

How markets performed last week				
	Index on May 3, '19	*One-week	% chg over Dec 31, '18 Local currency	In US \$
Sensex	38,963	+0.3	8.0	8.9
Nifty	11,712	+0.4	7.8	8.7
Dow Jones	26,505	+0.1	13.6	13.6
Nasdaq	8,164	0.2	23.0	23.0
Hang Seng	30,082	1.6	16.4	16.2
FTSE	7,381	+0.6	9.7	13.3
DAX	12,413	0.8	17.6	14.8
*Change (%) over previous week Source: Bloomberg				

TRUMP TO HIKE TARIFFS ON \$200 BN OF CHINESE GOODS

US President Donald Trump announced on Sunday that the US would raise tariffs on \$200 billion of Chinese goods to 25 per cent this week, because trade talks are moving "too slowly". Trump's action came as a major Chinese delegation is expected to arrive on Wednesday in Washington for the latest round of talks to end the trade war between the world's two biggest economies — a round billed as the last one and possibly leading to a deal to end the conflict. **10 ▶**

ECONOMY & PUBLIC AFFAIRS P4
Govt: Auditors have many queries to answer on IL&FS
As the probe continues into the IL&FS case, a senior government official has said the group's auditors have "many questions to answer" *prima facie* as they are supposed to act as 'gatekeepers'. "We are not expecting an auditor to detect a needle in a haystack. But if the elephant is in the room, they ought to find it," said Corporate Affairs Secretary Injeti Srinivas.

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POLITICS & PUBLIC AFFAIRS

- Fight in Ayodhya a litmus test for BJP's Dalit strategy
- Losing ground, Left focus shifts to rural Bengal
- How a *Math* changed the maths

POLL VAULT 2019

ON MONDAY

BANKER'S TRUST: The curious case of twin bad resolution

Two cases that could be resolved this week illustrate the progress of the single-window insolvency and bankruptcy resolution process, which is expected to minimise cost and time for liquidation and resolution of bad assets. **TAMAL BANDYOPADHYAY** writes **8 ▶**



PERSONAL FINANCE: Give a boost to your rental income

To be successful under the co-living and Airbnb models, large size and great location are critical factors. **SANJAY KUMAR SINGH & TINESH BHASIN** write **15 ▶**

THE SMART INVESTOR: Sustaining premium price tag may be difficult for IT stocks

Ability to absorb cost pressure while maintaining growth would be crucial, say analysts. **SHREEPAD S AUTE & ROMITA MAJUMDAR** write **18 ▶**

RESULTS RECKONER

Quarter ended Mar 31, 2019; common sample of 225 companies (results available of 251)

SALES			
Mar 31, '18	17.3%	4.51 trillion	
Mar 31, '19	15.5%	5.21 trillion	
NET PROFIT			
Mar 31, '18	12.4%	49,425 crore	
Mar 31, '19	21.2%	59,895 crore	

Companies that have reported zero sales are excluded
Data compiled by BS Research Bureau Source: Capitaline



START-UP CORNER P19

BUSINESS OF FASHION IN THE AGE OF ARTIFICIAL INTELLIGENCE

PUBLISHED SIMULTANEOUSLY FROM AHMEDABAD, BENGALURU, BHUBANESWAR, CHANDIGARH, CHENNAI, HYDERABAD, KOCHI, KOLKATA, LUCKNOW, MUMBAI (ALSO PRINTED IN BHOPAL), NEW DELHI AND PUNE

COMPANIES P2

SLOWDOWN MAY EASE AFTER ELECTIONS, SAY FMCG CEOs



RBI, banks begin holdco talks

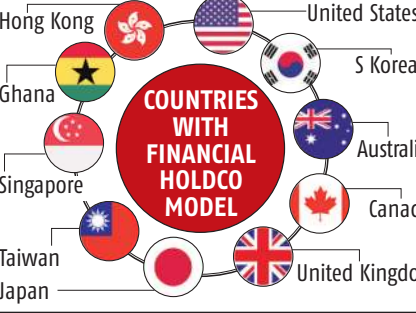
Norms to be finalised by September, banks ask for two-year transition window

HAMSINI KARTHIK
Mumbai, 5 May

The Reserve Bank of India (RBI) has formally kick-started discussions with banks on the holding company (holdco) model, which will lead to cleaner equity holding structures within banking conglomerates.

In the first round of interaction, banks expressed their willingness to transition to the holdco regime, but have sought a two-year window, given issues on the compliance front. A highly-placed source said the central bank was expected to come out with its guidelines on the holdco model by September 2019, and it is hoped a draft will be placed in the public domain before that as well.

Along with the holdco structure, which is likely to be a non-operative entity (in sync with the ownership norms for banks operational since 2015), the RBI may also come up with guidelines on listing holdcos, the permitted lines of businesses for subsidiaries,



cross-holdings among banks, the holdco and the subsidiaries, and the regulatory mechanism to guide and monitor holdcos.

The RBI, it is surmised, may also come up with a variant — a main banking subsidiary under the holdco, which, in turn, will house pure-play banking-related arms as these

anyway will have to report to Mint Road for operational purposes, even as it helps cut down on regulatory and supervisory overlaps.

The new regime will entail banks unwinding their shareholding in their subsidiaries, which will come to reside in the holdco. The holdco will then decide the terms of

KEY CHALLENGES

- Who will regulate and supervise the holdco
- Ownership of holdco
- Permissible activities under the holdco
- Limits on cross-holding between holdco, banks, and other financial institutions
- Capital adequacy norms for the holdco

Source: Report of the Working Group on Introduction of Financial Holding Company, May 2011

engagement with its subsidiaries. This will act as a bulwark for the bank — from the direct impact of the losses in the subsidiaries when it is upstreamed to the consolidated balance sheet (of the bank). Bank boards, too, need not be burdened with the hassles of managing the subsidiaries. This structure will also enable cleaner resolution in cases wherein the parent bank is liquidated without leading to the same fate for its subsidiaries.

The working group chaired by then RBI deputy governor Shyamala Gopinath had, in May 2011, suggested the holdco model for financial conglomerates. The proposal was mooted in the aftermath of the Lehman crisis, and sought to protect banks from the losses incurred by their subsidiaries, and thereby safeguard depositors' interest. The process may entail significant compliance costs — mainly income-tax, stamp duty and other indirect tax levies, and Gopinath was for dispensation of these charges. **Turn to Page 6 ▶**

BUSINESS LAW

16 ▶
SC vs RBI: The RTI Act hangover



In a first, Hero offers buyback for scooters

Now, own a two-wheeler for ₹18.5 per day

SHALLY SETH MOHILE
Mumbai, 5 May

Hero MotoCorp has launched a buyback scheme that offers resale price protection for five years for anyone buying a new scooter. The move is aimed at reviving flagging scooter sales, said a top company official.

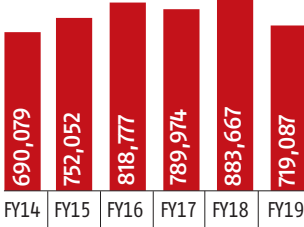
Called BuySurance, the scheme is the first of its kind in the two-wheeler market, claimed Sanjay Bhan, head, sales and after sales at Hero MotoCorp. The maker of the Pleasure and Destiny models believes the scheme will reaffirm confidence in the market and help it to recoup market share and volumes in a segment where rivals Honda Motorcycle and Scooter India and TVS Motor Company have a head start.

"We are late entrants in scooters. Others have been ahead of us. Not only do we have to catch up, we have to take a leap forward. This is something that will give us results," said Bhan.

Hero has launched the offer in association with CredR, an online marketplace brand for pre-owned two-wheelers. As part of the offer, buyers of new Hero scooters receive a guaranteed buyback certificate from CredR, with a fixed buyback value matrix every six months over the next five years. To claim the benefit, customers have to

HERO MOTOCORP LOSING GROUND

Scooter volume



19.5 16.7 16.3 14.1 13.1 10.7
Scooter market share (%)

Source: Society of Indian Automobile Manufacturers

contact Hero dealerships.

Besides a five-year warranty, depending on whether the scooter is being sold in the first, second, third, fourth or fifth year, the customer receives a fixed percentage of the ex-showroom price of the model that ranges from 57 per cent to 65 per cent.

For instance, if someone sells a scooter that has an ex-showroom price of ₹50,000 in the third year in Pune, 60 per cent of this amount, i.e., ₹30,000, will be paid out.

"The customer is actually spending ₹20,000 over three years. That's about ₹6,666 a year, ₹555 a month, ₹18.50 a day. It will be even cheaper than the autorickshaw ride for which one pays ₹14 for the first kilometre in Delhi," said Bhan.

Bhan conceded that scooters had been an area of concern for Hero, which is why the company is taking such steps. It is hoping the buyback scheme will yield significant gains in volumes and market share. **Turn to Page 6 ▶**

Anil takes on Rahul, calls him a 'malicious liar'

DEV CHATTERJEE
Mumbai, 5 May

The Anil Ambani group on Sunday took Congress President Rahul Gandhi head on by calling the latter's allegations of crony capitalism against its chairman as "calumny, disinformation, distortion, and malicious lies."

In recent election-eve media interactions and rallies, Rahul has singled out Anil Ambani several times for winning the Rafale defence contract from the Narendra Modi government, alleging favouritism and corruption.

In a statement on Sunday, a Reliance Group spokesperson said it was during the 10-year Congress-led United Progressive Alliance regime between 2004 and 2014 that Anil Ambani-led Reliance Group was awarded projects of over ₹1 trillion across diverse, key nation-building infrastructure sectors such as power, telecom, roads, Metro, by a government led by none other than Rahul's own political party — the Congress.

"The Reliance group is proud to have made this contribution to our great country — India — creating the much-needed investments and jobs, a critical backbone for a vibrant, strong, and growth-oriented economy," the spokesperson said.

The Reliance Group takes



"Between 2004 and 2014, UPA awarded ₹10,000 crore projects to our group. Was the Congress, for 10 long years, supporting an alleged crony capitalist?"

Anil Ambani-led Reliance Group, in a statement

this opportunity to request (Rahul) Gandhi to clarify whether his government, for 10 long years, was supporting an alleged crony capitalist and dishonest businessman, to use his own words, it said.

Rahul has accused Prime Minister Modi of giving ₹30,000 crore of Rafale offset contracts to Anil Ambani at the cost of government-owned Hindustan Aeronautics. The offset contracts were given by Rafale fighter jet maker Dassault Aviation of France in lieu of India buying aircraft worth ₹1.26 trillion. **Turn to Page 6 ▶**

INDIA VOTES IN PHASE-V TODAY



Workers carry EVM and VVPAT machines from a strong room to deliver them at various counters of a distribution centre, on the eve of the 5th phase LS elections, in Howrah district, on Sunday **PHOTO: PTI**



87.5 mn
Size of electorate

96,000
Polling stations

668
Candidates in fray

RINGSIDE SEAT


▶ 51 seats spread over 7 states go to polls

▶ It is the smallest of the seven phases

▶ In 2014, NDA won 41 of 51 seats (BJP won 39, allies 2 of these seats; RSP has since quit NDA and is now part of UPA)

KEY CONTENDERS

LUCKNOW



Rajnath Singh, BJP VS Poonam Sinha, Cong

KODERMA



Babul Marandi, JMM(P) VS Annapurna Devi, BJP



Sonia Gandhi, Congress, RAEBARELI

AMETHI



Rahul Gandhi, Cong VS Smriti Irani, BJP

JAIPUR RURAL



Rajyavardhan Singh, BJP VS Krishna Poonia, Cong



Rajiv Pratap Rudy, BJP, SARAN

RANCHI: Congress Subodh Kant Sahay

BARRACKPORE: TMC Dinesh Trivedi

HOWRAH: TMC Prasun Banerjee

SERAMPORE: TMC Kalyan Banerjee

State	Bihar	MP	Rajasthan	UP	WB	Jharkhand	J&K
Seats	5	7	12	14	7	4	2*
2014	BJP 3/ RSP1, LJP1	BJP 7	BJP 12	BJP 12/ Cong 2	TMC 7	BJP 4	BJP 1/ PDP 1

*Ladakh and last phase of Anantnag

COMPILED BY ARCHIS MOHAN

'We have big expectations from Japan and China'



"Sun has created consistent value for its shareholders. We are committed to meeting their expectations and creating long-term shareholder value"

"Our specialty business is a new engine of growth that will give us sustainable returns in the long run. We are focusing more on complex and value-added products in generics"

DILIP SHANGHVI

Founder and MD, Sun Pharma Industries

With recovery underway in the US market, where it has already readied a specialty drugs pipeline, **DILIP SHANGHVI**, founder and managing director, Sun Pharmaceutical Industries, tells **SoHini Das** he is now focusing on China and Japan. While he feels the domestic market is big enough to accommodate both branded and unbranded medicines, Shanghvi nonetheless states that government intervention in drug pricing is a global challenge. The billionaire industrialist also says he has no plans on retiring anytime soon. Edited excerpts:

Do you think governance issues are behind you after you announced steps to address some of the key concerns of investors?

Our learning is that apart from being right — legally and technically — we also have to take into consideration how the transaction would be perceived by the world outside. Even though our actions were legal and in the best interests of the company, we thought it was important to address investor concerns. There were some perception issues which have already been addressed.

What is the update on the whistle-blower complaint which the market regulator is investigating?

We received two sets of queries from the Securities

and Exchange Board of India and have shared the requisite information. We hope it will close the investigation at the earliest.

Q&A

How are you ensuring enhanced compliance at your plants, especially the ones you inherited from Ranbaxy?

Of the four facilities of the erstwhile Ranbaxy, which were affected by the US Food & Drug Administration's regulatory action, we prioritised Mohali and have been able to obtain clearance for it.

Do you think you paid more than you should have for buying Ranbaxy?

We believe the Ranbaxy acquisition turned out well.

All parts of the Ranbaxy business are growing and as it starts contributing fully to our growth, there will be greater appreciation. Unfortunately, the timing of the acquisition coincided with the changing dynamics in the US generics market and some of our challenges. Hence, value creation is not clear and visible.

Both top line and bottom line growth has disappointed for the past few years. What are the factors that will improve the financials and by when?

The past few years have been challenging for the entire pharmaceutical industry, with increasing competition and consolidation of buyers in the US leading to pricing pressure. We have taken some steps to address these challenges. One of them is to broad-base our portfolio by adding specialty products.

Our specialty business is a new engine of growth that we believe will give us sustainable returns in the long run. On the generics front, we are focusing more on complex and value-added products.

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