

### WEAK DEMAND

# After production curbs, Maruti to shut Gurgaon, Manesar operations for 2 days

ENS ECONOMIC BUREAU NEW DELHI/PUNE, SEPT 4

AFTER RESORTING to production cuts to align output to weakened consumer demand, Maruti Suzuki India on Wednesday said it will shut down operations at its Gurgaon and Manesar plants for two days - September 7 and 9.

Separately, Tata Motors said it will continue with its block closure at its passenger vehicle plant in Pune in September first week to clear inventory. Block closure is different from a plant shutdown. Here, one or more assembly line is closed rather than a complete shutdown of production. Tata Motors had conducted block closure at its passenger car and commercial vehicle plant from August 28 to 31. While the block closure

## EXPLAINED Muted expectation of rise in sales; inventory level remains high

MARUTI SUZUKI India has already cut production over the last 7 months. As sales continued to dip and the company witnessed a 36 per cent drop YoY in domestic passenger vehicle sales in August, the move reflects the company's dip in future expectation of sales and pressures on account of existing high levels of inventory.

at the commercial vehicle plant was lifted from September 1, the closure at passenger car plant will continue till the first week of the current month.

Retail sales continue to move in the green lane leaving the dealers saddled with high inventory.

This has reduced their ability to take further despatches from the manufacturers. In such a scenario the manufacturers have no option but to go for production cuts and plant shutdowns.

The shutdown of Maruti's plants comes after the company's

domestic sales (despatches to dealers) plummeted 36 per cent year-on-year in August, which was the tenth consecutive month of such decline. This was after the company had cut production by 34 per cent YoY during the month - its 7th consecutive month of trimming output.

Usually automakers shut down their plants twice in a year for maintenance purposes. However, most manufacturers including Maruti, Tata Motors and Mahindra & Mahindra had shut down plants in the last six months for anywhere between 2-10 days.

To align wholesales with retail, car manufacturers have been temporarily halting production and laying off workers. Mahindra & Mahindra had shut production across plants for up to 13 days in the April-June quarter and recently

said it would shut production for 8-14 days in the July-September quarter. Others including Tata Motors, Honda Cars India and Renault-Nissan alliance have shut down their plants for anywhere between four and ten days in May-June. Toyota and Hyundai India had recently decided to halt production at plants for two days to combat slumping sales. As per Siam estimates, manufacturers would lay off 15,000 temporary workers since April 2019.

Barring October last year, when sales went up 1.55 per cent, passenger vehicle offtake has been in the negative zone in 13 of the last 14 months. The industry has sought immediate steps from the government, including reduction in GST rates and initiation of scrappage policy to boost demand. FE



## FM, INFRA SECTOR REPRESENTATIVES MEET

Finance Minister Nirmala Sitharaman and NITI Aayog CEO Amitabh Kant during a meeting with infrastructure and construction sector representatives in New Delhi. PTI

■ This is part of series of sectoral meeting, which began last month. The representatives of the infrastructure sector expressed their issues and concern to the Finance Minister during the meeting.

■ In his Independence Day speech Prime Minister Narendra Modi said Centre will invest a massive Rs 100 lakh crore on developing infrastructure that will aid in doubling the size of economy to \$5 trillion in five years.

■ Emerging out of the meeting NHAI Chairman N N Sinha said, the construction expenditure is more than last year. HCC CMD Ajit Gulabchand said there is a need to make the sector more investor friendly. PTI

## SECTOR WATCH INSURANCE

# Ratings of three PSU insurers downgraded

GEORGE MATHEW MUMBAI, SEPTEMBER 4

AFTER PUBLIC sector banks, now it's the turn of PSU insurers for bailout. Global rating agency AM Best, which focuses on insurance sector, has downgraded 3 public sector companies - National Insurance, United India Insurance and Oriental Insurance - reflecting a deterioration in their operating performance and underwriting losses.

These companies - two of them reported an erosion in their capital and reserves - may require around Rs 5,000 crore recapitalisation to meet the regulatory standards, experts said. "Having decided to merge the three insurers, will it not be in the owner's (the government) interest to capitalise the three and keep them solvent till the merger takes place? The capital infusion required may be just some Rs 5,000 crore which is indeed small compared to the Rs 70,000 crore reportedly given to PSU banks," said former IRDA Member KK Srinivasan.

The downgrade has come after Budget 2019-20 in July proposed the enabling provision for merger of non-life insurance firms by seeking to amend the General Insurance Business Nationalisation Act.

AM Best downgraded the financial strength rating of National Insurance to C (weak) from C++ (marginal) and the Long-Term Issuer Credit Rating to CCC from B. The company's risk-adjusted capitalisation, as measured by Best's Capital Adequacy Ratio (BCAR), deteriorated to a very weak level at fiscal year-end 2019 due to a combination of significant reserve strengthening for motor third-party liability business and continued large underwriting losses from several other product lines, AM Best said.

"Capital and surplus de-

### National Insurance, United India Insurance and Oriental Insurance downgraded by AM Best

clined significantly by 51 per cent to Rs 2800 crore as of March 31, 2019, from Rs 5,700 crore in the same prior-year period," it said. Furthermore, the company's net underwriting leverage and equity investment leverage has surged to a very unhealthy level at 1,091 per cent and 385 per cent, respectively.

In the case of United India, AM Best has downgraded the Financial Strength Rating (FSR) to C++ (Marginal) from B (Fair) and the Long-Term Issuer Credit Rating to 'B+' from 'BB+' for United India Insurance Company Ltd. The credit rating reflects the company's balance sheet strength, which AM Best categorises as adequate, marginal operating performance, neutral business profile and marginal enterprise risk management. The rating downgrades reflect a deterioration in AM Best's view of United's balance sheet strength and operating performance fundamentals.

Capital and surplus declined significantly by 29.1 per cent to Rs 6,400 crore as of March 31, 2019, from Rs 9010 crore in the same prior-year period. The company repeatedly has fallen short of local minimum regulatory solvency requirements in recent years, AM Best said.

The rating firm has downgraded the FSR to B+ (Good) from B++ (Good) and the Long-Term Issuer Credit Rating to BBB- from BBB+ of Oriental Insurance Company. The credit ratings reflect Oriental's balance sheet strength, which AM Best categorises as very strong, marginal operating performance, neutral business profile and marginal enterprise risk management (ERM).

## 'Liveability ranking: Delhi slips 6 notches'

New Delhi has dropped 6 places to 118th on a list of world's most liveable cities on rise in petty crimes and poor air quality: Economist Intelligence Unit survey



NEW DELHI registered the biggest decline in Asia

MUMBAI also fell two places since last year to rank 119th

VIENNA (Austria) topped the list for second year

WHILE NEW Delhi has been given a score of 56.3, Mumbai has got 56.2. Vienna has scored 99.1 and least-ranked Damascus (Syria) has got 30.7 points

DECLINE IN Mumbai's ranking was mainly due to a downgrade in culture score, while Delhi fell because of downgrades to its culture & environment score as well as fall in stability score owing to rising crime rates

### TOP TO ASIAN CITIES BY LIVEABILITY

City	Country	Score (out of 100)	Rank
Melbourne	Australia	98.4	2
Sydney	Australia	98.1	3
Osaka	Japan	97.7	4
Tokyo	Japan	97.2	7
Adelaide	Australia	96.6	10

A SCORE between 50-60 points, which is the case for India, indicates constrained liveability conditions

THREE ASIAN CITIES ■ Port Moresby in Papua New Guinea (135th) ■ Pakistan's Karachi (136th) ■ Bangladesh's Dhaka (138th) are among the ten least liveable globally

THE 2018 update to the WHO Global Ambient Air Quality Database shows that New Delhi has the sixth highest annual mean concentration of fine particulate matter among cities around the world

LONDON and New York ranked 48th and 58th out of the 140 cities in the survey

## HC stays NCLT proceedings against IL&FS auditors on ban

EXPRESS NEWS SERVICE MUMBAI, SEPTEMBER 4

THE BOMBAY High Court on Wednesday stayed the proceedings against Deloitte Haskins & Sells and BSR & Associates, former auditors of IL&FS Financial Services, before the National Company Law Tribunal on the issue of banning them for five years.

NCLT had earlier dismissed the plea by former auditors of IL&FS arm, challenging the tribunal's jurisdiction to decide on the government's demand for a five-year ban on them from practicing audit work under the Companies Act, 2013. A bench of Justice Ranjit More and Justice NJ Jamadar also stayed proceedings against BSR Associates in the criminal complaint filed before the special court in Mumbai. The bench has

granted stay for two weeks.

On June 8, the Ministry of Corporate Affairs (MCA) had filed a petition with the NCLT seeking to ban Deloitte and BSR for five years under Section 140(5) of the Companies Act. The petition followed a criminal complaint filed by the Serious Fraud Investigation Office (SFIO) based on its investigation into financial affairs of debt-ridden IL&FS Group. In its plea to the NCLT, the MCA stated that investigation by the SFIO revealed that "the auditors knowingly did not report the true state of affairs of the company".

Following MCA's petition, legal counsel for Deloitte and BSR filed pleas challenging tribunal's jurisdiction to ban the auditors under Section 140(5). IL&FS Financial Services is among 348 subsidiaries of IL&FS group, which owes over Rs 95,000 crore to lenders.

## Sebi seeks IndiGo response on fresh Gangwal letter

ENS ECONOMIC BUREAU NEW DELHI, SEPTEMBER 4

IN THE backdrop of InterGlobe Aviation Ltd's co-promoter Rakesh Gangwal's counsel writing a fresh letter to the Securities and Exchange Board of India (Sebi), the markets regulator has sought a response from the company regarding corporate governance issues. Gangwal's letter was sent to Sebi on August 30, days after the firm's annual general meeting on August 27, where the resolutions were voted in favour of by both the sparring promoters.

Gangwal and co-promoter Rahul Bhatia have differences over certain corporate governance matters at InterGlobe Aviation, the parent of the country's largest airline IndiGo. In a filing to the stock exchanges on

### CORPORATE GOVERNANCE ISSUES

■ InterGlobe Aviation Ltd's co-promoter Rakesh Gangwal's letter was sent to Sebi on August 30, days after the firm's AGM on August 27, where the resolutions were voted in favour of by both the sparring promoters

■ Gangwal and co-promoter Rahul Bhatia have differences over certain corporate governance matters at InterGlobe Aviation

■ Firm will provide response, InterGlobe Aviation said in a stock exchange filing

Wednesday, InterGlobe Aviation said Sebi has sought comments on a letter written by Gangwal on August 30. "The company will provide its response to the Sebi," the filing said.

On September 3, Sebi sought comments from the company on a letter received by the regulator from legal counsel of Gangwal. According to the filing, the letter reiterates certain issues that

Gangwal had previously raised with Sebi and seeks certain directions from the regulator against the company and the IGE Group.

The issues are related to amendment to the company's Articles of Association (AoA) to remove the rights of the IGE Group, past related party transactions, non-independence of the current Chairman, refusal to

hold the extraordinary general meeting when requisitioned by Gangwal and certain public statements made by the CEO, it said. The company also said at the annual general meeting held on August 27, both promoter groups have voted in favour of all the resolutions, including those to amend the AoA to expand the size of the board to 10 members and to appoint the Chairman as an independent director.

"Further, as on date, the company has in place a revised Related Party Transaction (RPT) Policy as approved by the company's Audit Committee and the Board of Directors," the filing said.

Sebi is already looking into alleged corporate governance lapses at InterGlobe Aviation after Gangwal, in July, wrote to the watchdog seeking its intervention to address certain issues.

## AUSTRALIA'S AMBASSADOR FOR CYBER AFFAIRS TOBIAS FEAKIN

# '5G is background architecture for future, needs to be looked at with national security mindset'

NANDAGOPAL RAJAN NEW DELHI, SEPTEMBER 4

AUSTRALIA'S AMBASSADOR for Cyber Affairs Tobias Feakin said since 5G was going to be the "background architecture" for a lot of future technologies, "it is very sensible that you look at it with not only an economic security mindset, but a national security mindset" as well. Australia has banned Chinese tech major Huawei from being part of the 5G rollout in the country. Feakin, who is in New Delhi for

his this round of official conversations with the Indian government on shared problems and opportunities in the cyber space, however, did not comment on how India was tackling the 5G issue. Feakin leads his country's international engagement "to advance and protect Australia's national security, foreign policy, economic and trade, and development interests in the internet and in cyberspace".

Feakin said the Australian position on 5G was "vendor agnostic, and country agnostic". "It is about setting common sense principles around the way in which

you absorb a reshaping piece of infrastructure. And that's essentially the way we view 5G, which is not just an additional number on your phone screens which will increase the speed of the way in which you interact with social media, your friends. It reshapes the way in which we interact with our digital environment," Feakin explained.

He said Australia's decision (to ban Huawei) was based on the thinking that "could you allow a high risk vendor into the backbone architecture of your 5G network especially if you feel the "degree of transparency around particular



vendor isn't high enough" or "you can't understand the architecture of that company?" There were other concerns too. "If that company has to answer to its country

of origin and all the legislative names that come with that, then that's a concern for us," he said, adding that the feeling that "there's the potential intent and capability to do the various things within that network once is developed" also added up to the final decision.

"If you can't get us assurances around those particular issues, then we have every right to say that, you know, you can't provide us with that infrastructure."

Feakin, who was a member of the Independent Panel of Experts that supported the Australian Cyber Security Review to produce

Australia's 2016 Cyber Security Strategy, explained that while with 4G networks you can section off different parts of the architecture, with 5G "there is no such thing as a core periphery, you've got high functioning activity across the entirety of that network". "Therefore, you can't begin to mitigate different parts of that network. So for us, it's a very different security decision than what would have existed around a 4G or 3G network in the past."

Feakin said India was a "large, respected global player" and Australia looks at some of the

"more economically prosperous areas" for combined work. "Where do we have good understanding of particular startup communities, we would love to learn more from India in terms of some of what's going on inside your cyber ecosystem. You clearly have some pretty exciting offerings now," he told indianexpress.com.

He said policy considerations around new and emerging technologies was also an integral part of the conversations with India. "5G is the issue we're talking about now, and but is this tip of the technology iceberg. There's

going to be a whole series of other technology, policy decisions that will have to be taken over the coming years, whether it be around quantum computing, already supercomputing, AI, machine learning... these are issues that are going to face us all. And the more we are talking about them now and understanding how we are going to approach those, not just from a domestic point of view, but from the global shaping of standards and how that technology develops, we are going to be much better equipped to the future."