



NEWS CHRONICLE

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CONTENTS

POLICY UPDATES	3
INDUSTRY UPDATES	5
GLOSSARY	6
CONTACT US	7

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Editorial Team: Knowledge Management @ Acquisory

1 POLICY UPDATES

A. Government pushes ahead with disinvestment of PSEs

The Govt. accorded “in-principle” approval for disinvestment of following CPSEs:

- Bharat Petroleum Corporation Limited (BPCL)
- Shipping Corporation of India (SCI)
- Container Corporation of India (ConCor)

The Government had proposed to raise ₹1.05 lakh crore from disinvestment in the current financial year, out of which ₹17,364.26 crores has already been realized from sale of stake in PSEs. The sale of stakes in the above PSEs is expected to fetch a further ₹78,400 crores to the Government during the rest of the year.

PSE	% STAKE SALE	AMOUNT EXPECTED TO BE REALISED* (₹)
BPCL	53.3%	63,000 crores
SCI	63.7%	2,000 crores
ConCor	30.8%	13,400 crores

*at market value

B. Government pushes spectrum payment due date to FY 2022.

Telcos have been provided with a moratorium period of 2 years to pay the spectrum amount due. For spectrum bought via auctions, the telecom operators can avail the option of paying 25 – 50% bid amount upfront to the Government. The remaining amount can be paid over period of 16 years (excl. 2 years of moratorium period) along with interest ranging from 9.3% - 10% / annum.

This decision to defer payment for F.Y. 2020 – 21 and F.Y. 2021 – 22 is expected to provide relief worth ₹42,000 crores to telcos viz. Bharti Airtel, Vodafone and Reliance Jio. This decision has come at a time where telecom sector is witnessing financial stress and telecom companies had been requesting for such deferment from some time now.

C. Amended Liquidity Risk Management Framework for NBFCs and CICs

RBI extended its effective date for implementing the LCR norms for NBFCs from 1st April 2020 to 1st December 2020. The framework which lays down guidelines for HQLA requirements will be rolled out in phases.

All NBFCs with asset size ₹100 crore or more, CICs and all deposit taking NBFCs (irrespective of their size) will be required to segregate the 1 – 30 days time bucket in their statement of Structural Liquidity into smaller packets of 1-7 days, 8-14 days and 15-30 days. As per the directives:

Maturity Bucket	Net cumulative mismatches should not exceed (of cumulative cash flows)
1 – 7 days	10%
8 – 14 days	10%
15 – 30 days	20%

1 POLICY UPDATES

These guidelines have been stipulated after defaults by several NBFCs and need for a stronger Asset Liability Management (ALM) framework. Many NBFCs have mismatches in their books by taking short term loans and giving out long – term loans.

The NBFCs are required to adopt liquidity risk monitoring tools/ metric in order to keep a check on any possible liquidity stress. This will include:

- a) concentration of funding by counterparty/ instrument/ currency
- b) availability of unencumbered assets that can be used as collateral for raising funds; and
- c) certain early warning market-based indicators, such as, book-to-equity ratio, coupon on debts raised, breaches and regulatory penalties for breaches in regulatory liquidity requirements.

D. SEBI issues operational guidelines for FPIs

SEBI has issued operational guidelines for FPIs which were notified in September 2019 by the regulator. According to the guidelines, all existing FPIs which were registered under Category III FPIs in 2014 regulations will deemed to have been registered as FPI Category II under new regulations. It further said that FPIs will not be allowed to issue Offshore Derivative Instruments (ODIs). FPIs will also not be allowed to hedge their ODIs with derivative positions on stock exchanges, except FPI under Category I which can do so through separate FPI registration. Fresh derivatives, which are not in compliance with the above requirements will not be allowed. Existing FPIs have been given of 90 days from publication of these guidelines to comply with the requirements.

2 INDUSTRY UPDATES

A. M&A deals slip by 45% to USD 1.5 Bn in October 2019

The M&A deals have witnessed a 45% decline in October 2019 as compared to same period last year. According to reports, last year 28 deals were reported which valued around USD 2.8 billion in October 2018 and this year, only 28 deals worth USD 1.5 billion were reported.

While, the M&A deals seems to have declined in comparison to 2018, but on a month – on – basis, the M&A deal activity saw an increase showing signs of improved sentiments. This increase can be attributed to announcement of reduction in corporate tax rates recently, as the deal sized almost double in Oct'19 from Sept'19.

M&A deals in October were dominated by the energy sector in terms of value, contributing to about 64% of the total deals. Other major sectors which attracted deals include pharma followed by deals in automotive and banking sectors.

B. SEBI bars Karvy from conducting any activities in the capital markets

SEBI has barred Karvy from engaging with new customers on the grounds that Karvy has been mis-utilising the clients' securities for their own purpose for raising working capital. The findings suggest that Karvy had illicitly sold clients' stocks pledged with it through associated entities, leading to diversion of funds. Securities worth ₹2,300 crore are estimated to have been illegally transferred into an account named BSE by Karvy by mis-using the PoA provided by around 95,000 clients. This demat account has never been disclosed by Karvy in its filings with the stock exchanges.

C. Laptev Finance acquires Welspun's Plates and Coils business

CCI has approved acquisition of Plates and Coil division of Welspun Corp Ltd. by Laptev Finance Ltd. The deal is estimated to be around ₹848.5 crores. The proposed combination is expected to strengthen Laptev's business of buying, selling reselling, exporting/ importing all kinds of steel products.

D. Toyota Motors Corporation purchases minority shareholding in Suzuki Motors Corporation

CCI approved acquisition of minority shareholding of 4.94% by Toyota Motors Corp in Suzuki Motor Corp and in lieu of this acquisition, Suzuki Motors has also acquired 0.24% shareholding in Toyota Moto Corp. Through this combination, both the automobile giants hope to collaborate their resources and further strengthen their standing in the automobile market.

GLOSSARY

ALM	Asset Liability Management	LCR	Liquidity Coverage Ratio
BPCL	Bharat Petroleum Corporation Limited	NBFC	Non - Banking Financial Company
BSE	Bombay Stock Exchange	ODI	Offshore Derivative Instruments
CCI	Competition Commission of India	PoA	Power of Attorney
CIC	Core Investment Companies	PSE	Public Sector Enterprise
ConCor	Container Corporation of India	RBI	Reserve Bank of India
FPI	Foreign Portfolio Investor	SCI	Shipping Corporation of India
HQLA	High Quality Liquid Assets	SEBI	Securities and Exchange Board of India

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