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How markets performed last week

	Index on Sep 27,'19	*One-week	% chg over Dec 31, '18 local currency	in US $
Sensex	38,823	2.1	7.6	6.4
Nifty	11,512	2.1	6.0	4.8
Dow Jones	26,820	-0.4	15.0	15.0
Nasdaq	7,940	-2.2	19.7	19.7
Hang Seng	25,955	-1.8	0.4	0.3
Nikkei	21,879	-0.9	9.3	11.2
FTSE	7,426	1.1	10.4	6.3
DAX	12,381	-0.7	17.3	11.9

*Change (%) over previous week Source: Bloomberg

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SAUDI ARABIA TO INVEST $100 BN IN INDIAN PETROCHEM, INFRA

WORLD P15

ELON MUSK UNVEILS PLAN FOR SPACEX'S MARS STARSHIP ROCKET

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GOVT BANS EXPORT OF ONION, SLAPS STOCK LIMIT ON TRADERS

The government on Sunday banned the export of the key kitchen staple and imposed a stock limit on traders to improve the domestic availability of the commodity. Retailers can stock onion only up to 100 quintals and wholesale traders are allowed to keep up to 500 quintals, the consumer affairs ministry said, adding that the state governments had been asked to take steps to prevent hoarding. 6

POLITICS & PUBLIC AFFAIRS 12

› Many layers of onion politics

ECONOMY & PUBLIC AFFAIRS P7

Govt may seek ₹30,000 cr interim dividend from RBI

The Centre may seek an interim dividend of about ₹30,000 crore from the RBI towards the end of the year to meet its fiscal deficit target of 3.3 per cent of GDP, said sources. Government finances have come under pressure due to moderation in revenue collection and a slew of measures taken to lift growth from a six-year low of 5 per cent in the first quarter of the current fiscal year.

COMPANIES P3

India Inc tries to wean off plastics

Companies across sectors are gearing up for a ban from this Wednesday on single-use plastic. Dabur India, ITC, and Flipkart are among those with time-bound initiatives to fully recycle the plastic used in their respective supply chains. ARNAB DUTTA, PEERZADA ABRAR & SHALLY SETH MOHILE write

Monsoon officially ends today

The monsoon season is officially ending on Monday, but it is unlikely that it will withdraw in the coming week, said IMD Director General Mritunjay Mohapatra on Sunday. Active monsoon still prevails over parts of Rajasthan, Bihar, and Uttar Pradesh.

Antibiotic prices may be capped

Centre likely to consider rationalising trade margins

VEENA MANI, SANJEEB MUKHERJEE & SOHINI DAS
New Delhi/Mumbai, 29 September

The government may consider rationalising trade margins of antibiotics after having done so for cancer drugs.

The expert committee set up to look at prices of drugs and advise the National Pharmaceutical Pricing Authority (NPPA) could examine this section.

Many antibiotics are already under a price cap. However, this committee could examine the segment as a whole and take a holistic view on price caps in this segment.

A senior government official looking into this matter said: "From a molecule perspective, it would be beneficial to look at antibiotics. Doctors prescribe antibiotics for anything and everything these days."

Pharma industry players said the government move was likely to be restricted to the non-branded generic segment because the branded generic segment (like common antibiotic brands such as Augmentin) had a standard trade margin.

R K Baheti, director (finance), Alembic Pharmaceuticals (which owns popular brands like Azithral), said trade margins for branded generic drugs were always standardised.

"For scheduled products, the margin is 8 per cent for the stockist and 16 per cent for the retailer, while for non-scheduled products, it is 10 per cent and 20 per cent, respectively. This is standard. As a manufacturer, it is our discretion to fix the maximum retail price for non-scheduled drugs, while the prices of scheduled drugs are fixed by the pricing regulator, and then the trade margins are standard," he said.

He added for promotional schemes, a manufacturer might offer a higher margin to trade.

For non-branded generic medicines, however, the margins are not standardised. Industry sources said the government might try to rationalise margins in this segment, and if that happened, it would be beneficial for branded generic players.

Ameesh Masurekar, director at AIOCD Pharmasofttech AWACS, a market research firm, said for antibiotic injectables at times there was some discounting or pricing change when a manufacturer sold it to a hospital. "If trade margins are rationalised, it would not impact the realisations of pharma companies, but may affect hospital margins," he said.

However, the government has not yet discussed the issue of trade margin rationalisation with the industry.

Sudarshan Jain, secretary general of the Indian Pharmaceutical Alliance, which represents major players, said after the government deliberated on any proposal, it called the industry for a stakeholder meeting. "In the case of antibiotics, no such meeting has happened yet," he added. Turn to Page 6

BILLS FOR PILLS

- Many antibiotics are already **under a price cap**
- Expert committee could examine the segment as a whole and take a **holistic view on price caps** in this segment
- Pharma industry players said the move was likely to be **restricted to the non-branded generic segment**
- Antibiotics or the **anti-infective category roughly accounts for 13.5%,** or around ₹18,000 cr, of the Indian pharma market

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DRUG COMPANIES STOCKING UP TO AVOID SUPPLY DISRUPTIONS

PMC used dummy accounts to escape RBI attention

ANUP ROY & SUBRATA PANDA
Mumbai, 29 September

Relations between Punjab and Maharashtra Co-operative Bank (PMC Bank) and Housing Development & Infrastructure (HDIL), which is facing bankruptcy proceedings, were highly symbiotic.

The bank's sacked managing director (MD) and chief executive officer (CEO) Joy Thomas wrote a five-page confession letter to the Reserve Bank of India (RBI) on September 21, reviewed by *Business Standard*, where he described the relation of the HDIL's promoter family Wadhawan with PMC Bank in detail, and how both sides helped each other out.

He admitted to concealing information from the board, auditors, and regulators, and replacing stressed accounts with dummy accounts. He also stated that "all the decisions for granting of overdrawals to these accounts was as per my instructions", and absolved other executives who, he said, had no role except for acting in good faith in executing his instructions. Turn to Page 6

THE ANATOMY OF A FRAUD

1984: PMC Bank starts op from a single branch

1986-87: Wadhawan family saves bank from bankruptcy

2004: Wadhawans put ₹100 crore as deposit

2007: HDIL gets listed

2011-12: Maharashtra changes land redevelopment policy. HDIL's project gets stuck

2013: HDIL defaults

Till 2015: RBI auditors mainly check incremental lending

Post-2015: Offsite inspections point to evergreening

2017: PMC replaces legacy accounts with dummy accounts

2018: RBI tells PMC Bank to classify HDIL as NPA

September 19, 2019: RBI inspection starts

September 21, 2019: Bank MD Joy Thomas writes a detailed letter to RBI

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RBI got a whiff of evergreening at PMC Bank

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EDIT: Failures of supervision

Romesh Sobti, Aditya Puri may not get extension

RAGHU MOHAN
Mumbai, 29 September

The Reserve Bank of India (RBI) may not give an extension to Romesh Sobti and Aditya Puri — the helmsmen at IndusInd Bank and HDFC Bank — after their current terms end.

The thinking within the central bank's senior decision-making hierarchy is that there is no case as of now to increase the age limit for whole-time directors on private bank boards to 75 from 70 to bring it in alignment with the Companies Act (2013). Sobti turns 70 on March 23, 2020; Puri on October 26, 2020.

If the RBI is to go ahead with it, it would also set the retirement age for heads of private banks once and for all. It is the lack of a clearly articulated age ceiling which has led to speculation over further extensions for Sobti and Puri.

Romesh Sobti, MD and chief executive officer, IndusInd Bank

Aditya Puri, MD, HDFC Bank

A well-placed source said, "Nothing on the issue has been communicated to either bank." The reason for this is that neither Sobti as managing director (MD) and chief executive officer of IndusInd Bank nor Puri (as MD) of HDFC Bank has formally sought an extension from the RBI for their respective tenures. But it has been widely held that backchannel talks have been going on with the central bank on the matter for some time now.

Attention had been focused on whether the central bank will align the age limit for directors on banks with the Companies Act. This would have been the requisite first step for Sobti and Puri to continue to be on the boards after having turned 70. Both had articulated an interest to continue their association with their respective banks in the past.

The banking regulator had extended the retirement age of chiefs of private banks to 70 in September 2014 from 65 when the Companies Act, 2013, replaced the earlier one enacted in 1956. Turn to Page 6

HDFC arm looks to raise $1 bn in housing fund

In talks with Abu Dhabi Investment Authority, NIIF

RAGHAVENDRA KAMATH
Mumbai, 29 September

After raising over $1 billion for its affordable funds earlier, HDFC Capital Advisors — the property fund management company of HDFC — could raise a similar amount for its third affordable housing fund, said sources familiar with the issue.

The fund manager is in talks with the Abu Dhabi Investment Authority (ADIA) to raise funds, said sources, adding India's National Investment and Infrastructure Fund (NIIF) could also put fresh money into the fund.

HDFC Capital Advisors guides HDFC Capital Affordable Real Estate Fund 1 (H-CARE 1) and H-CARE 2, in which the ADIA is an anchor investor. The NIIF last year invested ₹660 crore in H-CARE 2.

Collectively, H-CARE 1 and H-CARE 2 form a $1.1-billion investment platform targeting affordable and mid-income residential projects in 20 cities in the country.

"They have got a good response from investors. Global investors have realised that affordable housing is selling well in the country and presents them with a good opportunity," said a source.

When contacted, neither HDFC nor the NIIF spokesperson responded. The ADIA spokesperson did not offer any comment.

HDFC Capital invested ₹500 crore in the Runwal Group's housing project in Dombivli near Mumbai early this year from its H-CARE funds.

It also formed investment platforms with developers to co-invest in other affordable projects such as with Prestige Estates Projects, Mahindra LifeSpaces, and ATS Homekraft and has been in talks with a few more developers to float such platforms.

According to sources, global investors such as the International Finance Corporation (IFC) and the CDC Group plc of the UK government are also looking to invest in affordable housing projects, especially in tier II cities. Turn to Page 6

ROOM FOR MORE

- HDFC Capital has **H-CARE 1** and **H-CARE 2 funds**
- NIIF last year invested **₹660 crore** in H-CARE 2
- H-CARE 1, H-CARE 2 form a **$1.1 billion** investment platform
- HDFC Capital formed JVs with **Prestige, Mahindra, ATS**
- HDFC Property Fund is also raising **$500 million** realty fund

SOON, TRACK LIVE STATUS OF INFRA PROJECTS

The finance ministry has conceived of a National Infrastructure Pipeline — a dynamic list of private and public sector projects — which will eventually add up to the ₹100 trillion (about $1.4 trillion) investment in infrastructure that the Centre plans to execute by 2024. "The list will tell investors at what stage of execution each of these projects is in and offer them a realistic assessment of whether to put money into them or not," said a source. SUBHOMOY BHATTACHARJEE writes 16

BS SPECIALS ON MONDAY

BANKER'S TRUST: How much, Mr Das: Rate cut of 40 or 25 bps? 8

Not inflation but slowing growth in Asia's third-largest economy, which wants to get into the $5 trillion-club by 2025, is the primary concern of the RBI. TAMAL BANDYOPADHYAY writes

BUSINESS LAW: Right to be forgotten not easy to come 13

Although the draft data protection Bill proposes this idea, there are several technical, legal, and ethical difficulties to its application. KUMAR ABISHEK writes

PERSONAL FINANCE: To tease or not to tease the retail borrower 10

With the SBI chairman seeking the RBI's permission to launch fixed-cum-floating products, a decade-old debate has been reignited. SANJAY KUMAR SINGH writes

STATSGURU: Science and tech losing steam? 4

BUSINESS STANDARD FUND MANAGER

A 20-page special pull-out on mutual funds is being distributed free with today's edition.

E-commerce majors clock bumper sale on Day One

RIGHT CLICK

- Flipkart saw 2x sales growth on Day 1 of BBD 2019, compared to last year's BBD opening day
- For Flipkart, transacting customers from tier II and beyond has doubled
- Flipkart said customers opting for affordability options spent 2.5x
- Amazon witnessed biggest-ever single-day sale, backed by surge in transactions from tier II, III towns
- Smartphone brands OnePlus, Samsung, and Apple made record sales on Amazon, worth ₹750 crore in 36 hours
- At Amazon, appliances and TVs showed growth of 10x over an average biz day

Flipkart saw 2x more sale; for Amazon, it was the biggest-ever in a single day

PEERZADA ABRAR & KARAN CHOUDHURY
Bengaluru, 29 September

Dispelling the fear that a slowing economy may affect consumer behaviour, e-commerce majors Flipkart and Amazon India have said they witnessed record transactions on their platforms on the first day of their annual festive sale, which started early on Sunday.

While home-grown Flipkart, which is now owned by American retail major Walmart, said it registered two times more sales on Day One of its flagship sale event Big Billion Days (BBD) over last year, rival Amazon claimed it witnessed the biggest opening day sale ever with a huge surge in participation in smaller towns.

According to Amit Agarwal, senior vice-president and country head, Amazon India, the company also saw the single-largest day of Prime sign-ups, with 66 per cent of Prime members shopping in 24 hours coming from tier II and tier III towns.

The company added that 91 per cent of new customers were from smaller cities.

"Whether it is the Diwali festival season or any other shopping event, the primary objective for us is to add as many new customers as we can and convert the existing customer into Prime members. We are relevant to customers, no matter the macroeconomic conditions," said Agarwal.

According to Flipkart, it saw huge demand in almost all major categories, including beauty, women's ethnic wear, kidswear, sports, fast-moving consumer goods, baby care, private labels, and furniture on the first day of the sale. The company saw 3x more transactions happening on its platform during early access (from Flipkart Plus customers), compared to last year. The number of transacting customers in tier II and smaller cities doubled over the same period.

"We started this festive season by setting audacious targets. By all indication, this is going to be the biggest festive season that India has witnessed," said Kalyan Krishnamurthy, chief executive officer of Flipkart. "E-commerce has not only lifted consumer sentiment but also driven the industry to set new benchmarks," said Krishnamurthy.

Wearing a black T-shirt with the slogan *Bura Na Maano BBD Hai* written on it, Krishnamurthy was seen giving a pep talk during the kick-off of the BBD sale at Flipkart's Bengaluru campus. Apart from employees, many of its sellers also attended the event. "As part of fun activities, the firm had invited a mind reader to the event. He asked Kalyan (Krishnamurthy) to think about one of his friends and he correctly guessed that Kalyan was thinking about Flipkart co-founder Sachin Bansal," said a person who was present at the event. Turn to Page 6

AMAZON PINS HOPE ON INDIA SALES TO SET TONE FOR GLOBAL CALENDAR

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