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How markets performed last week

	Index on Nov 15, '19	*One-week	% chg over Dec 31, '18 Local currency	in US $
Sensex	40,357	0.1	11.9	8.7
Nifty	11,895	-0.1	9.5	6.4
Dow Jones	28,005	1.2	20.1	20.1
Nasdaq	8,541	0.8	28.7	28.7
Hang Seng	26,327	-4.8	1.9	1.9
Nikkei	23,303	-0.4	16.4	17.4
FTSE	7,303	-0.8	8.5	9.8
DAX	13,242	0.1	25.4	20.9

*Change (%) over previous week   Source: Bloomberg

COMPANIES P2

FMCG, RETAIL STAND POLES APART IN Q3

COMPANIES P2

HOME PRICES WILL REMAIN FLATTISH FOR ANOTHER YEAR: PIROJSHA GODREJ

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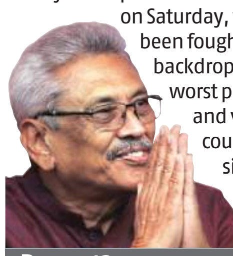
GOTABAYA RAJAPAKSA ELECTED PRESIDENT OF SRI LANKA

Sri Lanka's former wartime defence minister **GOTABAYA RAJAPAKSA**, part of the country's most powerful political dynasty, has been elected president, raising fears about the future of human rights and religious harmony in the region. Rajapaksa, the candidate for the SLPP, the Sinhalese-Buddhist nationalist party, claimed an easy victory in the presidential election held on Saturday, which had been fought against the backdrop of some of the worst political instability and violence the country has seen since the end of the civil war a decade ago.



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- China, Sri Lanka join hands to take on IFC
- Debt trap and ethnic divide await Gotabaya Rajapaksa

COMPANIES P13

Bharti Airtel withdraws bid for RCom assets

Telecom operator Bharti Airtel has withdrawn its bid to purchase assets of Reliance Communications after terming the move of committee of creditors to extend the bid submission deadline on the request of Reliance Jio as "extremely unfair" and "biased".

BS SPECIALS ON MONDAY

BANKER'S TRUST: All you wanted to know about banking frauds 10
Bankers feel inhibited talking about frauds for fear of loss of reputation. Large frauds usually come to light after 54 months. **TAMAL BANDYOPADHYAY** writes

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PF trusts allegedly bent rules to invest ₹4,122 crore in crisis-hit DHFL; parked 99% of corpus in three NBFCs. **VIRENDRA SINGH RAWAT** writes

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Intel is working on the next set of innovations. **NEHA ALAWADHI** writes

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Good growth in high-margin products, persistency, and reach augur well; risk-averse investors could buy the dips. **SHREEPAD S AUTE** writes

PERSONAL FINANCE: Golf gear to tee off in style 14
Moving up the ladder as a professional requires the very best equipment. **NAMRATA KOHLI** writes

Deposit insurance may be hiked to ₹5 lakh

New scheme likely for wholesale at ₹25L; proposals could figure at RBI board meet

RAGHU MOHAN
Mumbai, 17 November

Bank deposit insurance in the country may be split into two categories, with retail cover being raised to ₹5 lakh, from the current level of ₹1 lakh; and a new scheme being introduced for wholesale depositors at ₹25 lakh.

When given effect, it will be the first upward revision in deposit insurance after 1993. The last reset was on May 1, 1993, after the Bank of Karad went down in the securities scam of 1992. The reset prior to this at ₹30,000 was given effect to on July 1, 1980.

A well-placed regulatory official said he "more than hoped the Ministry of Finance will hike the deposit insurance limit. It is long overdue", but added he was not aware if the new scheme for wholesale depositors would also be announced along with the hike in deposit insurance (as we know it now) to ₹5 lakh. It was, however, made clear that "it is unlikely that the premium paid per ₹100 by banks for deposit insurance to the Deposit Insurance and Credit Guarantee Corporation (DICGC) at 10 paise will be raised so as not to increase their burden".

It was pointed out that the matter might figure when the Reserve Bank of India's (RBI's) central board met on December 13 in Bhubaneswar. There are two other proposals which may be up for consideration by the Ministry of Finance. One, that banks be allowed to obtain additional deposit insurance — over and above the proposed enhanced limits — be it for individuals or institutions by payment of an additional premium. Two, that the DICGC — a wholly-owned subsidiary of the RBI — create a separate reserve to protect the interests of depositors of banks which fail due to frauds like in the case of the Punjab & Maharashtra Co-operative Bank (PMC Bank) and the Pen Co-operative Urban Bank. It could not be ascertained if North Block and the central bank will examine the concept of risk-based premium (RBP) for deposit insurance. If implemented, it could lead to a situation wherein depositors may opt to move their deposits to safer banks if the RBP paid out is made public; or gets leaked.

It may be recalled that RBP found mention in the Jagdish Capoor Report in 1999, and later in the Committee on Credit Risk Model (2006) set up by the DICGC. The most recent one — the Jasbir Singh Committee (2015) on *Differential Premium System for Banks* — was discussed at the central bank's board meeting held on October 16, 2014.

It was decided then that "DICGC could explore the possibility of putting in place a differential premium within the co-operative sector linking it to governance and risk profile of co-operative banks". There was little forward movement on this subject until now.

DEPOSIT INSURANCE AT A GLANCE

January 1, 1968	₹5,000
April 1, 1970	₹10,000
January 1, 1976	₹20,000
July 1, 1980	₹30,000
May 1, 1993	₹1,00,000

PREMIUM RATE PER DEPOSITS (paise per ₹100)

Jan 1, 1962	Oct 1, 1971	July 1 1993	April 1, 2004	April 1, 2005
5	4	5	8	10

RBI turns down banks' plea to relax June 7 circular

With no resolution in sight for nearly ₹3 trillion of stressed assets, banks seem to be reaching a dead-end with respect to inter-creditor agreements signed for these loans. Sources said banks had sought some relaxation from the RBI on timelines and modalities for reaching a resolution under the regulator's June 7 circular on prudential framework for resolving stressed assets. **HAMSINI KARTHIK** writes 4

Corporate India's Q2 profit at 15-yr low on telco losses

COMBINED EARNINGS PLUNGE 68% YoY TO ₹36,500 CRORE

NET SALES DOWN 0.8% YoY — WORST SHOWING IN 3 YEARS

KRISHNA KANT
Mumbai, 17 November

India's listed companies, excluding financials and oil and gas, reported a combined net loss for the first time in at least 15 years, while their net sales contracted for the first time in four years in the July-September quarter (second quarter, or Q2).

While the bottom line slipped into the red due to record losses posted by mobile operators during the quarter, the decline in sales is attributed to demand contraction in the domestic economy. This, analysts say, also clouds the earnings outlook for the forthcoming quarters.

Opinion PAGE 13
EDIT: SAVING THE TELECOM SECTOR

Listed companies, excluding financials and oil and gas (whose earnings are volatile), reported a combined net loss of ₹16,000 crore in Q2 of 2019-20 (FY20), against a net profit of ₹73,000 crore during the same period last year. This is the first time in many years where companies (excluding energy and financials) ended a quarter with a loss on a combined basis.

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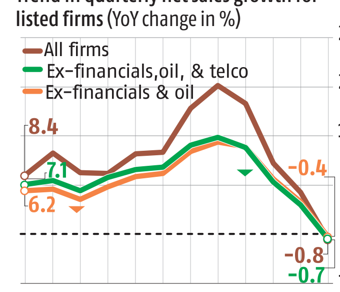
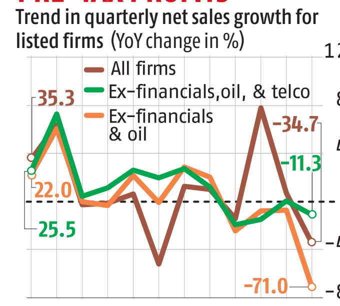
NET SALES: FALLING OFF THE CLIFF
Trend in quarterly net sales growth for listed firms (YoY change in %)



MAJOR CUTS IN PRE-TAX PROFITS
Trend in quarterly net sales growth for listed firms (YoY change in %)



Note: Net sales is net interest income in case of banks and non-bank lenders
Source: Capitaline

HIGHER INCOME GROUPS SPENT LESS AFTER NOTE BAN

Top income earners cut down sharply on their expenditure, dragging consumer spending down for the first time in India in over four decades, leading to a decrease in income inequality. A class-wise analysis of the National Statistical Office's consumer expenditure survey showed the gap between the rich and the poor coming down in the six-year period till 2017-18. **SOMESH JHA** writes 20

NEP to be umbrella plan for energy ministries

SHREYA JAI & SANJEEB MUKHERJEE
New Delhi, 17 November

The National Energy Policy (NEP), being drafted by the NITI Aayog, will become the guiding policy for all energy ministries.

Encompassing regulations for coal and mines, renewable energy, oil and gas, and the environment, the NEP will be put up for the Union Cabinet soon.

This could be the first time that a single integrated policy would cover half a dozen ministries.

People involved in the drafting said all energy ministries and also energy-consuming departments would have to follow the NEP in formulating their own policies and regulations. "The manner in which each department designs its policy should be consistent with that of others," said a government official. Turn to Page 13

READY RECKONER

- **NITI Aayog's National Energy Policy to be overarching** guiding policy for all energy, energy consuming sectors/ministries
- **To focus on clean energy,** reduce fossil fuel dependence
- **Suggestions hint at no reduction** in domestic coal production
- **Long-term plan** suggestions till 2030
- **Energy framework** aimed at global investors

How FedEx cut its tax bill to $0

The company, like much of Corporate America, has not made good on its promised investment surge from President Trump's 2017 tax cuts

JIM TANKERSLEY/PETER EAVIS & BEN CASSELMAN
Washington, 17 November

In the 2017 fiscal year, FedEx owed more than $1.5 billion in taxes. The next year, it owed nothing. What changed was the Trump administration's tax cut — for which the company had lobbied hard.

The public face of its lobbying effort, which included a tax proposal of its own, was FedEx's founder and chief executive, Frederick Smith, who repeatedly took to the airwaves to champion the power of tax cuts. "If you make the United States a better place to invest, there is no question in my mind that we would see a renaissance of capital investment," he said on an August 2017 radio show hosted by Larry Kudlow, who is now chairman of the National Economic Council.

Four months later, President Trump signed into law the $1.5 trillion tax cut that became his signature legislative achievement. FedEx reaped big savings, bringing its effective tax rate from 34 percent in fiscal year 2017 to less than zero in fiscal year 2018, meaning that, overall, the government technically owed it money. But it did not increase investment in new equipment and other assets in the fiscal year that followed, as Mr. Smith said businesses like his would.

Nearly two years after the tax law passed, the windfall to corporations like FedEx is becoming clear. A *New York Times* analysis of data compiled by Capital IQ shows no statistically meaningful relationship between the size of the tax cut that companies and industries received and the investments they made. If anything, the companies that received the biggest tax cuts increased their capital investment by less, on average, than companies that got smaller cuts.

FedEx's financial filings show that the law has so far saved it at least $1.6 billion. Its financial filings show it owed no taxes in the 2018 fiscal year overall. Company officials said FedEx paid $2 billion in total federal income taxes over the past 10 years.

FedEx's financial filings show that the law has so far saved it at least $1.6 billion. Its financial filings show it owed no taxes in the 2018 fiscal year overall

As for capital investments, the company spent less in the 2018 fiscal year than it had projected in December 2017, before the tax law passed. It spent even less in 2019. Much of its savings have gone to reward shareholders: FedEx spent more than $2 billion on stock buybacks and dividend increases in the 2019 fiscal year, up from $1.6 billion in 2018, and more than double the amount the company spent on buybacks and dividends in fiscal year 2017.

A spokesman said it was unfair to judge the effect of the tax cuts on investment by looking at year-to-year changes in the company's capital spending plans.

"FedEx invested billions in capital items eligible for accelerated depreciation and made large contributions to our employee pension plans," the company said in a statement. "These factors have temporarily lowered our federal income tax, which was the law's intention to help grow G.D.P., create jobs and increase wages."

FedEx's use of its tax savings is representative of corporate America. Companies have already saved upward of $100 billion more on their taxes than analysts predicted when the law was passed. Companies that make up the S&P 500 index had an average effective tax rate of 18.1 percent in 2018, down from 25.9 percent in 2016, according to an analysis of securities filings. More than 200 of those companies saw their effective tax rates fall by 10 points or more. Nearly three dozen, including FedEx, saw their tax rates fall to zero or reported that tax authorities owed them money.

From the first quarter of 2018, when the law fully took effect, companies have spent nearly three times as much on additional dividends and stock buybacks, which boost a company's stock price and market value, than on increased investment.

The law cut the corporate rate to 21 percent from 35 percent, and allowed companies to deduct the full cost of new equipment investments in the year that they make them. Those cuts stimulated the American economy in 2018, helping to push economic growth to 2.5 percent for the year and fueling a boost in hiring. Business investment rose at an 8.8 percent rate in the first quarter of 2018, and was nearly as strong in the second quarter. But the impact dwindled quickly.

In the summer, the economy grew at just 1.9 percent and business investment fell 3 per cent, including a 15.3 per cent plunge in spending on factories and offices. Over the spring, companies spent less on new investments, after adjusting for inflation, than they had in the winter.

Overall business investment during Mr. Trump's tenure has now grown more slowly since the tax cuts were passed than before.

Some conservative economists and business leaders say the effects of the tax cuts were undercut by uncertainty from Mr. Trump's trade war, which is slowing global growth and prompting companies to freeze projects. Other economists say the fizzle is predictable because high tax rates were not holding back investment.

"It did provide a short-term boost, but it wasn't the big response that many people expected," said Aparna Mathur, an economist at the conservative American Enterprise Institute, who recently concluded that the 2017 law has not meaningfully changed investment patterns in America.

Mr. Smith, 75, a former Marine who built FedEx from a small package delivery service into a global logistics giant, was no stranger to pressing for lower taxes. He tried, without success, to get President Barack Obama to cut the corporate rate. But with Mr. Trump's ascension, the corporate chief began a one-man campaign to convince Washington that now was the moment. He met with the president-elect at Trump Tower on November 17, just days after the election, and appeared alongside the president at official events. In a conference call with analysts the month after Mr. Trump's election, Alan Graf, FedEx's chief financial officer, called the prospect of a 20 percent corporate tax rate "a mighty fine Christmas gift."

Mr. Smith teamed up with his competitor, David Abney, the chairman and chief executive of UPS, to push for a tax overhaul, including jointly writing an op-ed in *The Wall Street Journal*.

"Fred and I even jointly had some meetings about this with key people, and we were both pushing pretty hard," Mr. Abney said in a recent interview.

FedEx spent $10 million on lobbying in 2017, in line with previous spending, with much of it focused on tax issues, according to federal records. Its team pushed hard to shape the bill behind the scenes, meeting regularly with House and Senate committee staff who were writing the provisions.

Coming soon: UPI, mobile wallets, credit cards for paying taxes

DILASHA SETH
New Delhi, 17 November

Paying your income-tax (I-T) may soon become as easy as swiping a card at a shop or a restaurant. The government is planning to extend the electronic modes of tax payment to its own payments platform, Unified Payments Interface (UPI), credit cards of banks, or even a mobile wallet like Paytm.

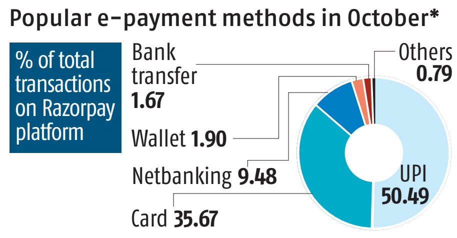
In line with the Digital India initiative, the move is aimed at improving compliance by simplifying the process of e-payment of taxes, which has, so far, been limited to only netbanking and the debit cards of a handful of banks.

Confirming the development, Revenue Secretary Ajay Bhushan Pandey told *Business Standard* that UPI as a mode of tax payment would be introduced as soon as possible. "We are working on this. Today you can pay only through netbanking and debit cards. We would definitely like to use UPI. This may be allowed as soon as possible," he said.

"The idea is to give more electronic payment options for tax payment. If it is a small tax amount, it may be convenient for people to even use a mobile wallet," said a government official. "We are going to define 'electronic payments', which could be a wallet, a credit card or UPI," he added. UPI is an instant, real-time payment instrument developed by the National Payments Corporation of India. It works by instantly transferring funds between two bank accounts on a mobile platform. Turn to Page 13

IMAGING: AJAY MOHANTY

THE FUTURE IS DIGITAL
Popular e-payment methods in October*



*on Razorpay's platform   Source: Razorpay