IN BRIEF

RBI issues new draft rules for M&As

MUMBAI

The Reserve Bank on Wednesday proposed a fresh set of regulations regarding mergers and acquisitions which seek reporting of such actions to be more stringent and time—bound, and provide for mandatory permission for all deals which are not on the automatic route. This follows the new regulations notified by Corporate Affairs Ministry. The bank has sought public comments by May 9. PTI

Blackstone sells entire stake in Allcargo

CHENNAI

Blackstone has sold its entire 14.4% stake or over 3 crore shares in Allcargo Logistics for about ₹640 crore in an open market transaction on Wednesday. According to BSE data, Blackstone sold the stake at ₹180 a share. Morgan Stanley, BNP Paribas, Birla Sun Life Mutual Fund, SBI Mutual Fund among others were the buyers of the shares. Allcargo shares closed at ₹190.80 on BSE.

RIL, Germany's Resysta in pact for wood substitute

MUMBAI

Mukesh Ambani-led Reliance Industries Ltd. (RIL) has entered into a licence agreement with Resysta International GmbH (Resysta), a leading German innovator, giving RIL exclusive rights of production and marketing of RelWood, a Natural Fibre Polymer Composite (NFPC), in India. This compound will be the raw material for the production of sheets and profiles used in a wide range of wood and plywood replacement applications.

INTERVIEW|GOPAL SRINIVASAN

Stayzilla dispute is for courts to decide

This kind of dispute can happen across industries — be it a start-up or a non start-up

K.T. JAGANNATHAN
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The arrest of a Stayzilla founder for non-payment of dues to a vendor has shaken up the entire start-up ecosystem, with a slew of allegations by both the parties. In an interview, **Gopal Srinivasan,** *chairman, Indian Private Equity and Venture Capital Association, said the issue is a commercial dispute. Hence, he opined, the judiciary is the best judge in the case. Mr. Srinivasan, who also heads TVS Capital Funds, said that wherever risk capital is involved, everyone needs to be careful. Excerpts:*

What are your views on the Stayzilla dispute?

Stayzilla is a commercial dispute. The best person to decide what is right or wrong is the arbitrator. The issue has been blown out of proportion. Group identities (start-up) have been chosen instead of the individual facts of the case between a vendor and the company. It does not matter whether it is a Chennai-based company or a Bengaluru-based company, a start-up or a non start-up. We should look at the individual facts of the case rationally. There have been lot of allegations and counter-allegations in this instance. How do we know if it is true? Even if it is true, it is for the courts to decide.

What are the lessons to be learnt?

There are no lessons to be learned in my view. Only aspect which needs to be looked at is whether the institutional investors (there are two in this case) played their role well. Did they keep a check on whether the company is living beyond their means? Did they apply the brakes on them by asking them to pay the dues and set things right? Did the vendor do his due diligence before getting into the non-cash transaction like any venture capital would do?

Did the institutional investors play their role well?

We are not sure. From what has come out in the media, the case has been messed up. There were lot of options available which could have been used in landing the dispute in the right direction. The provisions of Bankruptcy Code could have been taken advantage off. The institutional investors should have warned the company of stretching beyond its means and asked them to settle the pending dues to all stakeholders.

Institutional investors should have warned the firm of stretching beyond its means

What has been the impact of this episode on the start-up ecosystem?

Start-ups are afraid that tomorrow they could be a target. Unfortunately, the episode has been branded with group identities (start-ups). This kind of dispute can happen across industries – be it a start-up or a non start-up. One needs to understand that most start-ups are funded by venture capital, which is a risk capital. By risk capital, I mean out of the 10 bets I take 8 are bound to fail. Risk capital should not be mistaken for safety capital. Venture capital is the form of working capital, which funded start-up use for burning their P&L expense. In such an ecosystem, these kinds of disputes are bound to happen. Everyone should understand that they are dealing with risk capital, and be careful about what they are getting into. These are the kind of aspects we would cover in our guidelines which our Association would be issuing shortly.

What is your view on the capital dumping charge made by Indian firms such as Flipkart, Ola and others against foreign firms?

India has allowed capital to enter by regulation through routes like Mauritius. If some foreign player has a low cost of capital advantage when compared to an Indian player, then that is an internal problem. Also, on predatory pricing, there is a Competition Commission to look into it. Most private equity and venture capital funds still source most of the capital from foreign investors.

'Tariff drop may not impact solar viability'

Low power demand a hindrance to sector, says Hero Future Energies' Sunil Jain

SPECIAL CORRESPONDENT
HYDERABAD

The substantial drop in solar power tariff in recent times is unlikely to impact viability of the projects as the project and finance costs too have declined, according to Hero Future Energies Pvt. Ltd. CEO Sunil Jain.

"People have concerns whether lower tariffs are viable or not," said Sunil Jain during an interaction with journalists on Tuesday.

"I believe these tariffs are viable as the project and finance costs also have fallen substantially," he said.

Anticipating the fall in solar tariffs to continue and go below the ₹3.15 per unit at which the Rewa project in Madhya Pradesh was awarded, he expected a new benchmark to emerge for the Bhadla Solar Park.

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The internal rate of return for solar power projects has declined from 16% to 15%.

For 750 MW capacity, the project in Rajasthan had already got bids for 8,000 MW. In a few years, the solar tariff would stabilise between ₹2.70 and ₹2.90, he said.

Lower IRR

Investors, he added, were also working on a lower internal rate of return (IRR) on the equity. The IRR has come down from 16% to 15%, said the head of Hero Future Energies, a company that had completed 600 MW of renewable energy projects and raised, earlier this year, $125 million private equity from World Bank arm IFC.

Noting that wind and solar segments in India were doing well, especially "standing on their feet without subsidies," Mr. Jain pointed out the hindrance to the power sector, however, was by way of the overall demand remaining low.

"Growth in the demand is not happening the way it is envisaged," he said, adding that the services sector that was powering the GDP was not a big consumer. The actual power demand growth came from the manufacturing sector, he said.

Lakshmi Vilas Bank net rises 6%

SPECIAL CORRESPONDENT
CHENNAI

Lakshmi Vilas Bank posted a 6% increase in its standalone net profit to ₹52 crore for the fourth quarter ended March 31, 2017, against ₹49 crore in the year-earlier period. The profit increase was backed by strong growth in advances, other income and reduced cost of funds.

Net interest income rose to ₹783 crore from ₹645 crore in the year-earlier period. Net interest margin was 2.85% (2.78%).

Total income rose to ₹865 crore from ₹759 crore in the year-earlier period.

Huge market: India is a land of opportunity for sustainable development, says UNGC chief. ▪GETTY IMAGES/ISTOCK

'Sustainable sector is a $1 trillion opportunity'

India can create 72 million jobs: UNGC

SPECIAL CORRESPONDENT
NEW DELHI

India has the potential to generate $1 trillion worth of business opportunities and 72 million jobs by 2030 for companies working in the sustainable development space, especially in sectors such as food and agriculture, energy, construction, and healthcare, said Lise Kingo, CEO and executive director of the United Nations Global Compact.

The United Nations Global Compact (UNGC) is an initiative by the global body to encourage private sector companies to do more in achieving the Sustainable Development Goals, the deadline for which is less than 5,000 days away, Ms.Kingo noted.

"India is the land of opportunity for sustainable development," Ms. Kingo said while speaking at an event organised by the UNGC. "More than 50% of the progress towards the global (Sustainable Development) goals will come from India. The report we have come out with shows that there is $1 trillion worth of market opportunities for companies working in the sustainable area in India and employment generation of 72 million by 2030."

The major areas where these gains are possible include food and agriculture, energy, cities, health, and construction, Ms. Kingo added.

The report citing the basis for these figures will be released on Thursday.

Tackling inequality

"Inequality, tackling which is Goal 10 in the Sustainable Development Goals, has been rising but there has been a huge jump recently," Nisha Agrawal, Chief Executive Officer, Oxfam India said while also speaking at the event. "It is in the companies' self-interest to address these problems."

"Look at inequality, where the top small section commands most of the wealth," Ms. Agrawal added. "This affects the spending power of the bulk of the population, which hurts the companies. The same can be argued with climate change and environmental effects. Companies can't first do their production and then look at the environment."

Ms. Kingo highlighted the example of Adidas as a company trying to do its part in helping the environment. "Adidas has made a sports shoe made of the waste plastics collected from the oceans, which is increasingly becoming a major pollution problem."