

# 17 ECONOMY

<b>GOLD</b>	<b>RUPEE</b>	<b>OIL</b>	<b>SILVER</b>
₹34,870	₹68.51	\$63.85*	₹38,900

\*Indian basket as on July 8, 2019

SENSEX: 38,730.82 ▲ 10.25 NIFTY: 11,555.90 ▼ 2.70 NIKKEI: 21,565.15 ▲ 30.80 HANG SENG: 28,116.28 ▼ 215.41 FTSE: 7,548.45 ▼ 0.82 DAX: 12,427.87 ▼ 115.64

International market data till 1900 IST

## SECTOR WATCH AVIATION

### DGCA: Critical parts of Ahmedabad & Chennai airports 'not maintained' as per safety standards

PRANAV MUKUL  
NEW DELHI, JULY 9

THE DIRECTORATE General of Civil Aviation (DGCA) has sent show-cause notices to directors of the Chennai and Ahmedabad airports after an inspection of the aerodromes found that some critical areas were not being maintained as per safety standards, a senior government official said.

The inspection was carried out last week as part of a series of investigations made in light of multiple aircraft landing incidents at various airports during monsoon season.

In both the notices sent to the two airports, DGCA has stated that "critical parts of the aerodrome required to conduct safe operations" at both airports "are not being maintained in accordance to regulator requirements".

In the letter to Ahmedabad Airport Director Manoj Gangal dated July 9, the regulator pointed out that analysis of six months data revealed that frequency of friction test was not maintained as documented in the aerodrome manual, which mandates that runway friction test is to be carried out every month.

"Friction test reports considered for analysis, i.e. from December 2018 to June 2019 are showing downward trend in friction values below maintenance planning level and at few locations, it has gone to below minimum level," the letter to Gangal, a copy of which was seen by *The Indian Express*, said.

The aviation safety regulator made four other observations and asked the airport director to respond to the notice within 15 days.

For the Chennai airport, a part of the runway was observed to have friction values below the minimum as required by the regulations.

Further, "non-frangible materials (concrete slabs, open concrete trench/chambers) were found on the runway strip...several large loose

### INSPECTION DONE LAST WEEK

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stones were found of RESA (runway end safety area) of Runway 07 and Runway 25", the regulator told Chennai's Airport Director and Accountable Manager G Chandramouli.

Both the Ahmedabad and Chennai aerodromes are managed by the Airports Authority of India (AAI).

Last week, the DGCA served show-cause notices to four SpiceJet executives following a series of runway excursion incidents during the week involving the budget carrier's flights, which led to an unplanned audit of the airline's premises at Gurugram and discovery of lapses on the company's part.

The DGCA had started a special audit of all airlines and airports in monsoon-affected areas in light of several incidents across the country. These audits are expected to cover issues like pilot training for operating in monsoon and adverse weather, runway conditions, runway lights and markings, water drainage facilities, navigation facilities, among others. The regulator had also suspended 12 personnel, including pilots and engineers for lapses in safety standards.

## 'STRONG ORDER BOOK AND DEAL PIPELINE THIS QUARTER' TCS kicks off earnings season with a 10.77% jump in Q1 net

ENS ECONOMIC BUREAU  
MUMBAI, JULY 9

AIDED BY higher customer spending, India's largest infotech company, Tata Consultancy Services (TCS), on Tuesday posted a 10.77 per cent growth in net profit to Rs 8,131 crore for the first quarter ended June 2019 as against Rs 7,340 crore in the same period of last year.

However, the net profit rose by 0.06 per cent from Rs 8,126 crore from the March 2019 quarter. Total revenue rose by 11.4 per cent to Rs 38,172 crore for the June quarter as against Rs 34,261 crore a year ago. While the operating margin was at 24.2 per cent, net margin remained at 21.3 per cent. TCS also announced a dividend of Rs 5 per share. Rajesh Gopinathan, CEO and MD, said: "We have had a steady start to the new fiscal year. We see customers continuing to spend on their growth and transformation initiatives, and that is showing in our strong order book and deal pipeline this quarter."

"We are benefiting significantly from enterprises investing in customer experience to differentiate themselves in a Business 4.0 world. Our lean forward strategy is working well and our customers are benefiting from the

### EXPLAINED Re rise, wage hike hit margins which fell to lowest in 8 quarters

THE RISE in net income on a sequential basis from the March quarter was less than 0.1 per cent as the rupee appreciation and wage hike impacted the margins which declined to its lowest in eight quarters.

The company's employee benefit expenses rose by over Rs 2,000 crore to Rs 20,859 crore in June 2019 from Rs 18,548 crore a year ago. Even though the company said it's looking at double-digit revenue growth, the performance of TCS and other IT companies will depend on the currency movement and the visa regime in the US. However, major overseas markets of the company have not shown any signs of slowdown in terms of IT spending as of now.

TCS innovation ecosystem. Customers appreciate our end-to-end capabilities, and our holistic approach to transforming customer journeys that enable rapid product innovation and speed to value," he said.

The company said digital revenue was 32.2 per cent of the total, up 42.1 per cent year-on-year. UK, Europe and India led the growth with increases of 16 per cent, 15 per cent and 15.9 per cent, respectively, on a YoY basis. N Ganapathy Subramaniam, COO &

framework, enable us to stay relevant to our customers. We are confident of the future as we embrace deeply the Machine First philosophy in delivering experiential and modern solutions to our clients," he said.

V Ramakrishnan, CFO, said: "We continue to invest in deepening our capabilities to help our customers in their transformation journeys. Additionally, our margins this quarter fully reflect the annual increments ... across the board in April. Sustained rigour in operations helped deliver strong cash conversion and EPS expansion." According to TCS, strong hiring in the first quarter resulted in a net addition of 12,356 employees, the highest in the last five years.

"The company has issued joining letters to over 30,000 fresh graduates. Forty percent of them have been onboarded in Q1 and the rest are expected to join by Q2," it said.

Consolidated headcount stood at 436,641 as of June 30, 2019. With continuing initiatives to attract the best local talent across major markets, the workforce is becoming more diverse. The percentage of women in the workforce rose further to 36.1 per cent while the total number of nationalities represented grew to 149.

## After talks to sort out trade concerns at G20 meet, Trump reignites tariff issue with India

ENS ECONOMIC BUREAU  
NEW DELHI, JULY 9

US PRESIDENT Donald Trump on Tuesday reiterated that India's moves to impose tariffs on products that it exports here were not going to be tolerated. However, the US President's short remark on the issue, which came amid a series of tweets on topics ranging from the UK's Brexit deal to food stamp participation, were made without details of whether and how the US would retaliate.

The remarks come after a recent meeting between Trump and Prime Minister Narendra Modi on the sidelines of the G20 Summit in Japan towards the end of June, where the two leaders agreed to work together to resolve trade-related issues.

"India has long had a field day putting tariffs on American products. No longer acceptable!" tweeted Trump.

This comes nearly two weeks after Trump first sought the withdrawal of retaliatory tariffs that India had imposed on 28 goods imported from the US.

India hiked tariffs on several products, including almonds, fresh apples and phosphoric acid on June 15, nearly two weeks after the Trump administration announced that it was withdrawing India's duty-free benefits under the US' select trade programme, the Generalised System of Preferences (GSP).

"I look forward to speaking with Prime Minister Modi about the fact that India, for years having put very high Tariffs against the United States, just recently increased the Tariffs even further. This is unacceptable and the Tariffs must be withdrawn!" tweeted Trump on June 27, ahead of the G20 Summit.

During this meeting, the two leaders "discussed ways to leverage the power of technology, improve defence and security ties as well as issues relating to trade," tweeted Modi on June 28. "India stands committed to further deepen economic and cultural relations with USA," he added.

India was the largest beneficiary under the US GSP programme, with exports of over \$6 billion in 2018-19. However, Commerce Minister Piyush Goyal indicated that the country



"India has long had a field day putting tariffs on American products. No longer acceptable!"

DONALD TRUMP, US PRESIDENT

would not be pursuing a retaliation to the withdrawal.

The country delayed the imposition of its retaliatory tariffs for nearly a year after it first announced the move in response to hikes in tariffs on steel and aluminum imported by the US, which hit Indian exports. India has since approached the World Trade Organization's (WTO) dispute settlement body against the move.

Trump has long been critical of Indian tariffs on products like Harley Davidson motorcycles, at one point even calling the country a "tariff king".

The GSP withdrawal came on the heels of the re-elected Modi government taking office early in June. The US had announced its intent to withdraw India's benefits under the programme in March after failed negotiations between the two country over the Trump administration's demands. This includes the US' issues with India's decision to cap prices of essential medical devices like stents and knee implants and its demands that US dairy product exporters certify that their produce was derived from animals that were not fed food containing internal organs.

"India, like the US and other nations, shall always uphold its national interest in these matters. We have significant development imperatives and concerns and our people also aspire for better standards of living," the ministry had stated after the GSP withdrawal was notified on June 5.

The US is one of India's largest trading partners, exporting \$33.1 billion worth of goods to India in 2018. However, India still had a goods trade surplus of \$21.3 billion with the country.

## '63% of consumer durable sales to be digitally influenced by 2023'

Projecting a healthy growth rate for consumer durables, a report by Boston Consulting Group (BCG) and Google India states that overall Industry will see a growth of 13% to reach \$36 billion by 2023

**DIGITALLY INFLUENCED SALE:** The report defines a sale as a 'digitally influenced sale' if the buyer uses internet during any stage of purchase cycle

**28% of consumer durable sales is digitally influenced & this is estimated to reach 63 per cent of total sales, amounting to \$23 billion by 2023. \$10 billion of this will be online sale**

**INFLUENCE VARIES:** Digital influence varies by product categories with it being 33 per cent for high average selling price (ASP) durables like ACs, Televisions, Refrigerators and Washing machines and 20 per cent for lower ASP products like small appliances, water purifiers & microwaves

**18 BILLION** Consumer durable sales will reside with digitally influenced consumers who are undecided on their brands in 2023



**WOMEN CONSUMERS:** Number of digitally influenced consumers have doubled over last four years. Digitally influenced consumers have

increased 5X in tier 2 and tier 3 cities and digitally influenced women consumers have increased 10X over last 4 years

**WHERE THEY SEARCH?** Social media, blogs and online videos are the key sources for online research. Nearly 2 out of 3 digitally influenced consumers rate online reviews as a significant influencer in their purchase decisions

**SHORT DURATION:** Companies will have a short 2-3 week window to influence them and ability to timely & efficiently influence them will determine the winners of the future

## Post Budget EV push, first big electric launch in India: Hyundai's Kona SUV

HYUNDAI MOTORS India launched its fully electric SUV Kona in the Indian market on Tuesday at a price of Rs 25.3 lakh. S S KIM, MD and CEO, Hyundai India Limited, told SANDEEP SINGH that while the car will contribute in setting some electric vehicle culture in Indian market, lack of infrastructure is the biggest challenge. He also called for subsidy support for private customers from the government. Excerpts:



S S Kim, MD and CEO, Hyundai India Limited at the launch of the automaker's fully electric SUV 'Kona' in New Delhi.

"Kona fits into a niche market segment in India and I don't think there will be big demand for it... A full-fledged electrified vehicle can contribute in setting some EV culture in the market..."

terms of pricing there needs to be some support from the government other than the proposed GST reduction and tax benefit for the customers. I say it because price might be a big burden for the customer. Kona is a full-fledged electric vehicle and the material cost would be more than 2 times higher than for normal internal combustion engine vehicle primarily because of the lithium ion battery.

**How do you plan to address the charging infrastructure issue?**

We are tying up with IOCL to set up DC charging stations, starting with one each in top four cities. With each car we are giving two chargers free of cost. One CCS Type II charger that can be put up at home or office and can charge 100 per cent in around 6 hours and the other a simple trickle charger.

Additionally, two fast chargers would be placed at showroom and workshops in around 10 cities where the car is sold. We are also providing roadside assistance where vehicle-to-vehicle charger would be provided if a car gets stranded somewhere.

**What additional support do you want other than those provided in recent Budget announcements?**

There is no subsidy from government side as it is there in some European and East Asian countries for customers. In South

Korea and China, we have strong support for EV customers in the form of subsidy. Government support should be around 50 per cent of the cost of electric vehicle. However, such subsidy should not continue for a long period but for a period that gives industry some meaningful scale.

**The battery raw material is a scarce resource, do you think it is dependable in the long run?**

That's true. Right now natural resource relating to battery is very limited and in some countries there is very strong competition in the battery industry. That's one of the reason that there will be some challenge in the growth of EV market. But yes, alternatives are also being worked upon we may see fuel cell coming up etc. We will also localise our battery manufacturing and we plan to be much more competitive in terms of cost, quality and delivery.

**How do you see the governments push for EVs?**

The push for EVs is good. Personally, I feel that internal combustion engine vehicles can survive for few more decades. So future market situation will be kind of co-existence if IC, EVs, fuel cell cars and hybrids. While there are talks of full conversion to electric by 2030, 100 per cent electrification of total vehicles is not a possible scenario in the next decade. In the meantime I think that it is OEMs responsibility to improve the fuel efficiency and work on reducing emissions.

## IndiGo co-promoter urges Sebi to look into lapses in 'governance'; regulator seeks details from airline

ENS ECONOMIC BUREAU  
NEW DELHI, JULY 9

CO-PROMOTER OF India's largest airline IndiGo, Rakesh Gangwal, wrote to the Securities and Exchange Board of India (Sebi) on Monday alleging serious governance lapses by co-founder Rahul Bhatia who had earlier termed his demands as unreasonable, and has sought regulatory intervention in the matter. The markets regulator has asked the company to give its response to the letter by July 19.

Flagging concerns about certain questionable Related Party Transactions (RPTs), Gangwal said the shareholders' agreement provides his long-time friend Bhatia unusual controlling rights over IndiGo. "Beyond just questionable Related Party Transactions, various fundamental governance norms and laws are not being adhered to and this is inevitably going to lead to unfortu-

### Flagging concerns about certain questionable Related Party Transactions, Rakesh Gangwal said shareholders' pact provides co-promoter Rahul Bhatia unusual controlling rights. Bhatia had earlier termed his demands as unreasonable

nate outcomes, unless effective measures are taken today," the letter said. Gangwal and his affiliates have around 37 per cent stake in InterGlobe Aviation while Bhatia and his affiliates (IGE Group) have about 38 per cent.

After Gangwal wrote to the board seeking an extraordinary general meeting, Bhatia, on June 12, opposed the proposal. Bhatia wrote to the board alleging that the genesis of Gangwal's angst was his "hurt ego" and refusal of IGE Group to entertain his "unreasonable demands". In the June 12 letter, Bhatia alleged that Gangwal had a hidden agenda and had made a package proposal and was not willing to dis-

cutt the RPT issue in isolation. Among the issues flagged by Gangwal are that various RPTs with the IGE Group were executed without seeking the audit committee's approval and without seeking competitive bids from third parties, and non-appointment of an independent woman director.

Gangwal said he had entered into a shareholders' agreement that provides Bhatia unusual controlling rights over IndiGo. The IGE Group's rights include those to appoint three out of six directors, nominate and appoint chairman, CEO, president as well as a voting arrangement that requires Gangwal and his affiliates

to vote alongside the group on appointment of directors, as per the letter.

"While we aren't questioning the independence of the current Chairman in his decision making, we are questioning the designation of such an individual as 'independent'. The process of appointing an Independent Chairman at IndiGo is the classic 'Hobson's choice' and a sophisticated way to circumvent Sebi rules..." the letter said.

Gangwal also said that he had been seeking an extra-ordinary general meeting (EGM) to put in place reasonable procedures and safeguards with respect to related party transactions with Bhatia and his affiliates.

The company is chaired by former Sebi chief M Damodaran. Apart from Gangwal, Bhatia and his wife Rohini Bhatia, former World Bank executive Anupam Khanna and chartered accountant Anil Parashar are board members.

## Micromax to start making ACs 'entirely' in India

NANDAGOPAL RAJAN  
NEW DELHI, JULY 9

MICROMAX, WHICH entered the consumer electronics segment a few years ago, will now start manufacturing its air conditioners entirely in India while expanding its offerings across other segments. The company has announced the launch of a smart television range certified by Google, along with top loading washing machines and new air conditioners.

"With local manufacturing,

the idea is to have full control and obviously benefit from the cost advantages which we will pass on to the customer," Rohan Agarwal, director of Micromax told *Indianexpress.com*, adding that his company wants to "grow under the Make in India" initiative. "We are not one of those who will just import and brand itself. We want to create solid foundations."

"In air-conditioning, we are setting up our entire manufacturing facility in India," Agarwal said, adding that the company's manufacturing unit at Bhiwadi

in Rajasthan is being upgraded for the same. "We will use our existing setup and train the existing workforce. We will also hire new people."

Agarwal said the new televisions will all be Google certified, which means they will have the latest software and native apps as well as get the latest updates.

"Customers now prefer OTT applications like Netflix and Amazon Prime as viewing patterns have changed over time from cable to digital satellite to now VOD," Agarwal said, explain-

ing why the company will now start exiting from non-smart television above 32 inches. "We will basically focus on the Google Certified experience as we believe this is the next wave in the television industry," he said, adding that the new televisions will be in sizes between 32 and 55 inches were from 43 inches onwards there will be UHD offerings.

For Micromax, the consumer electronics business with its television, washing machine and air-conditioner segments, accounts for about 35 per cent of the firm.