THURSDAY, 24 OCTOBER 2019
26 pages in 2 sections
MUMBAI (CITY)
₹8.00
VOLUME XXIV NUMBER 51

www.business-standard.com

Business Standard

THE MARKETS ON WEDNESDAY		Chg#
Sensex	39,058.8▲	95.0
Nifty	11,604.1▲	15.8
Nifty futures*	11,624.7▲	20.6
Dollar	₹70.9	₹70.9**
Euro	₹78.8	₹79.0**
Brent crude ($/bbl)##	59.7##	59.1**
Gold (10 gm)###	₹38,278.0▲	₹116.0

*(Oct.) Premium on Nifty Spot; **Previous close; # Over previous close; ## At 9 pm IST; ### Market rate exclusive of VAT; Source: IBJA

COMPANIES P6

GOOD JOURNALISM IS GOOD BUSINESS, SAYS *NYT*'S DUNBAR-JOHNSON

COMPANIES P2

AS CO-FOUNDER QUITS, URBAN LADDER BATTLES MANY WOES

PUBLISHED SIMULTANEOUSLY FROM AHMEDABAD, BENGALURU, BHUBANESWAR, CHANDIGARH, CHENNAI, HYDERABAD, KOCHI, KOLKATA, LUCKNOW, MUMBAI (ALSO PRINTED IN BHOPAL), NEW DELHI AND PUNE

SC TO DECIDE ON AGR DEFINITION TODAY

The Supreme Court is scheduled to pronounce its judgment in the contentious issue of the definition of adjusted gross revenue (AGR) on Thursday. The 14-year-old case has operators locked in a legal battle with the government over the definition. It is the basis on which the telecom department calculates the levies payable by operators. Telcos pay 3-5 per cent and 8 per cent of the AGR as spectrum usage charge and licence fee, respectively, to the DoT. Operators contend that AGR should comprise revenue earned only from telecom services, while the DoT has been insisting that AGR should include all revenues. 15

BS SPECIALS ON THURSDAY

PERSONAL FINANCE: Patience is name of the game 17

Equities perform in short bursts. Make sure you are not out of the market on those crucial days, writes SANJAY KUMAR SINGH

STRATEGY: Can Bajaj Auto do a MINI with the Chetak? 18

Here's how the company plans to disrupt the EV market with the new avatar of a classic, writes SHALLY SETH MOHILE

TO OUR READERS

The half-page commercial feature on 'Bimtech Insurance Colloquium', being carried on Page 5, 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.

DIWALI CHEER

CABINET OKAYS BSNL-MTNL REVIVAL PLAN • EASES FUEL RETAIL NORMS • REGULARISES UNAUTHORISED COLONIES IN DELHI • HIKES MSP FOR RABI CROPS

BSNL, MTNL to merge, get ₹70,000-cr push

MEGHA MANCHANDA
New Delhi, 23 October

Just days before Diwali, the government has taken a decision to lift the air of uncertainty over the two public sector telecom behemoths — Bharat Sanchar Nigam Ltd (BSNL) and Mahanagar Telephone Nigam Ltd (MTNL). While approving a package of nearly ₹70,000 crore for the two financially stressed entities, the Union Cabinet on Wednesday also drew up a timeline to merge them. Monetising real estate assets worth ₹37,500 crore is part of the overall relief package that would be used to retire debts, upgrade networks and offer a voluntary retirement scheme (VRS) aimed at reducing the companies' employee strength by half.

PAGE 9

EDIT: ANOTHER 'REVIVAL PLAN'

The government has said that the two companies are strategically important and will not be closed down or disinvested. Recent reports had suggested that some key ministries were of the view that the revival of BSNL and MTNL was not feasible, and that they could be shut down. Briefing the media after the Cabinet decision, Telecom Minister Ravi Shankar Prasad categorically said the government was neither closing down, nor divesting its stake in, BSNL and MTNL. Turn to Page 13

PHOTO: PTI

Communications and IT minister Ravi Shankar Prasad *(right)* at a press conference with Minister of Housing and Urban Affairs Hardeep Singh Puri

BAILOUT PLAN

₹37,500 cr: Estimated amount the asset monetisation may fetch; assets include land banks as well as rental and leasing of buildings

70%: Share of total expenditure that BSNL, MTNL spend on staff cost, as against 5% by private telecom companies

10.2%: Market share of wireless subscribers for the two PSU telcos as of Aug 31, 2019; private players together have 89.8%

₹20,000 cr: Planned capital infusion to fund 4G spectrum allotment to BSNL, MTNL

₹15,000 cr: Long-term bonds to be raised for which govt will provide sovereign guarantee

₹17,169 cr: Additional budgetary support required for ex-gratia payment to VRS employees

Fuel retailing biz now open to all

₹2,000-crore investment condition scrapped; non-oil companies have been allowed entry

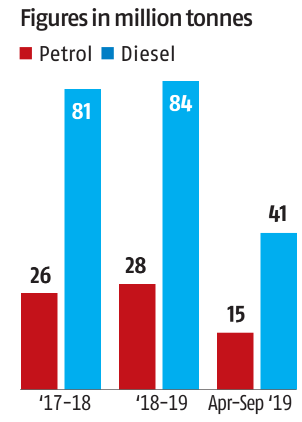
JYOTI MUKUL
New Delhi, 23 October

Paving the way for the entry of new players in the fuel-marketing space, the government on Wednesday scrapped a rule that mandated a company to commit at least ₹2,000-crore investment in the petroleum sector. With this, newer players like Total, Adani, and Saudi Aramco — and even super markets — can open outlets for selling automobile fuel.

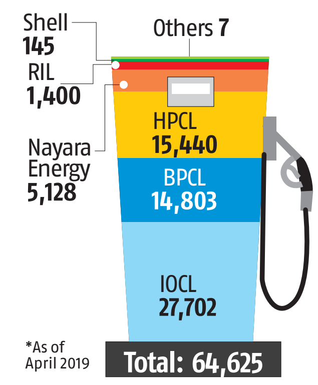
Entities seeking authorisation will now need to have a minimum net worth of ₹250 crore only. Authorised entities will, however, have to meet certain conditions such as setting up a minimum 5 per cent of their retail outlets in the notified remote areas within five years of grant of authorisation. A mechanism has been set up to monitor this obligation. Besides, these entities will be required to install facilities for marketing at least one new-generation alternative fuel, such as CNG, LNG, and biofuel, at their retail outlets within three years of operationalisation of outlets selling conventional fuel.

The Cabinet Committee on Economic Affairs (CCEA) approved the changes on Wednesday under the Review of Guidelines for Granting Authorisation to market Transportation Fuels. "The existing policy for granting authorisation to market transportation fuels had not undergone any change for the last 17 years since 2002. It has now been revised to bring it in line with the changing market dynamics and with a view to encourage investment from private players, including foreign players, in this sector," said a government press release. Turn to Page 13

FUEL CONSUMPTION
Figures in million tonnes



NUMBER OF RETAIL OUTLETS*



*As of April 2019

Source: Petroleum Planning & Analysis Cell

MORE REPORTS PAGE 4

Sebi begins probe against Infy over whistle-blower charges

SHRIMI CHOUDHARY & SAMIE MODAK
Mumbai, 23 October

The Securities and Exchange Board of India (Sebi) has initiated a preliminary enquiry against information technology services major Infosys following allegations of unethical practices by a whistle-blower.

The market regulator has received the whistle-blower's letter along with voice recordings and emails supporting his claims. "The allegations are serious in nature. A proper enquiry into the matter is needed. We have taken up the matter for a preliminary enquiry," said a source in Sebi.

PAGE 9

EDIT: THE INFOSYS TEST

The anonymous letter written by an employee group has accused Infosys Chief Executive Officer (CEO) Salil Parekh and Chief Financial Officer (CFO) Nilanjan Roy of indulging in unethical practices. The letter calls for an "immediate investigation" and has accused the top management of changing investment and accounting policies to boost short-term profits. Turn to Page 13

UNDER REGULATORY GLARE

- Sebi to ask Infosys to share findings of legal probe
- Prima facie, allegations look serious, says a Sebi source
- Sebi, SEC to share info on the matter
- Exchanges ask the IT firm to explain disclosure lapse
- Trading pattern in Infy shares also being looked at

Infy audit panel may summon CEO, CFO

As part of the investigation process into the whistle-blower's allegations, Infosys' audit committee is likely to ask the company's Chief Executive Officer Salil Parekh and Chief Financial Officer Nilanjan Roy to depose before it. According to sources, the whistle-blower allegations against both the executives were learnt to be discussed during the board meeting held on October 11 though they had denied any wrongdoing. DEBASIS MOHAPATRA writes 2

KPMG FORENSIC AUDIT FINDS FUND DIVERSION FROM DHFL

A forensic audit conducted by KPMG on Dewan Housing Finance (DHFL) has confirmed siphoning of funds from the beleaguered non-banking financial company to a host of promoter-led entities. The forensic audit report will make it difficult for banks to close a resolution plan till the company clears itself of these charges, said a banker. DEV CHATTERJEE writes P16

BANKS STARE AT HUGE PROVISION BURDEN IF FRAUD IS ESTABLISHED 16

INDIA TO CLOSE DEAL WITH US FOR 24 SEAHAWKS IN NOV

India is finally concluding a procurement contract for multi-role helicopters the Navy had publicly labelled as 'most important'. Defence ministry sources confirm a contract will be signed in November with the Pentagon (US Department of Defense) for 24 Lockheed Martin MH-60R Seahawks for $2-2.6 billion. AJAI SHUKLA writes P20

Early birds catch the tax cut worm

Pre-tax profit is up 20.7%, net up 15%; top-line growth lowest in 3 years

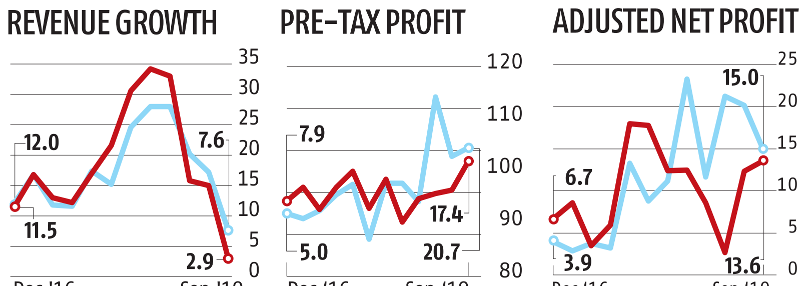
KRISHNA KANT
Mumbai, 23 October

The July-September 2019 quarter (Q2) earnings season has started on an optimistic note for corporate India. Excluding the exceptional gains and losses, the combined net profit of 200 companies that have declared their results so far is up 15 per cent year-on-year (y-o-y), while profit before tax (PBT) has risen by a higher rate of 20.7 per cent, thanks to the cut in tax rates.

In comparison, net profit was up 23.3 per cent in the year-ago period and 20.1 per cent during the April-June 2019 quarter. Similarly, PBT was up 12.2 per cent in the year-ago period and 18.6 per cent in the June 2019 quarter.

The stress on topline, however, continues, with the combined revenue for the sample growing at 7.6 per cent y-o-y, the slowest pace in at least three years. Growth in revenue is also significantly lower than the increase of 28.1 per cent a year ago and 17.2 per cent during the first quarter of FY20, pointing to the ongoing slowdown in the economy. This also raises doubts about the sustainability of the earnings growth beyond a few quarters once the benefit of the tax rate cut fades.

SOME PAIN, SOME GAIN



Apart from the tax rate cut, earnings growth for Q2 has also been driven by margin expansion.

Earnings before interest, tax, depreciation and amortisation (Ebitda), or operating profit margin, is up 320 basis points (bps) on a y-o-y basis due to a decline in spend on raw materials and power & fuel. Raw material costs for companies are down 13.8 per cent, while power and fuel costs are down 4 per cent y-o-y during the second quarter. Analysts attribute this to a mix of lower production volumes and the recent decline in commodity and energy prices.

Margins also got a boost from a moderation in sales and marketing as well as overhead costs, as companies put brakes on discretionary spends as part of cost-saving measures.

However, the early birds' sample is limited in scope as nearly 80 per cent of the profits accounted for by private sector banks, retail NBFCs, Reliance Industries, and IT services exporters such as TCS, Infosys and Wipro. Turn to Page 15