

20 ECONOMY

G20 FINANCE MINISTERS & CENTRAL BANK GOVERNORS MEETING



Japan's Finance Minister Taro Aso (centre) poses with the delegation members during a family photo of the G20 Finance Ministers and Central Bank Governors meeting Saturday, June 8, in Fukuoka, Japan. AP

Sitharaman highlights India's efforts to counter tax avoidance, evasion

PRESS TRUST OF INDIA
NEW DELHI/FUKUOKA, JUNE 8

FINANCE MINISTER Nirmala Sitharaman Saturday highlighted ongoing efforts of India to counter tax avoidance and evasion. She was speaking at the Ministerial Symposium on International Taxation on Globally Fair, Sustainable and Modern International Taxation System held at G-20 Finance Ministers meeting beginning Saturday is likely to focus on risks and challenges being faced by the global economy, investment in infrastructure and international taxation. The deliberations would be followed by the G-20 Leaders' Summit scheduled

on June 28-29 at Osaka. The meeting of the finance ministers would also deliberate on issues like increasing protectionism and its implication on global growth and trade. On the sidelines of the G-20 meeting, Sitharaman also held a bilateral meeting with her UK counterpart Philip Hammond. The ministerial symposium was organised with the support of the Organisation for Economic Co-operation and Development (OECD) to discuss the challenges in modernising the international tax system and also ways to continue the fight against tax avoidance and evasion. India is a signatory to the OECD's multilateral convention that aims to check cross-border tax evasion by multinational companies. The Multilateral Convention is an outcome of the OECD/G20 Project to Tackle Base Erosion and Profit Shifting (BEPS), which is resorted to by MNCs through tax planning strategies by exploiting

gaps and mismatches in tax rules.

It helps them artificially shift profits to low or no-tax locations, resulting in little or no overall corporate tax being paid.

Post this convention, 90 countries have now implemented automatic exchange of financial account and tax information.

Further, with increasing digitalisation, the challenge now before the G-20 and OECD countries is how to tax businesses which mostly rely on intangible assets, data and user participation. Speaking at the ministerial symposium, Japan Deputy Prime Minister and Minister of Finance Taro Aso said, "Due to public frustration surrounding the lower effective tax rates faced by some digital companies in particular, several countries have decided to act unilaterally, by putting temporary measures in place. 'Obviously, multilateralism is better than unilateralism; a common approach is always better than fragmentation,'" he further said.

"Over a period of time, they have done well and nobody has really complained of a side effect," says Dr Chatterjee. "Half the time, we don't even know or remember the company that makes the medicine. If it has proven its worth, I'm fine with it." *The Indian Express* looks at some of these pharma companies, the success of their brands, the importance of these chart-toppers in their portfolio and their potential future.

Finance chiefs of G20 nations to warn of trade risks, differ on how 'pressing'

FRANCESCO CANEPA & DAVID LAWDER
FUKUOKA, JUNE 8

GLOBAL TRADE tensions threaten an expected pick-up in economic growth this year and in 2020, a draft communique by the world's financial leaders showed on Saturday, but the policymakers were divided on whether the need to resolve them was "pressing". Finance ministers and central bank governors of the world's 20 biggest economies, the G20, are meeting in the southern Japanese city of Fukuoka to discuss the global economy.

"Global growth appears to be stabilising and is generally projected to pick up moderately later this year and into 2020," the draft G20 communique, seen by *Reuters*, said. "However... risks remain tilted to the downside. These include, in particular, intensified trade and geo-political tensions," said the draft communique,

'Trump-Xi meet has parallels to Buenos Aires Summit'

Fukuoka: A highly anticipated late June meeting between US President Donald Trump and Chinese President Xi Jinping has some parallels with their Buenos Aires summit last December that postponed a tariff hike, US Treasury Secretary Steven Mnuchin said on Saturday.

which may yet change before it is released on Sunday.

The draft statement, to which all the G20 financial leaders have to agree, contains a sentence in square brackets — which means it was not yet agreed — that trade and investment were important engines of growth. "We reaffirm our leaders' conclusions on trade from the Buenos Aires Summit and recognise the pressing need

Mnuchin told *Reuters* in an interview that the US-China trade dispute was at a similar point in December 2018, when Trump and Xi met on the sidelines of a G20 summit in Argentina, with a US tariff increase about to kick in on hundreds of billions of dollars in Chinese goods. **REUTERS**

to resolve trade tensions," the sentence still under discussion said.

If the sentence is dropped from the final statement, it would mean rowing back on an agreement reached by G20 leaders last December in Argentina that while the existing international trade system, the World Trade Organization, needs improvement, it helps world growth and should be fixed. **REUTERS**

Costlier air travel: Hike in aviation security fee from July 1

ENSECONOMIC BUREAU
NEW DELHI, JUNE 8

INDIAN AIR passengers will have to shell out a bit more to fly July 1 onwards as the Ministry of Civil Aviation has decided to increase the aviation security fee (ASF) to Rs 150 from Rs 130 per passenger on domestic flights, according to an official government document.

Meanwhile, the ASF for international passengers has been increased to \$4.85 from \$3.25 effective next month, the document further said.

The order from the Ministry of Civil Aviation, dated June 7, 2019, also stated that the ASF will be replacing the PSF (SC), which stands of passenger service fee (security component).

"The above rates of the ASF will be applicable with effect from 00.01 Hrs of 01.07.2019 and will replace the PSF (SC) which was being charged so far at the rate of Rs 130 per embarking passenger for tickets issued against Indian Rupees and USD 3.25 per embarking passenger for tickets issued against foreign currency," the order stated.

Hope West Bengal CM attends NITI Aayog meet: Rajiv Kumar

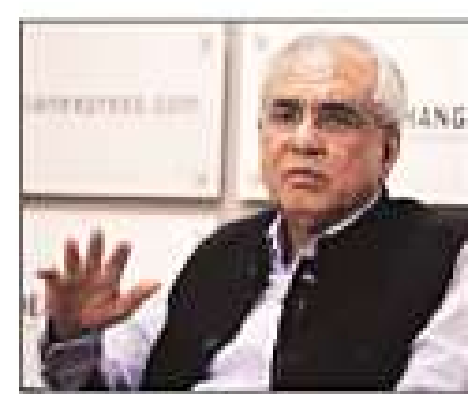
ENSECONOMIC BUREAU
NEW DELHI, JUNE 8

FINANCE MINISTER NITI Aayog Vice Chairman Rajiv Kumar Saturday expressed hope that West Bengal Chief Minister Mamata Banerjee will attend the Aayog's Governing Council meeting to be held on June 15. Banerjee has refused to attend the meeting, to be chaired by Prime Minister Narendra Modi, saying it is fruitless as the body has no financial powers to support state plans.

"We have invited her with all due respect and I am still hoping that she will accept my personal invitation and attend the meeting on June 15th and give us the idea as to how to improve NITI further," Kumar said on the sidelines of a conference organised by the Indian Chamber of Commerce.

At the Governing Council's meeting, various issues regarding the country's development will be discussed. Banerjee conveyed her decision not to attend the meeting in a letter written to the PM.

"Given the fact that the NITI Aayog has no financial powers and the power to support state plans it is fruitless for me to attend the meeting of a body that is bereft of any financial powers," Banerjee wrote. The Council, the apex body of NITI Aayog, includes all chief ministers, lieutenant governors of



NITI Aayog Vice Chairman Rajiv Kumar. *Abhinav Saha*

union territories, several union ministers and senior government officials. This will be the first Governing Council meeting of the PM Modi-led NDA government, which took charge on May 30. The Council's meeting comes in the backdrop of the Indian economy growing at a much-lower-than-expected rate of 5.8 per cent in January-March quarter, its lowest level in five years.

When asked about high unemployment, Kumar said it is linked to growth and added that informal sector has created a lot of jobs which has not been captured in the data. He said India needs 8 per cent growth over three decades to meet aspirations of the people.

While growth fell to a five-year low of 5.8 per cent, unemployment rate rose to 45 year high of 6.1 per cent in 2017-18.

"We need to reverse the de-

One-hit wonders: Smaller pharma companies with blockbuster brands

In India's diverse pharma industry, it's not about how big the firm is, but how popular they can make their brands. This has allowed lesser-known drug makers to build brands that are to be reckoned with

PRABHA RAGHAVAN
NEW DELHI, JUNE 8

EVER SINCE he was in medical school two decades ago, Delhi-based general physician Dr S Chatterjee can remember turning to world-renowned microbicide brand Betadine for his antiseptic needs when treating his patients' wounds.

Even today, despite nearly 100 different brands in this particular therapeutic segment — some even marketed by few of India's largest and most popular pharmaceutical companies — surgeons and medical practitioners like Dr Chatterjee still swear by Betadine. It comes as no surprise then that Betadine was the 28th largest medicine brand in India by sales, raking in a little over Rs 315 crore in the 12 months ended April 2019.

Yet, the company that markets Betadine in India — Win-Medicare — is not as well known as the brand. And, just like it, other lesser-known drug makers, though few, have managed to build medicine brands to be reckoned with.

"Over a period of time, they have done well and nobody has really complained of a side effect," says Dr Chatterjee. "Half the time, we don't even know or remember the company that makes the medicine. If it has proven its worth, I'm fine with it." *The Indian Express* looks at some of these pharma companies, the success of their brands, the importance of these chart-toppers in their portfolio and their potential future.

In Battle of Brands, it's David vs Goliath

In India's diverse pharma industry, it's not about how big the company is, but how popular they can make their brand.

Betadine, Sinarest, Dexorange, Zincovit and Meftal may belong to different therapeutic categories, but have one thing in common — they are marketed by small to mid-sized companies, but have carved a space for themselves among India's 100 most popular brands. Often, they have even topped brands by 10 of the largest domestic and foreign drug makers that dominate over 40 per cent of the country's Rs 1.30 lakh-crore pharma market.

For instance, Sinarest, a popular line of cold medication products, ranked 33rd in April 2019, while its company, Mumbai-headquartered Centaur Pharmaceuticals, ranked 60th in the overall

pharma market in March 2019, according to market research firm AIOCD Awacs PharmaTrac. "We have maintained pole position for over two decades and have widened our lead over the competition," boasts Centaur managing director S D Sawant.

Mumbai-headquartered Blue Cross Laboratories, too, has created a household name with muscle cramp medicine line 'Meftal', which has beat brands by companies like Alkem, Lupin and Torrent Pharmaceuticals in its therapeutic segment, according to PharmaTrac.

"Meftal is the most commonly used drug in young females for dysmenorrhea. It works well," says Dr Chatterjee, who prescribes the drug around 15-20 times a month. Yet, experts consider these brands anomalies in the industry, since the investment required to build them here is immense.

"For a brand to be pan-India, I think a company needs to be fairly well diversified and possess a dispersed distribution network. This means that we may not generally find a brand by a small company topping by revenues in the market," says Karthikeyan Thangarajan, associate director (corporate), India Ratings and Research (Fitch Group). So, what makes these brands different?

Analysts expect the top 10 brands in most therapeutic categories to belong to a large company, but these smaller drug makers have managed one-hit wonders. "These are the companies

TOP BRANDS MANUFACTURED BY INDIAN PHARMA COMPANIES

Company	Brand	Brand Sales MAT March 2019	Contribution of Brand to Annual Revenue*
Win-Medicare	Betadine	₹ 268.70 cr	55.34%
Centaur Pharmaceuticals	Sinarest	₹ 272.16 cr	61.38%**
Franco Indian Pharmaceuticals	Dexorange	₹ 219.17 cr	29.72%
Apex Laboratories	Zincovit	₹ 198.99 cr	45.54%
Blue Cross Laboratories	Meftal	₹ 164.6 cr	26.36%

*Contribution to company's total revenue before taxes for the year ended March 31, 2019

**Contribution to company's domestic revenue for the year ended March 31, 2019

Source(s): AIOCD Awacs PharmaTrac, Ministry of Corporate Affairs, Centaur Pharmaceuticals

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Building a Blockbuster

Analysts expect the top 10 brands in most therapeutic categories to belong to a large company, but these smaller drug makers have managed one-hit wonders.

"These are the companies

which have got one or two molecules right. In a way, it's a very efficient molecule and they have been able to quickly get the acceptance of a physician or patient," says Thangarajan.

"Very few such names will come up at the pan-India level, but there would be many other brands that are performing better at the regional level. Unfortunately, there isn't enough data to track this," he further says.

"Here, while the patient is the consumer of the drugs, there are a few other influencers in the system and the most important among them is the doctors who are prescribing the drugs," says another analyst requesting anonymity.

"Depending on the scenario, the affordability and most importantly, the efficacy of the drug, the doctors choose certain brands and that becomes an important driver in this market," the person adds.

"With most of these single-brand companies, you'll see the brand was launched a long time back," says Abhishek Sharma, pharma analyst at IIFL.

The brands in focus could have been "unique launches" when introduced in the market before achieving the scale they have today with the help of "superlative" efforts by their companies. For instance, no company has been able to create a suitable competitor to Sinarest, says Sharma. "Now that the brand is established in the minds of prescribers, it would be very difficult for other players to overtake it," he adds.

Centaur president A K Handa says the company from the be-

BANKING WATCH

'RBI CIRCULAR A WELCOME STEP'

New Delhi: The Reserve Bank of India's new circular for resolution of stressed assets is propelled by provisioning requirements and gives more freedom to bankers in taking decisions, Indian Banks' Association chairman Sunil Mehta said Saturday. **PTI**

gining has focused and relied on consistent communication with ENT surgeons, pediatricians and GPs and ensured "world class" quality standards and availability. Such differentiation and positioning makes up for limited resources and helps smaller companies carve out a "significant niche".

The brand's safety for specific patient groups also plays a huge role in its growth. For instance, Franco-Indian Pharmaceutical's Dexorange is safe for consumption by pregnant women.

"The physician would be quite resistant to try something new in pregnant women," says IIFL's Sharma.

"If I'm prescribing a drug for years, it is working well for my patients, nobody has complained of a side effect and it is affordable for them, I don't feel the need to look at other options," agrees Dr Chatterjee.

The brand's global image also matters. Win-Medicare brought Betadine to India through a deal with Swiss pharma firm Mundipharma AG in the late eighties. The topical microbicide "is trusted for its uncompromising antiseptic efficacy" in 75 countries, says Win-Medicare's parent, the Umesh Modi Group.

Yet, the business models these companies follow may put them in a vulnerable position further down the road.

What the Future Holds

These companies in focus here have annual revenues of less than Rs 1,000 crore and have, for decades, relied heavily on one or two brands for a chunk of their income, according to PharmaTrac and the Ministry of Corporate Affairs.

Their top brands contribute anywhere between 25 per cent to over 50 per cent of their overall revenues and are expected to deliver a higher share of their domestic revenues. For instance, the Sinarest line contributed over 60 per cent to Centaur's domestic sales in 2017-18, according to vice president Amit Rangnekar.

Companies may run a "high risk" from external and internal factors due to heavy dependence on fewer critical "legacy" brands with strong brand equity, according to healthcare sector information and services provider IQVIA.

"Suppose there is now a product that comes in the market which is far more superior

and the company is not able to counter it, that is how you can get challenged," agrees IIFL's Sharma.

This happened in the case of drug maker Unichem, which used to derive a "bulk" of its revenue and profitability from hypertension drug brand Losar (losartan), but began losing out to Glenmark after its telmisartan was launched, Sharma says. "New patients of hypertension were put on telmisartan instead of losartan, and Unichem was not able to protect its turf," he says. Some of these companies have begun to realise this risk.

"Over dependence on a major brand is a concern and we have introduced multiple extensions targeted to specific indications to alleviate the risk," says Sawant of Centaur.

The company wants to enter new therapy areas through tie-ups and also plans to "sharpen" its focus on the ophthalmology segment and chronic therapy areas to emerge as a "significant player" in the high growth chronic therapy area, he adds.

However, the market is no longer the same, and replicating the same success with new launches is not possible.

It has become "increasingly difficult" in the last two decades for smaller companies to expand their presence in the Indian market, explains IIFL's Sharma.

Nowadays, even launching a brand in a small category typically costs north of Rs 5 crore. "Very few companies have that kind of muscle," he says.

"The larger companies are very smart, very nimble. Their hold on prescribers has only increased," he says, adding that any gaps they have left are "few and far in between".

Yet, growth and scale may not necessarily be every company's vision.

Even if there is a risk of a new product coming into the market, companies with legacy brands may not lose out drastically.

"Maybe your margins may be lower, but you will still bring in cash, so it is a very attractive and lucrative business once you've set it up," says Sharma.

"Many people are happy with a Rs 100-crore brand. They don't want to expand; they don't want to scale up. It is never a battle for survival once you've established a single brand, and some people prefer it that way."

Win-Medicare, Apex Laboratories, Franco-Indian Pharmaceuticals and Blue Cross Laboratories did not respond to queries about their brands.

Dues worth ₹276.05 cr paid to investors, says DHFL

ENSECONOMIC BUREAU
NEW DELHI, JUNE 8

DEWAN HOUSING Finance Corporation Ltd (DHFL) said that it has repaid dues worth Rs 276.05 crore to retail and institutional investors. It said it has paid back Rs 59.74 crore of its total obligations worth Rs 961.65 crore to 35,595 retail investors holding its non-convertible debentures (NCDs), and added it would ensure that the rest of them are repaid within seven working days.

Interest payments on NCDs issued on a private placement basis had also fallen due on June 4 and June 6. DHFL said that for the first set of NCDs, on which interest dues are worth Rs 80 crore and the principal amount aggregates Rs 120 crore, it has arranged funds and met its obligations.

For the second set, interest aggregating to Rs 16.31 crore were scheduled for June 6. The repayments to retail investors had fallen due on June 4.

In a statement to the exchanges, the financier said, "... in the event that payment of interest on the NCDs is not met on the due date ... and such non-payment continues for a period of seven working days, the same shall constitute an event of default ..." **FE**

Fresh look at regulation & supervision of NBFCs needed, says RBI chief

EXPRESS NEWS SERVICE
PUNE, JUNE 8

THE RESERVE Bank of India is soon to issue new guidelines for liquidity risk management framework to harmonise the liquidity norms between banks and the non-banking financial companies (NBFC). RBI Governor Shaktikanta Das, while addressing the 15th convocation of the National Institute of Bank Management here on Saturday, talked about the need of a fresh look at the regulation and supervision of the NBFCs.

"The conventional approach to their regulation and supervision has been light-touch, so that they could complement banks with their diverse financial products for niche areas and reach a large cross-section of population through innovative service delivery mechanisms.

"However, with a view to strengthen the sector, maintain stability and avoid regulatory arbitrage, the Reserve Bank has been proactively taking necessary regulatory and supervisory steps, keeping in mind the requirements of the time," he said.

Das added that in the light of recent developments, there is a case for having a fresh look at

Das wants close watch on top bank executives

Mumbai: Reserve Bank of India Governor Shaktikanta Das on Saturday said boards of both public and private sector banks should closely monitor the performance of their MDs and CEOs, either through a sub-committee or through an external peer group review.

Governance issues in private sector banks mainly relate to incentive structure of their managements, quality of audits and compliance and also efficient functioning of audit and risk management committees, Das said at the NIBM convocation. **ENS**

their regulation and supervision.

"It is our endeavour to have an optimal level of regulation and supervision so that the NBFC sector is financially resilient and robust. At the same time, NBFCs should be enabled to operate as well-functioning entities with necessary capacity to reach wider sections of population," he said.

BRIEFLY

Govt plans to set up institute for valuers

New Delhi: The government will look at setting up a national institute for valuers on the lines of chartered accountants' apex body ICAI, a senior official said Saturday. A similar attempt was made way back in 2008. "We now feel that we have enough critical mass to once again make an attempt to have a national institute for the valuers' profession on the lines of ICAI. It will require a lot of hardwork," Corporate Affairs Secretary Injeti Srinivas said. **PTI**

'China to curb some tech exports to US'

Shanghai: China is preparing to curb some technology exports to the US, the chief editor of China's *Global Times* newspaper said Saturday. If enacted, the steps suggest Beijing would retaliate over US restrictions imposed on Huawei due to what US said were national security issues. **REUTERS**