### **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, **40,302.0** buoyed by encouraging quarterly earnings, sustained foreign fund inflows and positive global cues. The 30share 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

#### One-time gains propel HDFC in steady Q2

Housing Development Finance Corporation (HDFC) on Monday reported aboveestimated 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

#### '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.



#### **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** (Base: September - December 2015 = 100)



**UNEMPLOYMENT RATE** 



UNEMPLOYMENT RATE A POOR INDICATOR

#### **RESULTS RECKONER**

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

SALES **25.5%** ₹9.24 trillion 2 Sep 30, '18 **0.8%** ₹9.32 trillion **2** Sep 30, '19 **PROFIT BEFORE TAX** 

**2.2%** ₹1.06 trillion **7** Sep 30, '18 **15.7%** ₹1.23 trillion **7** Sep 30, '19

**NET PROFIT** Sep 30, '18

₹72,421 cr **- 2.7**% Sep 30, '19 23.7% ₹89,431 cr 🚺

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

## www.business-standard.com Business Standard



**ECONOMY & PUBLIC AFFAIRS P6** AUTHORITIES LEFT PEOPLE DIE: SCON 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

# 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

he 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

OPINION PAGE 9 EDIT:

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, sec-

retary (east), Ministry of External Affairs,

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

"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.



(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,

#### 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

## Lost Jet capacity is back in the air

A little over six months after Jet Airways was grounded, Indian skies have

On Friday evening, five new aircraft were registered with the civil aviation authorities, taking the operational fleet size of Indian carriers to 618 - the high-

The Indian market has got back the full capacity that was sucked out following the collapse of Jet Airways, an industry source aware of the development said.

"The recoup was possible because and increasing the market share," he pointed out.

When Jet Airways was operating to its full schedule, the fleet size of Indian airlines had peaked at 614 in January. Following a severe liquidity crunch, Jet had started defaulting on aircraft lessor payment, resulting in the grounding of the airline. However, while the capacity void in the domestic market has been filled, a vacuum still remains in international connectivity, especially on the India-Europe and onwards route, which was well connected by Jet Airways via the Boeing 777, Airbus A330 aircraft and its hubs in Paris and Amsterdam.

No other Indian airline, except Air India, operates wide-body aircraft, preventing them from flying routes beyond

The domestic capacity was primari-

#### **CROWDED SKIES**

regained the lost the capacity.

est so far.

other Indian carriers were aggressive in taking advantage of the situation

ly regained because of aggressive induction by IndiGo and SpiceJet. At the beginning of the winter schedule in 2018, SpiceJet had an operational fleet of 65 aircraft. Currently, it stands at 103 while IndiGo's fleet size increased from

added around 100 aircraft in the last one year. Go Air has also increased the pace

618 **3 614 € 614** 

Note-Doesn't include 13 Boeing 737 Max of SpiceJet and aircraft which are grounded for maintenance. Jet Airways started grounding aircraft from January. On April 17, the airline ceased operations. The figures are for the first of every month Source: Industry

of its induction," another industry executive said.

According to publicly available research by Ameya Joshi, founder of blog Network Thoughts, Mumbai airport - the primary hub of Jet Airways has surpassed the capacity available when Jet Airways was functional. Joshi's research showed that Mumbai had 1.8 million domestic seats on offer for October 2019, 2 per cent more than October 2018, when the airport had 1.76 million seats on offer.

"Mumbai's capacity was regained because of SpiceJet operating a higher capacity aircraft than Jet Airways. With SpiceJet operating such aircraft, more seats will be available from Mumbai in the coming months," Joshi said.

With capacity back in the market, airline executives say that the Indian market will return to growth by the first half of next year, provided the slowdown that has gripped the Indian economy doesn't cast a negative impact. According to the International Air Transport Association (IATA), air traffic growth immediately "In total, the two airlines together after the closure of Jet Airways fell by 0.5 per cent—the first time it happened in six Turn to Page 19

#### **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

Cap on

CHANGING TIMES

RBI caps variable pay of bank

CEOs at 300% of fixed pay

Performance first

to be linked to

financial

Variable compensation

performance of unit

Guaranteed bonus not

**Bonus & penalties** 

compensation plan

minimum of 3 years

Deferral period should be a

Banks to incorporate malus

to be part of the

and clawback

No guaranteed bonuses, penalties for bad loans, says RBI

Mumbai, 4 November

The Reserve Bank of India (RBI) on Monday

chief executive officers (CEOs) and wholetime directors in private banks should be variable pay linked to the performance of the individual, the business unit and "At higher levels of responsibility, the pro-

portion 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."

No place for CRA heads in rating panels

said the central bank in a circular issued on senior

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.

Monday, in its bid to link performance of the banks with the CEO compensations, which also brings in the decision

> 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.

#### **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 deposittaking NBFCs irrespective of the asset size maintain a buffer in terms of the liquidity coverage ratio (LCR) from December1 next

year. **SUBRATA PANDA** 

### hurdle for BSNL, MTNL asset sale MEGHA MANCHANDA

**Ownership** 

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 play employee salaries.

Sources said there was a onemonth 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

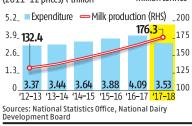
There would hardly be any Indian who does not remember the advertisement in the 1990s under Operation Flood with the lyric "Doodh hai wonderful".

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 Consumer expenditure on Milk production milk and milk products (2011-12 prices) ₹ trillion



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,

cheaper in India, and the amount of consumption did not go down. Himanshu, who teaches economics at Jawaharlal Nehru University, said

according to others, global milk prices,

which had tanked that year, made milk

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 ▶