

NEWS CHRONICLE

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AT A GLANCE

The Indian economy is still far away from the path of recovery, after being severely hit by the global pandemic. The parameters of economic and investment activities have shown a marked reduction as compared to previous years. M&A activities, for example, have witnessed a 3 – year low in terms of deal value during the H1 of 2020 mainly due to liquidity constraints. In addition, the number of transactions witnessed a 22.7% decline as compared to last year.

H1 2020 has primarily witnessed transactions in energy and power sector, followed by telecommunications. A large volume of investments in the telecom sector have come in the form of equity infusion by foreign institutions in Reliance Jio platforms in the past few months.

The past month also witnessed funding in start-ups and major PE investors participating to help re-boost the MSME and start – up segment. The government has also been coming out with policy reforms intended for the MSMEs and start – ups to establish themselves firmly and also help the struggling entities revive their businesses. The regulatory authorities too have been announcing relaxations to facilitate ease of doing business and ensuring that the corporates are not penalized for forced non - compliance.

Some of the highlights from the corporate sector and announcements by the regulators have been elaborated in this newsletter in subsequent sections.

CORPORATE UPDATES

➤ **Google to invest ₹33,737 crore for a 7.7% stake in Jio Platforms**

Google is all set to acquire 7.7% stake in Jio platforms for ₹33,737 crore. Cumulatively, Jio has been able to raise more than ₹1.52 lakh crore (\$20 billion) recently through global investors.

Google and Jio are expected to jointly develop an operating system for an entry – level smartphone which will be 4G/ 5G compliant.

➤ **Softbank-Bharti green energy JV taps Brookfield for up to \$600 million funds**

SBG Cleantech is reportedly in talks with Brookfield to raise \$500 – 600 million to expedite its ongoing and future projects in India and the US. SBG Cleantech is a JV between Japanese Softbank holding 80% in the JV and Indian Bharti Enterprises holding the remaining 20%.

➤ **Carlyle unit to take 25% stake in Airtel's data center business for \$235 million**

Bharti Airtel is selling approximately 25% of its stake in its Data Centre Arm Nxtra Data Ltd. for \$235 million to Carlyle Group owned Comfort Investments II. Post completion of transaction, Airtel will continue to hold remaining 75% stake in Nxtra and post – money enterprise valuation of Nxtra will stand at approx. \$1.2 billion.

Comforts Investment II is an affiliated entity of CAP V Mauritius Limited, which is an investment fund managed and advised by affiliated entities of the Carlyle Group. Nxtra offers data security services to Indian and global enterprises, SMEs and the Government.

➤ **Mastercard announces support of ₹250 crore to reboot the Indian SMEs**

One of the most adversely affected sectors during the pandemic has been the SME sector, which has witnessed cash crunch and supply chain disruptions. To address this issue and help the SMEs back on the road to recovery, Mastercard has announced a commitment of ₹250 crores for SMEs by rolling out multiple initiatives:

- Encouraging digital payments by increasing its awareness in small businesses and providing low – cost online and offline solutions
- Increase operational efficiencies for small merchants and kirana stores by providing access to credit, knowledge and necessary tools.
- Encouraging women entrepreneurs by increasing their business acumen

➤ **VeGrow raises \$2.5 million led by Matrix Partners and Ankur Capital**

VeGrow, an agri-tech startup focused on aggregating small farms has announced raising \$2.5 million in seed funding from Matrix Partners India and Ankur Capital. VeGrow looks forward to bringing economies of scale to Indian farmers by encouraging use of technology.

The start-up aims to aid farmers in crop planning and gives them access to high quality inputs, monitor their farming practices and helping them to sell their harvest to right buyers at right price.

REGULATORY UPDATES

➤ Special Liquidity Scheme for NBFCs and HFCs by RBI

The GOI had approved a scheme to improve liquidity position of NBFCs and HFCs through an SPV to strengthen the financial sector.

Some of the key highlights of the scheme are:

- ✓ The SPV has been set up to manage a stressed asset fund where the securities will be guaranteed by the Government.
- ✓ The securities will be issued by the SPV for up to ₹30,000 crore and the securities will be purchased by the RBI.
- ✓ Funds received from sale of securities will be utilized by the SPV to purchase short – term investment grade papers from NBFCs/ HFCs, thus providing them with necessary liquidity.
- ✓ The instruments will be CPs and NCDs with a residual maturity of not more than three months and rated as investment grade.
- ✓ This facility will be available for papers issued till 30th September 2020. Afterwards the SPV would not make any fresh purchases and would recover all dues by 31st December 2020, or as may be notified under the scheme.

Eligibility:

- ✓ NBFCs and MFIs registered with RBI under the RBI Act, excluding CICs and HFCs registered under NHB Act.
- ✓ CRAR/CAR of NBFCs/HFCs should be at least 15% and 12% respectively as on 31st March 2019.
- ✓ Net NPAs should not be more than 6% as on 31st March 2019.
- ✓ Should have made profits in at least one of the two immediately preceding FYs i.e. 2017 – 18 and 2018 – 19.
- ✓ Should not have been reported under SMA-1/ SMA-2 category by any bank for their borrowings during the last 1 year prior to 1st August 2018.
 - Banks classify borrowers into Special Mention Accounts (SMA) based on their delay in repayment.
 - SMA-0 loans are overdue between 1 and 30 days
 - SMA-1 loans are overdue between 31 and 60 day
 - SMA-2 loans are overdue between 61 to 90 days
- ✓ They should also be rated investment grade by a SEBI registered rating agency and should comply with the requirement of the SPV for an appropriate level of collateral from the entity which would be optional and to be decided by the SPV

Benefits to NBFCs/ HFCs:

- ✓ NBFCs and MFIs will not be required to liquidate their current asset portfolio under this scheme, unlike in PCGS
- ✓ NBFCs will be able to get investment grade bonds issued

REGULATORY UPDATES

➤ **RBI extends Timeline for Finalization of Audited Accounts**

In view of the on – going COVID crisis, RBI has decided that every applicable NBFC will be required to finalise its balance sheet within a period of 3 months from the end date to which it pertains or any other date as may be notified by SEBI for submission of financial results by listed entities.

➤ **Ind-AS amended to facilitate disclosure of lease modification accounting**

Ind-AS 116 relating to principles for recognition, presentation and disclosure of leases and Ind-As 103 pertaining to business combinations have been amended by the MCA.

As per amendment in Ind-As 116, entities would be relieved from lease modification accounting due to COVID-19 rent related concessions.

Amendment in Ind-As 103 has been done to allow companies to determine whether a transaction needs to be accounted as business combination or as asset acquisition.

➤ **Extension of timelines by SEBI – Few notable Particulars**

PARTICULARS	EXTENDED DEADLINE
Submission of half – yearly Internal Audit Report (IAR) by DPs for HY ended 31 st March 2020	30 th September 2020
Internal Audit report for HY ended 31 st March 2020	30 th September 2020
Update in Income Tax PAN of KMP/ Directors	5 months from due date
Submission of financial results for the Q/ HY/ FY ended 30 th June 2020	15 th September 2020

GLOSSARY

CAR	Capital Adequacy Ratio	NBFC	Non-Banking Financial Company
CIC	Core Investment Company	NCD	Non - Convertible Debentures
CP	Commercial Papers	NHB	National Housing Bank
CRAR	Capital to Risk (Weighted) Assets Ratio	NPA	Non-Performing Asset
DP	Depository Participant	PAN	Permanent Account Number
HFC	Housing Finance Company	PCGS	Partial Credit Guarantee Scheme
IAR	Internal Audit Report	Q/HY/FY	Quarterly/ Half - Yearly/ Financial Year
KMP	Key Managerial Personnel	RBI	Reserve Bank of India
MCA	Ministry of Corporate Affairs	SEBI	Securities and Exchange Board of India
MFI	Micro Finance Institution	SMA	Special Mention Account
MSME	Micro, Small and Medium Enterprises	SPV	Special Purpose Vehicle

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