which has been selling non-core assets to shore up capital, concluded another deal, selling its building in the Bandra Kurla Complex (BKC) to the Securities Exchange Board of India for about ₹900 crore.

The proceeds from this transaction take the total this fiscal to ₹4,400 crore and is likely to get reflected in the bank's bottomline for the quarter ending March, according to sources in the banking industry.

"IDBI Bank has entered into sale deed for sale of its BKC, Mumbai situated office property to Securities Exchange Board of India," the state-run lender said in a mandatory filing to the stock exchanges.