

RAHUL BHATIA MOVES
US COURT AGAINST
RAKESH GANGWAL



IndiGo promoter Rahul Bhatia (*right*) has sought intervention of the district court of Florida in its proceedings at the London Court of International Arbitration (LCIA) against co-promoter Rakesh Gangwal. Bhatia had moved LCIA, seeking monetary damages, saying that Gangwal had breached terms of shareholders agreement and Article of Association of the company. **14**

COMPANIES P3

Zee profit misses estimates on ICD write-off in Q2

Zee Entertainment's July–September (Q2) profit missed analysts' estimates as it provided for an inter-corporate deposit (ICD) worth ₹170.62 crore during the period. Zee's profit before tax declined 22 per cent YoY to ₹504 crore for Q2, as the company said the ICD write-off, reported as an exceptional item in its results, was due to related parties delaying payment.

COMPANIES P2

FMCG rural growth falls to seven-year low

The FMCG market, already feeling the heat of the slowdown, got worse during the September quarter (Q2) as volume growth in rural India plunged to 2 per cent from 16 per cent a year ago. North India, the largest market for FMCG, saw volume growth falling to 1 per cent from 17 per cent as the FMCG volume shrank by 2 per cent in the villages.

ECONOMY & PUBLIC AFFAIRS P12

ADNOC partners Adani-BASF for \$4-bn chemical complex

The Abu Dhabi National Oil Company has tied up with the Adani group for its entry into the chemicals business. In January, Adani had announced a partnership with German major BASF SE for this. Along with ADNOC, Borealis AG has also signed an MoU to conduct a joint feasibility study for setting up a chemical complex at Mundra (Gujarat).

TO OUR READERS

The one-page commercial feature on Magnificent Madhya Pradesh 2019, being carried on Page 7, is equivalent to a paid-for advertisement. No *Business Standard* journalist was involved in producing it. Readers are advised to treat it as an advertisement.

Over to the Commons as UK, EU reach Brexit deal

Johnson must win a knife-edge vote in Parliament to get the agreement approved

ASHIS RAY
London, 17 October

Jean-Claude Juncker, president of the European Commission (EC), the administrative wing of the European Union (EU), threw a lifeline to British Prime Minister Boris Johnson by ruling out on Thursday an extension to the Brexit negotiation period beyond October 31. He said in answer to a question: “If we have a deal, we have a deal and there is no need for prolongation.”

This put pressure on wavering British MPs to seriously consider voting in favour of the Withdrawal Agreement, arrived at between the EC and the British government and announced earlier in the day.

Johnson is obliged under a law passed by the House of Commons last month to apply for a three-month extension if the Commons does not endorse his deal and there is, consequently, a no-deal scenario. But if the EU spurns such a request, the default position is a no-deal.

The pound slipped against the dollar and the euro as it dawned on the currency markets in London that it would be difficult to obtain a parliamentary nod from the House of Commons to the deal.

Britain's exit from the European Union (EU), of which it has been a member since its inception in 1993, apart from being part of its predecessor body for 20 years prior to that, continued to hang in the balance.

The Withdrawal Agreement is a revised version of the one reached when Theresa May was prime minister. If accepted by all parties, it will trigger a transition period, in the course of which the two sides will endeavour to reach a free-trade agreement and the UK will also be free to seek trade pacts with countries outside the EU.

“We've got a great new deal that takes back control,” Johnson exultantly tweeted. The agreement is expected to be approved by heads of government of EU countries during the current two-day European Council summit, which concludes on Friday.

However, the deal needs majority support in the House of Commons, a directly elected body. There was uncertainty on Thursday as to whether Johnson could carry the House with him when it congregates quite unusually on Saturday.

Johnson's deal drops the “back-stop” arrangement, opprobrious to hard Brexiters in the Commons. The new wording acknowledges “Northern Ireland is part of the customs territory of the United Kingdom”, but at the same time concedes it will de facto be a part of the EU's customs union.



CHALLENGES AHEAD: British Prime Minister Boris Johnson, German Chancellor Angela Merkel and French President Emmanuel Macron at the European Union leaders' summit in Brussels

WHAT NEXT?

In an extraordinary Saturday sitting, the first since 1982, the British Parliament will vote on approving Boris Johnson's deal

Johnson needs at least 318 votes to be certain of victory in the 650-seat Parliament

Opponents are trying to force both a delay to Brexit

and another referendum

The Democratic Unionist Party said it could not support the deal. The opposition Labour Party, the Scottish National Party and the Liberal Democrats have all said they will oppose it

If approved, Johnson can proceed with his plan to

leave the EU on Oct 31. If rejected, he may seek approval to leave the EU without a deal

If he loses vote on both a deal and no deal, he is required by law to write a letter to the EU, requesting more negotiating time, delaying Brexit until Jan 31, 2020

Source: Reuters

India Inc may breathe easy

SHALLY SETH MOHILE & ADITI DIVEKAR
Mumbai, 17 October

Britain and the European Union (EU) agreeing to a new Brexit deal spells good news for Indian companies with large investments in the United Kingdom (UK). If the agreement is ratified by the British Parliament, it will end the uncertainty plaguing the operations of many Indian companies for the last three years, said analysts.

The biggest relief will be felt at Bombay House, the headquarters of the Tata group, one the largest industrial investors in the UK through companies such as Tata Motors, Tata Steel, Tata Consultancy Services, Indian Hotels, and Tata Global Beverages. The group has invested nearly 50 billion pounds in the UK since its acquisition of Corus Steel in 2007.

Other Indian companies with a large exposure to Britain include Mastek, CRISIL, Solara Active Pharma, eClerx Services, Majesco, and Rico Auto Industries.

COMPANIES WITH MAXIMUM EXPOSURE TO UK

FY19	Revenue (₹ cr)	% share
Tata Steel*	64,777	35.6
Tata Motors	49,114	16.3
TCS	22,848	15.6
Tata Global Beverages**	1,596	22.3
Tata Comm	1,199	7.3
Mastek	764	73.9
CRISIL	451	25.8
Solara Active Pharma	82	6.2
eClerx Services	74	5.3
Majesco	69	7.5

Note: Revenue contribution from UK; *Europe operations; **FY18 numbers

Source: Company presentations

It ain't over till the fat lady puffs

E-cigarettes are banned but Phillip Morris has devised a heated tobacco product to fill the gap

SURAJEET DAS GUPTA
New Delhi, 17 October

Smokers, don't stub out all hope. E-cigarettes are banned but it's still possible to find a less harmful alternative because global giant Phillip Morris has developed an alternative that may be coming to an outlet near you once it has been commercially launched.

The heated tobacco product does not involve use of electronic systems like e-cigarettes and consequently cannot fall under the ban imposed by the government on September 18. Nor does it involve combustion of tobacco, which means it reduces the harmful effect of smoking traditional cigarettes.

Phillip Morris is open to positioning the product as an alternative to cigarettes and bringing it under the scrutiny of the Cigarettes and the Other Tobacco Products Act (COTPA) but with certain conditions.

The product, which is under trial, looks similar to a cigarette in that it has a carbon tip which simply has to be lit up so that heat is transferred from the carbon tip to the tobacco.

Due to a distance between the carbon tip and the tobacco and other proprietary features, it results in the tobacco heat never exceeding 350 degrees centigrade. Phillip Morris says its research shows that the product while giving the same delivery of nicotine to smokers, does not produce the toxic and carcinogenic effects of cigarette smoking known as harmful and potential harmful constituents or HPHC.

HPHC happens when tobacco is burnt at

VAPING BAN

PRE-JULY 2019: No clear law on e-cigarettes. However, many states on the Centre's advisory ban it; manufacturers challenge the move in court

JULY: Govt plans to bring e-cigarettes under the Drugs and Cosmetics Act, under which they have to get drug controller's permission and can sell though prescription

JULY-AUGUST: E-cigarette manufacturers and traders lobby to bring the product under scrutiny of the Cigarettes and Other Tobacco Products Act

OCTOBER: Govt decides to come out with an Ordinance to ban the manufacture and sale of e-cigarettes

over 400 degrees centigrade. The company's studies have shown that there is on average a 90-95 per cent decrease in HPHC.

Speaking to *Business Standard*, Alexander Reich, managing director, Phillip Morris India said: “We are here to stay in India for the long term. We have various alternatives after the ban, one of which is the heated tobacco product which we have developed and it does not have any electronics system, is less harmful than the cigarette, but can be priced competitively within the same range.”

Govt probing Flipkart, Amazon over discounts

E-COMMERCE COMPANIES HAVE NO RIGHT TO OFFER DISCOUNTS OR ADOPT PREDATORY PRICES. SELLING PRODUCTS CHEAPER, RESULTING IN LOSSES FOR THE RETAIL SECTOR, IS NOT ALLOWED

PIYUSH GOYAL, COMMERCE & INDUSTRY MINISTER



PRESS TRUST OF INDIA
Mumbai, 17 October

The government is probing e-commerce majors Flipkart and Amazon over alleged predatory pricing, Commerce Minister Piyush Goyal said on Thursday.

Warning of stringent action in accordance with the law for any violation, Goyal said a detailed questionnaire had been sent to the two companies and their response was awaited.

According to media reports, Flipkart and Amazon have grossed over \$3 billion in gross merchandise value during the festive sales held over the past fort-

night, which typically see over half of their annual sales.

“E-commerce companies have no right to offer discounts or adopt predatory prices. Selling products cheaper, resulting in losses for the retail sector, is not allowed,” Goyal told reporters here.

They were also not permitted to own products and sell them, he said, adding that they were only platforms helping sellers connect with potential buyers.

Without specifying the exact transgressions, Goyal said his ministry had received complaints from the Confederation of All India Traders (CAIT) alleging violations of norms by these players.

“A detailed questionnaire has been sent to them. Today or tomorrow, a

supplementary questionnaire will also be sent,” he said, reminding that he had earlier also warned e-commerce players.

“We will take stringent action against them if there is violation of any law in letter or in spirit. The law is clear,” he said.

CAIT in a letter on Monday had urged Goyal to order an audit into the business model of all e-commerce firms and the foreign-owned Amazon and Flipkart in particular.

In the letter, CAIT also said since Amazon and Flipkart claimed that individual brands were offering discounts, the government should convene a meeting with major brands to ascertain the truth.

Govt nudges PSBs to take non-IBC route

SOMESH JHA
New Delhi, 17 October

The Union government has directed public sector banks (PSBs) to look for an alternative resolution mechanism outside the Insolvency and Bankruptcy Code (IBC). The government has further told them to build “resilient credit risk control systems” for high-value loans, and has set a deadline of 45 days to decide upon consortium lending proposals.

These measures are part of a second round of reforms under the Enhanced Access and Service Excellence programme, known as EASE 2.0, sent by the finance ministry to all PSBs. PSBs will be bound to follow EASE 2.0 because the 64-point measures will be part of the annual performance appraisal of bank executives of the deputy general manager and above level.

Banks have also been asked to promote the disbursement of Mudra loans, which will be taken into account in the performance review of high-level executives.

The government has asked banks to enhance the cash recovery rate in non-performing asset (NPA) accounts outside the IBC process and told them to secure the recovery of at least 10 per cent of NPAs within 12 months in non-IBC cases and within 18 months in IBC cases “in a high proportion of NPA accounts”. Turn to Page 11

REFORM AGENDA

Some of the measures spelt out by the finance ministry to PSBs as part of EASE 2.0 reforms:

FINANCIAL INCLUSION

- Set up central processing centres for rural loans
- Scale up coverage of microinsurance among banking customers

CREDIT OFF-TAKE

- Dedicated sales channels for personal loan outreach

GOVERNANCE AND HR

- Include EASE reforms in annual performance review of GM/DGM-level executives and above

RESPONSIBLE BANKING

- Institute comprehensive, datasets-driven scoring and categorisation of risk for high-value corporate and MSME loans
- Implement IT-based early-warning signal system



YOU TOO HAD 5 YEARS, STOP BLAMING: MANMOHAN TO NDA

Conceding that there were some “weaknesses” in his regime, former prime minister Manmohan Singh said on Thursday that the Narendra Modi government should stop blaming the United Progressive Alliance

(UPA) for every economic crisis, as five years was sufficient time to come up with solutions. Addressing a press conference ahead of the Maharashtra elections, he was replying to a question on Finance Minister Nirmala Sitharaman's comments in the US, where she said the banking sector passed through its worst phase during the tenures of Singh and former RBI Governor Raghuram Rajan. **12**

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