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How markets performed last week

	Index on Nov 1, '19	*One-week	% chg over Dec 31, '18 Local currency	in US $
Sensex	40,165	2.8	11.4	9.7
Nifty	11,891	2.6	9.5	7.9
Dow Jones	27,347	1.4	17.2	17.2
Nasdaq	8,386	1.7	26.4	26.4
Hang Seng	27,101	1.6	4.9	4.8
Nikkei	22,851	0.2	14.2	15.8
FTSE	7,302	-0.3	8.5	10.1
DAX	12,961	0.5	22.7	19.5

*Change (%) over previous week Source: Bloomberg

BUSINESS LAW P12
PEGASUS SPYING ROW: COUNTERING BIG BROTHER

COMPANIES P2
BURGER KING TO FILE FOR ₹1K-CRORE IPO THIS WEEK

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BANKS TO MEET ON TELECOM COMPANIES' BAILOUT THIS WEEK

Indian lenders are meeting this week to take a call on fresh funding that telecom companies have sought to pay the government their dues in accordance with a Supreme Court order. According to the court order on October 24, the telecom companies have three months to pay spectrum usage charges and licence fees in the way adjusted gross revenue has been calculated by the government.
DEV CHATTERJEE & RAGHU MOHAN write 15

'India has bargaining chip on RCEP, not helpless'

Former Union minister **JAIRAM RAMESH** tells **Archis Mohan** that India should not rush into an agreement that is going to have deleterious effects on the industry. India needs to step back a little and see the gains and pains and put in place the systems to deal with the pains before joining in, he says.

Q&A INTERVIEW ON P18

ON EVE OF FINAL RCEP MEET, CII BATS FOR DEAL

INDIA INC COMPANIES P2

Sharp rise in demand for dollar bonds

Indian firms are witnessing a sharp spike in demand for their dollar bond offers — a respite from liquidity issues in the local markets. Statistics collated by *BS* Research Bureau show Indian companies raised $13.74 billion in the first 10 months of calendar 2019.
DEV CHATTERJEE writes

Firms bet on foreign investment amid slump

As demand for goods and services slows, India Inc has turned its attention on growth opportunities in overseas markets. There has been a sharp uptick in outward FDI by firms, despite a fall in overall capex in the corporate sector. **KRISHNA KANT** writes

BS SPECIALS ON MONDAY

BANKER'S TRUST: What next Lakshmi Vilas Bank?... 8
...A fire sale of equity or merger with a strong bank? Time is running out. There aren't too many choices.
TAMAL BANDYOPADHYAY writes

POLITICS & PUBLIC AFFAIRS: A little big change 14
With Shah set to pass the baton to Nadda, will the BJP opt for transformation or continuity?
RADHIKA RAMASESHAN writes

TO OUR READERS
A half-page commercial feature on *Road Safety World Series*, 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.

Drugs under ₹5 per dose may be out of price curb

Committee reviewing NLEM to meet this week; proposal under consideration

SOHINI DAS
Mumbai, 3 November

Medicines costing less than ₹5 per dose may be taken out of price control as the country's National List of Essential Medicines (NLEM) is being updated, according to sources in the industry and government.

If this goes through, drugmakers will have the liberty to raise the prices of these drugs by up to 10 per cent every year.

The Standing National Committee on Medicine (SNCM), which is updating the 2015 list, is likely to meet early next week (starting November 4) to have a stakeholders' meeting.

While around 19 per cent of the ₹1.36 trillion domestic drug market is under price control, 4-5 per cent of it comprises drugs priced under ₹5 per dose. One dose essentially means one tablet or capsule.

The industry has been pursuing this for almost a year, said an industry source.

"In multiple meetings with the government, industry stakeholders have proposed that drugs under ₹5 per dose be brought out of price control. There is enough competition in the market to keep the prices of these drugs under check," said the managing director of a drug firm involved in the process.

A government official involved in drafting the new NLEM confirmed this.

"The industry has proposed taking drugs under ₹5 per dose out of price control. This proposal is being considered at the moment," the official said.

Medicines on the NLEM are notified by the Department of Pharmaceuticals under the Drugs Price Control Order, 2013, following which the National Pharmaceutical Pricing Authority sets the maximum price at which drugmakers can sell them in India.

The important bit here is, for NLEM drugs, the annual price rise allowed is linked to the wholesale price index. However, for those outside the NLEM, the companies can take a price hike of up to 10 per cent annually.

The NLEM 2015 has more than 375 medicines, including medical devices such as stents. Sudarshan Jain, secretary general of the Indian Pharmaceutical Alliance, the lobby that represents the leading pharmaceutical manufacturers in the country, said: "This low-priced segment has multiple brands and fierce competition ensures that no manufacturer can take a steep hike," he said.

The NLEM is typically reviewed every three years. The SNCM, headed by Balram Bhargava, secretary, Department of Health Research, and director general of the Indian Council of Medical Research, has been holding meetings with industry stakeholders, including representatives of drug firms, industry associations, patient advocacy groups, and non-profit organisations.

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WHAT'S THE PROGNOSIS?

- **NLEM 2015 is being reviewed and scrutinised** by Standing National Committee on Medicine
- **Industry proposed to take drugs under ₹5** per dose out of price control
- **Centre considering this** as it updates the list
- **19% of ₹1.36 trillion pharma market** is under price control
- **Of this, 4-5% are drugs** priced under ₹5 per dose
- **Industry feels intense competition** to keep drug prices in check
- **If brought out of price control, drug firms** can raise prices by up to 10% annually

China and Southeast Asian states push for RCEP pact

PANU WONGCHA-UM, PATPICHA TANAKASEMPIPAT & LIZ LEE
Bangkok, 3 November

Leaders of China and Southeast Asian states called for swift agreement on what could become the world's largest trade bloc at a regional summit on Sunday, but new demands from India left officials scrambling to salvage progress.

Hopes of finalising the Asia-wide Regional Comprehensive Economic Partnership (RCEP), which is backed by China, have been thrown into doubt at the summit of the Association of Southeast Asian Nations (Asean) in Bangkok, Thailand.

Summit host Thailand said late on Sunday that the deal could be signed by February next year. Thailand had previously said it aimed to conclude negotiations by the end of the year.

New impetus to reach agreement has come from the US-China trade war, which has helped knock regional economic growth to its lowest in five years.

"The early conclusion of RCEP negotiations will lay the foundation for East Asia's economic integration," said a statement from China's foreign ministry after Premier Li Keqiang met Southeast Asian leaders.

But Prime Minister Narendra Modi did not even mention the RCEP deal in opening remarks at a meeting with Southeast Asian leaders and instead spoke only of reviewing the existing trade agreement between Asean and India.

Nor did Modi mention the trade bloc, whose 16 countries would account for a third of global gross domestic product and nearly half the world's population, in Twitter posts after meeting Thai and Indonesian leaders.

An Indian foreign ministry official later told a media briefing: "Let's take all the RCEP questions tomorrow (Monday)." Southeast Asian countries had hoped at least a provisional agreement could be announced on Monday.

But India has been worried about a potential flood of Chinese imports. A person with knowledge of New Delhi's negotiations said new demands were made last week "which are difficult to meet."

REUTERS

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Prime Minister Narendra Modi with Asean leaders during Asean-India summit in Nonthaburi, Thailand, on Sunday PHOTO: PTI

Modi: Will further ease tax rules to boost investment

India is committed to further improving its people-friendly tax regime, Prime Minister Narendra Modi said, as Asia's third-largest economy seeks to attract more overseas investment to spur growth. The Centre has cut corporation tax rates and introduced a nationwide goods and services tax to integrate the nation's economy, Modi said in a speech at Aditya Birla Group's golden jubilee celebrations in Thailand. 18

60% of firms move to lower tax regime

DILASHA SETH
New Delhi, 3 November

Around 60 per cent of taxpaying companies have moved to the government's offer of a lower corporation tax regime, according to initial estimates of the income-tax department. In absolute terms, around 300,000 companies are now at the 22 per cent rate, against the earlier 25-30 per cent earlier.

The finance minister announced the option in September, with a shift to the lower tax regime being contingent on a company forgoing specified exemptions and incentives.

With this, the government is expecting around ₹1 trillion of forgone revenue in 2019-20, less than the initially estimated loss of ₹1.45 trillion. Around ₹10,000 crore of revenue loss is estimated on account of a lower minimum alternate tax (MAT) rate, of 15 per cent, from 18.5 per cent.

"While initial estimates suggest around 60 per cent of taxpaying companies have moved to the new corporation tax regime, a more realistic picture will emerge in December, once we get the third instalment of advance tax," said a government official.

In Assessment Year 2018-19, around 842,000 returns were filed by companies. Of these, 342,000 paid no tax, leaving a taxpaying lot of 500,000.

In this year's Union Budget, the rate on firms earning up to ₹400 crore was brought down to 25 per cent.

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NEW TAX REGIME

- **New tax regime cuts corporation tax to 22%,** from existing 25-30%
- **Effective tax comes to 25.17%** in new regime, against 34.94%
- **New rates available to only those who give up tax** incentives and exemptions
- **Minimum alternate tax also cut** from current 18.5% to 15%
- **Those opting for new regime are not allowed** to get credit of accumulated MAT

HOW TATA STEEL PUT ITS SOUL INTO BHUSHAN STEEL

IBC A NEW LEASE

The IBC, a reform undertaken by the Narendra Modi government, came as a beacon of hope for banks and investors three years ago. While the law still evolves and litigation piles up, many firms have got a fresh lease of life through the IBC. The first of a four-part series takes a look at how the erstwhile Bhushan Steel is faring as Tata Steel BSL under a new command. **JAYAJIT DASH** reports 4

SMEs CAN CALL OUT BIG FIRMS FOR DUES

AIR PURIFIER AND POLLUTION MASK SALES SPIKE AS DELHI CHOKES

As air quality in the Capital continues to deteriorate, sales of air purifiers and pollution masks have spiked. Major manufacturers are observing a 30-100% rise in demand, compared to last year. While Hindware is expecting sales of air purifiers to double this year, Xiaomi, Blue Star, and Daikin are expecting a significant rise. **ARNAB DUTTA** writes 16

KILLER SMOG FORCES 19 FLIGHT CANCELLATIONS IN DELHI

New FEMA norms put foreign-held MFs in a bind

EQUITY ASSETS OF FUND HOUSES

	Equity assets (₹ crore)*	% of total assets**
Mirae Asset	28,121	84.5
Principal	4,214	61.6
BNP Paribas	3,235	44.3
Franklin Templeton	48,986	39.2
Invesco	8,870	37.7
Nippon India	63,137	31.0
HDFC MF	86,141	22.9
PGIM India	939	22.0
HSBC	2,602	21.5
ICICI Prudential MF	74,041	21.1

*for period ended September 30, 2019
**average AUM for quarter ended September 30, 2019
Note: Only equity, equity ELSS schemes are considered for computing equity assets
Sources: PRIME Database, Amfi

ASHLEY COUTINHO
Mumbai, 3 November

A clutch of mutual fund (MF) houses — those that are either foreign-owned or controlled — may find themselves in a bind, following a tweak in the Foreign Exchange Management Act (FEMA) regulations a few days ago.

The Government of India notified new rules with regard to foreign investment on October 17, classifying MFs that invest more than 50 per cent in equity as 'investment vehicles'.

Until then, only real estate investment trusts, infrastructure investment trusts, and alternative investment funds were considered investment vehicles. Downstream investment by such funds by way of subscription or acquisition of shares will be considered 'indirect foreign investment' if their investment manager or sponsor is owned or controlled by a non-resident.

Such funds will have to adhere to the sectoral caps and restrictions currently applicable to foreign investment in Indian equities. This could put them at a significant disadvantage vis-à-vis domestic funds, limiting their investments in stocks with sectoral caps, and dragging down overall returns, said experts.

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Plastic's loss is the golden fibre's gain

With plastic shopping bags being consigned to history, demand for jute bags is boosting the industry

ISHITA AYAN DUTT & NAMRATA ACHARYA
Kolkata, 3 November

Goodbye nasty plastic carrier bags. Hello wholesome jute bags. With India and the world turning their back on plastic bags, jute's moment in the sun has come, thanks to concern for the environment and a desire for sustainable development.

Known as the 'golden fibre' because of its colour, jute mills are flooded with orders. In an industry known more for industrial violence and lockouts, the excitement is palpable at the surge in demand, after decades of stagnation, whether from the government or from global retailers, such as Tesco or Muji.

Birla Jute Mills, a unit of the Birla Corporation, is adding capacity to cope with the order for 2 million bags (just a fraction of Muji's requirement for 10 million bags).

"We started the bag unit last year and our capacity is 150,000 bags per month. Within two months, we will be adding equal capacity at a new location," said Aditya Sharma, assistant vice-president (marketing), Birla Jute Mills.

Its current export obligations are such that the mill has had to ask the government not to place any more orders.

Gloster, which has one of the larger jute mills, has recently bought 70 acres on the outskirts of Kolkata, where it will invest ₹200 crore in setting up a state-of-the art jute manufacturing unit, with a capacity of processing 100 tonnes of jute a day, in addition to the existing capacity of 170 tonnes per day.

In 2018-19 (FY19), Gloster's net profit was ₹44.15 crore on revenues of ₹501.38 crore. Its operating profit margin was 19.66 per cent.

The demand for shopping bags is one of the main drivers of growth. Exports have grown from 30 million in 2013-14 to 56 million in FY19.

According to Sanjay Kajaria, former Indian Jute Mills Association chairman and jute mill owner, extra capacity of around 15 per cent is being added overall because of the demand for bags. "Curbs on single-use plastic have been one of the biggest triggers of the revival for jute demand," he said.

Industry sources say Tesco has removed all plastic bags from view in its stores and introduced jute bags, globally priced at around £1. Plastic bags are given only if a customer asks for them.

Nor is the switch to non-plastic bags confined to overseas. "There is a pick-up in domestic demand. Retailers and shopkeepers are switching to jute bags. Customers, too, are using reusable bags," said Ghanshyam Sarda, owner of the Kolkata-based Sarda Group, which has eight mills.

The demand is making mills profitable. No one these days is scrambling for orders — a far cry from the days when mills were dependent on government orders for jute bags to package foodgrain. Moreover, in 2018, the Centre mandated packaging of 100 per cent foodgrain in jute bags (up from 90 per cent) and 20 per cent for sugar. This alone has been a big boost. It's true that growth in diversified jute products was galloping, but its share of output was still smaller, compared to conventional jute. Greater government demand has ensured all mills are beneficiaries of the demand surge.

"The government has devised a mechanism wherein it knows the capacity of each mill and orders are placed according to mill capacity. Every mill is getting orders and payment is made in 10 days. This has made even the smaller mills sustainable," said Sharma.

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IT'S ALL IN THE BAG

Export of jute shopping bags

April-March Shopping/handbags (in '000 pieces)	
2013-2014	30,437
2014-2015	36,510
2015-2016	47,130
2016-2017	47,836
2017-2018	46,514
2018-2019	56,251

Source: Indian Jute Mills Association journal