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RBI breather for lenders on AIF investments

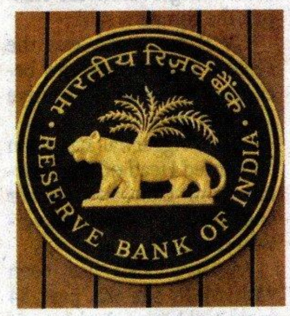
Our Bureau
Mumbai

The Reserve Bank of India (RBI) has given a breather to the lenders on their investments in alternative investment funds (AIFs) following representations from stakeholders.

The central bank had tightened the norms in December for lenders investing in units of AIFs to address concerns over possible ever-greening of stressed loans.

In its latest circular, the RBI said lenders cannot make investments in any scheme of AIFs that has downstream investments, such as hybrid instruments in a debtor company of the former.

However, lenders are allowed to make investments in any scheme of AIFs that has downstream equity investments in a debtor company of the former.



The RBI said investments by lenders in AIFs through intermediaries such as fund of funds or mutual funds are not included in the scope of its latest circular REUTERS

PROVISIONING NORMS

The RBI also gave relief on the provisioning norms. Provisioning will be required only to the extent of the investment by the lender in the AIF scheme, which is further invested by the fund in the debtor company.

The earlier interpretation was that the provisioning had to be made on the entire investment of the lender in the AIF scheme.

The RBI said that if a lender has invested in subordinated units of an AIF scheme, which also has downstream exposure to the debtor company, then the lender will be required to comply with the revised provisioning norms.

The RBI said investments by lenders in AIFs through intermediaries such as fund of funds or mutual funds are not included in the scope of its latest circular.

Gopal Srinivasan, Chairman & Managing Director, TVS Capital Funds, said the industry had flagged issues relating to how hybrid instruments (such as convertible debentures defined as per FEMA) could be treated under RBI norms. The latest clarification relating to downstream equity investments comes as partial relief, he added.

Karthik Srinivasan, Group Head, Financial Sector Ratings, ICRA, said the earlier interpretation on provisioning was that if a lender invested ₹10 crore in a ₹100-crore AIF scheme, which in turn invested ₹1 crore in the debtor company of the lender, the provisioning would be on the entire ₹10 crore. But now the provisioning will be only on the ₹1 crore exposure.

SUSTAIN INVESTMENTS

Siddharth Shah, Partner at Khaitan & Co., said: "The carving out of equity investments from the applicability of the earlier circular should allow a large majority of VCFs and PE funds to continue with the investments by REs (regulated entities) as well as raise capital from REs.

"Secondly, limiting the provisioning to *pro rata* exposure should help dilute the adverse provisioning impact for REs linked to their entire exposure to an AIF," Shah said.

On the clause in the earlier circular whereby investment by lenders in the subordinated units (including sponsor units) of any AIF scheme with a 'priority distribution model' will be subject to full deduction from lenders capital funds, the RBI said this will be applicable only in cases where the fund does not have any downstream investment in a debtor company of the lender.

The proposed deduction from the lender's capital will take place equally from both Tier-1 and Tier-2 capital.

Siddarth Pai, Founding Partner, 3one4 Capital, & Co-Chair, Regulatory Affairs Committee, IVCA, said while the RBI circular provides some operational and regulatory clarity, it also raises new questions. "The exclusion of equity shares from the definition of downstream investments works only for investments in listed companies. It fails to account for the Private Equity and Venture Capital investments, which are in the form of compulsory convertible instruments such as CCPS and CCDs. The industry is debating as to whether they would need to convert all their hybrid security to equity to allow REs to stay invested in their funds.

"Furthermore, there is still ambiguity as to whether existing REs can still honour capital calls to AIFs who do not meet the specific criteria in the new circular," he said.

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Fertilizer sales rise 3% to 58 mt in Apr-Feb of FY24

REINING IN IMPORTS. Output of all fertilizers up 4.5%

Fertilizer data during April-Feb

(lakh tonnes)

	2023-24	2022-23	% change
Sales			
Urea	342.13	341.18	0.3
DAP	106.37	101.35	5.0
MOP	15.23	15.21	0.1
Complex	112	102.23	9.6
Total	**575.73**	**559.97**	**2.8**
Production			
Urea	289.14	259.79	11.3
DAP	40.74	40.21	1.3
Complex	88.6	87.07	1.8
SSP	41.34	51.91	-20.4
Ammonium Sulphate	5.81	6.73	-13.7
Total	465.63	445.71	4.5

	2023-24	2022-23	% change
Import			
Urea	66.67	73.95	-9.8
DAP	53.13	66.48	-20.1
MOP	20.7	13.93	48.6
Complex	19.96	24.35	-18.0
Total	160.46	178.71	-10.2

Subsidy (₹ in cr)

	(April-Feb) Actual	RE	% of RE
Total	1,80,663.83	1,88,894	95.6
Urea	1,20,609.74	1,28,594	93.8
P&K	60,054.09	60,300	99.6

Prabhudatta Mishra
New Delhi

Sales of key fertilizers in the 11 months of the current fiscal up to February are up by 3 per cent at 57.57 million tonnes (mt) mainly on higher usage of DAP and complex varieties while urea consumption has been stagnant, according to official data. However, except MoP, imports of all other fertilizers were lower during April-February of 2023-24.

Recently, while announcing the nutrient-based subsidy for the kharif 2024 season, the government raised the subsidy for phosphorus, the key nutrient of DAP, to ₹28.72/kg from ₹20.82, while keeping the financial assistance for other nutrients at same levels as they were in rabi 2023-24 season.

According to the latest official data, overall consumption of urea until February 29 in the current fiscal increased by 0.3 per cent to 34.12 mt from 34.12 mt a year ago, whereas sales of all fertilizers put together increased a modest 2.8 per cent to 57.57 mt from 56 mt, mainly due to higher sales of complex and di-ammonium phosphate (DAP) fertilizers.

NANO-UREA IMPACT

The total sales of DAP surged 5 per cent to 10.64 mt during April-February from 10.14 mt year-ago, muriate of potash (MOP) was flat at 1.52 mt and complex increased by 9.6 per cent to 11.2 mt from 10.22 mt year-ago. Complex fertilizer is a combination of nitrogen (N), phosphorous (P), potash (K) and sulphur (S) nutrients.

In February, Fertiliser Minister Mansukh Mandaviya said India's conventional urea consumption would likely to decline by 2.5 mt this fiscal on an increase in demand for nano liquid urea and the government's efforts to discourage the use of chemicals. Urea consumption was 35.7 mt during FY23.

He said consumption of conventional urea has gone down in 344 districts, but sales of nano-urea has increased in 74 districts. He was hopeful that India would be self-sufficient in urea by 2025.

Import of urea, controlled by the government, was 6.67 mt during 11 months to February against 7.4 mt year-ago, a fall of 9.8 per cent. There was record import of urea at 9.83 mt during FY 2020-21.

SUBSIDY TOPS ₹1.2 LAKH

Import of overall fertilizers also dropped 10.2 per cent to 16.05 mt from 17.87 mt year-ago, in which complex import declined 18 per cent at nearly 2 mt from 2.44 mt and DAP by 20.1 per cent to 5.31 mt from 6.65 mt. But, MOP import surged 48.6 per cent to 2.07 mt from 1.39 mt.

Production of all fertilizers was up by 4.5 per cent to 46.56 mt from 44.57 mt, which included urea at 28.91 mt (against 25.98 mt year-ago), DAP 4.07 mt (4.02 mt), Complex 8.86 mt (8.71 mt), SSP 4.13 mt (5.19 mt) and Ammonium Sulphate 0.58 mt (0.67 mt).

Meanwhile, urea subsidy has reached ₹1,20,609.74 crore, which is 93.8 per cent of Revised Estimate of ₹1,28,594 crore. Potash and phosphorus subsidy were at ₹60,054.09 crore, which is 99.6 per cent of ₹60,300 crore allocated in Budget (Revised Estimate).

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Annapurna Swadisht set to enter edible oil market with acquisition of branded mustard oil

Mithun Dasgupta
Kolkata

Packaged food manufacturer Annapurna Swadisht is set to enter the country's ₹3-lakh crore edible oil market with the acquisition of a branded mustard oil.

The Kolkata-based company, which currently manufactures snacks and beverages, signed an agreement on Wednesday to acquire "Arati" branded mustard oil from R R Proteins and Agro (RRPAL).

"The estimated cost of acquisition, which includes payment for the manufacturing facility and the brand, is upto ₹28 crore and aligns closely with the net assets acquired through this deal.

"The transaction will be funded partly by internal accruals and partly by debt, subject to approval by the board," Annapurna Swadisht (ASL) said in a statement, adding the brand has a strong recall value in the urban markets of West Bengal.

MATCHING STRATEGY

Commenting on the acquisition, Shreeram Bagla, Managing Director of ASL, said, "We believe this acquisition presents an exciting opportunity that aligns well with our company's overall strategy of strengthening our presence as a formidable player in the packaged food industry in semi-urban and rural markets of India."

The company plans to leverage its existing distribution network in tier-III towns and beyond in eastern and north-eastern markets to increase sales of Arati brand mustard oil.

Sreeram Bagla, MD, Annapurna Swadisht THE HINDU

"We expect the acquisition to boost our revenues and improve our profitability going forward," Bagla said.

For the half-year ended September 30, 2023, ASL had revenues of ₹131 crore.

The company said this investment was in line with its strategy to strengthen its presence in the packaged food industry.

It currently manufactures snacks and beverages and offers approximately 75 SKUs across 10 broad categories. The company's products are available at over six lakh retail touch-points primarily in Tier-III and -IV markets of Bihar, Jharkhand, West Bengal, Assam, Odisha and Uttar Pradesh.

Ritesh Beriwal, MD of RRPAL, said, "We believe this association will further strengthen the Arati brand, which we have nurtured over the past six decades, and help expand its presence in the semi-urban and rural markets of West Bengal and other eastern and north-eastern states."

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Bullish global prices may slow pepper imports and stimulate exports, say growers

Vishwanath Kulkarni
V Sajeev Kumar
Bengaluru/Kochi

The prevailing bullish trend in global pepper prices will likely provide some relief to the Indian growers. The increase in global price, growers said, has brought parity between the domestic prices and the landed cost of the imported pepper, especially from countries such as Vietnam.

This parity is likely lead to slowdown in imports of pepper into the country, amidst expectations of a higher domestic crop that's currently being harvested.

"International prices have moved up by around from around $3,300-4,400 per tonne over the past one year. As a result, the landed cost of imported pepper from Vietnam with customs duty of around 46 per cent and the domestic price is almost the same. For the first time, we are at parity with the international prices and this may lead to a slowdown in imports," said Pradeep Pooviah, Technical Committee member of the Consortium of Pepper Growers Association, a group of 14 growers' bodies in South India.

Global black pepper prices are spiking due to decreased production caused by unfavorable weather and farmers switching to other cash crops

PRICES ON THE BOIL

Indian pepper growers have been protected by a minimum import price (MIP) of ₹500 per kg levied since early 2018 from cheaper imports. Pooviah said the prevailing domestic prices are around ₹515-520 per kg and the landed cost of pepper from Vietnam will be around ₹550. It will not be competitive to import for the domestic market, Pooviah said. On the other hand, if the prevailing price trend continues, India may be able to export some quantity of pepper as the harvest is seen to be higher than last year, Pooviah added. Globally, black pepper prices are on the boil mainly because of the decline in production due to factors such as unfavourable climatic conditions and shift of farmers from pepper production to other cash crops.

Because of the dry spell in many production countries, the prices are likely to move up further, says Kishore Shamji, Director of Indian Pepper and Spices Traders Association (IPSTA).

Indian black pepper, which is superior to its quality, is in a better position vis-a-vis products of other countries, fetching a price of $6,500 per tonne. Sri Lankan pepper is ruling at the same level, while Vietnam is at $4,700 for ASTA quality and $4,500 for 550 GL and Brazil at $4,200.

At a time when the harvest is on in many countries, there is anticipation of more import arrivals into the domestic market, he said.

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AFTER ENTERING THE US MARKET

Amul to start fresh milk sales in more countries

Announcement likely in 2 months

SANDIP DAS
New Delhi, March 27

AFTER ANNOUNCING THE sale of locally sourced 'fresh milk' in the US, the Gujarat Cooperative Milk Marketing Federation (GCMMF), which sells dairy products under 'Amul' brand, is aiming to launch similar business in a few more countries.

"Quite a few markets we are unable to reach directly and so we are looking at different opportunities," Jayen Mehta, managing director, GCMMF, told *FE*. He said there would be an announcement in the next couple of months.

Amul products — paneer, curd, flavoured milk, ice creams, chocolates, etc, — are exported to more than 50 countries in Asia, Gulf and African continents, mostly catering to large Indian diaspora.

For the first time, GCMMF has tied up with the Michigan Milk Producers Association (MMPA), a 108-year-old cooperative, to sell 'fresh milk' in the east coast and midwest markets of the US under the Amul brand.

Initial supplies will be in New York, New Jersey, Chicago, Washington, Dallas and Texas, among others. Gradually, Amul seeks to expand across all the major cities in the US, Mehta said.

While milk collection and processing will be done by MMPA, GCMMF will carry out the marketing and branding of Amul fresh milk. Amul will launch four variants of milk in the US market soon for Indian diaspora and Asian population.

Amul products, including cheese, butter, ghee, ice cream, chocolates, gulab jamun, rosogolla, lassi and buttermilk, are currently being exported into the US through distributors.

Mehta said while there has been a jump in exports of dairy products, the growth in domestic business is larger.

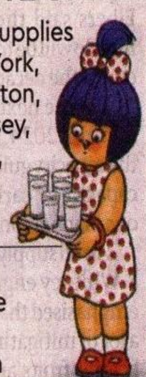
According to an estimate, exports accounted for around 2% of total sales turnover of the all products under the Amul brand at ₹72,000 crore ($9 billion) in FY23. "We are likely to cross ₹80,000-crore or $10-billion turnover in the current fiscal," Mehta said. Milk prices are unlikely to rise in the coming months with setting in of summer months as supplies have been comfortable, he said.

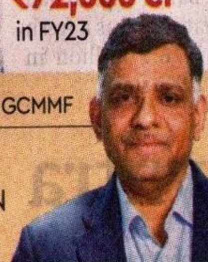
GCMMF has 18 district unions with over 3.6 million dairy farmers as members in 18,600 villages in Gujarat. The largest dairy cooperative procures an average 35 million litres of milk a day. Currently, around 60-65% of procurement by Amul is carried out in Gujarat and it is ranked as the eight-largest dairy organisation globally.

Amul has 9,200 distributors and 720,000 retailers for its products, including liquid milk, at present.

TAKING THE TASTE OF INDIA ABROAD

- Amul exports to over 50 countries in Asia, Gulf and African continents
- Initial supplies to New York, Washington, New Jersey, Chicago, Dallas, Texas
- Milk collection and processing to be done by Michigan Milk Producers Association
- Amul to carry out the marketing and branding of four variants of milk
- Exports account for around 2% of total sales turnover at ₹72,000 cr in FY23





JAYEN MEHTA, MANAGING DIRECTOR, GCMMF

WE ARE LIKELY TO CROSS ₹80,000-CRORE OR $10-BILLION TURNOVER THIS FISCAL