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THE MARKETS ON THURSDAY		Chg#
Sensex	41,163.8▼	297.5
Nifty	12,126.5▼	88.0
Nifty futures*	12,195.8▲	69.2
Dollar	₹71.3	₹71.3**
Euro	₹79.1	₹78.9**
Brent crude ($/bbl)##	67.5###	66.9**
Gold (10 gm)###	₹38,636.0▲	₹345.0

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

COMPANIES P3

SACHIN BANSAL'S NAVI TECH ACQUIRES MAVENHIVE

ECONOMY & PUBLIC AFFAIRS P16

ARMY CHIEF'S REMARKS ON CAA PROTEST LEADERS IRK OPPOSITION

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

OPERATION TWIST 2.0 ON MONDAY

The Reserve Bank of India (RBI) will be conducting one more simultaneous bond purchase and sale in the secondary markets, which has come to be known as India's version of Operation Twist. The RBI, in a notification, said it would purchase 10-year bonds worth ₹10,000 crore, while simultaneously selling four bonds maturing in 2020 for up to the same amount. It conducted such an operation earlier this week on Monday. The next such open market operation (OMO) will happen on Monday. 7▶

THE SMART INVESTOR P12

Scrapped listing weighs on Reliance Retail

Trades in Reliance Retail's unlisted shares are said to have been affected by the announcement of a scheme through which the firm's shares would be exchanged for a stake in the parent company, Reliance Industries. Lower-than-expected valuation for the swap and the dashing of hopes of listing gains are said to have weighed on sentiment, according to unlisted share dealers.

BS SPECIAL ON FRIDAY

2019: GREAT LEAP BACK 17▶

Governance: New ideas of India

COMPANIES P2

GoAir strengthens roster team to avoid disruptions

GoAir, which cancelled dozens of flights earlier this week, said on Thursday it expected schedules to normalise by the weekend. Sources said the airline was hiring in the rostering section. The section, which assigns flights to pilots after taking into account their non-availability, had seen resignations and reshuffle in the past few months.

IT firms stare at $1-bn hit on 737 Max crisis

TCS, HCL Tech, Cyient and Infosys have exposure to Boeing

DEBASIS MOHAPATRA
Bengaluru, 26 December

IT outsourcing contracts of more than $1 billion currently executed by Indian companies are at risk of termination because Boeing has halted the production of its flagship Boeing 737 Max jets with effect from January.

According to sources in the know, major IT firms such as Tata Consultancy Services, HCL Technologies, Infosys, Cyient, and L&T Technology Services have direct exposure to Boeing or its suppliers' ecosystem, which comprises engine manufacturers, body suppliers, and avionics providers.

"Boeing figures on the top ten list of many Indian service providers. So, those players will definitely be affected in the short run. But the larger issue is if Boeing is hit, overall spending in the aerospace segment will also come down," said Pareekh Jain, an IT outsourcing advisor and founder of Pareekh Consulting.

After temporarily discontinuing the production of 737 Max wide-bodied aircraft earlier this month, the US-based aerospace giant told its suppliers to halt shipments starting from January.

As a sign of the ongoing crisis, the firm earlier this week ousted its Chief Executive Officer (CEO) Dennis Muilenburg as it struggled to win regulators' trust after deadly crashes in Indonesia and Ethiopia.

According to estimates, the aerospace engineering outsourcing market worldwide is estimated at close to $4 billion per year, which is equally contributed by Boeing and Airbus. Of the $2 billion of IT works outsourced by Boeing, Indian service providers get mostly half the deals every year.

Among the global service providers, Accenture and Capgemini lead the list.

Currently, suppliers to Boeing include engine manufacturers like Pratt & Whitney, Rolls Royce, General Electric, and Safran, while body parts of Boeing 737 Max are provided by Spirit AeroSystems and Safran.

Similarly, Rockwell and Honeywell are the major avionics providers to Boeing's programmes.

"Most Indian players have exposure directly to Boeing or to its supplier ecosystem. For instance, TCS, HCL Technologies, and Cyient have direct exposure to Boeing, while Spirit AeroSystem is a client for Infosys," said a person familiar with the outsourcing market.

Detailed emails sent to TCS, HCL Technologies, Cyient, and L&T Technology Services remained unanswered till the time of going to press. Infosys declined to comment.

"Usually outsourcing contracts have safeguard clauses, which are likely to protect IT firms from losses (in the case of termination). But, profitability will definitely be hit in the short run," said Sanchit Vir Gogia, founder and CEO, Greyhound Research.

He, however, added all the suppliers had long-term views about their engagement with Boeing and would overcome this short-term blip.

The Boeing crisis, which has brought down American manufacturing output apart from its trade and sales of durable goods, has a silver lining. Turn to Page 15▶

Bank credit growth may touch 58-yr low in FY20

Likely to plunge to 6.5-7% from 13% in FY19: ICRA report

SUBRATA PANDA & ABHIJIT LELE
Mumbai, 26 December

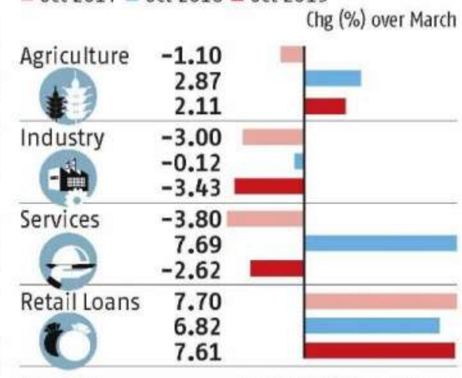
With the Indian economy caught in a slowdown, bank credit is expected to expand at a muted 6.5-7 per cent in 2019-20 (FY20) from 13.3 per cent in FY19, rating agency ICRA said in a report. This will be the lowest in 58 years, mainly on account of lower working capital requirements by companies and risk aversion among lenders.

According to ICRA, even in a high-growth scenario, wherein the second half of FY20 sees the incremental bank credit rise to ₹6.5-7 trillion, there will still be a 40-45 per cent year-on-year (YoY) decline.

As of December 6, 2019, incremental bank credit increased by ₹80,000 crore, whereas banks disbursed ₹5.4 trillion during the same period in FY 19 and ₹1.7 trillion in FY18 (till December 2017).

Bankers said that with private investment practically coming to a halt, there was little demand for corporate credit. While activity may show an uptick in the second half, it will hardly compensate for the extended slowdown seen since the beginning of the year. Companies are battling stress and are deleveraging wherever possible. The retail segment is showing steady growth, but it is not in a position to make up for the slump in the industry segment. Turn to Page 15▶

SECTOR-WISE SCENARIO



Source: RBI Compiled by BS Research Bureau

Rly hints at freight rate cut

Passenger fares also part of proposed rationalisation

SUBHAYAN CHAKRABORTY
New Delhi, 26 December

The railways may cut freight rates in a bid to boost economic growth, besides "rationalising" passenger fares. While Railway Board Chairman V K Yadav refused to say if passenger fares would see an increase, he hinted that freight rates might be reduced.

"We are going to rationalise the fares and freight rates. Something is being thought about. I cannot divulge more as this is a sensitive subject. While freight fares are already high, our target is to draw more traffic from road to railways in this regard," Yadav said on Thursday.

In September, the railways had announced several incentives to boost freight traffic. These included deferring the levy of busy season charge, waiving the supplementary charges applicable to loading rakes, and introducing the round-trip charge on container traffic.

The railways has been hit hard by the economic slowdown, with earnings from passenger fares dropping significantly. Passenger earnings stood at ₹40,415 crore in the April-December period of 2019-20, according to Rail Drishti, the national transporter's publicly available monitoring platform. Passenger earnings stood at ₹51,066 crore in 2018-19.

The Comptroller and Auditor General (CAG) in its report tabled in the recent Parliament session said the railways recorded an operating ratio of 98.44 per cent in 2017-18, the worst in the previous 10 years. Turn to Page 15▶

THE TEAM BEHIND FM'S BUDGET 2020

Finance Minister Nirmala Sitharaman will present her second Budget in a little more than a month from now. Her team will include Finance and Financial Services Secretary Rajiv Kumar, Revenue Secretary Ajay Bhushan Pandey, Economic Affairs Secretary Atanu Chakraborty, DIPAM Secretary Tuhin Kanta Pandey, Expenditure Secretary TV Somanathan, Chief Economic Advisor Krishnamurthy Subramanian, and Principal Economic Advisor Sanjeev Sanyal. 7▶

$ BOND ISSUANCES SEE FIVEFOLD JUMP

The lack of access to funds for below-top-rated corporates, along with attractive borrowing costs in the offshore market, has driven Indian firms to raise $23.6 billion through dollar bonds in 2019 — a nearly fivefold jump from the previous year. An analysis of the data showed that firms from infrastructure, power, non-banking financial companies, and metal industries issued a slew of such bonds to meet their funding needs in the current year. Domestic players are also using the external commercial borrowings route to tap into offshore liquidity.

JASH KRIPLANI & ANUP ROY report 4▶

After a high comes the sharp slide

MIHIR SHARMA
New Delhi, 26 December

THE DECADE THAT WAS
ECONOMY

The 2010s has been an up-and-down decade for the Indian economy. The country began 2010 on a high — it seemed to have weathered the global financial crisis much better than many of its emerging market peers, and was heading for record levels of growth in gross domestic product (GDP). Since then it has been battered by a slowdown caused by the weakness of its external account, a slow recovery that gained some momentum after the crash in the price of oil following the election of Prime Minister Narendra Modi in 2014, and the twin shocks of demonetisation and goods and services tax. It exits the decade with many problems left unresolved — including that of non-performing assets, which had already begun to build up 10 years ago — and with growth plumbing historic lows, alongside unemployment and investment.

Here are the five people who best represent the story of the Indian economy in the 2010s:

Narendra Modi: The one man who dominated the 2010s in India is, of course, the prime minister, who stamped his personality not just on Indian politics but on the economy as well. Although in his initial election campaign in 2013-14 he spoke of "minimum government, maximum governance", his first term featured a retreat from the market in many ways — especially following Rahul Gandhi's jibe that Modi was running a "suit-boot ki sarkar". Privatisation efforts never really took off, and trade liberalisation went into reverse as India erected tariff walls.

Modi's political capital, his unchallenged authority, and his willingness to take major decisions meant that there were some major steps forward for the economy in his first term — the bankruptcy mechanism, for example, and goods and services tax. But the same instincts also led to inexplicable and damaging decisions such as demonetisation. Turn to Page 16▶

Narendra Modi, Prime Minister

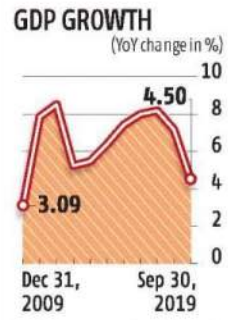
Pranab Mukherjee, Former president & FM

Raghuram Rajan, Former RBI governor

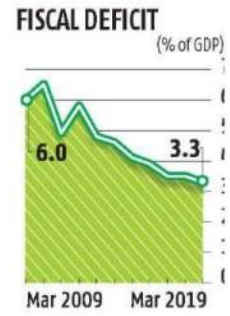
Mukesh Ambani, Chairman & MD, RIL

Vijay Shekhar Sharma, Founder & CEO, Paytm

GDP GROWTH

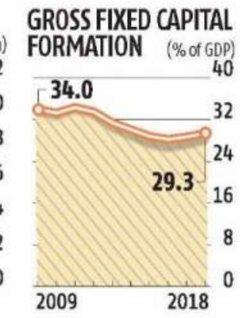


FISCAL DEFICIT

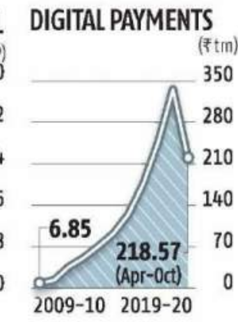


GROSS NPAs

GROSS FIXED CAPITAL FORMATION



DIGITAL PAYMENTS



Digital payments include retail electronic clearing, cards, wallets, mobile banking; Sources: Govt, RBI, World Bank, Bloomberg; Compiled by BS Research Bureau

▶ AUTO 2010-2019: SMART DESIGN, SUVS AND THE DEATH OF DIESEL PAGE 18

Yield on LIC investment the least in eight years

KRISHNA KANT & SACHIN P MAMPATTA
Mumbai, 26 December

Poor industrial growth and the downward pressure on bond yields and interest rates have begun to take a toll on the investment portfolio of Life Insurance Corporation of India, probably the country's single-largest investor in fixed income securities and the equity market.

The yield on LIC's investment portfolio declined to an eight-year low of 7.59 per cent during 2018-19, down 12 basis points (bps) on a year-on-year (y-o-y) basis, according to its annual report for FY19. As a result, the spread of LIC's yield over the 10-year government of India bonds shrank to a five-year low of 24 bps in FY19, as against 31 bps in the previous year.

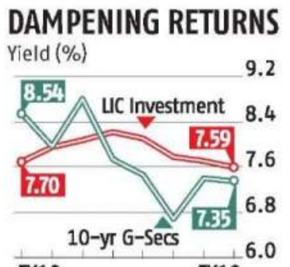
One basis point is one-hundredth of a per cent.

The data suggests that the decline in yield is largely due to slower growth in net income from investment compared to the growth in the insurer's investment portfolio. It had a net investment income of ₹2.2 trillion in FY19 on an investment portfolio of ₹29.3 trillion. In the last five years, LIC's investment portfolio has grown at a compound annual growth rate (CAGR) of 12.8 per cent from ₹16 trillion in FY14 to ₹29.3 trillion in the last financial year. In the same period, the corporation's income from investment grew at a CAGR of 9.3 per cent from ₹1.43 trillion in FY14 to ₹2.22 trillion in FY19.

The insurer mostly invests in fixed-income instruments such as long-term debt issued by the government of India, state governments, and public sector companies. Analysts say the yield on its fixed-income portfolio is highly correlated to the movement in the yield on 10-year government bonds, and largely explains the recent decline in returns for LIC's portfolio. According to the LIC annual report, equity (at market value) got a significantly smaller share in the portfolio.

Deven Choksey, managing director of KRChoksey Investment Managers, said an increase in allocation towards equity could help. Turn to Page 15▶

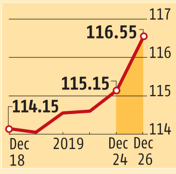
DAMPENING RETURNS



Note: Yield on G-Secs is the average for the respective fiscal year
Sources: LIC annual reports, BS Research Bureau

STOCKS IN THE NEWS

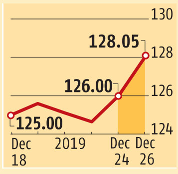
NTPC



To invest ₹50,000 crore to add 10-GW solar capacity by 2022

₹116.55 CLOSE
▲ 1.22% UP*

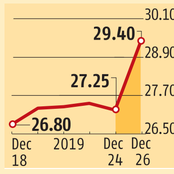
ONGC



Top gainer among the S&P BSE Sensex stocks

₹128.05 CLOSE
▲ 1.63% UP*

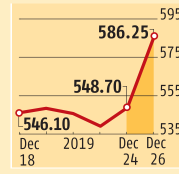
Dwarikesh Sugar Industries



Sugar-producing firms' stocks are in a favourable cycle

₹29.40 CLOSE
▲ 7.89% UP*

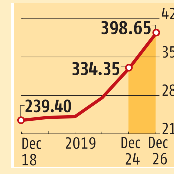
SML ISUZU



ICRA downgrades long-term rating of banking facilities

₹586.25 CLOSE
▲ 6.84% UP*

Igarashi Motors India



Auto ancillary stock surged 63% in 3 trading days in weak market

₹398.65 CLOSE
▲ 19.23% UP*

* OVER PREVIOUS CLOSE

IN BRIEF

PNB raises ₹1.5k-cr via bonds

State-owned Punjab National Bank (PNB) on Thursday said it had raised ₹1,500 crore by issuing Basel-III-compliant bonds. The bank will use the funds for business expansion. "Our bank has issued and allotted ₹1,500 crore Tier — II Basel III-compliant capital bonds at a coupon of 8.15 per cent per annum on private placement basis," PNB said in a regulatory filing. The lender has issued 15,000 redeemable Basel-III compliant Tier-II bonds in the nature of debenture of ₹10 lakh each, it said. To comply with Basel-III capital regulations, banks need to improve and strengthen their capital planning processes. These norms are being implemented to mitigate concern on potential stresses on asset quality and consequential impact on performance and profitability. PTI

ONGC gets green nod for ₹3,500-cr project in Assam

State-run ONGC has received environment clearance for carrying out onshore exploration, development and production of oil and gas in 100 locations in non-forest areas of Assam, that would entail investment of ₹3,500 crore, according to official documents. The Union environment ministry gave the green clearance to ONGC, the country's largest oil and gas exploration and production company, after taking into account the recommendations of a green panel. PTI

Greaves Cotton's arm to provide support to TVS 3-wheelers

Engineering firm Greaves Cotton's multi-brand spares and service arm, Greaves Care will provide service support to TVS three-wheelers under a strategic pan-Indian partnership, the company said on Thursday.
Greaves Cotton currently has 350 retail outlets, 5,300 small format spares outlets, and 165 care centres. PTI

Rockwell launches first India centre in Gurugram

US-based Rockwell Automation on Thursday launched its first automation centre in India at Gurugram. The centre will display customer solutions in five focus sectors — oil and gas, chemicals, food and beverage, auto and tyre, and lifescience, the company said. Besides, if any player from any other field requires technical assistance, the centre will provide it. PTI

Ather Energy appoints ex-Apple executive CFO

Smart electric scooter start-up Ather Energy has appointed Deepak Jain chief financial officer. Jain brings over 20 years of experience across global brands like First Advantage, Apple India, P&G, and Gillette. He joins Ather after a five-year stint at First Advantage as CFO for their India business. Specialising in conceptualising, leading and executing business expansion strategies, Jain will play a key role in Ather's aggressive expansion plans. BS REPORTER

Panasonic arm to set up factory at SriCity

Panasonic Life Solutions India, a sales arm of Panasonic's Life Solutions Company, will build a factory to produce wiring devices, electrical wire and switch gear with an investment of ₹294.6 crore. The new factory, in Sri City Industrial Park in Andhra Pradesh, will be Panasonic's fourth electrical equipment material production base in the country, and is scheduled to start production in 2021. BS REPORTER

Processed 13,000 orders per minute at peak of sale: Myntra

Myntra said it had set a new record with the 11th edition of its flagship End of Reason Sale with a 50 per cent rise in orders over last year. The four-day fashion event witnessed 2.85 million customers placing 4.2 million orders for 9.6 million items. Myntra processed 4,000 orders per minute in the first hour of the sale reaching 13,000 orders per minute at peak with women's western wear, ethnic wear and street wear being the top selling categories. BS REPORTER

EYE IN THE SKY

GoAir strengthens roster team to avoid disruptions

ANEESH PHADNIS
Mumbai, 26 December

Sources said the airline was hiring in the rostering section PHOTO: BLOOMBERG

GoAir, which cancelled dozens of flights earlier this week, said on Thursday it expected schedules to normalise by the weekend. The airline is strengthening its flight operations department to make this happen.

Sources said the airline was hiring in the rostering section. The section, which assigns flights to pilots after taking into account their non-availability due to leaves, sickness, training requirements, or emergencies, and manages crew duties, had seen resignations and reshuffle in the past few months. The team's work becomes critical in the event of delays and diversions, as duties have to be reassigned on the day of the disruption or within the next few days.

GoAir did not comment on recruitment but, in a statement on Thursday, said, "GoAir has more than adequate pool of cockpit crew resources to fly 325 daily flights. However, due to external factors, it is experiencing a temporary disruption to its schedule. The airline is working to normalise its operations with the support of its pilots and cabin crew, and expects to be on track by the end of this week."

But its pilots are complaining of a shortage in the ranks and claim leaves are not being approved. A Directorate General of Civil Aviation audit last month found the airline did not give rest to pilots according to rules. In some cases, pilots did four consecutive night duties. The rules only for allow for two such duties. GoAir said it would always abide by regulations stipulated by the DGCA, including pilot duty time rules.

GoAir cancelled almost 40 flights on November 23 and 24, during which it also reported turnback of two aircraft to the departing airport due to snags. The airline blamed previous schedule disruptions and implementation of new pilot duty time rules for the disruptions. GoAir also blamed delays in delivery of Airbus A320neo aircraft and non-availability of spare engines for the disarray. It said Airbus deliveries in November and December were delayed and these added to the challenges.

The DGCA has ordered precautionary checks on all Pratt & Whitney engines that have flown over 3,000 hours. This was done after the two back-to-back incidents of returning aircraft. The airline said it would comply with regulatory directives and complete modifications on the engines before next month-end.

HOUSING DEMAND FELL 22% IN H2 2019

Unrelenting liquidity crisis, poor sentiment among buyers, and faltering economic growth hit the residential real estate market in the second half of 2019. While launches plunged 30% after June, sales declined 22%, compared to the first half of the year. Overall sales during 2019, however, inched up, while new launches grew 21% year-on-year, as both developers and homebuyers enthusiastically invested in real estate during the first half of 2019.

2019 LOOKING BACK

ARNAB DUTTA

LAUNCHES DIPPED IN THREE OF SEVEN CITIES

City/region	2018	2019	% chg
NCR*	26,010	35,280	36
MMR**	59,940	77,990	30
Bengaluru	34,880	39,930	14
Pune	24,430	46,100	89
Hyderabad	17,290	14,840	-14
Chennai	15,680	13,000	-17
Kolkata	17,070	9,420	-45
Total	195,300	236,560	21

ACTUAL SALES INCHED UP BY 5%

City/region	2018	2019	% chg
NCR*	44,300	46,920	6
MMR**	66,440	80,870	22
Bengaluru	57,540	50,450	-12
Pune	34,460	40,790	18
Hyderabad	18,630	16,590	-11
Chennai	11,340	11,820	4
Kolkata	15,600	13,930	-11
Total	248,310	261,370	5

NEW LAUNCHES DRIED AFTER JUNE ACROSS INDIA

City/region	H1 2019	H2 2019	% chg
NCR*	21,600	13,680	-37
MMR**	49,890	28,100	-44
Bengaluru	20,080	19,830	-1
Pune	28,220	17,880	-37
Hyderabad	9,000	5,840	-35
Chennai	7,060	5,940	-16
Kolkata	3,640	5,780	59
Total	139,510	97,050	-30

HOUSING DEMAND COLLAPSED IN SECOND-HALF OF 2019

City/region	H1 2019	H2 2019	% chg
NCR*	26,380	20,540	-22
MMR**	45,370	35,500	-22
Bengaluru	28,740	21,710	-24
Pune	22,830	17,960	-21
Hyderabad	9,830	6,760	-31
Chennai	6,420	5,400	-16
Kolkata	7,550	6,380	-15
Total	147,120	114,250	-22

(All figures are in actual units); * National Capital Region
**Mumbai Metropolitan Region

Source: Anarock

AAI banks on non-metros for overnight parking of planes

ANEESH PHADNIS
Mumbai, 26 December

GROWING MARKET

- **Around 360 bays** will be added to 20 airports between now and 2022
- **AAI asks states to** lower taxes on ATF to encourage night parking of planes
- **Airlines express concerns over** limited passenger demand, increased costs due to operations in non-metros

The Airports Authority of India (AAI) wants airlines to park more planes in non-metros, as major airports under its control have limited room for expansion.

The fleet size of scheduled airlines is expected to double to over 1,200 in five years and India is expected to be the third largest aviation market globally in a decade.

While Bengaluru and Delhi (third busiest and busiest airports in the country) will have new terminals and around 60 extra parking bays for airlines by mid to end-2021, major AAI-run airports, including Chennai, Goa, and Pune (among the 10 busiest), are not seeing any expansion because of non-availability of land.

At a recent meeting, AAI asked airlines to consider Tier-II and III cities for overnight parking of planes in view of capacity constraints at busier airports.

At present, Kolkata does not have any vacant bay for night parking, while Chennai has a few left but these are far from the terminal building and hence inconvenient for operations. Among the private ones, while Bengaluru and Hyderabad are adding parking facilities in 2020, Delhi and Mumbai have run out of space for night parking.

Around 360 bays will be added in 20 airports between now and 2022, an AAI official said. The authority is upgrading infrastructure at airports, including at Aurangabad, Bhubaneswar, Indore, Guwahati, Mangaluru, and Madurai, among others.

It has told airlines to set up bases in Chandigarh, which is now equipped to handle flights in foggy conditions.

The AAI's western region also requested the Madhya Pradesh government to reduce value-added tax on aviation turbine fuel (ATF) in Bhopal, Indore and Jabalpur to encourage overnight parking of planes.

A similar initiative was undertaken by the Tamil Nadu government last year by reducing tax on ATF at Coimbatore airport, resulting in overnight parking of planes by IndiGo and Jet Airways.

On their part, airlines have raised concerns about limited passenger demand in Tier-II and III cities and increase in costs due to creation of additional bases.

"An airline would need to park at least four planes in a Tier-II or III airport, considering extra costs related to security, engineering, transport and accommodation of pilots and crew," said a senior executive of the private airline.

Airlines have also noted that many of Tier-II and III airports have restricted operating hours and these must be open for operations round-the-clock.

More on business-standard.com

DoT to seek Trai's views on new 5G spectrum

PRESS TRUST OF INDIA
New Delhi, 26 December

DoT wants to put this additional spectrum belonging to new 5G bands for auction sometime during 2020

The Department of Telecommunications (DoT) will soon seek sector regulator Trai's recommendations on pricing and other modalities for the coveted 5G bands of 24.75-27.25 GHz, and wants to put this new spectrum up for auction sometime next year, sources said.

This new 5G chunk is separate from the ₹5.22 trillion spectrum sale plan approved by the Digital Communications Commission on December 20, under which 8,300 MHz of airwaves across all 22 circles are set to be put on the block in March-April 2020.

DoT plans to approach the regulator in January for views on these additional 5G bands, sources stated.

Although DoT ideally wants these bands to be put for sale earlier in the year, there are specific timelines involved in Trai reference and responses, they pointed out.

Asked about the industry's low appetite for spectrum at a time when it is struggling with payment of additional statutory dues after a recent Supreme Court ruling on adjusted gross revenue, the sources said the industry, including its association COAI, has been asking for 26 GHz band to be referred to Trai.

On whether there will be takers for additional spectrum, given the industry's reservations on current prices, the sources said they would not like to "pre-judge the issue". Offering back-of-the-envelope calculations on the current rates, the sources said that while ₹5.22 trillion is the overall reserve price for 8,300 MHz of airwaves, only 35 per cent is for 5G bands.

Trai extends deadline for comments on transparency in tariff offers

The Telecom Regulatory Authority of India (Trai) on Thursday extended by nearly a month to January 23 the timeline for stakeholders to comment on the issue of 'transparency in publishing of tariff offers'. The deadline was extended as "stakeholders have sought extension of time for sending their comments on the consultation paper", Trai said. PTI

MUKESH AMBANI FAMILY CASE

I-T dept seeks details from seven nations

SHRIMI CHOUDHARY
New Delhi, 26 December

The income-tax department has sought detailed information from its counterparts in seven countries in connection with an on-going investigation against members of the Mukesh Ambani family under provisions of the Black Money Act, 2015, for what it alleges undisclosed foreign income and assets.

The seven countries are the US, the UK, Switzerland, St Lucia, Mauritius, Luxembourg, and Belgium.

The queries, sent last month, were mainly about Capital Investment Trust, which the I-T department said, was used for the purpose of transferring foreign funds comprising global depository receipts (GDRs) of the value of $400 million to two Indian entities — Reliance Utilities & Power (RUPL) and Reliance Port & Terminal (RPTL), owned by the Ambani family.

The information was sought in the prescribed format of "reporting under exchange of information" under tax treaties. The queries were sent from the office of the Principal Commissioner (income-tax), Mumbai-3, to the joint secretary (foreign tax and tax research) of the Central Board of Direct Taxes (CBDT). The CBDT division sent them to seven nations under the tax treaties.

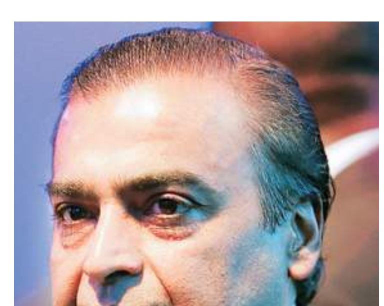
In an emailed response to a *Business Standard* questionnaire, a Reliance Industries spokesperson said, "We once again strongly deny any suggestion that any member of Mukesh Ambani family had or has any undisclosed foreign income or asset and that they failed to disclose. The query sent to us is baseless and has been sent only with malicious intent. We reserve our rights to take action as legally advised..."

The move follows the show-cause notice issued on March 29 to Ambani's wife Nita, and their three children.

In its queries to its foreign counterparts, the I-T department said that the taxpayers had failed to disclose details of Capital Investment Trust, whose underlying company is Infrastructure Company Ltd (ICL) based at Cayman Islands. Further, they failed to provide details of the assets of the company of which they were the beneficial owners, through various foreign and domestic entities, the department said.

"Being the beneficial owner of the trust, they are liable to pay tax in respect of their undisclosed foreign income and assets or any other sum of money under the provision of the Black Money Act. In order to access the correct amount of tax evasion since the issue of GDRs in 2002, it is necessary to know complete details of all entities involved in the whole transaction," the department said in its request to the US.

According to the I-T department, the Ambani family refuted all the charges in the show-cause notice and submitted the copy of GDR offer documents on June 7 for RUPL along with other documents.



RIL Chairman Mukesh Ambani. An RIL spokesperson denied suggestions that any member of the Mukesh Ambani family had or has any undisclosed foreign income or asset and that they failed to disclose the same

To verify all the submissions made by the taxpayers, the tax department has asked all the countries to furnish specific but exhaustive details such as copy of deposit agreements between RUPL, RPTL and the Bank of New York since November 15, 2002, related to the issue of GDRs in both the firms; details of rights, interests and other securities, property and cash deposited with ICICI Limited that are attributable to GDRs and related shares of both RUPL and RPTL; and complete details of all holders of GDRs of both RUPL and RPTL.

Some of the other queries that went to countries such as the UK, asked for copy of KYC for opening bank accounts, portfolio accounts, structured products, fiduciary deposits, advances, and so on. Financial details of National Industries or its owner Chimanlal Jivandas Damani from 2002 have been sought.

The department has also provided background about the trust which, it said, was incorporated in 2003 with Damani as its settlor. It owned an entity named Thames Global, which, in turn owned BVI-based ICL and Antalis Management. Thereafter, $400 million was brought into ICL through BVI-based Tocan Asset Trading, owned by Damani. ICL later invested the same amount towards the purchase of GDRs of RPTL and RUPL, the note said.

Later, in 2007, the same equity shares were transferred to Shangrila Investments and Trading and Vicraze Investments and Trading by ITF, Mauritius. The said equity shares were transferred to Reliance Utilities (RUL), now EWPL Holding, in 2001. The investment division of RUL was then demerged with Reliance Industries Holding (RIHPL) in 2012 whose ownership vests with Harinarayan Enterprise, a private trust, in which members of Mukesh Ambani family are beneficiaries, the department's note said.

RE Certificates may revive with return of NSE's PXIL

Company also preparing an argument for allowing other types of contracts

SHREYA JAI
New Delhi, 26 December

Power Exchange India (PXIL), the National Stock Exchange's electricity trading platform, is betting on renewable energy (RE) after its re-launch. It will focus on reviving the RE Certificates (REC) market, which has yet to stir much interest.

PXIL a faced financial crisis in 2017. Its net worth had eroded and its promoters, NSE and the National Commodities and Derivatives Exchange (NCDEX), wanted to shut it down, prior to NSE's proposed Initial Public Offer (IPO) of shares.

"The promoters have been keen that they develop different market places. The Catch-22 situation was erosion of net worth; finding external financing was difficult. But, FY18 onwards, PXIL has been making profits. The main reason was shifting the focus on strength areas," Prabhjit Kumar Sarkar, managing director of PXIL, said.

The emphasis, he said, had primarily been on the term-ahead market (TAM) and RECs in the past two years. "We now have enough liquidity to also have a day-ahead spot market on a large scale," he added.

The power trading market has two platforms in India — PXIL and India Energy Exchange (IEX). IEX holds 95 per cent of the day-ahead spot power trading market. PXIL holds 40 per cent market share in the REC and TAM markets.

RECs were launched in 2010 as a means for firms and states to purchase such energy without having to physically set up a generating unit. Project developers can sell the energy produced as RECs. One REC represents 1 mw-hour of power produced and is tradable. It is divided into solar and non-solar RECs.

This is also a means to fulfill the Renewable Purchase Obligation (RPO) notified under the National Tariff Policy, which obliges state-owned distribution companies, open-access consumers and captive power producers to meet part of their electricity need through 'green' energy.

Sarkar agrees that RECs remain a difficult territory. No buyers meant the market had crashed in 2017, with more than 10 million unsold RECs. Since then, the number of RECs available for sale has come down on trading platforms, says Sarkar, reducing the market size.

In FY20, 221,000 solar RECs and 1.35 million of non-solar RECs have been traded. The latest closing price for the former was ₹2,400 a REC (₹2.4 per kwh of generation) and for non-solar, ₹1,850 a REC (₹1.85 a kWh). This is lower than the prevailing price of grid-connected solar and wind power projects.

"In the past few months, the number of RECs available has depleted significantly but buyers have increased. These are the states which want to fulfill their RPO," said Sarkar.

RECs benefit a section which cannot set up RE projects but have a green energy obligation, such as industrial clusters and commercial centres, he said.

The mechanism works only when project developers sell at less than the long-term price of solar power projects, he added. "Much fewer numbers of developers are coming through the REC route," said Sarkar.

The company, he revealed, was preparing a position paper to present to the Central Electricity Regulatory Commission, arguing that different types of contracts and products, apart from RECs, should be allowed in the RE market.

Apart from NSE and NCDEX, companies represented on the PXIL board of directors are GMR Energy, Tata Power, JSW Energy, Power Finance Corporation, Gujarat Urja Vikas Nigam and West Bengal State Electricity Distribution Company.

BETTING BIG

- Power Exchange India makes a comeback with Renewable Energy Certificates (RECs)
- REC trading in FY20:
  Solar: 220,000 @ ₹2,400 per REC*
  Non-solar: 1.35 million @ ₹1,800 per REC*
  *Last closing price in November
- REC market crashed in 2017 with 20 million unsold RECs
- PXIL to also pursue CERC for more contracts and products in the renewable energy market
- NSE–NCDEX, promoters of PXIL, decided to shut it down in 2017 after its net worth eroded; later junked the idea
- PXIL made net profit in the past two financial years

Sachin Bansal's Navi Tech acquires software consultancy MavenHive

YUVRAJ MALIK
Bengaluru, 26 December

Navi Technologies, the entity founded by Flipkart co-founder Sachin Bansal, has acquired MavenHive, an information technology (IT) consultancy based out of the city.

Navi Technologies (earlier known as BAC Acquisitions) invests in and helps scale start-ups with a focus on financial services. Seven-year-old MavenHive helps clients in product development, including software development, systems integration, app development and data analytics. It has consulted for Flipkart, Gojek, Grasshopper and Scripbox, among others.

"This acquisition will add to Navi's technology capabilities," said Bansal, also chief executive officer (CEO) at Navi Tech.

The two parties did not disclose the deal size but said MavenHive's two founders and 40-odd team had joined the Bansal-owned firm. MavenHive was started by Bhavin Javia and Anandha Krishnan in 2012. Javia has 15 years of IT consulting experience across firms; Krishnan has built several large-scale applications and distributed systems. Both have had long stints at ThoughtWorks, a global software delivery and consulting firm.

"We are very eager to start working with Sachin, and with Navi," said Javia. "We were awed by the kind of organisation that he built Flipkart (where Bansal was one of two co-founders; he has since exited) into."

Bansal's latest step is thought likely to bring significant upside to the operations of Navi Technologies, which is into investing and scaling-up of early-stage start-ups in financial services. He is likely to use the new asset to build tech applications to automate businesses processes and other functions like hiring, operations and growth at investee firms.

Bansal set up BAC Acquisitions last December, months after exiting Flipkart. Ankit Agarwal, his Indian Institute of Technology-Delhi batchmate, is co-founder. So far, Navi Tech has invested in Kissht, Bounce, Vogo, Krazybee, Altico Capital and CRIDS.

In some of the deals, Bansal has invested directly as well. Months earier, he'd recapitalised Navi Tech with fresh investment of ₹888 crore. He's also taken the reins at non-banking financial services company Chaitanya India Fin Credit, which he acquired in September. He acquired majority stake in the rural-lending firm for ₹740 crore and became its CEO, with the reported aim of making it a full-services micro-finance bank.

MavenHive founders Bhavin Javia and Anandha Krishnan have joined the Sachin Bansal's (*pictured*) Navi Tech

Aye Finance gets ₹107 crore in debt funding from BlueOrchard

Aye Finance, the CapitalG-backed fintech lender, on Thursday said it has raised ₹107 crore as debt funding from Swiss-based BlueOrchard.

"BlueOrchard has been supporting Aye in its mission to enable the financial inclusion of micro enterprises since May 2017 and has taken a total exposure of ₹290 crore in the MSME (micro, small and medium enterprises) lender," according to a statement.

Aye will utilise the latest round of fund to extend affordable and customised credit solutions in the country, it added. Last month, Aye Finance had announced it raised ₹125 crore from Dutch development bank FMO. PTI

No tickets for govt agencies that owe us over ₹10 lakh: AI Official

PRESS TRUST OF INDIA
New Delhi, 26 December

Debt-laden Air India has stopped issuing tickets on credit to officials of various government agencies such as the Central Bureau of Investigation (CBI) and the Enforcement Directorate (ED), which owe it more than ₹10 lakh each, a senior official of the national carrier said on Thursday.

While disinvestment-bound Air India's net loss in 2018-19 was around ₹8,556 crore, its current total debt is over ₹60,000 crore. "Various agencies, including the CBI, ED, Information Bureau, Central Labour Institute, Border Security Force, and the Indian Audit Board, have been told that tickets would not be issued to their officials on credit. Each of these agencies owe more than ₹10 lakh to the national carrier," the official said.

In total, these agencies owe around ₹268 crore to the national carrier, he said, adding that "around ₹50 crore has been recovered from these agencies".

"Officials of government agencies can purchase tickets like any other ordinary customer. They would not be issued any tickets from here on credit," the official added.

On December 5, Civil Aviation Minister Hardeep Singh Puri told Parliament that the preparation of Preliminary Information Memorandum (PIM) for inviting Expression of Interest (EoI) for Air India disinvestment was in the process.

While disinvestment-bound Air India's net loss in 2018-19 was around ₹8,556 crore, its current total debt is over ₹60,000 crore

Zoomcar prepares to be EV-driven by 2025

SAMREEN AHMAD
Bengaluru, 26 December

Sequoia Capital and Mahindra & Mahindra backed self-driving car rental Zoomcar is betting on the electric vehicle (EV) segment and plans to add 2,500-3,000 more EVs. The Bengaluru-headquartered firm currently operates a fleet of 500 EVs, which it claims is growing four times year-on-year.

The company, which rents cars by the hour, day, week and month, has Mahindra E2O Plus and Tata E Tigor available on the platform for which it charges a subscription fee of ₹15,000-20,000 per month. It is soon planning to add new Tata Nexon to its fleet of EVs.

"Electric vehicles will continue to pick up and based on the current trends we will be close to 100 per cent electric in the next 5-6 years," said Greg Moran (*pictured*), co-founder and CEO of Zoomcar.

Currently, EVs form 5 per cent of the total number of cars available on its platform while 10-15 per cent of its user base opting for these cars. In November, Tata Power Delhi Distribution (TPDDL) tied up with Zoomcar to use its EV fleet for its daily operations and maintenance work. The project will start off with the inclusion of 12 Zoomcar vehicles.

Ride hailing app Ola is also on an EV overdrive. It is working on an EV project called Ola Electric with a mission to bring 1 million electric vehicles on the road for everyday mobility, by 2021.

The Unicorn startup has internally given a three-year timeline to roll out the first set mass produced EVs as well as related infrastructure in association with original equipment manufacturers. Rival Uber too has deployed 50 M&M EVs on its platform in Hyderabad with plans to roll-out these in other cities as well.

The government has also been gunning for making 30 per cent vehicles on the road electric by 2030 by providing special incentives such as lower GST on EVs as compared to combustion engines and tax exemption on loans to buy such vehicles.

ShopClues narrows losses to ₹68.58 cr

PRESS TRUST OF INDIA
New Delhi, 26 December

E-commerce platform ShopClues narrowed its losses to ₹68.58 crore in the year ending March 2019, compared to the previous financial year.

The company, which is registered as Clues Network, had registered a loss of ₹208.14 crore in 2017-18, according to documents sourced by Tofler. ShopClues' revenue from operations also declined 24.7 per cent to ₹204.07 crore in 2018-19 from ₹271.2 crore in 2017-18, it added.

Its total revenue fell 23.3 per cent to ₹209.46 crore in 2018-19 from ₹273.30 crore in the previous financial year.

When contacted, ShopClues co-founder and CEO Sanjay Sethi said that in 2018-19, the focus was clearly on reducing losses.

"With revenues remaining relatively flat for us, we have been able to reduce the losses by 67 per cent. Following the merger with Qoo10, we strongly feel that ShopClues, with our differentiated position as a value-for-money marketplace and our thriving ecosystem of more than 700,000 small and medium merchants, will now have access to global markets via their strong presence in Southeast Asia," he added.

In October, ShopClues had announced inking an all-stock deal with Qoo10 to merge operations with the Singapore-based firm.

The collaboration, it said, would bring "new strategic opportunities for both companies as it opens up cross-border opportunities for consumers and sellers across Asia". The terms of the deal were not disclosed.

Qoo10 is an e-commerce platform in Southeast Asia that serves small and medium enterprises through its localised online marketplaces in Singapore, Indonesia, Malaysia, China and Hong Kong.

Ashok Leyland, Citicorp Finance join hands for CVs' financing

Hinduja Group's flagship firm Ashok Leyland said it has partnered with Citicorp Finance India for financing commercial vehicles. The company has signed a memorandum of understanding (MoU) with Citicorp Finance to enter into a strategic financing partnership for two years, to offer customised financial solutions to customers across India, Ashok Leyland said in a statement. Citicorp Finance will be a preferred financier for providing finance to the customers buying Ashok Leyland vehicles, it added. Citicorp Finance will work in close coordination with the authorised dealers of Ashok Leyland to provide financial solutions to customers, the statement said. Citicorp Finance India Director Rohit Ranjan said the company offers customised, technology-led speedy credit, and other financial solutions to fleet owners of trucks and buses.

"Congress would take five years to conceive a project, five to allocate budget, another five to lay foundation for those projects, and then it would forget"

AMIT SHAH
Union home minister

"Officers will have equal opportunity based on merit-cum-seniority to become a part of the Railway Board. Posts will not be fixed based on the officer's cadre"

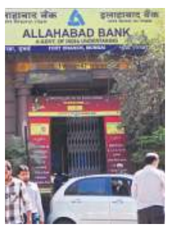
PIYUSH GOYAL
Railways minister

"The Jharkhand results were below expectations. We knew it was going to be a tough one as the state has a tendency to change governments every five years"

RAM MADHAV
BJP leader

IN BRIEF

Allahabad Bank gets fresh capital of ₹2,153 cr from govt



State-owned Allahabad Bank on Thursday said it would get a fresh capital infusion of ₹2,153 crore from the government in the current fiscal year. The Department of Financial Services in a letter on Thursday conveyed the sanction for release of fresh capital infusion fund of ₹2,153 crore, Allahabad Bank said in a regulatory filing. The capital infusion is towards contribution of the central government in the preferential allotment of equity shares of the bank during the fiscal year 2019-20 as the government's investment, it said. Infusion of capital into the bank by the government comes ahead of the merger with Indian Bank, and it will help the bank meet the regulatory requirement to get amalgamated with a bigger peer. PTI

Aadhaar made mandatory for PMVVY scheme

The government has made Aadhaar mandatory for subscribers of the Pradhan Mantri Vaya Vandana Yojana, a pension scheme for senior citizens. The scheme, which envisages an assured rate of return of 8 per cent annually, is being implemented through Life Insurance Corporation of India. PTI

NPCI offers recharge option for FASTag through BHIM UPI

The National Payments Corporation of India on Thursday said that customers can recharge National Electronic Toll Collection FASTags through BHIM Unified Payments Interface (UPI). Any BHIM UPI-enabled mobile app would now give vehicle owners the opportunity to recharge their FASTags on the go and avoid queues at toll plazas, it said in a release. PTI

Govt plans big push to private coal mining

The government is planning to give a big push to private sector mining of coal, underground coal gasification, and coal bed methane in 2020 as it spent most of 2019 laying ground for diversification of the coal sector. PTI

UP govt to host Global Investors' Summit in Oct-Nov

Uttar Pradesh, which aims to become a \$1-trillion economy by 2024, will host a Global Investors Summit in October-November 2020. The mega summit was tentatively fixed for February 2020. However, the government decided to postpone it after the Centre mandated the state to host the 11th Defence Expo 2020 in Lucknow in the month. In the run-up to the summit, the state will organise road shows in industrialised nations, such as the US, the UK, Russia, the UAE, the Netherlands, China, Canada, and France. BS REPORTER

I-T searches at Dishman Carbogen Amcis offices

Dishman Carbogen Amcis on Thursday said that the income-tax (I-T) department has conducted searches at its offices and manufacturing sites, and the search operation was concluded on December 25. "The officials of the I-T department conducted searches at the company's offices and manufacturing sites. The company has extended full cooperation to the officials during the search and provided all the information sought," the company said in a regulatory filing. PTI

BSVI emission norms proposed for quadricycles from Apr 2020

The government has proposed to make Bharat Stage (BS) VI emission norms mandatory for quadricycles from April 1, 2020, an official said. "The road transport and highways ministry in a draft notification has proposed amendment of Rule 115 to mandate the next level emission norms for quadricycles," the official said. Currently, quadricycles are covered under BSIV emission norms. The BSVI emission norms are in line with European standards. Various testing, including those related to durability, would be according to Europe quadricycle norms. Proposed emission limits in BSVI are in line with Euro 5 mass emission guidelines, which will be applicable from January 1 in Europe, the official said. The official said the Centre was soliciting comments and suggestion on the draft notification before finalising it. PTI

Gig workers to get subsidised health care facilities

SOMESH JHA
New Delhi, 26 December

Companies belonging to the gig economy may not be pushed to contribute towards social security cover for its workers. Instead, the government is planning to provide medical treatment to gig economy workers at a subsidised rate from the Employees' State Insurance Corporation (ESIC) hospitals and dispensaries across the country.

Issues and Insights PAGE 10
YEAR OF GIG WORKERS

This may come as a relief to such companies as they will not be compelled to bear the social security cost of its workers.

The government had last month introduced the Social Security Code Bill, 2019, in the Lok Sabha that proposed to provide, for the first time in India, social security cover to workers employed in the gig economy. The Bill mentioned that the government would launch a scheme to cover gig workers under the ESIC.

"The medical treatment through ESIC to gig workers is planned to be based on minimum user charge rather than on a contribution basis from employers," a senior labour and employment ministry official said.

Gig workers are usually spoken of in the context of the sharing economy, like Uber, Ola drivers, delivery persons for Zomato and Swiggy and so on. These are jobs enabled by a tech-enabled platform where the worker is not bound to the organisation and can choose to work for as long they want in a stint.

WHAT THE PROPOSED SOCIAL SECURITY CODE SAYS

- Gig workers are those who perform work or participate in a work arrangement and earn from such activities outside of the traditional employer-employee relationship
- Gig workers are classified as unorganised workers. So, provident fund contribution will not be required for them
- The government will frame a scheme to give benefits under the Employees' State Insurance scheme to gig workers
- The Centre will not ask for contribution from employers of gig workers, as is done in other cases

The official explained that the gig economy workers can go to ESIC hospitals and dispensaries for medical treatment where they will be charged discounted rates under the Central Government Health Scheme (CGHS). CGHS is meant for all central government employees, freedom fighters, present and former parliamentarians, judges, among others.

"We will frame rules to cover gig workers through ESIC," the official said.

The ESIC provides for medical, cash, maternity, disability, and dependent benefits to employees drawing a salary of up to ₹21,000 per month. The present ESIC law applies to factories with 10 or more workers and it is also applicable to shops, hotels, restaurants, cinemas, and road transport undertakings.

Both workers and employees together contribute 4 per cent of a worker's monthly income towards ESIC. There are around 160 hospitals and 1,500 dispensaries under ESIC across the country.

When the Centre had released the draft social security code Bill in September, some firms and experts had expressed concerns as there was ambiguity related to whether firms will have to also contribute towards social security cover of gig workers. They had argued that any move to regulate the gig econmy will impact the firms, which have flourished due to the flexibility it offers to workers. According to a report by Noble House, 70 per cent of firms in India have hired gig workers at least once for major organisational work in 2018.

Dollar bond issuances see fivefold increase this year

JASH KRIPLANI & ANUP ROY
Mumbai, 26 December

The lack of access to funds for below-top-rated corporates, along with attractive borrowing costs in the offshore market, has driven Indian firms to raise \$23.6 billion through dollar bonds in 2019 — a nearly fivefold jump from the previous year.

An analysis of the data showed that corporates from infrastructure, power, non-banking financial companies (NBFCs), and metal industries issued a slew of such bonds to meet their funding needs in the current year.

"Globally, the rates have been conducive. For borrowers, the all-in cost matters. Due to currency stability, forward premiums are better, leading to lower hedging costs," said Ajay Manglunia, managing director and head-institutional fixed income, JM Financial products. Domestic players are also using the external commercial borrowings (ECB) route to tap into offshore liquidity.

In the first 10 months of 2019 (January-October), ECB raised by Indian firms was close to \$46 billion, against \$32.69 billion for whole of 2018. An indicator of strong demand for Indian firms, the maximum interest rate on these instruments for lower-rated corporates reduced to 11.65 per cent, from 15 per cent last year.

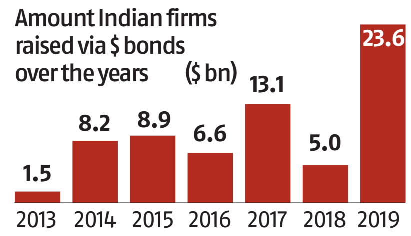
On the domestic front, NBFCs continue to find it difficult to raise funds at reasonable rates, as mutual funds and banks shy away from extending credit lines to NBFC players amid concerns on asset-liability mismatches in the sector, following the Infrastructure Leasing & Financial Services crisis last year.

Among NBFCs, Indiabulls Housing Finance, Shriram Transport Finance, and gold financier Muthoot Finance have floated issuances worth \$3 billion in the dollar bond market.

Market experts say more issuances are on the anvil. "We have really driven the dollar market for some of the NBFCs, and we expect to see more of this coming in the next six to nine months," said Dixit Joshi, group treasurer of Deutsche Bank AG.

FLUSH WITH CASH

Amount Indian firms raised via \$ bonds over the years (\$ bn)



Source: Bloomberg

Borrowing costs have eased, with softening of US treasury yields. Dollar bonds are linked to US treasury yields, which have come down from 3.23 per cent in early November 2018 to 1.9 per cent at present. "Overseas investors are showing strong appetite for the dollar bond supply from Indian companies due to good yields on these bonds, and the overall credit quality," Manglunia added.

According to experts, even as foreign investors discriminate between higher- and lower-rated issuers, the high-yields market has started to take shape overseas.

Among Indian corporates, Adani Transmission, Adani Ports, Adani Green Energy, JSW Steel, and GMR Hyderabad International Airport have been active in the dollar bond market this year.

"The issue was never with the top guys. But the lower-rated firms never got money at reasonable rates from the corporate bond market earlier, and they are unlikely to get it in prevailing conditions," said a senior executive with a medium-sized company, which has an AA-rating — three notches below top grade. Among government-owned entities, Power Finance Corporation accessed the dollar bond market the first time for raising shorter-term (five-year tenure) money.

Besides these, banks were also active participants, with IndusInd Bank, State Bank of India, HDFC Bank, Bank of Baroda, and Axis Bank raising funds through dollar bonds during the year. For the first nine months of 2019-20, dollar bond issuances stood at \$16.7 billion — 60 per cent higher over the corresponding period last year. According to foreign brokerages, investors looking at Asian markets also want to diversify their portfolio, which has led to strong demand for Indian bond issuers.

"There are concerns around credit quality of Chinese bond issuers. Even those Chinese corporates have among the largest dollar issuances this year," said an analyst.

FOREIGN BANKS' ADVANCES GREW 13% LAST YEAR

Loans and advances of foreign banks operating in India rose about 13% to nearly ₹3.97 trillion in 2018-19 (FY19). This was slightly ahead of the 11% growth in this regard at scheduled commercial banks in general, comprising private, government-owned, foreign, and small finance banks (SFBs). The loan book of private banks grew at a much higher rate, of 25%. Public sector banks expanded theirs by only 4%. SFBs, a group of recent origin, showed 70.5% growth in loans. Deposits at foreign banks rose 17% in FY19, to ₹5.8 trillion, from ₹4.95 trillion the previous year. Their capital base increased to ₹77,809 crore, from ₹67,883 crore, a 15% increase, according to the RBI's report on *Trends and Progress of Banking in India 2018-19*. Foreign banks' borrowings rose to ₹1.51 trillion in FY19, from ₹1.3 trillion — an 18% spike. Other assets rose by 67% over the year, to ₹1.47 trillion. The number of foreign banks did not rise, but the numbers of branches did, from 286 to 299. The RBI adds that two more foreign lenders, SBM Bank and DBS Bank, were issued a licence in December 2017 and October 2018, respectively, and commenced operations as wholly owned subsidiary from December 1, 2018, and March 1, 2019, respectively. NIDHI RAI

CONSOLIDATED BALANCE SHEET OF SCHEDULED COMMERCIAL BANKS (as of end-March)

	Public sector banks		%
Figures in ₹ crore	2018	2019	chg
Loans & advances	5,697,350	5,926,286	4.0
Deposits	8,262,322	8,486,215	3.0
Capital	33,154	51,060	54.0
Borrowings	847,034	761,612	-10.0
Other assets	594,962	611,466	3.0

	Private sector banks		%
Figures in ₹ crore	2018	2019	chg
Loans & advances	2,662,753	3,327,328	25.0
Deposits	3,013,688	3,770,013	25.0
Capital	11,592	21,344	84.0
Borrowings	688,188	775,324	13.0
Other assets	231,688	333,221	44.0

	Foreign banks		%
Figures in ₹ crore	2018	2019	chg
Loans & advances	351,016	396,724	13.0
Deposits	494,901	581,857	18.0
Capital	67,883	77,809	15.0
Borrowings	127,690	151,367	19.0
Other assets	88,157	147,493	67.0

The first of a two-part series focuses on how the factories, spurred by buyers, have adopted the latest international social and safety standards

Tirupur banks on compliance to win global markets

T E NARASIMHAN
Tirupur, 26 December

Esstee Exports Factory, a mid-sized company which supplies to international apparent brands such as Guess, BLDWN, Devred 1902, Jules, among others, lies slightly outside Tirupur main, about 490 km from Chennai. Enter the clean, spacious, well-ventilated interior of the single-storey factory unit and you find push-doors mandated by international safety regulations to facilitate easy evacuation in case of an emergency.

Esstee is one among the 1,200 units in and around Tirupur that have equipped themselves with dozens of national and international certifications to show that they adhere to an international code of conduct when it comes to running factories.

In another corner of Tirupur, Best Corporation, which is one of the largest exporters in the town, and mid-size exporters such as Poppys Knitwear, Warsaw International and others, also flaunt their updated safety standards and global certifications, and display them on big signboards.

The emphasis on compliance was stepped up in the wake of the fire in a Bangladesh garment factory in 2000 which claimed many lives. But even upto a decade ago, there had been allegations that the factories in Tirupur were sweat shops that exploited workers, employed child labour and operated under hazardous conditions.

A LOOK AT KNITWEAR CLUSTER PART-1

Tirupur, which exports knitwear worth around ₹25,000-26,000 crore annually, accounts for nearly 46 per cent of India's knitwear exports. The textile units in this tiny town, which employ around 800,000 people, grew from generating exports worth ₹75 crore three decades ago to doing business worth nearly ₹44,000 crore today.

C Govindarajan, a legal advisor for compliance who audits the textile units on behalf of their customers, says eight compliances must be followed under the basic code of conduct, which is part of every global certification related to the running of such factories.

These are: no child labour, no forced labour, no discrimination, equal wages based on categories not based on gender, prescribed working hours, health and safety standards, freedom of association and retrenchment policies. In some cases, individual buyers have their own compliance norms.

Even though the cost of compliance is high — anything between ₹5 lakh and ₹5 crore, depending on the size of the company — these units make sure that they follow the norms to keep their customers happy. Today, thanks to buyers doing business with only those who come with the necessary certifications, the evils of child labour, bonded labour, exploitation of women, and unsafe working conditions have been largely eradicated in Tirupur.

In fact, industry experts say that from following the law of the land to adapting renewable energy and sustainable manufacturing, the exporters of Tirupur are far ahead of their counterparts in Bangladesh, Vietnam, Cambodia and others.

PHOTO: T E NARASIMHAN

FACT SHEET

- Tirupur has around 1,200 knitwear exports units
- Accounts nearly 46% of India's knitwear exports
- Knitwear worth ₹26,000 crore produced last year
- Total production in Tirupur is estimated to be around ₹44,000 crore
- International buyers are increasingly insisting on several quality, operational compliance standards
- Cost of compliance ranges between ₹5 lakh and ₹5 crore

For the units, the compliance is necessary because export orders are mostly based on their ranks, which are given after audits by cross departments, by buyers and by an external and third party auditor appointed by buyers.

D K S Moorthy, client manager and accreditation auditor, Social Accountability Accreditation Services, an accreditation agency started as an independent department with Social Accountability International (SAI), says that the compliance largely depends on buyers; demand for certification. SAI has established the social certification standard SA8000 for factories and organisations.

Moorthy adds that while there is no big cultural change in terms of operations, there are a few top management personnel who think positively about the benefits of a system-based operation and hence adhere to the standard.

"With the younger generation slowly taking over, the conservative approach is being replaced with a desire for experimentation and innovation," Moorthy says.

Brussels-based Amfori (formerly Foreign Trade Association), which has developed the Business Social Compliance Initiative to monitor and assesses workplace standards across the global supply chain, says that the operations in factories is improving. The culture shift in recent years has also been spurred by such international guidelines as the ILO Core Conventions, United Nations Guiding Principles on Business and Human Rights, and Sustainable Development Goals (SDGs).

But there is a cultural shift under way in India too, points out Natasha Majumdar, Amfori Network Representative, India. "The introduction of the National Guidelines on Responsible Business Conduct and the Zero Draft of the National Action Plan a few years ago indicates that compliance is not just a need for foreign exports but is becoming a necessity in the Indian context too," says Majumdar.

The team behind FM's Budget 2020

Finance Minister Nirmala Sitharaman will present her second Budget a little more than a month from now. With growth at its lowest in more than six years and a long-lasting slowdown affecting demand and consumption across sectors, Sitharaman and her team are looking to announce measures to boost growth and activity.

Also, after a number of rollbacks following the last Budget, the political leadership is looking to seize back initiative as the government is being criticised by stakeholders for not being able to manage the slowdown, with multiple agencies, including the RBI, slashing growth forecasts for the year.

Like any other FM, Sitharaman will depend on her team of bureaucrats and advisors to frame and present the budget. **Arup Roychoudhury** compiles brief profiles:

RAJIV KUMAR

(Finance and financial services secretary)

According to the norm, being the senior-most of the five secretaries in the Finance Ministry, Financial Services Secretary Rajiv Kumar also holds the designation of finance secretary. A 1984 batch officer from the Jharkhand cadre, Kumar is known as the driving force behind the spate of mergers of state-owned banks. The ambitious ₹2.1-trillion bank recapitalisation programme was also announced during his time. The biggest challenge that Kumar has had to deal with during his stint is the level of toxic assets in the banking system and the liquidity crisis in non-banking financial companies (NBFCs). The upcoming Union Budget 2020-21 will be his last, as he is expected to retire from the service at the end of February. Even if the financial services secretary gets an extension, it is likely to be for a few more months, till the Finance Bill is passed.

AJAY BHUSHAN PANDEY

(Revenue secretary)

Replacing Hasmukh Adhia was never meant to be easy. And it hasn't been for Pandey, who is also the chairman of the Goods and Service Tax Network and, till recently, was heading the Unique Identification Authority of India as well. Pandey has come in for heavy criticism for giving unrealistic tax revenue targets for the year. With growth faltering, all the direct and indirect tax projections are now coming undone, and the Centre is unlikely to meet the fiscal deficit target of 3.3 per cent of gross domestic product for 2019-20. It remains to be seen what sort of a positive impact the recent corporate tax cuts have on investment levels by the private sector.

Pandey is a 1984 batch Maharashtra cadre officer and is tipped to be the Finance Secretary after Kumar's retirement. His biggest challenge now is ensuring that states get their due GST compensation before the issue snowballs further.

ATANU CHAKRABORTY

(Economic affairs secretary)

A 1985 batch Gujarat cadre officer, Atanu Chakraborty was brought in from the Department of Investment and Public Asset Management to repair relationships with regulatory bodies like the Reserve Bank of India and the Securities and Exchange Board of India, and with other government departments. These relations had been slightly damaged during the time of his predecessor Subhash Garg for a number of reasons. Chakraborty till recently held the charge of both economic affairs and expenditure. His biggest challenge right now is to ensure that the fiscal slippage remains at acceptable levels, as mandated by the Fiscal Responsibility and Budget Management Act, at not more than 0.5 per cent. Chakraborty is also expected to write most of the Budget speech.

TUHIN KANTA PANDEY

(Dipam secretary)

Known as a young, smart, and diligent official, Pandey perhaps faces the greatest test of his career, in form of a steep ₹1.05 trillion disinvestment target, which is the biggest Department of Investment and Public Asset Management (Dipam) has ever been given. Before the year ends, Pandey has to ensure privatisation of state-run Air India, Bharat Petroleum, Shipping Corp, Shipping Corp, and the sale of the Centre's entire stake in THDC and NEEPCO to NTPC.

He also has to carry out sales of further tranches of the two CPSE equity exchange traded funds and the initial public offerings and offer-for-sales, which are a par for the course. It is imperative that Dipam has to exceed its target for the third consecutive year to make up part of a shortfall in tax revenues. Pandey is a 1987 batch Odisha cadre officer.

T V SOMANATHAN

(Expenditure secretary)

Between 2015 and 2017, Somanathan was in the Prime Minister's Office to look after the implementation of economic policies. Thus, he has the trust of the top political leadership. A 1987 batch, Tamil Nadu cadre officer, his appointment to the post of expenditure secretary was announced late last week. As the Centre grapples with the need to revive the economy, his role in the Union Budget will be closely watched.

KRISHNAMURTHY SUBRAMANIAN

(Chief economic advisor)

It is said that Subramanian has been brainstorming with economists and experts in the public and private sector for some big ideas and themes that could find way in the Budget. A proponent of behavioral economics, Subramanian has a deep understanding of the financial sector and is expected to further drive banking and financial sector reforms. An alumni of Indian Institute of Management Kolkata and University of Chicago Booth School of Business, Subramanian counts Raghuram Rajan as one of his mentors.

SANJEEV SANYAL

(Principal economic advisor)

Sanyal wears many hats: Author, historian, and economist. As the principal economic advisor, he has been part of negotiations with the Reserve Bank of India and the financial sector on a number of issues, including sector-specific non-performing assets, and has also been part of a panel on commerce and trade reforms. Sanyal is likely to contribute heavily to the Budget as well as the economic survey.

Operation Twist 2.0 on Monday

RBI to conduct another special OMO

ANUP ROY
Mumbai, 26 December

The Reserve Bank of India (RBI) will conduct one more simultaneous bond purchase and sale in the secondary markets, which has come to be known as India's version of Operation Twist.

The RBI, in a notification, said it will purchase 10-year bonds worth ₹10,000 crore, while simultaneously selling four bonds maturing in 2020 for up to the same amount.

It conducted such an operation on earlier this week on Monday, the next such open market operation (OMO) will happen on Monday. In that auction, the RBI bought its full quota of 10-year bonds, but sold just ₹6,825 crore, in aggregate, of short-term bonds maturing in the next year.

After the announcement of the first OMO last week, the yields on the 10-year bonds had fallen more than 15 basis points. On Monday, the cut off yield had come at 6.546 per cent. On Thursday, the 10-year bond yield closed at 6.58 per cent.

Bond dealers said that to bring down the longer-term yields, the central bank will have to continue doing such OMOs, otherwise, the 10-year bond yields will climb back to 6.75 per cent level, even as the short-term bond yields don't climb up much. Through such OMOs, the RBI is trying to address the spread between one year and 10-year bonds that had climbed up to more than 160 basis points.

Softening of long term yields help the government borrow extra at a cheaper rate, given that the fiscal deficit is likely to widen. Besides, the borrowing costs for states and corporates also come down marginally if the 10-year bond yields soften.

At the same time, since most banks have pegged their retail lending rates to repo, the rise in short-term yields may not make loans costlier by an equal margin since the repo is unlikely to rise from here for a long time. In fact, analysts expect the central bank to cut repo even further.

FM to hold review meeting with PSB chiefs tomorrow

Finance Minister Nirmala Sitharaman is set to hold a review meeting with chief executive officers (CEOs) of public sector banks (PSBs) on Saturday.

The FM is set to follow up on the Union Budget announcement made in July, in which she had said customers or merchants won't be charged merchant discount rates (MDRs) as the Reserve Bank of India and banks will absorb the costs. Sitharaman will also discuss with PSBs the prospects of launching RuPay credit cards, a move that was recently announced by SBI Card.

Further, overdraft facility to beneficiaries of the Pradhan Mantri Jan Dhan Yojana through RuPay card will be taken up in the meeting which is scheduled to be held over a duration of two hours.

BS REPORTER

Year of gig workers

India Inc must have robust on-boarding systems in place

HUMAN FACTOR

SHYAMAL MAJUMDAR

It's widely known as the "Uberification" of work. And various studies and surveys suggest that as much as 60 per cent of millennials are interested to work as gig workers who are more keen on flexibility and a better work-life balance. The changing business models of many companies also suggest that a growing number of people will be hired on an as-needed basis.

So it is certain that the buzz around the gig economy is set to grow louder in the new year. But companies will be wrong to assume that only drivers or delivery boys or hotel roles such as bar staff will be part of the gig economy. Technology work such as software testing or web design, or legal work and auditing activities have already become part of the new ecosystem and will gain traction. The new year could also see more specialised jobs coming in as organisations choose to hire contingent workers to fill a skill requirement that is not typically available in the permanent workforce.

So how are companies gearing up for this new environment? Are employers ready to handle the challenges of the inevitable shift in labour models? `Very few' would be the answer to both the questions. This is surprising as most companies and their HR professionals already know (unless they have cut themselves off from the real world) that a significant portion of their workforce would soon be made up of contractors and temporary workers, and that the gig economy presents advantages to both employers (cost savings) and employees (flexibility and freedom).

According to a PwC report, *The future of work*, only about half the companies provide training to casual workers and a mere third offer them performance appraisals. And despite worries over such workers' lack of engagement, less than half the employers bothered to include them in internal communications or considered them for recognition awards.

That's probably because most companies are not confident about the commitment levels and quality delivered by the outsiders. Also, they are not sure about how and from where to source this talent. After all, many of the talented independent professionals often have client waitlists, spanning over several months. So the idea should be to build a gig-friendly branding so that such people want to work with you.

There is economic logic, too. Gallup's data finds that 21 per cent higher profitability comes from selecting the top 20 per cent of candidates based on a scientific assessment, and temporary talent is as important to the work as full-time talent.

One of the problem is that most companies are still stuck in fixed half-yearly or annual performance reviews. But with people coming in for shorter-term opportunities, annual reviews may no longer be relevant, and the need is to move to more outcome-based objectives associated with specific tasks or deliverables. The feedback has to be fast as even temporary workers, especially those with higher skills, want to know whether their work has been to the satisfaction of their clients. So the leadership culture must shift to more collaboration and partnership.

The other aspect is to address the concerns of full-time workers who should not feel threatened by the induction of freelance professionals. The immediate response from the full-time employee would be resistance. So the need is to educate existing employees about the transformation — that the outsider is not coming in to replace him.

This is important as in a blended workforce, there could be teams of permanent and freelance workers in different places working on the same projects. To ensure that they work seamlessly, there must be systems to ensure that each worker is connected to each other, with visibility of work documents and timelines. While full cultural integration between the two types of staffers may prove too idyllic at times to be credible, efforts have to be made to engage them as much as possible.

The short point is that 2020 could be the year of the gig workers. For companies, it makes ample sense to adopt the new staffing module, as according to Mercer, the gig model offers more flexibility, reduced fixed costs, and the capacity to react much faster to market changes. It is also an opportunity to tap into a new international talent pool and access expertise on demand. Tomorrow's winners would be companies who would have a robust on-boarding system in place for gig workers.

State battles no indicator of national politics

It would be wrong to assume Modi government can be defeated after BJP's performance in Jharkhand

YOGENDRA YADAV

There are two ways of misreading Jharkhand elections. The first mistake was made by the Bharatiya Janata Party (BJP) before the election: The assumption that the 2019 Lok Sabha victory would automatically translate into a triumph in assembly elections. This led to hubris, loss of allies and loss of elections for the BJP. The second mistake is the one that the non-BJP parties are likely to make post the election results: The assumption that the BJP's loss in assembly elections will build up to the BJP's eventual defeat in the next Lok Sabha election. This assumption leads to complacency, and can be fatal for the Opposition.

It was natural for the BJP to make the assumption that it did after its spectacular success in the Lok Sabha elections, where it won 303 seats. After all, the BJP led in 63 out of 81 assembly constituencies in Jharkhand. In terms of vote share, it was head and shoulders ahead of any opposition party.

Previously a victory of this scale in the Lok Sabha election would have rendered the assembly election that followed within six months a foregone conclusion. This is exactly what happened after Narendra Modi's first victory in 2014. But something has clearly changed. It began with the Odisha assembly elections held along with the parliamentary elections itself. While the BJP won eight out of 21 seats in the Lok Sabha, Naveen Patnaik's Biju Janata Dal had a comfortable majority in the simultaneous assembly elections (113 out of 147 seats). But it looked like an aberration. Maharashtra and Haryana assembly elections established it as a trend. In both the states, the BJP's seats and votes plummeted between the Lok Sabha and Vidhan Sabha elections. The result of the Jharkhand election puts a seal of confirmation on this new pattern. In retrospect, one can see that the assembly elections held in Gujarat and Karnataka and later in Telangana, Rajasthan, Madhya Pradesh and Chhattisgarh also fit into the same pattern.

Although the BJP's loss in terms of votes is not substantial when compared to the last assembly elections, the drop between Lok Sabha and assembly elections is breathtaking. Clearly, not only did the Modi magic not work, attempts to distract the voters through remote national issues like Kashmir or Ram Janambhoomi or NRC-CAA failed as well. The BJP will have to come to terms with a harsh reality: Whenever its state governments are put to test, they fare very badly. The BJP would need to think afresh about its incumbency in Uttar Pradesh, and in taking on formidable opponents in Delhi and West Bengal.

RISE OF THE PHOENIX Jharkhand Mukti Morcha Chief Hemant Soren addressing a gathering after his win in the Jharkhand assembly election

The immediate reaction to the Jharkhand verdict indicated that the anti-BJP parties could fall for the opposite error. Many opposition leaders and commentators seemed to assume that this was the beginning of the end of the Modi regime. Many leaders claimed that the verdict was the people's reaction to this government's economic policies, its communal agenda or even the National Register of Citizens. Nothing could be further from the truth.

It is fanciful to assume that the voter sitting in a Palamu village was responding to the debate around the Citizenship (Amendment) Act. As of now, there is little reason to believe that PM Modi's personal popularity or the acceptance of some of his controversial policies like Kashmir has suffered a serious setback. Such an assumption would be politically suicidal and lull the opposition into political complacency.

Political scientists call it "ticket-splitting" and view this as a sign of voters' sophistication. For the first two decades, Indian voters voted the same way in the Lok Sabha and the assembly elections, irrespective of the level of competition. In the next two decades, 1970s and 1980s, they voted in the assembly elections as if they were choosing their prime minister. The pattern reversed in the 1990s and 2000s -- the voters cast their vote in the Lok Sabha election as if they were choosing their CM. Now, we seem to have finally arrived in an era where voters look at the specific level and their local choices before deciding who to vote for. In normal times this would be seen as an indication of the Indian voter coming of age.

But we live in unusual times. This game of electoral competition is being played out when the institutional edifice of our republic is being taken apart. In this context, any weakening of the regime should bring some relief. But this relief could be illusionary.

Faced with declining support at the state level, the Modi regime could use the "ticket-splitting" logic to concentrate on retaining support at the Centre. This is likely to be accompanied by greater concentration of powers for the central government and the reduction of state governments to glorified municipalities. Given the rather week capacity and imagination of regional parties, including those in power, the regime could well succeed in continuous dismantling of the republic even while ceding political space at the state level. In sum: State battles are no substitute for taking on the Modi regime at the level of national politics.

By special arrangement with ThePrint

The author is the national president of Swaraj India. Views are personal

CHINESE WHISPERS

Kalyan Singh missing from meet

Kalyan Singh was missing at the high-profile gathering in the midst of which Prime Minister Narendra Modi unveiled a 25-foot bronze statue of former prime minister Atal Bihari Vajpayee in Lucknow on December 25, the latter's birth anniversary. A special CBI court in Lucknow has framed charges against Singh, former Uttar Pradesh chief minister, in the 1992 Babri Masjid demolition case. Singh, who was earlier exempted from facing trial in the case due to the Constitutional immunity he enjoyed as governor of Rajasthan, was summoned by the court after his tenure expired recently. Singh's grandson and UP Minister of State Sandeep Singh was also not there at the event.

Parallel march

A senior faculty member of Presidency University led a protest rally against the Citizenship (Amendment) Act, 2019, and the National Register of Citizens (NRC) in Kolkata, a video of which has gone viral on social media. The video shows Pradip Basu, dean of humanities and social sciences, raising slogans like "Burn the copy of NRC", "Burn the copy of CAA", and "Dump the Fascist regime", to the cheers of the students rallying behind him. Basu said on Thursday the 4-km march from the Presidency University campus in College Street to Shyambazaar on December 24 was spontaneous and no flags of political parties or of student unions were raised in it. "I felt the need to protest and when the students approached me, I immediately agreed," he said. An official of the varsity said the institute would not comment on the decision of an individual to join a protest march. "We have always stood for democratic traditions," he said.

Gearing up for B day

The Bharatiya Janata Party (BJP) has started its internal consultations on Budget 2020. The party plans to reach out to all stakeholders and give its feedback to the Narendra Modi government and Finance Minister Nirmala Sitharaman *(pictured)*. General Secretary (organisation) BL Santhosh is leading the exercise. "Any feedback and suggestion that helps the party and the government to increase its connect with the ground realities are welcome," party's spokesperson on economic affairs Gopal Agarwal said. The consultations started on December 19 and will continue till January 14. The plan is to hold 11 sectoral dialogues. The reports from these consultations after deliberation with BJP national working president J P Nadda would be forwarded to the government.

INSIGHT

CAA, NRIC and the uncertain climate

ANAMITRA ANURAG DANDA &

BAPPADITYA MUKHOPADHYAY

We are going through a crisis over the Citizenship Amendment Act (CAA) and the National Register of Indian Citizens (NRIC). There is a lot of confusion and one fears such confusion might degenerate into chaos, loss of lives and damage to property, besides the loss of productive time that is happening already. Broadly, three groups are protesting: The first is against inclusion of illegal migrants; the second against exclusion; and the third against discriminatory inclusion.

Protesters in Assam belong to the first group; they fear they would be saddled with over 12 million primarily Hindu refugees as citizens. The rest-of-India-protests are in two groups. One thinks that our Constitution, which espouses secularism, is now compromised because of the CAA and therefore, CAA allows discriminatory inclusion. The third group raises the more serious concern regarding the NRIC. For a country that is notorious about record keeping, this burden of proof on the residents is going to make many Indians, especially the poor, illegal. However, while a non-Muslim will have a high chance of eventually being accepted as an Indian citizen, the same is not true for Muslims without "appropriate documents". This is the exclusion argument. However, India needs to be future ready and arguments against migrants have to be stronger than what it is currently.

Economic argument against immigration, legal or otherwise, has two parts to it: One, the argument of scarce resources, and the other, competition in the labour market. For an emerging economy where many of the "legitimate citizens" are deprived of basic welfare schemes, the scarce resources will be stretched further if more dependents are added. This was why Aadhaar was emphasised -- to prevent leakages. Dealing with refugees necessitates proper use of Aadhaar, the way it was meant to be. The labour market argument seems rather bizarre given that most of the jobs that illegal migrants manage to bag are the informal sector jobs that are not the ideal benchmark of jobs to base critical policy decisions.

The next set of arguments is based on voting rights. The accusations regarding "vote bank politics" are particularly severe when it comes to certain states that share international border with Bangladesh. How will CAA and the supposed NRIC solve this? If every person who has a valid voter card is included in the NRIC, then those who are voting now and yet should not have that right, will continue to do so. The only way to address this problem would be to perhaps draw up an entirely new citizenship criteria, not with retrospective effect but with a cut-off on the date of a relevant enactment coming into force. Then the argument of harassment of many Indians, especially the poor and the marginal, irrespective of faith, does not exist.

While there is no clarity as to how NRIC will be implemented or funded, the bigger question that goes a-begging is what should be India's policy towards migrants and refugees. It is pertinent to note that India is not a signatory to the UN Refugee Convention, 1951, and the Protocol of 1967, and that displacement in India and its neighbourhood will, in all likelihood, rise manifold due to extreme coastal water levels (ECWL) exacerbated by global warming.

UNITED VOICES Broadly, three groups are protesting: The first is against inclusion of illegal migrants; the second against exclusion; and the third against discriminatory inclusion

Irrespective of models used to assess global and national population exposures to ECWL, it is estimated that millions of people would be vulnerable by the year 2100, and nearly half as many by mid-century, under high greenhouse gas emissions scenario (RCP 8.5). Even for RCP 4.5, sea levels projected by 2050 are high enough to threaten land, currently home to millions, to a future permanently below the high tide line. Call these migrants or refugees, millions of these are sure to find their way into India given its geographical size and the size of the economy.

Lost in this mayhem is the most crucial issue of refugees and illegal immigration. A closer look at the issue suggests that the appropriate policy to handle refugees may not be a simple binary of exclusion versus inclusion. This could also be an opportunity to address the issue of imminent sea-level-rise-induced displacement.

Global warming is causing the sea level to rise and is displacing hundreds of thousands annually in Bangladesh. It is fair to assume that by the middle of the century, many of them will swarm our borders and eventually perhaps enter India. The estimates of "climate refugees" will run into millions. What are we to do then? It is unconceivable that India will absorb a major portion of these refugees irrespective of their religion. Should we not be preparing ourselves to deal with the impending situation collectively with our neighbours and the global community? Rather than the binary of inclusion versus exclusion, we could have thought of a transit status for the illegal migrants. That would have paved a leadership position for us to determine how the world must share the burden of such climate refugees. Sadly, as the current narrative goes back and forth between those pro- and those anti-CAA-NRIC, the opportunity to take leadership on a looming crisis is being lost.

Danda is with Observer Research Foundation, Kolkata; Mukhopadhyay is with Great Lakes Institute of Management, Gurgaon

LETTERS

Discuss and debate

The last few weeks have seen major protests against the Citizenship Amendment Act (CAA) across the country. Opinion is divided on the amendment. Whatever the case, the Supreme Court has accepted the pleas challenging the CAA and would pronounce the verdict over its constitutional validity in due course. The ruling dispensation believes that those who are protesting the amendment have fallen prey to a misinformation campaign. Though this is a matter of discussion, it also needs to be accepted here that fishing in troubled waters by political parties is not uncommon. It is important that the legislative process in our country be more transparent.

The Parliament should devote more time for discussion and subsequent passing of bills, particularly when the bill is to amend certain provisions of an existing Act. The standing committee should be utilised in finalising a draft Bill after thorough analysis. Reference of all Bills seeking amendment in various Acts to standing committee should be made part of standard procedure. The draft Bill along with recommendations of the committee should be put in the public domain to enable meaningful discussion and to educate all stakeholders about the nuances of the proposed Bill. The government then might bring in the Bills for final discussion and passage in Parliament. The government is free to accept or reject the feedback, but the process would ensure that the common man would come out educated and is less susceptible to influence.

Sanjeev Kumar Singh Jabalpur

Work on the suggestions

Your editorial "Reviving economic growth" (December 25) highlights the suggestions from the International Monetary Fund (IMF) for reviving the current abysmal rate of economic growth. Indeed, if we are serious about achieving the $5 trillion target we have to work on constructive suggestions made by the IMF. The goods and services tax (GST) has the primary objective to bring in all industry and trade into the tax net but political wrangling in the successive council meetings seems to have put this on the back burner while issues raised by different states and business sectors are coming centre stage. It is crucial to concentrate on a strong audit trail so that habitual and ingenious evaders are forced to pay the due taxes. This is a wider national cause and any buoyancy in the collections will benefit both the Centre and the states. That the ease of doing business will improve is another advantage. Of course, trade liberalisation is a long overdue need for supporting growth and employment. Ironically — despite stated policy and many public announcements at the highest level — we seem to be drifting towards protectionism rather than concentrating on measures to liberalise trade and get into more trade agreements and regional cooperation mechanisms.

Krishan Kalra Gurugram

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HAMBONE

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Time running out for PSBs

Business is rapidly shifting to private banks

The Indian banking sector is showing signs of a turnaround after many years. The latest "Report on Trend and Progress of Banking in India 2018-19", released this week by the Reserve Bank of India, showed that the overhang of stressed assets has declined and fresh slippage in assets quality got arrested. Consequently, the consolidated balance sheet of scheduled commercial banks expanded at a higher pace for the first time since 2010-11. Further, the financial performance of the banking system improved and public sector banks (PSBs), after a gap of three years, reported profits at the net level in the first half of the current financial year.

But PSBs still have plenty to worry about. Apart from holding the larger share of non-performing assets (NPAs), they are rapidly losing business to banks in the private sector. For instance, during the period under review, private banks attracted 77 per cent of incremental term deposits. The average share of private banks in incremental term deposits improved from 19 per cent during 2011-15 to 81 per cent during 2016-19. Despite accounting for less than a third of the banking assets, private banks contributed 69 per cent to incremental growth in credit in 2018-19. The share of private banks is rising steadily in outstanding credit as well. The reasons for this shift are not very difficult to understand. Banks in the private sector are comparatively efficient and able to garner more funds with better services and attractive deposit rates. However, higher deposit rates are not affecting their margins. Private-sector banks maintain higher net interest margins than what PSBs do. Here's another example that marks the difference. PSBs accounted for over 90 per cent of the amount involved in fraud during the year, "mainly reflecting the lack of adequate internal processes, people and systems to tackle operational risks", noted the central bank in its report.

The trend of the rising share of private banks is likely to continue for a variety of reasons. Higher NPAs will remain a constraint for PSBs and the government is not in a position to indefinitely keep infusing large sums of capital. On the other hand, even though there have been problems in some private banks, they are still better placed. Top management can be swiftly changed, and private banks are in a much better position to raise capital and expand their balance sheets.

However, it is important to note that the shift in favour of private banks will also lead to a fair bit of value destruction in PSBs. At a broader level, inefficiencies in PSBs will also affect the flow of credit into the system and remain a drag on economic growth. Therefore, it is important for the government to introduce governance reforms and enable PSBs to compete with the private sector. In its latest report on India, the International Monetary Fund also highlighted the need for reforms in PSBs. It has rightly noted that in absence of reforms, mergers would not address the underlying issues and could potentially result in larger and weaker banks. Mergers could also divert attention from the core business and affect lending capabilities. Time is running out fast for PSBs and the government (read taxpayers).

Disclosure: Entities controlled by the Kotak family have a significant shareholding in *Business Standard*

Private mining, finally

Decision to auction coal blocks to commercial miners is overdue

The government will finally open up the coal sector with a large offer of over 200 blocks to commercial miners, and bidding for 40 blocks is likely to begin this financial year. According to the government, the 200 blocks being prepared for sale could produce as much as 400 million tonnes a year; if even a fraction of that is achieved, India's coal import bill would be considerably reduced. It is worth noting that it would not be eliminated, since India has no real reserves of the coking coal needed by its iron and steel plants. But at least the 125 million tonnes of thermal coal that is imported might now be produced at domestic sources. This is a long overdue measure, and it is welcome that the government has finally moved to enable commercial mining of coal. The legal requirements were put in place four years ago, but the obvious follow-up of auctioning the blocks did not take place. As a result, India has been dependent for too long on two different sources of thermal coal — Coal India Ltd, a state monopoly which is plagued by bottlenecks and inefficiency; and captive mining, which has been surrounded by much controversy over the past decade. It is to be hoped that the auction of these coal blocks in tranches will open up the market for thermal coal properly.

The government needs to keep the lessons of the past in mind when it is designing these auctions. Extracting the maximum revenue possible is not necessarily a good idea from the point of view of overall welfare — past coal auctions may have revealed high prices, but also led to a great deal of coal being left in the ground because some blocks were under-exploited. There are other pitfalls of the auction process. For example, the rules of the game should be made amply clear in advance. They should not be changed at a later date, because this undermines the sanctity of the auction process. Renegotiating the terms of the auction after it has been concluded is similarly problematic. It can lead to legal challenges — and, if predicted, can lead to uneconomic bids being made by those players most confident of winning a renegotiation process.

The medium- and long-term dynamics of the coal sector should also play into the expectations and planning of the auction process. At the moment, there is an all-round economic slowdown, which will affect the prices being paid. It should also be clear that thermal power plants in particular are not quite the booming businesses they were a decade ago. Many are in danger of becoming stranded assets, and long-term power purchase agreements are capped at quite a low level, thanks to technological change and market forces. It is also very important to think carefully about how an expansion of thermal coal extraction capability can be financed. There is limited private sector or global capacity available in the sector. Many funders have turned away from it. It would be dangerous for a big new expansion of thermal coal capacity to be funded entirely by the state-owned banking sector, following an unwritten mandate to that effect by New Delhi. This would present the very real danger of future bad debts.

ILLUSTRATION: BINAY SINHA

NRC and CAA: Lies, truths and half-truths

Detention centres exist in India, despite the prime minister's claims to the contrary

In January 2018, the National Human Rights Commission (NHRC) sent a mission from Delhi to look at the conditions inside Assam's detention centres. The mission had three men, Mahesh Bhardwaj, Indrajeet Kumar and Harsh Mander. Their terms were to see if due process was followed in Assam in declaring individuals foreigners, what conditions these people were being locked under, what would happen to those whose appeals were rejected and what the role of the foreigners tribunals was.

The mission found that people were being held in jails for several years. Husbands separately from wives "in a twilight zone of legality, without work and recreation, with no contact with their families, and with no prospect of release. In the women's camp, in particular, the women wailed continuously, as though in mourning."

AAKAR PATEL

As of September last year, 1,037 people had been locked up in this fashion. Many of them are unaware of the process that brought them there. Children have been born in these camps and remain there. The NHRC mission's report added that because the state did not differentiate between detention centres and jails, they were treated as prisoners but denied the benefits given to criminals under jail rules like parole and waged work. The mission said that for those who cannot prove their citizenship "each day is unchanging in its monotony. Early morning they wake up, stand up for the counting, have breakfast, then lunch and go inside ward after having early dinner at 4pm. For many years, the entire day they do nothing, because the detention centre doesn't have even television or access to newspaper and library."

It has much more of this sort of thing, and it is so damning that the NHRC did the thing that we expect India's institutions to do in these times: It chose not to publish the report. NHRC Chairman, retired Justice H L Dattu, is a good and pleasant man who gives a patient hearing to all who go before him (I have gone twice), but he is in a sinecure and will not disturb it by getting into the nasty business of human rights.

Anyway, it is puzzling that the prime minister should claim there are no detention centres in India for people declared foreigner. His exact words at a recent speech in Delhi were: "*Jo Hindustan ki mitti kay mussalmaan hai, jinke purkhe Ma Bharati ki santaan hai... un par nagarikta qanoon aur* NRC, *donon ka koi lena dena nahin hai. Koi desh ke mussalmaanon ko na* detention centre *mein bheja ja raha hai, na Hindustan main koi* detention centre *hai. Yeh safed jhooth hain, yeh badiraade vaala khel hai, ye naapaak khel hai* (Neither the citizenship law nor the NRC have any implications for the Muslims of India, whose forefathers are sons of Mother India. No one is sending Muslims of this country to detention centres, nor is there any detention centre in India. This is a lie, it is a game with evil intent, an unholy game)."

It is not a lie and this is not a game. The detention centres exist and they are full and they are bringing disrepute to India. They have been covered by publications such as *The Economist* but more continue being built around the nation. One is not sure why the prime minister said what he did. Perhaps, he was ignorant of the fact that they exist. Or perhaps he misspoke or misremembered. Whatever the case, he seemed to be softening in the face of dogged resistance on the streets from millions.

But two days later, he again appeared to have hardened. The Cabinet approved the funding of a population register that has been amended to align it to the National Register of Citizens (NRC). And in his next speech, the prime minister spoke darkly of the duties of the protestors. Instead of addressing the fact that over two dozen had been killed by the police — which lied about not having opened fire on them — he asked the protestors to introspect. Why the change again in tone?

Perhaps he received information from the grassroots that this was a good issue worth pushing further and electorally beneficial. Or perhaps he had an epiphany himself about this. The fact is that we are preparing for an industrial scale brutalisation of India's Muslims.

It will interest readers to know that the government of Assam has submitted an affidavit in the Gauhati High Court, which lays bare the manner in which the foreigners tribunals function. They are the work of part-time workers, on two-year contracts, incentivised to declare maximum people foreigners. Those who have a low rate are not given a contract extension. The courts have been complicit in this and because it is deemed a civil process, the scope to appeal the verdict has been narrowed to the point of meaninglessness. It is truly Kafkaesque and indeed that is exactly how *The Economist* described it.

There is a certain casualness with which India is going about doing this and that is astonishing. The prime minister's incorrect statement regarding detention centres and his turnaround indicate this casualness. It is astonishing because we have received a taste of the sort of backlash the NRC will produce on the streets and in universities across the nation. It is an issue that is absolutely black and white and, therefore, easy for people to take a position on.

Internal resistance to the NRC and the CAA from our courts, the NHRC and the various organs of the state, the foreign service, the Indian Administrative Service, the Indian Police Service and ministries and departments has been none and not much should be expected from them. It is on the street that we will see the resistance. Unlike the Babri verdict, the citizen's register touches people individually. Like with divorce and polygamy and temple entry, this is a matter where the individual can demonstrate resistance or indeed martyrdom. Mr Mander has announced that if a religion-based NRC is pursued, he will declare himself a Muslim and go to jail with his countrymen. There will be others like him as we enter 2020 and begin the population register process.

It will not be easy for the government to ram the mass incarceration of Muslims through. One hopes that the prime minister understands this, as he pursues an action that has already brought and will further bring to India a deserved infamy and disrepute.

Can US-China decoupling work?

The US and China have thus achieved a "Phase One" trade agreement: Washington will lower some of the additional tariffs it had previously imposed on Chinese imports and has cancelled the new tariffs it was about to introduce. Beijing, for its part, has agreed to increase its purchases of US agriculture and industrial products, liberalise access to the Chinese market in some sectors, and strengthen intellectual property protection.

The Trump administration will have to wait for a new phase of negotiations to try to achieve its goal of bringing structural reforms in China's economic and trade policies — which might prove to be quite elusive: President Xi Jinping is not more intent today than he was before to alter in any significant way the country's model of state-run capitalism.

CLAUDE SMADJA

So what will be officially signed early January is a ceasefire, which does not mean any respite in the US-China confrontation for strategic and technological prominence. The message from the Trump administration initiatives over the last two years remains one of a policy that can be summarised in three words: "Contain and Decouple", and which is acquiring a worrying momentum.

The latest developments involve the White House proposal that technology sales in the US from countries seen as "foreign adversaries" — read China — would be vetted by the secretary of commerce for security reasons. And Beijing has decided that all government offices and public institutions will have to remove all foreign IT and software equipment and replace them with Chinese domestic within the next three years. While Washington has put various Chinese companies on its "entity list", read trade blacklist , Beijing has set its own list of "unreliable entities" to punish companies — i.e. US companies— considered "harmful" to Chinese interests. And a defence policy bill now awaiting Mr Trump's approval would prohibit using federal funds to purchase buses and rail cars from Chinese companies — with BYD Motors, a leading maker of electric cars and buses, the clear target of this latest initiative.

Add to that the Trump administration's pressures on US companies to move their activities out of China, the increasing restrictions on Chinese investments in the US, and on US technology transfers, the reduction of US visas for Chinese students, the unrelenting pressure on US allies to ban Huawei from their 5G development projects, and you get some notion of an across the board policy of containment and decoupling.

If this trend continues unabated, there is an increasing risk to see the global economy breaking up into a US-centred economic, business and technology sphere and a China-centred one, with many countries as collateral victims and struggling to avoid an impossible choice between the two camps. Such an outcome would represent a radical reversal of the economic evolution over the last 40 years. It would mean the disruption of almost all supply chains and major negative consequences on technology, financial and products flows, and on an already damaged international trade system. In other words, all the drivers of growth for the global economy are today under threat.

The irony is that this containment and decoupling strategy is not only likely to fail but that — if ever it were to succeed — it would, in fact, harm the US interests and global position. It is likely to fail because it underestimates the extent to which important segments of the US economy are dependent on the supply of Chinese products and services for which there is no substitute in many cases. Creating such substitutes will take time, be costly, and would require either creating dependencies on new external sources or an expansion of the American manufacturing base that is unlikely to happen. It will fail, also, because success of such a strategy would require that the European Union align itself totally to the US contain and decouple goal. However, despite all the misgivings towards the rise of China's and Beijing policies — and the labelling of China as a "systemic rival" — the Europeans have no intention to cut themselves from China's economic dynamism and the huge potential that its market and resources represent. Getting tougher on Beijing, yes, strengthening European competition capabilities against China, yes, but decoupling, no.

But even if the Trump administration's goal of containment and decoupling were to be achieved, and even if this would slowdown the rise of China in the next few years, the US would end up being the real loser from this policy in the medium and long term. Already the US initiatives have created a number of problems for American companies; and the tightening of export and transfer of technology is leading Beijing to accelerate its drive towards self-sufficiency in critical domains such as semi-conductors, or prominence in the AI domain. While the US has still an edge over China in the overall technology power balance, this edge is eroding in many domains faster than many anticipated. China will keep the advantage of its 1.4 billion population and of its proximity with the Asean, the most economically dynamic region of the world with its 800 million population, more and more closely interconnected with China. The Asean countries will hate having to choose between China and the US. But whatever their suspicion towards Beijing, these countries will have to opt for China if push comes to shove, bringing their own dynamism to the momentum that will continue to drive the Chinese economy and technology.

An anti-China mood has now swept Washington. But frustration and impulses don't make an effective strategy. We hope that some people around President Donald Trump, in the business circles and in Congress realise that; and that this happens sooner rather than later, before the damage to the global economy becomes irreparable.

The writer is president of Smadja & Smadja, a strategic advisory firm; @ClaudeSmadja

Toolkit for policy-makers

BOOK REVIEW

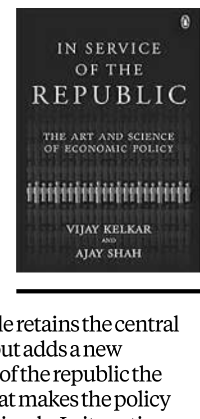
A K BHATTACHARYA

In 1970, when Vijay Kelkar had earned his PhD in economics from the University of California, Berkeley, Ajay Shah was probably in the early stages of his primary school education before he, too, bagged a doctoral degree in economics from another noted university in California in 1990. The age difference of almost two decades between the two well-known economists, however, has made no difference to the quality and impact of their collaboration in economic research in later years.

Indeed, by the end of 2019, the two had completed their collaboration as co-authors of this magisterial book, *In Service of the Republic: The Art and Science of Economic Policy*, which should go down in history as an authoritative toolkit on the art of policy-making. Rarely have economists from two generations come together to co-author a book that is likely to make a deep impact on the way economic administrators should approach tricky questions on governance.

When should governments intervene to introduce a policy or fix an existing one? What should the state do when there are market failures? How and why market failures take place? How and should policy be guided to address them? These are some of the key questions the book under review addresses. The answers they provide should not come as a surprise to those who have followed the writings of Messrs Kelkar and Shah over the last many years, as also the policy actions they have initiated, either as part of the government or as members of various official committees.

The book was originally supposed to be a monograph, based on the C D Deshmukh Memorial Lecture Mr Kelkar had delivered in January 2017. The lecture was titled "Reflections on the Art and Science of Policymaking", in which Mr Kelkar had also announced that it was part of an ongoing work with his colleague, Ajay Shah, and that the two were planning to write a monograph on these issues. What was planned as a monograph two years ago is now a book of over 425 pages.



IN SERVICE OF THE REPUBLIC: The Art And Science Of Economic Policy
Author: Vijay Kelkar and Ajay Shah
Publisher: Penguin
Price: ₹699
Pages:: 425

The difference in the title of Mr Kelkar's lecture and that of the book deserves to be noted. The book's title retains the central issue of the lecture, but adds a new dimension. The role of the republic the book dwells on is what makes the policy toolkit relevant and timely. In its entire analysis, the book frowns on the idea of a robust state that is supremely confident of its knowledge of what is good for the people. It argues that a liberal democracy with a government that is selective in its interventions is the best platform for effective and efficient policy-making.

The role of representative democracy is given its due importance. No less important in effective policy-making are the foundations of liberal democracy — the principles of debate, dispersion of power, the rule of law and curtailing executive discretion. It is this dimension that makes the book extremely relevant in a political environment in which a government with a robust political mandate often thinks that it knows the best on what will work for the Indian economy and the people. An excellent section on the roll-out of the Goods and Services Tax regime in the last two years and the implementation of the health policy is an example of how the authors' prescriptions on policy-making can bring about positive outcomes on the ground.

In another section, the authors suggest that the state's power to use coercion can be a double-edged weapon. There are occasions when such coercion helps governance, if used judiciously and when based on a correct assessment of the nature of the problem. There are also occasions when the use of coercion can lead to sub-optimal and even counter-productive outcomes. The authors, therefore, argue that, ideally, the state should stay away from interfering if it is not required or there are no market failures. Freedom, they say, works pretty well in most situations and if the people, including market participants and economic agents, are left to themselves, the overall outcome is not a cause for concern. Yes, the state must intervene, but under specific circumstances such as in redistribution efforts to address certain kinds of market failures.

This is not a book that should scare non-economists. There are no tables, no complex discussion on econometric models, nor any regression exercise. Reading the book may make you wonder if it is primarily written for those civil servants and even some of our current political leaders who have a short attention span and insist on PowerPoint presentations or short notes that should have their thoughts summarised in brief points.

Most policy-making challenges are analysed after summarising the key issues and the recommendations in brief points. You almost get a sense that the book is a by-product of a PowerPoint presentation. However, the style and structure followed have no adverse consequences for readers. The reading pleasure or accessibility are not a casualty. The added advantage is that the structure of the book will be an invitation to the civil servants and the political leaders — the real target audience of this laudable exercise. The authors' message at the very start of the book should make everyone sit up and take appropriate policy action. Instead of getting drawn into the current political debate on whether the Indian economy can become a $5-trillion one in 2024, it notes that if India wants to repeat the growth surge witnessed between 1999 and 2011, it needs to fix its policy-making within a finite window of opportunity with a young workforce. "We must get rich before we get old," the authors note with a warning that policy-makers can hardly ignore.

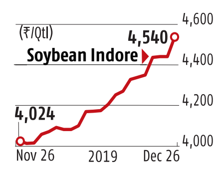
Ajay Shah is a columnist with Business Standard

Business Standard
MUMBAI | FRIDAY, 27 DECEMBER 2019

The Smart Investor

WWW.SMARTINVESTOR.IN FOR INFORMED DECISION MAKING

QUICK TAKE: SOYBEAN PRICES TO REMAIN FIRM



Soybean prices are up 13% in the last one month following estimates of lower domestic output due to crop damage in flood-hit growing areas. Analysts say rising global prices and crop damage reports in other rabi oilseeds are leading to higher demand, and will keep soybean prices firm.

"Read the history of good companies. They all have faced setbacks and used them to make a spectacular comeback"

S D MUTHUKRISHNAN
Investment Advisor

Bank-backed brokers expect client influx

Trust deficit after Karvy fiasco and access to margin facility to drive shift of investors

SUNDAR SETHURAMAN & JASH KRIPLANI
Mumbai, 26 December

Bank-backed broking houses are expecting to corner a significant chunk of market share as investors, driven by safety concerns for their investments after the Karvy episode, shift their accounts from smaller broking houses.

At present, the top-four bank-backed brokerages account for one-fourth (a 25 per cent market share) of active clients.

"Over the last month, we have gained in terms of accounts. There are customers who are moving their accounts to us. Also, fresh accounts are being opened," said Dhiraj Relli, managing director and chief executive officer of HDFC Securities.

"As a result of the Karvy fallout, investors are looking for broking houses where there is more assurance of fund protection," he said.

Meanwhile, smaller broking houses are bracing up for higher operating costs, as the Securities and Exchange Board of India (Sebi) is mulling stringent norms to pre-empt another Karvy-like episode, according to industry sources.

"We expect compliance costs to go up, which would make the environment more challenging for us," said the head of a small-sized broking house.

Industry players say the Karvy episode underscored the risk of margin funding, which had emerged as a source of income for some of the brokers. "The share of income from the margin funding book was as high as one-fourth of total income in some cases," said a market participant. The yields on the margin funding book ranged between 12 per cent and 18 per cent.

However, this source of income can quickly deplete for non-bank broking houses following Sebi's move to crack down the practice of brokers accepting clients' shares as collateral for giving them margin facility.

MAKING INROADS
Bank-backed brokerages account for one-fourth of market share

Brokerage	Market share (%) *
Zerodha	12.3
ICICI Sec	10.3
HDFC Sec	7.1
Sharekhan	5.4
Kotak Sec	5.3
Axis Sec	3.4

*Based on active clients;
Sources: NSE, ICICI Direct Research

"With Sebi tightening norms on managing client funds as float or pledge on client shares, direct lending by brokers to clients in the form of allowing overdue will disappear. Brokers need banks or non-banking financial companies (NBFCs) tie-up, as they can only take pledge of client shares to fund the client," ICICI Direct pointed out in a note.

Relli said: "Bank-backed broking houses, by virtue of being AAA-rated, can get access to funds at a lower cost, if needed, and extend margin facility to clients."

Smaller brokers say Sebi's new norms requiring upfront margins from investors (for both buying and selling) would also hurt them, as they are likely to opt for brokers which are placed well to offer margin facility.

Brokers also cite sharp dip in cash volumes — which offer relatively higher margins — for deteriorating profitability. Cash volumes as share of average daily turnover are little over 2 per cent, showed the note from ICICI Direct. Meanwhile, the higher-margin delivery trades have diminished further, with their share in cash volumes hovering at a 10-year low.

From 5,899 in 2014-2015, the number of brokers in the cash market stood at 2,734, or 53 per cent lower, as of December 31, 2018, showed the Sebi data.

"The cash market has not grown. There is a sharp divergence between growth of cash markets and the overall economic growth in the last few years," said Rajesh Baheti, managing director of Crosseas Capital Services.

To further complicate matters, the competitive intensity from the emerging class of discount brokers is making it difficult for smaller brokerages to gain traction in the derivatives segment, where volumes are much higher.

Discount brokers offer a flat fee for trades, which is a big draw for retail traders looking for arbitrage opportunities on derivative instruments, such as futures and options.

As share of average daily turnover, derivative volumes account for 97 per cent, showed the ICICI Direct note.

While wider participation in derivatives has helped discount brokers post strong growth over the last few years, discount brokers acknowledged that after a point, the stability of product would be more important than just the transactions costs.

"We have been working on making our product better for the last four-five years. And the quality of the product matters more than transaction cost after a point," said Nithin Kamath, founder and chief executive officer of Zerodha.

Sensex sheds 297 pts on F&O expiry

PRESS TRUST OF INDIA
Mumbai, 26 December

Benchmark indices nursed losses for the third straight session on Thursday, led by selling in market heavyweights Reliance Industries and HDFC Bank amid expiry of December derivatives contracts.

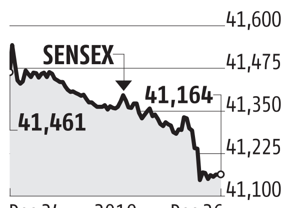
After tumbling 328.37 points during the day, the 30-share BSE Sensex ended 297.50 points, or 0.72 per cent, lower at 41,163.76. It hit an intra-day low of 41,132.89.

Similarly, the broader NSE Nifty closed 88 points, or 0.72 per cent, down at 12,126.55.

Bharti Airtel was the top loser in the Sensex pack, dropping 2.23 per cent, followed by Reliance Industries, L&T, Sun Pharma, HDFC Bank, Maruti, Titan, and Kotak Bank.

On the other hand, ONGC, NTPC, Tata Steel, Bajaj Finance, and M&M rose up to 1.63 per cent.

According to traders, market turned volatile on expiry of December futures and options (F&O) contracts.



Further, investor participation has also thinned on account of year-end holidays in domestic and global markets, they said.

Scrapped listing plan weighs on Reliance Retail's unlisted shares

SACHIN P MAMPATTA
Mumbai, 26 December

Trades in Reliance Retail's unlisted shares are said to have been affected by the announcement of a scheme through which the company's shares would be exchanged for a stake in the parent company, Reliance Industries Limited (RIL).

Lower-than-expected valuation for the swap and the dashing of hopes of listing gains are said to have weighed on sentiment, according to unlisted share dealers.

One Kolkata-based dealer in unlisted securities said that trades had earlier taken place at a high of ₹800 a share for Reliance Retail. The price implied by the new merger would be under ₹400. This has affected volumes. Another Mumbai-based dealer said that there were sellers for the stock, but no buyers, as the asking price was still more than double the price implied by the merger.

"Everybody is in a state of shock," said one dealer.

"There are sellers in the market, but there are no buyers after the news," said another dealer.

The scheme of arrangement was because there has been no plan for listing, according to a document detailing the move. "The company has been receiving requests from the employees holding equity shares for providing them options for exit and liquidity, including by way of listing of the equity shares... The company does not have any plan for listing of its equity shares on the stock exchanges," it said.

The company had earlier suggested a listing plan for its retail arm in five years. It announced on its website that investors would get one share of Reliance Industries for every four Reliance Retail shares that they hold.

IN GREY MARKET

- Unlisted shares of Reliance Retail earlier traded at ₹800
- RIL announces exchange at under ₹400
- No plans for listing, says document
- The retail business is now valued under ₹3 trillion, down from ₹4 trillion
- Future monetisation may still be on the table, say analysts

Independent analyst SP Tulsian said that the market was factoring in a ₹4-trillion valuation for Reliance Retail, based on grey market prices. This segment sees limited trading in terms of volume. It may not be an accurate barometer for the valuation of a company, according to him. The current swap would value it under ₹3 trillion (₹2.4 trillion, according to a *Bloomberg* calculation).

"Optically, it has given a jerk to the share price of Reliance," he said.

The price of RIL shares fell 2 per cent to close at ₹1,515.4 on Thursday.

Independent market analyst Anand Tandon said that the even if Reliance Retail doesn't choose to list, other routes, such as private equity, could still be explored. "There may not be a plan to list the company but they can still raise money," he said.

An e-mail sent to a company spokesperson did not immediately receive a reply.

Interestingly, the scheme seems to suggest that the swap will be given effect even without specific action from the shareholders.

"Upon the effectiveness of the scheme and 1 (One) day after the record date, the specified shares held by the specified shareholders shall be deemed to have been transferred and vested... without any act or deed, on part of the specified shareholders. Necessary corporate action will be executed by the company to give effect to the aforesaid transfer," it stated.

A shareholder meeting on the matter is slotted for January 23, according to a note on the company website.

Sebi imposes ₹25-lakh fine on ICRA, CARE in IL&FS case

ASHLEY COUTINHO
Mumbai, 26 December

The Securities and Exchange Board of India (Sebi) has slapped a penalty of ₹25 lakh each on credit rating agencies CARE and ICRA for violation of the Sebi (Credit Rating Agencies) Regulations pertaining to assigning of rating to various non-convertible debentures (NCDs) of IL&FS.

In its order, Sebi said the rating agencies had failed to exercise their duty to investors at large and did not downgrade the ratings of NCDs of IL&FS in time despite having knowledge of the deteriorating financials of the issuer. The regulator has given 45 days for the payment of penalty, which was levied under Section 15HB of the Sebi Act.

IL&FS had defaulted on its obligations in respect of the commercial papers and inter-corporate deposits, due for payment on September 14, 2018, and rated by the two agencies. It also defaulted in interest payments on its NCDs on September 17, 21, 26 and 29.

The rating agencies "should have anticipated the mounting credit risks, the stressed balance sheet position of IL&FS and placed the ratings accordingly to alert the market", the Sebi order observed.

Sebi said while there was no allegation of *mala fide* on the part of the rating agencies, their failure was serious considering the responsibility bestowed upon them by investors and regulators.

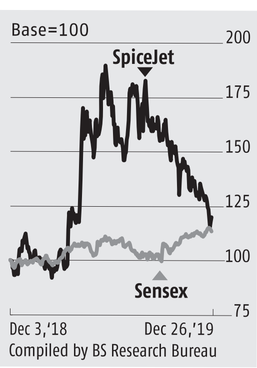
THE COMPASS

Market-share gains ahead for SpiceJet

Increased fleet size a big positive for the airline

RAM PRASAD SAHU

After doubling from its yearly lows earlier this year, the stock of SpiceJet has been on a declining trend. Issues related to 737 MAX, pricing pressures in the domestic market, higher operating costs, and weak near-term earnings outlook have weighed on the stock price. There are, however, a few triggers, going ahead.



Compiled by BS Research Bureau

While there are pressures on yields, lower fares have helped boost load factors. SpiceJet reported 93 per cent load factor for November, led by a 45 per cent jump in passenger traffic. The carrier is the largest beneficiary of the shutdown at Jet Airways, as it has absorbed most of Jet's planes and slots.

SpiceJet's fleet size has increased by 75 per cent year-on-year. While the market share of SpiceJet is around the 16-per cent mark (up 400 basis points over the year-ago period), analysts at Axis Securities believe the carrier may gain additional market share, as other carriers, such as IndiGo, grapple with lower capacity addition.

While there are issues with the grounded 737 MAX fleet as well as new inductions, analysts at Edelweiss Research believe capacity growth for SpiceJet is expected to accelerate, with new plane additions expected to resume from April 2020.

In 2020-21, they expect 56 per cent capacity growth, compared to 21 per cent for IndiGo. The addition of new planes will bring down SpiceJet's fuel costs, as they are 12-15 per cent more fuel-efficient and have higher capacity, compared to the current fleet.

The other benefit is that its cost structure is expected to converge with that of IndiGo's, which has the lowest per unit cost in the industry. This will add to its profits, as the company is already ahead in per unit revenues on account of higher regional routes, load factors, and better yield management.

What could boost revenue growth for SpiceJet are the international routes which have seen 60 per cent increase in capacity in the first half of 2019-20. The company will benefit from higher load factor, as analysts expect international traffic to grow by about 15 per cent over the next couple of years.

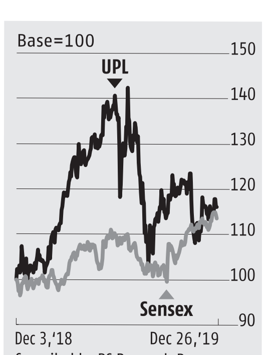
While there are multiple positive, analysts at JPMorgan highlight the risk of divestment at Air India, which could lead to increase in competitive intensity. This is because the national carrier controls 13 per cent and 66 per cent of the domestic and international passenger market share, respectively, and has key slots and bilateral rights.

LATAM, India: UPL's key growth markets

Deleveraging, integration benefits additional positives

RAM PRASAD SAHU

The stock of India's largest agrochemical company has corrected after muted September quarter results, on margin front worries, and higher debt. While the company will continue to face pressures in North America because of a supply glut and weak demand conditions in Europe, this is expected to be offset by growth in its largest market, Latin America, and a better Rabi season in the domestic market. The company is confident of achieving its revenue growth guidance of 8-10 per cent and operating profit growth guidance of 16-20 per cent for FY20.



Compiled by BS Research Bureau

A muted 2018-19 Rabi season saw a 4 per cent year-on-year decline in the overall acreage on the back of lower sowing of key crops. UPL was the worst-affected among agrochemical companies, registering a fall of 9 per cent in the second half of FY19.

Analysts at Reliance Securities believe that there would be higher sowing in Rabi 2019-20 owing to the enhanced soil moisture content and sound reservoir level across the country. This should benefit UPL, which is the market leader domestically. India accounted for 15 per cent of revenues in the first half of FY20.

The key would be growth in the Latin American market. The geography recorded 24 per cent growth and accounted for 39 per cent of overall sales in Q2. After the concerns about delayed planning because of the dry season, the recent US Department of Agriculture data points to record production of soybean and corn in Brazil in 2019/20. This, according to analysts at JP Morgan, should support UPL's performance in the region.

Reduction in net debt, which increased by $350 million in the first half of FY20, is another trigger. The company has guided for a net debt reduction to the tune of $450 million in the current financial year and this is largely expected to come in the March quarter.

The reduction in working capital days — from 116 days to around the 100-110-day mark by the end of the year — should help on the leverage front.

The company is looking to bring down its net debt-to-operating profit to 2 times over the next five quarters, from 3.7 times currently.

Given the deleveraging, synergies from the Arysta acquisition, and better-than-market growth, UPL is expected to outperform peers.

IN BRIEF

Nasdaq hits 9,000; S&P at record high

The Nasdaq breached the 9,000-point mark for the first time and the S&P 500 hit a fresh record high on Thursday, boosted by optimism over US-China trade relations and gains in Amazon.com after a report signalled robust online holiday sales. Shares of the retail giant rose 2.5 per cent after Mastercard's report showed US shoppers spent more online during the holiday shopping season, with e-commerce sales hitting a record high. Gains in Amazon lifted the consumer discretionary index by 0.7 per cent, the most among the 11 S&P 500 sectors. **REUTERS**

Manappuram Finance plans to raise ₹350 crore

Manappuram Finance on Thursday said it planned to raise up to ₹350 crore through issuance of non-convertible debentures (NCDs) on a private placement basis. The financial resources and management committee of the board of directors of the company approved the issuance of rated, secured, redeemable NCDs having face-value of ₹10 lakh each, Manappuram Finance said in a regulatory filing. **PTI**

Correction in Marico a good bottom-fishing opportunity

Price cuts and benign copra prices will help improve performance in March quarter

SHREEPAD S AUTE
Mumbai, 26 December

A continuously challenging consumption scenario has only added to scepticism over the fast-moving consumer goods (FMCG) sector's volume and margin performance. The Street has started factoring in the same, with the Nifty FMCG index shedding around 3 per cent in the last three months versus about a 5 per cent rise in the Nifty50.

Among key FMCG players, the bearish trend is relatively severe; a major player, Marico, is down 13 per cent in the last three months. Factors such as lower-than-expected volume growth in the September quarter, stiff competitive pressures from players, such as Dabur, have hurt investor sentiments.

However, this could be an opportunity for long-term investors as the correction has made stock valuations reasonable. The company's recent pricing actions should also help lift its performance going ahead. According to analysts at Emkay Research, which has trimmed its FY21-FY22 earnings forecast for Marico by 3-5 per cent, a sharp correction in the stock factors in the near-term concerns of weak demand.

The recent pricing action by Marico has improved its volume outlook. This month, the company cut the price of its Parachute hair oil 100 ml pack by 13 per cent, while the average price cuts across the Parachute coconut oil portfolio was 5 per cent. Marico's management expects this pricing decision to help gain market share from unorganised players, as well as competitors, and hence should propel volumes in the March 2020 quarter. The move is significant given that Parachute coconut oil accounts for a third of the company's overall volumes.

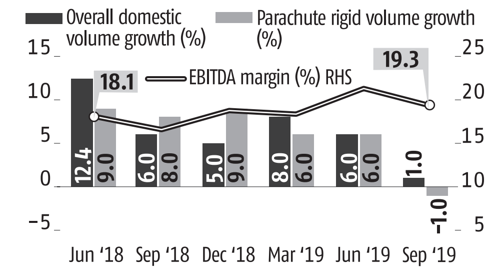
Big players like Dabur are also aggressively pushing their hair oil products, which could make the task tougher for Marico. However, Marico, which leads the coconut oils category with over 59 per cent volume market share as of March 2019, has an edge, say analysts.

Moreover, price cuts could help organised players curb down-trading (shift to low priced products) by customers. Here, given the 30-35 per cent hair oil market share of unorganised players, a combination of low prices and high quality could help Marico gain share from unorganised players.

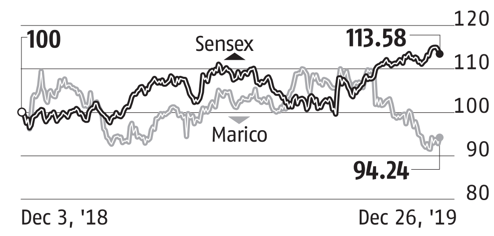
What is giving the company leeway in terms of price cuts is benign prices of key raw material, such as copra. The average price of copra, which accounts for 45-50 per cent of Marico's overall raw material cost, in the December quarter is down 14 per cent year-on-year and about 1 per cent sequentially.

Some analysts expect the deflationary trend in copra prices to persist in 2020 on the back of good monsoon in key states. In fact, Marico's copra procurement strategy could give it an edge over Dabur. While the latter gets coconut oil from various mills, Marico buys copra directly from trade and copra collection centres.

REPORT CARD



Figures in % EBITDA: earnings before interest, tax, depreciation and amortisation
Source: Company and brokerage reports



More on business-standard.com

Add new card in your wallet with prepaid instrument

RBI's latest option will help those who want to keep a tight leash on their budgets

BINDISHA SARANG

There is no shortage of payment options in India. Besides cash, credit and debit cards, there is Unified Payments Interface and several digital wallets like Paytm. The Reserve Bank of India this week has permitted another option — a semi-closed prepaid payment instrument (PPI) that can be used to purchase goods and services. But it cannot be used to make fund transfers.

Says Hrushikesh Mehta, country manager, India, ClearScore: "It will help drive digital payments because not having a digital know-your-customer (KYC) mechanism is one of the biggest constraints to driving penetration of payment tools. This is a payment tool to help drive digital payments (since the bank would have already done the KYC of the customer), while ensuring protection against money laundering."

This PPI can be used only up to a limit of ₹10,000 per month and the total amount loaded during the financial year shall not exceed ₹1.2 lakh.

Naveen Kukreja, co-founder and chief executive officer, Paisabazaar.com, says: "The new PPI can be issued both as a card and in electronic format. While both banks and non-banking entities can issue this new PPI instrument, it can only be loaded from a bank account."

The details include mobile number verified with a one-time password and a self-declaration of name and unique identity/identification number of any 'document like a passport, driving licence, Aadhaar number, etc.

Anuj Shah, chief financial planner of Wealth360, says, "Those who don't want to expose their bank balances while using a debit card can use this prepaid card and reduce risk. The amount exposed will be only ₹10,000."

But that's not the only advantage. Shah says, "For people who want to keep a tight budget, they can load an amount and use only these cards for daily spending. It will help you with better cash flow management and consolidate all expenses in one place. This minimises exposure to potential fraud."

Remember debit cards give value-additions like reward points, while digital wallets like Paytm give cashback. Will this product offer any value additions, apart from benefits like lower risk and an excellent budgeting tool? It depends on the issuers to drive loyalty, adds Mehta.

But when it comes to safety, this card will be on a par or perhaps even better. The only possible disadvantage is if it gets misused. But that's unlikely, given how robust the two-factor authentication is (unless it's used on international sites). But then you are protected by the value cap. It can be also be given to children for daily and monthly expenses.

ABOUT THE PPI

- Can be issued by bank and non-bank issuers
- Can be used to shop for goods and services
- Fund transfer not allowed
- Maximum load amount per month – ₹10,000
- Maximum amount per year – ₹ 1,20,000
- Amount outstanding at any point – ₹10,000
- You are permitted to close the PPI
- Minimum KYC required

Source: RBI website

'Value stocks will outperform quality in 2020'

The improving liquidity scenario is a positive for the markets in 2020, says **SHIV SEHGAL**, deputy CEO, Edelweiss Global Investment Advisors. In an interview with **Ashley Coutinho**, he says India trades at 77 per cent from a market cap-to-GDP perspective which is its long-term average, and not expensive. Edited excerpts:

What is your market outlook for 2020?

The Nifty has gained about 12 per cent this year amid the economic slowdown, much higher than what was expected at the end of 2018. The rally has been broader than in 2018. Last year, the combination of Fed rate hikes and quantitative tightening led to the outflow of liquidity from emerging markets (EMs), leading to weak growth and asset market performance. However, in 2019, the Fed reversed its hawkishness, cut rates thrice, and resumed its balance-sheet expansion. It's this improving liquidity scenario that makes me optimistic about 2020.

Headline valuations appear lofty at 18 times one-year forward. However, this hides the polarisation within the index.

From a market cap-to-GDP perspective, India trades at 77 per cent, which is its long-term average, and not expensive per se.

What is your view on mid- and small-cap stocks?

I think the improving liquidity scenario will benefit mid and small caps the most. Given the steep valuation discount that these stocks are trading at, it's only a matter of time before they catch up with large caps. Confidence and risk-on sentiment will be the catalysts.

Which are the sectors you are betting on?

Global-oriented sectors should perform well in 2020 and to that extent, the outlook for metals, export auto, and export industrials look promising. While some of it has played out, we think there is still more juice left in that rally. More importantly, the stark polarisation seen in the markets in the last two years should also reverse and investors should look to add the laggards in each sector. Valuations of industrials, non-banking financial companies, and corporate banks are depressed and should see mean reversion in 2020. Overall, value stocks will outperform quality in 2020.

Consumer spending has slowed. What is your reading of the situation?

The current slowdown in consumer spending has been in the works for quite some time. Our investment and export cycle peaked in 2012, and we have had a prolonged slowdown since then. It's this segment that provides jobs. However, consumption remained healthy until 2018, owing to the rise in household leverage and easy liquidity conditions. In the last one year, the liquidity crack weighed on consumption. However, with liquidity easing, I think consumption and overall economic growth should stabilise sooner than later. The improvement in the economy could potentially be stronger if we get a much more aggressive fiscal and monetary response.

Q&A

Have we become susceptible to a sharp correction considering the rally since September?

The markets, by default, are forward-looking and hence respond quicker to liquidity than the real economy. I think that liquidity will remain benign and economic growth will stabilise. Hence, to that extent, I would be less worried about the market rally. More importantly, the rally since September is more broad-based than just the top 10 stocks.

More on business-standard.com

COMMODITIES

PRICE CARD

As on Dec 26	International		Domestic	
	Price	%Chg#	Price	%Chg#
METALS ($/tonne)				
Aluminium	1,790.5	3.9	1,920.9	-3.4
Copper	6,184.5	7.4	6,463.8	5.6
Zinc	2,277.0	-2.6	2,551.9	-1.7
Gold ($/ounce)	1,506.3*	0.1	1,684.9	2.2
Silver ($/ounce)	18.0*	0.8	20.3	1.1
ENERGY				
Crude Oil ($/bbl)	67.0*	7.9	67.3	5.8
Natural Gas ($/mmBtu)	2.2*	-8.2	2.2	-8.8
AGRI COMMODITIES ($/tonne)				
Wheat	190.1	13.0	306.2	4.4
Sugar	359.1*	5.7	481.9	-1.3
Palm oil	722.5	38.9	1,128.7	33.3
Rubber	1,596.9*	5.1	1,836.8	3.3
Cotton	1,514.6	16.0	1,577.0	-3.2

* As on Dec 26, 1800 hrs IST, # Change Over 3 Months
Conversion rate 1 USD = 71.3 & 1 Ounce = 31.1032316 grams.

Notes
1) International metals, Indian basket crude, Malaysia Palm oil, Wheat LIFFE and Coffee Karnataka robusta pertains to previous days price.
2) International metal are LME Spot prices and domestic metal are Mumbai local spot prices except for Steel.
3) International Crude oil is Brent crude and Domestic Crude oil is Indian basket.
4) International Natural gas is Nymex near month future & domestic natural gas is MCX near month futures.
5) International Wheat, White sugar & Coffee Robusta are LIFF E future prices of near month contract.
6) International Maize is MATIF near month future, Rubber is Tokyo-TOCOM near month future and Palm oil is Malaysia FOB spot price.
7) Domestic Wheat & Maize are NCDEX future prices of near month contract, Palm oil & Rubber are NCDEX spot prices.
8) Domestic Coffee is Karnataka robusta and Sugar is M30 Mumbai local spot price.
9) International cotton is Cotton no.2-NYBOT near month future & domestic cotton is MCX Future prices near month futures.

Source: Bloomberg Compiled by BS Research Bureau

Biggest locust swarm in two decades hits north Gujarat

Banaskantha district is the worst affected; 25-30% of standing crop is destroyed

VINAY UMARJI
Ahmedabad, 26 December

In what is being termed the biggest locust swarm attack in two decades, several parts of northern Gujarat have reportedly seen castor, cumin and mustard crops take a major hit.

According to farmer sources, Banaskantha saw the highest impact, with 25-30 per cent of the standing crop being destroyed. However, official estimates are awaited.

News agency PTI says the central government has sent 11 teams to the state.

"Castor, cumin and mustard are the major crops in north Gujarat. Banaskantha district has seen the most impact because of its proximity to Rajasthan's desert region, from where the locusts entered Gujarat," said Kurabhai Choudhary, a senior functionary at the Bharat Kisan Sangh.

Unlike in early 1990s when a similar swarm attack was largely restricted to some in Kutch district and nearby parts, the recent attack has been unprecedented, say sources. "The attack has been going on for almost a month and remedial measures by farmers and the state government have not been enough," added Choudhary.

The swarm is believed to have come from West Asia, via Pakistan and Rajasthan. Sabarkantha, Mehsana and Patan districts have also been affected. The north Gujarat region has seen rabi crop sowing of 1.1 million hectares, of which wheat is 340,100 hectare, by state government data.

Earlier this week, state agriculture minister R C Faldu had said kharif crops such as groundnut, castor and cotton, and rabi crops like mustard, cumin and wheat were hit. "The insect has come from the Oman side and due to wind directions, it got diverted to North Gujarat. We have initiated the spraying of insecticides and are taking all precautionary measures to stop the spread," Faldu had said.

Traditional rural methods include the playing of loud music, banging of steel plates and drums. Experts say these won't suffice.

"North Gujarat is also known for animal husbandry. Hence, spraying of pesticides during the day might not be enough. While locusts feed on crops during the day, they rest at night in nearby dry areas. Hence, pesticides can be sprayed effectively in the night, too, to avoid crop and livestock damage," said V T Patel, director-extension at the Sardarkrushinagar Dantiwada Agricultural University.

However, the trajectory of the swarm is unpredictable, as locusts follow wind direction. Hence, sources think the attack could spread to either central or western Gujarat or move to the east, to Madhya Pradesh.

The Hyderabad-based International Crop Research Institute for Semi-Arid Tropics stated on Thursday: "The invasive pest should be managed by following the Standard Operating Procedure recommended by the Food and Agriculture Organization. The quality of pesticide formulations is important."

UNDER ATTACK

- The Central government has sent 11 teams to Gujarat to tackle the locust problem
- The locust swarm is learnt to have come from West Asia via Pakistan and Rajasthan
- The pests feed on crops during the day; at night they rest in nearby dry areas
- The trajectory of the swarm is unpredictable given that locusts follow wind direction

Silver jumps 8% in two weeks; gold follows slowly

DILIP KUMAR JHA
Mumbai, 26 December

The price of silver jumped 8 per cent in both domestic and international markets on the back of a sharp rise in industrial demand ahead of the Chinese New Year celebrations on January 25, 2020.

Silver traded at $17.9/oz at the London spot market on Thursday, recording an 8.2 per cent jump from its recent low about two weeks ago.

After hitting its recent high of ₹49,950/kg in the popular Zaveri Bazaar here on September 4, silver in spot sales plunged to trade at ₹43,225/kg on December 9, before bouncing back to ₹46,580/kg on Thursday. The price of silver in the domestic market followed its movement in the benchmark London spot trade where the white metal slipped to trade at $16.58/oz on December 6 from its recent peak of $19.6/oz on September 4.

"Chinese investors usually build their inventory before going for two-three weeks of New Year leave. They aim to restart factories with a full raw material quota. Hence, the upsurge in demand for industrial commodities has pushed silver prices up. Also, indications of easing trade tensions between the US and China has supported industrial commodities and silver is no exception," said Ajay Kedia, director, Kedia Stock & Commodities Research, a city-based equity and commodities broking firm.

Gold also followed suit, albeit slowly. China and the US agreed to ease trade tensions, thus reducing risk appetite for the yellow metal against inflation hedge.

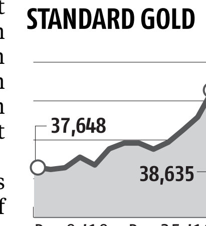
At Zaveri Bazaar here, the gold price jumped 2.7 per cent in the last two weeks to trade at ₹38,635/10g on Thursday, from its recent low of ₹37,615/10g. Gold had hit a record price of ₹39,031/10g on September 4.

Spot gold advanced as much as 0.4 per cent to $1,505.62/ounce, the highest intraday price since November 5, and was at $1,504.08 at 1046 GMT (4:16 pm IST) in London.

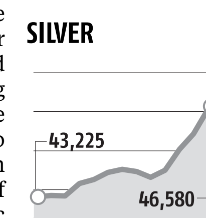
After hitting a low of $57.77/barrel on October 2, the crude oil price also recovered trade at $67.09/barrel on Thursday, almost near its recent peak of $68.38/barrel on September 15.

The rise in demand for silver is coming from the automotive sector for battery production. Around two-thirds of global silver production is used for industrial consumption. Hence, its demand and price are determined by the consumption trend in the industrial sector.

STANDARD GOLD (₹/10gm)



SILVER (₹/kg)



Source: IBJA

Advertisers bask in moment-ary glory

In 2019, every event was distilled into pithy tweets, posts and memes as brands rushed in to be a part of the online banter around these issues

(From left) **Pizza Hut, Arré, IndiGo Airlines have leveraged some controversial and celebratory moments of the year**

SAMREEN AHMAD
Bengaluru, 26 December

From skyrocketing onion prices to sky-high prices for bananas in five-star hotels, everything that made the headlines in 2019 made it to the branding table. The trend, fuelled by the universal and ubiquitous nature of social media, blazed through the world of online campaigns by a slew of brands this year.

When onion prices were hovering around ₹150 a kg and Finance Minister Nirmala Sitharaman was being pilloried for her comments on the kitchen staple, food-delivery platforms put out clever one liners. One said, 'there's a reason why it's called a cash crop' on its cash on delivery page. Grooming start-up The Bombay Shaving Company offered 10 per cent discount on its beard growth oil that contains onion oil stating "the price of onion may be on the rise but our beard growth oil's price is slashed." Hyperlocal delivery start-up Dunzo asked customers to bank on them and 'wipe away their tears' by selling the crop at a discount. "Since we are also in the business of grocery delivery, it made sense to share our take on the onion prices," says the Bengaluru-based start-up. It claims it saw a 40 per cent jump in onion sales that day.

2019 LOOKING BACK

Topical marketing is critical for digital-first brands like Dunzo and Swiggy. The genesis of this approach lies in the fact that their audience consumes both news and entertainment through social media, and always knows what's trending. Experts say when brands focus on issues that have the attention of consumers, it creates deeper engagement. "They do believe that brands are with them, and not against them. That is a positive harvest of positive sentiment for sure," says Harish Bijoor, CEO of Harish Bijoor Consults.

When the country is so focused on an issue, brands want to be a part of the conversations online. "A societal pain-point is a point that focuses consumer passion onto the issue. And passion is a great thing to harvest. Brand marketers who used the "onion price crisis" in India to advantage were attempting just this," Bijoor adds.

Not just start-ups, there were a string of brands harvesting the situation. Policy Bazaar promoted its term plans by saying "The way curry is incomplete without onions, life is incomplete without term plans" while HDFC Bank cashed on the moment to promote its HDFC 'End of Decade Sale' that offers 23 per cent savings on purchases with its cards.

Amul, that has spared no issue worth the news, went on to say *'Kaho na pyaz hai'* playing on the title of the Bollywood blockbuster *Kaho Na Pyaar Hai*. "If onion prices are high, brands could talk about what they could sell for that price that would seem like better value to people. However, merely commenting on onion prices (or any topical event) without connecting it to the brand and its story is wasteful and pointless," says communications consultant Karthik Srinivasan.

Sandeep Goyal, founder of Mogae Media says, "Moment marketing is opportunity maximisation. As an aperture it makes for smart marketing but to be honest not very many brands can carry it off. Most efforts are either amateurish or forced."

For brands, the trick lies in getting in early into the conversations. A quick repartee grabs the attention and begins trending online but a good one, may miss its mark by being too late to get into the game. Sometimes this works but at times it may backfire and that is a chance brands are willing to take.

Earlier this year, when Bollywood actor Rahul Bose was charged ₹442 for two bananas at JM Marriott, brands came up with tongue-in-cheek Rahul Bose banana moments. Fast food chain Pizza Hut cheekily said 'You paid ₹442 for a fruit instead of getting the tastiest pizzas just at ₹99. Are you bananas?', while Taj Hotels took home the accolades with an offer to serve complimentary seasonal whole fresh fruits. Not everyone saw the merit in one five-star brand going one up another based on the price of a dish.

According to Goyal, the best moment marketing effort in 2019 where most brands came out trumps was around Yuvraj Singh's retirement from the game. By celebrating and saluting his excellence and exploits, brands basked in his reflected glory, he says.

(With inputs from Amritha Pillay)

FROM PAGE 1

IT firms stare at $1-bn hit on 737 Max crisis

"Engineering services firms are still counting on the silver lining from this crisis. If 737 Max goes down, Boeing may increase its spend on other programmes like 797. This will support Indian engineering services firms," said another outsourcing advisor.

Boeing 797 is the company's another new aircraft programme, which is likely to come up with 225- and 275-seater aircraft.

Bank credit growth may touch...

According to ICRA's assessment of 37 scheduled commercial banks, the YoY credit growth was 7.9 per cent as of September 2019. While credit growth in public sector banks was merely 4.4 per cent, private banks registered 15 per cent growth in the same period.

Dinesh Khara, managing director, State Bank of India, said, "The private sector investment and consumption has been impacted in the context of slow economic growth. This led to deceleration in credit growth in the current financial year. However, things are expected to change for better in the second quarter (July-September 2020) of the next financial year (FY21)."

In FY19, incremental bank credit was close to ₹12 trillion, while it was ₹6.5 trillion in FY18. The huge growth seen in FY19 can be attributed partly to the shift of large borrowers such as non-banking financial companies (NBFCs) and housing finance companies (HFCs) to the banking system. They approached banks for funding requirements as other avenues of getting funds dried up for them because of the liquidity crisis after the IL&FS debacle.

V G Kannan, chief executive, Indian Banks' Association (IBA), said, "Many companies have reduced output, in response to the demand slump in the economy. As a consequence, there is less usage of working capital limits. Also, those with cash on books have preferred to repay old credit." They would prefer to operate with lower outstanding (debt) in current environment (marked by subdued demand) and later review the position on change in the demand pattern, he added.

"Within services, the credit outstanding to NBFCs has increased. However, the decline in trade credit and other services (which also includes HFCs) has resulted in the overall contraction in credit outstanding to the services segment in 7M FY2020. A sizeable portion of growth in retail credit is also driven by the purchase of retail loan portfolios of NBFCs and HFCs by banks," ICRA said.

While credit taps may be running dry, the flow of money into banks kitty continued to show steady growth. The incremental deposit accretion was ₹5.3 trillion as of December 6, 2019 compared to ₹4.6 trillion in the same period of FY19. The overall deposit base increased to ₹131.1 trillion as of December 6, 2019, a Y-o-Y growth rate of 10.3 per cent, the rating agency said.

The positive growth in deposit accretion has been attributed to the muted increase in currency in circulation, lower increase in asset under management of debt mutual funds as well as higher liquidity maintained by various corporate entities.

Yield on LIC investment...

However, large institutions like LIC face issues that don't affect smaller investors. Many companies in the listed space may not have the capital base and free float to absorb a meaningful investment from LIC.

"It is a challenge for large investors like LIC to find liquid stocks for large investments in equity. Market depth is very limited if one goes beyond the top 100 companies," he said.

This restricts LIC's choice to a select group of highly capitalised and liquid shares in sectors such as banking, consumer goods, commodity and energy companies, power, telecom, automotive, and capital goods. Many leading companies in these sectors are struggling due to the industrial slowdown over the last five years, adversely affecting the yield on LIC's investments.

An email sent to LIC did not yield a response.

Nipun Mehta, founder and chief executive officer of BlueOcean Capital Advisors, said LIC could look at gradually boosting the yield by diversifying its portfolio beyond the traditional investments it had always made. This can be done in multiple ways, according to him.

"Firstly, invest more in equities which can gradually increase the yield. The second way is to look at higher risk investments like a REIT (Real Estate Investment Trust) or an Infrastructure Investment Trust (InvIT)," he said.

A REIT holds a real estate asset like a residential property. The return is largely in the form of rentals and any capital gain from appreciation in property value. An InvIT looks for a similar return from an infrastructure asset like a toll road. While LIC does hold real estate and infrastructure assets, India only has a nascent market for investments through structured products like REITs and InvITs which are widely used by global pension funds and other institutions. A lot of global institutions also allocate capital to riskier bets like hedge funds to help increase yield, Mehta pointed out.

There has been criticism over the years, and across governments, that the LIC has been used to bail out government-owned institutions or to help meet divestment targets. Experts have previously said that this can be a drag on returns.

Railways hints at freight rate cut

Fares were last increased in June 2014, soon after the Narendra Modi government came to power. Passenger fares were hiked by 14.2 per cent and freight fares by 6.5 per cent.

About a month ago, the railways had announced an extension to another major initiative to raise earnings — the flexi fare scheme — by a period of one year till March 2021. Launched in September 2016, the scheme is applicable on premium train categories like the long-distance Rajdhani and Duranto expresses as well as Shatabdi Expresses that ply on shorter routes.

BS SUDOKU # 2932

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

Agri commodities can fetch India additional $97 bn in exports: FAO

PRESS TRUST OF INDIA
Mumbai, 26 December

Select agri and agri-based commodities like meat, milk and fruits, among others, present export opportunity worth over $97 billion (about ₹6.9 lakh crore) for India, as per data from the Food & Agriculture Organisation.

India's export share in agri items such as bananas, oranges, chicken, meat, and milk products like cheese and butter milk is miniscule at present, the data showed.

The country's share in the global market for 19 commodities was a miniscule 1.5 per cent, or around $1.5 billion (about ₹10,650 crore), in 2017 against a potential of $97 billion, the World Trade Centre said in a statement on Thursday quoting the FAO data released recently.

Global market for bananas is close to $15 billion wherein country's share is a paltry $480 million

While global market for meat and chicken is a whopping $20.6 billion, the country's export share is only 4.04 per cent of this.

Similarly, global market for bananas is close to $15 billion wherein India's share is a paltry $480 million, the statement said.

Butter and cow milk provide a $8 billion opportunity, while India does not get a single penny from their exports, it said. The country earns $275 million annually from export of grapes, while the global market is worth $8.6 billion.

Significantly, food waste is a $11 billion market, but India earns nothing from its export.

It can be noted that nearly a third of Indian farm produce is wasted due to lack storage/proper transport facilities, it added.

The global onion export market is over $3 billion, but India earns just $420 million from exports.

Army chief's comment on leaders of CAA protests irks Oppn parties

AJAI SHUKLA
New Delhi, 26 December

Army chief, General Bipin Rawat, who will retire on December 31 unless the government elevates him to the newly-created post of "chief of defence staff", has drawn charges of political partisanship by criticising student leaders involved in protests against the new Citizenship (Amendment) Act (CAA).

Addressing a gathering in New Delhi, he said: "Leaders are those who lead people in the right direction. Leaders are not those who lead people in inappropriate directions, as we are witnessing in a large number of university and college students, the way they are leading in masses of crowds to carry out arson and violence in our cities and towns. This is not leadership."

The Opposition parties have stepped up the attack, accusing Rawat of violating both regulations and tradition. The Army's basic rulebook, titled Army Rules, explicitly disallows all Army personnel from commenting on any "political question" without government sanction.

Army Rule 21, titled "Communications to the Press, Lectures, etc", states: "No person subject to the (Army) Act shall (i) publish in any form whatever or communicate directly or indirectly to the Press any matter in relation to a political question or on a service subject or containing any service information, or publish or cause to be published any book or letter or article or other document on such question or matter or containing such information without the prior sanction of the Central Government, or any officer specified by the Central Government in this behalf."

The same rule debars army personnel from "Deliver(ing) a lecture or wireless address, on a matter relating to a political question or on a service subject or containing any information or views on any service subject without the prior sanction of the central government or any officer specified by the central government in this behalf."

Asked whether the Army Chief had obtained "prior sanction of the central government", required under Army Rule 21 to air views on a political question, the Army's public relations chief, Major General DP Pandey, confirmed that Rawat had not obtained government sanction.

"The Army chief was not speaking on a political issue. He spoke on the issue of leadership. He does not require government permission for this," stated Pandey.

The Opposition has escalated the attack.

"Since when have Army chief's started commenting about internal affairs? It undermines civil-military relations whose cornerstone is that armed forces neither comment nor interfere in domestic politics. This has been our singular success going back to 1947," tweeted Congress leader Manish Tewari.

"Leadership is knowing the limits of one's office. It is about understanding the idea (of) civilian supremacy and preserving the integrity of the institution that you head," tweeted Asaduddin Owaisi, chief of the All India Majlis-e-Ittehadul Muslimeen (AIMIM).

While Bharatiya Janata Party (BJP) members are defending Rawat's right to speak as a citizen, both the Army Act 1950 and the Army Rules explicitly curtail the freedom of expression that the Constitution guarantees to all other Indian citizens.

Army Act Section 21 endows the Centre with "power to modify certain fundamental rights" for persons subject to the Act.

Meanwhile, Note 2 to Army Rule 19 states that the freedom of speech and expression guaranteed to citizens under the Constitution's Article 19(1)(a) and (b) are denied to army personnel "because of the nature of duties performed by the members of the regular Army and for the maintenance of discipline among them."

Rawat's statement on the CAA protests is not the first by a senior Army general. On December 14, the chief of the Army's Kolkata-headquartered Eastern Command, Lieutenant General Anil Chauhan, had publicly stated: "The current (BJP) government is keen on taking hard decisions that have been pending for a long time... The Citizenship Amendment Bill was passed despite reservations from a couple of northeastern states. It would not be hard to guess that some hard decisions on left-wing extremism may be on the anvil after this."

"Leaders are not those who lead people in inappropriate directions, as we are witnessing in a large number of university and college students, the way they are leading in masses of crowds to carry out arson and violence in our cities and towns"

General Bipin Rawat
Army chief

BJP, Congress in blame game over NPR and detention centres

ARCHIS MOHAN
New Delhi, 26 December

The ruling Bharatiya Janata Party (BJP) and the Congress on Thursday got into a blame game over the antecedents of the National Population Register (NPR) and the detention camps that have come up for illegal immigrants in Assam and elsewhere, even as protests against the controversial Citizenship Amendment Act (CAA) continued in several parts of the country.

At a public event in Delhi, which is scheduled to go for polls early next year, Union Home Minister Amit Shah accused the Congress and other opposition parties of creating confusion over the CAA. He said it was time to defeat the "*tukde tukde*" gang. In Hyderabad, Union Minister G Kishan Reddy said the opposition was misleading the people by linking NPR with the National Register of Citizens (NRC).

The BJP said the Congress-led UPA initiated the NPR in 2010, along with the Census 2011 exercise, and that it had also approved construction of detention centres.

The Opposition, on the other hand, has pointed to at least eight instances, which are in the public domain, where the Centre has said NPR will form the basis for NRC.

Congress leader P Chidambaram said the NPR approved by the Narendra Modi government was different and dangerous in terms of the "text and context" of the data collection done in 2010. He said if the BJP's motives were bonafide, the Centre should unconditionally state that they support the NPR form and design of 2010 and do not intend to link it to the controversial NRC.

Chidambaram said he was happy that the BJP had released a video clip of the launch of NPR in 2010.

"Please listen to the video. We were enumerating the "usual residents" of the country. The emphasis is on residency not citizenship," he said.

Matheran toy train to get back on track today

PRESS TRUST OF INDIA
Mumbai, 26 December

Matheranl's famous heritage toy train will get back on track again, as the Central Railway announced that it will resume shuttle services between Aman Lodge and Matheran stations from Friday onwards, a railway official said on Thursday.

The Central Railway had suspended the narrow-gauge train service from August 9, 2019, after the tracks got severely damaged during monsoon.

The zonal railway announced the resumption of shuttle services after getting a safety nod for running trials between Aman Lodge and Matheran, following successful trials in the last two days, the official said.

The shuttle services on the 3-km stretch will be operated between 8.15 am to 5.55 pm, he added.

"The first service will depart from Matheran at 8.15 am, while the last run will be from Aman Lodge at 5.35 pm," he said.

While eight services will be operated during weekdays, the CR will ply 10 services on weekends, the official said.

The toy train is a major attraction for tourists who throng the hill station situated just 100 km from Mumbai.

Operational since 1907, the Neral-Matheran Toy train was included in the United Nations Educational, Scientific and Cultural Organization's (UNESCO) tentative list of world heritage sites in 2003.

After two back-to-back derailments in May 2016, the railways spent ₹6 crore for several safety works on the line, during which the services were discontinued for almost 20 months.

GST officials unearth ₹241-cr tax evasion racket

PRESS TRUST OF INDIA
New Delhi, 26 December

GST officials have unearthed a racket involving fake invoicing worth ₹1,600 crore that resulted in tax evasion of ₹241 crore, an official release said in a statement on Thursday.

The racket was busted by the anti-evasion wing of CGST Delhi South Commissionerate.

The main culprit was arrested and remanded to 10 days of judicial custody by a local court, the release by finance ministry said.

The racket was busted by the anti-evasion wing of CGST Delhi South Commissionerate

The alleged racketeer had created several firms on the basis of unauthorised access to identity documents of various persons.

The ministry said the Commissionerate discovered the case of fake invoicing and GST fraud alongside a "new modus operandi" of defrauding the exchequer by exploiting the facility of refunds given for inverted duty structure.

"Over 120 entities who are involved in the transactions have come to light so far, involving fake invoicing of ₹1,600 crore and tax evasion of ₹241 crore," it added.

It further said investigations in the case have unearthed a well organised racket of creating bogus firms, issuing fake invoices and bogus e-way bills to generate and encash tax credits.

The new modus operandi was uncovered by a team of investigators, who worked over many weeks to unearth the maze of companies created across India, the ministry said.

FROM PAGE 1

After a high comes the sharp slide

Eventually, the optimism that accompanied his early years began to fray, and India enters the 2020s with a slowing economy.

Pranab Mukherjee: As India entered the decade, it was Mukherjee who was in charge of steering Indian economic policy and its recovery from the financial crisis. In retrospect, his term as finance minister — his third such stint — was heavily criticised.

For one thing, it has come to be believed that the fiscal stimulus was not withdrawn swiftly enough, leading the economy to overheat and to a poor fiscal performance. Secondly, there were multiple actions taken by the finance ministry in those years that alienated investors, especially foreign investors — the retrospective tax change in the Union Budget after Vodafone won a case in the Supreme Court being the most memorable among them.

There are multiple reported instances of occasions when Mukherjee did not take the advice even of his prime minister or the party president, the retrospective amendment being one among them. As a consequence, no personality is more associated in public memory with the wasted years of slowdown and "policy paralysis" than Mukherjee. When he was elevated to Rashtrapati Bhavan, many breathed a sigh of relief.

Raghuram Rajan: The celebrated Chicago economics professor who famously warned about the imminence of the crisis was appointed chief economic adviser to the government in 2012, shortly after Mukherjee departed for Rashtrapati Bhavan. Next year, he shifted to Mint Road in Mumbai as governor of the Reserve Bank of India. His inaugural press conference caused a sensation because of his plain speaking — and also because, at that time of general despair at the gridlock in New Delhi, he seemed to promise a new age of competence and expertise at the monetary authority. Under his stewardship, India took a major step forward by implementing an inflation target for the central bank.

The years prior to that step were marked by consistent high inflation; the second half of the decade has seen inflation stay consistently low by historical standards. The Indian economy is yet to adapt to this structural change, which has had implications for corporate earnings expectations and rural incomes alike. But Rajan's tenure was also marked by the realisation that the Indian financial sector had a major bad debt problem — an overhang of the crisis years that continues to slow down bank credit growth and private investment.

Mukesh Ambani: In the years following the change of government in 2014, as the bad debt problem gathered pace, private sector investment languished. Yet some big conglomerates continued to invest — particularly Ambani's Reliance Industries, boosted by the sustained and high profits from its petrochemicals business. In the 2000s, Mukesh Ambani's ambitions were constrained by the long-running dispute with his brother Anil, but in the 2010s, the elder brother's Reliance took a decisive lead in the race.

With the introduction and expansion of Jio, which controversially expanded its footprint even before its formal launch, Reliance signalled that it was shifting its emphasis from the old-economy world of petrochemicals to the new economy of telecommunications and digital technology. Reliance began as a socialist-era enterprise, then thrived in the post-liberalisation age of cheap resources. Its bet on Jio signalled the shift in the 2010s for India to yet another economic paradigm.

Vijay Shekhar Sharma: A new India, with a new economy, had new entrepreneurs — and perhaps nobody represented this change in the era of the 2010s more than Sharma, the force behind the wallet company Paytm. When the current government sprang demonetisation on an unprepared nation in November 2016, it sometimes seemed the only man prepared for it was Sharma, whose Paytm was set up to benefit from the explosion in the growth of digital payments.

Sharma, an engineer from the small town of Aligarh in Uttar Pradesh, was markedly different from previous-generation entrepreneurs, as was widely noted when a clip of his high-spirited talk at a Paytm year-ender party after demonetisation went viral. Paytm is still making losses — almost ₹4,000 crore in the last financial year — but, with another billion dollars in funding sewn up, it seems Sharma retains the confidence of his investors.

At least three of these figures will likely also feature as central to the next decade's India story.

Will Ambani succeed in embedding Jio as the default telecommunications option for India — and what will the growth of digital connectivity do for the Indian economy and entrepreneurship? Will younger entrepreneurs like Sharma continue to inspire the trust of global investors, and will their big bets on a digital India pay off? And, most of all, how will Prime Minister Modi seek to steer India out of a downturn that is largely driven by domestic factors? The next decade holds the answers.

DALIP KUMAR

9 November

The Supreme Court's verdict on a 70-year-old case handed the disputed site at Ayodhya to a government trust to build a Ram temple and directed the government to give the Sunni Waqf Board an alternate site for a mosque. In December, the apex court rejected all review petitions on the verdict.

11 December

Parliament passed the Citizenship Amendment Act providing a path to citizenship for Hindu, Sikh, Buddhist, Jain, Parsi, and Christian religious minorities from Muslim majority countries such as Pakistan, Bangladesh and Afghanistan. This marks the first time religion has been used as a criterion for Indian citizenship and sparked countrywide protests.

GOVERNANCE

NEW IDEAS OF INDIA

12 February

Cabinet clears key amendments to the Insolvency and Bankruptcy Code, making it easier for buyers to take over stressed assets and raising the threshold for initiating proceedings against realtors

24 December

After the PM stated that the government had no plans to implement the contentious National Register of Citizens, Union minister Prakash Javadekar announced that the 16th Census and the National Population Register (NPR) will be conducted between 2020 and 2021. The government has allotted ₹13,000 crore for both NPR and the Census.

26 November

The 15th Finance Commission headed by N K Singh (*pictured*) is given a year's extension (to October 2020) after its terms of reference have been added to twice. This is only the second time a Finance Commission's term has been extended (the 11th was the first, but only for a month)

7 October

Ignoring the Congress' objections, the government takes delivery of the French-made Rafale fighter-jet, the first of 36 India has ordered. Defence Minister Rajnath Singh is in the picture.

19 April

A former employee wrote to all the judges of the Supreme Court alleging sexual harassment and victimisation by then Supreme Court Chief Justice Ranjan Gogoi. By May, a court-appointed committee, which followed none of the prescribed procedures for such cases, cleared Gogoi of all charges.

11 December

The Lok Sabha passes a Bill to set up a unified authority for regulating all financial activities in international financial services centres in the country, raising concerns about regulatory overlap in the financial sector.

11 December

The Personal Data Protection Bill is presented in Parliament and referred to a joint parliamentary committee. Critics raise concerns about the impact of the Bill on foreign investment, personal safeguards and the powers it gives the Centre.

20 November

Cabinet approves the strategic disinvestment of the Centre's entire stake in Bharat Petroleum and Shipping Corp, among others, a revival of the privatisation agenda after nearly two decades, to meet its highest-ever divestment target of ₹1.05 trillion for 2019-20.

AUTO 2010-2019

Smart design, SUVs and the death of diesel

How the past decade redefined business for automakers in India

PAVAN LALL
Mumbai, 26 December

The past decade started on an exciting note for India's auto sector with the launch of the Nano, the world's cheapest car, by Tata Motors. The Nano was conceived as an indigenously designed car, and though it never took off in sales and volumes, the concept was a success, which in turn spurred other automakers to re-evaluate the way they built cars.

The Renault Kwid, which has sold under 500,000 cars, and is marketed all over the world, took inspiration from the Nano, Carlos Ghosn, former chief of Nissan-Renault, had said at an international motor show. The difference was that though the Kwid was a lower cost option, it was meant for trendy consumers in metropolitan cities across the world.

The same year saw India implement the BSIV fuel norms across 13 metro cities and the deregulation of petrol prices, which spurred a race amongst car makers for diesel-engine variants. By 2013, Maruti Suzuki, the country's largest automaker, launched the Swift DZire. It was sub-4 metre compact sedan that subsequently expanded the segment into a much larger category, one which Honda later tapped into with its Amaze.

A more critical transition came around 2013, when two Western manufacturers launched in quick succession their renditions of the "city sport utility vehicle (SUV)". Renault India was the first off the mark. It launched the rugged Duster that notched up strong volumes initially because of its ground-breaking design, high suspension and roomy interiors. However, it was soon overtaken by a competitor called the Ecosport launched by Ford India, which has clocked sales of 300,000 units to date and also paved the way for a host of other brands to try their hand at the UV game.

The other big shift in the automotive sector at the time was the Uberisation of urban mobility by shared transport providers Ola and Uber, says Suraj Ghosh, IHS Markit's principal analyst of powertrain forecasts. "It created a brand new demand space, but it also disrupted the consumer behaviour patterns for cars by rendering the concept of a four-wheeler brand-agnostic," says Ghosh.

By 2014 diesel prices were deregulated, thus signalling a gradual shift away from diesel cars. That wasn't all. Customers now got a taste of automatic transmissions at affordable prices, thanks to the Maruti Celerio AMT, which led to others coming out with similar offerings.

As city SUVs gained in popularity, premium sedans saw their sales wane and some products even got yanked from the market altogether. These included Honda's Civic and Accord, and Volkswagen's Passat.

By 2015, Hyundai, the second largest car maker nationwide, launched its SUV Creta with a view to capturing audiences that were looking for more than what the market offered. The gambit worked and the Creta quickly became the hot new bestseller, clocking over 200,000 units in sales. "If you look closely, the hatchback to sedan to SUV migration actually transpired with Tata Indigo to the Swift DZire and then to other products," said Gautam Sen, automotive author. "It's key to note that once a market matures, the cheapest option is never the bestselling."

Meanwhile, India, which barely had a handful of auto manufacturers 20 years ago, now had almost two dozen automakers in the market. But that didn't make for easy sales, as General Motors, one of the world's largest car makers, found out. In 2017, GM exited the country after shutting down its Chevrolet brand, which failed to make a mark even after a decade.

However, this did not deter those who saw potential in new segments. Jeep, owned by the Fiat Chrysler Alliance, launched its premium Compass SUV and saw a rush of early bookings, reaffirming that very small cars and sedans were now trends of the past. Almost simultaneously, Mahindra & Mahindra launched its SsangYong Tivoli-derived XUV 300, Kia launched its Seltos, and Hyundai its Venue.

The common denominator in all of them was that they were styled to compete at international quality levels, priced competitively and loaded with features and technology.

If 2018 started out as a year of ebullient market sentiment, the numbers supported those dynamics and the industry saw its sales peak at over 4 million vehicles (including light commercial vehicles). In fact, the sector attained a global ranking of 4th position, the highest ever.

But the rise was short-lived, and by 2019, production and sales had both contracted on account of the pressures of complying with BSVI, the government push for electrification and the general downturn in the economy.

"The industry witnessed an unprecedented slowdown this year," said Guenter Butschek, managing director at Tata Motors. "It is difficult to ascertain a recovery timeline, but our focus has been on retail, leading to system stock reduction, optimising costs, and improving capital work flow," he said.

For Tata Motors, 2020 will be a make or break year. "The investments towards BSVI have been the single largest investment for Tata Motors. We are ready with our transition plan and our new BSVI products will start rolling out from January 2020," Butschek said. As for the other dominant players, the focus seems threefold. "India is witnessing a transformation with respect to changing paradigms in the mobility space," said Hyundai India's managing director S S Kim. "The future will see three impending changes: cleaner cars, connected cars and shared cars." These may well be the factors driving not just Hyundai, but the entire auto industry.

So what can buyers expect in the new year? Increases in input costs for raw materials that include metals, rubber and specialty chemicals, coupled with the expenditure on making products BSVI-compliant will universally increase the costs of most vehicles. The average increase in prices is expected to be around 3.5 percent, said Ghosh. Expect the cost of two-wheelers to also increase, which will have more of an impact as more people buy commuter two-wheelers as opposed to leisure bikes that cost more than a couple lakhs.

The overall picture for the auto industry in 2020 may see a marginal improvement in terms of sales and production. But that won't be because of robust growth or sales — it will be more because 2019 was a depressed year. In terms of real-time recovery, the general consensus is that getting back to the 2018 levels of production and growth could take as long as two years.

THE DECADE THAT WAS
AUTOMOBILES

DECADE OF DRIVE

2010 BSIV emission norms implemented. Tata Nano sales start

2012 Maruti Suzuki launches sub-4m compact sedan Swift Dzire

2013 Ford launches the Ecosport, pioneers the sub-4m compact SUV segment in India

2014 Diesel price deregulation kicks off. Maruti launches the Celerio AMT; buyers get 'auto-shift' transmission at affordable prices

2015 Hyundai launches Creta; customer preference for SUV-body type is cemented

2016 Government announces India will leapfrog BSV on to BSVI by April 2020. Carmakers/suppliers rush to make changes

2017 Compact SUVs emerge on top as the Jeep Compass makes waves. GM shuts down India operations. Govt talks about EVs

2018 Indian auto peaks due to higher market investments and political stability. But sentiment starts sagging by end of the year

2019 India auto slows down as BSVI looms ahead

Sources: IHS Auto Market, *BS* Research

WHO MADE THE CUT

	2010	2015	2019
Global ranking for light vehicle sales	6	5	5
By production	6	6	5

IN THE DRIVER'S SEAT

DOMESTIC SALES (IN NUMBERS)

Category	2009-10	2014-15	2018-19
Total passenger vehicles	1,951,333	2,601,111	3,377,436
Total commercial vehicles	532,721	614,961	1,007,319
Total two-wheelers	9,370,951	16,004,581	21,181,390
Three-wheelers	440,392	531,927	701,011
TOTAL	**12,295,397**	**19,752,580**	**26,267,156**

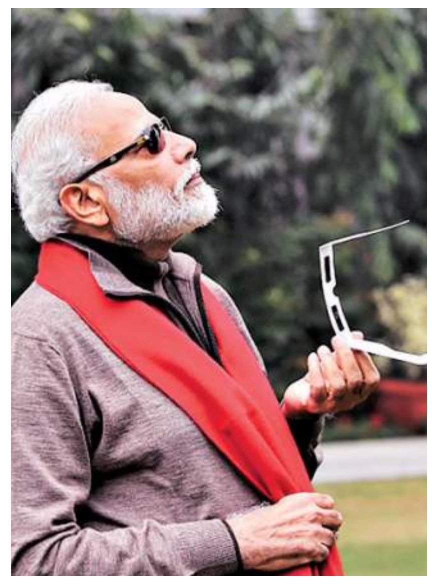
EXPORTS (IN NUMBERS)

Category	2009-10	2014-15	2018-19
Total passenger vehicles	446,145	622,470	676,193
Total commercial vehicles	45,009	85,782	99,931
Total two-wheelers	1,140,058	2,457,597	3,280,841
Three-wheelers	173,214	407,957	567,689
GRAND TOTAL	**1,804,426**	**3,573,806**	**4,624,654**

Sources: IHS Markit, Siam

INDIA WATCHES 'RING OF FIRE' SOLAR ECLIPSE, THE DECADE'S LAST

The Moon on Thursday masked the Sun to leave a burning ring of fire in what was the last solar eclipse of the decade. A view (*right*) from Surat; PM Narendra Modi was among the thousands who wanted to view the phenomenon, but the fog blocked his view. When a Twitter user posted a picture of Modi looking up at the Sun (*below*) and said it was becoming a meme, Modi took the remark in his stride and responded with, 'Most welcome....enjoy :)' PHOTOS: PTI

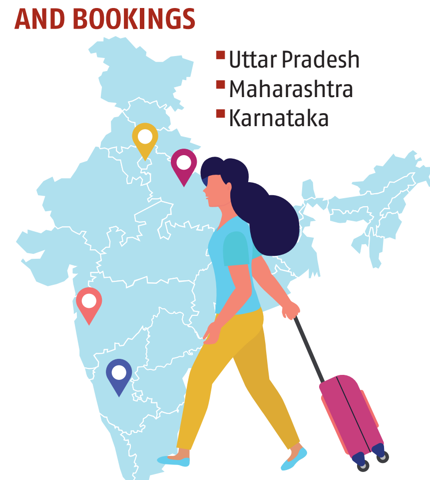


TRAVEL TRENDS: WHERE INDIANS WENT AND STAYED IN 2019

In 2019, Oyo saw some interesting travel trends through its properties. In its second edition of Oyo Annual Travelopedia 2019, Oyo Hotels and Homes revealed the following trends:

HIGHEST NUMBER OF TRAVELLERS AND BOOKINGS

- Uttar Pradesh
- Maharashtra
- Karnataka



MOST TRAVEL CANCELLATIONS FOLLOWED BY RE-BOOKINGS

- Delhi

MAXIMUM BOOKINGS WITHIN THE FIRST 10 DAYS OF EVERY MONTH

- Delhi
- Hyderabad
- Bengaluru

OYO KING

From Kochi. He stayed in 215 Oyo Hotels

OYO QUEEN

From Firozabad. She stayed in 113 Oyo Hotels

MOST NUMBER OF BOOKINGS ON A SINGLE DAY

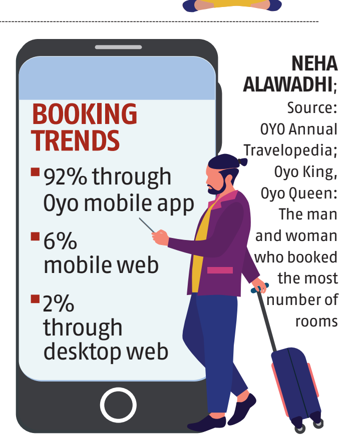
August 9

USER BASE

The global app userbase is **77.5 mn**

BOOKING TRENDS

- 92% through Oyo mobile app
- 6% mobile web
- 2% through desktop web



NEHA ALAWADHI; Source: OYO Annual Travelopedia; Oyo King, Oyo Queen: The man and woman who booked the most number of rooms