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Business Standard

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ROUGH DIAMOND IMPORTS LOSE SPARK

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LAST MIG-27 FIGHTERS RETIRE TOMORROW

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

Real returns across asset classes slip to just over 2%

JOYDEEP GHOSH
New Delhi, 25 December

THE DECADE THAT WAS

The Bombay Stock Exchange Sensitive Index, or Sensex, might be at an all-time high of 41,000-plus points, but nominal returns from equities in the past decade, at 9 per cent compound annual growth rate (CAGR), are nothing to write home about. Returns from the mid- and small-cap indices have been lower than those of the Sensex during the period.

A Balasubramanian, CEO, Birla SunLife Mutual Fund, said: "Equity returns are broadly linked to the nominal gross domestic product and broad earnings growth of companies. These factors were high in the early 1990s and during the previous decade. They have moderated quite substantially. As a result, the returns on equity investments have also moderated." According to him, sustained low inflation should have kept interest rates low. However, it happened with a lot of delays and not to the full extent, thereby impacting earnings potential growth substantially, and moderating the equity returns.

Returns from other savings and investment instruments too have taken a knock. For example, interest on one-year State Bank of India fixed deposit stands at 6.25 per cent. Though the rates were higher in the first five years of the decade, hitting as high as 9.3 per cent in 2011 and 9 per cent in 2013, rates declined significantly since 2015 as inflation also fell.

Mahendra Jajoo, head, fixed income, Mirae Asset Management, said: "India is integrating more with the global markets, in terms of foreign investor participation in equities and the bond market. So, interest rates are aligning themselves to global markets." Jajoo believes that going forward, real interest rates could come under further pressure.

HOW THEY FARED

	Dec 31, 2009 closing	10-year CAGR (%)	Real returns (Avg CPI 5.55%)	Dec 24, 2019 closing	10-year CAGR (%)	Real returns (Avg CPI 6.20%)**
S&P BSE SENSEX	17,464.8	13.31	**7.76**	41,461.3	9.00	**2.80**
NSE Nifty50	5,201.1	13.39	**7.84**	12,214.5	8.87	**2.67**
BSE SmallCap*	8,357.6	9.20	**3.65**	13,384.3	6.00	**-0.20**
BSE MidCap*	6,717.8	5.60	**0.05**	14,820.2	8.20	**2.00**
Domestic gold	16,690.0	13.93	**8.38**	38,291.0	8.70	**2.50**
₹ vs $	46.50	–	–	71.27	–	–
SBI FD rate 1+ year	6.00	–	**0.45**	6.25	–	**0.05**

*BSE small-caps and mid-caps taken from April 11, 2005; **Till November 2019
Source: Bloomberg/IBJA; Compiled by *BS* Research Bureau; New series since Jan 2012

Returns from gold were at par with the Sensex at 8.7 per cent CAGR, but that was only due to the rupee depreciation — the rupee has gone from ₹46.5 a dollar in December 2009 to ₹71.2 a dollar now. International gold returned only 3.1 per cent CAGR in the last decade.

Adjusted for inflation, the real returns look even worse. The double-digit annual rise in inflation in the first half of the decade ensured that average consumer price index-linked inflation stood at 6.20 per cent in the decade, thereby eroding real returns for investors. So, while fixed deposits barely beat inflation, equities and gold gave real returns of 2-3 per cent — quite a distance away from the days of 7-8 per cent real returns in the first decade of the century.

In contrast, the previous decade (2000-2009) saw double-digit nominal returns for stocks and gold while average inflation was at 5.55 per cent.

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BACK PAGE P16
AVIATION 2010-19: MORE LOWS THAN HIGHS

TECHNOLOGY P12
TECH 2030: IS INDIA READY FOR WHAT'S NEXT?

CENTRE TO RETAIN OVER-SUBSCRIPTION IN BHARAT BOND ETF

The government has decided to exercise the green-shoe option and retain the excess subscription received in both the three-year and 10-year series of Bharat Bond ETF. The three-year category received applications for units worth ₹6,982 crore, an over-subscription of 2.3 times against the issue size of ₹3,000 crore. The 10-year category received ₹5,413 crore, or 1.4 times the issue size of ₹4,000 crore. With approximately 55,000 applications received, the new fund offering saw robust retail participation. 4

COMPANIES P3

Size may be biggest hurdle for McLeod Russel in NCLT

Three financial creditors — YES Bank, Techno Electric & Engineering, and IL&FS Infrastructure Debt Fund — have moved the National Company Law Tribunal (NCLT) against McLeod Russel India. They have approached the tribunal under Section 7 of the IBC, which allows a financial creditor to initiate corporate insolvency resolution process of a corporate debtor in the event of a default. If the firm is admitted and a process for change of control under the IBC is initiated, there are unlikely to be many takers for a company its size. AVISHEK RAKSHIT & ISHITA AYAN DUTT report

ECONOMY & PUBLIC AFFAIRS P4

Govt reviews demands for drug price policy

The government is reviewing a long-pending industry demand from drugmakers to implement any change in the ceiling prices of drugs from the next batch, effective the date the change is made. The National Pharmaceutical Pricing Authority is reviewing the proposal and will decide if any amendment needs to be brought in the Drug Price Control Order, 2013 .

COMPANIES P2

Godrej Properties bets on prime land parcels

The Godrej group's real estate arm, Godrej Properties, is looking to buy land parcels in prime locations, invest its own capital in development contracts, and complete record launches during the remainder of the year. In June this year, it raised ₹2,100 crore through qualified institutional placement, only the second real estate developer to do so in 2019. Early this month, the company announced a joint venture with a local developer for a housing project in Navi Mumbai .

TO OUR READERS

The one-page commercial feature on 3rd Sustainable Development Goals (SDGs) Summit, being carried on page 5, is equivalent to a paid-for advertisement. No *Business Standard* journalist was involved in producing it. Readers are advised to treat it as an advertisement.

Cyrus Mistry may appoint nominees on Tata boards

Mistry and his team are reviewing the legal situation

SHRIMI CHOUDHARY
Mumbai, 25 December

Even as the National Company Law Appellate Tribunal (NCLAT) reinstated Cyrus Mistry as chairman of Tata Sons and three other group companies last week, he is unlikely to take up a board position at any of these companies. Sources in the know said he might appoint nominee directors who would ensure best practices of corporate governance at Tata group companies.

Sources said Mistry wanted to keep an effective oversight without being the part of operations at the Tata group. Mistry has only five months left of his tenure as chairman and that's one of the reasons why he is not keen to return to the board. He had joined the Tata Sons board as a director in 2006, though he was initially not too keen to take up the chairmanship, said sources close to Mistry.

It is learnt that Mistry and his team are reviewing the legal situation, considering that he may have to fight a battle in the Supreme Court as Tata Sons is expected to challenge the appellate tribunal's order.

Sources close to the development, however, ruled out the possibility of Mistry joining the board as executive chairman or even taking up any directorship position even if the apex court upheld the appellate order.

The NCLAT directed Tata Sons to reinstate Mistry as chairman and director of the holding company and three listed group companies -- Tata Consultancy Services (TCS), Tata Motors, and Tata Steel. However, the tribunal suspended its implementation for four weeks in a bid to provide the Tatas time to appeal.

In his petition to the National Company Law Tribunal (NCLT) and the NCLAT, Mistry had alleged the breakdown of corporate governance and the failure of board of directors. Mistry through his nominees would ensure corrective action and focus more on the growth strategy for the future of Tata companies.

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ILLUSTRATION: AJAY MOHANTY

THE STORY SO FAR

Oct 24, 2016 Tata Sons board sacks Cyrus Mistry as chairman; patriach Ratan Tata takes over as interim chairman. Mistry blames predecessor Tata for group's dismal financial performance

Feb 20, 2017 TCS CEO N Chandrasekaran takes over as Tata group chairman

Sep 15, 2017 Tata Sons seeks shareholders' consent to convert itself to private company; Mistry opposes the move

Jul 9, 2018 NCLT Mumbai dismisses Cyrus Mistry's petition and rules in favour of Tata Sons. Mistry accuses Tata Sons of mismanagement and oppression of minority shareholders' rights

Dec 18, 2019 NCLAT declares the resolution by Tata Sons board removing Mistry as illegal; reinstates Mistry as chairman

Safran considers $150-mn aircraft MRO unit in India

ANEESH PHADNIS
Mumbai, 25 December

France-based Safran Group is considering a $150-million investment in a new aircraft engine maintenance, repair and overhaul (MRO) unit in India to cater for its airline customers, according to the company.

Safran and GE Aviation own a 50 per cent stake each in the US-based CFM International, which manufactures engines for the Airbus A320 and Boeing 737 types of aircraft. Currently, around 220 Airbus and Boeing planes in India are fitted with CFM engines. Additionally, there are 485 planes on order from IndiGo, SpiceJet, and Vistara, which will be equipped with these engines and are expected to be delivered over the next five years.

CFM International, which competes with engine manufacturer Pratt & Whitney, won a $20-billion order from IndiGo to supply engines for 280 Airbus A320neo in June. Plans to set up an MRO unit in India are being evaluated following the big order win.

To a query from *Business Standard* about its plans, Safran said, "As a long-standing partner of the Indian aerospace industry, Safran is committed to supporting growth in the Indian market."

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WINGS OF OPPORTUNITY

$1–1.2 bn: Size of Indian maintenance, repair and overhaul (MRO) market

1,000: CFM engines likely to be in service in India in the next five years

40–45%: Share of an airline's maintenance expense related to engines

Air India carries out in-house maintenance of aircraft engines. All other airlines send engines overseas for overhaul

New mechanism on GST grievances

INDIVJAL DHASMANA
New Delhi, 25 December

The finance ministry has instructed that grievance redressal committees on the goods and services tax (GST) be established at state and zonal levels.

Comprising officials, consultants and trade bodies, these panels are to take the feedback and send on suggestions to the GST Council and the information technology (IT) backbone for the system, the GST Network (GSTN). These include policy changes, say the directions.

The proposal in this regard was approved last week by the GST Council. Each committee will be co-chaired by the chief commissioner of central tax and the zonal or state chief. Each will have up to 12 members from trade bodies. Besides, it will have up to four members from chartered accountants, tax consultants and practitioners, according to the ministry.

Committees are to 'examine and resolve' all grievances, including procedural difficulties and IT-related issues. They may refer any issue requiring a change in the GST Acts, rules, notifications, forms or circulars to the GST Council Secretariat and the Central Board of Indirect Taxes and Customs (CBIC). And, any IT-related issue to GSTN.

Comprising officials, consultants and trade bodies, committees are to take feedback and send suggestions to the GST Council

The policy wing of the CBIC will examine any such referral and decide if this should be sent to the GST Council. GSTN will develop a portal to record such grievances, including their scanned images, for time-bound handling. The co-chairs are to ensure timely entry and updating of the status of disposal on the portal. Details of action taken will be displayed on the portal.

The committees will be set up in each state wherever there is more than one state in a zone. Similarly, in each zone wherever there are more than one in each state. A panel will be constituted for two years. Any member absent from three meetings in a row without giving a reason will be deemed to have resigned.

Govt to filter its approach to water supply

RUCHIKA CHITRAVANSHI
New Delhi, 25 December

The government wants to bring about structural changes to the provisions for drinking water supply services with a "utility-based" approach, according to the operational guidelines for the Jal Jeevan Mission released by Prime Minister Narendra Modi on Wednesday. The move will enable institutions to focus on services and recover water tariffs from all kinds of consumers.

The project cost of providing 146 million functional household tap connections is estimated to be ₹3.60 trillion, of which the Centre's share will be ₹2.08 trillion.

According to the government data, of the 179 million rural households in the country, 81.67 per cent are yet to have water tap connections.

States will have a definite operations and maintenance policy, especially to meet the requirements such as monthly energy cost of the piped water supply scheme, by ensuring cost recovery from user groups and thereby avoiding any unwanted burden on public exchequer, according to the guidelines.

The Centre will make available extra budgetary resources for the Mission, which will be allocated along with gross budgetary support to the states. The government will incentivise good performance of states out of the fund not utilised by other states towards the end of the financial year, the guidelines said.

On the lines of the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS), funds released by the Centre will be deposited in a single nodal account, which will be maintained by the State Water and Sanitation Mission (SWSM), to be transferred within 15 days of release. The Public Finance Management System (PFMS) will be used for tracking the funds. "The SWSM will decide rate contracts and empanel reputed construction agencies/vendors through centralised tendering and also to prepare design templates for expeditious implementation."

No expenditure towards operation and maintenance cost of the scheme such as electricity charges, salary of regular staff, and purchase of land, etc, will be allowed from the central share.

In order to prevent the creation of parallel water supply infrastructure deviating from the approved plan, "It has been proposed to assess and pool the fund available for drinking water supply from various sources, be it the government such as MPLADS, MLALADS, DMDF or donations whether at state level or village level", the guidelines said.

Gram panchayats will play a crucial role in planning, designing, execution, operations and maintenance of the in-village infrastructure under the Jal Jeevan Mission. State governments will identify and empanel self-help groups, NGOs among others to provide handholding facilities, and encourage community participation.

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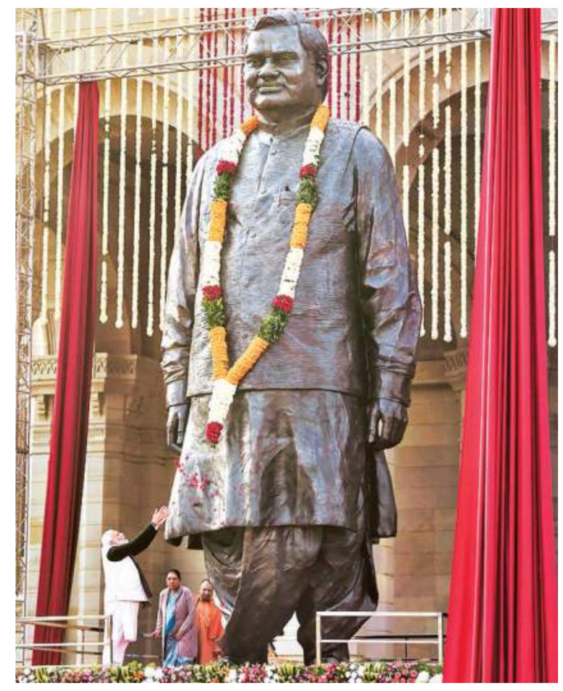
IN MISSION MODE

- National Jal Jeevan Mission at central level
- State Water and Sanitation Mission at state level
- District Water and Sanitation Mission at district level
- Gram Panchayat and/or its sub-committees at village level

₹3.6 trillion Cost of providing water tap connections to **146 mn** rural households



Prime Minister Narendra Modi pays tribute to former Prime Minister Atal Bihari Vajpayee at his newly unveiled statue, in Lucknow on Wednesday. Earlier in the day, he launched the Atal Bhujal Yojana

PHOTO: PTI

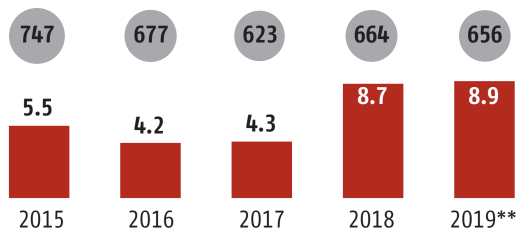
START-UP FUNDING SLOWED IN 2019; ROSE JUST 2% AGAINST 100% IN 2018

2019 LOOKING BACK

After a surge of over 100 per cent in start-up funding during 2018, the year 2019 is ending with a mere 2 per cent growth in value terms, even as the number of deals dropped. According to Venture Intelligence data, venture capital (VC) investments have been $8.9 billion (₹63,350 crore) across 656 deals in 2019, as compared to $8.7 bn in 2018 across 664 deals. The 2018 figure was higher by 102 per cent from 2017, when VC firms put in $4.3 bn (a little above ₹30,000 crore) across 623 deals. The term, venture capital, embraces all investments from seed capital to Series-F funding, in companies less than 10 years old. The IT & IT-enabled services sector continues to drive these investments. It is followed by BFSI (banking, financial services and insurance), logistics, travel and transport, and health care. Sequoia remains the most active VC investor, followed by Accel, Tiger Global (which stepped up investments big time, from eight deals in 2018 to 27 in 2019), Blume Ventures and Matrix. Largest among the major deals was the $586-million (nearly ₹4,200 crore) investment by Tencent, GGV Capital, Altimeter Capital, Hillhouse Capital, DST Global, Lightspeed Ventures and others in Udaan during August. Followed by $413 mn by SoftBank Corp, Carlyle and Fosun Group in Delhivery. SoftBank invested another $650 mn (₹4,600 crore) in two companies, $400 mn in FirstCry and and $250 mn in Ola Electric. It also participated in the $220-mn funding of Grofers, with Tiger Global, Sequoia Capital India and KTB Ventures. Among cities, Bengaluru continues to top.

T E NARASIMHAN

VC* INVESTMENTS IN INDIA (2015 - 2019)



*VC is defined as Seed to Series F investments in companies less than 10 years old; **As on December 24, 2019

TOP VC INVESTMENTS

	Investors	($ mn)	Date
Udaan	Tencent, GGV Capital, Altimeter Capital, Hillhouse Capital, DST Global, Lightspeed Ventures, others	586	Aug '19
Delhivery	SoftBank, Carlyle, Fosun Group	413	Jan '19
FirstCry	SoftBank	400	Jan '19
Ola Electric	SoftBank	250	Jul '19
Grofers	SoftBank, Tiger Global, Sequoia Capital (I), KTB Ventures	220	May '19

As on December 24, 2019 Source: Venture Intelligence

BY INDUSTRY (2017 - 2019)

	2018		2019	
	No. of deals	Amt ($ mn)	No. of deals	Amt ($ mn)
IT & ITeS	445	6,125	449	6,232
BFSI	40	669	32	605
Logistics	6	130	6	511
Travel & transport	10	113	12	408
Health care	39	415	28	346
Others	124	1,214	129	827

*As on December 24th, 2019

VC INVESTMENTS BY CITY (2017 - 2019)

	2018		2019	
	No. of deals	Amt ($ mn)	No. of deals	Amt ($ mn)
Bangaluru	239	3,818	222	3,681
NCR-Delhi	162	2,785	176	2,184
Mumbai	140	1,089	129	1,551
Pune	24	238	25	734
Hyderabad	23	221	26	253
Chennai	29	206	25	237
Others	47	309	53	290

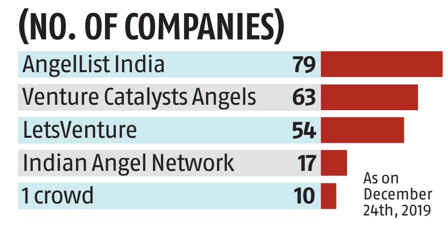
*As on December 24, 2019

MOST ACTIVE VC INVESTORS (NO. OF COMPANIES)

	2018	2019
Sequoia Capital India*	43	71
Accel India	38	42
Tiger Global	8	27
Blume Ventures	22	24
Matrix Partners India	15	22
Chiratae Ventures	22	22
SAIF	23	21
Omidyar Network	19	19
Beenext	19	18
India Quotient	10	17
Kalaari Capital	26	17

*Includes surge portfolio; as on December 24, 2019

MOST ACTIVE ANGEL INVESTORS (NO. OF COMPANIES)



OnePlus Pay may launch services in India first

YUVRAJ MALIK
Bengaluru, 25 December

OnePlus will focus on digital payments and 5G-enabled phones, as the smartphone maker looks at further cementing its position in India. While the Chinese smartphone brand is already exporting 5G phones built out of India to some of its global markets, it is readying itself to launch the mobile payments system in the country sometime next year, a top company executive said.

"Payments is going to be a big focus for us next year, so will be 5G phones. We have already launched 5G enabled phones in the US, Europe and China, and will soon launch in India," said Vikas Agarwal, general manager, India at OnePlus.

The phone maker, which commands the highest market share in India in the premium smartphone category, is set to launch 'OnePlus Pay' early in 2020.

Like OnePlus TV, the payments service may initially be launched only in India. The move will pit OnePlus against Google, Paytm and WhatsApp, which is rolling-out in-app payments over UPI. But unlike app businesses, OnePlus Pay is likely to offer more functionality because it owns the hardware.

Agarwal said, the payments feature will have NFC capability, enabling one-tap payment at newer version of PoS (point of sale) devices. Given a seamless integration with the mobile device, OnePlus will push it as the preferred mode of payment for digital and even offline services.

Metro Cash & Carry betters Amazon, Walmart in profit

ARNAB DUTTA
New Delhi, 25 December

German wholesale retail giant Metro Cash & Carry India has managed to pip two of its American rivals in the local market, in profitability as well as revenue growth.

Metro, which had opened its first store in the country 15 years ago, zoomed past rivals like Walmart and Amazon Wholesale by turning profitable for the first time in 2018-19.

According to its filings with the Registrar of Companies (RoC), during the last financial year, Metro posted ₹217.4 crore net profit. But the two American giants remained in the red.

While, Amazon Wholesale reported ₹141 crore net loss, Walmart's net loss stood at ₹172 crore in 2018-19.

Metro's top line growth remained ahead of the two as well. It reported ₹6,553 crore operating revenue in the year – 13 per cent higher than the ₹5,807 crore it had posted in 2017-18.

Walmart India's revenue grew 11 per cent year-on-year (YoY) to ₹4,065 crore in 2018-19. Amazon Wholesale's revenue dipped 8 per cent YoY to ₹11,232 crore.

Arvind Mediratta, managing director (MD) and chief executive officer (CEO) of Metro Cash & Carry India, which internally follows the October-September financial year, said Metro posted profit for two consecutive financial years – October 2018 to September 2019 and October 2017 to September 2018.

He, however, refused to divulge the figures. "In the financial year ended September 30, 2019, our revenue surged 11 per cent to ₹848 million (₹6,700 crore) from ₹767 million (₹6,130 crore)," he said.

While other retail giants like Walmart and Amazon continue to incur losses due to heavy discounting, Mediratta attributed Metro's success to its ability to offer competitive pricing to 800,000 kiranas it works with.

Further, Metro has optimised its portfolio to push high margin products along side, having scores of in-house products that allows it to rake in ₹1,000 crore from the Horeca channel.

To improve its margins, Metro has identified and pushed products like yogurt, frozen foods, snacks and juices, chocolates and spices that draw bigger margin for the retailer.

Its hundreds of in-house products, including conventionally low-margin products like agri-commodities, improved its margins.

According to Mediratta, after running a pilot for its smart-kirana programme for nearly a year in Delhi and Bengaluru, the India unit has now secured permission to take the programme pan-Indian.

Under the programme, the wholesale giant modernises partner kirana outlets by placing point of sale (POS) devices, has easy credit schemes for shop-owners as well as customers and remodels outlets in 48 hours.

"Through the programme, we turn mom-n-pop stores into omni-channel stores that can take orders online and check real-time inventory. They can place orders and sell goods on credit or take e-payments like modern retail stores. Further, remodeling of kiranas lead to spike in their sales by 20 to 40 per cent," he said. Further, it enables kiranas to lure their target customers with customised promotional emails and mobile messages.

Metro has tied-up with a fintech start-up EPayLater that offers easy credits and MSwipe as well as PayTM for e-payments and POS devices. "The aim is to turn Metro into a full solutions provider from a wholesaler," he said.

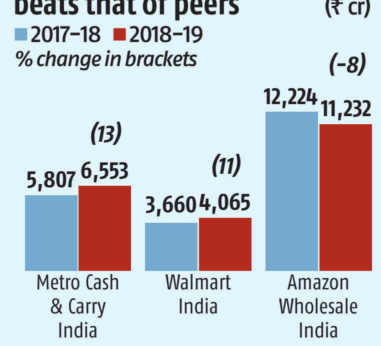
However, given the importance of physical presence that allows Metro to address the problems of its partner kiranas efficiently, the firm is planning to open five-six new stores next year. Currently, it has 27 outlets, mostly in metros, and some of the new ones may come up in small towns.

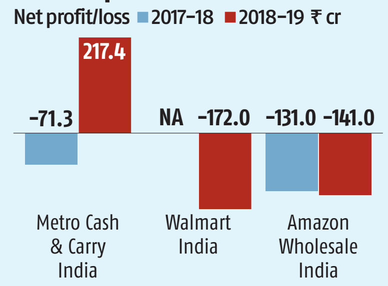
Arvind Mediratta
MD & CEO, Metro Cash & Carry

METRO'S STRATEGY

- Metro posted ₹6,700 cr revenue in Oct-Sept 2019 – up from ₹6,130 cr
- Remained profitable for two consecutive years (it follows a Oct-Sept financial year format)
- Plans to open 5-6 stores in metros and in smaller towns in 2020
- To take its smart-*kirana* programme pan-Indian after running a pilot for 1 year in Delhi & Bangaluru
- Tied up with EPayLater, MSwipe & PayTM for easy financing and modernising *kiranas*

RACING AHEAD





*For April-March financial year
Source: Registrar of Companies

Godrej bets on land parcels in prime locations

The company has announced a JV with a local developer for a housing project in Navi Mumbai — it will develop a 7.5-million sq ft project on a 100-acre parcel, about three-fourth the size of Mumbai's Bandra Kurla Complex

RAGHAVENDRA KAMATH
Mumbai, 25 December

It is filled with what is now a rare commodity in real estate — cash. With this advantage, Godrej Group's real estate arm, Godrej Properties, is looking at buying land in prime locations, investing in development management contracts (DMs) and do a record number of launches.

In June, it raised ₹2,100 crore through Qualified Institutional Placement, only the second realty developer to do that this year. Early this month, the company announced a joint venture (JV) with a local developer for a housing project in Navi Mumbai — it will develop a 7.5-million sq ft project on a 100-acre parcel, about three-fourth the size of Mumbai's Bandra Kurla Complex.

And, announced three more projects this month. "We are betting big on high quality locations and large land parcels. We are the only company which can do it," Mohit Malhotra, managing director, told Business Standard.

Earlier, it had acquired the once-iconic RK Studios in the Chembur area of Mumbai from the famed thespian's family for ₹150 crore; it is building a premium project on this. It also signed a JV with Omkar Realtors & Developers early this year to build a sea-facing luxury housing project in Bandra, one of the most costly localities in the city.

Their strategy is currently contrarian to the market, where developers are cutting on launches and preferring to clear existing stock, to generate cash and repay dues. The year 2019 has seen a 14 per cent decline in housing launches at 136,998 apartments, compared with 159,452 in 2018. The October-December quarter saw a 31 per cent fall at 26,405 homes, contributing majorly to the overall decline, according to consultancy JLL.

Malhotra said land lots now come with a 40-50 per cent discount compared to the hey days of real estate. What is helping the company do these big deals is its cash and strong brand, he said.

"We have ₹3,000 crore cash in our balance sheet. We will deploy ₹5,000 to ₹6,000 crore over the next two to three years," he stated.

Last month, the company's chairman, Pirojsha Godrej, said they would be launching 13-14 new projects or new phases in existing ones in the remainder of the year, a record for the company.

Malhotra said the company was also doing a new version of DM contracts, wherein it invests 50 per cent in the land of the project; it might or might not charge a fee for this. In normal DM, a company lends its name, does the construction and marketing for a fee which is 12-15 per cent of a project's revenue.

"DM works where partners have strong balance sheets. Today, not many partners are so available. That's why we invest our own capital in the land," said the MD.

In Pune, it did a deal for a DM under the new model; it will develop 25-mn sq ft.

Analysts say there is risk involved in the company's JV model - it mostly does these and disgruntled partners could go to court. Malhotra concedes it is not easy to do JVs but says they examine all issues diligently before signing.

"We are a 30-year-old company and are doing 30-40 JVs. All are going smoothly. We take proper care in selecting the right partner," he said.

BIG PLANS

- Godrej Properties recently signed a joint venture to develop a 7.5 million sq ft project in Navi Mumbai
- It earlier acquired the iconic RK Studios in Chembur area of Mumbai from Raj Kapoor's family
- Godrej Properties is launching 13-14 new projects or new phases in existing ones
- In Pune, it did a deal where it signed a DM contract under the new model, where it will develop a 25 million sq ft area
- It raised ₹2,100 crore early this year through QIP

Source: Company

'There's scope for increase in steel prices'

After hitting the bottom, steel prices have increased two months on the trot. JSW Steel Joint Managing Director and Group Chief Financial Officer **SESHAGIRI RAO** tells **Ishita Ayan Dutt** that a positive momentum from government expenditure and retail side is noticeable. Edited excerpts:

Can you chart the slowdown in domestic steel demand?

Steel demand growth at the end of March 2019 was at 8.8 per cent. Two things happened. One, credit flow to the economy was impacted, and then there was slowdown in government expenditure. Together, these two factors translated into a big slowdown in the following quarters. In the first quarter, steel demand growth came down to 6.6 per cent and in the second quarter, it climbed down further to 2.3 per cent. As things panned out, in the third quarter (Q3), it will be lower than 1 per cent. But month-on-month, there is an improvement since September. In November, growth in steel demand was 0.7 per cent, whereas in October, it was 0.3 per cent. In September, steel demand slipped into negative territory. It was at minus 0.25 per cent. That turned positive in October and further positive in November. Now, December is even better, though the average growth for Q3 will still be 1 per cent. But we feel a positive momentum for the next quarter.

Which sectors are driving growth?

Basically, we are seeing demand coming back on the retail side with restocking. The second area is government projects. Activity is restarting in areas like pipelines, bridges, construction, and Metros.

Steel prices have increased in two consecutive months. Is there scope for further increase?

At today's price of $520-$525 cost-and-freight, against landed cost of imports, there is difference of ₹2,000-2,500 a tonne. There is definitely scope for further increase in price.

When do you see a full recovery?

Around 55-60 per cent of steel is consumed by the infrastructure, construction, and real estate segments. On the real estate side, there is momentum in the below-₹1-crore housing segment and there is also economic activity in the affordable housing segment. Other areas seeing a lot of enquiries are construction of warehouses and data localisation, which entail setting up data centres. The balance 40 per cent of steel consumption is accounted for by automobile, machinery, and capital goods sectors. These sectors will take some time to recover.

What is the outlook on prices FY21?

On the demand side, globally, growth next year is pegged at 1.7 per cent, which translates into 30 million tonnes (mt) over this year.

But on the supply side, significant corrections have happened. May 2019 versus November 2019 numbers from World Steel Association clearly show supply-side adjustments of 180-200 mt. That is significant.

We have seen steep correction in coking coal prices because of adjustments. But it has not happened in iron ore, which continues to be elevated. As long as iron ore price remains at these levels, steel companies will not have the margins to reduce prices further.

What is the steel industry's Budget wish list?

We would primarily want demand to be stimulated by way of increased outlays on infrastructure. We would also like a reduction in personal tax, so that more and more money is spent, which will spur consumption. Third, import duties on various raw material items need to be reduced, while import duty on steel should be increased.

When do you see private sector investment coming back?

Today, there is huge risk aversion from the Indian banking system. Even though there is better flow this quarter, the overall lending by banks is slow. Large projects need funding. Therefore, banks should start lending more.

Also, developmental financial institutions need to be created that will lend to either public-private partnership projects or long-gestation projects.

When do you see resolution in Bhushan Power & Steel (BPSL)?

BPSL will require National Company Law Appellate approval. Once the amendment with regard to Prevention of Money Laundering Act happens, the other two issues that are pending before the appellate tribunal will have to be cleared. One is claim on profits during corporate insolvency resolution process and the other, contingent liabilities.

Do you have any plans of inducting a partner in BPSL after implementation of a resolution plan?

All I can say is that, we will have a similar structure like Monnet Ispat, where consolidation will not happen.

Size may be the biggest hurdle in NCLT route for McLeod Russel

AVISHEK RAKSHIT & ISHITA AYAN DUTT
Kolkata, 25 December

Three financial creditors — YES Bank, Techno Electric & Engineering and IL&FS Infrastructure Debt Fund — have moved the National Company Law Tribunal (NCLT) against B M Khaitan group company, McLeod Russel India.

The financial creditors have moved the tribunal under Section 7 of the Insolvency and Bankruptcy Code (IBC). The section allows a financial creditor to initiate corporate insolvency resolution process of a corporate debtor in the event of a default.

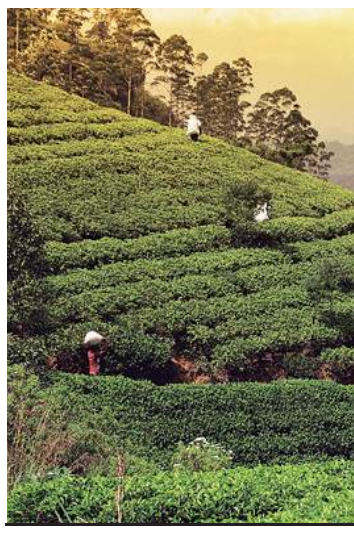
McLeod has not been admitted to NCLT yet and hearings have been scheduled next month. It is possible that a settlement will be reached or a debt restructuring plan being discussed with a section of financial creditors will work out. But if admitted and a process for change of control under IBC is initiated, there are unlikely to be many takers for a company its size.

McLeod, which happens to be India's largest tea company, has a volume of 55-58 million kg in India even after it sold 21 gardens in FY2019 and Q1 FY2020 to pare debt. Overseas operations make an additional 26 million kg, taking the consolidated production to 81-84 million kg.

Legal sources said even if the NCLT admits insolvency petitions against McLeod, the international subsidiaries will not be impacted.

Most industry players said that established players were not likely to bid for the entire lot of gardens. Some had already bought from McLeod.

A tea industry owner also said the viability of the industry was making survival difficult. The tea company has sold 7-8 gardens in the last one year.



THE CASE SO FAR

- YES Bank, Techno Electric & Engineering and IL&FS Infrastructure Debt Fund have moved NCLT appealing to commence insolvency proceedings
- IL&FS and KKR have moved Calcutta High Court and Delhi court, respectively, to recover dues
- Majority of lenders, led by ICICI Bank are considering resolution outside NCLT
- Majority of lenders have appointed LSI Financial and SBI Caps to advise on feasibility and suggest a resolution plan, respectively

Amalgamated Plantations from Tata Global Beverages is the second largest tea company in India, after McLeod.

Asked if Tata Global Beverages would consider expansion of its tea plantations business, a spokesperson said, it had no plans currently. Tata Global Beverages has interest in tea plantations via its two subsidiaries – Amalgamated Plantations (in Assam and West Bengal) and Kanan Devan Hills Plantations Company (in southern India).

Hindustan Unilever (HUL) too said, it had quit the tea plantations business in India. Asked if it would be interested, a company spokesperson said it doesn't give any guidance on the future. During 2012-13, HUL, then Hindustan Lever, had exited the tea plantations vertical in India as it was "non-core" to the company's India strategy. Incidentally, its Doom Dooma Tea Company was acquired by McLeod.

However, in the recent sale of gardens, it sold some estates from Doom Dooma to M K Shah Exports last year.

Both TGBL and HUL are focused on tea retailing. Goodricke Group, which bought two prized estates from McLeod in 2018, is also not keen on a full takeover.

"We have plans of scaling up our production but acquisition of tea estates is complete and we are not looking at further acquisitions. As such, we are not interested in McLeod for a full takeover," said Atul Asthana, CEO and managing director at Goodricke Group. Goodricke's parent, Camellia Plc incidentally, is the world's largest private bulk tea producer.

The lack of interest in taking or increasing exposure in plantations from these tea majors might be because of the ongoing stress on the tea plantations business where prices have been unremunerative. In fact, industry officials said that while the cost of production has increased by 15-20 per cent in the last three years, tea prices increased by just 5-7 per cent thereby creating a serious imbalance in the trade.

Not just McLeod, but other tea plantation firms too have been selling estates because of financial stress. For instance, recently, Warren Tea sold its Sealkotee tea estate in Assam for ₹19 crore to pare debt. The sale of other estates is likely.

Dhunseri Tea Industries, which is looking at expansion and had bid for acquiring Assam Company (India) last year, via the insolvency process is yet to make up its mind. "I am known to be a buyer and may be interested, but our board will take a call. The decision may be in favour of bidding for McLeod or may not be so," C K Dhanuka, managing director of Dhunseri, said.

The last time a prominent tea company went through the insolvency process was when Assam Company was auctioned last year. The deal fetched ₹1,214 crore from Abu Dhabi-based BRS Ventures, which outbid its nearest Indian competitor by nearly three times. Lenders took a 20 per cent haircut over their total claims, including interest, but operational creditors and workers received 100 per cent of their claim.

However, Assam Company had about a fifth the production volume of McLeod and additionally it also has some oil reserves. In its case, too, there were 14 companies initially which were interested in buying Assam Company but ultimately only four submitted bids, of which only two were into tea plantations. Both of them lost.

Some sources associated with McLeod developments said, if an Indian firm may not be interested in full-fledged purchase of McLeod, there could be investors from abroad as was in the case of Assam Company.

Top Nissan executive to abruptly leave for e-maker

BLOOMBERG
25 December

Nissan Motor's third-highest-ranked executive is planning to leave the company to join a leading electric-motor company, an abrupt move that deals yet another blow to the scandal-plagued Japanese carmaker. The shares fell to their lowest in 8 years.

Jun Seki (*pictured*), the vice chief operating officer in charge of Nissan's performance recovery, plans to join Japanese manufacturer Nidec Corp. as president and COO. The 58-year-old, who confirmed the move to *Bloomberg News*, was among the contenders to be Nissan's chief executive officer in October, but missed out to Makoto Uchida, most recently the company's China chief. Seki only took up his current position in December.

Nissan has seen its share of executive departures since last year's shock arrest of former longtime chief Carlos Ghosn, but Seki's exit stands out because he was part of a triumvirate set up to disperse leadership responsibilities at the automaker, Japan's third largest by output. The defection marks yet another distraction for Nissan, which is struggling to recover from the chaos unleashed by Ghosn's arrest and an industry downturn, with profits at a decade-low and relations tense with French partner Renault SA.

The departure of Seki, who spent most of his career in engineering and manufacturing at Nissan, comes at a precarious time for the company and the auto sector, with established carmakers seeking scale through consolidation as a way of splitting the billions of dollars in investments needed to keep up with the shift toward electric and self-driving cars.

The company's shares fell 3.1% to 633 yen, the lowest since 2011, as of the close Wednesday in Tokyo. The shares have slid 28% this year, compared with a 19% gain in the Nikkei 225 Stock Average. Nidec climbed 0.3%.

Nissan has accepted Seki's decision to leave the company, the carmaker said Wednesday in a statement, adding it will continue to focus on key areas including business transformation under the new management. Shiro Ikushima, a spokesman for Kyoto-based Nidec, declined to comment.

Seki will be joining a company that makes about an eighth of Nissan's sales, but has a market value that's more than 60% higher at about 4.5 trillion yen ($41 billion). Known for its precision products, Nidec is the world's No. 1 supplier of hard-drive motors. The manufacturer is seeking to become a top supplier for electric vehicles, home appliances and industrial and commercial equipment, with the goal of reaching 10 trillion yen in annual sales by fiscal 2030.

Shigenobu Nagamori, Nidec's billionaire CEO, founded the company in 1973 in a shack next to his family's farmhouse. The outspoken chairman had appointed Hiroyuki Yoshimoto, another Nissan veteran, as COO in 2018. Nagamori, 75, is known as a dealmaker, having bought scores of companies under his tenure, and for his hard-charging management style.

The Eccentric Billionaire Who Ignores Investors to Get Them Rich

Nissan's management has been on shaky ground since Ghosn was arrested for financial crimes in November 2018. Hiroto Saikawa, Ghosn's successor-turned-accuser, stepped down as CEO earlier this year amid a scandal over excess compensation.

Seki joined the Yokohama-based automaker in 1986, meaning new CEO Uchida and COO Ashwani Gupta will now have to fill a void left by the departure of the member of their team with the most experience within Nissan.

SCI privatisation could hit its biz in long run

ADITI DIVEKAR
Mumbai, 25 December

The central government's plan to privatise Shipping Corporation of India (SCI), after years of uncertainty in this regard, could, if coupled with no or delayed corporate action on the ground, affect the business in the long run, say many in the sector.

"Once the divestment news was out, virtually all decisions in the company came to a standstill. To top it all, long-term contract customers are having a rethink and the business situation will eventually becomes chaotic," a former chairman of SCI told *Business Standard* on condition of anonymity.

In April 2003, the Cabinet Committee on Disinvestment had decided to suspend any divestment in SCI. Now, however, the process has re-started, with foreign companies being allowed to acquire the entire 51 per cent stake put on the block by the government.

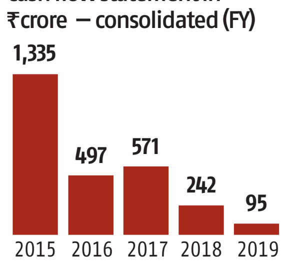
As on September 30, the had a 63.75 per cent promoter stake in SCI. The other 36.25 per cent is public shareholding. "This is not the first time SCI has announced divestment plans. Last time (in 2003), virtually all decisions stopped. This kind of gear changing time and again costs the company dear in the long run. The government needs to take note of this," the former chairman added.

According to the firm website, its fleet size was 60 vessels as on February 2019. It has tankers, bulk carriers, liners and offshore supply. "What happens commonly during a divestment buzz is that buying and selling of vessels gets impacted, as investment decisions get affected to great extent," said Anil Devli, chief executive officer at Indian National Shipowners' Association. A senior official in GAIL India says his company has an ongoing contract with SCI for management of shipping services. "Earlier, we would place contracts on the national shipping carrier on nomination basis. But, once it is privatised, the company will be treated just like any other private shipping company," he added.

At the close of 2018-19, the company's cash and cash equivalents was a meagre ₹95 crore, down from ₹2,625 crore in 2006-07, the pre-global financial crisis period. Since consolidation in FY15, which included a subsidiary and six joint ventures, it cash and equivalents have been falling.

SCI FINANCES

Cash flow statement in ₹crore — consolidated (FY)



A LOOK AT PEERS

	SCI	Essar Shipping	GE Shipping
Total expenditure	3,118.70	4,464.38	2,493.90
Employee cost	450.00	125.59	814.03
Emp cost as % of exp	14.40	2.80	32.60

Source: Capitaline; compiled by *BS Research*

Company officials operations have not been affected by the divestment plan. "For us, business is as usual. Our fleet is also ready for IMO 2020 (the new global maritime rule changes on polluting fuels). We will be using lower sulphur fuel entirely, with no scrubber fitting for any our vessels," said a senior official with the bulk carrier department. An e-mail to the SCI spokesperson remained unanswered.

The government has appointed RBSA as transaction advisor for the strategic sale. Last week, it was also announced that H K Joshi had been appointed full-time chairman and managing director.

There are seniors in the industry who are against a divestment only for lowering the government's fiscal deficit. Says Ranjit Singh, executive director at Essar Shipping: "A national carrier like SCI is an important reserve for the government from the energy security point of view. SCI is the country's reserve tonnage. Its privatisation will impact the Indian shipping market, already only one per cent of the world shipping market."

The company's presence in the Very Large Crude Carrier (VLCC) and Liquefied Natural Gas (LNG) segments is a positive for its business, along with long-term contracts with Indian Oil Corporation and Bharat Petroleum Corporation, among others, said industry officials.

"The company also has a very good talent pool but bureaucratic interference often leads to SCI missing the bus on important business decisions. Also, the tenure of a chairman is not more than two-three years, which does not help. By the time, the chairman takes office and gets familiar, it is time for retirement," said the former chairman of SCI.

Great Eastern Shipping and Essar Shipping are other Indian shipping companies with presence in dry bulk and liquid cargo. "The company needs freedom in decision making. It is not that bad a situation for them, as they also have good talent in-house," said Singh of Essar.

Home sales in 2019 rise 6% in Delhi-NCR, says Anarock

PRESS TRUST OF INDIA
25 December

Housing sales in the national capital region went up by 6 per cent to 46,920 units during 2019 on higher demand for affordable homes and completed flats, according to property consultant Anarock. Prices in Delhi-NCR remained stagnant at nearly ₹4,600 per sq ft, while unsold inventories fell by 6 per cent to 1,75,079 units from 1,86,714 units.

Across seven major cities, sales rose by 5 per cent to 2,61,370 units in 2019 compared to 2,48,310 units in the previous year. Sales dropped by 22 per cent in the second half of this year to 1,47,120 as against 1,14,250 units during January-June period this year.

"Unrelenting liquidity crisis, lower-than-expected buyer sentiments and faltering GDP growth eventually put brakes on the overall housing growth in the second half of 2019," said Anuj Puri, Chairman – Anarock Property Consultants.

According to the data, housing sales rose maximum by 22 per cent in Mumbai Metropolitan Region (MMR) to 80,870 units this year from 66,440 units in 2018.

Pune saw 18 per cent rise in sales to 40,790 units from 34,460 units during the period under review. Sales in Delhi-NCR increased to 46,920 units from 44,300 units, while sales in Chennai rose by 4 per cent to 11,820 units from 11,340.

However, Bengaluru witnessed 12 per cent drop in sales to 50,450 units from 57,540 units.

Piramal eyes ₹2,750 crore via bonds

PRESS TRUST OF INDIA
25 December

Piramal Enterprises on Wednesday said it will raise up to ₹2,750 crore by issuing bonds on private placement basis. "A meeting of the Administrative Committee of the Board of Directors of the Company will be held on Saturday, 28th December, 2019, to consider and approve the issue of secured non-convertible debentures on private placement basis amounting up to ₹2,750 crore," it said in a regulatory filing.

Piramal Enterprises said the money can be raised in one or more tranches from time to time.

China's first high-speed rail IPO comes as extra opening hinted

BLOOMBERG
25 December

The operator of China's high-speed rail line between Beijing and Shanghai kicked off its initial public offering, which will for the first time allow investors to buy shares in what is the world's largest such network.

Beijing-Shanghai High-Speed Railway Co., a unit of state-owned China Railway Corp., plans to sell as many as 6.3 billion new shares, or 12.8% of enlarged capital, through the listing in Shanghai, according to its prospectus released Wednesday. Book building for the IPO will begin Jan. 6, it said. The company didn't say how much it aimed to raise through the sale.

The listing adds to signs that China is pushing to further open industries dominated by state-owned companies. Beijing on Sunday outlined plans to allow private-sector businesses to enter industries including energy, telecoms and rail, and on Tuesday, Premier Li Keqiang pledged to give foreign investors greater access to service sectors including finance and health care.

Those steps have come as a campaign to rein in China's shadow banking industry has sapped financing for many non-state firms and the trade war with the US has led some multinationals to reassess their investments. With economic growth at the slowest since the early 1990s, Beijing has sought to reassure these contingents and spur more capital spending.

Proceeds from Beijing-Shanghai High-Speed Railway's IPO will be used to help finance the acquisition of a 65.1% stake in a domestic railway operator for 50 billion yuan ($7.1 billion), according to the prospectus. Bloomberg News reported in late 2018 that the company was planning to raise 30 billion yuan. That amount would make it the largest domestic offering since Postal Savings Bank of China Co.'s $4.8 billion listing earlier this month, according to data compiled by *Bloomberg*.

China Securities Co. is the lead underwriter with Citic Securities Co. and China International Capital Corp. as joint sponsors. The IPO was approved in a record 23 days by the country's securities regulator.

China's high-speed railway network, at 35,000 kilometers, is by far the world's largest. The route between Beijing, the country's political center, and Shanghai, its financial hub, is one of the highest margin lines. Beijing-Shanghai High-Speed Railway reported more than a 30% net margin for 2018, with annual profit of 7.9 billion yuan, 9 billion yuan and 10 billion yuan for the past three years, its prospectus showed.

"We need to fight it (NPR). When they visit your home and ask for your name, give them some different name... For address say 7 RCR"

ARUNDHATI ROY, Author, activist

"We also wanted the NPR, but there was no NRC associated with it. They are bringing it together, which has made their intentions clear"

KAMAL NATH, Madhya Pradesh chief minister

"They (Opposition parties) are misleading the people. An attempt is being made to push the country into a spiral of violence"

SHIVRAJ SINGH CHOUHAN, Madhya Pradesh former chief minister

IN BRIEF

CBI to probe Yamuna E-way scam, books ex-CEO, 20 others

The CBI has taken over the investigation into the Yamuna Expressway Industrial Development Authority (YEIDA) land scam case and named former CEO P C Gupta and 20 others in its FIR, officials said on Wednesday.

According to procedure, the agency has re-registered the Uttar Pradesh Police's FIR that alleges YEIDA had paid ₹85.49 crore for 57.15 hectares of land in seven villages in Mathura for development activities around the 165-km long expressway connecting Greater Noida with Agra, they said.

Police had alleged that Gupta in criminal conspiracy with his relatives and associates first purchased the land from farmers and later sold it to YEIDA within four to six months of their purchase, causing loss to the exchequer. PTI

Maharashtra CM assures complete farm loan waiver

Maharashtra Chief Minister Uddhav Thackeray (*pictured*) on Wednesday assured a complete farm loan waiver in the state. Thackeray's statement came a day after the Shiv Sena-led government formally approved a loan waiver scheme under which short-term crop loan up to ₹2 lakh taken by farmers between April 1, 2015, and March 31, 2019, will be written off. PTI

NITI Aayog member makes a case for two slabs in GST

Government think-tank NITI Aayog member Ramesh Chand on Wednesday made a case for only two slabs under the goods and services tax regime against the multiple slabs currently, and said rates should be revised annually, if required. PTI

Andhra proposes ₹10k-cr seaport at Ramayapatnam

The Andhra Pradesh government is proposing to set up a Greenfield seaport at Ramayapatnam in Prakasam district at an outlay of ₹10,000 crore. It will be an all-weather port with world-class facilities. PTI

DPIIT will soon clarify on 26% FDI in digital media

The Department for Promotion of Industry and Internal Trade (DPIIT) is expected to soon issue a clarification on the issues raised by certain stakeholders over the government's decision to permit 26 per cent FDI in digital media sector, according to sources. PTI

Survey: AI workforce doubled in 2019, but vacancies remain

Even though the number of artificial intelligence (AI) professionals nearly doubled in 2019, there is still a dearth of quality talent, with about 2,500 AI-related jobs remaining unfulfilled, said education technology firm Greatlearning. The study says the AI industry has doubled in size with revenues of $415 million, compared to $230 million a year ago. It attributes most of this growth to experienced professionals who have upskilled themselves over the last few years. As many as 65 per cent of AI professionals have transitioned to their current role from other fields in two years, it found. PTI

NMDC's Tokisud, Rohne mines to be operational soon

State-owned mining major NMDC aims to start commercial operations at the two coal blocks allotted to it in Jharkhand last week by next 12 months, a company official has said. PTI

Govt reviews demand for drug price policy change

SOHINI DAS
Mumbai, 25 December

The government is reviewing the long-pending demand from drugmakers to implement any change in ceiling prices of drugs from the next batch, effective the date the change is made.

It is learnt that the National Pharmaceutical Pricing Authority (NPPA) is reviewing the proposal and would decide if any amendment needs to be brought in the Drug Price Control Order, 2013 (DPCO-2013).

If implemented, this could significantly bring down the number of cases of overcharging by the drug companies. "Many cases of drug overcharging happen as the drugmaker has not been able to recall and re-label an existing batch of medicines in circulation where the prices have been revised downwards," said an Ahmedabad-based drugmaker.

A senior government official said the industry has been requesting for an amendment to allow them to implement the price change from the next batch. "We have been considering it. Now the NPPA is reviewing it. We have to take a balanced decision as changes in the goods and services tax rates are also implemented immediately," he added.

At present, the drug price regulator NPPA allows prices of medicines under the National List of Essential Medicines (NLEM) to be altered once a year (on April 1). The prices of medicines under the NLEM either increase or decrease — depending on the wholesale price index. Ceiling prices are also reviewed from time to time by the regulator. Prices are fixed, based on market price-based formula, whereby the average of prices of all drugs in the market (with a market share of at least 1 per cent) is considered.

In years when the ceiling prices are brought down, the drugmakers face a logistical issue. They have to recall the medicines in circulation in the market and then re-label them with the revised prices. Failing to do so can attract punitive action from the government as the drugmaker would be caught overcharging from the ceiling price fixed by the NPPA. In case of upward price revision, the problem of overcharging does not happen.

Deepnath Roychowdhury, president, Indian Drug Manufacturers' Association, said, "Price changes be made applicable prospectively from the next batch. This will simplify implementation and ensure price reduction does not give rise to unnecessary and avoidable disputes." He added that it is logistically difficult to implement price reduction for stocks lying with the trade at different levels, including pharmacies across the country.

Another government official noted that one way to avoid disputes is if drugmakers can update prices on their websites for wholesalers and retailers and then the onus would be on the distribution system to ensure medicines are sold under new prices. This would do away with the logistical nightmare of recalling and re-packaging the drugs. The industry, however, is not so sure how this would work. "It is not easy to inform every retailer electronically. We will have to work out a solution," said an official from a mid-sized pharma company.

Meanwhile, the government is actively considering options, including a one-time settlement, to expedite the recovery of dues from drug companies that allegedly overcharged customers for medicines under price control.

The outstanding dues now stand at ₹5,476.9 crore, of which ₹4,032.5 crore is stuck in litigation. The recovery has been particularly dismal in the past three years. The number of cases of overcharging as of June 2019 was 2,038.

WHAT'S AILING INDUSTRY

- Drugmakers want any change in ceiling prices of drugs to be implemented from the next batch
- This could significantly bring down the number of cases of overcharging by drug firms
- Currently, the regulator allows prices of medicines under the NLEM to be altered once a year (on April 1)
- The prices of medicines either increase or decrease — depending on the wholesale price index
- In years when the ceiling prices are brought down, drugmakers have faced a logistical issue
- In case of upward price revision, the problem of overcharging does not happen

Bharat Bond ETF: Centre to exercise greenshoe option

JASH KRIPLANI
Mumbai, 25 December

The government has decided to exercise the greenshoe option and retain the excess subscription received in both the three- and 10-year series of the Bharat Bond Exchange-Traded Fund (ETF).

The three-year category received applications for units worth ₹6,982 crore, an over-subscription of 2.3 times against an issue size of ₹3,000 crore. The ten-year category received ₹5,413 crore, or 1.4 times the issue size of ₹4,000 crore.

With about 55,000 applications received, the new fund offering saw robust retail participation with strong support from digital channels.

The ETF opened on December 12. On the first day, institutional investors participated to build the anchor book.

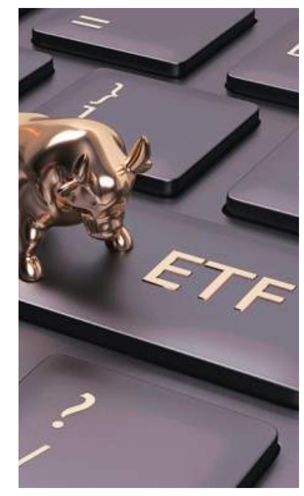
According to market sources, public and private sector banks, along with insurers, including Life Insurance Corporation of India, had participated in the anchor book of the ETF.

To allow access to investors without demat accounts, the ETF was also offered through a fund-of-fund structure by Edelweiss AMC.

Also, sources say, the ETF saw strong participation from non-resident investors, high-net-worth investors, top-tier companies and foreign institutional investors.

With the management fee pegged at a paltry 0.0005 percentage of the investor assets, there were question marks on how the distribution costs would get absorbed. Edelweiss AMC tapped digital platforms of Paytm Money, HDFC Securities, Zerodha and ICICI Securities for distribution of the ETF, besides other channels.

According to officials, depending upon the success of the product, the government may even consider making AA-rated PSU bonds part of the ETF. "For now, AAA-rated bonds have been included so that retail investors can repose their faith in the product," a source said.



Both three- and 10-year series of the ETF received bids in excess of the base issue size

FASTags to check toll underreporting

AMRITHA PILLAY
Mumbai, 25 December

The Union road ministry's effort for better movement of traffic on national highways through introduction of FASTags is expected to bring in accountability in toll collection. Industry officials and experts say the digital system will help check underreporting of toll payments.

The move is expected to bring in greater transparency and eliminate underreporting of toll collection by both contractors manning highways operated by the National Highways Authority of India (NHAI) as well as those of private concessionaires.

"When you leave an audit trail, it will bring some sanity in the system. If you look at FASTag penetration, it has gone up from 30 per cent to 55 per cent; revenue of the NHAI has gone up by 10 per cent. The only logical reason is that it was the amount of money that was being underreported," said Kushal Singh, partner, Deloitte, adding, "A vehicle being missed on a toll plaza is unheard of," implying the underreporting, if any, is deliberate.

In November, the road ministry had said all lanes (except one lane on each side) of fee plazas shall be declared 'FASTag lane of fee plaza' by December 1, 2019. The deadline was later extended to December 15. In its release, the ministry noted the move will help save time, pollution, and ensure seamless movement of traffic.

However, the immediate gains for the NHAI have also been monetary.

"FASTag has already resulted in higher toll revenue for NHAI, perhaps due to lower leakages or underreporting of toll collections," said Shailesh Pathak, chief executive officer for L&T Infrastructure Development Projects.

Industry sources add underreporting so far may have been prevalent in the form of under-classification of vehicles, undue exemptions, and in some cases by switching off the electronic monitoring system on some lanes.

Pathak added the transition to FASTag also helps save on cash-handling charges. "Companies like ours have enhanced user experience and reduced cash handling by two-thirds. This cuts down on potential malpractices, cash handling charges, and insurance," he said.

One is not sure if the transition to a cashless system will leave scope for investigation on previously underreported toll. "How does one start an investigation and prove the 10 additional vehicles reported now were also plying earlier before the introduction of FASTag?" asked Singh.

State road development companies in the past have floated tenders for engaging toll audit firms. These firms help assess traffic and hence, the toll collection due to the state body on stretches which have been bid out for toll collection to private concessionaires.

Both state agencies and the NHAI, however, allowed for less than 100 per cent accuracy in the data collected by these firms. Migration to FASTags across highways may bring more accuracy to such data.

BRINGING TRANSPARENCY

- FASTag penetration has gone up from 30 to 55% and NHAI's revenue has increased 10%
- Experts say transition to FASTag also helps save on cash-handling charges
- It may also bring more accuracy to the data collected by toll audit firms

Govt sets up panel for oil, gas disputes

PRESS TRUST OF INDIA
New Delhi, 25 December

With overhang of disputes choking investments in the oil and gas sector, the government has constituted an expert committee for time-bound resolution of exploration and production disputes without having to resort to the tardy judicial process.

The 'Committee of External Eminent Persons/Experts' for dispute resolution will comprise former oil secretary G C Chaturvedi, Oil India Ltd former head Bikash C Bora and Hindalco Industries Ltd Managing Director Satish Pai, according to an official notification. The panel will have a tenure of three years and the resolution will be attempted to be arrived at within 3 months. India's oil and gas sector has been plagued by disputes from cost recovery to production targets.

NTPC to invest ₹50K cr to add 10-Gw solar capacity by 2022

PRESS TRUST OF INDIA
New Delhi, 25 December

State-owned power giant NTPC is planning to add 10 Gw of solar energy generation capacity by 2022, which entails an investment of around ₹50,000 crore, to be funded mainly by green bonds, a source has said.

At present, NTPC has installed renewable energy capacity of 920 Mw, which includes mainly solar energy. It has formulated a long term plan to become a 130 Gw company by 2032 with 30 per cent non-fossil fuel or renewable energy capacity. "The firm is open to any borrowing option in the market, which is economical. However, it would mainly rely on green bonds which are offered for pure clean energy projects. The company wants to raise money through domestic as well as overseas green bonds," the source said.

The plan assumes significance in view of India's target of having 175 Gw of clean energy by 2022.

6 launch-vehicle missions, 7 satellites: Isro ends 2019 on a high note

At the beginning of the year, space agency said there's plans for 32 missions, including Chandrayaan-2

The launches started with the PSLV-C44 mission on January 24. It was the first mission of the PSLV-DL. The rocket carried Microsat-R, an imaging satellite, and Kalamsat, a student satellite, to the Sun Synchronous Polar Orbit

T E NARASIMHAN
Chennai, 25 December

Despite the setback in Chandrayaan-2, the Indian Space Research Organisation (Isro) has completed this year with 13 missions — six launch-vehicle and seven satellite.

The number is smaller than its equivalent in previous year, 2018, when it completed 16 missions and its initial targets. This is because the space agency was busy preparing for major milestones including the launch of Chandrayaan-2, the first human space programme Gaganyaan, and its mission to the Sun, which is Aditya-1.

At the beginning of this year, Isro said it had plans for 32 missions (14 launch-vehicle, 17 satellite, and one technology-demonstration) in 2019, including the complex Chandrayaan-2 and the development flights of the Small Satellite Launch Vehicle (SSLV), the new member to the Launch Vehicle family.

Isro started this year not with a launch but by signing agreements to outsource the production of the Polar Satellite Launch Vehicle (PSLV), its reliable launch vehicle. This is the first major breakthrough, because it will help Isro to focus on satellite applications rather than rockets. It will save time and resources, especially human resources, said K Sivan, chairman, Isro.

The year ended with the launch of the PSLV's 50th mission. The rocket PSLV-C48 placed India's latest spy satellite RISAT-2BR1 and nine other foreign satellites on their orbits

The Central government has approved advanced, time-bound projects including the commercialisation of GSLV Mk III, design and development of the semi-cryo stage, the Gaganyaan human space mission, and other advanced space exploration missions.

"The limited resources of Isro will be utilised for these projects. At the same time, the regular production of the PSLV will be realised by an industry consortium and Isro will do mission analysis and planning and configuration controls," said Sivan.

The agency also strengthened its collaboration with academia by announcing six Isro Research Chairs to cater for the emerging technology development needs and incubation centres across the country.

The launches started with the PSLV-C44 mission on January 24. It was the first mission of the PSLV-DL and is a new variant of the PSLV. The rocket carried Microsat-R, an imaging satellite, and Kalamsat, a student satellite to the Sun Synchronous Polar Orbit.

While in the next four months the space agency had three launches, including a satellite launch in French Guiana, Isro signed an MoU with the Indian Air Force for cooperation in crew selection and training for the Gaganyaan Project, the country's Human Space Programme, targeted for 2022.

The government announced the formation of NewSpace India in March, with its business plan identical to that of Antrix Corporation, the first commercial arm of Isro. It will be a nodal agency for the PSLV.

From June to September, Isro's focus was largely on Chandrayaan-2, which, Isro said, was a greater technical challenge than the controlled crash of its predecessor. Isro attempted to land its lander on the South Pole of the moon, which no country explored with a landing. On July 15, the mission was called off as Isro found a technical slag. After correcting the issue, Chandrayaan-2 was launched on July 22 for a 48-day journey.

While the Orbiter was inserted into the lunar orbit on September 2 successfully, Isro's attempt to soft-land its lander Vikram on the moon could not succeed. With the fuel available, the life of the orbiter could be seven years instead of the scheduled five.

After this setback Isro launched PSLV-C47, which carried Cartosat-3 and 13, both nanosatellites, in the US. Cartosat-3 is the third-generation agile advanced earth observation satellite, having a high-resolution imaging capability. The mission life of the satellite is five years. Besides its civilian use for large-scale urban planning, coastal land use, rural resource and infrastructure development, the satellite will increase the space-surveillance capability of the security forces.

The year ended with the launch of the PSLV's 50th mission. The rocket PSLV-C48 placed India's latest spy satellite RISAT-2BR1 and nine other foreign satellites on their orbits.

Sivan said this would be the last launch in the year.

Banks miss RBI deadlines on ATM security, logistics

RAGHU MOHAN
New Delhi, 25 December

The Reserve Bank of India's (RBI's) and Ministry of Home Affairs' (MHA's) circulars pertaining to the security features of automated teller machines (ATMs) and business logistics have gone unheeded.

These circulars, issued between April 2018 and August 2019, concern issues ranging from Windows 7 software upgrades at ATMs, anti-skimming card-readers to enhanced security details to be complied with by cash-in-transit firms.

Banks are now set to miss the Windows 7 software upgrade deadline of January 2020, even as complaints received by the banking ombudsman on ATM and debit-card transactions rose to 36,539 in 2018-19 (FY19), from 24,672 in 2017-18, according to the RBI's Report on Trend and Progress of Banking in India (FY19).

Non-adherence to the regulatory diktats is a reflection of the turmoil in the ATM business. It started with the central bank's white-label ATM policy, which allowed non-banks to come in a big way, given that a lot of banks were not willing to go deep into rural areas. "The interchange fee then was pegged at ₹18, but it went down to ₹15 and impacted the whole business model," says an industry source. Repeated lobbying attempts to hike the interchange to ₹18 have not borne fruit.

The central bank in its circular of June 21, 2018, had called for banks' attention to their non-adherence of the standards set by it despite repeated confidential advisories of March 6 and November 1, 2017.

"The slow progress on the part of banks in addressing these issues has been viewed seriously by the RBI. The vulnerability arising from the banks' ATMs operating on unsupported version of operating system and non-implementation of other security measures, could potentially affect the interests of the banks' customers adversely, apart from such occurrences, if any, impinging on the image of the bank".

An earlier circular issued on April 12, 2018, on lockable cassettes in ATMs instead of open-cash replenishment has also not been fully complied with. Banks had sought the intervention of the Ministry of Finance, given the costs involved, which has been estimated to be around ₹6,000 crore for the industry. By 2020-21, 60 per cent of ATMs were to be serviced through cassette swapping, but this deadline is also set to be missed.

Another pain-point is the central bank's circular of April 6, 2018, asking cash logistics companies to maintain a minimum fleet size of 300 — owned or leased — comprising specifically fabricated light commercial vehicles. The MHA notification on August 8, 2018, reiterated the conditions set forth in the RBI circular. The deadline for this expired a year ago.

SIMPLY STUCK

- RBI wanted anti-skimming card readers
- Windows 7 upgrade (extended warranty allowed, but has to be bought)
- Banks still not fully Europay, Mastercard, Visa-compliant
- Nearly 50% of the 221,579 ATMs don't have a one-time combination lock
- Mandatory grouting of ATMs to wall, pillar or floor not completed
- Cassette-swapping not rolled as it costs anywhere between ₹40,000 and ₹80,000 per ATM
- Cash logistics companies yet to comply with high-security light commercial vehicles

Bad loans bought by ARCs rise 17.4%

ABHIJIT LELE
Mumbai, 25 December

The total of loans classified as non-performing by lenders and acquired by asset reconstruction companies (ARCs) rose 17.4 per cent to ₹3.8 trillion in the 12 months ended June 2019.

However, the amount they bought of such non-performing assets (NPAs) in the 12-month period was less, at ₹57,506 crore, from the ₹67,830 crore they acquired in the previous such one-year period.

According to the Reserve Bank of India (RBI) data, security receipts (SRs) redeemed by ARCs jumped to ₹12,906 crore as on June 2019, from ₹8,830 crore in June 2018.

This is payout to the investors in the SRs, says the report on *Trend and progress on banking in India 2018-19*, issued on Tuesday. Unredeemed SRs rose to ₹114,615 crore in June, from ₹98,118 crore a year ago.

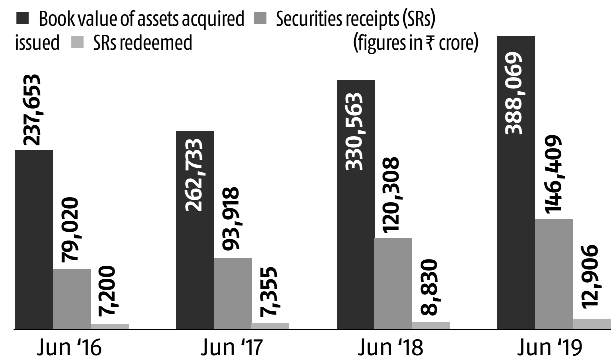
As cases referred for recovery through legal mechanisms shot up, cleaning up of balance sheets via sale of stressed assets to ARCs decelerated on a year-on-year basis, and declined as a proportion to gross NPAs at the beginning of 2018-19.

However, the acquisition cost of ARCs as a proportion to the book value of assets increased further, indicating banks had to incur less of write-offs on account of these sales.

The share of subscriptions by banks to SRs issued by ARCs declined to 69.5 per cent by end-June, from 79.8 per cent a year ago. This was in line with the agenda to reduce their investments in SRs and to diversify the investor base in these, says the RBI.

The amount they bought of such NPAs in the 12-month period was less, at ₹57,506 cr, from the ₹67,830 cr they acquired in the previous such one-year period

ARCs' PERFORMANCE AT GLANCE



Source: RBI

RECOVERY OF STRESSED ASSETS IMPROVED MARGINALLY IN FY19 DRIVEN BY IBC, SAYS RESERVE BANK

In 2018-19 (FY19), the recovery of stressed assets increased marginally, mainly driven by resolutions under the Insolvency and Bankruptcy Code (IBC). Cases referred for recovery under various mechanisms grew over 27% in volume and tripled in value during the year, leading to a pile-up of bankruptcy proceedings. In FY19, around ₹8.15 trillion worth of stressed assets were involved in the recovery process, up more than 200% from ₹2.70 trillion in 2017-18. The amount involved under IBC was ₹1.66 trillion and more than ₹70,819 crore was recovered, with a recovery rate of 42.5%. However, recovery rates yielded by major resolution mechanisms (except Lok Adalats) declined in FY19, especially through the Securitisation and Reconstruction of Financial Assets and Enforcement of Securities Interest mechanism. SUBRATA PANDA

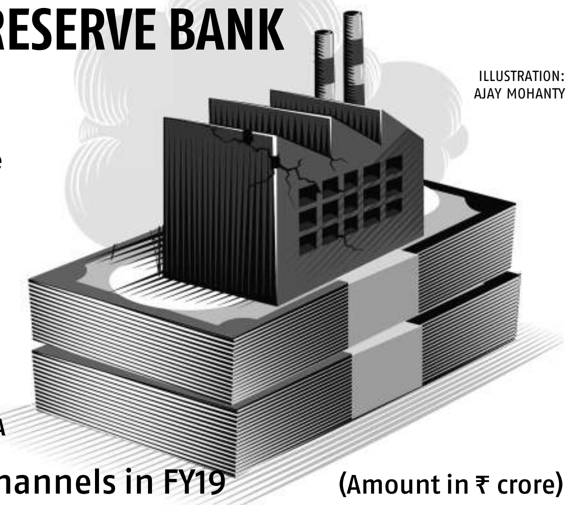


ILLUSTRATION: AJAY MOHANTY

NPAs of SCBs recovered through various channels in FY19 (Amount in ₹ crore)

	2017-18				2018-19			
	No. of cases referred	Amount involved	Amount recovered	Amt recovered as % of amt involved	No. of cases referred	Amount involved	Amount recovered	Amt recovered as % of amt involved
Lok Adalats	3,317,897	45,728	1,811	4.0	4,080,947	53,506	2,816	5.3
DRTs	29,345	1,33,095	7,235	5.4	52,175	3,06,499	10,574	3.5
SARFAESI Act	91,330	81,879	26,380	32.0	248,312	2,89,073	41,876	14.5
IBC	704*	9,929	4,926	49.6	1,135*	1,66,600	70,819	42.5
Total	**3,439,276**	**2,70,631**	**40,352**	**14.9**	**4,382,569**	**8,15,678**	**1,26,085**	**15.5**

DRTs: Debt recovery tribunals; SARFAESI Act: Securitisation and Reconstruction of Financial Assets and Enforcement of Securities Interest Act, 2002
*Cases admitted by National Company Law Tribunals; SCBs: Scheduled Commercial Banks
Sources: Offsite returns, RBI, Insolvency and Bankruptcy Board of India

Free BharatNet WiFi to all villages till March' 20

WiFi services being provided through BharatNet in villages across India will be free of charge till March 2020, Telecom and Information Technology Minister Ravi Shankar Prasad *(pictured)* said on Wednesday.

"We have already connected 130,000 *gram panchayat*s through BharatNet optical fibre network... Our target is to take this to 250,000 *gram panchayat*s. To promote utilisation of BharatNet services, we will provide WiFi free in all villages connected through BharatNet till March 2020," the minister said.

Currently, 48,000 villages connected under the BharatNet project have WiFi access.

The minister said all common service centres (CSCs) will offer banking services. As such, CSCs act as access points for delivery of digital services and the number of these centres has increased from about 60,000 in 2014 to 360,000 currently.

Haryana itself has 11,000 CSCs offering an array of 650 services. PTI

'IT DOESN'T MATTER IF IT'S CHRISTMAS'

Hong Kong anti-government protesters marched through Christmas-decorated shopping centres on Wednesday, chanting pro-democracy slogans and forcing one mall to close early, as police fired tear gas to disperse crowds gathering on nearby streets. The protests have turned more confrontational over the festive season, though earlier in December they had been largely peaceful after pro-democracy candidates overwhelmingly won district council elections. Despite the embarrassing results, Hong Kong's pro-Beijing leaders have made no new concessions. Riot police patrolled several neighbourhoods while tourists and shoppers, many wearing Santa hats or reindeer antlers, strolled past. PHOTO: REUTERS

Reasons COP25 climate talks failed

AFP/PTI
Paris, 25 December

The climate summit in Madrid earlier this month did not collapse — but by almost any measure it certainly failed.

Five years after the fragile UN process yielded the world's first universal climate treaty, COP25 was billed as a mopping-up session to finish guidelines for carbon markets, thus completing the Paris Agreement rulebook.

Governments faced with a crescendo of deadly weather, dire alarms from science and weekly strikes by millions of young people were also expected to signal an enhanced willingness to tackle the climate crisis threatening to unravel civilisation as we know it.

The result? A deadlock and a dodge.

The 12-day talks extended two days into overtime but still punted the carbon market conundrum to next year's COP26 in Glasgow.

A non-binding pledge, meanwhile, to revisit deeply inadequate national plans for slashing greenhouse gas emissions was apparently too big an ask.

The European Union was the only major emitter to step up with an ambitious mid-century target ("net zero"), and even then it was over the objection of Poland and without a crucial midway marker. UN Secretary-General Antonio Guterres labelled COP25 "disappointing". Others were more blunt.

"The can-do spirit that birthed the Paris Agreement feels like a distant memory," said Helen Mountford of Washington-based think tank World Resources Institute (WRI).

"The world is screaming out for climate action but this summit has responded with a whisper," noted Chema Vera, executive director of Oxfam International.

So what went wrong?

These factors contributed to the Madrid meltdown.

Amateur hour

To an unsettling degree, the outcome of a UN climate summit — where 196 nations must sign off on every decision — depends on the savvy and skill of the host country, which acts as a facilitator.

The stars were not aligned for the chaotic Copenhagen summit of 2009 and the Danish prime minister's less-than-deft manoeuvering did not help. By contrast, the 2015 climate treaty was in no small measure made possible by France's diplomatic tour-de-force.

Fox in the henhouse

Among the nearly 30,000 diplomats, experts, activists and journalists accredited to attend the summit were hundreds of high-octane fossil fuel lobbyists.

They are collectively the elephant in the room: everyone knows what causes climate change but it is considered impolitic within the UN climate bubble to point fingers.

The Trump effect

On November 4, 2020 - the day after US voters will renew Donald Trump's mandate or turn him out of office - the United States is set to formally withdraw from the Paris Agreement. It will be the second time that a Republican White House has plunged a dagger in the heart of a climate treaty nurtured by the Democratic administration that preceded it — the Kyoto Protocol was the previous one.

From the moment Trump was elected — on Day Two of COP22 in Marrakesh — advocates of climate action have played down the negative impact of the world's largest economy and second biggest carbon polluter pulling out of the Paris deal. But the corrosive "Trump effect" was palpable in Madrid, as was the anger at Washington for twisting arms even as it walked out the door.

Erdogan discusses Libya ceasefire during surprise Tunisia trip

Turkish President Tayyip Erdogan paid a surprise visit to Tunisia on Wednesday to discuss cooperation for a possible ceasefire in neighbouring Libya, where Ankara supports the internationally recognised government.

Erdogan, speaking at a joint news conference with Tunisia's President Kais Saied, also reaffirmed Ankara's willingness to send troops to Libya if it received such a request.

Erdogan's visit to Tunis came a month after Turkey and Libya signed two separate accords, one on maritime boundaries in the eastern Mediterranean and another on security and military cooperation.

Turkey backs Fayez al-Serraj's Government of National Accord (GNA), which has been fending off a months-long offensive by Khalifa Haftar's forces in eastern Libya.

Erdogan, the first head of state to visit Tunis since Saied's landslide election win in October, said the developments in Libya were having a negative impact on neighbouring states, including Tunisia.

REUTERS

China vows to improve bond handling as defaults hit record

BLOOMBERG
25 December

China's financial regulators are calling for more transparent and fair handling of defaults to restore investor confidence in the world's second-largest bond market, after repayment failures hit a record high this year.

Senior officials from the central bank, the securities regulatory body, the supreme court and other departments discussed court-mediated dispute resolution concerning bond defaults at a symposium in Beijing on Tuesday, according to a statement posted on the website of People's Bank of China.

Improving the mechanism of handling bond defaults will be essential to prevent and resolve financial risks, and it must be done in a way that is market based and respects the rule of law, the statement cited Liu Guoqiang, a deputy central bank governor, as saying at the meeting. Zou Lan, a senior official of the People's Bank of China in charge of financial markets, urged more efficient tackling of repayment failures at the same gathering, the state-run Financial News reported Wednesday.

China's onshore bond defaults have exceeded 130 billion yuan so far this year, surpassing the previous annual high of 122 billion yuan reached in 2018, according to data complied by *Bloomberg*. The wave of missed repayments has raised concerns over refinancing risks and the government's ability to keep financial markets stable amid slowing economic growth.

All bondholders must be treated on an equal footing in the process of settling default disputes, Liu was also cited as saying in the statement.

Needed: Seamless internet

In times of need, access to internet should be widened to scotch rumours and fake news and not the other way round

NOT FOR PROFIT

NIVEDITA MOOKERJI

As another year comes to a close, wish lists are being drawn up in plenty all over the place for 2020. If there could be any pecking order for wish lists, my top choice would be a ban on internet shutdown, whether it's Delhi or Kashmir, Uttar Pradesh or Kerala. Even though the government motivation to stop internet is mostly driven by its desire to check violence or maybe public unrest by restricting social media, the outcome of an internet shutdown is catastrophic to put it mildly.

As we saw in some parts of the country recently, including in NCR that houses a fairly large number of professionals working in India's capital city, no internet meant no cab booking on the mobile app, which has emerged as the most popular mode of travel for many however much you may hate Uber, Ola and the like. No internet also meant no food ordering on a click, even if Swiggy and Zomato are the only names one remembers while hungry, irrespective of the nature of meals they aggregate and deliver. Add to that the challenge of e-commerce and m-commerce. While home-grown traders must have rejoiced at the thought of Amazon and Walmart-owned Flipkart losing business due to no internet, it's the consumer who lost out big time. With no internet, banking too was at a standstill for those who got used to transacting online. Digital payment was a casualty as well and cash was again the only go-to option. So many other services, which are supposed to ensure safety and convenience for the people of the country, went for a toss.

It was then that it occurred in real sense what Kashmir might have been going through for months. Often cut off from the mainstream, Kashmir is like a different universe and its issues rather remote to most. The Internet shutdown, following the nationwide protests against the citizenship law, brought Kashmir and its problems closer home. Kashmir has been dealing with no internet and restricted phone connectivity for long, but it was a matter of intellectual debate only, till recently. Not anymore.

The government should think before shutting down internet as the country aspires to go up the rankings in World Bank's ease of doing business. India is still not in the top 50 club of countries. Blocking internet, for whatever reason, will not help the country in achieving its goals. With international press watching India-related developments closely, cutting off internet connection will only have an adverse impact on the future ease of doing business rankings.

Besides, some of the flagship government schemes like Digital India and Start Up India would have no relevance left if internet continues to be treated like a state-run commodity, if not a "walled garden". The same goes for the government effort to reduce the use of cash. If demonetisation forced us to adopt non-cash methods, any further clampdown on Internet will move us away from digital payments.

Since the ruling Bharatiya Janata Party (BJP) promised red carpet for investors before it was elected to power in 2014, any going back on that promise might not be a good idea. Also, breaking the silence of the previous UPA government, the Narendra Modi regime went on a social media high to reach out to the people of the country like never before. Prime Minister Narendra Modi has shown the way to exploit all possible digital platforms—Twitter to FaceBook, MyGov.in to the app named after him—to talk about the achievements of the government and to even crowd source for all major schemes and programmes. It's odd for such a big backer of all things digital to shut down Internet and block data that should be flowing free.

India wants to be a $5 trillion economy and as the PM himself said recently, it would mean a much higher degree of ease of living. Indeed, one thing should lead to the other. But the dream of $5 trillion economy may remain a dream if curbs are imposed on internet and data. Data is the new oil, as many have authoritatively pointed out. If that is so, why should there be any restriction on data or internet at any time? To be able to belong to a first world club, the state machineries should not mess around with internet. In times of national contingency or for security, access to internet should widen to scotch rumours and "fake news" if at all, and not the other way round.

CHINESE WHISPERS

Matchmaking for cows

Owners of cows in Madhya Pradesh can now find perfect matches for them, thanks to the animal husbandry department, which has complied a matchmaking database of some 200 bulls. The database, called 'sire directory', contains copious amount of information on the bulls. The information is divided into three parts. The first deals with the breed, parentage and age of the bulls. The second is about the milk production capacity of the mother and the fat percentage in the milk. The third details tests undertaken to ascertain diseases. The directory would be updated regularly and put online for better access.

New Year's gift

With a new government in place, Maharashtra has allowed hotels to remain open till 5 am during Christmas and the same rule would apply on New Year's Eve as well. Aditya Thackeray, son of chief minister, Uddhav Thackeray, had promised that hotels would remain open 24 hours and that would be the first step towards making Mumbai a global city.

BJP's CAA outreach

Following widespread anti-Citizenship Amendment Act protests and the closing of ranks by the Opposition parties in the state, Uttar Pradesh's ruling Bharatiya Janata Party has taken many fire-fighting measures, including an extensive outreach programme especially among the minorities and the rural people. State Deputy Chief Minister Dinesh Sharma has met prominent Muslim clerics in Lucknow to assure them that there was nothing against the community in the new Act. Next, party leaders plan to hit the streets to reach out to 5 million households in 100,000 villages across the state to clear misgivings on the issue. During the month-long drive, senior party leaders would also address the local media at the various district headquarters.

Cross-border love for Indian start-ups

Not just from the likes of Alibaba and Didi Chuxing, Indian start-ups saw a surge in Chinese funding from financial investors this year

T E NARASIMHAN

The year may not have been a great one for Indian industry, but start-ups saw a surge in funding from one particular country:China.

The past year has seen large amounts of Chinese cash flow into Indian start-ups: Investments from China rose nearly 94 per cent to $3,916 million, from $2020 million last year, according to private equity database supplier Venture Intelligence. This is a sevenfold jump from $459 million in 2016.

Chinese investors are pouring money into the country at a time when PE/VC investments from the US and Europe are slowing. US investors infused around $9.18 billion in 2019 so far in 331 deals, as against a five-year high of $10.52 billion in 320 deals in the entire year in 2018.

TAKE TWO

This funding surge is vastly different from what the country has seen before. Up until now, Chinese investment was made into Indian unicorns primarily by technology majors: Tencent and Didi Chuxing in Ola, and e-commerce giant Alibaba, along with its affiliate Ant Financial, in Zomato.

The flood of money this time round is coming from financial investors looking to diversify their portfolio or pick up stake in promising start-ups for long-term investment. Shunwei Capital, which has been established by the founder of Xiaomi, China Lodging Group and China-Eurasia Economic Cooperation Fund and Baring Asia, among others, are among the new investors.

The most recent entrant is Ping An Global Voyager Fund, which has invested around $250 million across Europe, China and Israel. Along with other investors Ping An invested $70 million in Jaipur-based CarDekho, an autotech company, earlier this month. This is its first investment in India and the fund has lined up $20-$35 million more for the country.

What's interesting is that these investors are willing to look past the current economic slowdown. "The country is just far too significant a player to ignore on the basis of macroeconomic concerns or cultural differences," says Donald Lacey, COO & MD, Ping An Global Voyager.

"The Chinese investors perceive a tremendous amount of long-term opportunity, rooted in demographics, technology know-how, and a strong roster of high-quality entrepreneurs and new companies," he adds.

One can hear an echo of his words at Beijing-headquartered Fosun RZ Capital, an affiliate of Fosun Group, an active VC firm in India.

Tej Kapoor, managing director and head of Fosun RZ Capital India, says investors see India as the next China. The group, which has invested in online travel and hotel booking firm Ixigo, logistics firm Delhivery and online parenting network Mylo, among others, has made three investments in India in 2019.

The India opportunity also comes from the country being a land of big contrast. On the one side is its IT and pharmaceutical industry that have become global giants and, on the other, there are huge gaps in infrastructure, health and transportation.

"New enterprises are urgently needed to explore the Indian market and fill gaps. Due to the current lower valuations and greater potential of Indian Internet companies, the fund believes it is an excellent opportunity to enter the market right now," says Kapoor.

The adoption of tech and growth of tech companies in China have been massive. The Chinese investors see a way in replicating the same in India, given the gap. Many of these investors are from Chinese corporations as against pure financial ones.

"Massive amount of money is being invested by corporations, who get the expertise, technology, know-how and reach in foreign markets that give their portfolio companies a chance to grow and expand beyond their domestic borders," says Rajat Tandon, president, Indian Private Equity and Venture Capital Association (IVCA).

In terms of sectors, information technology will remain on the top of the agenda for Chinese investors in India. There have been quite a few tech and e-commerce investments and the sector will continue to attract more funding.

The growing distrust between the US and China, as the two countries fight a prolonged trade war, is also helping India's case as the country is now seen as a de-risking strategy for both strategic and financial investors, says Tandon. Most of these investors are here for the long-term and not in the business of timing the market for quick wins, he adds.

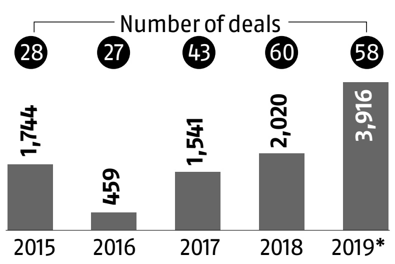
Beyond funding expansion within India, Chinese investors are also helping domestic start-ups to expand in China by providing distribution reach or even becoming anchor customers for some types of solutions. The CarDekho-Ping An deal has been able to do just this. "We have been extremely impressed with the business CarDekho has built in India, particularly its success in developing different types of financial services offerings to address car buyers' needs," says Lacey.

Ping An insures roughly one out of every seven people in China and employs one out of every thousand Chinese. It also provides technology solutions through OneConnect business to over 600 banks, 84 insurers, and several thousand finance companies in China. So it can be a powerful route to scale in China, which, unlike India, is a market outsiders have often struggled to penetrate.

It also brings to the table technology and R&D support for tech start-ups via its eight research institutes around the world, and a portfolio of 20,000 patents related to AI, ML, fintech and health-tech. That's a lot of additional potential tech horsepower that smaller, resource-constrained companies can benefit from.

Ping An invested $70 million in Jaipur-based CarDekho earlier this month. This is its first investment in India

VOLUME OF CHINESE PE-VC INVESTMENT IN INDIAN FIRMS



TOP CHINESE PE-VC INVESTMENT IN INDIAN COMPANIES IN 2019

Company	Investors	Amount ($Mn)
GMR Airports Holding	SSG Capital, GIC, Others	1,143
PayTM	Alibaba, SoftBank Corp, Others	1,000
CitiusTech	Baring Asia	880
NIIT Technologies	Baring Asia	872
Udaan	GGV Capital, Altimeter Capital, Tencent, Hillhouse Capital, DST Global, Lightspeed Ventures, Others	586

* YTD

Source: Venture Intelligence

INSIGHT

Does IBC work for financial firms?

The economy might be better off with a dedicated legal regime for the resolution of financial service providers and financial market infrastructure

PRATIK DATTA & VARUN MARWAH

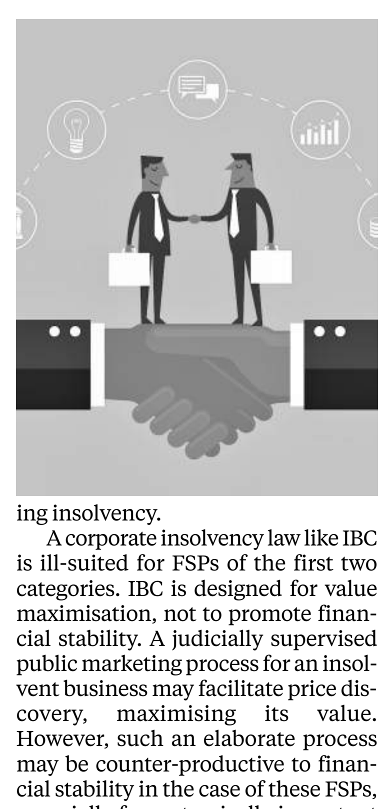
Dewan Housing Finance Company Ltd. (DHFL) has become the first financial service provider (FSP) to undergo resolution under the new framework for FSPs. Regulated FSPs, such as banks, insurance companies, non-banking financial companies (NBFCs) etc. were initially kept outside the Insolvency and Bankruptcy Code, 2016 (IBC). It is evident from recent developments that the government has reconsidered this position. The IBC has been extended to NBFCs and housing finance companies (HFCs) with assets more than ₹500 crore. Against this backdrop, it is worthwhile to understand why FSPs are unique and what could possibly go wrong if their resolution happens under the IBC in its current form.

Various FSPs constitute the financial system. This financial system helps channel capital from savers to entrepreneurs for productive use. The failure of certain FSPs could reduce the aggregate capital available for productive use by entrepreneurs in an economy, seriously impairing economic growth. A problem of such magnitude is unlikely to arise due to the failure of any real sector company. This is a fundamental difference between FSPs and other real sector companies.

FSPs are of three broad types. First, some FSPs such as banks use their balance sheet to engage in liquidity transformation, maturity transformation and credit transformation. Similarly, FSPs such as insurance companies use their balance sheet to engage in risk transformation. These unique features make the business model of such FSPs extremely fragile. Moreover, such FSPs are usually highly interconnected with other such FSPs through their assets and liabilities. Insolvency of one might trigger a contagion across the financial system, jeopardising efficient allocation of capital across the economy. Evidently, these FSPs raise unique issues in insolvency.

Second, certain FSPs are only service providers, such as the financial market infrastructure (FMIs). They may also face counter-party default risks. These risks are magnified if the pre-funded financial resources or liquidity arrangements to deal with default-related shortfalls prove insufficient. They also face operational risks. Materialisation of such risks could be devastating for systemically important FMIs. These may raise special concerns in insolvency.

Third, some FSPs are pass-through entities such as mutual funds, brokers, pension funds etc. These FSPs pass investment risk through to their end-investors. Moreover, their client accounts are usually segregated from their proprietary account. Usually, they are not exposed to the balance-sheet risks discussed above. Only operational risks could push them into insolvency. Therefore, these FSPs usually do not raise any unique issue during insolvency.



A corporate insolvency law like IBC is ill-suited for FSPs of the first two categories. IBC is designed for value maximisation, not to promote financial stability. A judicially supervised public marketing process for an insolvent business may facilitate price discovery, maximising its value. However, such an elaborate process may be counter-productive to financial stability in the case of these FSPs, especially for systemically important financial institutions (SIFIs). Instead, a swifter resolution through a less transparent mechanism may be desirable. For instance, bank resolutions are typically executed by a regulator over a weekend.

Moreover, a collective resolution process driven by a committee of creditors (CoC) is unsuitable for these FSPs. For instance, in the case of NBFCs, it is likely that the CoC would comprise of banks and other NBFCs that may often be competitors to the insolvent NBFC, creating perverse incentives at the time of voting. Also, coordination costs for retail depositors or insurance policyholders may be extremely high. Moreover, such creditors would be motivated by their immediate considerations and may not be concerned about financial stability. Therefore, the creditor-in-control regime under IBC is not designed to address financial stability concerns that arise during insolvency of these FSPs.

Finally, under the IBC regime, resolution can be triggered only after a default. This arrangement may be fine for real sector companies. But for these FSPs, it may be useful to take corrective measures before they default. A default or even its mere possibility could cause a run on the FSPs with extremely short-term liabilities, which may put financial stability at risk.

The special treatment needed for FSPs has been acknowledged by Indian policy-makers in the past. The Financial Resolution and Deposit Insurance (FRDI) Bill was introduced in Parliament in 2017 but was withdrawn. The FRDI Bill had proposed the creation of a separate resolution authority, which steps in at advanced stages of stress. The resolution authority was designed to swiftly and efficiently resolve the distressed FSP, and protect the interests of unsophisticated consumers. Policy-makers should consider reviving the FRDI Bill. In the long run, the Indian economy may be better off with a dedicated legal regime for the resolution of balance sheet-based FSPs and FMIs.

(The authors are grateful to Sudarshan Sen & Prashant Saran)

Datta is a senior research fellow & Marwah is a research fellow at Shardul Amarchand Mangaldas & Co. Views are personal

LETTERS

Playing with numbers

This refers to "Addressing the great slowdown" (December 24). While the don'ts prescription looks laudable, in the dos list, the authors seem to be extra cautious and relied only on conventional first-aid remedies like putting bad loans in isolation wards (two 'bad' banks are suggested) and providing incentives to participants. The reluctance of economists and media analysts to even consider options like levying agriculture income tax, exploiting the possibility of mainstreaming the idle unaccounted for domestic gold stock (estimated at 24,000 tonnes or upwards) and forcing the rich who have lakhs of crores stashed in foreign banks to come clean by paying taxes and legitimising their assets abroad is intriguing.

M G Warrier Mumbai

Hidden purpose

This refers to the "Peacenick Mayawati" (December 24). Given the track record of her political career, otherwise overambitious Mayawati is apparently ambivalent about the Citizenship Amendment Act not because of her respect for constitutional values but because of her undisclosed long-term political interests. Her double-track politics only reflects her opportunism.

It is an open secret that in the last Assembly elections in UP, Mayawati's refusal to have the Congress party on board in her alliance with the Samajwadi Party had benefitted the BJP electorally. As a result, it is now widely believed that her contrarian agenda in the opposition parties' moves against the BJP-led NDA government is meant to bail it out of a difficult situation. In return, this government will respond to her underhand gesture by holding its investigating and agencies back from harassing her.

Tarsem Singh Hoshiarpur

Insensitive action

It is a matter of shame that a 24-year old German student pursuing his post-graduation at IIT Madras was summarily asked to leave the country by the Immigration Bureau officials for having committed the sin of participating in protests against the Citizenship (Amendment) Act. It is ironical that a German student should have been subjected to such a harsh treatment. After all, the IIT-M owes its existence to technical and financial assistance from the former government of West Germany the largest educational project sponsored by West Germany outside their country. The student’s act, in no way, had the potential of even remotely causing any prejudice to our national interest. Yet, if indeed there was a violation of visa conditions, his apology should have been gracefully accepted and he should have been let-off with a warning.

S K Choudhury Bengaluru

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HAMBONE

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Depoliticise power

Power sector's structural problems are revealed again

When the Ujwal DISCOM Assurance Yojana (UDAY) was rolled out by the government in 2015 to revive the power sector, many observers pointed out that it was merely pushing the problems down the road, rather than providing an effective solution. This had been done twice before when power distribution companies (discoms) had been bailed out and then found themselves back in trouble. As predicted, UDAY's benefits have ceased to operate, and the power sector is once again in trouble. Although the UDAY scheme had moved discom debts to the states' balance sheets, it had not done enough to address the fundamental imbalance between the cost (average cost of supply, or ACS) and the sale price (average realisable revenue) of power in many states. Thus, discoms are once again weighed down by losses (in FY19, the figure has nearly doubled from the previous year) and are struggling to buy power in the open market or meet their obligations. Discoms were also given the goal of reducing their transmission and distribution losses to 15 per cent by 2018-19, but failed to meet the target.

The problem with the UDAY scheme was that it relied on compliance by discoms and state governments even though it had become amply clear over the years that such compliance was not in their interest. The incentives built into the scheme for the utilities to address their funding gap were simply not structured well enough — and, as a consequence, discoms were more willing to miss payments to generation companies than to address their own structural problems. The problems then ripple upstream to generation companies that find themselves short of their planned revenue, and then miss interest payments. This has led most recently to a crisis in India's renewable energy sector — solar and wind power companies are owed around ₹70,000 crore by discoms. Attempts are being made to address this problem directly. Mandates to pay in advance have not worked, so suggestions are being made regarding escrow mechanisms. But, again, this does not necessarily fix the structural problems in the sector, which will undoubtedly recur.

There were certain basic principles that underlay the planning of the Electricity Act, 2003, and these principles should be revisited and operationalised. First, constraints on open access should be revisited. Currently, discoms are unhappy that some large consumers switch from their tariffs to the open power market depending upon relative prices. This issue can be easily addressed by enforcing time limits on open access choices. But all state utilities should then ensure that wheeling and other charges are within reasonable limits. Second, the issue of stranded assets in power, including high-cost legacy thermal power purchase agreements, should be addressed centrally. If recent technological changes have rendered past power purchase agreements unprofitable, then rather than states being burdened or unilaterally reneging on contracts, a consistent and transparent mechanism for renegotiation or buyouts should be adopted. And, finally, the promise of depoliticising tariffs should be actually operationalised. State electricity regulators have effectively been captured by politicians, and tariff choices are too often determined by political requirements rather than technical and economic constraints. The method of selection of such regulators, currently dominated by government nominees, will have to be changed.

Half-baked idea

Distributing livestock products through PDS is impractical

The proposal to subsidise protein-rich foods such as meat, fish, chicken and eggs for supply through the public distribution system (PDS) being considered by the National Institution for Transforming India (NITI) Aayog, seems outright utopian. No doubt, the need to promote the intake of protein-rich food cannot be disputed as four out of every 10 children in India are undernourished. But disbursal of highly perishable stuff through the vast PDS network for this purpose seems imprudent. These food items require constant refrigeration, which cannot be ensured in over 500,000 ration shops, spread across the country, including the areas where power supply is erratic. Equipping all these fair price shops with the special paraphernalia and infrastructure needed to dispense non-vegetarian items is logistically unmanageable and financially burdensome. Any compromise on food quality is bound to cause health hazards, defeating the very purpose of this move. The food subsidy, which already exceeds ₹1.84 trillion (Budget 2019-20), would have to be scaled up massively to bring these high-priced foods within the economic reach of the poor. What is worse, even if the government manages to muster the needed resources, the desired objective of eradicating malnourishment may still not be fully served because a sizable section of the population is compulsively vegan who may not eat livestock products even if given free.

However, there is no dearth of nutritious, yet cost-effective and easy-to-handle, alternatives to the livestock products for distribution through the PDS. Pulses and millets stand out among these. Leguminous grains, grown widely in the country, can potentially wipe out protein deficiency if these can be brought within the economic reach of the poor. Their production needs to be stepped up to generate surplus for supplying through the PDS. The extent of subsidy required for pulses would be only a fraction of what is needed for the livestock products. Millets, now rechristened as nutri-cereals, are the other strong contenders for a place in the PDS on the merit of their nutritional value. These small-seeded cereals, including pearl millet (*bajra*), sorghum (*jowar*), finger millet (*ragi*) and others, are the storehouses of nutrients, especially the micro-nutrients, which fine grains such as rice and wheat lack. These have, in fact, been a regular part of people's diet prior to the availability of subsidised fine grains. Their health benefits have recently been revalidated through a millet-feeding study on school children in Karnataka. Conducted by the Hyderabad-based International Crops Research Institute for Semi-arid Tropics and a non-governmental organisation, Akshaya Patra, this study has indicated that replacement of rice with millets in the mid-day meals improved children's growth by 50 per cent.

The popularity of millets as health foods is growing rapidly the world over. The Indian government, too, is not unaware of their nutritional worth. In fact, it had declared 2018 as the year of the millets. The minimum support prices of millet crops, too, were increased substantially to incentivise production. But the next logical step of lending the needed marketing support through procurement and dispensing them through the PDS is still awaited. It would be far better for the NITI Aayog to concentrate on promoting nutrient-dense products like pulses and millets to alleviate rampant malnutrition rather than brooding over ways and means of distributing livestock products through the PDS.

ILLUSTRATION: BINAY SINHA

Is IBC in ICU?

Senior judges need briefings on economy-wide consequences of their decisions

JAIMANI BHAGWATI

The overall Indian economic picture has been gloomy for the past several quarters. Discussions on whether the downturn in growth is cyclical or structural distracts attention from specific issues. Abstracting from wider concerns this article focusses on the need to raise long-term lending from current levels to get economic growth back on track. Public sector banks (PSBs) continue to be hesitant about providing project funding or even extending short-term credit to non-banking financial companies (NBFCs).

The Reserve Bank of India's (RBI's) "Report on Trend & Progress of Banking in India 2018-19" dated December 24, 2019 mentions that "although the time limit for resolution under the Insolvency and Bankruptcy Code (IBC) has been recently extended to 330 days, some cases are delayed beyond the limit partly reflecting repeated litigations". According to the same RBI report "faster resolution of stressed assets remains key to the revival of the banking system" and credit growth for PSBs has been "well below that for private banks in the last few years". Further, according to this RBI report, the gross stock of non-performing assets for PSBs, as of end September 2019, was about 12 per cent of total advances. This number needs to be well below 10 per cent for PSBs to raise long-term lending levels. For better oversight India should have just two well capitalised PSBs. However, that discussion can be left for another day.

The central government has made reassuring noises that the IBC is working well. However, the current cautious posture of PSBs indicates that there are continuing concerns about credit risk and ex-post indictment of bank managers by government's investigative agencies. In most cases of financial sector fraud it is difficult to prove guilt. Consequently, as investigations about criminality continue, the practical course of action is for assets to be retained as going concerns to not only keep employees on the rolls but also to attract alternative investors.

Several promoters after overstating their borrowing needs, complicate resolution processes through never-ending legal challenges. They object to appointments of resolution professionals (RPs) on grounds of insufficient qualifications or bias and seek to create differences among members of the committees of creditors (CoCs). If these stratagems fail, sponsor-borrowers file for relief with the National Company Law Appellate Tribunal (NCLAT) and finally the Supreme Court.

The Essar Steel debt default case should be taught at Indian law and business schools. In this instance creditors accepted the Arcelor-Mittal bid of about ₹42,000 crore for Essar Steel and the National Company Law Tribunal (NCLT) approved this change in ownership in March 2019. Essar appealed against the NCLT decision that 90 per cent out of Arcelor's offer would go to financial creditors with the NCLAT. The NCLAT ruled that secured financial creditors should be treated on a par with operational creditors thus restricting what was to be repaid to financial creditors to 65 per cent of the ₹42,000 crore. In a significant November 14 judgment, the Supreme Court reversed the NCLAT ruling and stipulated that lenders can decide on the distribution of assets in insolvency cases. This Supreme Court decision has finally cleared the way for Arcelor-Mittal to acquire Essar Steel and rescued the IBC from "Intensive Care".

Each case of default is different in terms of the complexities involved. Erstwhile promoters try to complicate matters to prevent sale of their assets to anyone other than themselves at discounted prices and free of debt. The NCLAT judgment in the Essar Steel case indicates that former owners have the stamina and the resources to keep fighting to retain their assets. India's justice system seems to favour promoter-borrowers on the grounds that businesses should remain functional to protect workers. In principle there can be no quarrel with this objective. However, such an understanding should not be applied inflexibly as there are more sustainable and less costly ways to help shop-floor workers.

The IBC is no longer in intensive care but it is still in hospital and needs close attention to return to robust health. This involves reducing interminable delays in CoCs coming up with an agreed framework for accepting write-downs on loans and the squabbling about the credentials of RPs. An examination of other cases, for example, Bhushan Power & Steel indicates that delays also arise because of perceived conflicts between IBC and earlier legislation, e.g. sequestering of assets pending investigations into wrongdoing under the Prevention of Money Laundering Act of 2002. As of December 2019, a total of about 1,500 IBC related cases are pending with CoCs, RPs and courts.

Government's response to judicial differences in interpretation of the IBC and perceived inconsistencies with other legislation has been to amend the IBC repeatedly. There is no way that all ambiguities in valuations and who gets what proportion of final sale prices can be resolved by continuously amending the IBC. The Supreme Court, NCLT and NCLAT judges would benefit from in-depth briefings from subject specialists about the nature and consequences of specific insolvencies. Experienced Justices may bristle at the thought that they need to take time to better understand the economy wide fallout of large insolvencies and the ways in which promoters and other interested parties try to game the system. Given the objective, which is the larger public good, the Supreme Court should consider mandating such briefings prior to judgments being passed.

To summarise, it is more than abundantly clear from recurrent cases of bankruptcies due to misjudgements and outright fraud that financial intermediation in India needs to be regulated better and instances of insolvencies resolved faster. The RBI should prod banks and NBFCs to act with greater probity and urgency. The Supreme Court on its part should reinstate the February 12, 2018, RBI circular which decreed shorter deadlines for creditors to take instances of default to NCLTs. As is the case for liberty, the price for prudent banking is eternal vigilance combined with a better understanding of the financial and economic issues involved.

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The rise of sub-nationalism

SWOT

KANIKA DATTA

The fracas over the Citizenship Amendment Act (CAA) and the National Register of Citizens (NRC) offers more compelling evidence of this regime's tin ear for the infinite variety that is Indian multiculturalism. That the Modi-Shah grand plan for a Muslim-*mukt* nation has boomeranged is, however, only part of the story. A closer look at the anti-CAA/NRC protest suggests they were far from monolithic and have given impetus to dormant sub-nationalisms with risky consequences for India.

In mainland India, the protests converged on the anti-Muslim element embedded in the law and the registration exercise. In Jharkhand, with its 27 per cent tribal population, voters have signalled their dissatisfaction with the NRC process with the impossibly high bar for proof of citizenship it has set. In the north-east, the principle grievance is the prospect of distinctive ethnicity being swamped by Bengali Hindus via the CAA/NRC process (assuming the NRC process ejects Bengali Muslims). The last is particularly ironic since the Bill that was defeated in January was tweaked to accommodate the concerns of these states in the latest version. Accordingly, tribal areas in the north-east were largely roped off from the provisions of the new law.

The fact that different groups have different problems with the CAA/NRC also contain the possibilities of Indians turning against Indians in the not-so-distant future. In the north-east, Bengalis, whether Hindu or Muslim, who have been rooted in the north-east for aeons, face the very real danger of becoming targets of ethnic aggression all over again — in Assam, the threats have restarted. The warning shot across the Bharatiya Janata Party's (BJP's) bow, in fact, came from Sikkimese footballer-turned-politician Bhaichung Bhutia who feared a cultural swamping of his state — which was muscled into the Indian Union by Indira Gandhi in 1975. Everybody is tactfully pointing to Bangladeshi infiltration as the Fear Factor, but when linguistic cultures supersede borders, the stage is set for ethnic violence. The BJP has long made it clear that all pro-Muslims can go to Pakistan. Now, the demand that all Bengalis should go to Bangladesh is no less possible.

This worrying thing about this nascent sub-nationalism is that it is likely to intensify if economic growth does not pick up and job opportunities narrow. Mr Modi does not need to delve into the mists of history for evidence — only as far as the year of the global financial crisis.

Thus in 2008, the country was witness to the unedifying spectacle of panicked Indian citizens from UP and Bihar fleeing India's financial capital after being set upon by Maharashtra Navnirman Sena (MNS) goons who demanded that the state only employ Maharashtrians.

In 2012, when the Indian economy started stalling, we beheld thousands of Indian citizens from the north-east fleeing the city that the media so erroneously describes as India's Silicon Valley after threats of annihilation circulated on social media.

In May this year, viral videos showed local political thugs attack vendors because they were from Kashmir and were, by some twisted logic, terrorists. Now we have that state shorn of its special status so that mainland Indians can buy land there and, according to some crudely sexist politicians, marry Kashmiri women. This grand integration strategy has resulted in the region, now two Union Territories, being under lock-down since August 5, its leaders under house arrest and internet access lifted only intermittently. A high-profile investor summit scheduled in Srinagar in October was postponed and then finally held in New Delhi.

The endgame to such sub-nationalism is depressingly evident in Andhra Pradesh, where Chief Minister Y S Jagan Mohan Reddy has made it mandatory for existing and upcoming industries — whether in the public, joint of private sector — in the state to reserve 75 per cent of the jobs for locals. The state, controversially bifurcated in 2014, is the first to make such a stipulation. It is a matter of time before politicians in other states latch on to the populist value of this policy.

The state, which is moving aggressively and hopefully towards a bright new future with a spanking new capital, is likely to rue this reservation policy. In Maharashtra in 2008, as thousands of small and medium factories were emptied of their workers from UP and Bihar, component supplies to industry majors such as Mahindra & Mahindra dwindled and the construction business stalled. In Bengaluru, the spread of hate-filled social media posts caused such a precipitate departure of north-easterners that the stations were clogged and thousands of small businesses, especially in the booming services sector, found themselves bereft of staff. The situation was serious enough for the state home minister to visit the railway stations to allay fears.

Had Mr Reddy chose to consult any of the investors who he is hopeful of attracting to this state, they could have set him to rights about the folly of his identity politics. Businesses, at least those that want to compete globally, need to prioritise talent over social and regional provenance. It would be hard to argue that Andhraites are intrinsically more talented than other Indians as to be worthy of such exclusivity of opportunities. As the MNS learned to its cost in Maharashtra, the private sector casts its net wide to attract the most cost-effective labour.

It is unclear from the prime minister's Sunday speech where the citizenship debate is headed. But if he really wants the upheavals to dissipate, he only needs to heed the timeless advice from Bill Clinton's 1992 presidential campaign: "The economy,...".

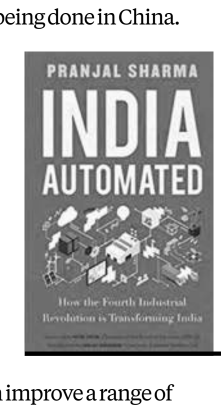
Decoding Digital India

BOOK REVIEW

SAI MANISH

At a time when India's demographic dividend dream seems to be in tatters; with high unemployment, falling economic growth and social unrest becoming the hallmark of the India story; a book on how an algorithm and not a human is making a robot that will make a robot make another robot might look like the end of the road for India's young, restless and unemployed population. Pranjal Sharma's book *India Automated – How the Fourth Industrial Revolution is Transforming India* chronicles how technology is reshaping not just landscapes but also the country's mindscape. It delves into technological transformation unfolding in India before everyone's eyes; the intricacies of which everyone sees but does not understand.

The book uncritically and patronisingly captures how technology, mechatronics, robotics, artificial intelligence and everything that comprises what World Economic Forum founder Klaus Schwab described as the "fourth industrial revolution." Mr Sharma succinctly describes how over the last few years, new technology has penetrated every facet of life in India — from government functioning, industry, service sector and defence. There are anecdotes about the positive impact of invasive technologies on governance and social well-being. For instance, Mr Sharma illustrates how facial recognition, which is still in its infancy in terms of sophistication and accuracy in India, has helped the Delhi police track down 3,000 missing children. He sounds a warning about the adverse consequences without delving into how a database of faces could be potentially misused as a tool for surveillance as it is being done in China. Mr Sharma notes, "Facial recognition is yet another technology that could have terrible consequences if it goes rogue, but a boon if used responsibly. In the end, the government will have to take a responsible approach to a technology that can improve a range of citizen services."



INDIA AUTOMATED: How The Fourth Industrial Revolution Is Transforming India
Author: Pranjal Sharma
Publisher: Macmillan
Price: ₹650
Pages:: 235

The book offers useful insights into the companies that are shaping these technological changes in India, be it in the field of manufacturing, services, healthcare or human resources. In particular, there is a rich description of companies in the manufacturing sector that are using and deploying technologies that are revolutionising their manufacturing processes, improving product quality, saving costs and creating a 'smarter' factory. An interesting example is how Altizon, the world's first industrial internet platform company, helped a legacy Indian multinational integrate its production lines across several countries without investing more money in replacing old machinery or buying new ones. In effect, Altizon's solution helped the Indian multinational centralise the operation of its machines at 35 factories spread across the globe through a system that not just gave a single point of control but also helped engineers predict when a machine needed downtime or was headed for maintenance. Earlier, it would need an engineer with a spanner and other tools in hand to individually inspect a machine and take a decision based on his own expertise and understanding of the situation.

Mr Sharma has interesting, although potentially scary insights, for job seekers and how Artificial Intelligence (AI) could be judging their employability in the times to come. It is estimated that 62 per cent of enterprises used some form of AI in their human resource departments. It provides a fascinating insight into how Tata Consultancy Services (TCS), India's biggest IT company employs AI for recruitment. Mr Sharma writes that any potential candidate has to go through two levels of AI screening before she finally faces the human interviewer. It is AI which sifts through hundreds of resumes before zeroing on the ones which will pass through to the next stage. Those selected are again put through an AI-driven video interview process. The book notes, "Experts now offer several tips for candidates who have to face an AI-based interview. For instance, they must ensure a good internet connection, settle in a noiseless area and make sure they are as well dressed for the interview as they would have been if there was a meeting with a human recruiter. Remember though, it will no longer be easy to smooth talk your way into a job, for the AI-bot will see through you faster than a human can."

And just in case the reader thought that the book was all about companies and businesses, Mr Sharma also provides insights into how digital content companies minutely analyse a person's behaviour to serve them tailor-made content. Mr Sharma offers Netflix as a case in point. The online content streaming giant stores every action taken by a user on a computer while browsing through its website. The AI analyses this behaviour and makes a personalised home-page for every viewer. In effect, an invisible force has created a psychological profile of the viewer – and is showing her what it believes she is most likely to see. Bigger brother cometh?

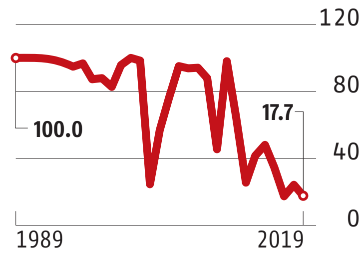
Business Standard
MUMBAI | THURSDAY, 26 DECEMBER 2019
The Smart Investor
WWW.SMARTINVESTOR.IN FOR INFORMED DECISION MAKING

Only 18% fresh capital raised in IPOs

Companies looked to give shareholders an exit rather than fund their business needs

SACHIN P MAMPATTA & ASHLEY COUTINHO
Mumbai, 25 December

SHIFTING FOCUS
Share of fresh capital raising in IPOs (%)



Note:2019 data is as of November-end
Source: PRIME Database

Companies raising money from the market for the first time in 2019 largely looked to provide an exit to shareholders, rather than garner capital for the firm's needs.

Only 17.7 per cent of the ₹11,115.6 crore raised through such initial public offerings (IPOs) in 2019 was in the form of fresh capital used to fund the company's needs, shows an analysis of numbers from primary market tracker PRIME Database.

This was amongst the lowest ever share of fresh capital in overall IPO fund-raising. The only other year in which such a lower share was seen was in 2017 (17.4 per cent), shows data going back to 1989.

Early years' data shows that most of the IPO money went into the company's coffers, rather than shareholders selling stake through an offer for sale. The years 1989, 1990 and 1991 all had 100 per cent of the money raised as fresh capital for the company.

The recent high for fresh capital as a proportion of overall fund-raising was in 2011. There were 37 IPOs raising ₹5,966.3 crore, of which only 1.9 per cent was in the form of an offer for sale.

A company that raises money as fresh capital may use it for a number of things. It could use the money to pay off existing debt, make acquisitions, or expand its business by building new factories.

New investments in increasing the existing capacity of the company usually happens when it anticipates an increase in demand or if the existing capacity starts to feel stretched.

The Reserve Bank of India (RBI) recently released data that showed capacity utilisation at its lowest in years. "The slowdown in manufacturing activity was also reflected in a decline in capacity utilisation (CU) to 68.9 per cent in Q2FY20, from 73.6 per cent in Q1 in the early results of the RBI's order books, inventories and capacity utilisation survey (OBICUS). Seasonally adjusted CU also fell to 69.8 per cent from 74.6 per cent during the same period," said the minutes of the Monetary Policy Committee Meeting released on December 19.

This means that over 30 per cent of the capacity in enterprises is lying idle, leaving little incentive for companies to add capacity.

LOOKING BACK

Abhimanyu Sofat, head (research), IIFL Securities, said that companies are unlikely to invest in new capacity anytime soon, in light of the current economic situation.

"The capacity expansion story will be delayed by at least two quarters or more," he said.

Pranav Haldea, managing director of PRIME Database, said while the share of fresh capital in IPOs may not be very encouraging, it could also reflect new market realities.

Companies are hitting the market after achieving a higher degree of maturity. They depend on funds from private equity (PE) and venture capital (VC) firms for initial capital, unlike in earlier decades when early growth capital also came from public markets. This is similar to the trend seen in developed countries.

This may also translate into better corporate governance because such funds typically conduct greater due diligence on their investments, according to him. He added that a sectoral shift could also have contributed towards lower amounts of fresh capital raising. "The IPO market has been dominated by BFSI (Banking, Financial Services and Insurance) companies in the past few years and we have not seen too many capital-intensive companies come to the market," he noted.

Peas import halts after government imposes curbs

DILIP KUMAR JHA
Mumbai, 25 December

Import of peas has come to a grinding halt after the government changed its status from the 'free' to the 'restricted' category and levied a minimum import price (MIP) last week.

The Union ministry of commerce last week issued separate harmonised system (HS) code (issued by the ministry to identify goods of import) for all peas (including yellow, green dun and kaspa) and changed its status. The ministry also levied ₹200 per kg as minimum import price (MIP) to restrict its import.

While several thousand tonnes of peas in a number of consignments await the government's release order, Indian importers have halted signing further contracts for future imports. This is because the quantity surpassed the 150,000 tonnes annual import quota fixed by the government.

Apart from that, the MIP levy has made its import uneconomical. Chickpea (chana) is abundantly available as its cheaper substitute.

"There is no peas import after the government changed its status as 'restricted' from 'free' and levied MIP of ₹200 a kg. We, therefore, have urged the government to withdraw both notifications to make at least green peas (an import-reliant pulses variety) available to Indian consumers," said Jitu Bheda, chairman, India Pulses and Grains Association (IPGA), an apex pulses import body.

India produces fresh green peas, which are only harvested around November-December. There is no dry green peas production in India and the entire demand of about 250,000 tonnes is met through imports.

Over and above the MIP, the government has levied 50 per cent import duty. Thus, the minimum price of peas at the origin works out to ₹300 a kg. Considering ₹30-40 a kg for other costs, the landed cost of peas works out to ₹330-340 a kg at Indian ports.

"Green peas is a niche product with a distinct core demand in India and does not have any substitute product that can fulfill the demand. It is, therefore, necessary to remove import restriction on green peas at the earliest," said Pradeep Ghorpade, chief executive officer (CEO), IPGA.

Against the import quota of 150,000 tonnes, India's import of peas (including yellow, green dun and kaspa) has been at 550,000 tonnes during the financial year 2019-20. The higher quota is owing to various court orders liberalising imports occasionally.

Complicating its import further, the government has allowed peas import through Kolkata port only. This would add transportation cost further to various parts of the country.

The significance of these changes can be gauged by the fact that the prices of yellow peas have doubled to trade currently at ₹90-100 a kg in the retail market from about ₹45 a kg about a week ago.

Experts, however, believe the government is sitting on 1.5 million tonnes of chickpeas, which needs to be released. The import restrictions on peas are an attempt to open a room for demand of chickpeas, they said.

MFs add ₹4 trn to asset base in 2019

PRESS TRUST OF INDIA
New Delhi, 25 December

Mutual funds have added a staggering over ₹4 trillion to their asset base in 2019, and industry expects the growth trajectory to continue in the new year on the back of strong inflows in debt schemes and measures taken by the Securities and Exchange Board of India to boost investor confidence.

It was because of strong inflows into debt-oriented schemes that saved 2019 from being a "dark-dull year of investing", given inflows into equity funds had dropped due to a volatile market.

The industry should witness growth in the range of 17-18 per cent in 2020, and equity funds should see robust inflows as expectations of improved equity markets and a revival in economic growth are high, said N S Venkatesh, chief executive officer of the Association of Mutual Funds in India (Amfi).

Assets under management (AUM) of the industry had risen 18 per cent (₹4.2 trillion) to an all-time high of ₹27 trillion by November-end itself, up from ₹22.86 trillion at the end of December 2018, showed latest data available with Amfi.

Some industry experts said the final December-end figure might be slightly lower than the November-end level, as liquid funds could see some dip due to a quarter-end phenomenon.

The 18 per cent AUM growth seen by the 44-member MF industry is significantly higher than the 7.5 per cent witnessed in 2018. However, growth was much more higher at 32 per cent in 2017, when the asset base expanded by over ₹5.4 trillion.

Industry experts said the double-digit growth is a positive sign given the negative sentiment about equity and fixed income securities.

Rough diamond imports lose spark on financing cuts, piling inventory

VINAY UMARJI
Ahmedabad, 25 December

The liquidity crunch on account of financing cuts by banks, which has led to cutters and polishers reducing purchases, has resulted in India experiencing the steepest decline in net rough diamond imports sharply in 2019.

According to the data from the Gem and Jewellery Exports Promotion Council, the overall gross import of rough diamonds from April to November has shown a decline of 17.24 per cent to $8.55 billion, from $10.34 billion during April to November 2018. This is among the sharpest drops in diamond import in the last one decade.

According to a report by Bain & Consulting (B&C), net import fell 32 per cent. On the other hand, cut and polished diamond (CPD) exports between April and November 2019 fell 18.96 per cent to $13.41 billion, from $16.55 billion during April-November 2018.

In November 2019 alone, CPD exports declined by 25.18 per cent to $1.66 billion, compared to $1.56 billion in November 2018.

According to the latest B&C report on the global diamond industry in 2019, a weak local currency, liquidity issues resulting from bank financing cuts, and the effects of demonetisation contributed to stockpiling of incoming goods in India.

"The combination of lower polished diamond sales and excess inventory accumulated by the midstream in 2017 and 2018 reduced net imports by 3 per cent and 30 per cent in 2018 and 2019, respectively. India experienced the steepest decline," the report states.

As against an estimated 5 per cent decline in net rough diamond imports by China over the previous year, net import of rough diamonds decreased 3 per cent in 2018 and 32 per cent in the first eight months of 2019.

Yet, India continues to dominate the cutting and polishing industry with a 90 per cent net import of rough diamonds globally as compared to 5 per cent by China and another 5 per cent by rest of the world. On the contrary, India's net rough diamond imports had grown 11 per cent in 2016-17 against the previous year.

The decline has been accentuated by Indian banks adopting a more conservative approach following the poor performance and challenges of the financial sector at large.

As a result, cutters and polishers reduced rough diamond purchases by about 30 per cent to off-load inventory and improve their cash flow.

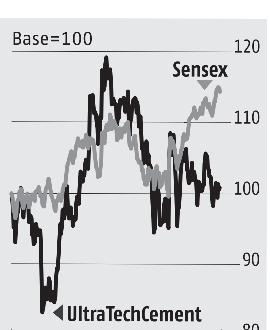
More on business-standard.com

THE COMPASS

UltraTech: Valuation of new buys on the radar

Expensive new acquisitions may not bode well for stock, says Street

UJJVAL JAUHARI



Compiled by BS Research Bureau

UltraTech Cement's bid to acquire Emami group's cement assets, for which it is the front runner, is in line with its pursuit of inorganic growth opportunities.

Emami's 8-million-tonne (mt) cement capacity bodes well for UltraTech in its bid to strengthen its presence and market share in the east. Over the past few years, it has acquired Jaiprakash Associates' cement assets in Madhya Pradesh and Gujarat, followed by Binani Cement's assets in Rajasthan.

The latest was the amalgamation and turning around of Century Textiles' cement assets. As a result, UltraTech's cement manufacturing capacity now stands augmented at 117.4 mt per annum, including its overseas capacity.

The acquisitions were at a reasonable price, and their timely turnaround has continued driving the company's volume growth and market share. This has kept analysts positive despite the soft demand.

In this context, reports suggesting that UltraTech is leading the race for Emami's assets, in an all-cash deal worth ₹6,500-7,000 crore, prima facie looks positive.

This hints at a valuation of $115-120 per tonne for the 8 mt capacity, which is justified, say analysts. However, they add that looking at the clinker capacity of 3.2 mt, the operational cement capacity will play an important role in deciding actual valuations.

The final deal valuation should not exceed the estimated value, which is likely according to the market, they say. The acquisition, otherwise, bodes well as UltraTech has been witnessing capacity constraints in the east and the deal will only strengthen its position in the region.

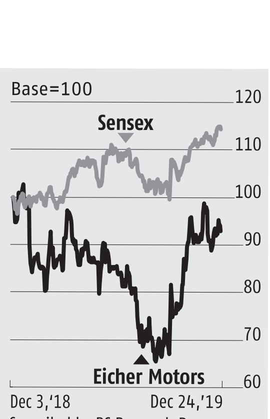
Recently, it also announced the setting up of new capacities of 3.6 mt in the region, with a capex of ₹940 crore.

Analysts such as Binod Modi at Reliance Securities say that it may not augur well for the stock if the firm goes for an aggressive buyout, after its earlier guidance of no aggressive acquisition (following Century and Binani) and focusing on improvement in return ratios. He maintains a buy rating on the stock with a target price of ₹5,000.

Lower BSVI impact may put Eicher on top gear

Brokerages expect a gradual recovery in volumes in the coming months

RAM PRASAD SAHU



Compiled by BS Research Bureau

The Eicher Motors stock has risen 39 per cent since its September lows on a better-than-expected festival season, smoother transition to BSVI, and market share gains by its commercial vehicle (CV) joint venture Volvo Eicher Commercial Vehicles (VECV).

Strategic initiatives to tap under-penetrated markets, and improve distribution and quality, will enhance volumes. After multiple quarters of disappointment on volumes, including the July-September period during which it sold 21 per cent fewer motorcycles year-on-year, retail sales (especially in the festive season) recorded double-digit growth, beating estimates.

Given the early success of its studio format strategy, it may expand its distribution network. It has rolled out 500 smaller format stores in rural and semi-urban markets, and could add up to 300 more in FY20. In addition to strengthening its distribution network, offering multiple trim levels (lower-priced variants of Bullet/Classic) and mass customisation is expected to drive volumes.

Analysts expect these steps to reflect on volumes over the next two quarters. Eicher is better placed than peers on the inventory metric, with 2.5-3 weeks of stock. Strong export growth, on the back of a lower base and traction for the twin-650cc products should enhance volumes.

"The medium-term potential for Royal Enfield is positive, given the scope for penetration," say analysts at JPMorgan.

The impact of transition to BSVI is expected to be lower, compared to other two-wheeler makers. Mass market two-wheelers are the worst-hit by the transition, with price hikes to the tune of 15 per cent.

Motilal Oswal Financial Services' analysts say Eicher will be least hit, as cost inflation for BSVI would be relatively less at 6-7 per cent. With the transition, its core portfolio will get a much-needed overhaul after 12 years, with quality coming closer to the 650cc twins.

On the CV front, VECV has gained market share in the smaller tonnage truck segment, on the back of implementation of vehicle load norms. Eicher has gained 170 bps market share to 13 per cent year-to-date, driven by a favourable demand shift towards the sub-16-tonne segment.

Advertising flips its game in 2019

Short-format videos, voice and experience are the big trends that changed the advertising narratives this year

VIVEAT SUSAN PINTO
Mumbai, 25 December

A boy from Uttar Pradesh helps his father discover the train timings to Patna in Bihar using a simple voice assistant from Google. He is one of many Vodafone Idea mobile phone users in internet-dark areas, who are counting on the service to get access to information quickly. His entire family now turns to Google assistant at any hour of the day.

THE DECADE THAT WAS

The ad, in a few frames, had captured the immediate and deep impact that data and mobile phones have had on the country. And through the year, the advertising narrative has steadily been influenced by the overpowering impact of data, mobile telephony and technology on the way we live our lives.

2019 was a year when brands, quite literally, raised their voice. Not only did they integrate voice into their product offerings, but also made it their unique selling proposition. Take MG Motor, for instance. The Chinese company's Hector brand was one of the most anticipated car launches in 2019, in part due to the car's ability to receive and execute over 90 voice commands. No wonder, Hector's voice feature became its unique calling card, best exemplified in its advertising tagline: 'Hello, MG'.

For tech and electronic brands, of course, voice was a natural progression from data. Amazon, for instance, not only launched its Alexa speakers in India, but also integrated the voice assistant into its media streaming service Fire Stick in 2019. Smartphone brands Apple, Samsung, Xiaomi, Oppo, and Vivo all have their voice assistants, which they prominently advertised during the year.

Lifestyle, auto and fast-food advertisers such as Diageo, Royal Enfield, and KFC, respectively, used voice recognition in their digital ad campaigns to build saliency. K V Sridhar, founder and chief creative officer, Hyper Collective, says voice has an advantage in India where many people are not comfortable browsing or typing text. "In a multilingual country like India, voice-based services will work well. And if integrated effectively can do wonders for a brand," he says.

In a recent report by iProspect, part of the Dentsu Aegis Network, almost 82 per cent of smartphone users in India have used voice-activated technology in some form or the other during the year including sending simple voice messages over WhatsApp rather than typing text on the messaging platform. The need for voice, the report says, has extended into other areas too, such as searching for information on Google or when using Google Maps.

While voice was the big differentiator for companies in 2019, short-format videos were also a rage thanks to TikTok, the Chinese video-sharing app that has over 200 million users in the country. "What TikTok has done is basically liberate people in small town India," says Shrenik Gandhi, co-founder and chief executive officer, White Rivers Media. "Which is why its user base is growing steadily in the country. But if this is one part, the other side is the implication of snackable content on a largely mobile-only audience. TikTok has presented this idea well, of 15-second videos that can be consumed anywhere, anytime. Which is why brands are making a beeline for it," he adds.

In recent months, e-tailers such as Flipkart, Myntra, and Snapdeal as well as brands such as Pepsi, Lay's, Clean & Clear from J&J and Center Fruit from Perfetti Van Melle have used TikTok to engage with their target audience.

The trend, say experts, will grow with data rates in India still amongst the cheapest in the world and a large base of mobile phone users here.

"Long-format videos clicked some years ago when data rates first began heading south. At that time, the content explosion was not so high. But now the content space has become fragmented, reducing attention spans. Short-format videos work in such an environment," says Harish Bijoor, chief executive officer, Harish Bijoor Consults.

Some experts also point to the revival of on-ground brand experiences as purchase habits increasingly migrate online. Several auto, fashion and furniture brands have set up experience centres where consumers get a taste of the real deal. Different from the traditional retail stores, these centres are built around an entertain-engage-shop model. Sridhar says that brands are dialling up the experience quotient. "Earlier advertising created affinity for brands, now experience is playing the role," he says. 2020 could well see all of these divergent trends converge at some point.

FROM PAGE 1

Real returns...

Thus, despite the Lehman crisis of 2008 and the subsequent slide and partial recovery in the following year, the wealth effect was evident.

Nilesh Shah, managing director, Kotak Mutual Fund, cited another reason for the weak returns in the past decade: "A part of this is attributable to the current subdued phase in the economy which has led to derating of many large caps. Despite this, India is the second best equity market among peers."

In fact, experts believe that interest rates would have fallen further if the rates of small savings schemes such as Public Provident Fund, Kisan Vikas Patra and others had been slashed faster. "The only reason that bank fixed deposit rates have not slipped more is because bankers fear that there will be outflows to small savings schemes," said a debt fund manager

Safran...

"Given the fast expansion of the CFM fleet in Asia and in India specifically, we are considering the possibility of building a new Safran shop in this region of the world to address the growing MRO needs. This new shop will represent an investment of more than $150 million," adds Safran.

Currently, only Air India has capabilities for in-house maintenance of aircraft engines, while all other carriers send their engines overseas for overhaul and major repairs. A domestic MRO will help Indian airlines to reduce costs and save on foreign exchange, besides generating employment for engineers and technicians.

A team of Safran executives visited Air India's MRO facilities in Mumbai a few months ago to check the airline's capabilities. An Air India executive said labour costs in India were half of those in Europe or the US and that would make a maintenance unit attractive for other airlines.

Safran Group is discussing issues related to tax and regulatory framework for MROs with the civil aviation ministry. In India, an 18 per cent goods and services tax is applicable to aircraft maintenance jobs and airport operators charge high royalties on units, making the MRO business in India unattractive. An investment decision will depend on favourable policy decisions, it is learnt. Safran declined comment on the issue of tax structure in India.

According to the MRO Association of India, the size of Indian repair and overhaul market is $1-1.2 billion. "More than 90 per cent of business generated by Indian commercial airlines is being carried out overseas by large MRO companies in Singapore, Germany, Turkey, Sri Lanka, and Malaysia," the association said.

Govt to filter...

Every village will have to prepare a village action plan (VAP), which will have three components: water source and its maintenance, water supply, and grey water management. These plans will be aggregated at district level and thereafter at state level to formulate a state action plan.

"The state action plan will give a holistic view especially covering projects like regional grids, bulk water supply and distribution projects to address the needs of water-stressed areas and will also have a plan for ensuring drinking water security in the state," the guidelines said. The government has proposed convergence with existing schemes such as MGNREGS to implement mandatory source sustainability measures like rainwater harvesting, groundwater recharge, and other water conservation measures.

The guidelines also propose that 5 per cent capital cost contribution towards in-village water supply infrastructure in hilly, forested, and more than 50 per cent SC/ST dominant population villages, and 10 per cent in the remaining villages, to bring in a sense of ownership and pride among rural communities. "Communities to be rewarded by providing 10 per cent of the in-village infrastructure cost of the scheme which will be maintained by them as a revolving fund to meet any unforeseen expenditure due to break down, etc," the guidelines proposed.

Cyrus Mistry...

Mistry had refused to resign as director in various group companies after he was removed as chairman of Tata Sons in October 2016. But later he had voluntarily stepped down after Tata Sons called extraordinary general meetings at these listed companies for his removal as chairman and director.

Sources said Mistry was of the opinion that the last three years had been very challenging for the entire Tata group companies and that happened due to lack of a governance framework. Mistry in his letter to Tata Sons board in 2016 was extremely critical about the investment in the airline industry and clearly stated how he was against the two joint ventures, Vistara and AirAsia India.

"Tata Sons has not changed any of the strategy in the past three years apart from heavy investments in aviation despite making huge losses, indicating that internal controls have been lax," said a source.

He also pointed out that losses in the telecom segment are more than what Mistry predicted and stated in the letter to the board.

In an explosive confidential email to Tata Sons board members in 2016, Mistry had warned that the salt-to-software giant might face ₹1.18 trillion in write-downs because of five unprofitable businesses he had inherited. Mistry said he inherited a debt-laden enterprise saddled with losses, and went on to single out Indian Hotels, passenger-vehicle operations of Tata Motors, European operations of Tata Steel, parts of Tata Power, and the telecommunications subsidiary as 'legacy hotspots'."

In the Registrar of Companies' (RoC Mumbai's) review petition against the NCLAT order, Mistry and his team are party, even though the tribunal has not sought any response from them.

They may, however, provide their views and submit their objections if the tribunal asks them to, sources said. The hearing is slated on January 2.

The RoC in its 700-page review petition sought the removal of the words "illegal" and "with the help of RoC" in the tribunal's order pertaining to Tata Sons' transition from a public to private company in September 2017.

In the order dated December 18, the NCLAT had passed serious strictures against the RoC, stating that Tata Sons had hurriedly changed its status to a private company from public "with the help of the RoC", which was "illegal".

The NCLAT had said the RoC, in the Certificate, had struck down the word 'public' and shown 'Tata Sons Limited' as a 'private' company, even in the absence of any order passed by the tribunal under Section 14 of the Companies Act, 2013. The appellate tribunal had directed the RoC to make correction in its record, showing Tata Sons as "public company".

BS SUDOKU # 2930

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SOLUTION TO #2929

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Easy:
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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

On the right track, virtually

How GE Transportation, now a Wabtec company, uses virtual reality to cross-collaborate with a global team to design Indian locomotives, **Bibhu Ranjan Mishra** finds out

Wabtec Corporation, Twitter

The diesel electric locomotive being built by GE Transportation, now a Wabtec company, is perhaps the most complex piece of equipment that is being designed out of India, after the light combat aircraft.

A typical loco has roughly around 300,000 parts starting from the giant engines to radiators, not to mention the complex electronic units. All these have to be fitted into a truck (structure) which is all but 21.28 metres long, 3.2 metres wide, and 4.2 metres high.

The locomotive design needs a significant amount of customisation to meet the specifications given by the client, in this case the Indian Railways. All this work involves some 7,000 drawings which basically means that an equal number of components have to go through some sort of alteration before going for production.

Effecting these complex changes with absolute accuracy and precision took Wabtec around just 18 months with the help of 100 design engineers from its technology centre in Bengaluru. They worked in closed collaboration with design experts from the company's centre in Erie, Pennsylvania and also from Russia, Germany, France, Sweden and several other countries depending on their areas of expertise.

Other than its own deep engineering expertise, Wabtec, which now has around 18,000 locomotives running in many countries, used virtual reality (VR) technology to collaborate with a team flung across many geographies and work on the project real time to accomplish it in record time.

According to Gopal Madabhushi, India engineering leader at Wabtec, in the last five years or so, the company has done projects for various global customers in countries such as South Africa, Egypt, India and Kazakhstan, and design engineering activity for most of these projects are driven out of Bengaluru.

"We have our biggest technology centre located in Bengaluru, but there are several satellite centres located all across the world. The whole idea is how do you work with the team, explain the complexity in design, and get the alignment and the agreement. VR has helped us address these challenges. Collaborative VR has cut the time taken for a locomotive design from five years to less than two," said Madabhushi.

The VR lab is also helping in training the new joinees, especially engineers working at the manufacturing unit, to get trained on the complexities before starting to work on the shop floors.

Although VR as a technology has been around for some time, its application has largely remained limited to entertainment. The Wabtec design teams changed all that, using the VR Labs in Bengaluru and Erie to give shape to the designs in a 3D environment, building the manufacturing-ready model through periodic design reviews.

The Bengaluru VR Lab was also used by Indian Railways experts to have an immersive experience of the designs and the ergonomics of the pilot cabs before the locos hit the track.

"For us, this is as much fun as gaming. But the difference is, while in a game there is a reset button if someone dies, there is no reset button for us, unfortunately," said Harish Ganapathy, principal engineer at Wabtec who led the team of designers in India and globally.

To an outsider, the room that houses the VR Lab on the campus of Wabtech's JFW Technology Centre in Bengaluru, does not look very unusual at first glance, aside from an 8 x 12 feet screen fixed to one side of the wall.

There are chairs positioned in several rows, a desktop computer, a wall-mounted monitor at the back facing the VR screen, and mikes and speakers on the ceiling to enable people inside to connect with people who are not located in a VR lab but want to participate in the review by watching on the shared screen.

There are a few VR headsets called "observer glasses" while there is a special one for the presenter, fitted with small antennas which capture the body movement of the presenter and react.

As the operator switches on the machine, giving it specific commands using the desktop computer placed nearby, what pops up on the screen is a 3D model of a 4,500HP diesel electric locomotive which you can enter wearing the VR headsets.

What makes the VR experience exceptional is the software that powers it. Provided by TechViz, a France-based supplier, the software enables the visualisation of 3D models from 3D applications without having to convert any data, seamlessly. That means it takes the design data from the computer and projects it, converting the data to 3D images.

One critical issue while building a loco is ensuring the required clearances between two pieces of equipment so that they don't crash with each other during a jerk and also maintain the minimum ground clearance. This also helps during the manufacturing to make sure that someone can actually go to the place inside the loco and do welding.

The VR software also provides a virtual tool which measures the clearances between moving components. It provides a camera which allows you to take a snapshot of an area which is not accessible to the operator to verify if there can be any accessibility issue during the actual manufacturing.

"When you have around 300,000 parts which have to come together, it means there are so many people working on it globally, there are various combinations, and when everything comes together and we start building the model, there could be interface issues. We want to avoid that and that's where VR makes a huge difference," said Dominique Malenfant, global technology officer at Wabtec.

During the design review, the teams use the VR tool to verify that there is a minimum clearance between the wall of the loco and the engine parts. All the simulation or calculation results are captured on the monitor which is placed on the back wall and used for subsequent reviews and actions before being confirmed for manufacturing readiness.

"Sometimes, we review things as simple as doing a match of all the holes. Because you are talking about a precision of less than 10th of an inch to exactly fix a component. To get to an accuracy of less than a quarter of an inch to accommodate all these 7,000 changes in a drawing is a herculean task," said Ganapathy.

As part of the Indian Railways deal, GE Transportation (before it was spun off from GE and merged with Wabtec) was awarded a \$2.5 billion contract to supply 1,000 diesel electric locomotives over 10 years, including 700 with an engine capacity of 4,500 HP and 300 locos with 6,000 HP engines.

So far, it has delivered around 160 locomotives with 4,500 HP engines and locomotives with 6,000 HP engines are undergoing testing now. While the first 50 locomotives were imported from the US, the rest are being manufactured by the company at its Marhowra plant in Bihar which was commissioned in September last year.

Among the various design changes that the design team effected on the loco engine, a lot of them went on the pilot cabin, a fully air-conditioned unit which is fully insulated from water and, to a large extent, from noise. It provides the comfort of a high-end car including a heated front windshield defogger, a heater, mobile charging units and digital screens that capture all the relevant data including the health of the engines and various components.

In order to ensure that loco pilots have access to all the controlling units, the design team do something called "Jack or Ergo analyses". "Jack" is basically a virtual pilot who is left in the cabin to test the ergonomics of the cabin, including the visibility of the signals through the windscreen and the ease with which the pilot can reach different controlling units and devices, including the emergency break.

"We do all the ergonomics to make sure that when the pilot is sitting there, he does not have to run around in the cabin to get access to various controlling units but can focus completely on the task at hand," said Ganapathy.

Tech 2030: Is India ready for what's next?

KRANTI NATION

PRANJAL SHARMA

Touchscreens and voice control rule our lives. Automation and AI are common place technologies. Not just people, the internet of things allows billions of inanimate objects to now talk to each other. Facial recognition and biometrics may soon make all forms of identity documents redundant. Every breath we take and every move we make is already leaving a data trail for someone to profit from.

TVs don't need satellite cables anymore while cars are throwing out the internal combustion engine. Social media has created global communities that share ideas at the speed of thought. All this in just two decades. We haven't had the time to pause, reflect and plan. Technology is moving so fast that we are barely able to cope. As we drown in jargon, futuristic predictions are reality even before we have time to process its impact on the world around us.

And now a new decade is upon us. The third of this century and of the new millennium. Is India ready for what's next? Disruptive business model is not a novel phrase in India. Despite hurdles ranging from unpredictable polices to inhospitable infrastructure, individuals and enterprises have coped well to grow. The next big challenge will be tougher than what India has ever experienced. The country is at risk of becoming the world's largest economy where low skills and high tech reside together.

"We don't have much time left. By 2030, we will be a middle-aged country. And then if we are still poor and unprepared for the tech tsunami, India will never be able to break out into the middle-income category," says Suman Bose, former CEO of Siemens Industry Software and founder of Singapore headquartered GoFar Growth Advisory.

Automation — robotic and process-has pervaded large parts of industry and government. Even without automation, large sections of engineers and graduates are unemployable. Now, even professionals are becoming redundant as their skills no longer match the needs of organisations they serve.

Humans will have to upgrade their abilities frequently. Professionals can't hope to live off a three-year degree for the next 30 years of their career. This is as much about the individual as the education structure

Humans, not just in India, will have to upgrade their abilities frequently. Professionals can't hope to live off a three-year degree for the next 30 years of their career. This is as much about the individual as the education structure. A crude analogy can be drawn with the mobile phone which gets a software update every three to six months. Most individuals don't update their knowledge or skills. This is in part because of lethargy and partly because of lack of options. Individuals will have to make continuous efforts to stay relevant to needs of organisations. And enterprises and policy makers will have to support this.

India risks becoming an economy of low-grade skills with plummeting competencies at micro and macro levels. It is falling or remaining stagnant at most global indicators of competency. Other countries are putting serious effort in their people. India's abundant human capital can be worthless if it is of low quality.

It is not about 2020 but 2030 now. The next decade will bring changes at an even faster rate. What is concept today could be commonplace tomorrow. Do a search for tech trends for next decade and phrases like hyper-automation, mixed reality, distributed cloud, human augmentation and virtual currencies are thrown up. Then there are the impossible promises of 5G networks. "There is much to look forward to, but only if we prepare for it," says Bose.

As consumers, we have learnt to adapt and apply. As economic agents, we are falling woefully short. Preparing for the future requires decisions in the present. Do in 2020 what is needed for 2030.

ALGO RHYTHM

INDIA IN THE WORLD OF AI

With the highest number of graduate youths in the world, India has the potential to shine in artificial intelligence (AI) research and development. According to the *Artificial Intelligence Index Report 2019* by Stanford University's Human-Centered Artificial Intelligence (HAI), a comprehensive report collating hundreds of AI data points from across the world, India ranked top in four out of five industrial sectors in terms of AI skill specialisation, suggesting the large IT talent pool in the country graduating to more advanced skills. India may also be the largest employer of AI talent **(see chart 1)**.

In June 2018, the government gave a huge fillip to AI R&D through a National Strategy for AI, which aims to create and scale Indian-made AI solutions for the rest of the developing world, and empower Indians with necessary skillsets. India is also taking the lead in research in AI. In 2018, India had the third highest volume of AI journal papers, after China and the US.

Chart 1

Top AI-led investment areas (2018)

\$4.7bn Drug, cancer and therapy	**\$3.6 bn** Video content
\$7.7bn Autonomous vehicles (AVs)	**\$4.7bn** Facial recognition

Global trends in AI

- In 2019, global private AI investment was over \$70 billion
- From a total \$1.3 billion in 2010 to AI start-ups raised over \$40.4 bn in 2018; funding has increased at an average annual growth rate of over 48%
- Between 1998 and 2018, the volume of peer-reviewed AI papers has grown by more than 300%
- Prior to 2012, AI results closely tracked Moore's Law, with compute doubling every two years. Post 2012, compute has been doubling every 3.4 months

AI hiring Index by country, 2019

(Source: LinkedIn)

1	Singapore
2	Brazil
3	Australia
4	Canada
5	INDIA
6	Turkey
7	South Africa
8	United States
9	Sweden
10	Netherlands

World AI private investment (2018-19) %share

	%share
Autonomous driving	9
Drugs, cancer study	6.3
Facial recognition	6.1
Digital content	4.5
Identity Authentication	3.3
Semi-conductor	3.4
Data management	3.4
Lending, loans	3
Fashion retail	2.8
Cyber security	2.6
Robotics	2.5
AR/VR	2.5
Cloud, data centres	2.1
Ecommerce, marketing	2

Compiled by: Yuvraj Malik, Source: Artificial Intelligence Index Report 2019 by Stanford Human-Centered Artificial Intelligence (HAI) center

Tech power for happier employees

Big data, machine learning and artificial intelligence are helping Infosys provide its employees a new kind of experience on the job

DEBASIS MOHAPATRA & BIBHU RANJAN MISHRA

The word "digital" is perhaps the most overused buzzword in IT companies that were once known as the back office of global clients for software application development and maintenance works.

And when they talk about driving digital transformation for global clients, they also mean a relook at the internal processes and systems to enhance the experience of employees driving those transformations.

It's a tall order, but Infosys Group HR head Krish Shankar and his team have little choice but to attempt to reimagine the employee experience to be able to attract and retain the millennial workforce. The Bengaluru-based company with 230,000 employees has one of the highest staff attrition rates in the industry.

Supporting its mission to build an engaging workplace are initiatives like Digital Tags, Talent Grid, LaunchPad, InfyMe, MaQ and Campus TQ. These are simple but effective digital tools that use artificial intelligence (AI), big data and machine learning (ML) to improve employee experience. The digital platform LaunchPad, for example, looks at doing away with the complexities involving onbroading of employees by making the process completely paperless and seamless.

"Once you clear the interview and get the offer, upload all your documents on the LaunchPad. You get the identity card on the day you join. A new recruit does not require to hop from one place to another, meeting multiple HR persons to complete the formalities," said Shankar, who has worked with Philips, HUL and Bharti Airtel in managing the HR functions. The documents, once uploaded on the platform, automatically go for background verification and once it is complete, the company receives a link.

As revenues from digital services stand at 35 per cent of the total income for the company, plans to reskill its vast workforce also sit at the core of its strategy

In order to eliminate multiple interfaces for the employees, Infosys has also launched another initiative called InfyMe, which is nothing but a simple app that provides all the HR, finance, travel and similar functions on a single platform. Using the app, one can, for example, apply for leave, raise on-duty travel request and expense statements without logging into the intranet portal. In the subsequent versions, Infosys is looking at including features such as performance management and appraisal.

Similarly, Compass is a kind of Infosys' internal equivalent of professional networking platform LinkedIn. It was launched a couple of years ago, but with each new edition, the company is adding features and functionalities as the platform becomes data rich. While the platform was initially focussed on providing internal project opportunities to non-billable employees on the "bench or reserved pool", the company is now taking its applications a few steps ahead. For example, an AI-based algorithm built into the system maps the employee's skills, experience and aspired roles with the demands that are coming from the industry. Based on the findings, it comes out with recommendations on the adjacent skills they need to learn in order to make their profiles more appealing.

At a time when global companies such as IBM are starting to leverage AI and ML in predicting employee attrition, Infosys also does not want to fall behind. While IBM is banking on its proprietary cognitive platform Watson for this, Infosys has built an advanced algorithm called Talent Grid to check criticality of the talent and their propensity to leave the company.

"We look at talent in terms of their performance, utilisation, the skills they have and the newer ones they want to hone, and based on these and several other parameters, the algorithm finds out how critical the talent is. We also look at their potential ability to quit based on various indicators," added Shankar. The company, however, does not completely rely on the algorithm for remedial actions, instead it leaves that decision to the respective managers and HR. "On the ground, we shouldn't lose the human touch," said Shankar.

DIGITAL TOOLS IN INFY ARSENAL

- **Talent grid :** Identifying criticality of talent, predicting attrition
- **Compass :** Employee reskilling, prescribing skill requirements
- **LaunchPad:** Easy and paperless onbroading of new recruits
- **InfyMe:** App which acts as employee's interface with company
- **MaQ:** Leadership development
- **Campus TQ:** Engagement with fresh graduates
- **Lex:** Cloud-based learning platform

Technology is also being used to create a leadership pool for steering the company in the future. Often, employees leave a company due to inter-personal issues with the managers and Infosys is strongly gauging this space to check attrition. "We have developed something called MaQ (manager quotient). Our approach is that every manager should do six things — inspire people, innovate, execute, coach, develop people and connect. He/she also has to build own expertise," said Shankar.

Under MaQ, the IT services firm collects about 20 data points from various sources like engagement survey, attrition, exit interviews and data from appraisals among others to develop a leadership plan. "If I am a manager and open my MaQ, it might tell me that all parameters are green except one, which is in red. Then, we tell him what is to be done via a training programme," the HR head said.

At a time, when the revenues from digital services stand at 35 per cent of the total income for the company, plans to reskill its vast workforce also sit at the core of its strategy. Infosys' internal training platform, Lex, is the key element of this strategy. According to the company, an average user spends 30-35 minutes on a weekday and 45 minutes on the weekends on the platform. Home to a plethora of new technology courses, including cloud, data science, AI and ML, this platform can be used by a learner on their preferred devices anytime.

Use ATMs smartly to avoid hassles

Know your rights, follow good practices, and use simple strategies to reduce charges

BINDISHA SARANG

There are many things that the banks in India get right; seamless ATM transaction experience is certainly not one of them. According to the Reserve Bank of India's (RBI's) Annual Report of Ombudsman Schemes released last week, ATM/debit card related complaints increased from 24,672 in 2017-2018 to 36,539 in 2018-2019 — a rise of 48 per cent. While India strives to become a cashless economy, the rising trend in complaints is worrisome. As a customer, there are a few things every ATM user needs to know to tackle unfortunate situations.

Account debited but cash not dispensed: The biggest culprit according to the RBI report: "Of the total number of ATM/debit card complaints, a significant sub-category was 'account debited but cash not dispensed by ATMs', which accounted for almost 53 per cent of the ATM-related complaints." Imagine being in an ATM centre, making a transaction, getting an SMS that the money has been debited, but not getting any cash. What should be done in such a case? An official of Indian Overseas Bank says, "The customer should give a request at the branch. He can even inform via the bank's call centre and over the website. "RBI rules say that banks have to credit this wrongly debited amount into your account within a stipulated time from the date of your complaint. RBI issued a circular on September 20, 2019, on the harmonisation of Turn Around Time (TAT) and customer compensation in case of failed transactions. Amitabh Bhatnagar, head (Business Banking, ATM and debit cards), RBL Bank, says: "The latest guideline from the RBI prescribes a timeline of T+5 for banks to refund the client, where T refers to the day of the transaction. Beyond this time, a daily penalty of ₹100 is levied on the bank. This penalty needs to be paid by the bank to the customer irrespective of the customer reporting or lodging a complaint with the bank. The bank needs to reconcile its records and accounts, and ensure payment against the delay is credited in an appropriate time."

So, make sure you get in touch with the bank and let it know regarding the issue, and follow up if you don't get your money within the time frame.

ATM CHARGES (REGULAR SAVINGS ACCOUNT)

Bank	Free transactions (per month) at own ATM	Free transactions (per month) at other Bank ATM	Charges (beyond the free limit)
State Bank of India	First 5 in all locations All free for AMB* ₹25,000	First 3 in top 6 metro cities All free for AMB* ₹1 lakh	Own ATM: ₹10 Other bank ATMs: ₹20
Bank of Baroda	All transactions free	First 3 in top 6 locations	Own ATM: Free Other bank ATMs: ₹20 per transaction
HDFC Bank	First 5 in all locations	First 3 in top 6 metro locations	₹20 per transaction
ICICI Bank	First 5 transactions	First 3 in metro locations	₹20 per transaction
Axis Bank	First 5 transactions	First 3 free in top 6 metro cities	₹20 per transaction
Punjab National Bank	All transactions free	First 3 free in top 6 metro cities	₹20 per transaction

* Average monthly balance

Source: Paisabazaar.com

Charges and strategy: The next thing every ATM user needs to know is regarding ATM charges. Transaction charges for ATM usage are mosty linked to the type of bank account one has. For instance, most high-end accounts come with free unlimited ATM transactions, while other account variants have limits defined concerning free transactions. Bhatnagar, says: "From a pricing control perspective, the RBI has defined a base number of transactions that the bank must offer free. For example, in top metros, the floor limit is three free transactions."

In rural and underbanked areas, the floor limit is higher. The maximum fee that can be charged is ₹20, says Naveen Kukreja, CEO and co-founder, Paisabazaar.com. "Debit card users should use digital modes of payment such as e-wallets, internet banking, IMPS, and UPI to the extent possible. This will reduce the need for cash payment, which, in turn, will decrease the chance of breaching free limits on ATM transactions. Additionally, those having multiple savings accounts should spread their ATM withdrawals across various savings accounts to take advantage of higher cumulative free ATM withdrawals. This would prevent them from exhausting free ATM limits. Hence, they would be saving on withdrawal charges." With NEFT becoming free of cost after January 1, 2020, you can always transfer funds from one account to another and make the most of free ATM transactions for cash withdrawal.

Transact safely: Be mindful while using the ATM. Mayur Joshi, a Pune-based cybersecurity expert, says: "Skimming was seen to be the trending fraud type in 2019 in India. Consumers need to be educated, if anything, about the card reader or PIN pad looking different or unusual. If it feels loose to touch, or you see a sign asking you to swipe your card in a second reader, don't use it. Don't even remove it. Instead, report it."

An Indian Overseas Bank official says, "Ensure you do the transaction yourself at an ATM. Never write down the PIN, nor share the PIN/OTP. Also, never forget to collect your card after the transaction. In short, be alert while the transaction is going on. Never take help from strangers for using the ATM card or handling your cash. Always press the 'Cancel' key before moving away from the ATM."

Rustom Irani, MD and CEO (cash business), Hitachi Payment Services, says: "Insert the card only when the card reader light is flashing. Always cover the keypad with your hand while entering the PIN. And always wait till the transaction is fully complete before leaving the ATM."

Check for any external cameras pointing directly towards the keypad, including the micro-camera above the PIN pad. Bhatnagar, says a "shoulder surfer" can peep at your PIN as you enter it. So stand close to the ATM and use your body and hand to shield the keypad as you enter the PIN. In short, see if anyone is looking over your shoulder. If you are using the ATM for depositing a cheque or card, check the credit entry in your account after a couple of days. Remember that all your old magstripe debit and credit cards will be invalid by December 31, and replaced by a new EMV/chip-based card.

No TDS on interest paid as compensation

CONSUMER PROTECTION

JEHANGIR B GAI

Nexgen Infracon failed to give possession of flats to buyers. So, they approached the National Commission with individual complaints.

In the lead case filed by Anil Kumar Jain, the builder had issued an allotment letter on September 18, 2013, stating that the total price of the flat with a super built-up area of 3,430 sq ft would be ₹1,61,27,631. It also noted that endeavour would be made to give possession by February 1, 2016, or latest by December 31, 2016 and if delayed further, a monthly compensation of ₹5/sq ft would be paid by the builder.

The builder kept demanding money without adhering to the payment schedule linked to the progress of construction. The date for completion of the project was extended to June 30, 2019.

The National Commission observed that the builder had received full payment but had defaulted in giving possession of the flat

The builder contested the case, terming the purchasers as speculators who had booked the flats for making gains, and questioned the maintainability of the complaint. The builder claimed that the project was delayed as the National Green Tribunal had put an embargo on extracting underground water for construction.

The builder argued that the allotment letter merely stated that endeavour would be made to give possession, which could not be termed to be a firm commitment. The National Commission observed that the builder had received full payment but had defaulted in giving possession of the flats. It rejected the contention that the buyers were speculators, noting that builder had failed to substantiate this.

On merits, the Commission noted that using the term "endeavour" would not help unless the builder proves that delay is due to reasons beyond his control. In the absence of any justifiable cause, an extension of the date of completion would establish deficiency in service.

The defence about the restriction on extracting groundwater was rejected. The builder opposed the purchaser's demand for return of the money, as the agreement did not contain any clause for backing out and seeking a refund. The National Commission relied on a Supreme Court decision in Pioneer Urban Land & Infrastructure versus Govindan Raghavan, where it was held that the terms of a purchase agreement would not be binding if it is shown that the flat purchasers had no option but to sign on the dotted line of the contract framed by the builder. The Commission concluded that denial of refund would constitute an unfair trade practice. Similarly, relying on the Supreme Court's judgement in Kolkata West International City versus Devasis Rudra, it held that it would be unreasonable to make a buyer wait indefinitely for possession.

Accordingly, by its order of December 23, 2019, delivered by Justice R K Agrawal, the National Commission ordered the builder to refund the entire amount along with 12 per cent interest from the date of payment of each instalment.

One month was granted for compliance; else the interest rate would stand enhanced to 14 per cent. The Commission warned the builder not the deduct tax at source on the interest as it was awarded as a form of compensation. Additionally, costs of ₹ 10,000 were also awarded.

The author is a consumer activist

BUDGET: ₹30 LAKH –₹50 LAKH
REALTY CHECK

Business Standard brings you a snapshot of average current rates and unit sizes in localities that offer property in the price range of ₹30 lakh and ₹50 lakh. If you are looking at buying real estate, an idea about prevailing rates would come in handy

	Avg price (₹/sq ft)	Avg unit size (sq ft)
INDORE		
Nipania	3,389	1,285
Super Corridor	2,486	1,472
New Rani Bagh	2,965	1,315
Rajendra Nagar	2,860	1,283
Palda	2,499	1,491
Vijay Nagar	2,752	1,446
Sukhlia	2,927	1,293
Snehlataganj	3,186	1,394
JAIPUR		
Jagatpura	3,244	1,241
Sodala	8,200	492
Ajmer Road	2,585	1,404
Mansarovar Extension	3,476	1,141
MWC Road	2,960	1,280
Tonk Road	2,868	1,344
Vaishali Nagar	3,520	1,158
Choki Dhani	5,070	798
MANGALURU		
Derebail	4,083	1,010
Jeppu	3,733	1,028
Kavoor	3,436	1,194
Kulshekar	3,385	1,166
Urwa	4,025	1,103
Bejai	4,945	771
Shakti Nagar	3,455	1,149
Kulai	4,262	978
THIRUVANANTHAPURAM		
Vazhayila	3,875	1,135
Technopark	3,678	1,139
Kazhakoottam	4,448	1,008
Sreekariyam	3,577	1,046
Mannanthala	3,899	1,010
Pallippuram	3,750	928
Peyad	4,200	925
Akkulam	4,500	989
VADODARA		
Harni	2,623	1,403
Vasna Bhayli	2,549	1,515
Bhayali Road	2,502	1,478
Sama-Savli Road	2,556	1,569
Chhani	2,504	1,479
Gotri	2,672	1,496
VIP Road	3,251	1,238
Sun Pharma Road	2,007	1,733
VASAI-VIRAR AREA		
Virar (W)	4,704	810
Naigaon (E)	5,030	770
Vasai (E)	4,687	786

Note
- The ticket price range considered for the above data points is between ₹30 lacs and ₹50 lacs
- All the data points discussed in the above table refer to primary market only
- Above residential data set comprises of residential apartments only
- Above residential data is representative of organised real estate developers only
- The top performing micromarkets based on sales during last year (November-2018 to October-2019) is represented on the above table
- Data points are updated till October 2019

Source: PropEquity

Five money tips for entry-level employees

The idea is not to curb spending, but to start saving as well

SARBAJEET K SEN

Joining your first job means jubilation for many reasons, but one of the main would be financial independence. And whether it is a new wardrobe or the latest gadget, the freedom to spend can often lead to impulse spending, and sometimes overspending. For parents, it is always a good time to start giving monetary advice as soon as the child has received the employment letter.

Is the latest mobile or car or a house the goal? If so, the savings and investments should be aimed at catering to it. The amount needed has to be worked out, and money needs to be saved, accordingly. "A proper asset allocation plan that takes into account liquidity for multiple expenses and short-term and long-term goals that are expected to be there for a young person should be put in place," says Suresh Sagagopan, Founder, Ladder7 Financial Advisors.

Start with saving, then invest: "Make sure you save a portion of your income, regardless of how much you earn," advises Tarun Birani, Founder and CEO of TBNG Capital Advisors. Once you get into the habit of saving, gradually start investing in small savings and other financial instruments.

"Invest 20-30 per cent of the income received as soon as it gets credited, and spend only post that," says Vishal Dhawan, CEO of Plan Ahead Wealth Advisors. Given the myriad of investment avenues, choosing where to invest can be a daunting task for a youngster. A mutual fund systematic investment plan or SIP in an equity fund can be a good starting point as it inculcates regular investing habit with the possibility of wealth creation. "This regular SIP will inculcate the habit of financial discipline in you, which is the most important pillar in your long-term financial planning," says Birani.

YOUR MONEY

Prepare a budget: "Without a budget, tracking finances becomes very difficult, especially with a busy schedule," says Birani. Once you have prepared the budget for a few months, you get an idea of the pattern of expenses against earnings. By analysing such a pattern, you can clearly identify your discretionary expenses along with other expenses. "Separate the fixed expenses from the discretionary expenses. Discretionary expenses need to be controlled at this stage, as they can easily convert from wants to needs" says Dhawan.

Use credit cards sparingly: Credit cards are also an easy way to get into a debt trap and needs to be used only when required. "A person should buy everything by first saving and then buying, rather than buying on credit. If cards are used, it should only be for convenience. Debit cards will fit the bill here. There are many wallets like Paytm, PhonePe and others, which are very convenient and do not create liability," Sadagopan said.

Have an emergency fund: Not everything goes according to plan, no matter how thoroughly you plan it. There will always be unexpected expenses and emergencies which you could not have planned for. "It is wise to have a corpus to deal with such cases. This makes us more prepared with unforeseen scenarios financially and gives us peace of mind to deal with emergency situations," says Birani.

Have health insurance: While in the initial years, life insurance may not be so important if you do not have dependent parents, a health cover is important. Add life cover over the years. "One of the first things after getting the first job is to have a health insurance cover for an amount of about ₹5 lakh," says Sadagopan. This will ensure that sudden out-of-pocket expenses on hospitalisation do not derail a youngster's financial plan. You should have your own separate health cover even if your office provides you with a group cover, which could come in handy in case of job loss.

TIPPING POINT

Impressive returns in debt plans

Even though bank interest rates on fixed deposits have been going southwards, with some offering as low as 6 per cent on their fixed deposits, a large number of debt mutual fund schemes have given remarkable returns. While investors in direct plans have benefited more due to lower expense ratios, even regular schemes have given returns in excess of 10 per cent in the past year.

TOP SCHEMES (In %)

Name	1-year returns	1-year SIP returns	Expense ratio
Kotak Debt Hybrid Fund	12.28	13.39	1.15
Baroda Conservative Hybrid Fund	11.21	11.00	1.15
ICICI Prudential Equity Savings Fund	11.05	12.06	0.78
Kotak Asset Allocator Fund	10.59	11.32	0.36
Axis Equity Saver Fund	10.45	10.34	1.11

NOTE: All are direct plans

READER'S CORNER

GENERAL INSURANCE

ROOPAM ASTHANA

I am planning to get married next year. If I start planning a family in a few years down the line, do you recommend buying a health insurance policy with maternity cover? My current health insurance policy doesn't cover maternity. What would be the premium to coverage ratio for such a cover?

Yes, you may opt for a maternity cover in your family floater plan. The maternity waiting period would be calculated from the date your spouse has become a part of the policy. For a few insurance companies, maternity is an inbuilt cover, while few other insurance companies give it as an add-on cover. The coverage ratio would vary from company to company.

I am 23 years old and a travel enthusiast. I wanted to know if I will be covered by health insurance in case I participate in an adventure activity like paragliding, trekking etc. and hurt myself.

The standard documentation generally includes claim form, discharge summary, final hospital bill with a paid receipt, investigation reports and medical bills with a prescription. Also, you may need to provide NEFT information since many insurance companies are now settling claims only through direct online credit to your bank account.

My father had a heart attack while travelling in Europe. The treatment was started at the hospital in Europe, which was covered by their travel insurance. I want to understand if the same travel insurance will cover it if he continues the treatment in India?

Usually, the international travel policy ends when you return to India. Thus, your travel insurance policy will not cover treatment that is continued in India.

In case your father is covered under a local health insurance policy, further treatment will get covered thereunder. However, it is advisable to further check with your insurance company whether your policy would cover the continued treatment in India.

I am 26 years old, and I live in Delhi. Due to the environmental conditions, I'm planning to buy a health insurance policy. Would the health insurance premiums go up due to changes in weather/pollution or any other environmental factor?

No, the health insurance premium does not vary on the basis of weather, pollution or any other environmental factor. So, in your case, don't worry on the premium change and opt for a health insurance policy immediately — it is an investment in your financial well-being that is worth the premium you will pay.

I am a 26-year-old working woman. My mother is 51 years old, and my father is 54 years old. I am looking for joint health insurance. But two-three insurers have turned me down because my father is overweight and even his age is a factor. So what should I do now?

Age and obesity are significant criteria while accepting the insurance proposal. Few insurance companies accept such conditions with additional premium. I suggest visiting an insurance advisor for better clarity. In any case, you should not delay taking a health insurance cover for yourself and your mother.

I have not claimed any premium on my motor insurance. But two months back, my insurance policy expired. Can I renew it by paying a penalty? Will I lose the No Claim Bonus (NCB)?

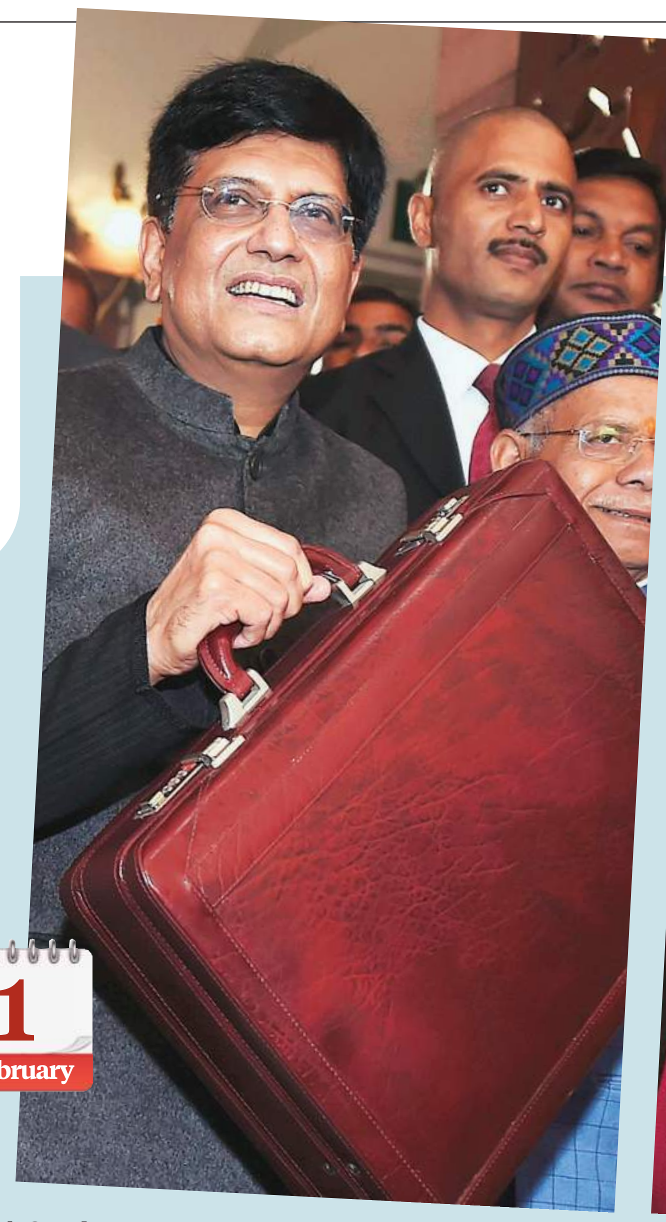
No, you will not lose your NCB since it is valid up to 90 days from the expiry of the previous policy if no claim has been made in the last policy and the policy has run a full 365 days in the name of the same person insured. You can approach the insurance company for the renewal of your policy. Please do so immediately.

THE ECONOMY

THAT SHRINKING FEELING...

6 February

Business Standard reveals that the government withheld an NSSO survey that reveals 2017–18 unemployment at a four-decade high. After fiercely contesting the findings, the Modi government release the survey after the elections.



1 February

Piyush Goyal, replacing an ailing Arun Jaitley, presents the interim Budget announcing a tax rebate for incomes of up to ₹5 lakh and annual income support of ₹6,000 for farmers.

4 July

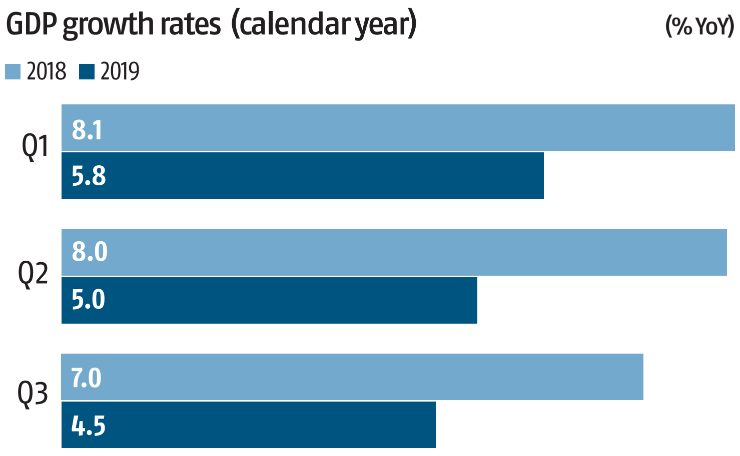
Nirmala Sitharaman, India's first female finance minister, presented the first Budget of Modi's second term introducing an income tax surcharge for those earning more than ₹2 crore a year

16 November

Government scraps NSO's consumer expenditure survey report a day after *Business Standard* revealed that it showed consumer spending in 2017–18 falling for the first time in four decades.

SLOW AND UNSTEADY

GDP growth rates (calendar year)



27 November

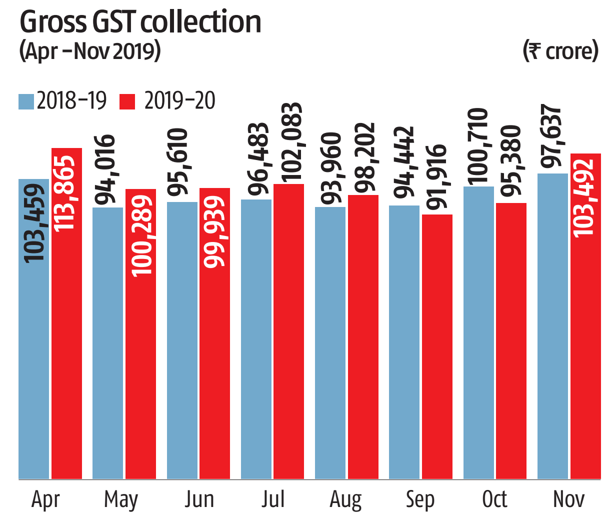
The Labour Code on Industrial Relations Bill is tabled in Parliament consolidating three laws, amalgamating 44 codes into six and easing retrenchment norms to enable hiring flexibility for businesses.

In a bid to spur the economy, Finance Minister Nirmala Sitharaman slashed corporate tax from 30 to 22 % without incentives and from 25 to 15 % for new manufacturing entities.

20 September

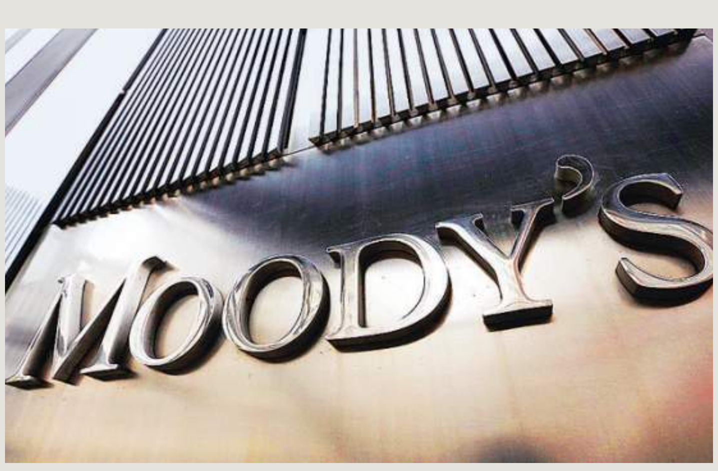
OFF TARGET

Gross GST collection (Apr–Nov 2019)



8 November

Moody's Investors Service changed the outlook on India's sovereign rating from stable to negative, saying there has been an increase in the risk that economic growth will remain materially lower than in the past.

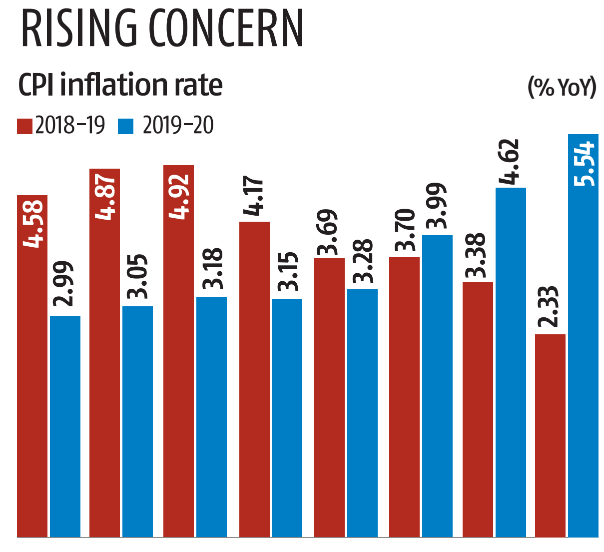


4 November

India finally decides to opt out of the Regional Comprehensive Economic Partnership, saying the negotiations did not "address key concerns".

RISING CONCERN

CPI inflation rate



BUSINESS

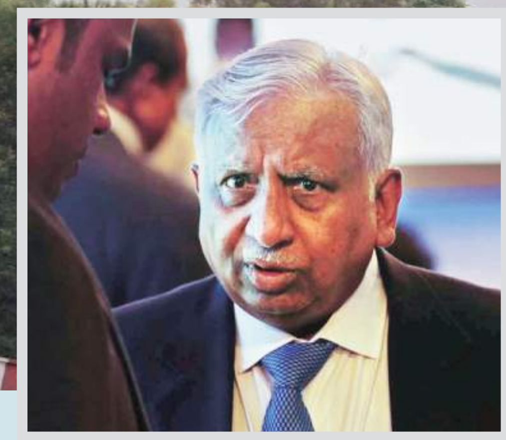
RUNNING ON THE SPOT

18 December

After a three-year battle in the courts, the National Company Law Appellate Tribunal restored the deposed Cyrus Mistry to chairmanship of Tata Sons, the group holding company, and declared the 2017 appointment of the current incumbent, N Chandrasekaran, illegal. The Tata group has four weeks to appeal in the Supreme Court.

17 April

Jet Airways, the country's oldest private airline, suspends operations after it fails to repay debt of ₹8,000 crore. In June, it filed for bankruptcy and is still to find a buyer.



30 January

A *Cobrapost* expose accuses Dewan Housing Finance Ltd of dubious related party loans which eventually revealed a ₹95,000 crore exposure after it defaulted. It is being probed by the Serious Fraud Investigation Office.

25 November

Subhash Chandra steps down as chairman of Zee Entertainment after he sells his family's stake to a clutch of investors to repay loans on bets he had made on an expensive diversification into infrastructure.

12 August

Mukesh Ambani announces that Reliance Industries will sell 20% in its core oil-to-chemicals division to Aramco of Saudi Arabia at a $75 billion enterprise value to become a zero-debt company by March 2021.

24 May

Adani group bags 50-year lease rights to operate and develop six non-metro airports — Ahmedabad, Guwahati, Jaipur, Lucknow, Mangaluru and Thiruvananthapuram — marking its first foray into aviation.

1 February

In a blow to Flipkart-Walmart and Amazon, new rules bar e-commerce platforms with foreign investment from selling products of companies in which they own equity, or forming exclusive marketing arrangements with sellers to influence product prices.

10 July

Promoters of InterGlobe Aviation Ltd, which runs low-cost carrier IndiGo, fall out after Rakesh Gangwal (*right*) accused Rahul Bhatia of corporate governance violations and sought Sebi intervention. The matter has spread to US and London.

22 October

A whistle-blower accuses Infosys CEO Salil Parekh of committing financial irregularities. He becomes the second CEO to face charges from a whistleblower in five years. The investigations are still on.

10 December

YES Bank's fund-raising efforts have yielded eight investors — three institutional, five family offices, of whom the largest is a little known Canadian entrepreneur called Erwin Singh Braich. Doubts about him passing RBI's "fit and proper" criteria have been raised.

16 December

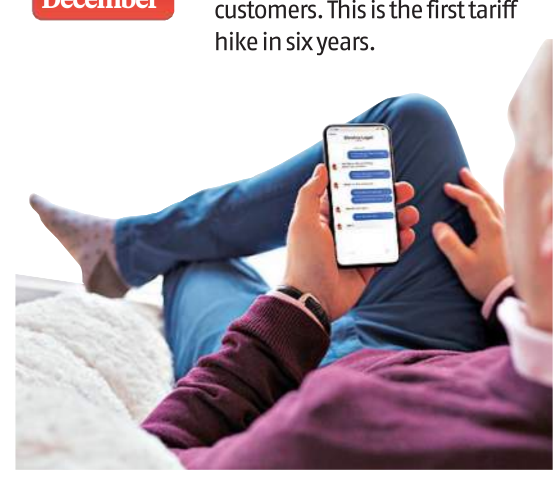
After a decade and two attempts, ArcelorMittal, the world's biggest steel maker, enters India by buying Essar Steel plant for ₹42,000 crore through the Insolvency and Bankruptcy Code process.

3 October

Punjab and Maharashtra Co-operative Bank (PMC) collapses after Housing Development and Infrastructure Ltd defaults on loans taken for money laundering operations. Promoters Rakesh and Sarang Wadhawan have been arrested.

3 December

The three major telecom operators, Reliance Jio, Bharti Airtel and Vodafone Idea raise tariffs 20-41% for prepaid customers. This is the first tariff hike in six years.



CITIZENS' RESPONSIBILITY TO TAKE CARE OF PUBLIC PROPERTY: PM ON PROTESTS

Prime Minister Narendra Modi and Home Minister Amit Shah at Sadaiv Atal, the memorial of former prime minister A B Vajpayee in New Delhi, on his 95th birth anniversary. Modi on Wednesday slammed those who damaged public property during protests in Uttar Pradesh against the amended citizenship law, saying they should understand that rights and duties go hand in hand. "They (the vandals) should ask themselves was it right. Whatever was torched, was it not of their child's use? What has happened to those common people and policemen who got injured?" Modi asked PHOTO: PTI

Citizens felicitate cop after peaceful anti-CAA rally

Residents of Bhiwandi near Mumbai on Wednesday felicitated a police officer for the police's deft handling of a huge protest march against the Citizenship (Amendment) Act last week.

Deputy Commissioner of Police Rajkumar Shinde was felicitated in the traditional Maharashtrian way, with gift of shawl and a `shri-fal' (coconut).

Bhiwandi, a hub of powerloom industry in Thane district, is considered communally sensitive and had witnessed major Hindu-Muslim riots in the 1970s and 1980s.

Nearly one lakh people came out on the streets last Friday after namaz and took part in a protest march against the CAA and the proposed National Register of Citizens.

But the protest passed off peacefully, ending after a memorandum was submitted to the local authorities. **PTI**

Last MiG-27 fighters retire tomorrow

IAF down to 28 squadrons

AJAI SHUKLA
New Delhi, 25 December

The Indian Air Force (IAF) will have a moment of history in Jodhpur on Friday, when the last of its MiG-27 fighters fly into the sunset. Starting in 1985, the IAF has flown 165 MiG-27 fighters, built under licence by Hindustan Aeronautics (HAL).

With this, the last MiG-27 squadron — No. 29 Squadron, which calls itself the Scorpions — will be 'numberplated', or placed in suspended animation until it can be re-operationalised with new aircraft and manpower.

This will reduce the IAF's combat strength to 28 fighter squadrons, just two-third of the 42 squadrons it is authorised to fight a two-front war against Pakistan and China together.

Worse, the IAF's 28 squadrons operate six different types of fighters. These include 11 squadrons of Sukhoi-30MKI, three squadrons of Mirage 2000, six Jaguar squadrons, three MiG-29UPG squadrons, one squadron of indigenous Tejas Mark 1 fighters and four obsolete MiG-21 squadrons.

The MiG-21s would retire by 2022-23. By then, the IAF plans to induct five new squadrons: One squadron of Tejas Mark 1, two of the Rafale, and at least two more of Sukhoi-30MKIs. In addition, the IAF is negotiating to buy another MiG-29 squadron in flyaway condition from Russia.

The MiG-27, like the Jaguar, has provided the IAF with ground strike capability. Both aircraft can accurately deliver four-five tonnes of bombs or rockets on to enemy ground targets by day or night. However, even after HAL upgraded 40 of the MiG-27 fighters with new avionics, it remains an outdated and unsafe fighter that has crashed in significant numbers. After December 27, the MiG-27 will be in operational service only with the Kazakh air force.

For decades, the IAF was the biggest operator of MiG-series (named after aircraft designers, Artem Mikoyan and Mikhail Gurevich) fighters outside the Soviet Union, and then Russia. Over the preceding decade, however, the growing numbers of Sukhoi-30MKI fighters has eclipsed the steadily dwindling MiG fleet.

India's first MiG fighters were a batch of nine MiG-21s inducted in 1963-64 into No. 28 Squadron, which calls itself the 'First Supersonics'. This squadron is now equipped with MiG-29UPG fighters. The IAF eventually flew more than a thousand MiG-21s, most of them built in HAL, Nashik.

The MiG-21 was followed by 160 MiG-23 fighters, which were bought ready-built in the late 1970s in two variants — air superiority and ground strike. The last MiG-23s were retired in March 2009.

Soon after buying the MiG-23, the IAF inducted the MiG-27, with HAL building 165 fighters in Nashik. These share the MiG-23's basic design and swing wings, but are optimised for ground strike missions, flown mostly at supersonic speeds at extremely low altitudes to evade detection by radar. The MiG-27 has a sloping nose to improve pilot visibility, a stronger undercarriage to allow for operations from rough airfields, and a sophisticated navigation-attack system.

The most interesting aircraft from the MiG stable to serve in the IAF was the MiG-25 Foxbat, eight of which entered service in the early 1980s. One of the most high performance fighters ever built, its ability to fly at altitudes over 65,000 feet allowed it to repeatedly violate Pakistani airspace with impunity. Capable of flying three times the speed of sound (or at Mach 3), No. 102 squadron, which operated the MiG-25, calls itself the 'Trisonics'. The MiG-25 was retired in May 2006.

After the MiG-27s and MiG-21s retire, the only aircraft from that family that will remain in service will be the MiG-29. The IAF will continue to operate three squadrons of the upgraded MiG-29UPG, while pursuing the purchase of a fourth squadron that Russia has offered. Meanwhile, the Navy will operate two squadrons of the MiG-29K/KUB off its aircraft carriers.

A more advanced variant of the MiG-29, called the MiG-35, is competing in the IAF's ongoing tender for 114 medium fighters, worth at least $20 billion. It is in contention with the Sukhoi-35, Boeing's F/A-18E/F Super Hornet, Lockheed Martin's F-21, Eurofighter Typhoon, Dassault Rafale, and Saab Gripen E.

AVIATION 2010-2019

More lows than highs

Despite phenomenal growth, aviation has been a mixed bag with many lost opportunities

ANJULI BHARGAVA
New Delhi, 25 December

A century is about events. A decade is about people. Perhaps nowhere does George Friedman's maxim hold as true as in India's aviation sector. The decade gone by has been dominated by personalities and the high and lows brought about by the actions of these dramatis personae, ranging from the flamboyant Vijay Mallya to Tony Fernandes.

Alongside the story of these men's obsessions and destinies, the sector has tripled from 52 million passengers in 2010 to the estimated 170 million who have flown this year. The players who dominate the skies, too, have changed. At the start of the decade, the airline that revolutionised air travel by making it affordable — Air Deccan (2003-2008) — was already history and the decline of its buyer, Kingfisher Airlines, had also already set in.

By early 2011, Kingfisher had stopped flying the good times and flown into headwinds. The crash landing came in October 2012. The airline's licence was suspended, the extent of its dues became known to all, and employees found themselves jobless. The downfall of Kingfisher had financial implications for the whole sector: lessors and creditors became more wary of engaging with Indian carriers.

Meanwhile, one man's pain coincided with another's gain. IndiGo, the low-fare airline that had slowly but surely been building up a presence from 2006, began the decade with a $15-billion aircraft order for 180 A320s. Five years later, it started taking baby steps into international territory, albeit only in the neighbourhood.

GoAir, which had taken to the skies a little earlier than IndiGo but failed to grow with the same confidence, announced its first large order of 72 A320neos in June 2011. The airline has continued to plod on through the years, bidding farewell to its senior management with unerring regularity and providing a textbook example of how to manage with very little steering at the top.

Then, in June 2010, came a wild card entry. Chennai businessman and media baron Kalanithi Maran plunged in taking a controlling stake in SpiceJet, an airline that had been like an orphan, passed around from one owner to another. But Maran's love affair with aviation proved to be a more infatuation and in 2015 he handed the airline, having driven it virtually into the ground, to Ajay Singh, a former aide of Pramod Mahajan.

Despite SpiceJet's troubles and a growing realisation that success in aviation is not a matter of just deep pockets, Tony Fernandes threw down the gauntlet in 2014, setting up AirAsia India in a joint venture with Tata.

Tata puzzled many when it announced two parallel ventures: AirAsia India with AirAsia Berhad and Vistara with Singapore Airlines. Was this a death wish, many wondered? For workers in the industry, such considerations didn't matter; it meant more jobs in a struggling sector. As it turned out, both airlines have experienced losses; a given in the early days, but more worrying as time goes by and there is no sign of a reversal.

THE DECADE THAT WAS
AVIATION

Amid this flurry of activity, Jet Airways began stumbling. It had been losing ground ever since the low-fare airlines made their entry. It failed to set its house in order and continued to grapple with mounting losses almost throughout the decade.

In 2013, it sold a large stake to Etihad and restructured its operations for a better fit with its partner, but the move failed to reverse its fortunes. The break point — one that had been avoided many times in the past — came in mid-2018, but the airline continued to sputter along till April 2019 when it sank, partly from the weight of a bloated management.

This year's loss of Jet caused ripples of regret in the industry. Since 1993, Jet had occupied a special place in many hearts, a place Air India never occupied, and built a strong brand that most Indians were proud of. If anything, many Indians and the industry regarded Jet as the national carrier, if only in aspiration and spirit. Months later, its loyal employees remain jobless, still convinced in their hearts that none of the other airlines is worth working for.

Throughout the decade, Air India remained the elephant in the room, a case study in mismanagement and vested interests combining to scupper its continued functioning. The airline kept sucking money into an infinite back hole. Employees have grown more disgruntled, more aircraft stand in hangars, and hopes of a revival remain dismal.

A sale? It's been taken as a foregone conclusion ever since Home Minister Amit Shah took charge. If Shah can't hawk it off, nobody can. Failure to sell may mean closure, an unpalatable option for a government that's already mired in controversies.

Perhaps one of the other big regrets of the decade for the industry is the snail-like progress of Navi Mumbai International Airport, creeping towards completion since 1997. This, when Mumbai has been grappling with an acute shortage of slots owing to the existing airport being at near saturation point. In fact, when Jet's slots became vacant, the other airlines swooped down like hungry vultures to grab them, with little regard for the larger consequences, some of which are already being felt.

The real estate and infrastructure crisis that began in 2012 was a setback for the airports sector. It led to a weakening in the balance sheets of the two main operators in the airport space: GVK and GMR. While both sold assets to keep their head above water, progress on renovating India's other airports remained indifferent.

It would be fair to say that no dramatic improvement has occurred in airport infrastructure in the past decade. Here, a new player, the Adani Group, has surfaced in the last few years and has won the bid to modernise and operate six of India's airports. However, its record is unproven and it remains to be seen if it can pull off what it's promised.

As to safety, 2010 began with tragedy in May when an Air India Express flight crashed in Mangalore, killing 158 aboard. Safety concerns mounted, thanks to niggling problems with Pratt and Whitney engines on A320neos and the more recent grounding of the Boeing 737 MAX.

Incidents — as opposed to accidents — plagued India's airspace, especially in the last two years. Safety remains a worry globally, but perhaps more so in India, where commercial considerations often outweigh those of safety.

One thing is for sure. The fun of flying shrank in proportion to less seat space and crowded airports. Many fliers boycotted market leader IndiGo, despite its all-encompassing schedule. Its quality of service fell — the lines were endless, aircraft cramped, and those who could afford it, preferred to pay more on a Jet/Vistara or even Air India.

A steady infusion of capacity ensured fares remained low, albeit with occasional spurts. If you add up the losses of the decade, they far outstrip the profits.

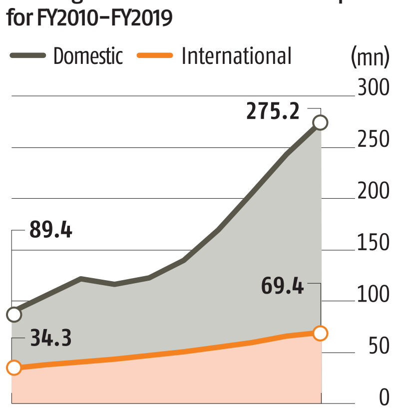
Finally, the government's attempt to widen the net of fliers through the UDAN scheme aimed at making air travel affordable and accessible to the masses failed to get off the ground, although, to be fair, it has the power to change the face of the Indian flier in the decades to come.

Apart from the proposed Air India sale, assuming Shah can get it done, the industry is hoping the start of a new decade will bring some respite on domestic fuel prices and improvements in airport infrastructure.

But with a government seemingly distracted by a host of issues that seem neither urgent nor necessary, it is anybody's guess whether 2020 will be a marked improvement on 2019, which will go down in the aviation sector's history books as one of the first years of the decade with single-digit growth.

TAKING FLIGHT

Passenger movements at Indian airports for FY2010-FY2019



Sources: CAPA India research, Airports Authority of India

Army officer, woman killed as Pak violates ceasefire along LoC in Uri

A junior commissioned officer of the army and a woman were killed on Wednesday in unprovoked firing during ceasefire violation by Pakistani troops along the LoC in Uri sector of Jammu & Kashmir, defence sources said. They said Pakistan is targeting civilian population in India with vengeance from gun and mortar positions deployed and inside villages in PoK. The JCO (Subedar) died in Uri Sector.

The sources said some of the shells fired by Pakistani troops landed in civilian areas, resulting in injuries to two civilians including a woman in Churunda village. **PTI**