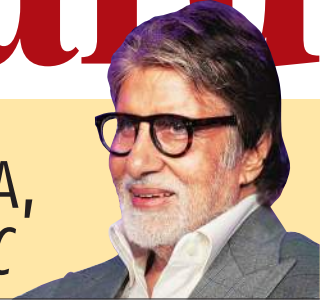


Business Standard



THE MARKETS ON MONDAY

	Chg#
Sensex	40,302.0 ▲ 136.9
Nifty	11,941.3 ▲ 50.7
Nifty futures*	11,979.7 ▲ 38.4
Dollar	₹70.8 ▲ ₹70.8**
Euro	₹79.0 ▲ ₹79.0**
Brent crude (\$/bbl)**	62.8** ▲ 61.7**
Gold (10 gm)**	₹38,669.0 ▼ ₹31.0

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



ECONOMY & PUBLIC AFFAIRS P6
AUTHORITIES LEFT PEOPLE TO DIE: SC ON POLLUTION

BRAND WORLD P19
AS SEASON 11 TOPS VIEWER DATA, SONY HITS THE MARK WITH KBC

PUBLISHED SIMULTANEOUSLY FROM AHMEDABAD, BENGALURU, BHUBANESWAR, CHANDIGARH, CHENNAI, HYDERABAD, KOCHI, KOLKATA, LUCKNOW, MUMBAI, NEW DELHI AND PUNE

SENSEX SCALES FRESH HIGH ON EARNINGS BOOST, GLOBAL CUES

MAKING GAINS
The BSE Sensex clocked gains for the seventh straight session to settle at a fresh closing peak of 40,302 on Monday, buoyed by encouraging quarterly earnings, sustained foreign fund inflows and positive global cues. The 30-share Sensex rose 136.93 points, or 0.34 per cent, to end at an all-time high of 40,301.96, beating the previous record closing high of 40,267.62 touched on June 3.

One-time gains propel HDFC in steady Q2

Housing Development Finance Corporation (HDFC) on Monday reported above-estimated earnings for the September 2019 quarter (Q2) which were largely boosted by one-off gains. Excluding such gains, the performance of the core business was stable across most parameters. The management, however, remains cautious on the wholesale loan book.

'Will make sure there's zero risk to our business'

Despite whistle-blower allegations, Infosys is not taking focus away from its strategy and execution plan, says its Chief Operating Officer **U B PRAVIN RAO**. An executive director on the board, Rao, in an interaction with **Bibhu Ranjan Mishra & Debasis Mohapatra**, said the IT services firm is in a much better position today.

Q&A P2

ECONOMY & PUBLIC AFFAIRS P4

Moulding markets: How Vedanta revived Electrosteel

The second of a four-part series on the Insolvency and Bankruptcy Code takes a look at how Vedanta restored faith of suppliers and customers and updated products to turn around the stressed plant

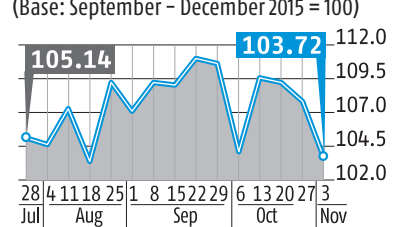
COMPANIES P3

Safety lapses in airline ground handling: DGCA

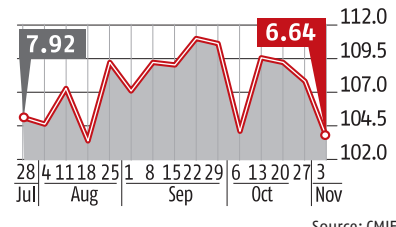
The Directorate General of Civil Aviation (DGCA) has red-flagged ground-handling agencies after a countrywide inspection found unsecured containers and foreign object debris in the apron area of airports. In August, the regulator had initiated an audit of ground-handling companies.

THE CMIE TRACKER

CONSUMER SENTIMENT INDEX



UNEMPLOYMENT RATE (%)



UNEMPLOYMENT RATE A POOR INDICATOR

RESULTS RECKONER

Quarter ended Sep 30, 2019; common sample of 532 companies (results available of 598)

Category	2018	2019
SALES		
Sep 30, '18	25.5% ₹9.24 trillion	27.1% ₹9.32 trillion
Sep 30, '19	0.8%	0.8%
PROFIT BEFORE TAX		
Sep 30, '18	2.2% ₹1.06 trillion	2.2% ₹1.23 trillion
Sep 30, '19	15.7%	15.7%
NET PROFIT		
Sep 30, '18	-2.7% ₹72,421 cr	23.7% ₹89,431 cr
Sep 30, '19		

Companies with zero sales excluded; given the change in corporation tax rates, to give a fair comparison the profit before tax has been considered. Compiled by BS Research Bureau; source: Capitaline

India decides to give RCEP trade deal a miss

Outstanding issues, concerns not addressed, says Modi; 15 nations go ahead

SUBHAYAN CHAKRABORTY
New Delhi, 4 November

The government on Monday said India will not join the Regional Comprehensive Economic Partnership (RCEP) deal, adding that doing so would adversely affect the national interest.

This was a nod by the government to concerns raised by domestic industry and farmers, most of whom had opposed the pact, fearing it would lead to uncontrolled dumping by China.

"India conveyed its decision to not join... (There are) significant issues of core interest and the impact it would have on the livelihood of vulnerable sections. India has participated in good faith in the RCEP discussions and had negotiated hard with a clear-eyed view of our interests," said Vijay Singh Thakur, secretary (east), Ministry of External Affairs, in Bangkok.

She added that not joining the pact was the right decision at the moment.

Fifteen other nations, however, went ahead with the deal after the conclusion of the summit in Bangkok, which was also attended by Prime Minister Narendra Modi.

"Participating countries have concluded text-based negotiations for all 20 chapters and essentially all their market access issues," said the joint statement issued after a meeting of RCEP leaders. The deal is now being scrubbed for legal issues.

Turn to Page 19

OPINION PAGE 9

EDIT: AN INWARD TURN

BACK PAGE 20

AGRI IS SENSITIVE ISSUE, BUT WE SHOULD NOT FEAR COMPETITION IN INDUSTRIAL PRODUCTS: PANAGARIYA

RCEP FALLOUT: AXE ON CHINESE IMPORTS, TRADE DEAL WITH US LIKELY



(From left) New Zealand's Prime Minister Jacinda Ardern, Prime Minister Narendra Modi, Chinese Premier Li Keqiang, and Thai Prime Minister Prayuth Chan-Ocha at the 3rd Regional Comprehensive Economic Partnership (RCEP) summit in Bangkok, Thailand, on Monday

WHAT INDIA WANTED... BUT DIDN'T GET

Issue	What it would have meant
▶ Import cap for China	▶ Free to raise tariff on Chinese goods beyond a threshold
▶ More trade in services	▶ Cross-border movement of Indian IT and medical workers, and teachers
▶ Market access assurance	▶ Preferential access for Indian goods in Chinese, Asean markets
▶ 2019 tariff base year	▶ Tariffs would have been slashed on prevailing duties in 2019, others wanted 2014
▶ No MFN commitment	▶ India would also have to give similar access

Note: MFN is most-favoured nation



JOBS MAY SOON BE CLASSIFIED ON BASIS OF SKILLS

The Centre has for the first time proposed classifying occupations on the basis of skills to remove arbitrariness while determining the level of minimum wage rates for different types of work. The draft Code on Wages (Central) Rules, 2019, which has been put in the public domain for consultation by the labour and employment ministry, has defined different skilled occupations in categories of semi-skilled, skilled, unskilled, and highly skilled. This is a departure from the practice where the government fixes different rates of wages based on skills and geographical area but does not specify which work would be skilled or unskilled, leaving a scope of grey area in the law. **SOMESH JHA** writes

Half of bank CEO pay to be variable

No guaranteed bonuses, penalties for bad loans, says RBI

NIDHI RAI
Mumbai, 4 November

The Reserve Bank of India (RBI) on Monday said at least half the compensation offered to chief executive officers (CEOs) and whole-time directors in private banks should be variable pay linked to the performance of the individual, the business unit and the bank.

"At higher levels of responsibility, the proportion of variable pay should be higher. The total variable pay shall be limited to a maximum of 300 per cent of the fixed pay for the relative performance-measurement period," said the central bank in a circular issued on Monday, in its bid to link performance of the banks with the CEO compensations, which also brings in the senior decision

making staff. The guidelines, which also cover local-area banks, small finance banks, payments banks and foreign banks, have done away with guaranteed bonuses.

The RBI said guaranteed bonus was not consistent with sound risk management or the "pay for performance" principles, and should not be part of the compensation plan.

CHANGING TIMES

Cap on

RBI caps variable pay of bank CEOs at 300% of fixed pay

Performance first

Variable compensation to be linked to financial performance of unit

Bonus & penalties

Guaranteed bonus not to be part of the compensation plan

Deferral period should be a minimum of 3 years

Banks to incorporate malus and clawback

Guaranteed bonuses will only be for new staff and would be limited to the first year.

The guidelines issued by the central bank are in line with the discussion paper on the subject released on February 25, when it said that a major share of the compensation will be in variable pay.

Turn to Page 19

NBFCs have to maintain liquidity coverage ratio

The RBI on Monday introduced its liquidity management framework for cash-strapped NBFCs. They have to now maintain a buffer of high quality liquid assets to meet short-term obligations so that they can survive any acute liquidity crisis. The RBI has mandated NBFCs that do not accept deposits and have an asset size of ₹10,000 crore and deposit-taking NBFCs irrespective of the asset size maintain a buffer in terms of the liquidity coverage ratio (LCR) from December 1 next year. **SUBRATA PANDA** reports

Ownership hurdle for BSNL, MTNL asset sale

MEGHA MANCHANDA
New Delhi, 4 November

The sale of assets by Bharat Sanchar Nigam (BSNL) and Mahanagar Telephone Nigam (MTNL) is likely to take longer than expected, as their buildings registered before 1988 are owned by the Department of Telecommunications (DoT). The telecom companies have to buy these properties from the Centre before monetising them.

"Even if the sale happens for no amount, the transaction has to be registered with a sale deed," said a government official aware of the development. BSNL and MTNL own the buildings they bought after 2004, and can sell them directly.

The central government hopes to monetise real estate assets worth ₹37,500 crore. The proceeds will be used to retire debts of the two companies, upgrade networks, and offer the voluntary retirement scheme (VRS) to employees.

The assets include land and buildings, some of which have been rented or leased out. MTNL has about 29 retail outlets in Delhi alone.

On October 24, the Cabinet cleared a ₹70,000-crore package for the two companies grappling with financial woes and struggling to even pay employee salaries.

Sources said there was a one-month lag in salary payments of BSNL employees and two months for MTNL staff.

The relief package includes a sovereign bond issue of ₹15,000 crore, to be serviced by the two telecom companies. Turn to Page 19

Retirement age of BSNL employees to be 58 years

The Union government will reduce the retirement age of employees of Bharat Sanchar Nigam (BSNL) and Mahanagar Telephone Nigam (MTNL) to 58 years, after completing the voluntary retirement scheme (VRS). Sources said this proposal, a part of the revival package for the two companies, has been approved by the Cabinet. BSNL had 176,000 employees and MTNL's workforce stands at 22,000. About half the employees at BSNL will retire in the next five-six years.

Where did milk worth ₹60,000 crore go?

Spending on milk and milk products dropped in 2017-18, the year after demonetisation

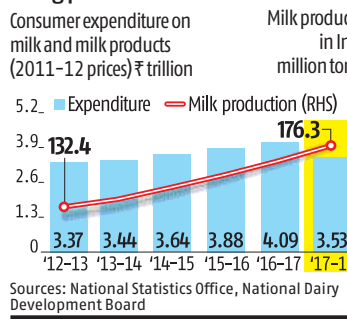
ABHISHEK WAGHMARE
New Delhi, 4 November

There would hardly be any Indian who does not remember the advertisement in the 1990s under Operation Flood with the lyric "Doodh hai wonderful". It was to popularise milk across the country's demographics by showing a schoolgirl, a bodybuilder, and an aged couple enjoying milk. It was prescient in the sense that milk production and consumption more than doubled in two decades.

But something unusual happened in 2017-18. The amount spent on milk and milk products (M&MP) dropped 10 per cent. While households, hotels, and *halwai* shops spent ₹6 trillion on M&MP in 2016-17, consumption expenditure reduced to ₹5.4 trillion in 2017-18, the data released by the National Statistical

MISSING MILK

Milk consumer spend drops despite rising production



Office (NSO) shows. While this is a 10 per cent drop in nominal terms, there is a bigger decline of nearly 14 per cent in real terms (at 2011-12 prices) too — from ₹4.1 trillion to ₹3.53 trillion. Experts and official spokespersons have varied interpretations of the data. While, some said falling farmer or labourer incomes accounted for this,



according to others, global milk prices, which had tanked that year, made milk cheaper in India, and the amount of consumption did not go down.

Himanshu, who teaches economics at Jawaharlal Nehru University, said this pointed to a grim situation, and stagnant incomes of farmers and labourers were the reason.

"This indicates that the poorest (lowest-income households) did cut down on essential items in that year, which succeeded demonetisation," he told *Business Standard*.

His independent analysis of the NSO data shows that incomes could have dropped in 2017-18.

Former chief statistician of India Pronab Sen called this "very serious" because it indicated crashing incomes. Turn to Page 19