

# NEWS CHRONICLE

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**Editorial Team: Knowledge Management @ Acquisory**

## Major highlights of RBI's 19<sup>th</sup> Monetary Policy Committee Meeting

### A. The 19<sup>th</sup> meeting of the Monetary Policy Committee (MPC) held on the 1<sup>st</sup>, 3<sup>rd</sup> and 4<sup>th</sup> October 2019 took key decisions:

#### 1. Reduction in Repo rate

The MPC decided to reduce the repo rate by 25 basis points from 5.40% to 5.15%. The MPC decided to continue with its earlier “accommodative stance” of the monetary policy.

#### 2. GDP Forecast

The RBI revised its economic growth projection downward for FY 2019 - 20 from 6.9% to 6.1%, considering the lower than expected growth rate in the first quarter of FY 2019 – 20. The MPC mentioned that various parameters suggest that the domestic demand conditions have remained weak. However, they also expressed hope that the economy will recover in the second half of this financial year.

#### 3. Inflation projection marginally increased

The CPI inflation risk was revised upwards by the MPC to 3.4% for Q2 of FY 2019 – 20. However, CPI projection for second half of this fiscal is kept between 3.5 - 3.7% and 3.6% for Q1 of FY 2020 – 21, with risks evenly balanced. Various domestic and global factors were taken into consideration by the MPC to arrive at this decision.

### B. Other Observations:

#### 1. Weaker Industrial activity

The MPC noted that contraction in output of 8 core industries have weakened the industrial activity. Major pull down in the industrial activity was due to slowdown in sectors, viz., coal, power, crude oil and cement.

#### 2. PMI

The Purchasing Manager's Index (PMI), a key benchmark of near future economic trend moderated to 50.2, its lowest since September 2018, hovering close to the line between expansion and contraction and below its long run average of 53.9 on subdued growth of new business.

#### 3. Global Economic Activity

- i. The MPC deliberated on the losing pace of the global economic activity.
- ii. The US – China trade wars and Brexit have created a wave of uncertainty in global financial markets.
- iii. Many emerging economies have witnessed slowdown in economic activity. South Africa and Brazil have seen a contraction in their GDP and there is possibility of recession in Brazil.
- iv. Most emerging market currencies have slipped against the dollar.
- v. The situation is better in the US but a further slowdown is expected in the European region.

#### 4. Foreign Direct Investment

The FDI has picked up during April to July 2019 by 28% as compared to last fiscal. The total inflows increased to \$16.33 billion into all sectors as compared to \$12.75 billion in the last fiscal in the comparable period.

## M & A UPDATES

### 1. CCI approves Kora Master Fund LP investment of up to 10% (\$75 million) in Edelweiss Securities Limited

The CCI has approved investment of up to 10% by Kora Master Fund LP in Edelweiss Securities Ltd. as per relevant provisions of the Act. The notification comes in response to proposal by Kora to invest in Edelweiss Securities Limited and Edelweiss Global Investment Advisory Business (EGIA) subsidiaries of up to INR equivalent to \$75 million as set out in their Share Subscription Agreement. Kora is also planning to invest a further \$50 million in Edelweiss group in near future.

The proposed transaction is a lucrative investment opportunity in the Indian investment sector for the foreign portfolio investor. This transaction is expected to give a thrust to the business of the target entities by utilizing the capital provided by Kora.

### 2. CCI approves acquisition of 4.15% of the shareholding in Aditya Birla Capital Limited by Jomei Investments Ltd. (JIL)

CCI has approved acquisition by JIL in the holding company of financial services of Aditya Birla Group, i.e. ABCL. ABCL had announced in September that its Board had approved to raise primary equity capital of ₹2,100 crores through preferential allotment to certain marquee investors and the promoter as well as promoter group entities. JIL is a special purpose vehicle which is wholly owned by Advent International GPE IX limited partnership.

### 3. Singapore-based e-commerce platform Qoo10 acquires ShopClues in all-stock deal

Singapore based e-commerce platform Qoo10 is all set to acquire the Indian online marketplace platform ShopClues, the transaction value of which is estimated to be around \$70 – 100 million. Qoo10 operates localized marketplaces across Singapore, Indonesia, Malaysia, China and Hong Kong. This deal is expected to put an end to the prolong hunt by ShopClues for a buyer. Further, this strategic alliance also expected to open up new cross – border avenues for consumers and sellers across Asia.

## RERA UPDATES

### 1. MahaRERA has allowed certain transactions to permit sale deed registration without registration under RERA

Maharashtra RERA has specified following transactions which are excluded from RERA registration:

- i. Real Estate Projects where the area of land proposed to be developed is less than or equal to 500 sq. mts.
- ii. Projects where number of apartments proposed to be developed is less than or equal to 8 apartments.
- iii. Projects where promoter has received CC/ OC or N.A. (in case of plotted development) from competent authority, any time before agreement for sale or sale deed registration
- iv. This circular has been issued after MahaRERA received complaints and enquiries from various stakeholders regarding difficulties in their Agreement of Sale or Sale Deed for real estate projects.

### 1. Framework for issue of Depository Receipts (DRs)

SEBI has come out with a detailed framework for issuance of DRs. This move is expected to provide Indian companies with an increased access to foreign funds through ADRs and GDRs. As per the regulations, only listed companies will be allowed to issue permissible securities. The existing holders will be able to transfer permissible securities for the purpose of issuance of DRs. Listed entities are allowed to issue such securities on the condition that none of its promoters, directors and selling shareholders have been currently barred from the capital markets.

### 2. Timely disclosure of resignation of statutory auditors from listed entities and their material subsidiaries

SEBI has made it mandatory for all listed entities to make timely disclosure of resignation of auditor within 24 hours after receipt of reasons of resignation by the auditor(s). This is in interest of the investors, to facilitate them in making informed investment decisions. The concerns raised by the auditor w.r.t. its resignation shall be deliberated upon by the Audit Committee before their next meeting. The views of the audit committee should be communicated by the listed entity to the stock exchange(s) within 24 hours of the meeting of the audit committee. In case of absence of audit committee, this review and reporting of Audit committee's views shall be prerogative of the Board of Directors.

### 3. Timely disclosure of divergence in asset classification and provisioning by Banks

SEBI has issued directives to listed banks to disclose any divergences and provisioning beyond specified threshold within 24 hours of receiving RBI's risk assessment report. The listed banks should not wait till publication of annual accounts to make necessary disclosures. The disclosures are to be made in either or both of the following cases:

- a) The additional provisioning for NPAs assessed by RBI exceeds 10% of the reported profit before provisions and contingencies for the reference period, and;
- b) The additional gross NPAs identified by RBI exceed 15% of the published incremental Gross NPAs for the reference period.

The format for such disclosure has been specified in the annexure to the circular issued by SEBI.

### 4. Review of investment norms for Mutual Funds

SEBI has permitted mutual funds investment in NCDs not exceeding 10% of the debt portfolio of that scheme. Existing exposure to such NCDs needs to be brought down to 10% of the scheme's portfolio by 30<sup>th</sup> June, 2020. There was no such requirement earlier. These NCDs should be rated and secured with coupon payment frequency on a monthly basis.

The notification also lays down the requirement that debt MFs shall not invest in unlisted debt instruments including CPs, other than govt. securities, other money market instruments and derivative products which are used by MFs for hedging.

These reforms are expected to address several issues which were contributory factors in the recent debt crisis.

## GLOSSARY

<b>ABCL</b>	Aditya Birla Capital Limited	<b>JIL</b>	Jomei Investment Ltd.
<b>ADR</b>	American Depository Receipt	<b>MF</b>	Mutual Funds
<b>CC</b>	Completion Certificate	<b>MPC</b>	Monetary Policy Committee
<b>CCI</b>	Competition Commission of India	<b>N.A.</b>	Non – Agricultural
<b>CP</b>	Commercial Papers	<b>NCD</b>	Non – Convertible Debentures
<b>CPI</b>	Consumer Price Index	<b>NPA</b>	Non – Performing Assets
<b>DR</b>	Depository Receipts	<b>OC</b>	Occupancy Certificate
<b>ESL</b>	Edelweiss Securities Limited	<b>PMI</b>	Purchasing Manager’s Index
<b>GCFC</b>	Gross Fixed Capital Formation	<b>RBI</b>	Reserve Bank of India
<b>GDP</b>	Gross Domestic Product	<b>RERA</b>	Real Estate Regulatory Authority
<b>GDR</b>	Global Depository Receipt	<b>SEBI</b>	Securities and Exchange Board of India

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