

"When I measure the RCEP with respect to the interests of all Indians, I do not get a positive answer. Therefore, neither the Talisman of Gandhiji nor my own conscience permit me to join RCEP"

NARENDRA MODI Prime Minister



"We should stop blaming farmers since it will take us nowhere. Instead, we should propose methods which are economically and ecologically desirable"

M S SWAMINATHAN Eminent farm scientist



"We have no connection with the resignation of 17 disqualified MLAs. Further, what they want to do is left to them"

B S YEDIYURAPPA Karnataka Chief Minister

IN BRIEF

Central Bank plans to raise up to ₹1,000 cr in equity via QIP

Central Bank of India intends to raise up to ₹1,000 crore in equity capital through qualified institutional placement (QIP) in the fourth quarter of this financial year. The Mumbai-based bank is also planning to float a follow-on public offering (FPO) from next financial year (FY21) to strengthen capital adequacy. Pallab Mahapatra, managing director and chief executive, said bank has capital adequacy of over 12 per cent, above the regulatory requirement of 11.5 per cent. Bank will go to market for raising equity capital. "We have two options - raising equity by placing shares with institutional investors. This will be QIP in the fourth quarter for equity capital amounting between ₹500-1,000 crore, Mahapatra said. Second option is to do retail public offering. It will be FPO in the next financial year. The size of offer will depend on the success of QIP, he added.



BS REPORTER

Acharya: Govt needs to undertake heavy selloff programme

The government needs to reduce its reliance on bond markets and undertake a heavy disinvestment programme along with urgently implementing land, labour and agricultural reforms, former RBI Deputy Governor Viral Acharya said. Speaking at a panel discussion at Columbia University on Friday on the 'Indian Economy: The Next Five Years', Acharya outlined a few "possible remedies" and recommendations for the Indian economy going forward.

PTI

IOB's loss before tax widens to ₹2,250 crore

Indian Overseas Bank (IOB) has reported loss before tax widening to ₹2,250 crore during the September quarter, as against ₹712.41 crore during the same period last year. The bank was targeting to come out of loss and register profit from the quarter ended September onwards, but it has now set a target to achieve it by March, 2020. Total income declined by 6 per cent to ₹5,024 crore, versus ₹5,348 crore in the same quarter last year.

BS REPORTER

No privacy left for anybody, says Supreme Court

The Supreme Court on Monday took serious note of the Chhattisgarh government's action of tapping the phones of a senior IPS officer and his family members and said "no privacy is left for anybody". The apex court asked the Chhattisgarh government as to whether right to privacy of a person can be violated like this.



PTI

What steps taken to help PMC Bank's depositors: HC to RBI

The Bombay High Court on Monday sought to know from the Reserve Bank of India what steps it has taken to protect the interests of depositors of the crisis-hit Punjab and Maharashtra Cooperative (PMC) Bank. A division bench of Justices S Dharmaadhikari and R Chaglia was hearing a bunch of petitions filed by the bank depositors, challenging restrictions imposed by the RBI on withdrawals.

PTI

LIC: Lapsed policy of over two years can be revived

PRESS TRUST OF INDIA New Delhi, 4 November

State-owned Life Insurance Corporation (LIC) on Monday permitted its policyholders to revive their lapsed policies of over two years, a move that will help improve persistency ratio. The policies that have lapsed for more than two years and were not allowed to be revived earlier can also be revived now, LIC said in a statement. After the Irdai Product

Regulation 2013, which came into effect from January 1, 2014, revival period was restricted to two consecutive years from the date of first unpaid premium, during which the policyholder is entitled to revive policy which was discontinued due to non-payment of premium, it said. Earlier, all policies taken after January 1, 2014 could not be revived if they remained in lapsed condition for a period exceeding two years.

Jobs may soon be classified based on skills

SOMESH JHA New Delhi, 4 November

MINIMUM WAGE: WHAT'S ON CARDS

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 not specify which work would be skilled or unskilled, leaving a grey area in the law. According to the draft rules, unskilled occupations

Minimum wage rates will vary for metros, non-metros, and rural areas, unlike three categories of areas as is defined at present
Contractors to get paid timely the wage by principal employers on the last working day of the week for weekly payments, or before 7th of each month for monthly payments



A separate technical committee to be formed to determine minimum wage rates for working journalists

A national floor for minimum wage will factor in food, clothing, and house rent expenses

Dearness allowance to be revised on fixed dates of April 1 and October 1 every year

would mean jobs that "require the application of simply the operating experience and involve no further skills," and skilled occupations as those which "involve skill and competence in its performance through experience on the job or through training as an apprentice in a technical or vocational institute and the performance of which calls for in-

tiating and judgment." Occupations that require skill "acquired through intensive technical or professional training or practical occupational experience for a considerable period" will be termed 'highly skilled', it said. "Employers used to exploit workers by terming their work as unskilled or semi-skilled, even when their occupation required certain skill sets, keeping them in a lower salary bracket. The ministry has come out with a list of occupations skill-wise, which will be dynamic in nature," a senior ministry official said, requesting anonymity. In the draft rules, among 681 listed professions, armed security guards, supervisors, surveyors, and carpenters (class I) are proposed to be treated as highly skilled professionals; electricians, tailors and drivers are skilled; cooks and cobblers as semi-skilled, and dairy coolies, office peons and sweepers as unskilled. "It is important to specify what will be treated as skilled or unskilled but the approach followed by the central government is flawed. If a person who is classified as unskilled works for a long period of time in the same occupation, he or she cannot be termed an unskilled worker forever, as they acquire some skills with work experience," RSS-affiliated Bharatiya Mazdoor Sangh general secretary Virjesh Upadhyay said. The central government has proposed to constitute a technical panel, headed by the chief labour commissioner, to advise it in skill categorisation, keeping in mind the national classification of occupation or the National Skills Qualification Framework.

PM-KISAN savings may be shifted to MGNREGA

This is to push liquidity into rural hands to kick-start consumption cycle

ARUP ROYCHOUDHURY & SANJEEB MUKHERJEE New Delhi, 4 November

To push liquidity into rural hands to kick-start the consumption cycle, the government may divert a part of the unspent fund allocated under PM-KISAN scheme for 2019-20 to the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA).

Officials said because of the lower number of targeted beneficiaries under PM-KISAN expected this year than anticipated earlier based on the 2015-16 agriculture census, the Centre may end up saving ₹20,000-25,000 crore in the flagship scheme, out of the budgeted ₹75,000 crore.

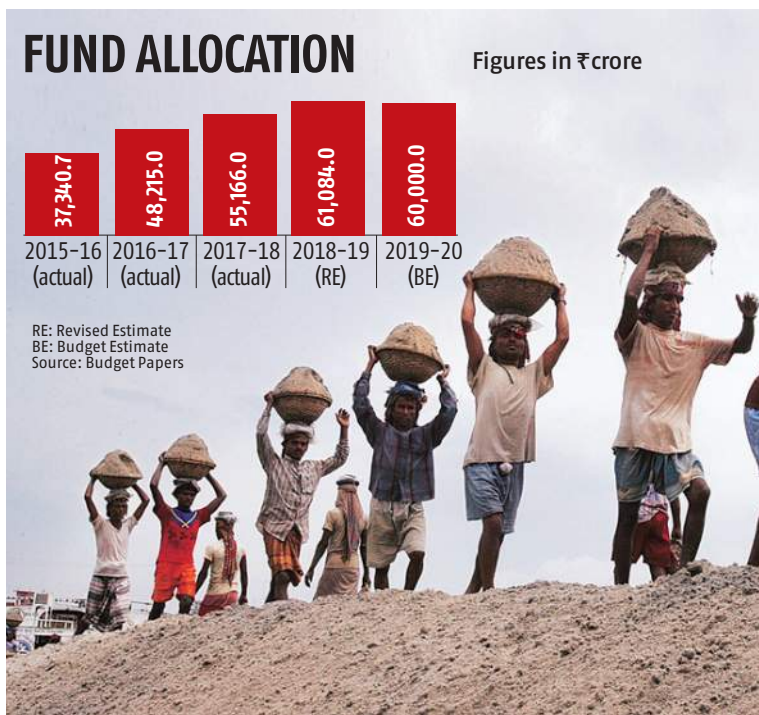
"A part of this may be diverted for MGNREGA," a senior official said. Sources said the rural development ministry has sought an additional ₹20,000 crore for MGNREGA for 2019-20 over and above the budgeted ₹60,000 crore for 2019-20.

Though, all of the PM-KISAN savings may not be transferred to fund MGNREGA's extra needs, sources said a part of this could be transferred.

"A fund for MGNREGA might be through the supplementary demand for grants. The idea is to put more money into rural hands in the short run. It is the most effective way to boost demand and consumption," the official quoted above added.

Officials said extra funds for MGNREGA could be used to meet extra demand (which may increase after the rabi sowing) or to increase wages.

Officials said up to September 2019, of the allocated ₹60,000 crore under MGNREGA, around ₹48,396.81 crore has been released by the Centre, which includes dues from 2018-19. This is



almost ₹4,629.61 crore more compared to the same period last year. Up to the middle of October 2019, around 1.52 billion person days of work had been provided under MGNREGA, which is almost the same as in 2018-19.

In 2018-19, the Centre had, in total, provided 2.67 billion person days of work, while the projected was 2.56 billion person days. Officials who spoke to Business Standard made it clear that the Centre's rural budget will not be cut back to help meet a challenging fiscal deficit target for 2019-20.

In PM-KISAN, the Centre had allocated ₹75,000 crore for 2019-20 based on the assumption that around 145 million farmers will get enrolled into the scheme. But, sources said so far over 76 million farmers have got enrolled under the scheme.

"At best, this number will go upto to 100-110 million farmers by end of 2019-20 because in many places, farmers don't have proper land records, while in some cases, states haven't come forward to enlist their farmers," a senior official said. Of the 76 million farmers enrolled for PM-KISAN, up to November 3, around 71.7 million have received the first installment of ₹2,000, while 61.2 million have got the second installment and just around 36.5 million have enrolled for the third enrollment.

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Essential goods likely to come under IBC fold

RUCHIKA CHITRAVANSHI New Delhi, 4 November

A committee to review the insolvency and bankruptcy code (IBC) has proposed allowing companies undergoing insolvency to ask for the supply of more essential goods than are currently permitted under the law, to make it a going concern.

For this, the panel suggested expanding the definition of essential goods under IBC regulations.

The Insolvency and Bankruptcy Board of India has invited comments on the proposed amendment to the regulations. According to regulation 32 of the IBC, four items — electricity, water, telecommunications, and information technology — are covered under essential goods.

The insolvency law committee (ILC) has proposed "the list of essential supplies in the regulations be expanded to include supplies which are significant to, and have a direct relationship with, the production of goods or supply of services by the corporate debtor to remain as a going concern."

Also, that the Resolution Professional approach the National Company Law Tribunal under a new provision for continuation of supply of essential goods or services other than the ones specified currently.

The four essential supplies are basic requirements for any cor-

porate debtor to remain as a going concern, irrespective of its business, and not meant to make commercial profit, the committee said. Supply of these cannot be discontinued during the resolution process and dues payable to suppliers of these are to be paid on priority, as part of resolution process cost.

The ILC has stated, "Regulation 32 is limited to supplies which are essential for any CD, irrespective of the business it is carrying on. Thus, ILC was of the view that for determining essential goods and services essential for a particular business, there should be some flexibility in the Code."

For instance, water supplied to a corporate debtor is an essential supply for drinking and sanitation purposes, but not for generation of hydro-electricity. Thus, supply of water for generation of hydro-electricity is not essential supplies

"In the absence of prohibition on termination of water supply for generation of hydro-electricity, it may be difficult to keep the corporate debtor as a going concern," the ILC has said.

In such cases, the resolution professional, in order to ensure survival of the stressed asset, should negotiate with suppliers critical to the functioning of the company and at times seeks intervention of the adjudicating authority to secure these services.



Panel proposes that a resolution professional can move the tribunal for continuation of supply of essential goods

Moulding markets to changing mindsets: 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

JAYAJIT DASH Bhubaneswar, 4 November

Building a new steel mill takes a long time. The path is strewn with challenges. Getting approvals is painful. When Vedanta acquired a running concern, Electrosteel Steels, in June 2018, it could have been forgiven for congratulating itself on taking the easier option.

In the 18 months since, Vedanta has realised that turning around a stressed steel plant can be as hard. A blast furnace gone kaput, raw material suppliers loath to risk their inputs to an insolvent unit, and markets not keen to absorb its products.

"Electrosteel was being run by a team led by Pricewaterhouse Coopers when we took over. Suppliers were nervous, not knowing if they would get paid for their material," said Pankaj Malhan, deputy chief executive officer of Electrosteel.

Vedanta's management realised

they had a lot of ground to cover to win back the confidence of suppliers. "We straightaway entered into long-term contracts with these big ticket miners. We assured them surety in this form. From advances, we moved to payment terms. That was the confidence the suppliers got," said Malhan.

By clinching long-term agreements, Vedanta made the raw material suppliers their partners. It also reassured the smaller units of the conglomerate's vision. The Vedanta management met the units every quarter.

Having convinced the suppliers, Vedanta's next major step was to get Electrosteel's products back to the markets.

The entire senior leadership reached out to customers. "Initially, customers were not sure whether the products they were buying would be delivered on time and in the desired quantities. We streamlined terms and conditions. There was a huge amount of marketing activity.



FIRMING UP

Electrosteel Q1 performance
PRODUCTION 323,000 tonnes
SALES 273,000 tonnes
YoY 34% increase
YoY 16% increase
EBITDA MARGIN \$104 per tonne
YoY 5% increase

Electrosteel's key numbers (₹ cr)
FY19 Q1 FY20
Production 2,454.74 635.14
Sales 2,454.74 635.14
Total income -635.86
Net profit 33.67
Earnings per share EPS (₹) -16.44 0.83

THE ROAD AHEAD

Feasibility study done for doubling capacity
On track to launch capacity enhancement project in FY20
Continued focus on value-added product portfolio through recently launched Re-Brands under Vedanta

Soon, we turned one of the preferred suppliers to public sector and navratna units", said Malhan. He introduced benchmarking, so that performance was compared with the best steel producers. With a mix of strategy and vision, Vedanta delivered outcomes quicker than anticipated. When Vedanta acquired Electrosteel, the latter had a modest Ebitda (earnings before interest, taxes, depreciation & amortisation) of \$55 per tonne. By the end of FY19, it was \$135-140 a tonne. Even in FY20, when fragile global demand has subdued steel prices and cramped margins, Vedanta is still hopeful of \$100-105 Ebitda on average.

In India which is making 75 per cent high-carbon products, where net sales realisation is higher by \$25-30 per tonne," said Malhan.

To bolster margins, Electrosteel has forayed into the retail segment in TMT bars. The company looks to tap the franchise model for the retail business format by engaging a two-tier dealership network.

Apart from a product rejig, Vedanta is hoping to double capacity. The ailing unit had an original capacity of 0.7 million tonne pa (mtpa) in steel making but Vedanta swiftly ramped this up to 1.5 mtpa. Plans are to expand this to three mtpa, at a cost of ₹4,000-5,000 crore.

Such a performance would not have been possible without a repositioning of the workforce. Vedanta refused to retrench any employee. It continued with the same pool, except that it injected its own performance culture.

A core team of staff from both companies was given the task of reviving the unit and delivering results. Every person's task was spelt out. The COO had to ramp up output and sweat the assets right. The CCO had to engage suppliers in such a way that Vedanta did not end up fixing a lot of inventory. The CMO's role was to get customers back. The CFO had the more

gruelling role of ensuring the compliance structures were rigorously followed with respect to an Insolvency & Bankruptcy Code asset.

Something called a 'CEO Connect' was started with 21 villages on the periphery of the Electrosteel factory. Another initiative, Pragati, involved the senior management connecting online with 1,500-odd people every month.

"Motivation doesn't always come from challenges. We were also responsible to the pockets of the employees. Apart from crediting salaries on the first of every month, we introduced the variable salary concept. This fuelled motivation to perform better," said Malhan.

A Business Excellence & Innovation Centre was set up. Within two months of the takeover, Vedanta had collected over 7,000 suggestions for cutting costs, all from the workforce and implemented 5,600 without any extra cost.

There's more to the turnaround story, of course, than ramp-up or higher efficiency in operational parameters. It's a mindset change. "Today, we have got a chief sustainability officer, led by a woman...and she is doing a phenomenal job in keeping up that changed mindset," said Malhan.