Srei Administrator to Seek Nod to Control Cash Flows of Arms

ON THE AGENDA Also to approach lenders for mandate to appoint EY as financial advisor

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Mumbai: The administrator of Srei Infrastructure Finance and Srei Equipment Finance, Rajneesh Sharma, will seek a mandate from lenders to control the cash flows of the subsidiaries of the two bankrupt companies and appoint EY as its financial advisor, said two senior officials aware of the development.

The mandate is being sought based on an internal assessment by lenders led by UCO Bank that the promoters – the Kanoria brothers – allegedly diverted money borrowed from banks to infuse equity in the subsidiaries, the officials said.

The administrator will seek this mandate from the lenders in the upcoming first committee of creditors (CoC) meeting scheduled in the first week of November. These proposals were discussed at an informal meeting held on October 19 by the administrator, the people said.

For instance, Bharat Road Network, a subsidiary of Srei Equipment, has seven special purpose vehicles (SPVs) for strengthening expressways, of which two SPVs have been sold but lenders can access the revenues of the remaining ones, said a banker present in the meeting. Similarly, Srei has a business interest in the energy and hospitality sector, so lenders may be able to access cash flows of these units as well.

Some lenders have questioned the feasibility of the administrator taking control over the cash of subsidiaries because not only they are run by different boards but also because they may have different lenders. This move could lead to litigation and further delay resolution, said one of the leaders present at the meeting. One of the suggestions by lenders was to appoint a director on the boards of the subsidiaries of Srei Infrastructure and Srei Equipment to monitor their operations.

During the same meeting, Sharma also sought lenders' consent to propose a resolution in the first CoC on appointing EY as financial advisor to the administrator.

At least two large commercial banks objected to the proposal of EY becoming financial advisor on concerns of 'conflict of interest', the first person cited said. Before being admitted for the corporate insolvency and resolution process on 8 October, EY was advising Srei's promoters, the Kanoria brothers on debt restructuring, said one of two persons quoted above.

The administrator indicated to lenders EY was favoured for the experience it had gained in the resolution of DHFL- the first financial entity admitted for resolution under the Insolvency and Bankruptcy Code (IBC).

EY was among the six consultants including Alvarez & Marsal and KPMG that made a pitch to lenders for the role of a financial advisor on October 16.

This apart, Sharma also discussed the possibility of restarting the lending business of both the Srei companies, the first person said.

The Srei administrator and EY did not respond to request for comments.

KPMG, which is conducting a forensic audit of both the Srei companies, is yet to submit its report to the lenders. In the middle of this calendar year, Srei Infrastructure disclosed that a report by the Reserve Bank of India has identified Rs 8,576 crore of loans as related party transactions.

Lenders have an exposure of around ₹30,000 crore in both the bankrupt Srei companies.

Solar PLI Scheme: Jindal, Shirdi Sai Reliance New, Adani Infra Lowest Bidders

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New Delhi: Jindal India Solar Energy, Shirdi Sai Electricals, Reliance New Energy and Adani Infrastructure have emerged as lowest bidders for the government's ₹4,500 crore solar manufacturing production-linked incentive (PLI) scheme.

Jindal India Solar sought the lowest ₹1,390 crore incentive, said people aware of the matter. Shirdi Sai Electricals stood second with a bid of ₹1,875 crore while Reliance Industries' renewable arm quoted ₹1,917 crore. Adani Industries emerged L4 with a bid of ₹3,600 crore.

All four bidders proposed to undertake integrated manufacturing of polysilicon to modules of 4,000 MW capacity, said the people.

There are four stages in module making – polysilicon, wafers, cells and modules. At present, India's existing 15 GW production capacity has no polysilicon or wafer production capacity. "Our country has plenty of natural resources and is also endowed with vast solar energy potential. It is time we bring together these natural resources combined with human resources and take our country to new heights in power generation. More energy translates to more growth in the economy," said Shirdi Sai Electricals CEO Sharat Chandra.

AAI to Focus on New Airports

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As part of the National Monetisation Plan (NMP), the government plans to award 25 airports in the next four years, including the above 13. This follows the six awarded to the Adani Group in 2019 at the beginning of the second phase of privatisation after the airports of Delhi, Mumbai, Bengaluru and Hyderabad were handed over to private operators in 2005-6.

The government's plan is to liberalise the sector with the privatisation of profit-making airports. AAI's mandate will be expanded to develop new ones in areas where the private sector may not want to venture through profits earned through revenue share from the privatised airports.

AAI's earnings took a hit from Covid. It posted a record loss of Rs 1,962 crore in FY21 and was forced to borrow Rs 1,500 crore from State Bank of India to meet working capital requirements, including salaries. With the situation returning to normal and passenger traffic picking up, AAI will not have to borrow for working capital needs this year.

Despite the loss, capital expenditure was Rs 2,100 last year. It has borrowed Rs 1,000 crore for the purpose this year.

"Our capital expenditure will continue as planned," Kumar said. "To meet the capital expenditure requirements for this fiscal, we have borrowed Rs 1,000 crore. Further, based on the future funds requirement, a decision on additional borrowing will be undertaken."

ALLOWS APPEAL TO HEAR CASES ONE BY ONE

CESTAT Starts Hearing DRI Case Against Relief to Adani Group Cos

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Mumbai: Accepting the Directorate of Revenue Intelligence (DRI) plea to hear the cases against Adani group firms on a case-to-case basis, Customs, Excise & Service Tax Appellate Tribunal (CESTAT) on Monday commenced its hearing on the appeal filed by the department against the relief granted to two of the Adani group companies by an order quashing over-invoicing allegations against the firms.

Earlier in August, the two companies namely Adani Power Maharashtra and Maharashtra Eastern Grid Power Transmission Company (MEGPTC) had moved CESAT seeking an early hearing in the matter stating that it had been getting enquiries from independent directors, auditors, financial institutions and lenders about the status of the case. This was after the government in July told Lok Sabha that market regulator Securities and Exchange Board of India and the DRI were probing some Adani group companies over alleged non-compliance.

Special counsel PRV Ramanan appearing for the department argued that the Adjudicating Authority (AA) while deciding the matter 'muddled the two cases' and did not appreciate the facts in the case independently. Ramanan argued that since CESTAT was the final fact-finding authority, in the interest of justice the department be allowed to present the case against each firm separately.

The bench comprising President Justice Dilip Gupta and member (Technical) P Anjani Kumar allowed the DRI's plea to be heard in the case against each firm separately. Following which advocate Ramanan started arguing the DRI's case against Adani Power Maharashtra.

BEFORE THE BENCH

The AA 'muddled the two cases' and did not appreciate the facts in the case independently, said DRI counsel

Adani group was not immediately available for comment. At an earlier occasion while moving CESAT, an Adani group spokesperson told ET, "… Adani Power Maharashtra (APML) and Adani Power Rajasthan (APRL) had filed early hearing application in February 2020 requesting CESTAT, Mumbai, to hear appeals filed by customs department at an earliest date. CESTAT, Mumbai, after hearing both the parties i.e. customs department as well as the said companies, vide order dated 26.07.2021 allowed the early hearing application and listed the matter for final hearing on 30.08.2021,"

"Today after explaining that facts of the two cases are different, they need to be heard one by one, the special counsel of the government has started explaining the facts of the first case of Adani Power Maharashtra. There are multiple notices in that case, including another importer which is also an Adani group company — Adani Power Rajasthan. The arguments about the first case are only partially done today," said sources.

"Once the argument in the said case is done, the special counsel will argue on the case related to Maharashtra Eastern Grid Power Transmission Company," the source added.

Ramana presented the evidence gathered by the DRI during the course of its probe alleging while the power equipmentswere imported directly from China, the documents were routed through an intermediary created by them at Dubai, which raised inflated invoices (inflating several times the original invoices of the Original Equipment Manufacturer) on the Indian company, against which money is remitted to Dubai.

Porter Raises ₹750 crore from Tiger Global, Vitruvian, Others

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Bengaluru: Porter, a tech-based logistics company, has raised ₹750 crore in its Series E funding round from investors Tiger Global Management and Vitruvian Partners, with existing investors Sequoia Capital India and Lightrock India also participating in the fundraising.

Tech-based logistics co plans to use funds to expand operations and acquire talent

The company plans to use the funds to consolidate its position, focus on acquiring talent and expand operations. It is aiming to enter the country's top 35 cities by 2023 to strengthen its position as a leader in the logistics market.

"This funding round, in the current economic scenario, is a testament to the execution of the entire Porter team," said Porter CEO Pranav Goel. "The idea behind Porter was to solve the existing market gap between demand and supply by creating a tech-enabled liquid marketplace to drive better vehicle utilisation and service levels for our users."

IndigoEdge acted as the exclusive financial adviser to Porter in this funding round.

Other Bidders' Offers Below ₹5,000 cr

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The RP-SG group previously owned the now-defunct Rising Pune Supergiants during the 2016 and 2017 seasons, when the Chennai Super Kings and Rajasthan Royals teams had been suspended over match fixing and illegal betting allegations.

Lucknow's Atal Bihari Vajpayee stadium will be home to the franchise. Opened in November 2018, it has a 49,000-seat capacity. The Ahmedabad franchise will have its home base at the Narendra Modi stadium, one of the largest cricket grounds in the world with a capacity of 112,650.

CVC Capital, earlier Citicorp Venture Capital, bid as Irelia Company Pte. It has more than $100 billion in secured commitments inception across European and Asian private equity, credit and growth funds. It picked up a 10% stake in Spanish football league La Liga for around $3.2 billion in August. One of the most active private equity firms in sports, CVC has also invested in rugby and volleyball. It used to own a 66% stake in Formula One.

Apart from the two winners, 20 other interested parties had picked up tender documents. However, only nine submitted bids. They included the Adani Group, the Glazer family that owns Manchester United, Amrut Lila, Hindustan Media, Avashya Corp. (Allcargo Logistics), Capri Global and Torrent Sports (Ahmedabad-headquartered Torrent Group). The other bids were below ₹5,000 crore, said people with knowledge of the matter.

BUSINESS MODEL

While the rights to the franchise are granted in perpetuity, the new team owners will have to pay the franchise fee over 10 years. After that, they will only have to pay licence fees, which will be a percentage of their revenue.

In return, every franchise will earn an equal share from the central revenue pool. BCCI will share 50% of its total revenue earned from the IPL, which includes media rights and on-ground sponsorships.

Under the current deal with Star India — ₹16,347.5 crore for five years — the franchises were receiving about ₹200 crore each.

"The amount spent by the winners may sound huge, but one has to understand the premium they will earn on brand building," said a senior sports consultant, who advised some of the bidders.

The way BCCI has managed media rights and sponsorships, RP-SG will earn about Rs 4,000 crore from the central revenue pool alone over the next 10 years.

"It's the net price one franchise owner has to pay after deducting the share in central revenue," he said. "Considering the BCCI's projections, any team would have earned ₹4,000 crore over the next 10 years. So how much were they willing to pay above that to own a piece of the IPL was the question."

LEAGUE FORMAT

The addition of two new teams will take the total number of matches to 74 from 60 now, as the teams will be divided into two groups, similar to the 2011 format.

The season will consist of 70 league and four playoff matches. While the ranking of all teams will be on one composite table, each will play 14 league matches, including eight in their group (home and away) and one match each with four teams of other group (either home or away), and two matches with the remaining team in the other group (both home and away).

Changes for Other Categories too

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Changes have also been made to the licences for other categories of telecom licence holders, such as internet service providers, national and international long-distance service providers and those offering mobile communication by satellite services.

"The definition is a progressive one and provides clarity on ancillary income. However, clarity around what constitutes revenue from telecom operations should be provided since there could be multiple interpretations," said a senior industry expert, asking not to be named. "Removal of non-core items on an ongoing basis may not have a visible impact but having spare cash always helps," he added.

The new definition is part of the mega telecom relief package the government announced on September 15 in order to revamp the sector and reduce the burden on the industry, which was on the brink of becoming a private sector duopoly. Reliance Jio, Bharti Airtel and Vodafone Idea – the last the only loss-making private telco – are three private players in the market currently. Vodafone Idea is banking on the relief measures to revive its fortunes in India.The definition of AGR has been the subject of a long-standing battle between the government and telcos – in fact since 2005 – which the DoT won in September 2019 in the Supreme Court.

The court then backed the government and widened the definition of AGR to include non-telecom items. But this left India's older telcos – Bharti Airtel and Vodafone Idea – facing a combined ₹1.02 lakh crore in AGR-related licence fees and SUC dues, pushing the already struggling Vodafone Idea further toward a possibly fatal financial crisis, said analysts.