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14 pages in 1 section
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THE MARKETS ON TUESDAY		Chg#
Sensex	41,461.3▼	181.4
Nifty	12,214.6▼	48.2
Nifty futures*	12,293.8▲	79.2
Dollar	₹71.3	₹71.2**
Euro	₹78.9	₹78.9**
Brent crude ($/bbl)##	66.9##	66.3**
Gold (10 gm)###	₹38,291.0▲	₹163.0

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

BACK PAGE P14

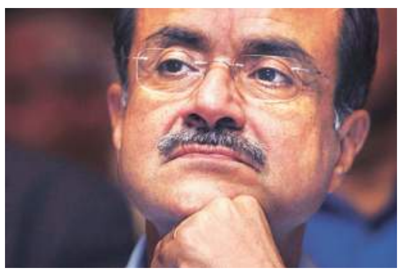
TRAVIS CUTS TIES WITH UBER; LEAVES BOARD, SELLS SHARES

BRAND WORLD P13

BRANDS LOBBY FOR INFLUENCE IN A DATA-RICH WORLD

PUBLISHED SIMULTANEOUSLY FROM AHMEDABAD, BENGALURU, BHUBANESWAR, CHANDIGARH, CHENNAI, HYDERABAD, KOCHI, KOLKATA, LUCKNOW, MUMBAI (ALSO PRINTED IN BHOPAL), NEW DELHI AND PUNE

JAGDISH KHATTAR BOOKED IN PNB LOAN FRAUD CASE



The CBI has booked Jagdish Khattar, who was managing director of the erstwhile Maruti Udyog, for an alleged bank loan fraud of ₹110 crore by his new company, officials said on Tuesday. In its FIR, the CBI named Khattar and his company Carnation Auto India for allegedly causing a loss of ₹110 crore to Punjab National Bank. The CBI carried out searches at the premises of 77-year old Khattar and Carnation Auto on Monday evening. Khattar was with Maruti Udyog from 1993 to 2007, when he retired as managing director. 2 ▸

COMPANIES P3

NTPC to have two-part tender for solar power

India's largest thermal power producer, NTPC, will hold a two-part tender for solar power projects to reduce costs. It plans to procure solar panels separately on its own and award the construction tender to engineering, procurement and construction companies. Senior executives said this would help reduce the cost of solar power as they will procure panels in bulk and according to their cost metrics.
SHREYA JAI reports

ECONOMY & PUBLIC AFFAIRS P6

IMF advises India against giving fiscal stimulus

The International Monetary Fund (IMF) has cautioned India against giving a fiscal stimulus because the government in its view does not have the wiggle room to do so. It said the government was anyway likely to miss the fiscal deficit target given in the Budget for 2019-20 owing to ambitious revenue projections and the recent cuts in corporation tax rates.

EDIT: REVIVING ECONOMIC GROWTH P9

THE SMART INVESTOR 1 P10

Mutual funds yet to warm up to InvITs

More than two years since infrastructure investment trusts (InvITs) were first floated in India, mutual funds are yet to warm up to the idea in a big way. However, with the NHAI expected to float an InvIT, some are hopeful the trend may change. According to the Securities and Exchange Board of India (Sebi) November 2019 data, the amount deployed by mutual funds in InvITs stands at ₹933 crore. AMRITHA PILLAY & JASH KRIPLANI write

Soren meets Guv, may take oath on Sunday

JMM Executive President Hemant Soren on Tuesday met Jharkhand Governor Droupadi Murmu and staked claim to form government in the state. Earlier in the day, he was formally elected Jharkhand Mukti Morcha (JMM) legislature party leader. He will take oath as chief minister on December 29 at 1 pm, said JMM General Secretary Suprio Bhattacharya, who accompanied Soren to Raj Bhavan.

THE SMART INVESTOR 1 P10

Search on for new Sebi whole-time member

The Centre has begun search for a whole-time member for Securities and Exchange Board of India (Sebi), even as the government is yet to decide whether chairman Ajay Tyagi will get an extension. Tyagi's tenure ends on February 28, while whole-time member Madhabi Puri Buch is completing her three-year term on April 4.

THE SMART INVESTOR 2 P11

Sebi issues new norms for fund houses, AIFs

The Securities and Exchange Board of India (Sebi) on Tuesday issued the stewardship code for mutual funds (MFs) and alternative investment funds (AIFs), for improvement of corporate governance standards in their investee companies.

MARKETS CLOSED TODAY

Stock, currency and commodities markets will remain closed on Wednesday on account of Christmas.

Tatas to take complete control of AirAsia India

Brand licensing agreement that gives control of core operations to Malaysian parent will be amended

ARINDAM MAJUMDER
New Delhi, 24 December

Tata Sons and AirAsia Berhad have agreed to amend a controversial brand licensing agreement that gave control of crucial functions to the Malaysian parent. The agreement signed between the two firms in 2013 — which gave the airline the right to use the AirAsia brand — has been mired in controversy as key decisions needed approval from the parent.

This raised concerns that the daily management was being handled by foreign nationals. India's civil aviation regulations mandate the effective control of airlines jointly owned by Indian and foreign entities lie with the Indian partner.

Tata Sons holds 51 per cent in AirAsia India, while AirAsia Berhad holds the remaining 49 per cent.

People in the know said both entities were finalising the revised agreement. A draft agreement submitted to the Ministry of Civil Aviation and reviewed by Business Standard says that sales and distribution, revenue management, network planning, catering and in-flight services, finance and corporate finance, customer experience, engineering, and leasing contracts will now be under the sole discretion of AirAsia India. These require approval from the parent under the present agreement. A spokesperson of AirAsia Berhad directed the queries to the Indian unit, but the AirAsia India spokesperson refused to comment. AirAsia Berhad has similar agreements with the other three affiliates — Thai AirAsia, Philippines AirAsia, and Indonesia AirAsia. Turn to Page 3 ▸

COURSE CORRECTION

- Commercial, finance, training, operations to be independent units handled from India
- CEO, CFO, CCO to be appointed by Tata Sons
- AirAsia India to keep paying annual fees to Malaysian parent for use of AirAsia brand
- Government firm on amendment of agreement, if airline wants foreign flying rights, to avoid legal challenges later on
- Commercial unit now has full-fledged office at Gurugram and a crew training unit at Bengaluru

SHAREHOLDING IN AIRASIA INDIA

51% TATA SONS
49% AIRASIA BERHAD

Bharti, Bajaj, RIL groups top m-cap charts

KRISHNA KANT
Mumbai, 24 December

It's not all gloom and doom for India's top business groups, despite a general slowdown in the economy. Quite a few of the industrial houses witnessed strong double-digit growth in their market capitalisation (m-cap) in the current calendar year, as investors moved their money to large-cap stocks away from mid- and small-caps.

Groups with market leadership in sectors such as consumer goods, retail lending, and information technology services have benefitted.

In comparison, groups with exposure to troubled sectors such as automotive, capital goods, infrastructure, and metals and mining, were punished by equity investors.

Sunil Mittal-promoted Bharti group has been the biggest gainer among large business groups, followed by the Rahul Bajaj and Mukesh Ambani groups.

At the other end of the spectrum, Essel Group topped the list of losers, followed by Vedanta and Munjal (Hero) group.

Bharti has been the biggest winner in 2019 despite its flagship Bharti Airtel reporting record losses during the September quarter. The group gained as investors reinstated faith in the Airtel stock, believed to be an industry survivor and seen gaining market share, especially in the high revenue post-paid segment.

Many investors appreciate Airtel having a diversified revenue base, with the Indian telecom business accounting for only half its consolidated revenues, unlike its peers.

Its m-cap has risen close to 88 per cent in CY19, making it the top-performing index stock. Together with its subsidiary Bharti Infratel, the group's combined m-cap has risen 63 per cent this year to ₹2.82 trillion, from ₹1.73 trillion a year ago.

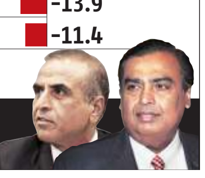
The Rahul Bajaj group comes next, with a 43 per cent jump in its combined m-cap during CY19. The group firms have a combined m-cap of ₹5.35 trillion, up from ₹3.74 trillion at the end of December 2018. Turn to Page 13 ▸

RULING THE M-CAP ROOST

Winners and gainers among top business groups in 2019

ENTITY	Market capitalisation (₹ trn) Dec 2018	Dec 2019	YoY chg (%)
TOP GAINERS			
Bharti Group	1.73	2.82	63.1
Bajaj Group	3.73	5.34	43.0
Mukesh Ambani Group	7.25	9.97	37.5
Adani	1.57	1.96	25.3
Tata	10.51	12.00	14.2
TOP LOSERS			
Essel Group	0.55	0.31	-42.9
Vedanta Group	2.04	1.48	-27.2
Munjal (Hero) Group	0.64	0.49	-22.8
Mahindra Group	2.89	2.49	-13.9
JSW Group	0.88	0.78	-11.4

Source: Capitaline, Compiled by BS Research Bureau



TELECOM 2020: MITTAL, AMBANI GOING FOR THE KNOCK OUT P3

TREND AND PROGRESS IN BANKING FOR FY19

Economic revival will aid NPA recovery: RBI

ANUP ROY
Mumbai, 24 December

Indian banks are getting a better grip on their bad debt situation and non-banking financial companies (NBFC) are expected to regain their niche after a turbulent one year, but further reduction in bad debts and credit growth depend upon how fast the economy recovers from the slowdown, the Reserve Bank of India (RBI) said on Tuesday.

In this slowdown, banks and non-banks are shrinking their credit to the commercial sector, while uncertain times could increase the spectre of default in retail loans as well, the RBI's Report on Trend and Progress of Banking for 2018-19 warned.

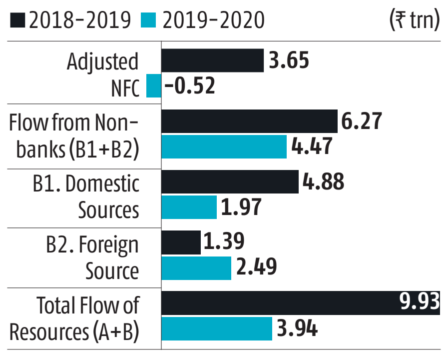
Credit to the commercial sector shrank by ₹52,971 crore during April-September in the first half of 2019-20 from an expansion of ₹3.66 trillion in the same period a year ago, the RBI said in its report. The risk-free retail segment doesn't look that risk-free, either.

"While banks have oriented their lending towards the relatively stress-free retail, the slowdown in private consumption spending has imposed limits to this growth strategy even as the possibility of defaults among retail segments rises as growth slows down," the report said.

But weakening growth impulses and subdued credit off-take, along with sporadic credit default events and incidents of frauds, are "exacerbating the reluctance to lend," the report said, adding this "waning of confidence is weighing on overall economic activity".

"The evolving macroeconomic scenario, and particularly, the ongoing loss of pace in domestic economic activity, present daunting challenges as widespread risk aversion has turned credit demand anaemic even as corporations deleverage their own stressed balance sheets," the report said, adding this was taking hold at a time when recent improvements in asset quality and the profitability of the banking sector are at a nascent stage and the capital adequacy ratios of public-sector banks (PSBs) were being shored up through recapitalisation by the government. In this environment, even after having an effective bankruptcy code, the "overhang of NPAs remains," and "further improvements in the banking sector hinge around a reversal in macroeconomic conditions". Turn to Page 13 ▸

FLOW OF FINANCIAL RESOURCES TO COMMERCIAL SECTOR



*: Data as of April-September 27 period. Figures in the parentheses represent share in total flows.
Source: RBI, Sebi, BSE, NSE, merchant banks, LIC, and NHB
NFC: Non-food bank credit

PAGE 4 ASSET QUALITY OF NBFCs SHOWED SIGNS OF STRESS | NUMBER AND VALUE OF BANK FRAUDS SAW A SPIKE IN FY19 | UCBs NEED TO ADDRESS LOW CAPITAL BASE, WEAK GOVERNANCE

Govt to bring in ordinance to amend IBC

PRESS TRUST OF INDIA
New Delhi, 24 December

The Centre will promulgate an ordinance to further amend the insolvency law to remove ambiguities and shield successful bidders from prosecution for offences committed by previous promoters. The Cabinet, on Tuesday, approved an ordinance to amend the Insolvency and Bankruptcy Code (IBC) 2016, that would also help in ensuring smooth implementation of the law, said an official release.

The Code has already been amended thrice and a Bill to amend it was introduced in the Lok Sabha on December 12. Union Minister Prakash Javadekar told the media that the amendments would also help bring more clarity and facilitate FDI (foreign direct investment) inflows.

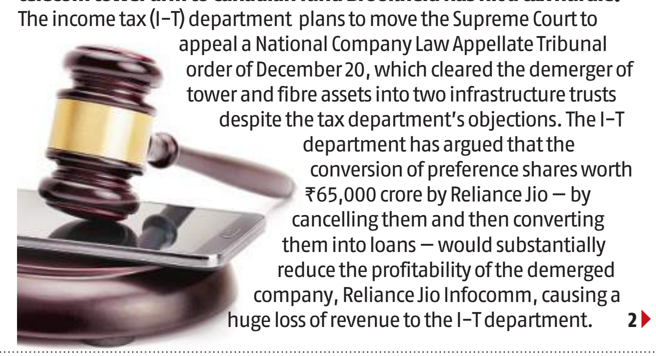
"Under the amendments, the liability of a corporate debtor for an offence committed prior to the commencement of the corporate insolvency resolution process shall cease," the release said.

Further, the corporate debtor would not be prosecuted for such an offence from the date the resolution plan has been approved by the adjudicating authority, if the resolution plan results in the change in the management.

₹3,941-CRORE FUND SANCTIONED FOR NPR UPDATE P4
GREEN SIGNAL FOR RESTRUCTURING OF RAILWAY BOARD P5
NEW POST OF TRI-SERVICE CHIEF CREATED, APPOINTMENT PENDING P5

I-T DEPT TO MOVE SC AGAINST RELIANCE JIO'S DEMERGER PLAN

Reliance Jio Infocomm's plans to reduce its debt by selling stake in its telecom tower arm to Canadian fund Brookfield has hit a tax hurdle.



The income tax (I-T) department plans to move the Supreme Court to appeal a National Company Law Appellate Tribunal order of December 20, which cleared the demerger of tower and fibre assets into two infrastructure trusts despite the tax department's objections. The I-T department has argued that the conversion of preference shares worth ₹65,000 crore by Reliance Jio — by cancelling them and then converting them into loans — would substantially reduce the profitability of the demerged company, Reliance Jio Infocomm, causing a huge loss of revenue to the I-T department. 2 ▸

Independent directors exit as tighter scrutiny bites

ASHLEY COUTINHO
Mumbai, 24 December

High-profile corporate frauds, accounting discrepancies, and the coming into effect of global anti-corruption laws have led to the exit of close to 1,400 independent directors this year, the highest in the past seven years for which data was analysed.

While 1,394 directors quit, 1,112 were appointed, implying a net deficit of 282.

Exits in the September quarter numbered 488, the highest in the year. According to experts, the terms of about 1,500 independent directors who had signed up for five-year tenures in 2014-15 were up for renewal this year.

Independent directors can get a second term after approval by a special resolution.

"There is a great deal of uncertainty, particularly with regard to fraud risk, and independent directors realise that the liabilities of taking up the post could be very high. The requirement of passing an exam will make things more onerous from here on, which is why the supply of independent directors may be impacted," said Shriram Subramanian, founder and managing director, InGovern Research Services.

The Ministry of Corporate Affairs recently introduced a proficiency test for independent directors to assess their knowledge of securities and corporate law, accounting, and areas related to the functioning of an independent director.

"People are getting more and more selective about joining the boards of companies, while basing their decisions on several qualitative factors," said Tejesh Chitlangi, senior partner, IC Universal Legal. According to him, factors such as the track record of governance, litigation history, and whether the company is professionally run or promoter/family-driven are being evaluated.

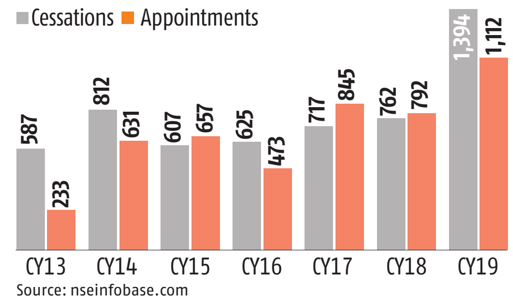
"Directors are avoiding companies driven by promoters who expect IDs (independent directors) to be yes-men. IDs are doing their homework, analysing information that is in the public domain while also seeking requisite clarification from the company concerned before signing up."

The Companies Act, 2013, effective April 1, 2014, had laid out a code for independent directors. The recent change in listing regulations based on the recommendations of the Kotak Committee has also bolstered governance requirements.

The role of independent directors in fraud detection has come under the regulators' scrutiny because they, along with auditors, are the first line of independent authorities obliged to question wrongdoing early in the day. Independent directors carry both the legal and regulatory obligation to raise the red flag and record dissent on board matters. Turn to Page 13 ▸

CHANGE OF GUARD

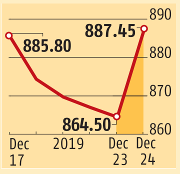
Exits highest in at least seven years



Source: nseinfobase.com

STOCKS IN THE NEWS

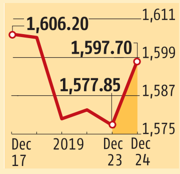
IRCTC



Revises meal, breakfast prices at railway stations

₹887.45 CLOSE ▲ 2.66% UP*

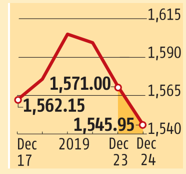
NIIT Technologies



Approves share buyback at ₹1,725 per share via tender offer

₹1,597.70 CLOSE ▲ 1.26% UP*

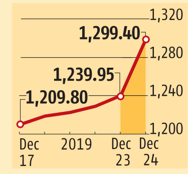
Reliance Industries



Loses ₹37,528 crore market capitalisation in three days

₹1,545.95 CLOSE ▼ 1.59% DOWN*

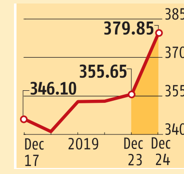
United Breweries



Heineken may up stake by 10–15%: Report

₹1,299.40 CLOSE ▲ 4.80% UP*

ICICI Securities



Top gainer among S&P BSE Midcap index stocks

₹379.85 CLOSE ▲ 6.80% UP*

* OVER PREVIOUS CLOSE

IN BRIEF

Hiranandani, Blackstone to form JV, invest ₹2,500 crore

Mumbai-based property developer Hiranandani has signed a pact to form a joint venture with US-based private equity firm Blackstone to develop industrial, logistics and warehousing properties. Both the companies will invest ₹2,500 crore over the next three to four years to develop the 12 million sq ft industrial and warehousing assets portfolio of Hiranandani's logistics venture GreenBase. The JV would develop the Hiranandani Green Base's 267 acres in Pune, 115 acres in Chennai's industrial suburb Oragadam, 73 acres in Nashik and around 25 acres in Durgapur, West Bengal. Niranjan Hiranandani, founder and MD, Hiranandani Communities said: "We have a very bullish view on the economy in the long term. Logistics and warehousing will be one of the major beneficiaries of this growth. The JV's investment will also contribute to economic growth as well as employment generation in the relevant locations." **RAGHAVENDRA KAMATH**

Foodpanda reports ₹756-cr net loss with ₹82-cr revenue

Foodpanda, the food delivery firm owned by Ola, reported a net loss of ₹756 crore during the financial year 2018-19. This is a 230 per cent increase from the last financial year, according to the financial data accessed by business intelligence platform, Tofler. Foodpanda's revenue for the same fiscal was ₹82 crore, which is a marginal increase of 11 per cent from the last year. **BS REPORTER**

UP clears land for PepsiCo's ₹500-cr plant in Mathura

The Uttar Pradesh government has cleared the land possession hurdle for PepsiCo's greenfield plant in Mathura district. The company will invest over ₹500 crore in the proposed plant at Kosi, Mathura through the FDI route and create nearly 1,500 direct and indirect jobs. **BS REPORTER**

Renault to stop diesel engine cars in India this year

Renault will stop making diesel cars by end of this year, as the country is moving into the BS-VI fuel emission standards. The firm is planning to launch almost three vehicles by 2022, including a sub-4 meter SUV in the second half of next year and an electric vehicle by 2021. **BS REPORTER**

Alibaba invests $10-mn in logistics start-up XpressBees

Alibaba is investing $10 million in Pune-based start-up XpressBees. This investment "appears to be an extension" of the Series D round raised by XpressBees in 2017, according to Paper.vc, which obtained the firm's latest regulatory filings. Alibaba had invested $35 million in that round via Alibaba.com Singapore E-Commerce. **BS REPORTER**

HCL Technologies opens centre in Canada

HCL Technologies said it had opened a global delivery center in New Brunswick, Canada, which will focus on technology areas in application development, testing, and servicing global clients. **BS REPORTER**

Treating disputes as criminal complaints needs relook: Kris

Kris Gopalakrishnan, chairman of CII's start-up council and co-founder of Infosys, said that increasing number of commercial and civil disputes being treated as criminal ones has created a sense of fear among the directors, young entrepreneurs. At the heart of the issue are the ongoing negotiations around decriminalising some provisions in the Companies Act. **BS REPORTER**

PayU narrows losses by 28%

Digital payments company PayU narrowed its losses by around 28 per cent at ₹119.8 crore in the financial year ending March 2019. The firm reported a loss of ₹148 core in FY18. The decline in losses was attributed to increase in revenues and slower rise in expenses. The Naspers-backed payment firm posted 50 per cent increase in its revenues at ₹907.3 crore in FY19 as compared to ₹605.5 crore reported in FY18, data sourced from Tofler showed. **BS REPORTER**

CBI books ex-Maruti MD in ₹110-cr loan fraud

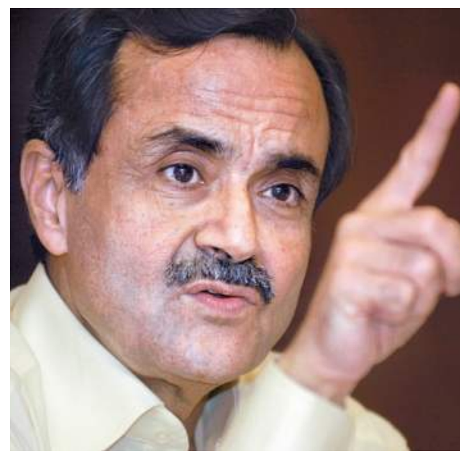
SHRIMI CHOUDHARY
New Delhi, 24 December

The Central Bureau of Investigation (CBI) has registered a criminal case against Jagdish Khattar, former managing director of the erstwhile Maruti Udyog, and his firm Carnation Auto India for allegedly selling the assets pledged with Punjab National Bank (PNB) against a loan, and diversion of ₹110 crore.

Khattar started his own company — Carnation Auto — — after leaving the automobile major in 2007. During the investigation, the central agency found that Khattar and his company had "dishonestly and fraudulently" sold the fixed assets worth ₹66.9 crore for ₹45.6 crore, without the approval of the bank, whereas the assets were furnished as security. Further, after the sale, the borrowers did not deposit sale proceeds with the bank, the CBI said.

On Friday, the CBI had booked Khattar, his company and some bank officials in the case under criminal breach of trust, cheating and criminal misconduct. According to the norms, the bank officials are required to verify the stock every month and also to cross check the debtors, which appears to have not been done, CBI noted and said the role of these officials will be looked probed.

Explaining the modus operandi, the CBI said Carnation took a loan of ₹170 crore from PNB in 2009, which had turned non-performing assets in 2015. The bank had conducted a forensic audit through K G Somani & Company. According to the audit report, the accused borrower had not just sold the securities pledged with bank but dishonestly and fraudulently extended loans and advances to its sister concern/subsidiaries, too. Thereby it has committed misappropriation of funds and put them for personal use.



"After its (Carnation Auto) failure as a business, an exhaustive and detailed independent forensic audit at the behest of the bankers under the resolution professional was conducted by a leading independent auditor and nothing was found amiss"

JAGDISH KHATTAR, ex-MD, Maruti Udyog

The bank, in its complaint in October, had mentioned the names of five accused, of which three were guarantors — Khattar Auto India, Carnation Realty and Carnation Insurance Broking. However, during verification no direct role of guarantors in committing the fraud with the bank came to light, and as such they are not named in the FIR. However, their role will be ascertained during investigation.

Refuting all the charges Khattar said, "The company has not indulged in any wrongdoing. A search was conducted by CBI but nothing incriminating was found." He further said he had invested his life savings in the company. "I understand the bank is following a process. I have always made myself available and will continue to fully cooperate with all the agencies. The claims being made were examined in great detail during the forensic audit and we provided satisfactory replies on each. We were cleared in the forensic audit on each count. I have no doubt we will be vindicated again once the investigation is completed," he said.

Khattar, a former IAS officer had joined then government-owned Maruti Udyog in 1999. After the merger with Japanese auto major Suzuki, Khattar was retained. He played a significant role in beating tough competition with the foreign firms which were then exploring Indian markets and setting up base. After retirement at the age of 65, he started his multi-brand car sales and services network. Despite getting a private equity back, the business model failed to sustain. In 2017, the PNB dragged the company into insolvency proceedings.

I-T dept to move SC against Jio's plan to sell stake in tower arm

NCLAT had rejected govt argument that the move was illegally aimed to evade tax payment

DEV CHATTERJEE
Mumbai, 24 December

Reliance Jio Infocomm's plan to reduce debt by selling stake in its telecom tower arm to Canadian investor fund Brookfield isn't free of the income tax (I-T) department hurdle.

The latter plans to petition the Supreme Court against the National Company Law Appellate Tribunal (NCLAT) order of December 20 which cleared Jio's proposed demerger of tower and fibre optic network assets to two infrastructure trusts.

The clearance was in spite of I-T objections. The department argued that the proposed conversion of preference shares worth ₹65,000 crore by Jio – by cancelling and then converting these into loans — would substantially reduce the profit of the demerged company. And, so, cause huge loss of revenue to the department. In sum, a move to avoid and evade taxes, it contended.

Jio denied the charges. An e-mail sent this week by this publication to Reliance for its views on the issue did not elicit a response.

In July this year, Brookfield had said it would pay ₹25,215 crore in the units to be issued by the Tower Infrastructure Trust. Jio was to be anchor tenant for the infrastructure investment (InvIT) company, for 30 years — giving a guaranteed source of income to the trust. Brookfield was to hold 51 per cent stake in the tower InvIT; Reliance Industries (RIL), parent entity of Jio, plans to hold the rest.

TAX DEPT VERSUS JIO

- Demerger to reduce Reliance Jio Infocomm profits
- Reduction in Jio profitability to reduce dividend distribution tax
- Preference shares conversion to loan aimed to evade tax
- Doesn't talk of interest rate on loan: I-T

The I-T department argued the scheme sought to indirectly do what RIL could not directly do under the law. By way of the composite scheme, there is an indirect release of assets by the demerged company to its shareholders, which is used to avoid the dividend distribution tax which would have otherwise been attracted via Section 2(22) (a) of the I-T Act.

Also, the composite scheme does not fulfil the requirements of Section 2 (19AA) which defines the meaning of 'demerger' under the Companies Act, was another objection. The department's legal counsel said this section "requires transfer of an undertaking on a going concern basis, not evident from the balance sheet and profit and loss account of Reliance Jio Infocomm".

Further, under law, dividends arising out of preference shares can only be paid by the company out of accumulated profits. However, when preference shares are converted into loans, shareholders turn into creditors of a company. Which has two consequences, the department said. First, the shareholders who are now creditors can seek payment of the loan, irrespective of whether there are accumulated profits or not. Second, the company is liable to pay interest on loans to its creditors, which it otherwise would not have had to do to its shareholders.

The payment of interest on such huge amounts of loan would lead to reducing the total income of the company 'in an artificial manner', which is not permissible in law, the department said.

The department also alleged the proposed scheme did not identify the interest rate payable on the loan, which will be a charge on the profits of the company, Reliance Jio Infratel. Even if a 10 per cent interest rate is considered, this would amount to annual interest of ₹782 crore, which would reduce Jio Infocomm's tax by about ₹258 crore each year. This is tax evasion, was the contention.

However, the NCLAT did not find these arguments compelling and rejected the I-T department's petition.

ByteDance eyes TikTok stake sale on US woes

ZHEPING HUANG, LULU YILUN CHEN & PETER ELSTROM
24 December

China's ByteDance created one of the country's rare global hits with the addictive video app TikTok. Now the US government is threatening that success as officials in Washington warn the service presents a security threat.

The Beijing-based company, led by Chief Executive Officer Yiming Zhang, is weighing a range of options to address those concerns, according to people familiar with the matter. Advisors are pitching everything from an aggressive legal defence and operational separation for TikTok to sale of a majority stake, said the people, asking not to be named because the discussions are private. Selling more than half the business could raise substantially more than $10 billion, one person said.

ByteDance would prefer to maintain full control of the business if possible, given its soaring popularity and profit potential. It may argue that TikTok presents no security threat or that the US has no legal standing over the business.

BLOOMBERG

When Rahul Bajaj broke India Inc's deafening silence

PRESS TRUST OF INDIA
New Delhi, 24 December

Whenever the economy goes into a downward spiral, policies aligned with growth ambitions are a far cry and industry suffers, vocal leaders of India Inc are usually the first ones to raise the red flag. But not against the Bharatiya Janata Party (BJP)-led government in 2019, except a few.

Those who stood out were Rahul Bajaj, Kiran Mazumdar-Shaw and Ajay Piramal for their words in an otherwise seemingly insulated, blissful world of their fellow corporate leaders even when India's rapidly slowing GDP growth touched a six-year low at 4.5 per cent in the second quarter as manufacturing output slumped and consumer demand as well as private investment weakened.

In visible signs of economic woes, the auto sector went through one of the longest sales slumps leading to nearly 350,000 job losses. In the FMCG sector, concerns persisted that consumers were thinking twice even before buying a ₹5-pack. The telecom segment continued to be under the pump, so was the stressed power sector.

Adding to the problems, non-performing assets plagued banks while two major non-banking financial companies (NBFCs) — IL&FS and DHFL — crashed. Still, the leading lights from India's corporate world could not hold up the mirror to the government.

For once, it was the "silent Prime Minister" — Manmohan Singh, now a vocal Opposition member — who did the talking on behalf those who blamed him for 'policy paralysis' and criticised him while he was at the helm for being weak, indecisive and silent.

Writing on *The Hindu* newspaper on November 18, Singh wrote that there was "a palpable climate of fear in our society today".

"Many industrialists tell me that they live in fear of harassment by government authorities. Bankers are reluctant to make new loans, for fear of retribution. Entrepreneurs are hesitant to put up fresh projects, for fear of failure attributed to ulterior motives. Technology start-ups, an important new engine of economic growth and jobs, seem to live under a shadow of constant surveillance and deep suspicion," he wrote.

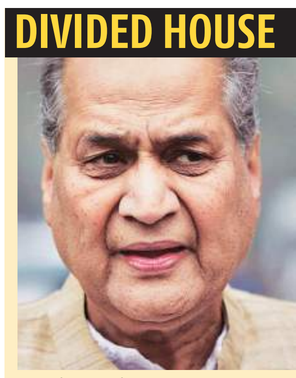
2019 LOOKING BACK

Not long after, at an event organised by the *Economic Times* in Mumbai on November 30, where Home Minister Amit Shah, Finance Minister Nirmala Sitharaman, and Commerce Minister Piyush Goyal were present, industrialist Rahul Bajaj spoke about the government's stifling of criticism, among other things.

"This environment of fear, it's definitely on our minds. You (the government) are doing good work; and despite that, we don't have the confidence that you'll appreciate criticism," the veteran industrialist said.

His apprehensions of criticism not being appreciated was met with a tweet by Sitharaman, who said, "...Questions/criticisms are heard and answered/addressed. Always a better way to seek an answer than spreading one's own impressions which, on gaining traction, can hurt national interest."

DIVIDED HOUSE



"This environment of fear, it's definitely on our minds. You (the government) are doing good work, and despite that we don't have the confidence that you'll appreciate criticism"

RAHUL BAJAJ
Chairman, Bajaj Group

"So far, we are all pariahs (sic). Govt does not want to hear any criticism of our economy... Madam we are neither anti-national nor anti-government"

KIRAN MAZUMDAR-SHAW
CMD, Biocon, in reply to Nirmala Sitharaman

"For the first time in several years, I see the will and the determination to do a structural change. In the past, it was pretty much the way it was. For the first time, I see changes at different levels"

SANJIV GOENKA
Chairman, RP-Sanjiv Goenka

"Why do we need to have everything criminalised if there is a charge of an offence? With so much of data available... do you need to have raids... It does not give a positive feeling to any businessman"

AJAY PIRAMAL
Chairman, Piramal Group

Bajaj found support from Biocon CMD Kiran Mazumdar-Shaw who hoped that the government would reach out to India Inc for working out solutions to revive consumption and growth.

"So far we are all pariahs n (sic) govt does not want to hear any criticism of our economy," she had tweeted.

Replying to Sitharaman's response to Bajaj, Shaw retorted, "Madam we are neither anti-national nor anti-government."

Shaw further said, "We want you to succeed big time as fastest growing economy n (sic) rise to the top of the global league of economies. I am a proud apolitical National n (sic) only want the Govt to promote good policies including at State level." RP-Sanjiv Goenka Group Chairman Sanjiv Goenka, however, disagreed with Bajaj's views and asserted that there was no fear among industrialists.

Speaking at the India Today Conclave East 2019, Goenka lauded the Narendra Modi-led government for taking up steps to reach out to the common man and bring structural changes.

"For the first time in several years, I see the will and the determination to do a structural change. In the past, it was pretty much the way it was. For the first time, I see changes at different levels," Goenka said.

To be fair to Piramal Group Chairman Ajay Piramal, it was he who first mustered up the courage to tell the government in September that all was not well in the relationship between the industry and the ruling dispensation, and that mistrust between government and businesses was growing due to frequent raids, searches and lookout notices by various agencies on corporates.

"Today, I see there is a gap, there is mistrust between the people who are in power and the people who are wealth-creators," he said.

"Why do we need to have everything criminalised if there is a charge of an offence against you? With so much of information available, with so much of data available, do you need to have searches and raids? Do you need to have lookout notices issued? It does not give a positive feeling to any businessman," Piramal asked.

He further said "what is critical is that wealth-creators get the respect they deserve. "A little before him, L&T non-executive Chairman AM Naik had raised a faint voice while speaking on the sidelines of the company's AGM in August, hinting to challenging times faced by private sector to make investments.

Asking where the liquidity and the money was, he reminded the government, "Lots of promises were made during the elections, and you have to fulfil them now." The industry veteran also raised questions on government data credibility, saying one has to use his or her own judgement while believing in the official numbers.

Towards the fag-end of the year, some more leaders joined in to raise their concerns.

Even when India climbed 14 rungs in the World Bank's Ease of Doing Business ranking to stand at the 63rd position and figured among the world's top 10 most improved countries, Bharti Enterprises Chairman Sunil Mittal wanted more, so did his fellow industrialist and industry chamber CII president Vikram Kirloskar, who at a pre-Budget meeting with Sitharaman spoke about further ease of doing business.

In 2020 the industry will hope to have more freedom to perform and even more freedom in raising concerns to the government without fear.

Mittal, Ambani set for knockout

SURAJEET DAS GUPTA
New Delhi, 24 December

In the bout for the 2020 undisputed heavyweight champion's title, there are no prizes for guessing who the contenders are. In one corner of the ring is Sunil Mittal, the undisputed star for decades whose company Bharti Airtel has been ousted from the top slot — in terms of revenue market share — this year.

It's been a bruising battle but Mittal has managed to remain standing without conceding much market share to his rival and keeping his debt under control, even though it could be high in the red (a loss of over ₹23,000 crore) if he has to pay the entire AGR dues imposed by the Supreme Court upfront.

2020 LOOKING AHEAD

In the other corner is the challenger who has risen to the top position in three years and become the new telecom champion. Mukesh Ambani's relentless push for subscribers has helped Reliance Jio grab the number one slot and, with a 35 per cent revenue share of the market, has moved up quietly from the number three slot at the beginning of the year (Q3 FY 19).

But that is not enough for Ambani who wants to push his 350 million customers up to 500 million. At current net additions a month, this could take him 18 months.

If he thinks this strategy will have Mittal on the ropes, Mittal has made it clear that he won't take it lying down. He hopes to increase Airtel's revenue market share from 32-35 per cent in some time.

The opportunity for the two men — Bharti Airtel's Sunil Mittal (*right*) and Reliance Jio's Mukesh Ambani — to realise their ambitions will unfurl next year when the finances of the third player, Vodafone Idea which has over 300 million customers, are expected to sink

The opportunity for the two men to realise their ambitions will unfurl next year when the finances of the third player, Vodafone Idea which has over 300 million customers, are expected to sink. Given that Vodafone Idea's promoters have said they are unwilling to throw more good money after bad, it may even shut shop unless the government steps in.

The good news is that the weakening of Vodafone Idea comes at a time when the brutal price wars of the last three years have subsided. Telcos have already announced hefty hikes in tariffs of 15-40 per cent which they hope will perk up their balance sheets somewhat.

Mittal expects average revenue per user to go up by ₹200 a month, very near what it was before Reliance Jio's entry, in the next few quarters and even hit ₹300.

Yet the financial health of the incumbents (Reliance Jio has to pay a small amount and is not seriously affected), will depend crucially on how the government and the Supreme Court, which has directed telcos to pay ₹144,000 crore as past dues, tackle the contentious AGR dues.

While the tariff increases might help to reduce their financial stress, they are nowhere near enough to absorb the huge payout for the AGR dues. That is why Bharti is raising $3 billion in fresh capital which will be a combination of equity and debt to take care of the AGR payments. For Vodafone Idea, analysts say that the tariff hike will need to be 80 per cent for it to cover the AGR payout.

The outcome hinges on the fate of the Bharti Airtel and Vodafone Idea review petitions against the Supreme Court ruling and on whether the government is ready to stagger the payments, reducing the overall immediate burden. This decision could determine Vodafone Idea's survival.

Clearly, a further emasculation of Vodafone Idea or its closure would provide an attractive opportunity for Mittal and Ambani. For instance, around seven per cent of Vodafone Idea's subscribers are post-paid with significantly high ARPUs, constituting around 20 per cent of its revenues, say analysts. Bharti Airtel will be in a better position to grab them as it has a strong presence in the post-paid business and a lot of plans. In contrast, only one per cent of Jio's subscriber base is post-paid and that too with only one plan on offer.

Jio, though, has a winner in the 4G feature phone which is on offer for ₹699 and comes with bundled minutes. It has been a work horse for wooing 2G customers to upgrade to 4G: nearly 30 per cent of net additions come from users who opt for the bundled offering.

Yet both Ambani and Mittal are aware that they have to reduce their dependence on debt even if they are in control. Next year will see a speeding up of the monetisation of assets.

While next year will see a Rumble in the Jungle between Mittal and Ambani, it will not be the year of 5G. Most telcos say that the various financial uncertainties, the limited spectrum available coupled with a high base price, and the lack of any viable use case, makes it unattractive for the time being.

NTPC to have 2-part tender for solar projects

SHREYA JAI
New Delhi, 24 December

NTPC, the country's largest thermal power producer, will switch to a two-part tender process for solar power projects. Senior executives said this would bring down the cost; the aim is to procure power panels in bulk form separately, on own cost metrics. These panels form 80 per cent of the total project cost in a solar power plant. The 'Balance of Systems' tender for construction of the project would be awarded separately, to engineering, procurement and construction (EPC) companies.

Currently, it awards all components of the project together, where the EPC player takes care of all aspects from procurement of equipment to construction. An NTPC executive says they might at some time explore multi-part tendering, where components are awarded to different companies and assembled. The company said its two-part move was part of a plan to have solar power projects with no advance Power Purchase Agreement (PPA) with any state or power distribution company (discom). One such project has been set up, of 90 Mw, at Anta (Rajasthan).

"We are planning to set up at least 1,000 Mw of projects which will have no PPA. These are also the ones for which we will issue a two-part tender and procure modules ourselves," said a senior executive.

States would buy, since solar power is the cheapest energy source, is the thinking. "Power from these plants could be sold either through power exchanges or through any other platform," said the executive.

As part of a plan to set up 30,000 Mw of solar projects in the next five years, NTPC is looking to increase the share of its own renewable energy (RE) projects.

FROM PAGE 1

Tatas to take complete control of AirAsia India

These, along with AirAsia India, pay annual fees for using the AirAsia brand.

The Tatas have already appointed key executives from its group firms in Air Asia India. In 2018, it appointed Tata lifer Sunil Bhaskaran as chief executive.

Last month, it appointed Titan's Vikas Agarwal as chief financial officer. Recently, it appointed Tata Steel executive Ranganathan R advisor to the CEO.

The airline has also restructured its board, with AirAsia group CEO Tony Fernandes and deputy group CEO Bo Lingam stepping down. Banmali Agrawala, head of Tata group's defence and aerospace business, was appointed chairman. A Tata group executive said the airline has developed the expertise to handle core operations from India, and hence was not dependent on its parent anymore. "Earlier, a lot of core functions such as revenue management, sales, and leasing needed expertise of the joint venture partner, but now the airline is fully capable of handling the functions," the executive said.

The commercial unit now has a full-fledged office at Gurugram and has established a crew training unit at Bengaluru. Recently, it appointed former IndiGo executive Ankur Garg as chief commercial officer.

People in the know said the Tatas sought the amendment after being nudged by the aviation ministry, which is yet to give its nod for the airline's foreign operations.

"The government has told the Tatas that if the airline wants foreign flying rights, the agreement has to be amended to reflect that the operations are being handled from India. They don't want anyone to challenge it in court after granting of the permission," said an AirAsia India board member.

The Delhi High Court had also ordered an investigation by the Directorate General of Civil Aviation (DGCA) in 2017, following which the DGCA had given it a clean chit.

The Central Bureau of Investigation (CBI) had, on May 29, raided the offices of AirAsia India. This was after it had filed a complaint against Tony Fernandes and others on May 28 for allegedly lobbying with the government for overseas flight permits and violating rules preventing foreign airlines from controlling Indian operators. Despite having more than 20 aircraft, the carrier is waiting for permission to fly abroad as government officials remain cautious on the control norms.

"Foreign flying is the ultimate source of revenue generation. The airline has already missed out on getting any of Jet Airways' flying rights due to the controversy. Tata Group taking control will clear the air," the board member said.

Tata Group's other airline Vistara — a joint venture with Singapore Airlines — had to get its foreign flying rights vetted by a group of ministers. CBI's first information report (FIR) says the violations occurred from 2013-2016, before the government eased restrictions on airlines starting overseas flights, in June 2016.

Bharti Infra and Indus Towers merger deadline extended

MEGHA MANCHANDA
New Delhi, 24 December

The merger of Bharti Infratel and Indus Towers yet again failed to receive the Centre's nod. The deadline for the completion of the amalgamation has been extended by two months to February 24.

The Department of Telecommunications is required to take approval from the finance ministry for the deal, mainly on account of international arbitration of an old case when Vodafone bought Hutchison stake in the Indian telecom arm in an $11-billion deal.

The merger would have unlocked value to the tune of ₹5,000 crore for Vodafone Idea, which is struggling to generate cash to pay dues.

The valuations have now gone down from what was estimated earlier and is only adding to the woes of Vodafone Idea. It currently holds 11.15 per cent in Indus Towers.

In September, Bharti Infratel had said it is expected that the dilution of equity stake held by the current shareholders of Bharti Infratel shall be lower on account of lesser number of shares to be issued against swap of Indus shares vis-à-vis the illustrative shareholdings disclosed in the original transaction announcement.

These would also result in lower cash payments to Vodafone Idea vis-à-vis the illustrative amounts disclosed earlier, it had said.

Since the completion of the merger is contingent upon receipt of requisite regulatory approvals and fulfilment of other conditions precedent, there can be no assurance that the merger can be completed within the extended time frame.

"We (Delhi government) have worked extensively in unauthorised colonies and proved that welfare schemes can be implemented in these colonies"

ARVIND KEJRIWAL
Delhi chief minister

"Under the 'minimum government, maximum governance' (vision), government functions are being made more effective and efficient. Performance standards are being set for government officers"

RAJNATH SINGH
Defence minister

"If they (people of the country) are not treated well, they will give a befitting reply. You (BJP) have already got your reply in Maharashtra and Jharkhand"

MAMATA BANERJEE
West Bengal chief minister

PM was right, no talk on pan-Indian NRC for now: Shah

Denies link between NPR, NRC; Oppn steps up attack, says govt caught in its own trap

ARCHIS MOHAN
New Delhi, 24 December

Union Home Minister Amit Shah on Tuesday said there was no "link" between the National Population Register (NPR) and the National Register of Citizens (NRC). The Home Minister said the data collected for the NPR could not be used to update the controversial NRC, which he said was a "different process".

Shah said Prime Minister Narendra Modi was right saying that there had been no discussion yet on a nationwide NRC.

Shah accused the Opposition of spreading "misinformation" on the issue, appealed to Kerala and West Bengal governments to allow NPR and conceded there might have been lack of communication on the part of the government on the issue. The home minister said the NPR was first conducted during the tenure of UPA 2 in 2010.

Opposition parties and rights activists disputed the minister's claims. They pointed to at least eight instances where the Modi government has said, including on the floor of Parliament, that the NPR data would form the basis for NRC.

The Congress said the 2010 NPR questionnaire was significantly different from the 2020 NPR questionnaire currently in the public domain. To Shah's charge that NPR's opponents were denying the poor, including the minorities, benefits of government schemes, opposition parties said the Aadhaar took care of that need and NPR was redundant. They said the Centre should go ahead with Census 2021 but cancel NPR.

Hours after the Union Cabinet approved ₹3,941.35 crore for NPR, Shah spoke to a private news agency. "NPR is register of population, NRC is register of citizens. There is no link between the two and the two have different processes," he said. "There should be no fear in the minds of any citizen, specially minority... our Muslim brothers... that NPR data will be used for NRC," Shah said.

"NPR is the basis for the structure of government schemes. A few things are new in the NPR like what is the area of the house, how many cattle, etc," he said. Shah indicated that he might reach out to chief ministers who have announced they would not conduct NPR in their states, and also said the provision of detention centres was put in place during the UPA years.

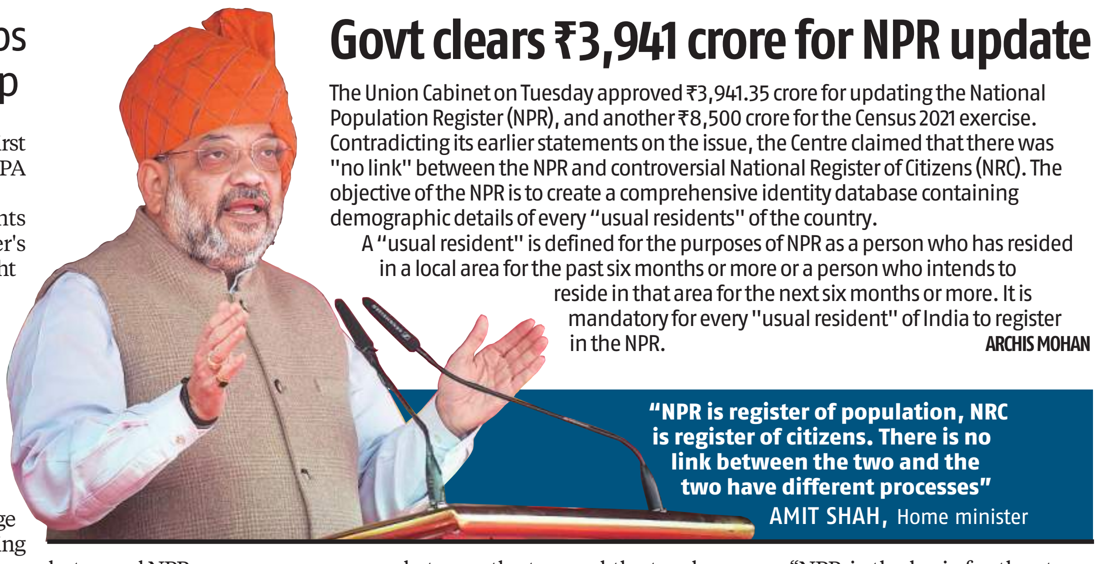
The minister's comments come in the wake of widespread nationwide protests against the Citizenship Amendment Act (CAA) and NRC by students, activists, and political parties. Nearly two dozen people have been killed in violence and police action related to these protests.

Congress Spokesperson Ajay Maken said Shah's claim of "no link" between the NPR and the NRC was a "bigger lie" than what the PM had said at the Ramlila ground on Sunday. Maken said the Ministry, in its annual report in 2018-19, had stated that the NPR was the first step to NRC. Maken and other opposition parties pointed to statements by ministers in Parliament connecting NPR and NRC, and said the government was now caught in a trap of its own.

"We started it, but we never linked it to the NRC. Who is linking the NPR to the NRC? NPR alone is fine, but when you link it with NRC, it becomes draconian. Then it becomes something which is a violation of human rights and of the secular credentials of the Constitution," Maken said.

The CPI (M) polit bureau asked all CMs opposing NRC to "abandon" the NPR activities in their respective states. It said the NPR exercise will require people to declare date and place of birth of parents along with furnishing data on 21 additional points. "Most of the data being collected now was not collected in the last NPR exercise in 2010," it said.

It is clear that the NPR is the first stage of the exercise to implement the NRC, the CPI(M) said. "Notwithstanding the untruths of PM Modi, it is abundantly clear that the NPR will lay the foundation for the NRC," the statement said. CPI (M) chief Sitaram Yechury said while the Census should continue, the NPR should be cancelled.



Govt clears ₹3,941 crore for NPR update

The Union Cabinet on Tuesday approved ₹3,941.35 crore for updating the National Population Register (NPR), and another ₹8,500 crore for the Census 2021 exercise. Contradicting its earlier statements on the issue, the Centre claimed that there was "no link" between the NPR and controversial National Register of Citizens (NRC). The objective of the NPR is to create a comprehensive identity database containing demographic details of every "usual residents" of the country.

A "usual resident" is defined for the purposes of NPR as a person who has resided in a local area for the past six months or more or a person who intends to reside in that area for the next six months or more. It is mandatory for every "usual resident" of India to register in the NPR.

ARCHIS MOHAN

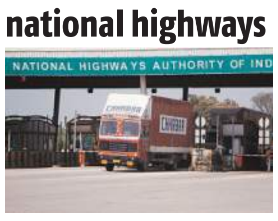
"NPR is register of population, NRC is register of citizens. There is no link between the two and the two have different processes"
AMIT SHAH, Home minister

INDIA'S FIRST LONG-HAUL CNG BUS

Union Minister for Petroleum and Natural Gas and Steel Dharmendra Pradhan during the unveiling of the country's first long-range CNG buses fitted with composite cylinders, in New Delhi on Tuesday PHOTO: PTI

IN BRIEF

11 million FASTags issued to date on national highways



The pan-India roll out of electronic toll collection on national highways (NHs) has resulted in issuance of 11 million FASTags to date, according to National Highways Authority of India (NHAI). The NHAI started electronic toll collection through RFID-based FASTags on its 523 toll plazas across the country from December 15 for seamless flow of traffic. PTI

1.24 million jobs created in Oct: ESIC payroll data

Around 1.24 million jobs were created in October as compared with 1.23 million in the previous month, according to payroll data of Employees' State Insurance Corporation (ESIC). Gross enrolments of new subscribers with ESIC were 1.49 crore during the entire financial year 2018-19, the National Statistical Office (NSO) said in a report. PTI

Thermal power plants record 2% dip in generation

Electricity generation by thermal power stations declined 2.15 per cent during April-October of this fiscal compared with the corresponding period of FY19. The data collated by the Central Electricity Authority (CEA) showed that total generation from thermal power producers fell from 627.19 billion units (BU) to 613.55 BU. BS REPORTER

Chemical dumping from China: India starts probe

India has initiated a probe into alleged dumping of a chemical, used in dye and pharma industry, from China following a complaint by a domestic company. Prima Chemicals had filed an application before the Directorate General of Trade Remedies for investigation of anti-dumping duty concerning imports of of "1-Phenyl-3-Methyl-5-Pyrazolone" exported from China. PTI

Bharat Bond ETF garners ₹12,400 cr from maiden offer

Bharat Bond ETF, India's first corporate bond ETF, has garnered ₹12,400 crore from its maiden offer that opened for subscription on December 12. The funds raised would be utilised for capex of PSUs. The base size of the issue was ₹7,000 crore. PTI

GST panel for raising rate, curtailing exemption list

With expected GST compensation cess shortfall of over ₹60,000 crore in the current financial year, a committee of officers has moved a proposal that includes suggestions from various stakeholders to boost revenue. PTI

HDFC to mop up ₹2,500 cr by issuing bonds on private placement basis

Mortgage lender HDFC will raise up to ₹2,500 crore by issuing bonds on a private placement basis.

The secured redeemable non-convertible debentures are to be allotted on a private placement basis on Friday for an issue size of ₹2,500 crore, HDFC said in a regulatory filing on Tuesday.

"The object of the issue is to augment the long-term resources of (HDFC). The proceeds of the present issue would be utilised for financing/refinancing the housing finance business requirements of the (company)," it said. PTI

TREND AND PROGRESS IN BANKING FOR FY19

Financial sector: Not out of the woods yet

Asset quality of NBFCs showed signs of stress

SUBRATA PANDA
Mumbai, 24 December

While the non-banking financial companies (NBFCs) witnessed an expansion in consolidated balance sheet in FY19 and in the first half of FY20, albeit at a slower pace, all parameters of profitability fell in FY19, reflecting the stress in the sector in the aftermath of IL&FS going belly up and rating downgrades of a few companies, the annual report titled "Trend and progress in banking for FY19" by the Reserve Bank of India (RBI) has revealed.

The asset quality of shadow banks showed signs of stress with gross non-performing assets (GNPAs) touching 6.1 per cent in FY19, as against 5.3 per cent in FY18. In H1FY20, asset quality of the sector showed deterioration with a slight increase in GNPAs. While the GNPAs ratio increased, net non-performing assets (NNPAs) ratio edged up marginally, reflecting sufficient provisioning. The NNPAs of NBFCs in FY19 stood at 3.4 per cent, as against 3.3 per cent in FY18.

"The drag in the profitability is driven by non-deposit taking systemically important NBFCs as their operating expenditures and interest payments grew significantly, reflected in their higher cost-to-income ratio," stated the report. Net profit as a per cent of total assets of NBFCs was 0.8 per cent in H1FY20 and 1.5 per cent in FY19. The deposit taking ones' profit grew robustly in FY19, on the back of fund-based income, with substantial decrease in operating expenditure.

The RBI has consistently maintained that it is closely monitoring the top 50 NBFCs that are systemically important for the stability of the financial sector and it will not hesitate to act, wherever necessary, to ensure that any large or systemically important NBFC does not collapse.

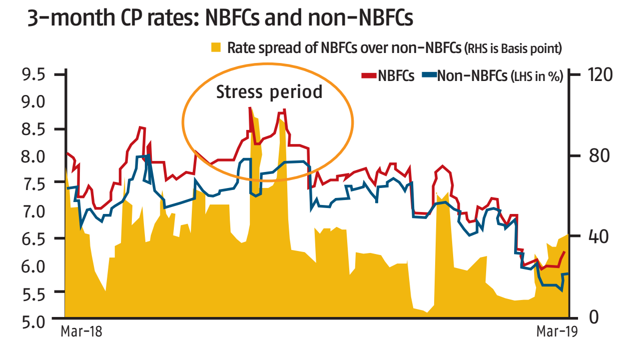
The RBI is monitoring the NBFCs by the existing four pillars of supervision — on-site examination, off-site surveillance, market intelligence, and reports received from statutory auditors. The RBI is institutionalising a periodic interaction with the stake holders of the shadow banking sector like statutory auditors, credit rating agencies, and banks that have large exposures to NBFCs as part of the supervisory process for monitoring the incipient build-up of risks so as to be able to take pre-emptive actions.

Additionally, the RBI is keeping a close watch on the non-traditional and digital players in the shadow banking space to ensure timely mitigation of risks to financial stability.

After the IL&FS crisis, as investor confidence in the NBFC sector took a hit and raising funds via debentures became costly, the NBFCs increased their reliance on bank borrowings.

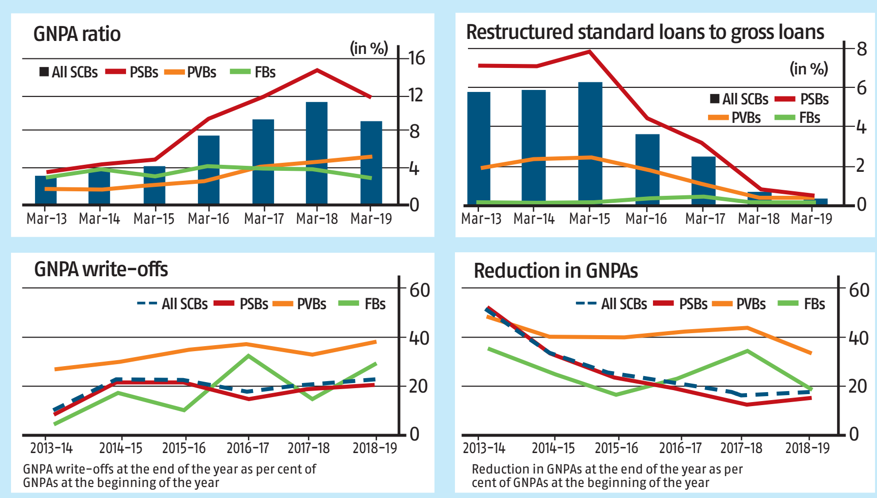
The share of commercial papers (CPs) fell marginally in the liability portfolio of shadow banks and CP issuances decelerated in FY19.

3-month CP rates: NBFCs and non-NBFCs



ASSET QUALITY OF BANKS

Banks' gross non-performing assets (NPA) fell, and restructuring saw a significant dip in fiscal 2018-19. But the reduction in GNPA could have been achieved partially by increasing write-offs, showed the Trend and Progress report for 2018-19



Note: GNPA ratio is calculated using annual accounts of banks and off-site returns (global operations)
Source: RBI report titled 'Trend and Progress in Banking 2018-19'

Number and value of bank frauds saw a spike in FY19

NIDHI RAI
Mumbai, 24 December

In its report titled 'Trend and Progress of Banking in India in FY19', the Reserve Bank of India (RBI) says there was a 15 per cent spike in the number of frauds and a 74 per cent increase in the amount.

The number was 6,801 in FY19, from 5,916 in FY18; the respective amounts at stake were ₹71,543 crore and ₹41,167 crore.

It says frauds, especially the larger ones, tend to get reported with a lag. Thus, though the number of cases reported by banks and the amount involved spiked during 2018-19, both would be trending lower if analysed on the basis of date of occurrence.

"Public sector banks (PSBs) accounted for the bulk of frauds reported in 2018-19 – 55 per cent of the number of cases reported and 90 per cent of the amount involved. Mainly reflecting the lack of adequate internal processes, people and systems to tackle operational risks," says the report.

"Private sector banks' and foreign banks' shares in the former stood at 30.7 per cent and 11.2 per cent, whereas their shares in the latter were 7.7 per cent and 1.3 per cent, respectively. PSBs' share in the value of large frauds was even higher, at 91.6 per cent in 2018-19."

Frauds have been predominantly in the loan portfolio, both in numbers and value. Advances rose to ₹64,548 cr in FY19, from ₹22,558 cr in FY18

Frauds have been predominantly in the loan portfolio, both in number and value. Advances rose to ₹64,548 crore in FY19, from ₹22,558 crore in FY18.

RBI says frauds in other areas of banking — card/internet, off-balance sheet and forex transactions, in terms of value, had reduced (in terms of date of reporting) in 2018-19 vis-à-vis the previous year. Large value fraud (₹50 crore or above) was 86.4 per cent of all those reported during the year in terms of value. The central government issued a framework of rules for timely detection, reporting and investigation of fraud in PSBs.

This requires them to evaluate bad loan accounts exceeding ₹50 crore from the angle of possible fraud, to supplement the earlier efforts to unearth such transactions. This could have helped cause the sharp jump in reported fraud during 2018-19.

NUTS 'N' BOLTS

- Asset quality of banks improved but stressed emerged from NBFCs. Going forward, resolution of stressed assets, weak corporate governance, and frauds need to be addressed to reaffirm a robust financial sector
- Asset quality of small finance banks improved significantly, total income also grew; however, net profit was negative due to one SFB's exceptionally high losses
- Although deposits of payments bank doubled, they reported negative profits of ₹626.8 cr on account of higher operating expenses
- UPI transactions took over from e-wallets as the most prominent channel for inward and outward remittances in terms of both value and volume
- The number of branches operated by foreign banks in India rose, contrary to the trend, on account of opening of additional branches by DBS Bank after conversion from branch to a wholly-owned subsidiary
- NBFCs may regain niche in the financial system and expand the reach of the credit market to include all productive agents of the economy, once the current liquidity strains recede
- Sectoral credit delivery to agriculture by NBFCs witnessed significant rise in FY19

UCBs need to address low capital base, weak governance

ABHIJIT LELE
Mumbai, 24 December

The Reserve Bank of India (RBI) has said urban cooperative banks (UCBs) need to break out of drags like a low capital base, weak corporate governance, inability to prevent fraud and inadequate systems of checks and balances.

Recently, the unearthing of irregularities at Punjab Maharashtra Coop Bank has brought to the forefront issues relating to capital adequacy, governance and slow adoption of new technology.

The highest priority needs to be assigned to the establishment of a uniform regulatory and supervisory structure and an umbrella organisation in the architecture. This entity will provide liquidity and capital support, and galvanise the spread of and leveraging on information technology infrastructure and other capacity and skill building, according to RBI's report on 'Trends and progress of banking in India 2018-19'.

The sector faces increasing competition from not only scheduled commercial banks (SCBs) but also from small finance banks and payments banks. Second, they are exposed to vulnerability stemming from internal weaknesses, including a seeming inability to prevent fraud, it says.

The sector, it notes, has a predominantly domestic orientation, with its massive financial inclusion quotient and sheer presence across the country, especially in towns and villages. In view of this important role, there is a need to undertake reforms aimed at upgrading corporate governance and strengthening their financials, RBI added.

The year 2018-19 was one of consolidation and expansion in balance sheets at UCBs, with improvement in asset quality and provisioning coverage ratio (PCR). This was driven by various measures from the government and the central bank.

While UCBs had a higher non-performing assets (NPA) ratio than SCBs till 2014-15, this has since reversed on account of two factors. First, the RBI-driven Asset Quality Review, which resulted in better asset recognition of SCBs, led to their reported NPA ratio rising to the true level. Second, the asset quality of UCBs has been gradually improving. There was a larger increase in provisions for gross NPA, aiding an improvement in the latter's PCR.

UCBs recorded a decline in net profit after taxes in 2018-19. Interest expenses declined for a consecutive year, despite revival in deposit growth. The decline in interest income and interest expenses of all UCBs was driven by the non-scheduled ones. The non-interest income decline reflected a fall in revenue from a host of fee-earning activities and loss on sale and trading of securities.

Under Basel-I norms, UCBs are required to maintain a minimum statutory capital to risk weighted assets ratio (CRAR) of 9 per cent. RBI does not prescribe additional requirements like a capital conservation buffer and high common equity tier-1 (CET-1) capital ratio on UCBs.. As of end-March, around 96 per cent of UCBs maintained a CRAR of 9 per cent and above.

BUSINESS AND ASSET QUALITY PROFILE OF URBAN BANKS

	Mar 2018	Mar 2019
Gross NPAs in %	7.2	7.1
Net NPAs %	2.8	2.6
Provision coverage ratio (PCR) %	63.4	65.6
Deposits in ₹ crore	4,56,507	4,84,316
Loans & advances in ₹ crore	2,80,460	3,03,018

Source: RBI

Rly board rejig gets green signal

SHINE JACOB
New Delhi, 24 December

The Union Cabinet on Tuesday gave approval to restructuring the Railway board through merger of its existing eight Group A services into central service called the Indian Railway Management Service (IRMS).

The new board will have a leaner structure on functional lines headed by the chairman and four members — covering infrastructure, operations and business development, rolling stock, and finance. In addition, the board will also include sectoral experts from industry, finance, economics, and management fields. Moving in corporate lines, the chairman will now be called as chief executive officer.

The government is seeing this as a reform, breaking a 150-year-old tradition of 'working in silos' that can remove departmental tussles, seen as a roadblock in fast decision making. "Unification of services will end 'departmentalism' and promote smooth working of Railways, expedite decision making, create a coherent vision for organisation and promote rational decision making," Piyush Goyal, minister of railways, told the media. This is also considered as the removal of another colonial tradition, after the decision to merge the Railway Budget with the Union Budget in September 2016.

However, experts indicate that the merger of the services may not be a wise move, as compared to the Budget merger. "The concept by the government is to have one organisational goal, rather than having agendas set by departments. However, the Railways has a lot of specialised areas. For example, a mechanical or civil engineer cannot be in charge of finance department and vice versa. Hence, there may be technical difficulty for its implementation," said V N Mathur, former member (traffic) of the Railway Board.

Based on the decision, the chairman will be the cadre controlling officer responsible for human resources with assistance from a director general. In addition, the existing service of Indian Railway Medical Service will be consequently renamed as Indian Railway Health Service.

The government has lined up a massive infrastructure development plan of ₹50 trillion to modernise the national transporter in the next 12 years — improving safety, speed, and services. This requires speedy decision making by various departments.

At present, the Railway services are organised into departments like traffic, civil, mechanical, electrical, signal and telecom, stores, personnel, and accounts. These departments are vertically separated from top to bottom and are headed by a secretary-level officers called as members in the Railway Board. "There are pros and cons for this move, but I see more constraints for its implementation. Unless there is a regulator, a finance person getting the charge of electrical maintenance may not be a very positive sign," said Vijay Dutt, former additional member of the Railways.

In the past 25 years, various committees headed by Prakash Tandon Committee (1994), Rakesh Mohan Committee (2001), Sam Pitroda Committee (2012), and Bibek Debroy Committee (2015) have been formed to recommend reforms.

This rejig will be a zero-cost exercise and money will be saved by surrendering posts in the board and stopping duplication of works. In addition, at the lower level, technical staff will become multitasker, that may promote skilling and improvement in services.

ON CORPORATE TRACK

- To unify eight Group A services into Indian Railway Management Service
- Railway Board to be headed by chairman, who will be called chief executive officer

"Unification of services will end 'departmentalism' and promote smooth working of railways, expedite decision making, create a coherent vision for organisation and promote rational decision making"

On track to become a more horizontal organisation

SUBHOMOY BHATTACHARJEE
New Delhi, 24 December

Would the Railway Board want to present its new look to the world when the Railway float sails down Rajpath this Republic Day? It has issued advertisements for agencies to design those. It might have to ask those agencies to change the theme after the Cabinet on Tuesday decided to unify the existing eight Group A services of the Railways into a common officer cadre, to be called Indian Railway Management Service. The unification is one of the biggest changes to have occurred in the government structure, affecting its largest departmental undertaking.

The scale of the change is bigger than the lateral recruitment of ten joint secretary-level officers to various economic ministries that was carried out in 2018. The visible impact of that move was limited to business circles and top government officers. The merger of cadres in railways will have a far larger demonstration effect, especially in smaller towns.

There are about 1.36 million railway employees in the Centre's civilian employee list. Every third government employee is from the railways. And across all railway colonies, it was clear who were the first among equals — enjoying a host of benefits. If it succeeds, expect similar changes in other Group A services too. The two arms of the revenue service, direct and indirect is a prime candidate, besides a host of accounts services.

The merger of cadres, while it affects only about 12,000 Group A officers, who lead this "army", creates a far larger noise. As Railway Minister Piyush Goyal announced, the officers' associations had agreed to it at their "Manthan" meeting this month. They were sort of caught on the wrong foot. Days before, they had sent up a joint thank you letter to the minister for having approved their delayed promotion to the higher administrative grade, putting them on par with their colleagues in the IAS. So when the secretary of the railway board apparently asked for the signature from the officer bearers, they had to fall in line.

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It is expected that the switch over will take about a year to be completed. Once it is done, the century-old rivalry between the cadres will become history. Within the Railways, the most coveted service is the Indian Railway Traffic Service, whose officers are recruited from the combined civil services examination along with their colleagues to Indian Railway Accounts Service and Indian Railway Personnel Service. The IRTS officers came from much higher position in the merit list. Now the services will be indistinguishable. They will also be indistinguishable from the officers recruited through the parallel engineering services examinations to the engineering departments.

All of them will now be part of the same Indian Railway Management Service. Most probably the nature of the recruitment will itself change as there will be no reason to have two different examinations. There will be no accusations of one service stealing a march over the others in terms of promotion avenues.

But it could leave the millions of employees down below some what crestfallen.

For decades station master or store keepers who keep India's largest infrastructure service moving had fancied their chances of joining the lower grades of the IRTS officers at the end of their service career. It was like getting to be an IAS officer as a promoted officer. Those might change, since a common cadre of officers will demand more interdisciplinary skills to succeed and is likely to have less avenues for those from below.

At one stroke, a caste like hierarchy so endemic to the Railways has been abolished. As the Bibek Debroy committee had suggested: "The railways will be however free to deploy these officers in the initial stages, if necessary, in keeping with their academic\functional specialisation, even though job rotation will be the watchword".

The Railways are on the way to become a more horizontal organisation.

India to get Chief of Defence Staff, name likely soon

AJAI SHUKLA
New Delhi, 24 December

Army Chief General Bipin Rawat tipped to be the first Chief of Defence Staff

More than 18 years after a Group of Ministers (GoM) recommended the appointment of a tri-service commander to streamline higher management of defence, the government on Tuesday made an announcement regarding the same. "The government has approved to create the post of Chief of Defence Staff (CDS) in the rank of a four star general with salary and perquisites equivalent to a service chief."

The government has not announced the appointment of any individual as CDS. Army chief, General Bipin Rawat, is tipped to be the first CDS, superannuates from service on December 31, having completed three years as chief of army staff (COAS).

In his Independence Day address, Prime Minister Narendra Modi had announced that "...after formation of this post (CDS), all the three forces will get effective leadership at the top."

However, the CDS that emerges from Tuesday's detailed press note is not in command, or even in charge, of the three services — the army, navy and air force. "The CDS will not exercise any military command, including over the three service chiefs, so as to be able to provide impartial advice to the political leadership," says the press statement.

Nor is the CDS the "single point advisor" to the government on military matters that the GoM envisioned in 2001. "He (CDS) will act as the principal military advisor to Raksha Mantri (RM) on all tri-services matters. The three chiefs will continue to advise RM on matters exclusively concerning their respective services."

The announcement places the CDS in a new branch in the ministry of defence (MoD). It states he will "head the Department of Military Affairs (DMA), to be created within the MoD and function as its Secretary."

Appointing the CDS to a "secretary" post is being seen as a creative bypass to the contentious question of the CDS's precedence and seniority. The three service chiefs are currently senior to the defence secretary. Designating the CDS a "secretary", on par with the defence secretary, amounts to a downgrade.

"The CDS, apart from being the head of the DMA, will also be the Permanent Chairman of the Chiefs of Staff Committee" (PCCSC), stated the release, indicating that the government had adopted the recommendations of the Naresh Chandra Task Force that visualised the tri-service chief as only the first amongst equals, rather than being a tri-service commander.

IMF against fiscal stimulus...

Says govt should go for reforms and Reserve Bank for monetary stimulus

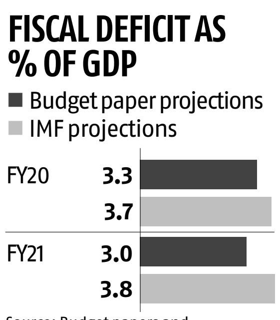
INDIVJAL DHASMANA
New Delhi, 24 December

The International Monetary Fund (IMF) has cautioned India against giving a fiscal stimulus because the government in its view does not have the wiggle room to do so.

It said the government was anyway likely to miss the fiscal deficit target given in the Budget for 2019-20 owing to ambitious revenue projections and the recent cuts in corporation tax rates.

It has estimated the Centre's fiscal deficit to widen to 3.7 per cent of GDP in FY20 and 3.8 per cent in FY21, against the projections of 3.3 per cent and 3 per cent given in the Budget papers.

It wanted the government to undertake reform measures and the Reserve Bank of India (RBI) to give a monetary stimulus.



Source: Budget papers and IMF country report on India

"Addressing cyclical weakness should focus on monetary policy and broad-based macro-structural reforms. Fiscal stimulus should be avoided given limited policy space," the IMF said in the country report on India, released on Tuesday under its Article IV.

The IMF's suggestion came amid industry lobbying with the government to provide it a fiscal stimulus.

The IMF said the Union Budget for 2019-20 envisaged a small reduction in the fiscal deficit but the overly optimistic revenue targets and the recent reduction in corporation tax rates made achieving the targets increasingly unlikely.

The Budget projected the Centre's fiscal deficit to come down to 3.3 per cent of the country's gross domestic product (GDP) in 2019-20 against 3.4 per cent a year ago. In absolute terms, the Budget targeted the deficit to be ₹7.03 trillion in the current fiscal year against ₹6.34 trillion a year earlier. The deficit has crossed this target by over 2 per cent by October itself.

The IMF said in the near term, given the cyclical weaknesses in the economy, monetary policy should maintain an easing bias at least until the projected recovery took hold.

The RBI has cut the repo rate by 1.35 percentage points since February, but refrained from doing so in its December policy review.

The IMF said with its strong mandate the Narendra Modi government had an opportunity to reinvigorate reforms.

"A comprehensive reform package is needed to guide the economy on a path to the government's goal of a $5-trillion economy in five years," it said.

It said a credible fiscal consolidation path was needed in the medium term to reduce debt, free up financial resources for private investment, and cut the interest bill.

To support adopting medium-term fiscal consolidation, driven by rationalising subsidies and expanding the tax base, revenue projections should be realistic and fiscal transparency and Budget coverage enhanced, it said.

Governance in public-sector banks and the efficiency of their credit allocation need strengthening, and the public sector's role in the financial system needs to be reduced.

Labour, land, and product market reforms, aimed at enhancing competition and governance, along with infrastructure investment, should be priorities to create more and better jobs for India's rapidly growing labour force and enhance female labour force participation, the IMF said.

The multilateral institution said fiscal consolidation needed to be anchored by a gradual reduction of subsidies on food, fuel, and fertiliser, the need for which has been lessened by increased direct benefit transfers to farmers.


Finance Minister Nirmala Sitharaman with IMF Chief Economist Gita Gopinath in New Delhi PHOTO: PTI

EDIT: REVIVING ECONOMIC GROWTH 11

... raises questions over part of GDP methodology

INDIVJAL DHASMANA
New Delhi, 24 December

The International Monetary Fund (IMF) has raised questions over some part of the methodology to calculate gross domestic product (GDP) numbers in India.

It said large revisions to historical series, the relatively short time span of the revised series, and major discrepancies between GDP by activity and GDP by expenditure complicate analysis.

There was a major controversy over the back series data on the base year of 2011-12. A committee set up by the National Statistical Commission (NSC) came out with its recommendations on the back series, which showed double-digit growth in some years of the UPA government. The recommendations were junked by the government after those were put on the public domain.

Later, the Ministry of Statistics and Programme Implementation (MoSPI) came out with its own back series data on the base year of 2011-12. It varied hugely from the numbers given by the NSC panel, inviting criticism from many quarters.

IMF also said there were weaknesses in the deflation method used to derive value added. Deflators are used to convert GDP at current prices to constant prices.

IMF said the compilation of constant price GDP deviate from the conceptual requirements of the national accounts, in part due to the use of the Wholesale Price Index (WPI) as a deflator for many economic activities. "The appropriate price to deflate GDP by type of activity is the Producer Price Index (PPI), which is under development," IMF said.

Former chief statistician Pronab Sen said: "We know the weakness of the WPI series to be used as deflator." Many countries use PPI as deflator as it captures services as well. However, Sen explained that services, particularly those provided by professionals, cannot be so easily priced uniformly even by PPI.

For instance, medical services provided by a doctor would be priced differently from the ones by another doctor. These discrepancies on prices are there even in advanced countries' GDP computation, which IMF conveniently glosses over, Sen said.

Many have raised the issue of the correctness of the methodology of computing GDP on the new base year of 2011-12. For instance, former chief economic advisor Arvind Subramanian had found that the GDP growth rate has been overestimated by around 2.5 percentage points between 2011-12 and 2016-17 due to a change in methodology for calculating GDP.

IMF OBSERVATIONS

- Major discrepancies between GDP by activity and GDP by expenditure complicate analysis
- There are weaknesses in the deflation method used to derive value added
- The compilation of constant price GDP deviates from the conceptual requirements of the national accounts, in part due to the use of the WPI as a deflator for several activities

₹5K-cr MSME stressed fund may get nod

SUBHAYAN CHAKRABORTY
New Delhi, 24 December

The government may approve setting up a ₹5,000-crore stressed asset fund for small businesses, as suggested by a Reserve Bank of India committee. But the tight financial condition of the Centre may mean existing schemes for micro, small and medium enterprises (MSMEs) will face a funding cut, sources said.

The U K Sinha Committee for MSMEs had in June suggested the fund along with a broad range of MSME reforms for small firms still reeling under the after effects of demonetisation and a liquidity crisis. But a lack of available ways to finance it has delayed the implementation. Case in point, MSME Minister Nitin Gadkari had in early September said the government will seek to implement the recommendations within 15 days.


With no promise of additional requisite funding, MSME ministry plans to cut existing schemes

"Talks are ongoing and the government will take a call on how the fund will be used and the parameters on which firms will be categorised as stressed," a senior government official said. He added that the Prime Minister's Office has repeatedly asked the MSME ministry to assess the viability of the scheme.

But the PMO hasn't promised the requisite additional funding for rolling out the initiative and has instead asked how existing schemes can be 'rationalised', MSME ministry sources clarified. Now, the ministry believes cutting the scope of existing schemes including its largest — the Prime Minister Employment Generation Programme (PMEGP) — may be the only option left.

Possible cutbacks

According to ministry data reviewed by *Business Standard*, the number of new MSMEs being registered through the PMEGP doubled to 73,427 in 2018-19, from 48,398 in 2017-18. Direct employment generated as a result was 570,000, up from 387,000 the year before.

"These are sustainable employment generation, with relatively low level of exposure to business shock and high potential for growth, mostly in the rural areas," the official said.

According to a ministry study, ₹96,000 is the mean investment currently entering a unit. On average, a unit employs 7.62 people.

Aimed at setting up micro enterprises in the non-farm sector, the PMEGP allows manufacturing units to get a loan up to ₹25 lakh from the Centre. The Cabinet has since approved a second dose of loan up to ₹1 crore, on a maximum interest rate of 15 per cent a year, for units paying back in time, senior sources confirmed.

The new rules are under implementation, they added.

The ministry is also targeting the setting up of 400 MSME clusters, in both manufacturing and services, up from 98 last year. According to official statistics, the overall sector comprises nearly 63.39 million units, according to the 73rd round of the National Sample Survey (2015-16). It had created 111 million jobs (49.8 million in rural areas and 61.2 million in urban areas).

Closing in on civic authorities

Instead of civil action, the Supreme Court sanctions criminal prosecution

OUT OF COURT

M J ANTONY

There is hardly any city in the country which has a satisfactory water supply or sewage system. Civic authorities are generally insensitive to people's complaints and are not easily spurred into action. Even the pollution control boards avoid their responsibility to enforce environment laws because local heavyweights are involved and the outcome of legal action is uncertain.

But the Supreme Court has now ruled that the Municipal Councillor and Chief Officers of the Municipal Council could be criminally prosecuted.

The ruling came in a 14-year-old legal battle between the Karnataka pollution control board and seven commissioners of Bangaluru and other Municipal Councils who had held the position at different times (Karnataka Pollution Control Board vs B Heera Naik).

The judgment is also significant because it interpreted the term "company", widening its scope to include statutory bodies. The court asserted that a municipality is not a department of the government, as argued, but a corporate entity. The Water Pollution Act gives an expanded meaning, as "company"; means "any body corporate". Thus, all body corporates are included within the definition of company according to Section 47. The wide net includes Municipal Councils.

The criminal liability falls upon "every person who at the time the offence was in charge of, and was responsible to the company for the conduct of the business of the company". In order to escape punishment that person has to prove that theoffence was committed without his knowledge or that he had done due diligence.

Therefore the burden on those who hold the reins is heavy. In the case of Municipal Councillors, the responsibility is now more than that of directors under the Companies Act and the Negotiable Instruments Act.

The high court had quashed the prosecution of these executives, maintaining that they were heads of department and not executives as in a company. Therefore, government sanction to prosecute was also necessary. The Supreme Court held that the high court was wrong. They can be proceeded against without sanction from the government. The board had accorded consent to the accused commissioners to discharge sewage effluent after treatment which had expired in 2006. It has not been renewed since. However, they have been continuously discharging untreated sewage into water bodies like ponds, lakes and natural valleys.

This decision allows pollution control boards to prosecute the authorities in charge of protecting water and air. The law elaborately lists the offences. Briefly, no person shall knowingly cause or permit any poisonous, noxious or polluting matter to enter into any stream or well or sewer or on land. Whoever contravenes these provisions shall be punishable with imprisonment for a term which shall not be less than one year and six months but which may extend to six years and with fine.

The court has been passing stringent orders in cases of violations of environmental laws recently. In a judgment passed two weeks ago, it ordered Noida authorities, near Delhi, to "restore, maintain and protect the water bodies in the village". In this case, Jitendra Singh vs Ministry of Environment, the traditional water bodies were being filled up for the benefit of industries, flouting environmental laws.

Citizens have moved public interest petitions on civic woes earlier. The earliest was the celebrated Ratlam municipality judgment in 1980. The Supreme Court ordered Ratlam municipality in Madhya Pradesh to clean a locality, holding that budgetary constraints did not justify a municipality neglecting its statutory obligation to provide sanitation. Though the judgment is good reading, a visit to the city recently showed that there was little impact on the ground. Then came the M C Mehta cases in which the court is still passing orders. In 1996, Almitra Patel, the first woman engineer to graduate from MIT, moved the court on the issue of solid waste. Despite court orders over the years, the problem has only worsened. Recently, the government submitted a 850-page affidavit on the subject. The judges remarked that the paper bundle itself was "solid waste".

So far the main drive against polluters was civil action and compensatory. The Karnataka judgment hands down power to the pollution boards to prosecute civic authorities. Criminal action could be more effective than pious judgments in PILs. However, the big question is whether the regulators will have the courage to prosecute the bigwigs in the cities.

CHINESE WHISPERS

Pitfalls of internet curfew

The current internet blackout in Lucknow and some other districts in Uttar Pradesh following violent protests related to the Citizenship Amendment Act is not only inconveniencing people but hampering the work of the police. The cyber wing of the state police is burning the midnight oil to identify the perpetrators of violence. So far, it has arrested more than 100 people and registered 80-odd first information reports for uploading inflammatory posts on social media platforms. However, the suspension of internet services is making the task of identifying the culprits difficult for cyber wing sleuths.

Medicines, not liquor

Delhi Chief Minister Arvind Kejriwal *(pictured)* on Tuesday launched the Mukhyamantri Aawas Yojana for the residents of *jhuggi jhopri* (JJ) clusters in Delhi, which is going to the polls in February. Speaking at the event, Kejriwal said his government in the past five years had worked to ensure delivery of basic services to the people. "*Aapke school ka intezam kar diya, aapke paani ka intezam kar diya, aapke dawa daru ka intezam kar diya*," he said, pausing to clarify that his government had ensured the availability of only "*dawa*" and not "*daru*". "*Wah ek aadmi khush ho gaya wahan*" (that man there got happy), Kejriwal said, pointing to a man in the crowd, to peals of laughter.

Policing with chocolates

The festive spirit has got to traffic police persons in Goa. Instead of penalising traffic violators, they have been distributing chocolates among them. To look the part, these policemen, patrolling the streets of Panaji, were also dressed as Santa Claus. That is not all. The violators had to also listen to a lecture on traffic safety and related regulation. Some found it amusing and were relieved to not get a ticket. Others were not sure if the exercise would drive the underlying message home.

GoMs, then and now

They were synonymous with delays in decision-making in the UPA era. Under the NDA, they rarely make executive decisions

SUBHOMOY BHATTACHARJEE

That the National Democratic Alliance (NDA) under Prime Minister Narendra Modi has created an abundant number of group of ministers (GoMs) in its six years at Raisina Hill is hardly news. The surprise is that those GoMs tasked with specific roles such as disinvestment or telecom revival play only a supervisory role and rarely make the executive decisions.

This is where these teams of ministers differ from those set up during the two terms of the United Progressive Alliance (UPA). The Modi government has used a different moniker for GoMs, primarily because they had become synonymous with delays in decision-making. They are now called alternative mechanisms (AMs), and there are fewer of them than during the UPA regime.

When former prime minister Manmohan Singh left office, there were nine empowered group of ministers (EGoMs) and 21 group of ministers (GoMs) in operation. To date, the NDA government in its two terms has set up eight of them.

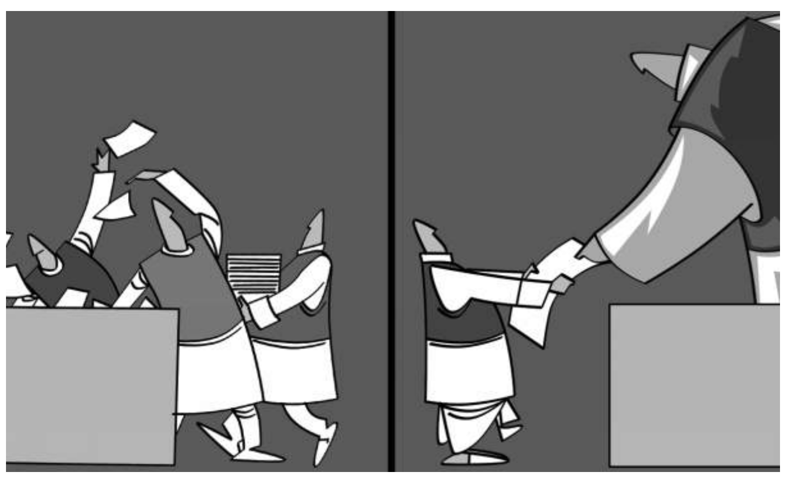
In a significant departure in their style of functioning from the UPA regime, the AMs mostly do not wield any executive authority to approve a decision. Instead, they inspect the decisions made by departmental secretaries and their team of officers on the specific issue they have been tasked to do. Once they are satisfied, those decisions travel to the Cabinet, which gives its formal approval.

The Cabinet Committee on Economic Affairs (CCEA), for example, has approved the creation of two AMs in March 2019, to supervise the strategic disinvestment of central public sector enterprises. The AMs have come into being after the CCEA has already given an "in principle" approval for the disinvestments. The AMs remain subservient to the CCEA, will look into:

(i) "The quantum of shares to be transacted, mode of sale and final pricing of the transaction or lay down the principles/ guidelines for such pricing; and the selection of strategic partner/ buyer" and so on

(ii) "To decide on the proposals of disinvestment "with regard to the timing, price, the terms and conditions of sale" and related issues.

As a government release notes, the approval by the AMs means the decisions should be faster. "This will facilitate quick decision-making and obviate the need for multiple instances of approval by the CCEA for the same (company)". Under the UPA, the EGoMs had the right to act as a Cabinet and issue orders accordingly. The GoMs operated one rung below them and had to send their decisions to the cabinet. For instance, the EGoM on food security was set up to "consider issues concerning procurement, management of food-grains stocks, revision of central issue prices of food-grains and the proposed law on food security". It operated like a cabinet with a wide ranging mandate co-terminus with the term of the government and with its own bureaucracy.



No NDA GoM has such a sweeping mandate. The nearest is a GoM to prepare a blueprint for the development in Jammu & Kashmir. Instead, GoMs are meant to answer specific questions like the one set up under Home Minister Amit Shah to work out the details of the government's major scheme to provide piped drinking water to every household. One of its deliverable is how to reinstate user charges for water. Similarly, the home minister also heads a group to review amendments to the Land Registration Act and one on the revival of MTNL and BSNL. In each case, the menu of options will be put forth by the secretaries concerned, and the decisions will be signed by them. The ministers will only give their views on which among the alternatives should be adopted as the most feasible option. The UPA government GoMs, almost without fail, signed on to the decisions.

Is it a necessity for ministers to sign on to the decisions made by them in the groups? Frankly, it depends on the constitution of the government of the day. The standard rule applies only to the various cabinet committees set up by each government once it assumes office after a general election. These formed under the "Transaction of Business Rules" are the Appointments Committee, Committee on Accommodation, Cabinet Committee on Economic Affairs, Cabinet Committee on Parliamentary Affairs, Cabinet Committee on Political Affairs, Cabinet Committee on Security, Cabinet Committee on Investment and Growth and Cabinet Committee on Employment and Skill Development. Their number too is a political call but once formed, they are usually exist coterminus with the term of the government in power.

The GoMs or the AMs are a different beast and reflect the political play within the government. The reasons for the plethora of GoMs under Singh was the need to give every political party in the coalition a space under the sun. Prime Minister Modi does not need to assuage any interest group to take the final call on any decision that belongs rightfully to the cabinet.

Compared to the AMs or GoMs that bring together only the central ministers, the groups which bring together the state ministers with central ministers have a more organised feel to them. This includes the GST Council, formed under the GST Acts. Here even the subcommittees issue formal reports, like the GoM—for example, to suggest ways to resolve the crisis facing the real estate sector following the roll out of the GST. This GoM is headed Gujarat deputy chief minister Nitin Patel and includes the finance ministers of Kerala, Punjab, Karnataka, Maharashtra and Uttar Pradesh and Goa's Panchayat minister as members. Then, there is the one to examine the best practices in road safety and road transport sector, which is tasked with drawing up an actionable plan for implementation.

INSIGHT

Chairman, CEO/MD positions: To separate or not to separate

J N GUPTA

The Kotak Committee on corporate governance reforms constituted by the Securities and Exchange Board of India (Sebi), recommended separation of the positions of a chairman and the CEO/MD. The logic was the leader of the board should not be the leader of the management thus providing a better-balanced structure of supervision and management. The guiding principles of the recommendation were:

- ensuring the board acts independently
- avoiding the risk of concentrating authority in a single individual
- offering role clarity without overlap
- reducing time commitment leading to focussed role play
- choosing the right fit for each role rather than clubbing skill sets
- making the board atmosphere more conducive to debate.

The committee, of which, the writer was a member, had considered international practices and after intense discussion among members, made the recommendations. The Sebi, following its inclusive consultation process, invited public comments and its board took a considered decision and amended the Sebi listing regulations to provide for the separation of the executive position from the chairman's position. The law is to come into effect from April 1, 2020.

While business performance cannot be predicted, the reaction of India Inc to changes in law can be predicted with 100 per cent certainty. Any law that puts more money in the pocket (like tax reduction) or reduces compliance or fines is welcome with open arms and implemented immediately. On the contrary, any law that disturbs the easy calm or status quo, is abhorred. The opposition to implementing such laws gains momentum as the deadline of implementation nears. The separation of the CMD position is one such law, opposition to which is gaining momentum as the deadline approaches.

One wonders why that reaction when the law was the result of extensive discussion with all stakeholders. To the writer, it appears either India Inc is not convinced about the virtues of good governance or it doesn't agree that separation is a measure of good governance. What is good governance? Whether separation does mean good governance is a subjective issue. It is not that Sebi has independently discovered and imported this alien concept. Much before the law was enacted in India, there was extensive debate all over the world mainly in developed economies on the virtues of separating the two posts resulting in a recommendatory provision with a "comply or explain" approach adopted in most jurisdiction. The OECD also recommends that the two positions be separated.

Looking at the recommendatory position in most jurisdiction, one would logically stand behind the demand of India Inc and suggest that the Sebi must also recommend and not legislate. A perfectly genuine demand. Unfortunately, copy and paste doesn't work in most Indian situations. Unlike other jurisdictions, where recommendatory provisions are respected as law, in India implementation requires the force of law with micro prescriptions. Voluntary guidelines are at the most thesis material for students striving to achieve a doctorate degree, doing statistical analysis of failed voluntary attempts at reform. If voluntary provisions were indeed adopted by Indian Inc, many provisions of the law would still be missing from the Sebi regulations.

Therefore, if someone is to be blamed for a mandatory provision in place of recommendatory, it is India Inc, whose past performance in adopting voluntary provisions and waiting till the last date to implement a law speaks volumes about its approach towards voluntary guidelines. The contrast in approach is evident. As a recommendatory provision — in cases where the two positions are not separated — the USA SEC requires an issuer to disclose in the annual proxy sent to investors the reasons why the issuer has chosen...

"(1) the same person to serve as chairman of the board of directors and chief executive officer (or in equivalent positions); or "(2) different individuals to serve as chairman of the board of directors and chief executive officer (or in equivalent positions of the issuer).".

US corporations are adopting the recommendatory guidelines. An article in The Wall street Journal ("More U.S. Companies Separating Chief Executive and Chairman Roles", January 23, 2019) reports that in the S&P 500 group, about 60 per cent of the companies had combined the position of CMD in 2007, whereas in 2018, the number came down to 45.6 per cent even though the provision is recommendatory. In India, even though the provision was made mandatory, most companies adopted a wait and watch till the final day, hoping that the law would be scrapped. By the end of September 2019, almost 50 per cent of the top 500 listed companies were yet to comply with the law; not surprisingly, almost 80 per cent of the PSUs have not separated the posts. This explains the difference and answers the question why it is mandatory and not recommendatory.

A very strong argument is given against separation — that it impacts the "unity of command" and creates two parallel power centres. On the face of it, the argument looks reasonable; but it lacks depth. The argument hinges on the assumption that both the board and the management have the same role. There is a fundamental flaw in the argument. Any text book on board working would lucidly explain the difference, which may not be as different as chalk and cheese, yet they are not very similar either. The Cadbury Committee (UK) in the Report on Corporate Governance (1992) noted that "given the importance and the particular nature of the chairmen's role, it should in principle be separate from that of the chief executive. If the two roles are combined in one person, it represents a considerable concentration of power".

Another allegation is that the Sebi is importing global regulation, which may not be suitable to India's culture, history of entrepreneurship and ownership pattern. Indian corporations are family dominated, with concentrated ownership of promoters -- a reason why a majority shareholder should hand over reins to a person who does not have skin in the game. This is by far the strongest argument and would find a lot of support. However, this argument runs against the very concept of a "corporation" where there are three tiers and each must be separated -- owners, board and the management. If the owners control the board and the management, it affects the very foundation of a corporation. And the negative impact of such unity of command outweighs any perceived or actual negative impact of separation. This probably explains why other jurisdictions have not made the provision mandatory, as most jurisdictions do not have such concentrated family holdings.

Interestingly, whenever the ease of doing business issue is debated, intense criticism is meted out to Indian law makers and at that time the arguments used are "international practices". However, in the same breath if any law implementing best practices from other jurisdiction is proposed, which disturbs the cosy status quo, the argument gets twisted and talks of "India is different from..." takes centre stage.

It is agreed that good governance is not a science but an uneven mixture of organisational culture, mind set and ethical values, and therefore the pace of implementation would be different and the impact will also be different. However, once it is understood that good governance is not meant to please the regulator, but is for the good of all stakeholders and value accretive, there is no reason why steps towards good governance should be delayed.

In case, India Inc sincerely feels that the separation of posts is not a good governance measure and not value accretive, it must spell out its doubts clearly to the regulator and give cogent arguments rather than mundane ones like India is different and so on. Ideally, such arguments must be made prior to the enactment of a law rather than after a law has been notified and the implementation deadline nears. This puts the regulator in a tricky position. If the regulator backtracks, it will be accused of either surrendering to pressure or introducing a half-baked law. Which certainly is not true in this case as an elaborate process of consulting stakeholders was followed by the regulator. One wonders why a regulator that adopts a transparent and consultative process has to bear so much pressure, whereas many other regulators that do not follow such process face no such pressure. Don't we want transparency and stakeholder consultation? Theoretically yes, practically no, because we comply only when mandated.

The author is founder and managing director of Stakeholders Empowerment Services

LETTERS

Time for course correction

This refers to "Lessons for BJP" (December 24). The Bharatiya Janata Party (BJP) needs to understand that state elections are different and cannot be a referendum on the centre or the Prime Minister. The role of regional allies cannot be over-emphasised, as at the centre, the BJP may not need allies as Narendra Modi remains the tallest leader in the country. However, it might be the other way round for state elections. Jharkhand Mukti Morcha won 26 out of the 28 seats reserved for Scheduled Tribes and the BJP has fared poorly in rural areas. This goes to prove that issues like poverty, unemployment do matter to the voters and it is time the BJP picked up lessons from this defeat and did a course correction in its policies and priorities. As far as the Opposition is concerned, if they join hands and put aside their ego then the BJP can be challenged in most states. The next elections are due in Delhi and West Bengal and both are going to be tough ones for the party.

Bal Govind Noida

Justice denied

Apropos the news report "Five sentenced to death by Saudi court over Jamal Khashoggi's murder" (December 23), even the very naive cannot digest the verdict. Khashoggi was brutally murdered by a 15-member team at the Saudi Consulate in Turkey, in October 2018. Besides the five sentenced to death, three have been given prison sentences, while three others, including the former deputy chief of intelligence Ahmed al-Asiri, have been exonerated. Justice should not only be done, but should also be seen to be done. The governments across the world may not criticise the verdict for fear of earning the displeasure of the oil rich nation, but people outside the kingdom cannot be silenced by the dictum "the king can do no wrong".

V Jayaraman Chennai

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Reviving economic growth

The IMF has some useful suggestions

The finance ministry, which is in the process of preparing the Union Budget for the next fiscal year would be well advised to consider some of the suggestions of the International Monetary Fund (IMF) made in its report on India. The IMF has listed reform measures that might help India increase economic growth to the baseline medium-term potential of 7.3 per cent. First, the clean-up of bank balance sheets should be completed along with strengthening governance in public sector banks (PSBs) and better oversight of non-banking financial companies (NBFCs). Although the government has infused a significant amount of capital into PSBs, there is practically no movement in terms of governance reforms. In the absence of such reforms, PSBs would remain prone to the same errors and undermine an efficient allocation of credit, which will affect overall economic growth in the medium term. Further, the central bank will need to augment regulatory capacity for better oversight of the system, including the NBFC sector.

Second, fiscal consolidation in the medium term should be anchored to the recommendations of the Fiscal Responsibility and Budget Management Act review committee. General government debt needs to be brought down to 60 per cent of gross domestic product (GDP) from about 69 per cent in 2018-19. Fiscal consolidation would require savings through rationalisation of subsidies and augmenting revenues by expanding the tax base. This will help reduce the crowding out caused by higher public sector borrowing requirement, which exceeds the net household financial savings of 6.6 per cent of GDP. However, the way the government manages its finances in the current and next fiscal year, to a large extent, will determine the possibility of attaining medium-term fiscal targets. In the current year, for instance, revenue collection is likely to fall short significantly.

Notably, the IMF has also highlighted the use of off-budget financing, which makes the headline deficit number less meaningful. There is an urgent need to improve transparency. Given the limited policy space, the IMF has suggested that fiscal stimulus should be avoided at this stage. Evidently, a significantly higher level of government borrowing will push up the cost of money. In fact, the Reserve Bank of India has started managing yields by buying longer-dated bonds and selling short-tenor bonds, which would also help the government borrow at lower rates. However, measures like these have limitations and could unnecessarily complicate policy management of the central bank. The government would need to be mindful of the risks associated with fiscal slippage at this stage.

Third, to boost growth, among other things, the government should focus on reforms in product, labour and land markets. Since the policy space on the fiscal side is virtually non-existent and there are limitations to the extent monetary policy can support growth in the given macro environment, the government should focus on wider reforms that will help increase growth in the medium term. For instance, comprehensively addressing the problems in the goods and services tax system will not only help augment revenue but also improve the ease of doing business. Further, there is a strong case for trade liberalisation to support growth and employment. The economy clearly needs policy intervention to help push up growth in a sustainable way.

Short-sighted aggression

Not in Indian interest to needlessly offend US legislators

Most of the major candidates for Democratic nomination to the post of the president of the United States have issued statements in the past week about Indian foreign policy. The immediate provocation for these actions is the decision by External Affairs Minister S Jaishankar to cancel a meeting with members of the United States Congress when the leader of the committee in question refused to exclude Washington representative Pramila Jayapal from the meeting. Ms Jayapal, who is a leader of the progressive caucus in the House and is a prominent Indian American, has provoked ire in the Indian government because she had asked questions recently about India's Kashmir policy. Several of the Democrats have said that no government should be able to pick and choose who is in a US Congressional delegation; Pete Buttigieg has pointed out that India and the US have a relationship based on shared values and that India should live up to these values.

Some of this will obviously be posturing for a domestic audience in the United States. But it also suggests that India's recent high-stakes attempt to push back against criticism of its domestic policy in Kashmir and Assam in particular is not meeting with the expected levels of success. It is far from clear what the foreign ministry was thinking. Surely, the external affairs minister is more than capable of holding his own in defending a policy— the reading down of Article 370 — that has been agreed upon by the Indian Parliament. Indeed, that is the job not just of the minister but of every Indian diplomat. Instead, however, a touch of overconfidence seems to have seeped into how the Indian government regards its status in Washington DC. The years of a strong relationship with India being a bipartisan consensus in the American capital no doubt have something to do with this sense of complacency. But recent actions by the Indian government have clearly led to a situation where this bipartisan consensus is in danger. For example, India's ambassador to the US, Harsh Shringla, caused much consternation in the US capital when he met and praised the right-wing ideologue Steve Bannon. Mr Shringla, far from suffering for this misjudgment, has just been appointed the next foreign secretary. Then there was the prime minister's ill-judged appearance with President Donald Trump at a political rally in Houston, in the course of which he repeated a political slogan that was widely viewed as an endorsement of Mr Trump, although officials subsequently walked back that interpretation. Fitting into this attempt to woo the global right wing is the decision to welcome a group of lawmakers from the European Parliament, many of whom were associated with the anti-Muslim hard right in that continent.

India has benefited greatly from the bipartisan consensus on Capitol Hill that a closer relationship between the US and India is in both countries' interests. By and large, this consensus has survived lobbying attempts by US domestic industry. But cosying up to Mr Trump is not a well-thought-through idea — already it has been reported that his primary trade advisor has his sights on Indian trade policy. India is in any case isolated in multiple multilateral forums, and US backing will continue to be important. In this atmosphere, alienating members of the US Congress and the potential next president, if a Democrat, is dangerously short-sighted. There was no reason to run down carefully built-up political capital in this manner. The government had better make amends for its myopic behaviour in short order.

ILLUSTRATION: BINAY SINHA

Containing China

Access to American savings through the US securities markets provides China a lifeline without having to deal with its debt trap

I first met Janos Kornai in Beijing in 1985 at a conference organised by the World Bank and the Chinese Academy of Social Sciences (CASS), during which we had an audience with Zhao Ziyang, the general secretary of the Chinese Communist Party (CCP) and the major reformer seeking to turn China away from the Plan to the market, as signalled by the paramount leader Deng Tsiao Ping. Kornai then left on a week's Yangtze cruise on the S S Boshan organised by Zhao through CASS, which was to provide Chinese economists with the views of various invited Western economists on the working of capitalist market economies.

Kornai was the star of the meeting as Julian Gewirtz (in *Unlikely Partners*, Harvard, 2017) documents. He remained a trusted advisor to Chinese reformers even after Zhao was purged following the Tiananmen Square massacre. He was the primary intellectual influence on the Chinese reformers who created the Chinese miracle. Yet in a recent letter to the *Financial Times* ("Economists share blame for China's 'monstrous' turn", 10 July 2019), he laments his and other Western economist's role as Frankenstein's creating a fearsome monster under Xi Jinping. "We all agreed that new life would be brought to China, which had frozen under Mao, by the electric shock of marketisation and private property. Now the fearsome monster is here". Its "aim is to become the hegemonic leader of the globe". Kornai advocates George Kennan's policy of containment of communism. He concludes, "What has happened already cannot be undone. But here we must stop, and we must take far more care to avoid carrying on the role of Frankenstein".

DEEPAK LAL

The need to contain China was also the conclusion of my recent book, *War or Peace*. It noted the even greater role played by the Frankensteins of Wall Street in China's rise. Investment banks led by Goldman Sachs and legal firms like Linklaters and Paine were "the creators of the New China of the twenty first century". (C E Walter and FJT Howie: *Red Capitalism*, Wiley, 2011)

The model was provided by the creation of China Mobile in 1997 by Goldman Sachs out of a poorly managed assortment of provincial post and telecom entities. Its initial public offering (IPO) raised $4.2 billion. There was no looking back. China's oil companies, and insurance companies sold billions of dollars in shares in IPOs. "All of these companies were imagined up, created, and listed by American investment bankers". By 2009, 44 of the firms in China's National Team were on the Fortune Global 500 list.

Today, China has 700 companies listed in the US stock and bond markets. These include egregious bad actors like Hikvision, responsible for facial recognition technology monitoring the concentration camps holding two million Uyghurs in Xinjiang. Unwittingly, US investors are funding these technologies, and weapons systems for the People's Liberation Army (PLA) "because the US has no security-minded screening mechanism for capital markets which have roughly $35 trillion under management." (Roger W Robinson Jr. "Why and how the US should stop financing China's bad actors", *Imprimis*, October 2019).

One of the largest public retirement funds, the Federal Thrift Savings Plan (TSP) with 5.7 million enrollees — including US military personnel — totals $578 billion. It is planning to switch its $50 billion international portfolio (on the advice of a Wall Street consulting firm) to the MSCI All Country World Index, which includes Chinese "companies such as AVIC, which makes fighter aircraft for the PLA and is China's biggest producer of ballistic missiles". This decision should be reversed.

Furthermore, Robinson Jr, who served on US President Ronald Reagan's national Security council, suggests using a tactic to contain the Soviet Union, also in China. The Soviet Union faced a funding gap of $16 billion annually, which was financed by Western governments and banks. Reagan succeeded in terminating this flow of discretionary cash, which led to the end of the evil empire.

China too has a serious internal debt crisis. Jim Rickards ("The great Chinese crack-up starts now", *Strategic Intelligence*, November 2017) has estimated that China's total debt (including official, corporate and individual) to productive gross domestic product (GDP) (normal GDP minus investment in ghost cities and white elephant projects) was 873 per cent in 2016. But this "will not necessarily cause a collapse anytime soon. As long as the WMP Ponzi (wealth management products held by individuals sold by banks offering higher deposit rates, with new WMPs sold to pay off old ones when investors want their money back— a classic Ponzi scheme) continues and banks aren't held to account for issuing new loans to replace bad debts, the game can go on. China also has $1 trillion of liquid reserves to sort out its debt mess." However, if China uses these precautionary reserves "to bail out its bad debt, the country will jump out of the frying pan into the fire of a currency crisis."

It is in this context that the access of Chinese companies to American savings through the US securities markets, currently provides China a lifeline without having to deal with this domestic debt trap. Robinson supports the simplest solution of eliminating access to all Chinese enterprises to US capital markets. This would bring the Chinese "evil empire" to its knees as Reagan's actions did in denying Western technology and capital markets to the bankrupt Soviet Union. No doubt this would lead to howls from Wall Street. But these should be ignored in US national interests.

For their argument that closing US capital markets to China will lead it to go to another international exchange is implausible. For the US capital markets are roughly the size of the rest of the world's combined, and the US holds 60 per cent of the world's liquidity, "no other country has anywhere near the depth and volume" of US markets. "China's need for dollars is so voracious that it would likely use up the volume of a Frankfurt or London in months not years. There is nowhere for a player of the size of China to go."

In a speech to the Hudson Institute on October 4, 2018, US Vice-President Mike Pence laid out what is being termed the Pence Doctrine. "Pence made it clear that the current struggle between the US and China goes far beyond trade and tariffs"; it was "an epic struggle between an atheistic communist ideology bent on hegemony in Asia and the Western Pacific and a democratic America that seeks balanced relations in a rules-based system along with the promotion of liberal Western values". He predicted "a protracted and existential struggle between Western liberal values and a totalitarian disregard for human rights." (Jim Rickards: "Beyond the US-China trade war : Cold War II". *Strategic Intelligence*, July 2019).

In this new Cold War, the liberal world needs to remember and use the major instrument which delivered victory to the West—the use of its control of the world's money which allowed it to bring the last illiberal empire to its knees.

India needs to shift its economic model

Instead of debating at length the slowdown, its causes and remedies, we can take another perspective than a simple cyclical crisis in the context of a totally new global environment. Well beyond Modinomics or Modipolitics, India seems to be facing a structural challenge of its economic model whose evidences can be seen every day on the ground in the countryside, in medium-sized cities and, of course, in megacities in deep crisis. But solutions and opportunities emerge also from everywhere and suggest a cautious optimism for those who have confidence in the common sense of people.

JEAN-JOSEPH BOILLOT

Concerning the challenges, it is enough to travel in "real India" to observe:

(i) Massive unemployment and underemployment of young people, while India is unfortunately at its peak of demographic transition. So, the challenge of the demographic dividend has become the challenge of demographic liabilities, including from the socio-political point of view of a lost youth tempted by extreme adventurism (see Shankar Acharya's "The job crisis worsens", *Business Standard*, November 19).

(ii) The massive accumulation of environmental liabilities in the form of the accumulation of waste everywhere in the open air, a water crisis in both quantity and quality, an air crisis with particle indices now among the most dangerous in the world, detestable indicators of food quality and nutrition in general, with tangible signs of deterioration in the average health of the population, either through excessive sugar and fat consumption or malnutrition of the working classes. Finally, urban congestion whose costs are added to gross domestic product (GDP) but never subtracted to the real welfare. Today, each growth point is probably offset by a corresponding deterioration in the quality of life in India. Paradoxically, the objective of maximising growth is nothing less than a goal of deteriorating the quality of development.

(iii) Rural stress related to the Green Revolution model has become a daily reality in the rural world, which represents half the Indian population. Thousands of suicides are in reality only an epiphenomenon of a much larger depression that can be observed in Indian villages deserted by young people or by men who have left for the city to provide a minimum subsistence to their families.

(iv) With the inhabitants of urban slums, at least 500 million Indians are currently deprived of basic needs such as housing, food, education, and have such low subsistence incomes that they are still not integrated into the market economy with daily income levels ranging from ₹50 to ₹200 per person per day. And all the noise around the populist programmes of toilets, gas bottles or small *pucca* houses of the PMAY-G does not hide their miserable character for those who visit the Indian countryside. As with the demographic dividend, dividends from the Indian market have not yet materialised to the point that prices are increasingly declining with clear limits on the viability of companies, whether they are mobile phones or basic cookies like Parle.

Natural farming as a systemic paradigm shift

It is clear that the business-as-usual scenario has no chance of meeting these challenges. It would be necessary to have a proactive long-term vision, but unfortunately any transformation from above seems impossible because of a short view of the political class, which has its eyes fixed on the rolling electoral tests and seems to enjoy purely ideological confrontations. On the other hand, it is extremely reassuring to observe a deep movement from below (bottom up), where civil society and the business world are forced to be innovative to adapt to the crisis of the Indian productivist model of the 1990s. We are thinking of innovative business models along the lines of the Patanjali chain of stores, one of the few economic successes of recent years that has spread simple and healthy products in depth throughout India. But it seems obvious that the emergence of a mass movement around natural farming (NF) is today the real breakthrough innovation that could lead to a possible change in the Indian economic paradigm.

What are its solutions and why natural farming is much more than an agricultural issue. The results of our field surveys with Vijay Kumar in charge of Zero Budget Natural Farming in Andhra Pradesh (ZBNF) or the Indian guru of NF, Subhash Palekar, show that NF is a systemic response to the following challenges: Employment, gender equality, aspiration of young people to live a better life, quality food, better health, a response to climate change and environmental degradation, and the relocation of the Indian economy around dynamic rural areas and second- and third-level cities to overcome the structural urban crisis in India. It also includes the conceptual breakthrough of the great Indian economist Raghuram Rajan, as expressed in his book *The Third Pillar*: The urgent need to revitalise the community economy between the state and the market that have become incapable of bringing prosperity to all.

The writer is an economist at French Institute of International Relations

Teachable moments from a schoolgirl

BOOK REVIEW

CHINTAN GIRISH MODI

"Adults keep saying that they must give young people hope. I don't want hope, I want you to panic, to take action. I want you to behave as if you were in the middle of a crisis, because that's what it is."

These words sound like they come from students thronging the streets of India with marches protesting the draconian Citizenship Amendment Act but they were spoken by Greta Thunberg, a 16-year-old climate activist, at the World Economic Forum in January 2019. She was castigating individuals, companies and decision makers for sacrificing "priceless values" to "continue making unimaginable amounts of money."

Greta's Story: The Schoolgirl Who Went On Strike To Save The Planet is a book that I would recommend to anyone keen on learning about the power of civil resistance led by young people who rarely get a say in framing policies that determine their future. They are filled with rage because of the problems their predecessors have created, and they want to fix things before it is too late. They are unafraid to take on the bigwigs, and call them out for their incompetence.

With her work on the *Skolstrejk för Klimatet* (School Strike for the Climate), Ms Thunberg's message has travelled beyond Sweden, the country in which she was born and raised. She has managed to rattle successfully US President Donald Trump, German Chancellor Angela Merkel, French President Emmanuel Macron, Russian President Vladimir Putin, Italian Prime Minister Giuseppe Conte, and Australian Prime Minister Scott Morrison.

How did Ms Thunberg become an activist? Why does she care so much about climate change? Who inspired her to make noise instead of keeping quiet about what troubles her? Are her parents supportive? Do her teachers encourage her to pursue what she believes in? Where does she get the strength to deal with all the criticism directed at her? When does she make time for studies? Is she missing out on a "normal" childhood?

GRETA'S STORY: The Schoolgirl Who Went On Strike To Save The Planet
Author: Valentina Camerini (Translated by Moreno Giovannoni)
Publisher: OUP

Valentina Camerini's book explores these questions with depth, sensitivity and affection. Ms Thunberg is not presented as a hero with superpowers but as a human being who responds to obstacles with fortitude, and requests support when she needs it. This approach makes the book persuasive. "Before starting her mission in front of the Swedish Parliament, she was a wary, quiet, shy girl. The kind of student who doesn't speak in class and sits to one side, somewhere up the back. Nothing particularly exciting had happened in her life, or at least nothing that would make you think that one day she would convince hundreds of thousands of children to follow her example," says Ms Camerini.

I enjoyed this book because it challenges attempts to characterise Ms Thunberg as a precocious white girl who is unaware of the issues at stake, and has an anger management problem. Such depictions try to erase the fact that she has inspired millions of young people around the world to skip school on Fridays, and make their governments prioritise climate action. The vitriol against her is a mix of patriarchy, ageism, and ableism. It is not uncommon to encounter men who feel insecure when they see young women who speak their mind and refuse to be sexualised.

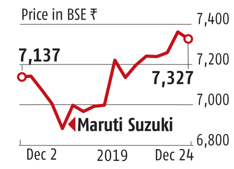
If this book is anything to go by, Ms Thunberg is unlikely to step away from the fight. She draws inspiration from Rosa Parks, and American students demonstrating against laws that enable gun violence on school campuses. Ms Camerini writes, "At the age of 11, the doctors had diagnosed her with Asperger's syndrome. People who suffer from Asperger's often become interested in a particular issue and think about it obsessively without being able to let go...makes people determined and capable of extraordinary commitment. For years, Ms Thunberg did in-depth research into climate change, building up a wealth of information, which was unusual for a girl her age."

Ms Thunberg has also been critical of lifestyle choices made by her mother Malena Ernman and her father Svante Thunberg. The former is an opera singer, and the latter is an actor and writer. She made them realise the environmental impact of air travel, meat consumption, and driving big cars. She firmly believes that individuals must take concrete actions though the climate crisis is a systemic one. The book concludes with a helpful section on discussing global warming with children, pointers about what we can do, and suggestions for further reading. As Ms Thunberg says, "Our house is on fire: our house, planet earth, is going up in flames. And the adults, the powerful, must act responsibly and act for the future of young people."

Business Standard
MUMBAI | WEDNESDAY, 25 DECEMBER 2019

The Smart Investor

QUICK TAKE: MARUTI COULD SEE MORE GAINS



Maruti is up 5% in the past fortnight. Analysts at Motilal Oswal Securities say the company is best placed to tackle the transition to BSVI norms due to lower dependence on diesel and focus on CNG and hybrid vehicles. They see further gains of about 10 per cent in the stock

"Innovation and forward thinking always wins! What an entrepreneur (Elon Musk). Amid all the adversities and short selling, the stock is up 100% since its lows in May 2019 and touching an all-time high market cap of $75 billion"

SUNIL SINGHANIA
Founder, Abakkus Asset Manager

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MFs yet to warm up to InvITs

NHAI offer may alter the trend

AMRITHA PILLAY & JASH KRIPLANI
Mumbai, 24 December

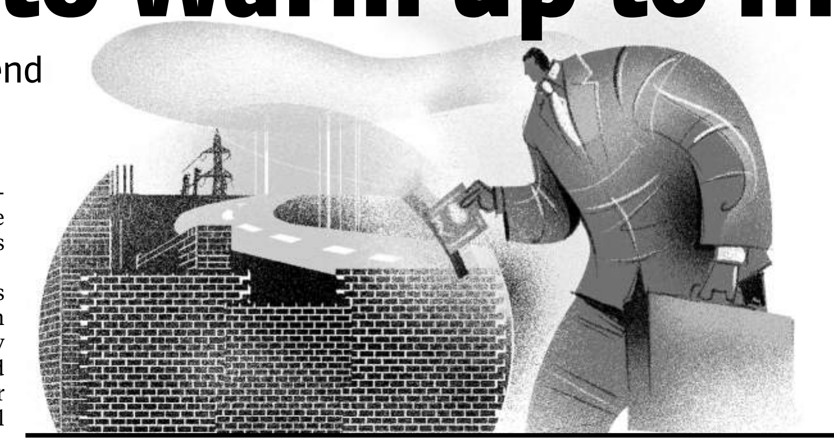


ILLUSTRATION: AJAY MOHANTY

SEBI'S RULES FOR LISTING

- **Private placement InvITs,** which are proposed to be listed, need to file a draft placement memorandum
- **This has to be filed in not less than** 30 days prior to opening of the issue
- **The markets regulator will issue observations,** if any, within 15 working days
- **The directions will come into effect** from January 15, 2020

More than two years since infrastructure investment trusts (InvITs) were first floated in India, mutual funds are yet to warm up to the idea in a big way.

However, with the National Highways Authority of India (NHAI) expected to float an InvIT, some are hopeful the trend may change. According to the Securities and Exchange Board of India (Sebi) November 2019 data, the amount deployed by mutual funds in InvITs stands at ₹933 crore.

"Mutual funds have not invested in InvITs in a big way so far as good options in the listed space have been limited," said Ratnam Raju, associate director (group head, infrastructure and project finance), CARE Ratings.

So far, there are two InvITs which are publicly listed — IRB Infrastructure Developers' IRB InvIT fund and Sterlite Power's India Grid Trust. Reliance Industries' two fibre and tower InvITs and L&T Infrastructure Development Projects' (IDPL) IndInfravit are privately held.

"In the initial days, mutual funds were not investing in InvITs because they did not have the approvals. Now that is not the case," said Nipun Mehta, founder and chief executive officer, BlueOcean Capital Advisors.

"Almost all the funds now have the required approvals, but there seem to be no convincing answers why we do not see them invest at least in credit-risk funds. The YTM (yield-to-maturity) for a number of these funds is lower than the yields that InvITs offer, which makes it a good investment for funds," he said.

Some fund houses attribute the lack of retail appetite to credit-risk funds themselves. "These products require long-term money, but retail appetite for long-term funds such as credit-risk funds has been weak. Flows coming into short-term funds cannot be used to deploy in these investment vehicles," said the chief executive of a fund house.

According to the Bombay Stock Exchange data, mutual funds hold 11 per cent of the outstanding units in IRB's InvIT fund. The share of mutual funds in Sterlite's InvIT is negligible at 1 per cent. Sachin Gupta, senior director, CRISIL Ratings, points out not just unit holding, mutual funds have stayed away from debt-based funds too.

"On the debt side, funds have so far not invested in a big way, which could be owing to the lack of adequately long tenures. Most InvITs look for a debt tenure of more than 10 years, while mutual funds may look for a shorter period," he said. A few are hopeful the trend is likely to change.

"In the case of the NHAI, though more details are awaited, mutual funds should be interested in investing in InvITs because they will provide them a good long-term yield asset," said Gupta. On December 11, the NHAI received the Cabinet nod to set up an InvIT for some of its road assets.

Raju expects the NHAI InvIT to attract an interest, including from these funds. Others expect mutual funds to step up investment once the history of such instruments is in place. "Given the fixed return and specialised nature of InvITs, it is likely to be suited to institutional investors initially, at least until some volume and history build-up," said Manish Agarwal, leader, capital projects and infrastructure, PwC India.

Market woes hit investors to the tune of ₹5 trillion

BADLY BRUISED

More than 1,000 stocks fell by over 35% in year-to-date

Company	Market cap loss (₹ crore)	Stock price change (%)
YES Bank	−29,363	−72
Indiabulls Housing Finance	−23,828	−65
Zee Entertainment	−17,379	−38
Aurobindo Pharma	−15,392	−36
Vodafone Idea	−14,542	−72
IIFL Finance	−11,517	−44
BHEL	−11,445	−39

Compiled by *BS* Research Bureau — Sources: Capitaline, Exchanges

SUNDAR SETHURAMAN
Mumbai, 24 December

Even as benchmark indices have touched new highs, 1,300 stocks have declined more than 35 per cent in year-to-date (YTD), wiping off ₹5 trillion of investor wealth during this period.

The front line indices — Sensex and Nifty — have gained 15 per cent and 13 per cent, respectively, in YTD. The companies that have seen sharp erosion of market wealth include YES Bank, Indiabulls Housing Finance, Zee Entertainment, Vodafone Idea, and Bharat Heavy Electricals.

According to market experts, given the weak market conditions, market-selling has been frantic even at the slightest hint of governance concerns or inability to meet debt obligations.

"Corporates with high leverage have been at the receiving end. Also, markets have shown little tolerance for any governance concerns, with even large-cap companies coming under selling pressure," said an analyst.

Shares of public sector undertakings (PSUs) have also taken heavy hits due to questionable capital allocation policies, and decisions taken keeping in mind the interests of the promoter, rather than minority shareholders.

Market players said cash levels in PSUs have been the biggest draw for investors, but these have got depleted due to high dividend payouts, despite poor profitability.

Analysts said that many PSUs dipped into their cash reserves or accumulated earnings to pay out dividends, which were required to shore up government exchequer.

The fortunes of some large PSUs got hit due to adverse commodity and capital expenditure cycles. The fear of continuous government interference also led to investors dumping PSU stocks.

Overall, the economic slowdown had a negative impact on most sectors, with the weakest of the lot bearing the brunt.

"Metal stocks suffered due to global slowdown, lower demand and pricing power, and the consequent lower operating leverage. Telecom companies suffered due to industry becoming more competitive and regulatory charges remaining high, while non-banking financial companies suffered due to unavailability of liquidity and asset quality issues in real estate and other spaces," said Deepak Jasani, head of research (retail), HDFC Securities.

Also, there was flight towards safety, with large institutional players like mutual funds curbing their exposure to the mid- and small-cap space.

"Investors preferred to park their funds only in those companies with good quality management, steady business models, and decent growth potential," said Siddhartha Khemka, head of retail research, Motilal Oswal Financial Services.

Going forward, market participants say investors should tread with caution and only look for quality companies among the beaten-down stocks.

"Some of these companies will never make a comeback and face extinction. However, there are some good quality stocks which fell because of the collateral damage amid the overall weak sentiment in the broader markets," said Ambareesh Baliga, independent capital markets professional.

Sebi slaps ₹5 lakh fine on ICICI Pru Trust, ICICI Pru AMC

PRESS TRUST OF INDIA
New Delhi, 24 December

The Securities and Exchange Board of India (Sebi) has imposed a total penalty of ₹5 lakh on ICICI Prudential Trust and ICICI Prudential Asset Management Company for not exercising due diligence while making investment decisions.

The matter relates to ICICI MF's scheme — ICICI Prudential FMCG Fund — which was launched in March 1999 and according to the scheme information document, the objective of the scheme was to generate long-term capital appreciation through investments made primarily in equities of select group of companies in the fast-moving consumer goods sector.

Search starts for whole-time member at Sebi

SHRIMI CHOUDHARY
New Delhi, 24 December

The Centre has begun search for a new whole-time member for the Securities and Exchange Board of India (Sebi). This comes at a time when the government is yet to decide whether the incumbent chairman Ajay Tyagi will get an extension.

Tyagi's tenure ends on February 28, 2020, while whole-time member Madhabi Puri Buch is completing her three-year term on April 4, 2020.

In a notification issued on December 16, the Ministry of Finance invited applications for filling the post of whole-time member in Sebi by January 27. However, the ministry did not specify the total number of vacancies.

Currently, Sebi has four whole-time members. The other three whole-time members' tenure will end in 2021.

Buch is handling some key units, such as market regulation, surveillance, economic and policy analysis, and information technology. Prior to this assignment, Buch served as consultant to the New Development Bank in Shanghai, China. She also served as managing director and chief executive officer at ICICI Securities and was executive director on the board of ICICI Bank.

Buch's appointment is the first-of-its-kind when a woman will be chosen for a key post with the markets regulator.

The appointment will be for a maximum period of five years, or till the attainment of the age of 65 years, whichever is earlier, said the ministry notification. The member would have the option to receive pay as admissible to an additional secretary to the Government of India, or a consolidated salary of ₹3.75 lakh per month. Besides, he/she would be eligible for reappointment. Similar appointment conditions apply for the chairman. The chairman is given the option to receive pay as admissible to a secretary to the Government of India, or a consolidated salary of ₹4.5 lakh per month.

"The appointment shall be made by the central government on recommendation of the Financial Sector Regulatory Appointments Search Committee (FSRASC). It may, however, be noted that the FSRASC is free to identify and recommend any other person also, on the basis of merit, who has not applied for the post," the ministry said.

In addition to the post of chairman, the government is empowered to appoint five members on the board of this key regulatory body, which regulates stock exchanges, market entities, including brokers, mutual funds, foreign institutional investors, rating agencies, and investment bankers, as also listed companies.

SEBI BOARD

CHAIRMAN: Ajay Tyagi
TENURE ENDS: February 29, 2020

FOUR WHOLE-TIME MEMBERS

G MAHALINGAM's tenure ends on **November 8, 2021**	**MADHABI PURI BUCH**'s tenure ends on **April 4, 2020**
S K MOHANTY's tenure ends on **June 24, 2021**	**ANANTA BARUA**'s tenure ends on **July 31, 2021**

FOUR PART-TIME MEMBERS

Atanu Chakraborty	K V R Murty
N S Vishwanathan	V Ravi Anshuman

THE COMPASS

Embassy REIT riding on rental growth, expansion

Low leverage ratio provides room for increasing asset portfolio through acquisition

RAM PRASAD SAHU

Even as the residential real estate market is struggling to recover on account of muted demand, the commercial segment is faring better. This has helped commercial real estate majors reap dividends of improving occupancies and higher rentals. Embassy Office Parks Real Estate Investment Trust (Embassy REIT) is a major beneficiary of this trend.

Rental growth, brownfield and greenfield expansion, and value-added services are expected to be the growth triggers. On the rental front, the management has maintained a strong outlook for its operational and upcoming assets.

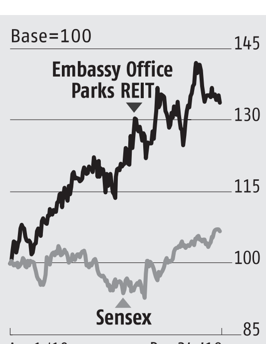
For its operational assets, the upside will come when a fifth of the total leasable area comes from renewal over the FY20-23 period. Given that market rents are 30 per cent higher than the current rents that tenants pay, there is significant room for increasing rates for expiring leases. The monthly average rate per square (sq.) feet (ft) is currently pegged at ₹66, compared to market rates of about ₹86.

The second trigger is the growth pipeline. The company has an agreement with Embassy Group to give Embassy REIT the right of first offer on new assets. Of the 43-million sq. ft total new pipeline, 6.2 million sq. ft is operational and 3.1 million sq. ft is under construction. This, according to analysts at Axis Securities, offers long-term visibility.

While the company has received some proposals, at what valuations these will be acquired will be key. The management has indicated that a new property (such as Embassy TechVillage in Bengaluru) has to be yield-accretive for unit holders (current yield at 5.6 per cent).

What will be of help when the REIT looks at new assets is its low debt-to-equity ratio. Analysts at ICICI Securities say that the low leverage ratio of 0.2x net debt-to-equity ratio puts Embassy REIT in prime position to expand its asset portfolio through further acquisitions.

Finally, value-added services, such as hotels and solar power, which accounted for 26 per cent year-on-year growth in the first half of 2019-20, add to the margin and growth profile of the company. Investors can add the stock to their portfolios on dips.



Compiled by BS Research Bureau

Rallis banking on new launches to perk up sales

Shifting demand from China a key opportunity for company

RAM PRASAD SAHU

After gaining about 18 per cent last month, the Rallis stock has given up most of the gains. While the Street is positive on the long-term prospects of the company, driven by multiple initiatives to boost growth, sustained growth is necessary for the stock to rerate. Among the issues it faces is its inability to gain market share, despite a slew of product launches.

The company has launched 16 products over the past five years. Despite this, it has lost market share, given the poor response to some of the launches. A lower share of branded business (less than 30 per cent) and higher generic launches remain a worry.

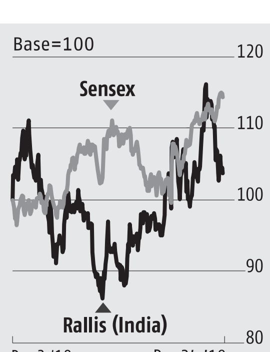
The company, however, is planning to launch two new products every year till 2022. It expects the launches to help perk up the sales graph. It is also relaxing its trade credit policy, in line with the market, and incentivising dealers, which should expand its reach and distribution strength.

Apart from product launches, there are other triggers for the stock. The company is looking at a capital expenditure of ₹800 crore to develop new active ingredients and enhance its backward integration linkages.

The plant for a key intermediate for herbicide Metribuzin will help meet 50 per cent of Rallis' raw material requirement over the next six months, which will be scaled up gradually in phases. The intermediate production will help it to reduce its dependency on the China market.

Among the opportunities for the company is the shifting demand from China, given the clampdown on chemical manufacturers. This, coupled with the fact that 26 agrochemical active ingredients are going off patent between 2017 and 2022, offers it a revenue opportunity as an outsourcing partner. Further, the expansion of the international business could derisk its revenues as it offsets muted growth in the domestic markets.

While these initiatives are a positive, analysts at Edelweiss Research expect these investments to initially fetch lower returns and dilute margins. They have a 'hold' rating, despite an expectation of a strong showing in the second half of 2019-20.



Compiled by BS Research Bureau

Sugar companies in a sweet cycle

Reducing inventory surplus, rising ethanol procurement, and potential for exports bode well

UJJVAL JAUHARI
New Delhi, 24 December

With the sugar cycle turning favourable, it is not surprising that the share prices of sugar-producing companies are among the gainers. Consider this: Shares of EID-Parry, Balrampur Chini, Triveni Engineering, Dwarikesh Sugar, and Dhampur Sugar have been on an uptrend, having gained 30-58 per cent from their August lows. Among them, Balrampur Chini hit a 52-week high recently, and is trading near those levels now.

The reducing surplus and stable sugarcane procurement prices bode well for realisations and profitability of sugar producers.

The latest release by the Indian Sugar Mills Association shows that sugar production in the current sugar season (SS 2019-20) starting October 1, 2019, is down 35 per cent year-on-year.

Except for Uttar Pradesh (UP), which is seeing higher production, Maharashtra (largest sugar producer) and Karnataka are seeing a fall in output.

Sugar production in the current season is now projected around 26.5 million tonnes (mt), which is lower than 33.1 mt produced in SS 2018-19 (October 1, 2018-September 30, 2019).

While the declining sugar production will help offset some of the surplus stocks, favourable government policies, such as allowing exports of about 6 mt of sugar, are a positive.

Higher prices for ethanol produced from sugar juices and 'B' and 'C' type of heavy molasses (lighter grades based on sugar content) for the year also augur well.

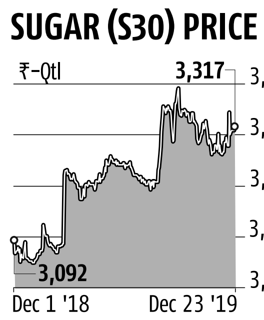
FY21 EXPECTATIONS

In ₹ crore	Balrampur Chini	Dwarikesh	Dhampur Sugar
Revenue	4,792	1,236	2,971
% change YoY	6.6	4.5	0.9
Ebitda	803	283	584
% change YoY	8.3	54.3	15.7
Net profit	531	211	362
% change YoY	9.6	77.4	27.1

E: Estimates; list includes top players tracked by brokerages
Ebitda: Earnings before interest, depreciation, tax, and amortisation

Source: Analyst reports

SUGAR (S30) PRICE



Compiled by BS Research Bureau

Notably, fresh ethanol procurement tenders by oil-marketing companies (OMCs) are also on the rise.

Analysts at Elara Capital say sugar mills and standalone distilleries have offered to supply 1,630 million litres of ethanol, and of this, the supply of ethanol from sugarcane juice and 'B' type heavy molasses of about 730 million litres is almost double last year's quantity. Thus, during the current season, analysts expect higher diversion of sugar towards ethanol production, compared to the previous season.

The other major positive for sugar realisations comes from International Sugar Association, which has revised upwards the global sugar deficit estimates due to expected change in sugar output estimates from major producing countries such as Thailand, India, Europe, Brazil, etc. While this will support domestic realisations, it will also help Indian producers on the export front.

While the cycle is favourable for sugar manufacturers, companies with stronger balance sheets, such as Balrampur Chini, emerge top picks of most analysts; other companies also stand to gain.

More benefits could flow to UP-centric players, considering the good sugarcane yield, compared to states like Maharashtra, Karnataka, and Tamil Nadu, which are seeing lower sugarcane yields.

Analysts at ICICI Securities had said they believe UP-based sugar mills would significantly increase the supply of ethanol to OMCs this year.

Balrampur Chini's new 160,000 litres per day (LPD) distillery capacity would increase its distillery volumes from 110 million litres in 2018-19 (FY19) to 170 million litres in 2020-21 (FY21). ICICI Securities expects a 30.6 per cent growth in distillery sales for the company during FY19-21.

While the declining sugar production will help offset some of the surplus stocks, favourable government policies, such as allowing exports of about 6 mt of sugar, are a positive

Dhampur Sugar is also expected to benefit from its expanded ethanol capacities (400,000 LPD from 300,000 LPD in FY19) and is also one of the first to produce ethanol using 'B' heavy molasses, say analysts.

Dwarikesh Sugar, too, recently had commissioned a new 100,000 LPD facility. The company has a total daily production capacity of 21,500 tonnes of sugar and had reported the best sugar recovery rate in FY19.

Sebi lays down stewardship code for MFs and AIFs

JASH KRIPLANI
Mumbai, 24 December

NO MORE PASSIVE PLAY

- Sebi wants investors to intervene, even if it is a passive investment
- Code says interventions should be considered, even when investment is low
- Investors can also work with other investors, who have similar concerns with the firm
- The code is effective from April 1

The Securities and Exchange Board of India (Sebi) on Tuesday issued the stewardship code for mutual funds (MFs) and alternative investment funds (AIFs), which they would be required to follow to improve corporate governance standards in their investee companies. The code has laid six principles under which MFs and AIFs are required to adhere to when dealing with their investee companies.

Among the requirements, the investors shall have a clear policy identifying the circumstances for active intervention in the investee companies and the manner of such intervention.

"The policy should also involve regular assessment of the outcomes of such intervention. Intervention should be considered, even when a passive investment policy is followed or if the volume of investment is low, if the circumstances so demand," the code said.

According to the code, the circumstances for intervention may include financial performance of the company, corporate governance-related practices, remuneration, strategy, environment, social and governance risks, leadership issues, litigation, etc.

The investors must also have a clear policy on voting and disclosure of voting activity. The investors would also be required to periodically report on their stewardship activities.

Also, close monitoring of investee companies would be essential. "The investors should also keep in mind regulations on insider trading while seeking information from the investee companies for the purpose of monitoring," the code said.

The code also requires investors to have a policy on how they would manage conflict of interest when fulfilling their stewardship responsibilities.

More importantly, all policies need to be publicly disclosed. "Every institutional investor should formulate a comprehensive policy on how it intends to fulfil the aforesaid stewardship responsibilities and disclose it publicly. In case any of the activities are outsourced, the policy should provide for the mechanism to ensure that in such cases, stewardship responsibilities are exercised properly and diligently," the code said.

More on www.business-standard.com

Small-ticket cover provides a feel-good factor

But in terms of sum assured or scope of coverage, the products are unlikely to meet your needs

SARBAJEET K SEN

Do you tick the checkbox that allows you to insure your trip when you are buying a railway ticket on IRCTC portal or while booking a cab or a domestic airline ticket? The idea is to play safe by paying a few rupees more. But is it a good thing to do or just a case of ensuring peace of mind?

YOUR MONEY

How do they work?

First, let's understand these products. Be it travelling for work or a holiday, and we are exposed to risks. Most of us do not mind if someone is offering us ready-made cover 'at the click of a button'. The idea of small-ticket insurance is to offer some coverage, while the consumer is carrying out some day-to-day activities. For example, IRCTC offers to cover the passenger on a particular journey by charging a minuscule premium of 49 paise. The sum assured on offer is of ₹10 lakh in case of death and permanent total disability to the insured person arising out of a train accident. In case of permanent partial disability, ₹7.5 lakh is payable. In case of hospitalisation and expenses arising out of a train accident, a sum of ₹2.5 lakh is payable. A sum of ₹10,000 is payable for transportation of mortal remains, according to IRCTC portal.

Ola, the cab-hailing app, has a tie-up with Acko General Insurance. "For example, if a user has booked an outstation ride, the insurance offered can provide cover for loss of baggage and home content cover against burglary and fire. Given that Ola is often used for transport to the airport, a missed flight cover is offered to provide reimbursement to the user in case the flight is missed due to traffic, catastrophe or in the event of driver denying duty," Ashwin Ramaswamy, business head, strategic partnerships, Acko General Insurance, says.

Extremely cheap

While these may be one-off and small transactions, there are benefits to taking cover. "Today's customers look for relevant and contextual insurance. Moreover, they don't like the hassle of going through a long and often complicated process of buying an insurance policy. Small-ticket insurance is, in a way addressing such things, including lower premium," Rakesh Goyal, director, Probus Insurance Brokers says.

The idea of small-ticket insurance is to offer some coverage, while the consumer is carrying out some day-to-day activities

He also pointed out that such policies though for limited purpose are often bought because of the simplicity of the offering. "These insurance policies are simple to understand, provide more clarity on what customers are paying for, the benefits offered under a plan, besides lower premium with a simplified buying process," Goyal says.

Ramaswamy points to the low cost of cover. It is very cost-effective and gives flexibility. The Ola city rides insurance is priced at just ₹2, rentals at ₹15, and outstation rides at ₹99.

Not adequate, though

The coverage in 'small-ticket insurance' is generally inadequate as an insurance cover. So, while buying them makes sense because of the amount involved, having core insurance cover — life and accident is necessary. "Small-ticket insurance is limited by the scope of coverage and benefits, which is definitively not adequate from the long-term perspective," says Goyal. Agrees Ramaswamy: "Insurance, such as one with Ola, is episodic insurance specific to a trip and the benefit ceases to exist after the trip ends."

It may make sense, sometimes

If one does not have any insurance and say, takes a trip between cities in an Ola, it makes sense to buy such small-ticket insurance whenever one is travelling. The benefit offered under small-ticket insurance may not be huge, but it is better to have cover.

NIIT Tech board approves ₹337-crore buyback plan

The board of NIIT Technologies has approved a buyback programme worth ₹337.46 crore.

The firm's board of directors has approved that "subject to approval of the shareholders by means of a special resolution through postal ballot and regulatory approval(s) as may be required, buyback of up to 19,56,290 fully paid equity shares of a face value of ₹10 each at a price of up to ₹1,725 per share," NIIT Technologies said in a regulatory filing on late Monday evening.

This will add up to a value of a little over ₹337.46 crore and represent 20.23 per cent of the paid-up equity share capital and free reserves of the company, it added. The buyback is proposed to be made from the company's shareholders under the tender offer route through the stock exchange mechanism, it said.

The public announcement setting out the process, timelines and other requisite details will be provided in due course subject to receipt of requisite approvals and in accordance with the buyback regulations, the filing said.

The board of directors has constituted a buyback committee comprising Hari Gopalakrishnan (non-executive director), Kirtiram Hariharan (non-executive director), Sudhir Singh (CEO), Ajay Kalra (CFO), and Lalit Kumar Sharma (company secretary and legal counsel). **PTI**

COMMODITIES

PRICE CARD

As on Dec 24	International Price	International %Chg#	Domestic Price	Domestic %Chg#
METALS ($/tonne)				
Aluminium	1,771.5	1.1	1,936.3	-2.5
Copper	6,153.0	6.8	6,412.2	4.2
Zinc	2,308.0	-0.3	2,567.7	-0.9
Gold ($/ounce)	1,490.1*	-2.7	1,671.1	1.1
Silver ($/ounce)	17.6*	-5.5	19.9	-3.8
ENERGY				
Crude Oil ($/bbl)	66.4*	7.2	66.6	4.7
Natural Gas ($/mmBtu)	2.2*	-12.8	2.2	-13.1
AGRI COMMODITIES ($/tonne)				
Wheat	189.1	11.5	303.6	4.4
Sugar	359.0*	8.5	483.0	-0.6
Palm oil	722.5	39.6	1,129.5	32.8
Rubber	1,590.4*	3.1	1,838.1	4.4
Cotton	1,513.0	15.7	1,570.7	-2.8

*as on December 24, 1800 hrs IST, # change over three months
Conversion rate 1 USD = 71.3 and 1 ounce = 31.1032316 grams.

Notes

1) International metals, Indian basket crude, Malaysia palm oil, wheat LIFFE and coffee Karnataka robusta pertains to previous days price.
2) International metal are LME Spot prices and domestic metal are Mumbai local spot prices, except for steel.
3) International crude oil is Brent crude and domestic crude oil is Indian basket.
4) International natural gas is Nymex near month future and domestic natural gas is MCX near month futures.
5) International wheat, white sugar and coffee robusta are LIFFE future prices of near month contract.
6) International maize is MATIF near month future, rubber is Tokyo-TOCOM near month future and palm oil is Malaysia FOB spot price.
7) Domestic wheat and maize are NCDEX future prices of near month contract, palm oil and rubber are NCDEX spot prices.
8) Domestic coffee is Karnataka robusta and sugar is M30 Mumbai local spot price.
9) International cotton is cotton no.2-NYBOT near month future and domestic cotton is MCX future prices near month futures.

Source: Bloomberg Compiled by BS Research Bureau

Agri commodity prices on the rise on lower output

RAJESH BHAYANI
Mumbai, 24 December

The prices of all major agricultural commodities have been rising for six weeks, largely due to lower-than-expected production or higher prices of import in edible oil.

The price of crude palm oil (CPO), the supply of which is majorly dependent on import, is up 50 per cent in six months. After the Malaysian government's critical remarks on Kashmir, there was a global rally in crude edible oil prices.

Soybean and mustard prices have also rallied, following crop damage. That of *chana* (chickpea) is up 7 per cent; wheat has risen by 12 per cent. The former's price rise is due to reports of weather irregularities in some areas, seen as impacting the yield. Potato and garlic prices are rising, following that of onion. Tomato is still higher by 40 per cent, despite some moderation in recent weeks. That in potato has been sharper. All these varieties have seen crop damage.

Says Ajay Kedia, director at Kedia Commodities: "Soybean has gained 13 per cent; refined soy oil by 15 per cent. Mustard is up by 14 per cent and CPO has skyrocketed 25 per cent in three months. Many other agri crops have risen after unprecedented heavy rain in September-October."

AGRI COMMODITIES

Commodity (₹ qtl)	28-06 2019	23-12 2019	% change
Crude palm oil (Kandla)*	500	755	51.1
Chana (Delhi)	4,350	4,669	7.3
Wheat (Delhi)	2,033	2,280	12.2
Soybean oil (Indore)*	753	904	20.0
Mustard seed (Alwar)	4,083	4,823	18.1
Maize (Gulabbagh)	2,086	2,408	15.4
Garlic (Mumbai)	3,750	6,000	60.0
Onion (Mumbai)	1,400	7,000	400.0
Potato store (Mumbai)	1,550	2,800	80.6
Tomato hybrid (Mumbai)	1,200	1,800	50.0
Arhar (*Tur*) (Amaravati)	5,450	5,025	-7.8

*₹ per 10 kilo
Sources: NHB, Agmarknet, NCDEX
Compiled by *BS* Research Bureau

Sugar prices were kept high artificially for 18-odd months, to help mills pay dues to farmers. Now, the International Sugar Organization has raised its forecast for the 2019-20 global sugar deficit to 6.12 million tonnes (mt), from the 4.76 mt forecast in September. This has resulted in global prices rising, easing the way for Indian export. The year's estimate of domestic output has been cut 20 per cent to 26-26.5 mt. If export improves, the present glut will come down.

Malini Saba, founder and chairman, Saba Industries (a global commodity firm), said "cocoa, rice, wheat, coffee, and cotton are soft markets and also the oldest commodities around us. Cocoa was a luxury and in recent times also it is grown in limited countries. A large number of people's daily routine starts with coffee and there is no way it can ever be in loss. The same goes for cotton, rice, and wheat too. So, soft commodities that are also the oldest have always had an upper hand on the market, which is developing so fast and will continue to do so."

A sugar exporter said on condition of anonymity: "Millers have signed contracts for 2 mt and another 3 mt is likely in the coming months. Thus, lower cane production, higher diversion to ethanol, and a pick-up in export should lead to lower inventory levels in India by the end of the season." This will improve the outlook for prices.

Sugar, coffee, and edible oil prices have seen a global rally of late. And, after lower estimates of the Australian wheat crop, wheat prices are also seen firming up. A JPMorgan global commodity research report says: "Looking into 2020, we see a flat to slightly positive return profile across agri commodities — with a bullish risk bias." There is a similar expectation in India. Kedia said: "Even with rabi 2019-20 mundane sowing, there still lies a threat from weather conditions. Standing crops are also under threat of a cold wave and pest attack, causing damage and ultimately leading to elevated prices in 2020."

MCX set to introduce uniform delivery lots

RAJESH BHAYANI
Mumbai, 24 December

The Multi Commodity Exchange of India (MCX) has decided to introduce uniform delivery lots across all its metal contracts, following a circular by the Securities and Exchange Board of India, to this effect.

Energy products have uniform lots, but they are still settled in cash.

The exchange had de-listed some copper and nickel contracts and they will now be settled in delivery lots of 2.5 and 1.5 tonnes. From January, new contracts in zinc, aluminium, and lead will only be in lot sizes of 1 tonne each.

At present, the nickel contract will have a lot size of 1.5 tonne and copper in a lot size of 2.5 tonne.

The move is aimed at ensuring all speculative bets are concentrated in one contract per commodity and can be tracked easily. The measure would also avoid division of positions among many contracts of the same commodity. MCX has already done this for the energy segment. MCX has avoided large contracts with a lot size of 5 tonnes and has preferred smaller lot sizes to attract SME participants, the official said. It is also awaiting the regulator's nod to launch the trading in index-based derivatives.

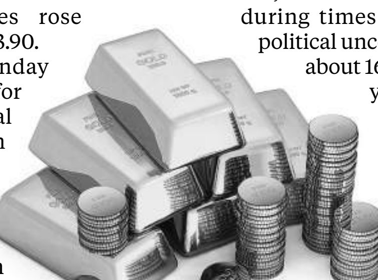
Gold scales 6-week peak on sombre US economic data

Gold prices rose to their highest in more than six weeks on Tuesday, as equity markets steadied after a record rally and weak US data improved demand for bullion in subdued trading ahead of the holidays.

Spot gold was up 0.3 per cent at $1,489.75 per ounce by 1233 GMT, having earlier hit $1,492.79, its highest since November 6.

US gold futures rose 0.4 per cent to $1,493.90.

The data on Monday showed new orders for key US-made capital goods barely rose in November and shipments fell, suggesting business investment will probably remain a drag on economic growth in the fourth quarter. "There is a pause in the rally in riskier assets and that is why we are seeing gold and the dollar move higher," Vandana Bharti, assistant vice-president of commodity research at SMC Comtrade, said, adding weak US economic data added to bullion's safe-haven appeal. World stocks flatlined near record highs on Tuesday.



Gold, an alternative investment during times of economic and political uncertainties, has risen about 16 per cent so far this year due to US-China trade tensions and dovish global central banks, with the US Federal Reserve cutting rates three times in 2019. **REUTERS**

Brands lobby for influence in a data-rich world

Hyper relevance, localisation and engaging content are some of the ways brands are chasing relevance and loyalty in a fickle world

ARUNDHUTI DASGUPTA
Mumbai, 24 December

Earlier this year, Google Maps team rolled out its #LookBeforeYouLeave campaign to remind commuters to check Google Maps' real-time traffic updates on their phones before hitting the road. Sapna Chadha, Google's head of marketing in India and Southeast Asia, writes about the exercise in her blog, saying how her personal experience of being stranded in a flooded street in Delhi influenced the campaign.

Local insights, contextual understanding, and rigorous experimentation, she writes, helped serve relevant creative to consumers in India. Google ran an integrated media campaign on digital (online video and social) and traditional (radio, TV, and OOH) channels in eight key Indian cities (Mumbai, Delhi NCR, Chennai, Bangalore, Hyderabad, Pune, Ahmedabad, and Kolkata).

For Google, the understanding and mobilisation of data at its disposal is a heady task. More information does not always translate into more effective marketing communication and for marketers across the board, managing the data to deliver a coherent and effective narrative has been a big concern through the year.

Data allows you to map, target and deliver relevant content says K V Sridhar, founder and chief creative officer at HyperCollective. He warns that there is many a slip between the data and the customer insight that marketers draw from the numbers at their disposal.

The enormity of the task has given rise to numerous small companies, some start-ups operating out of a single room, to help brands and retailers navigate the space. Jasmeet Thind is co-founder CoutLoot, a social offline-to-online (O2O) commerce platform that makes e-commerce easily accessible and available to the long-trail of small-scale sellers and businesses in the unorganised market. It works with sellers in metros and tier-2 and 3 markets to help them adopt the social platforms and deliver what customers want. He says that the data they sift through is layered with insights and these indicate that the Indian consumer behaves differently online from her counterparts in other countries.

"The online Indian consumption while still in its early stages is super interesting. Unlike using super apps or centralised platforms for all categories, Indians love to use specific platform for specific categories, unlike in US or China where Amazon & Alibaba are major transacting platforms," Thind says.

Not always do Indian consumers behave differently. Anurag Avula, co-founder and CEO, Shopmatic points out, "There is a growing interest amongst users to support indigenous and small scale businesses. Organic products directly from the valley or tribal artwork and handicrafts are extremely popular and find a great demand amongst buyers." The need to do good, feel good and create a sense of well-being are what consumers across the globe want.

Ashish Mishra, managing director, Interbrand says, "It boils down to creating meaningful narratives of the changing technology for people." Brands have also sought to find the most effective way to talk to and engage with the consumer and in 2019, short-form videos have emerged as the most chosen form of communication. According to a report by BCG, digital video consumption has almost doubled in the past two years. It has increased from 11 mins/day to 24 mins/day over the past two years. Over 2018, this has been driven by: 10-15 per cent increase in number of sessions and 15-25 per cent increase in average time per session.

Advertisers are drawn to the huge potential of video and no wonder then that Chadha writes, "A crucial channel for our target audience (for the Google maps campaign) was YouTube, so we used real-time data signals to develop dynamic and contextual digital ads that were served across the platform."

DIGITAL TRAPPINGS

- When it comes to grocery shopping, 12% of consumers in India have shopped at online stores, whereas 16% of consumers agree that they are not comfortable using online shopping/apps
- 14% of women agree that they were influenced by celebrities regarding fashion and 12% said they look to social media for the latest trends.
- When it comes to beauty products, offline stores remain the top choice for the purchase of beauty products. And for online, 21% of consumers are influenced by YouTube and 18% by Facebook in their purchase decisions. However, 43% still buy face care from kirana stores while 17% buy perfumes from supermarkets
- 58% of Indians have watched videos, this is the top activity online followed by using instant messaging app (57%) and accessing social networks (51%).

Source: Mintel India

FROM PAGE 1

Bharti, Bajaj, RIL groups top m-cap charts

The group consolidated its position as the third largest business group in terms of m-cap, led by retail lender Bajaj Finance.

Bajaj Finance has risen 65 per cent in 2019 and ranks among the top 10 firms in terms of
m-cap.

At its current stock price, the lender is valued at ₹2.5 trillion, accounting for nearly half the group companies' combined m-cap.

Mukesh Ambani group firms' combined m-cap is up 37.5 per cent year-on-year, led by their flagship Reliance Industries. Its stock has gained 39 per cent this year. However, the group's media entities — TV18 Broadcast and Network18 Media —saw a sharp decline in share prices even though their total m-cap is small.

Adani Group and the Tatas also gained in 2019. The former gained on account of a rally in Adani Transmission, Adani Gas, Adani Power, and Adani Enterprises. The group companies' combined m-cap rose 25 per cent to ₹1.97 trillion from ₹1.57 trillion last year.

Tata group's m-cap, on the other hand, rose 14 per cent to ₹12 trillion, from ₹10.5 trillion a year ago. Most of the gains were led by Tata Consultancy Services and Titan, which together account for 80 per cent of the group's combined m-cap, up from 75 per cent last year.

In comparison other key group entities such as Tata Power, Tata Steel, Indian Hotels, Tata Chemicals, and Tata Communication saw a decline in their m-cap, while Tata Motors was up 6.5 per cent during the year so far.

Economic revival will aid NPA recovery: RBI

The banking system's gross NPA (non-performing asset) ratio declined, after seven years, from 11.2 per cent in March last year to 9.1 per cent in March this year, and the sector became profitable in the first half of 2018-19 owing to lower provisioning.

Recapitalisation in this period also helped them shore up their capital adequacy ratios.

Recovery improved in the year due to the Insolvency and Bankruptcy Code (IBC). But recovery rates by other resolution mechanisms declined in 2018-19, especially through the mechanism of the Securitisation and Reconstruction of Financial Assets and Enforcement of Securities Interest Act.

In 2018-19, 1,135 cases, involving ₹1.67 trillion, were admitted by various Benches of the National Company Law Tribunal (NCLT). But the amount recovered was ₹70,819 crore, or only 42.5 per cent of the amount admitted.

The RBI welcomed the decision of merging public-sector banks, stating that the exercise would likely "transform the face of the banking sector."

"With the emergence of stronger, well-capitalised banks aided by cutting-edge technology and state-of-the-art payment systems, Indian banks have the potential to become global banking leaders," the RBI said.

While the government and the RBI have played an active role in the revival of both banks and non-banks, "the need of the hour is to continue the policy co-ordination with a view to developing a vibrant and secure banking system and a competitive and resilient NBFC sector".

However, the recapitalisation of public-sector banks remains an unfinished agenda. Banks need capital not only to meet the regulatory minimum but to guard against balance sheet stress, as well as to improve their valuation methodologies, credit monitoring, and risk management strategies to build resilience.

While private banks had taken over the space vacated by the risk-averse public sector banks, "fault lines are becoming evident" in the corporate governance of the private banking industry. This is happening at a time when public-sector banks' balance sheets have not yet regained their strength.

Bank lending to NBFCs remained strong because of policy initiatives, but banks must focus on risk pricing to avoid building up excessive risk.

The balance sheet size of the NBFC sector was roughly 18.6 per cent of that of the banks. Therefore, faced with stress after the IL&FS crisis, the RBI and the government took measures to allay investor apprehension and aid NBFCs to perform better.

"Going forward, the Reserve Bank will continue to maintain constant vigil over NBFCs and take necessary steps to ensure overall financial stability," the report said.

Urban cooperative banks continue to suffer from a low capital base, weak corporate governance, inability to prevent frauds, a slower adoption of new technology, and inadequate system of checks and balances. They need to break out of these drags, the RBI said, keeping in mind the recent scam at Punjab and Maharashtra Co-operative Bank (PMC).

Independent directors exit as tighter scrutiny bites

"The line of business the company is in and sensitivities around it are being evaluated," said Chitlangi. For instance, chances of lawsuits against a pharma company exporting heavily to the US are relatively high and can land the board into trouble. Similarly, many avoid debt-ridden companies with heavy borrowings from banks.

Directors are liable to class-action suits under the Companies Act, criminal misappropriation under the Indian Penal Code (IPC), and criminal breach of trust, also under the IPC.

There could be scenarios where an independent director on the board of a wilful defaulter might get tagged — for not showing dissent or for failing to act — as a defaulter in his personal capacity as director. This could result in him being declared not fit and proper to hold any significant position in a financial intermediary or carry out financial regulatory activities.

BS SUDOKU # 2930

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SOLUTION TO #2929

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8	9	3	2	5	7	6	1	4
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Very Hard: ★★★★★

Solution tomorrow

HOW TO PLAY

Fill in the grid so that every row, every column and every 3x3 box contains the digits 1 to 9

Pilot shortage: GoAir cancels flights for 2nd day in a row

ANEESH PHADNIS
Mumbai, 24 December

GoAir cancelled around twenty of its scheduled 330 flights on Tuesday because of non-availability of pilots caused by previous schedule disruptions and implementation of new regulations on pilot duty time.

GoAir will face action for not providing rest to its pilots in line with rules, said a senior Directorate General of Civil Aviation (DGCA) official.

The Mumbai-based airline has over 300 captains (including 65 expat pilots) and an equal number of first officers and is currently operating 48 of its 54 planes, sources said.

DGCA regulations specify the number of hours a pilot can fly in 24 hours, number of landings they can make and minimum rest period prior to a flight. The rules are designed to minimise pilot fatigue. "We are checking details of all the flights operated by the airline from November 1. We have found certain violations and we are checking whether these are administrative or safety-related," said a DGCA official. The regulator is also checking if software glitches contributed to the problem.

The amended regulations were to come into effect from May 1 and airlines were given time to plan their crew requirements. The actual implementation of new rules began from November 1.

GoAir sources said very little time was available for transition to new rules, for making software changes and sensitising pilots and operational staff as their operation manual was approved only in October last week. Some airlines, including GoAir and IndiGo, had also requested the regulator to allow a few weeks for validating changes, a request the regulator had denied.

A DGCA official said that an airline cannot give excuses for non-adherence citing it is first day or first week of implementation and added that action will be taken against those responsible.

"GoAir has been asked to set right its practices. We may carry out another audit to check implementation," he added.

On Tuesday DGCA officials held meeting with GoAir executives to seek an explanation on the issue. The airline has also informed the regulator about its flight cancellations.

Last month the DGCA had carried out an audit to check whether airlines were following the rules regarding duty hours. Checks were carried out at IndiGo, SpiceJet and Alliance Air but maximum violations were found in GoAir.

GoAir did not comment on the findings of the DGCA audit.

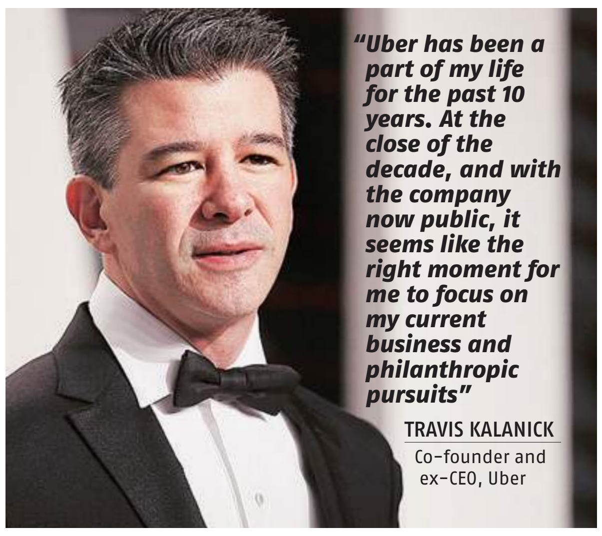
Travis cuts all ties with Uber; leaves board, sells all shares

BLOOMBERG
San Francisco, 24 December

Uber Technologies' former chief executive officer (CEO) Travis Kalanick is stepping down from the board, severing his last ties to the company he co-founded a decade ago and helped become one of the world's most valuable, and controversial, start-ups.

Kalanick, 43, has sold all of his remaining shares in the ride-hailing giant and plans to focus on his new business and philanthropic endeavours.

Along with co-founder Garrett Camp, Kalanick started Uber in 2009, building the company up from an experimental black car service in San Francisco to a global transportation and logistics company, offering food delivery, freight shipping, helicopter rides and ushering in a new era of work. But he was ousted as CEO in June 2017 following months of chaos and controversy. Detractors pointed to his aggressive and sometimes reckless management style as breeding a toxic workplace hostile to women and overseeing morally questionable company programmes, including some that intentionally deceived regulators and law enforcement agencies and spied on riders.



"Uber has been a part of my life for the past 10 years," Kalanick said in a statement Tuesday. "At the close of the decade, and with the company now public, it seems like the right moment for me to focus on my current business and philanthropic pursuits."

For the past year, Kalanick has been building a new startup: CloudKitchens. The real estate company offers fully outfitted kitchens to restaurants that need more space to fulfil orders from take-out food services like DoorDash and Uber Eats. Along with using his own funds, Kalanick also raised $400 million from Saudi Arabia's sovereign wealth fund.

Following Kalanick's departure as CEO, the board replaced him with Dara Khosrowshahi, a former executive of Expedia, who has worked to rebuild the company's reputation and promise to investors. Since its initial public offering in May — one of the worst IPOs this year — Uber shares have cratered by more than 30 per cent. They were up 1 per cent at 12.04 pm in New York.

With Kalanick fully separated from Uber now, Wedbush Securities analysts said it could help the stock, since his continued presence on the board was a "distraction."

"With ripping the band-aid off and Travis leaving stage left on the board, we believe now it's about Dara & Co. taking Uber in the right direction for 2020 and beyond after a rough road so far," wrote Wedbush analysts Ygal Arounian and Dan Ives, adding that the massive sell-off of shares following the November 6 lock-up expiry has also hurt the stock price.

Kalanick has been steadily unloading his Uber shares in the past few weeks. He sold the remaining 5.8 million shares before resigning from the board Monday night, a spokeswoman said, for a grand haul of almost $3 billion, according to calculations by *Bloomberg*. Before the lock-up expired, Kalanick held a 6 per cent stake in Uber, which made him the firm's largest individual shareholder. Softbank Group and Benchmark Capital are the company's two largest institutional shareholders.

Such a sell-down is unusual among prominent tech tycoons. Facebook's Mark Zuckerberg and Amazon.com's Jeff Bezos still own sizeable stakes in their companies. Still, neither of them were ousted by a boardroom coup. And Kalanick's sales mean he has plenty of financial firepower for his other projects. He created a fund called 10100 in March 2018, saying in a tweet it would focus on his "passions, investments, ideas and big bets." The fund will handle Kalanick's for-profit investments and philanthropy and plans to invest in real estate, e-commerce and emerging innovation in China and India, according to its website.

HUNDREDS OF STUDENTS DEFY PROHIBITORY ORDERS IN DELHI

Students from various universities across Delhi defied prohibitory orders to join a march from Mandi House to Jantar Mantar on Tuesday against the amended Citizenship Act. In Uttar Pradesh, Congress leaders Rahul Gandhi and Priyanka Gandhi Vadra were stopped by police from entering Meerut on their way to meet the families of those who died during protests. Protesters in West Bengal blocked Governor Jagdeep Dhankhar's entry into Jadavpur University, where he had gone to attend the annual convocation, prompting him to denounce the incident as 'total collapse of the rule of law' PHOTO: PTI

Soon, late-night shopping to be reality in Karnataka

Soon, it would be possible to shop till early hours in Karnataka.

Retailers are more bullish about the ease of doing business and increase in sales as the government has permitted shops and commercial establishments to be open 24x7. The Retailers Association of India (RAI) on Tuesday said the move by the government would enable an increase in employment by up to 9 per cent and grow sales by at least 3 per cent in the retail sector in Karnataka in the next three years.

RAI said the retail community is pleased with the Karnataka government notification permitting all shops and commercial establishments in the state, employing ten or more persons, to be open on 24x7 basis on all days of the year for a period of three years, subject to the conditions mentioned in the notification. Though the notification was issued recently, RAI said it wanted to assess the impact and sentiment related to it among the retailer community in the state. "We are expecting the move would increase the employment by up to 9 per cent and grow sales by at least 3 per cent in the retail sector in Karnataka in the next three years," Kumar Rajagopalan, chief executive officer of RAI, told *Business Standard*. PEERZADA ABRAR

Cabinet okays farm loan waiver

Less than a month after taking charge, the Shiv Sena-led government in Maharashtra on Tuesday approved the farm loan waiver scheme announced last week and also gave its nod to a subsidised meal scheme for the poor.

The state cabinet approved the Mahatma Jyotirao Phule Farmer Loan Waiver Scheme, under which crop arrears pending till September 30, 2019, will be waived. PTI