



**WORLD P8**  
**IN SHIFT TO A NEW SYSTEM, CHINA TO SCRAP BENCHMARK LENDING RATE**

**WORLD P8**  
**BIDEN SAYS HE WON'T TESTIFY AT TRUMP TRIAL**



## GoM FORMED TO IMPLEMENT BSNL, MTNL REVIVAL PLAN

A seven-member Group of Ministers (GoM) has been constituted to fast-track and oversee the implementation of the ₹69,000-crore revival plan for state-owned BSNL and MTNL, sources said. The high-level group will expedite smooth implementation of recent decisions taken on revival of BSNL and MTNL that includes crucial elements like allocation of 4G spectrum and asset monetisation.

## ECONOMY & PUBLIC AFFAIRS P3 Merger of digital banking systems faces delay

Digital banking initiatives of public sector banks, which are in the process of being merged, are likely to be delayed. According to bank officials, though the merging banks operate the same core banking systems, differences in versions would take around 18 months for complete integration.

## Gujarat claims locust attack under control

Gujarat has claimed that it has been able to bring the locust swarm attack under control, barring a couple of isolated locations. The state government has deployed 100 tractor-mounted pesticide sprayer teams.

## BS SPECIALS ON SUNDAY

### 2019: GREAT LEAP BACK

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Fort tea firms, quality is the flavour again

After 2 yrs of strong growth, cement demand fizzles out

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Pay attention to risk mitigation

### 2020: LOOKING AHEAD

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Auto firms see revival in second half of FY21

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Steel firms hope for better pricing in 2020

## IN DEPTH A new playbook for protests



**SOMESH JHA** finds out how the leaderless anti-citizenship protest is mobilising an army of volunteers, doctors and lawyers

# Banks need not fear probe agencies: FM

CBI notices to bankers to carry director identification number

**SOMESH JHA**  
New Delhi, 28 December

Days after Prime Minister Narendra Modi asked lenders to take loan decisions without fear, the finance ministry on Saturday tried to allay apprehensions of public sector banks (PSBs) related to investigative agencies by bringing the brass of PSBs and the Central Bureau of Investigation (CBI) to the same table.

After the meeting, Finance Minister Nirmala Sitharaman said the CBI would ensure that all the notices sent by it to bankers carried a director identification number (DIN), as is being done by the income-tax (I-T) department. This, she said, would remove the possibility of unauthorised communication "and consequent harassment", which was a cause of concern for bankers.

Sitharaman said the CBI brass tried to clear the "misgivings and apprehensions" in the bankers' minds. "In the recent past, banks have gone through a worrying period, when decision-making became difficult. They were worried about three Cs — the CBI, CVC (Central Vigilance Commission), and CAG (Comptroller and Auditor General of India). There was concern that there would be undue harassment even if decisions were genuine and bona fide," she told reporters.

The finance minister will chair similar meetings of bankers and



Finance Minister Nirmala Sitharaman at a meeting with heads of public sector banks and CBI officials, in New Delhi on Saturday

## FOR 'FEARLESS' DECISION-MAKING

### CBI's assurances

- All CBI notices to bankers will carry a registration number to avoid scope for unauthorised communication
- PSBs may report fraud through e-filing of FIRs on a designated email address of CBI
- Agency to create a dedicated phone number on which bankers could give information on undue harassment by investigative machinery
- CBI to distinguish between genuine commercial failures and culpability

### Banks' assurances

- To strengthen process of forensic auditor empanelment
- Tie up with CBI for training of forensic auditors
- Expedite vigilance cases pending for several years

officials of the Directorate of Revenue Intelligence and the Enforcement Directorate.

The meeting of bankers with the finance ministry, the Reserve Bank of India (RBI), and the CBI came days after the prime minister and

the finance minister asked banks to take decisions fearlessly. The PM, at an event in the national capital, had assured India Inc and bankers that no action would be initiated if genuine commercial decisions turned bad.

# FinMin counters RBI, says bad loans dipping in PSBs

**SOMESH JHA**  
New Delhi, 28 December

The finance ministry on Saturday said the overall stress in the banking sector was declining, a day after the Reserve Bank of India (RBI) said in a report that the gross non-performing asset (NPA) ratio of banks was set to increase.

"It (the RBI's report) is contrasting its earlier report released a few days back, which showed that NPAs are on a declining trend. You should also look at the stressed assets to total assets ratio, which has come down significantly. Further, SMA (special mention accounts)-1 and SMA-2 have come down drastically. So we are on a path of cleanliness and transparency," Finance Secretary Rajiv Kumar said.

Finance Minister Nirmala

Sitharaman declined to comment on it, saying the government would sit down with the RBI to understand the situation.

The gross NPA ratio of banks may increase from 9.3 per cent in September 2019 to 9.9 per cent by

September 2020 "primarily due to changes in the macroeconomic scenario, a marginal increase in slippages, and the denominator effect of declining credit growth", according to the RBI's Financial Stability Report (FSR), released on Friday.

According to the FSR, the regulator conducted macro stress tests for credit risks to assess the banking system's resilience to macroeconomic shocks under baseline conditions. It assumed continuation of the current economic situation in the future. Kumar coun-

## No MDR charges on payment via UPI, RuPay from Jan 1

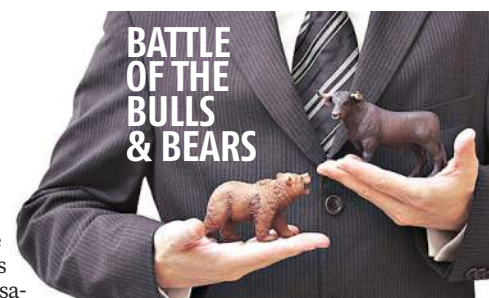
Finance Minister Nirmala Sitharaman on Saturday said no merchant discount rate (MDR) charges would be applicable on transactions through the RuPay and Unified Payments Interface (UPI) platforms, beginning January 1. The Department of Revenue will soon notify RuPay and UPI as the prescribed mode of payment for digital transactions without any MDR, she added.

tered the RBI's methodology in the FSR to arrive at the projected NPA figures by doing a stress test over a period of six-seven years.

# Valuations shoot up despite turbulence

Massive polarisation as only a few stocks outperform handsomely

**VISHAL CHHABRIA**  
Mumbai, 28 December



Indian markets witnessed turbulence in the past decade owing to certain major events and structural reforms such as demonetisation, the implementation of goods and services tax (GST), the collapse of some big businesses, and so on. It's no wonder then that the S&P BSE Sensex and the Nifty50 grew at a 9 per cent compound annual growth rate (CAGR), a mediocre return given that inflation was high in the first five years of the decade.

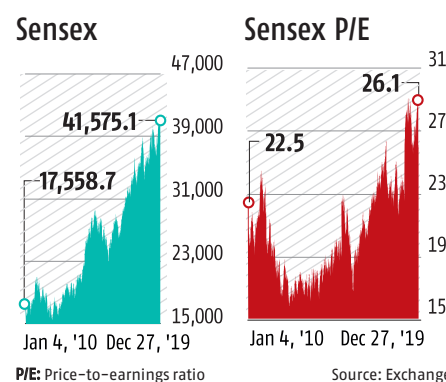
However, the indices representing mid- and small-cap stocks delivered between 5 and 8 per cent growth during this period. And though the markets have evolved and investors have become wiser, certain risks are currently being overlooked.

The last decade followed the global financial crisis, which started in 2008 with the collapse of the US-based Lehman Brothers. The consequent liquidity squeeze forced central banks to pump in sizeable funds to buy bonds from companies in their countries — a move called quantitative easing (QE). This was a defining development, wherein interest rates were cut to near zero, making money a 'cheap' tool to pump-prime economies.

"The last 10 years have been an abnormal period for global equities, with very consistent and correlated rallies. Moves across global equity markets have been determined by the monetary policies of central banks, rather than growth trends," says Sanjay Mookim, India equity strategist, BofA Securities.

However, globally, economies don't seem to be out of the woods yet. An indicator of this is the way the US economy faced a slowdown after the Fed withdrew QE and raised interest rates.

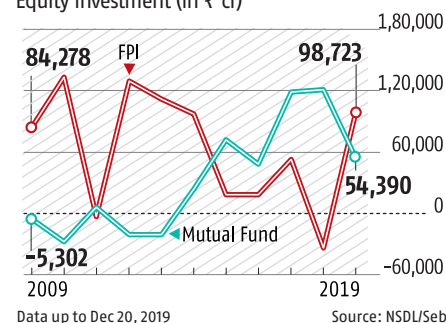
Indian markets, too, benefited from liquidity infusions even as economic and corporate earnings growth slowed. As Mookim points out, "Indian equities are going up even though the economy is weak." However, major events and structural reforms have caused significant intermittent corrections.



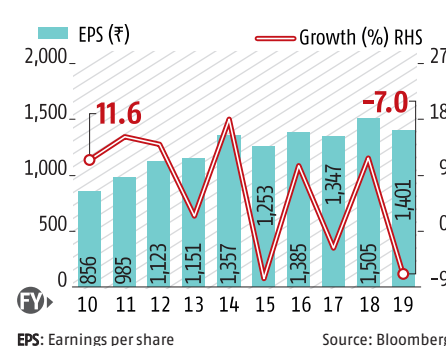
## THE DECADE THAT WAS

### BACK PAGE P12 UPA, NDA AND THE ART OF GOVERNANCE

## Domestic inflows gain traction



## Sensex earnings have been choppy



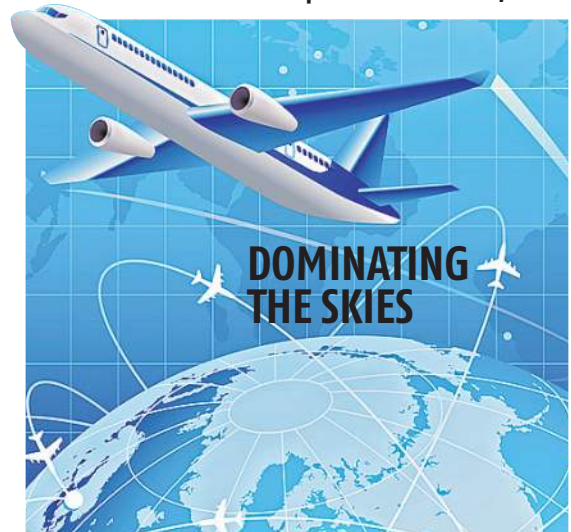
# GMR, Zurich will vie for same int'l traffic

Delhi and Jewar airports to have common 'point of call'; decision taken at a recent meeting

**ARINDAM MAJUMDER**  
New Delhi, 28 December

The upcoming airport at Greater Noida's Jewar, to be developed by Zurich Airport, will be competing for the same international traffic as Delhi's Indira Gandhi International Airport, as the two airports will have the same point of call.

A recent meeting held by Civil Aviation Secretary Pradeep Singh Kharola to discuss the issue of point of call decided that since the Jewar airport was within 150 km of IGI Airport, it would be designated as the second airport of Delhi. The meeting was attended by executives of GMR and Zurich Airport as well as senior officials of the Airports Authority of India. "Points of call are given based on city and distance. We decided that being in close proximity, both the airports will have similar designated call — just like it was in the case of Mumbai and Navi Mumbai," an official aware of the development said. "We also didn't give a separate



Source: Techno-economic feasibility study of Jewar Airport by PwC

Feasible international destinations from Jewar by 2040

- DUBAI
- SHARJAH
- COLOMBO
- GUANGZHOU
- AMSTERDAM
- FRANKFURT
- PARIS
- LONDON
- HONG KONG
- BANGKOK
- ISTANBUL
- SINGAPORE

status of port of call to Kannur Airport (Kerala), which is also a greenfield airport."

When an airport is designated "point of call" for foreign airlines, their

aircraft can arrive or depart from there. The number of points of call is capped for different countries. For instance, the designated carriers of the United Arab Emirates have up to 13

points of call in India, which means its aircraft can land and take off from these 13 destinations.

A similar point of call means that the Jewar airport will have to compete for the same set of international airlines against GMR-owned Delhi airport. Zurich Airport, the Swiss airport developer, will invest ₹4,670 crore in the greenfield airport in the first phase. The airport, which will be finished in four phases and will entail a cost of ₹10,575 crore, is estimated to handle more than 70 million passengers per year. Zurich Airport won the bid, offering a revenue share of ₹400.97 per passenger to the authority, against GMR, which had offered ₹351.

Globally, the pattern is similar for cities having two airports. For instance, in the United Kingdom's air service agreement with other countries, all of London's six airports — Heathrow, Gatwick, Luton, Stansted, London City, and the city airport — have the same point of call.

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**P3** RBI RAISES CONCERNS ON RATING SHOPPING AMONG CORPORATES

LOAN PORTFOLIO OF LARGE BORROWERS SHRINKS

INDIAN EQUITIES MORE EXPENSIVE THAN PEERS

FRAUDS REPORTED IN HI RISE TO ₹1.13 TRILLION



# Auto firms see revival from H2FY21

T NARASIMHAN  
Chennai, 28 December

The year 2019 has been one of the toughest for the automobile industry, with a 13.8 per cent drop in domestic sales from January to November 2019. Despite the challenges, 2019 saw new brands coming in, mergers and partnerships and model launches as the industry is optimistic about 2020.

## On a rough road

Society of Indian Automobile Manufacturers (SIAM) data shows that from January to November 2019, total automobile sales was down to 21.66 million from 25.14 million units, a year ago. Commercial vehicle sales declined 22.12 per cent during April-November 2019, followed by passenger vehicles (17.98 per cent), two-wheelers (15.74 per cent) and three-wheelers (4.97 per cent).

The slowdown resulted in 13 per cent production cuts and job losses to the tune of over 250,000.

Slowdown in the economy, price increase, regulatory changes, change in ownership model, slowdown in infrastructure spending and change in axle load norms are the key reasons for the poor sales.

Finance Minister Nirmala Sitharaman had, in September, said that several factors, including BSVI emission norms, registration-related matters, and a change in the mindset of millennials — who now prefer Ola or Uber — led to the slowdown.

Maruti Suzuki India's executive director (marketing and sales) Shashank Srivastava had said: "The Ola and Uber factor may not be strong



## A BUMPY RIDE

- SIAM data shows total sales down at 21.7 million during Jan–Nov, from 25.1 million units a year ago
- Regulatory changes, price hikes, slowdown, change in ownership model, change in axle load norms key reasons
- Firms hope industry turns around from second half of FY21, given that the BSVI issue settles down by then

enough to contribute to the current state of slowdown. I think we need to watch and study it more before arriving at such a conclusion. They came into existence during the last 6-7 years. In this period, the auto industry also saw some of its best times. So, what happened only during the last few months that the downturn became so severe?" he asked.

S S Kim, managing director (MD) and chief executive officer (CEO), Hyundai Motor India, said, besides consumer sentiment, regulations, cost increase and customer mindset on whether they need to buy now, since BSVI is going to come from April, were the other major roadblocks.

Motofumi Shitara, chairman, Yamaha Motor India Group of Companies, added that the two-wheeler sector was also hit by poor customer sentiment, change in regu-

lations, credit issue, and high insurance cost. During the year, motorcycle brands UM Motorcycles and Cleveland Cycleworks stopped their operations in India.

## EVs see a big push

Electric vehicles (EVs) saw good traction in 2019 with the FAME-II scheme, at an outlay of ₹10,000 crore. It came into effect in April 2019, followed by reduction in goods and services tax (GST) on EVs from 12 per cent to 5 per cent.

Hyundai Kona was rolled out and many of the car makers announced that they would be launching EVs to back the government's ambition of going 30 per cent all-electric by 2030. Currently, EV market penetration is only 1 per cent of the total vehicle sales in India, and of that, 95 per cent of sales are electric two-wheelers.

Only 1,500 electric cars were sold for personal use in the last eight months.

The ministry of heavy industries and public enterprises (MHIPE) said that, till November, close to 285,000 buyers of electric and hybrid vehicles have benefited from subsidies to the tune of ₹3,600 crore provided under the FAME-India programme.

## New brands and alliances

British brand Morris Garages and South Korea's Kia Motors made inroads separately with SUVs and managed to clock good numbers.

Mahindra and Ford announced a joint venture or JV to co-develop seven new models. PE and corporate investment flows into EVs and shared mobility start-ups grew nearly 170 per cent to \$397 million (up to November) from \$147 million a year ago. Hyundai, Hero, TVS, Bajaj, Ratan Tata and Mahindra were among the corporate investors.

Recently, Mahindra acquired 36.63

per cent stake in Meru Travel Solutions (Meru) in the first tranche.

## Road ahead

While China's SAIC-owned British brand Morris Garage already entered the Indian market, few more Chinese auto majors, including Haima Automobiles, Great Wall Motors and Changan Automobiles are expected to make inroads. Besides, Citroen is expected to launch its first car by the second half of the next financial year.

Dozens of launches are being planned for 2020 by passenger car and two-wheeler makers. They even include EVs. Notables among them are Hyundai Aura, Tata Nexon EV, SUV Gravitas, hatchback Altroz, Skoda Karoq SUV, Octavia, Land Rover Defender, Audi e-tron, Nissan Leaf EV and Kia Carnival.

Firms hope that from the second half of the financial year, the industry should turn around as BS-VI should settle down. This is because of government incentives to buy vehicles and steps taken to address liquidity crunch, economic growth and infrastructure spending. Kim said, "Issues related to BS-VI won't be there from the second half, which will lead to growth." He expects growth to be single digits next year, since the first half will continue to see pressure.

Shitara said he is bullish about India, considering the country got a huge aspiring young population and the company is optimistic that demand will revive soon.

Vinod Aggarwal, MD and CEO of VE Commercial Vehicles, said the current phase of slowdown was temporary and the medium and long-term horizons looked good.

# GoM constituted to expedite MTNL, BSNL revival plan

PRESS TRUST OF INDIA  
New Delhi, 28 December

A seven-member Group of Ministers (GoM) has been constituted to fast-track and oversee the implementation of the ₹69,000-crore revival plan for state-owned telecom corporations BSNL and MTNL, said people with knowledge of the matter.

The high-level group will expedite smooth implementation of recent decisions taken on the revival of BSNL and MTNL, which includes crucial elements such as allocation of 4G spectrum and asset monetisation, official sources told PTI. The GoM includes Defence Minister Rajnath Singh, IT and Telecom Minister Ravi Shankar Prasad, Home Minister Amit Shah, Finance Minister Nirmala Sitharaman, Commerce Minister Piyush Goyal, and Oil Minister Dharmendra Pradhan, they added.

"There are crucial elements like business viability, workforce, issue of bonds, monetisation and 4G spectrum allotment in the revival package. The GoM will expedite and oversee the plans," the people said.

In October this year, the government had approved a ₹69,000-crore revival package for BSNL and MTNL that includes merging the two loss-making firms, monetising their assets and giving VRS to employees so that the combined entity turns profitable in two years.

The Union Cabinet had approved the plan to combine Mahanagar Telephone Nigam (MTNL) — which provides services in Mumbai and New Delhi — with Bharat Sanchar Nigam (BSNL) that services the rest of the nation.

Over the last few weeks, both companies launched their Voluntary Retirement Scheme (VRS) plans. Nearly 92,700 employees of BSNL and MTNL have opted for voluntary retirement, which is expected to save ₹8,800 crore annually in salary bills. The two companies will also monetise assets worth ₹37,500 crore over the next three years.

MTNL has reported losses in nine of the past 10 years and BSNL too has been ringing in losses since 2010.

# After metro, Bounce rides into Bengaluru's railway terminals

PEERZADA ABRAR  
Bengaluru, 28 December

Bike-sharing start-up Bounce will now ride into railway stations in Bengaluru, having covered metro stations in the southern city. The Accel and Sequoia-backed firm has won a competitive bid to provide its dockless scooter-sharing service at railway stations in Karnataka — the first start-up to win such a deal.

It will be able to expand its operations across 13 railway stations in Bengaluru, helping passengers achieve first and last-mile connectivity.

"With the load on road infrastructure, there is an urgent need to shift away from personal mobility to pub-

lic transportation and shared mobility. To increase adoption of public transportation, it's imperative to create integrated multi-modal connectivity to make daily commute seamless," said Vivekananda Hallekere, chief executive officer (CEO) and co-founder of Bounce.

"We're happy to be working with the authorities such as Bengaluru Railway Division, which recognised the importance of shared mobility services and enabled us further to provide accessible mobility. This is happening for the first time ever in the country. We are positive that it'll help lakhs of railway commuters with their first and last-mile commute."

Through the partnership with the Bengaluru Railway Division, Bounce

plans to introduce 698 scooters at 13 Bengaluru railway stations. Bounce scooters will make their debut at places such as Bellandur, Yelahanka, Banaswadi, Whitefield, Yeshwanthpur and Kengeri.

Parking lots have been allotted at two entrances in each of these stations to pick up or drop off Bounce bikes. By providing bike service from the premise of railway stations, Bounce said it aims to improve connectivity and encourage citizens to use railway services. Integration of hired, shared and public transport services will ensure all modes of commute complement each other and provide a seamless experience to citizens. Since the last two years, there has been a significant increase in the

number of people using the suburban rail service. It is particularly popular among office-goers looking to avoid traffic. This year, 1.5 lakh passengers opted to travel by the South Western Railway's intracity trains, an increase from 1.4 lakh passengers in 2016-17.

According to a recent proposal by Rail India Technical and Economic Service (RITES), suburban trains are projected to have a total daily ridership of 9.28 lakh in 2025.

At a time when hours spent commuting has gone up because of traffic congestion, Bounce feels suburban railway acts as a cheap and fast alternative for the long commute.

However, the first and last-mile connectivity is still a critical issue. In Bengaluru, the railways sees lakhs of

people coming in or going out from various stations. The city's fragmented transport system and evolving public transport impact a sizable number of these travellers. A recent survey showed that 70 per cent of citizens in Bengaluru felt the need for improving first and last-mile connectivity. Bounce, which was recently valued at \$500 million in a funding round, is scaling on a par with global players, including US-based scooter rental firms Lime and Bird.

It has already partnered three Mass Rapid Transport systems — Namma Metro, Hyderabad Metro and Nagpur Metro. Within a year, 42 per cent of Bounce rides either originated or culminated at Namma Metro.

# Nutanix bets big on govt clients after Nasdaq debut



## ON A CLOUD

- Founded by Dheeraj Pandey, Mohit Aron, Ajeet Singh in 2009
- Partners most big Cloud providers, making it easier to work in hybrid Cloud environments
- Cost and governance are big factors, when clients decide to work with Nutanix
- Opened 131% higher than the opening price in its IPO, when it listed on Nasdaq in 2016

NEHA ALAWADHI  
New Delhi, 28 December

With three Indian co-founders, cloud-computing firm Nutanix — which opened to a blockbuster initial public offering (IPO) on Nasdaq three years ago — is looking to bet big on government clients in India, said a senior executive.

Nutanix is the leader in the hyperconverged infrastructure (HCI) business, and sees significant opportunity in "state and Centre and defence" areas of the government, said Balakrishnan Anantharaman, vice-president and managing director-sales, India and South Asian Association for Regional Cooperation, Nutanix.

"And what that would mean is that, we work with the ecosystem and so we are putting in the resources in places, and actually work in smart cities, work in the state data-centre modernisation and, of course, various other state government projects which are there. Clearly, that would be an area of focus for us, along with the start-up piece," he added.

According to Network World, HCI is an information technology (IT) framework that combines storage, computing, and networking into a single system in an effort to reduce datacentre complexity

and increase scalability.

From a channel partner perspective, Nutanix has started focusing on Tier-1 channel partners. "I think our growth in the past three-four years we have been here, has come from Tier-2 partners. We are now engaged with the larger ones — the Tata Consultancy Services (TCS) and Wipro of the world. We are also looking at other enterprise customers," said Anantharaman.

In India, the company serves customers such as stock exchanges, brokers, non-banking financial companies, financial services and insurance, IT and IT-enabled services. As system integrators such as Wipro, TCS and others help cater to the cloud-heavy workload of their clients, Nutanix helps them make the internal transition themselves.

"So if they (system integrators) want to provide security tools or something as a service, they essentially try to see if Nutanix can help them," Anantharaman said, adding that health care and pharma have also been big adopters of Nutanix's technology.

In its most recent quarterly earnings reported in November, Nutanix reported \$314 million in revenue, of which software and support was about \$305 million, which shows that the firm's stated

aim of reducing revenue from its hardware business is working as planned.

The San Jose-based firm expects software and support billings between \$1.65 billion and \$1.75 billion in the current financial year.

Co-founder and Chief Executive Officer Dheeraj Pandey is a board member of technology giant Adobe, and has driven the company to compete effectively against large firms such as VMware and Dell. Nutanix has partnerships with HP Enterprises, Amazon Web Services, Google Cloud Services and so on, giving it an edge over competitors in building hybrid cloud environments. In India, Nutanix expects to employ more than 600 engineers in research and development (R&D) by year-end, and has made a few strategic acquisitions in the country as well.

"We are actually doing cutting-edge R&D work out in India. If you look at some of our products beyond our Core HCI, we acquired (Bengaluru-based) Calm.io, which is our office station. And then we have Beam, which was an Indian organisation called Minjar, which we acquired. So we have seen quite of these software portions of our Nutanix portfolio coming in from India," said Anantharaman.



# RBI raises concerns on rating shopping among companies

Non-disclosure of indicative ratings by agencies makes it difficult to identify such instances: FSR

ANUP ROY  
Mumbai, 28 December

The Reserve Bank of India's (RBI's) Financial Stability Report (FSR) has raised concerns about rating shopping among companies.

This comes against the backdrop of instances of indicative ratings given by agencies, for which there are no written agreements. The indicative ratings are also not disclosed on the company websites.

"Since such 'indicative ratings' are not disclosed by CRAs (credit rating agencies) on their websites, it becomes difficult to identify instances of possible rating shopping," said the FSR, a bi-annual report released by the RBI on Friday. "The issue of possible rating shopping behaviour on the part of obligors clearly requires serious attention."

Corporate executives do not agree to such an assessment.

"I strongly disagree with this assessment. After the IL&FS (Infrastructure Leasing & Financial Services) crisis, the rating agencies have become very cautious about rating assignments and sometimes the ratings assigned are very unfair and does not go with the fundamentals of the company," said the chief financial officer of a mid-sized company.

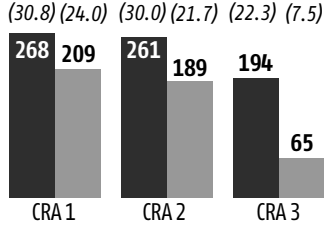
According to another corporate executive, the rating committees have people with no experience of corporate business and they insist on a lower rating, being fearful of the regulators. The recent probes on rating agency executives have sapped the moral of the rating committees. Many



## REPORT CARD

Share of top three rating agencies in withdrawn and assigned ratings

■ Ratings withdrawn ■ Rating assigned (% share in bracket)



## Movement in withdrawn long-term bank loan ratings

	AAA	AA	A	BBB	BB	B	C	D
Number of ratings withdrawn	1	13	57	241	354	171	6	27
Number of assigned ratings better than withdrawn ratings	-	1	10	69	180	108	5	24
Number of assigned ratings remaining same	1	12	45	170	167	62	1	3
Number of assigned ratings worse than withdrawn ratings	-	-	2	2	7	1	-	-

Source: FSR

rating agency executives did not want to comment. One executive said the number of companies considered in the report is too small, and can be explained by risk assessments methodology varying from one rating agency to another.

Some instances of such rating shopping can still be ascertained, according to the FSR, by looking at the dynamics around rating withdrawals where outstanding rating issued by a CRA was

withdrawn and a new rating was provided by a different CRA.

The FSR said such new ratings were obtained within three months of each other; and in more than two-thirds of the cases new ratings were provided before the withdrawal of the old ones. This practice has been going on since April 2016, the FSR said.

For long-term bank loan ratings, which is used by banks for credit screening, it was observed that the

screening mechanism adopted by investors in short-term instruments had a significant dispersion in the pricing of assets of equivalent tenor after accounting for all relevant factors with the same ratings.

"This implies that these investors must be adopting additional credit screening mechanisms apart from obligor rating during credit selection," the report said.

"Clearly, for ratings that are withdrawn, the new ratings assigned are either the same or an improvement over the earlier ratings. Although replacement of withdrawn ratings by better or similar ratings by a different rating agency is visible across all rating grades, such instances are particularly pronounced at BBB and below..." the FSR said. There are only nominal cases where withdrawn ratings were better than the assigned ratings.

The BBB and below category is where most of the Indian companies reside.

"This is particularly relevant as some of the rating agencies have a much greater share in ratings assigned compared to their share in ratings withdrawn," the FSR pointed out.

However, considering the rated companies number around 40,000, such rating shopping are only a small fraction of the rated universe and "may not make the external ratings based capital adequacy framework infructuous," the FSR said.

# Credit portfolio of large borrowers down to 51.8%

GNPAs of this category of loan takers also saw a decline

NIDHI RAI  
Mumbai, 28 December

The Reserve Bank of India (RBI), in its financial stability report (FSR) 2019, said the share of large borrowers in scheduled commercial banks' (SCBs) total loan portfolio reduced to 51.8 per cent in September 2019 compared to 53 per cent in March 2019.

Gross non-performing assets (GNPAs) of large borrowers stood at 79.3 per cent in September 2019 against 82.2 per cent in March 2019.

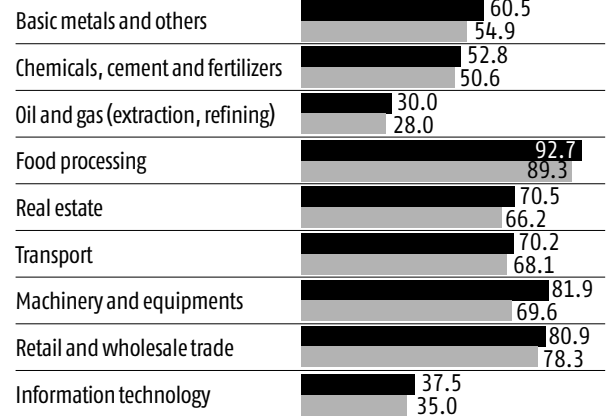
The RBI noted that in the large borrower accounts, the proportion of funded amounts outstanding with signs of stress increased from 20.9 per cent in March 2019 to 21.2 per cent in September 2019.

Special mention account (SMA2) loans went up by around 143 per cent between March 2019 and September 2019. The top 100 borrowers accounted for 16.4 per cent of the SCBs' gross advances and 16.3 per cent of the GNPAs.

India's industrial output declined 3.8 per cent in October on the back of poor performance across all sectors, according to data released by the ministry of statistics and programme implementation. A major reason for the

## SECTORS WITH DECREASING AVERAGE RISK WEIGHT

■ Mar '19 ■ Sep '19 (%)



Source: PRIME Credit Rating Migration Database, CRILC and Reserve Bank staff calculations

decrease in the index of industrial production (IIP) is declining performance of eight core industries that comprise 40.27 per cent of the index.

Other than that, coal and cement production also fell 17.6 per cent and 7.7 per cent, respectively, in October.

This economic slowdown can directly be related to the fact that bank lending to sectors like basic metals, chemicals, cement and fertilizers, machinery and equipment, retail and wholesale trade, information technology, oil and gas, food processing, real estate, transport, medical, educational and auto have seen a considerable decline.

For majority of the sectors, average risk weight (loan exposure of banks) has declined between March and September 2019. This is in line with the declining average risk weight at the aggregated level.

For instance, RBI data shows that banks have reduced lending to basic metals and other sectors to 54.9 per cent in September 2019 from 60.5 per cent in March 2019. Food processing has reduced to 89.3 per cent in September 2019 from 92.7 per cent in March 2019.

Machinery and equipment has also seen a major reduction to 69.9 per cent in September 2019 from 81.9 per cent in March 2019.

# Indian stocks more expensive than EM peers

ASHLEY COUTINHO  
Mumbai, 28 December

Emerging markets' (EMs) equities look attractive from a valuation perspective relative to those of developed markets despite the wedge in earnings per share between the two groups, according to the FSR.

That said, the valuation of Indian equities vis-a-vis its EM peers seems to be somewhat expensive. The high valuations of the benchmark indices will be sustainable only if there is a steady rise in corporate earnings, the report observes.

"The quarterly earnings per share growth of the S&P BSE 500 Index went up in the

quarter ended September 2019 on a y-o-y basis, although the same for the Nifty 50 scrips declined. Further, future earnings expectations also witnessed a decreasing trend over the six-month period," said the report.

According to experts, the gap between underlying corporate earnings and share prices has widened to a multi-year high.

The Sensex, for instance, may end the year at a price-earnings (P/E) multiple of 29x, the highest in 25 years.

Also, this is the third time in the past five years when index stocks together reported a y-o-y decline in earnings. Index



investors (FPIs) invested \$7.8 billion in the Indian securities market during April-October 2019, the FSR report noted. The first two quarters of FY20 saw inflows in the debt and hybrid

companies had reported earnings contraction in CY15 and CY16, followed by a recovery in CY17 and CY18.

Unlike the trend observed in 2018-19, foreign portfolio

investors (FPIs) invested \$7.8 billion in the Indian securities market during April-October 2019, the FSR report noted. The first two quarters of FY20 saw inflows in the debt and hybrid

segments as well. FPI investments in hybrid instruments saw a sharp increase during the current year with inflows of \$744 million up to end-October 2019. However, FPIs offloaded equities worth \$3.2

billion in the second quarter of FY20.

"As US monetary easing takes a breather, the exchange rate outlook for EM currencies will be a large determinant of EM local currency bond flows notwithstanding a generally favourable local currency interest rate environment," the FSR observes.

Among BRICS nations (except China), India was the only country to see FPI inflows in both the equity and debt segments during the January-September period while Russia saw the highest liquidation by FPIs in the debt segment during the same period, the report observed.

# Equity prices can indicate signs of stress, says report

JASH KRIPLANI  
Mumbai, 28 December

The Reserve Bank of India (RBI) has proposed using the movement in equity prices as part of a larger mechanism that can serve as early warning signals of a potential default in a stressed company.

"Though all equity movements may not be of relevance for bond valuations, since bonds are superior in terms of claim hierarchy, they still present an early sign of distress," the apex bank said in its 20th Financial Stability Report (FSR). "Therefore, it may be useful as an early warning mechanism to convert equity prices to an imputed distance to default measure to which the actual bond prices should be compared."

Taking the case of a defaulting subsidiary of a core investment company, the FSR pointed out that equity prices showed resilience even after the subsidiary was classified as 'default'. It attributed the ability of equity prices to withstand the 'default' tag to the fact that the debt was a 'structured obligation', backed by other underlying assets.

The report says equity prices may also be used to determine 'intermediate' rating action, but

says one needs to be cautious about the extent they are used for such a purpose. "While the current analysis of using equity prices as an early warning signal only explores the case of a default, it can be useful in determining intermediate rating transitions. Such an approach is not without criticism, since adjusting portfolios based on imputed ratings' migration will entail false signals and over-reactions," the report said.

"Hence, to what extent such prices may be internalised for market valuation of debt instruments or prudential action is a debatable point," it added.

However, given the illiquid nature of debt markets, the report argued that an active equity price can serve as the only source of emerging information for all stakeholders including rating agencies.

"A prudential valuation plan for debt may be useful to take such emerging feedback into consideration," the report noted. According to market participants, rating agencies need to create a system where they can give more leading indicators, so that investors are not caught off-guard with sudden spurt of multiple rating downgrades, as was seen following recent debt market crisis.

# Frauds reported in H1 rise to ₹1.13 trn, 97% took place earlier

SUBRATA PANDA  
Mumbai, 28 December

Lenders reported frauds of ₹1.13 trillion in the first half of financial year 2019-20 (H1FY20) and 97.3 per cent of these took place in previous years, depicting a significant time lag between the occurrence of fraud and its detection, revealed the FSR. The amount was ₹71,543 crore in FY19.

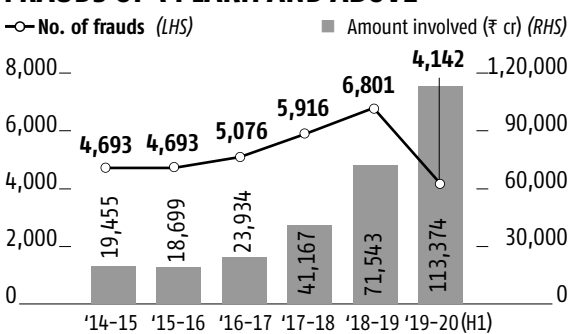
"The amount involved in frauds that occurred between FY01 and FY18 formed about 90.6 per cent of the frauds reported in 2018-19 in terms of value.

Similarly, 97.3 per cent of the frauds reported in H1FY20 by value occurred in previous financial years," said the report, released by the Reserve Bank of India (RBI) on Friday.

The number of frauds reported in



## FRAUDS OF ₹1 LAKH AND ABOVE



H1FY20 was 4,142 and 6,801 in FY19.

Loan-related frauds continued to dominate in aggregate, forming 90 per cent of all frauds reported in FY19 by value and 97 per cent of all frauds reported in H1FY20 by value. As much as ₹70,046 crore worth of loans were

reported as fraudulent in H1FY20, while fraudulent deposits was to the tune of ₹417 crore and fraudulent foreign exchange transactions was about ₹52 crore.

Also, during the first half of FY20, banks reported 398 cases of large-value frauds (above ₹50

crore) worth ₹1.05 trillion and 21 cases of frauds above ₹1,000 crore, worth a cumulative ₹44,951 crore.

The RBI has said that it is taking steps to integrate fraud reporting of NBFCs and urban co-operative banks in its central fraud registry database. "Such interlinking

would serve as an invaluable resource in effective fraud detection/monitoring. In addition, a greater thrust has been put on improved governance," it said.

Apart from this, the central bank has sharpened its focus on a fraud response plan that is being sought from banks and for this, stricter timelines and clear guidance with respect to reporting of frauds and declaration and processing of red-flagged accounts will be prescribed.

"Banks are required to set up specialised units to make use of market intelligence and data analytics and also put in place transaction monitoring system. In order to bring clarity, the role and scope of forensic audit along with timelines is also being examined," the RBI said.

The FSR argued that an active equity price can serve as the only source of emerging information for all stakeholders

# FY20 to set record for most online mineral block auctions

JAYAJIT DASH  
Bhubaneswar, 28 December

Auctions of 59 mineral blocks are set to be completed in FY20, making it the most successful year for online auctions since the enactment of the amended Mines and Minerals Development & Regulation (MMDR) 2015.

In this fiscal year, 16 blocks have already been auctioned. Notice Inviting Tenders (NITs) have been issued for 43 others and auction formalities in respect of these blocks are expected to be completed before the close of FY20. Auctions first took off in 2015-16 after a recast MMDR killed the practice of discretionary allotments and mandated award of mineral resources through a transparent system of auctions. Auctions were slow to start with only six blocks offered in the inaugural year. Between 2015-16 and 2018-19, 54 blocks were put to elec-



tronic auctions.

"In this fiscal, the tempo of auctions has accelerated as tenure of all merchant mining leases ends by March 31, 2020. These mines have to be readied for production again before their validity ends. The government is working on environment clearance, forestry clearance and an array of other approvals to ensure seamless transfer of ownership and continuity in operations", said an official with a standalone mining company.

# Digital banking initiatives of merging PSBs face delay

According to officials, integration of core banking systems may take 12-18 months

DEBASIS MOHAPATRA  
Bengaluru, 28 December

Digital banking initiatives of public sector banks (PSBs), which are in the process of being merged, are likely to be delayed pending integration of core banking platforms.

According to bank officials in the know, though the merging banks operate the same core banking systems (CBS), differences in versions would take around 18 months for complete integration.

"In digital banking, the API (application programming interface) is plugged to the CBS platform for seamless operation since all the customer data is sitting on the platform. When these CBS platforms are going to be merged, there is no point of coming up with a new product before the integration," said a

senior official familiar with the digital banking.

"If there is any new API launch, the bank will have to plug it to its own CBS and migrate it later. It will depend on the compatibility of the application," the person said.

Services like instant account opening, internet banking, mobile banking and virtual welcome kit, among others, are part of the digital banking initiatives.

Even some PSBs have started disbursing loans to new clients through these app-based platforms.

"We have to merge multiple APIs working on a similar service segment into a singular application. To achieve this, we are evaluating the features of both banks," said another official of a bank that is in the process of merger.

As part of the consolidation of



The delay is because of pending integration of core banking platforms

Though the merging banks operate the same core banking systems, differences in versions would take around 18 months for complete integration

Services like instant account opening, internet banking, mobile banking and virtual welcome kit may be affected

Bank officials said that the complexity of the process could be higher, despite the merged entities using the same core banking platforms

public sector banks, the central government had in August announced mergers among these lenders. The merger, which will

take effect from April 1 next year, will bring down the number of PSBs to 12 from the earlier 27. While United Bank of India

and Oriental Bank of Commerce will be merged with Punjab National Bank, making the proposed entity the second largest PSB, Syndicate Bank merge with Canara Bank as part of this exercise. Similarly, Allahabad Bank will be amalgamated with Indian Bank, while Andhra Bank and Corporation Bank will be merged with Union Bank of India.

Though technology platforms played a major role in deciding the merger plans, bank officials said that the complexity of the process could be higher despite the merged entities using the same core banking platforms.

For instance, though both Canara and Syndicate banks use Oracle's i-Flex (which is now known as OFSS), the versions of the software are different. While Syndicate Bank is currently using the latest version (11.6), Canara Bank is using 10.2 version.

Similarly, though Union Bank, Andhra Bank and Corporation Bank use Infosys' Finance as CBS, the versions are different.



FINANCIAL PLANNING

# Pay attention to risk mitigation

2019 taught us that investments need to be diversified, and investors need to trust their money with well-regulated entities only

DEEPESH RAGHAW

When it comes to investing, skill is extremely important. However, experience is perhaps the greatest teacher. Experience makes us aware of the various risks that exist. This awareness changes one's approach so that from merely focusing on higher returns, we also begin to focus on risk mitigation. Let us take a look at some of the key lessons that 2019 taught us.

**No strategy works all the time**

In the 2014-2017 period, mid- and small-cap funds outperformed the Nifty, Sensex and large-cap funds by a wide margin. It was not uncommon for an investment advisor like me to come across portfolios with over 60 per cent exposure to mid- and small-cap funds. Many investors who had never invested in anything riskier than bank fixed deposits wanted to put a large portion of their wealth in mid- and small-caps funds. They were not invested in mid and small caps at the start of the rally, and the feeling of missing out on what seemed like easy returns was difficult to bear. There was a palpable risk in such portfolios that was not adequately appreciated.

Since the beginning of 2018, the tables have turned. While mid- and small-cap stocks and mutual funds schemes have struggled, large-cap mutual fund schemes have given good returns. Even in the large-cap space, the rally has been driven by only a few stocks. The fund managers who are smart or lucky enough to hold those stocks have done better than others. In fact, most actively managed large-cap funds have failed to beat the Nifty or Sensex index funds.

What should investors do? Market



history suggests that nothing works all the time. Don't chase the categories that have outperformed recently. A flavour-of-the-season approach does not work in investing. Most investors will be better off spreading out their equity investments across the market spectrum. The sub-allocation to large-cap, mid-cap, small-cap and thematic/sector funds should depend on the investor's risk appetite.



**Debt funds carry risks**

Elroy Dimson of London Business School said: "Risk means more things can happen than will happen." When the times are good, we tend to underappreciate risk. If our short-term experience suggests that nothing untoward has happened, we assume that nothing will go wrong in the future too. However, just because risk has not materialised in the recent past does not mean it will not materialise in the future. Don't mistake low probability for no possibility.

There were several instances over

**STAY DIVERSIFIED TO CAPTURE RETURNS FROM VARIOUS MARKET SEGMENTS**

	2015	2016	2017	2018	2019 YTD
S&P BSE Sensex	-5.03	1.95	27.83	5.9	15.58
S&P BSE Midcap	7.43	7.97	48.00	-13.74	-4.02
S&P BSE Smallcap	6.76	1.77	59.48	-23.92	-9.08

Source: mutualfundindia.com

the past 18 months when risk materialised in the fixed-income space. Moreover, the pain did not come in obscure names. Many prominent financial institutions and promoters defaulted on their obligations.

Many investors had mistaken debt funds and non-convertible debentures (NCDs) to be as safe as bank fixed deposits. However, the events of the past 18 months have proved this premise to be untenable. Investors look beyond bank fixed deposits for two reasons — better tax efficiency and higher yields. While these are acceptable reasons for investing in debt mutual funds or NCDs, you must appreciate the risk involved.

There is no free lunch. Tax efficiency and higher yields come with a higher level of risk — the risk that the underlying bonds can default. Henceforth, investors must scrutinise (or get a financial advisor to do so) the portfolios of debt funds they invest in for credit risk. They must also make sure that these portfolios are well diversified with limited exposure to a single issuer and promoter group.

**Select your bank carefully**

Over one million deposits were adversely affected by the Punjab and Maharashtra Co-operative (PMC) Bank scam. The bank management forged its account books to lend over

70 per cent to a single real estate developer. The Reserve Bank of India (RBI) imposed restrictions on withdrawals. Many have lost their entire life's savings in the scam. Could this have been avoided? Well, that's the job of the regulator and the auditors. PMC was a fraud. As depositors, there is little we can do to unearth such frauds or fraudulent intentions in advance. However, we can always aim to reduce the impact of such events.

Even in the past, co-operative banks have failed and depositors have lost money in them. The level of regulatory oversight is not as high in them as in scheduled and commercial banks. An acknowledgement of this fact should have made many depositors hedge their bets. In my opinion, co-operative banks are best avoided. However, if you must bank with them for convenience or for higher interest rates, put only a limited portion of your assets in these entities.

**Beware of jewellery scams**

Indians' love affair with gold is well known. Most jewellers cash in on this by offering gold jewellery schemes, where the buyer deposits a fixed amount with the jeweller for 11 months. The jeweller adds a 12th instalment and allows the buyer to buy gold jewellery worth the accumulated amount. While you can dig deeper using a spreadsheet to see if such schemes are indeed useful for the buyer, one thing is for sure. The entire structure is very similar to a recurring deposit. The only difference is that the counterparty here is a jeweller, and not a bank. And therein lies the risk.

There were a few well-publicised instances in 2019 (IMA, Goodwin, etc) of jewellers running away with investors' money. While these may have been genuine failures, in some cases, the money was routed to unrelated businesses such as real estate. While these schemes appear attractive, buyers should be mindful of the risks too. If you must participate in a jewellery scheme, stick to the most reputed brands. Alternatively, accumulate your money in a bona fide financial instrument and buy the jewellery once you have accumulated the requisite amount. Remember that good people can take care of bad contracts but good contracts can't take care of bad people.

**BS TUTORIAL**

Jayant Pai

**Financial literacy**

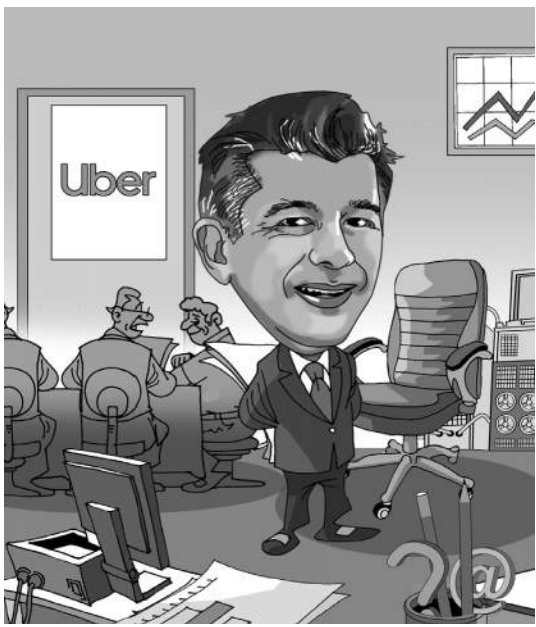
- The term "Jingle Mail" is associated with \_\_\_\_\_.  
A. Real estate  
B. Online Christmas shopping  
C. Mail order advertising  
D. Purchase of new cars
- India's highest ever marginal tax rate was \_\_\_\_\_.  
A. 97.50  
B. 97.75  
C. 98.00  
D. 98.25
- The term 'bail-in' is often used in conjunction with \_\_\_\_\_.  
A. Shareholders  
B. Bondholders  
C. Creditors  
D. Depositors
- Which State in the USA enacted a Regulation similar to the European General Data Protection Regulations (GDPR), last year?  
A. New York  
B. New Jersey  
C. California  
D. Texas
- Which of these companies has not been acquired by Microsoft?  
A. Skype  
B. GitHub  
C. LinkedIn  
D. Nest Labs

**Solutions**  
1. A. It is a colloquial term used for the sound of the keys turned in by former home-owners whose homes were repossessed by banks in the USA in 2008-09.  
2. B. In the year 1973-74, the people qualifying under the highest tax slab had to pay this amount or partly paid off in the event of a company's financial decline. On such occasions, bondholders are accorded similar treatment as shareholders.  
3. C. The California Consumer Privacy Act (CCPA) - stated to come into effect from January 1, 2020 - created new consumer rights relating to the access, deletion of, and sharing of personal information that is collected by businesses.  
4. D. Google acquired this home automation and thermostat company for USD 3.20 billion in 2014.

The quiz master is a certified financial planner and head-products, PPFAS Mutual Fund. Send your queries and feedback at yourmoney@bsmail.in

ECONOMY

PEOPLE IN THE NEWS BINAY SINHA



Uber Technologies has said that its co-founder and former CEO, Travis Kalanick, will resign from the board of directors of the company by the end of the year



The Directorate General of Civil Aviation is believed to have cracked down on Jeh Wadia-led GoAir for pushing pilots and cabin crew to work in excess of stipulated hours

FROM PAGE 1

## Banks need not fear probe agencies, says Sitharaman

Sitharaman said CBI officials told bankers that any fraudulent activities did not automatically mean that the bank staff was involved in those.

To probe on prima facie evidence, the CBI needs the permission of banks. "The CBI does not take up cases of bank frauds until lenders decide to send them to the agency," she said.

There is an arrangement that any fraudulent activity of above ₹3 crore will be first checked by an internal committee of the bank concerned. Only when the matter is informed to the Reserve Bank of India, the reference will be made to the CBI, she said.

CBI Director Rishi Kumar Shukla will hold a separate meeting and workshops with public sector bankers to explain the investigation procedure in detail and the roles that they have to play in it.

The FM further said banks should not sit on old cases, and directed



them to form general manager-led committees to expedite the pending cases. "Vigilance cases of the past have accumulated over several years. We have given a clear instruction to banks to go back to GM-level committees and look at the pending vigilance cases. They should either pursue them or close them

expeditiously," Sitharaman said.

While pursuing criminal action against those responsible, the CBI will be sensitive to the distinction between genuine commercial failures and culpability. It was also noted that there was a need for preserving the value of the business enterprise by treating it on a separate footing from culpability of individuals, the finance ministry later said in a statement.

A press release issued by the ministry said banks were advised to devise standard operating procedures for carrying out forensic audit. The Indian Banks' Association has been told to tie up with the CBI for training forensic auditors, put in place "robust arrangements for assessing adherence to standards by forensic auditors", and strengthen the forensic auditor empanelment process.

## GMR, Zurich will vie for same int'l traffic

Zurich Airport feels that the move may help to put it on a level with IGI Airport. "If both airports operate on a level playing field with respect to traffic rights for international flights, airspace utilisations, provisions of government resources such as immigration, Customs and security personnel, the (Greater) Noida airport will be able to offer very competitive process and quick and easy access," Daniel Bircher, chief executive officer of Zurich Airport International Asia, said in a recent media interview.

According to a feasibility study of the Jewar airport by consulting firm PwC, Delhi's international traffic by 2029-30 is expected to reach 31 million. By 2050, international traffic from the hinterland is expected to reach 44 million. "In the initial years, traffic at the new proposed airport is likely to be dominated by domestic air passenger movement. However, with increasing congestion at IGLA, international traffic may also start diverting towards the new airport. By 2050, the Jewar airport may look towards serving 27 international and 27 domestic destinations," the report by PwC, reviewed by Business Standard, said.

However, a lot will depend on the



Uttar Pradesh government's ability to complete the high-speed rail and road network before the commencement of flights.

"In the initial stages, the challenge to profitability and attractiveness of a greenfield secondary airport, where the primary airport is owned by a competing entity primarily, depends on its ability to connect itself with the catchment area. In this case, the Uttar Pradesh government's ability to complete the high-speed rail and road network before the commencement of flights is going to be a significant determinant of the profitability of the Jewar airport," said Debayan Sen, head of India practice for aviation consulting firm Landrum & Brown.

## Valuations shoot up despite turbulence

Since these events had an adverse impact on a large section of society, especially the informal sector, it has also restricted earnings from the stock market. Sensex earnings have de-grown in three of the last five years and posted an average earnings growth of 1 per cent over the last five years.

"At its peak in 2008-09, earnings from the stock market as a percentage of GDP was 5.6 per cent, which has fallen to an all-time low of 2.7 per cent. In the US, it's up from 7.1 per cent to 13 per cent," says Shiv Saigal, deputy CEO, capital markets advisory, Edelweiss Financial Services.

This collapse of earnings is the reason Indian equities have lagged behind their global peers. This, together with the big disruptive events such as demonetisation, GST, a slowdown in real estate, the liquidity crisis, and others have been partly responsible for the slower job creation and consumption.

Again, the fear of getting trapped in low-quality, low-growth or debt-heavy companies is responsible for the polarisation in the markets, leading to multi-year high valuations of select stocks. Among the 50 Nifty stocks, 28 are trading above a PE ratio of 20 times; within these, 14 are trading between 30-81 times.

"Investors are now putting great emphasis on the quality of corporate governance, management, auditing and balance sheets. Consequently, markets have become polarised in favour of a few stocks," explains Gautam Duggad, head of research - institutional equities, Motilal Oswal Financial Services.

Markets have also become more liquid as there are now more stocks/sectors to invest in. Within the financial sector, for example, there are asset managers (AMCs), life and general insurers, brokerages and non-banking finance companies. The banking list now includes discretionary plays, quick service players, multiplexes, retailers, etc.

Experts agree that investors and markets are turning smarter. "Investors, Indian and foreign, have become more knowledgeable. There is a lot more depth in the research and analysis being done," says Mookim.

Another indication of investors becoming more savvy is that the monthly contribution of SIPs (systematic investment plans) has grown from about ₹2,000 crore 5-6 years ago to an average of ₹8,000 crore in the past 18 months, even as GDP growth has halved to 4.5 per cent.

"In the last 7-8 years, the colour of institutional equity flows has shifted

disproportionately in favour of domestic investors. Between 2006 and September 2019, the total domestic institutional equity inflow was \$55 billion. Of this, \$45-46 billion has come after 2014 through SIPs and lump-sum investments. This means retail investors are maturing and are not hostage to market fluctuations," says Duggad. "Earlier, investors came during euphoria and sold during despair. That is not happening anymore. That's a very positive development," he adds.

"A lot of money has come into passive funds and quality names, instead of the earlier 'word of mouth' investing method," says Saigal.

The emergence of alternative investment funds, real estate investment trusts, infrastructure investment trusts, and the surge in the assets of portfolio management services show investors' appetite for risks and new products.

With more sovereign wealth funds, family offices, life and general insurers, and pension funds, markets have also become efficient and are in stronger hands now.

The downside clearly lies in the earnings. "We would see earnings downgrade in FY21 as well, simply because expectations are unrealistic. Markets have gone up because of global factors. But are earnings downgrades sufficient to correct the markets? I'm not so sure," says Mookim.

The other risk could emerge when markets shift from the 'growth' to 'value' theme. If investors are not nimble then, they could be caught on the wrong foot.

The global trade war could be another defining moment. Though the first phase of the US-China trade war may be ending, it potentially marks the reversal of the multi-decade 'globalisation' theme.

In the short term, Indian markets may stay choppy as the country's GDP and corporate earnings are expected to recover slowly. In the long run, while some existing companies/sectors will remain leaders, new ones could join the party. Experts also hope that gains will be more visible across markets.

"We haven't had any advantage of demographics so far. But when we move from a \$2.7 trillion economy to a \$5-plus trillion one, markets will reflect that with some segments (financialisation of savings, emergence of more consumption segments, lifestyle spending, etc) rewarding shareholders disproportionately," asserts Duggad.



# No MDR charges on payment via RuPay & UPI from Jan 1, says FM

Firms with turnover of ₹50 cr or more will be mandated to provide these two payment options

PRESS TRUST OF INDIA  
New Delhi, 28 December

In a bid to promote digital payments, Finance Minister Nirmala Sitharaman on Saturday said no Merchant Discount Rate (MDR) charges will be applicable on transactions through homegrown RuPay and Unified Payment Interface (UPI) platforms beginning January 1, 2020.

The Department of Revenue (DoR) will soon notify RuPay and UPI as the prescribed mode of payment for digital transactions without any MDR, she said after meeting with CEOs of public sector banks here.

Accordingly, all companies with a turnover of ₹50 crore or more will be mandated by DoR to provide the facility of payment through RuPay Debit card and UPI QR code to their customers, she said.

MDR is the cost paid by a merchant to a bank for accepting payment from their customers via digital means. The merchant discount rate is expressed in percentage of the transaction amount.

"After extensive consultation with stakeholders, banks and so on, I'm happy to say that announcement which was made in the budget will see the notification coming on January 1, 2020 whereby those modes which are getting notified will not have charges



**"RBI AND BANKS WILL ABSORB THESE COSTS FROM THE SAVINGS THAT WILL ACCRUE TO THEM ON ACCOUNT OF HANDLING LESS CASH AS PEOPLE MOVE TO THESE DIGITAL MODES OF PAYMENT"**

**NIRMALA SITHARAMAN,**  
Finance Minister

under the MDR being levied on them," she said.

Indigenously developed digital payment medium like RuPay and BHIM UPI will now have edge over the payment gateway promoted by foreign companies. In her Budget speech in July, Sitharaman had proposed that businesses should offer low cost digital modes of payment such as BHIM UPI, UPI QR Code, Aadhaar Pay, Debit Cards, NEFT, RTGS etc. to their customers, and no charge or MDR shall be imposed on customers to promote digital payment.

"I, therefore, propose that the business establishments with annual turnover more than ₹50 crore shall offer such low-cost digital modes of payment

to their customers and no charges or Merchant Discount Rate shall be imposed on customers as well as merchants.

"RBI and banks will absorb these costs from the savings that will accrue to them on account of handling less cash as people move to these digital modes of payment," she said.

She further said that all banks will also start a campaign to popularise RuPay Debit card and UPI in order to strengthen the digital payment eco-system and move towards less-cash economy. The finance minister said the government has already amended two laws — Income Tax Act and the Payments and Settlement Systems Act, 2007 — to give effect to these provisions.

The meeting was attended chief executive of Indian Banks' Association and representatives of leading private sector banks. Finance Secretary, Revenue Secretary, Electronics and Information Technology Secretary, CBI Director, RBI representative and the chief executive officer of NPCI were also present in the meeting.

Besides, the minister launched a common e-auction platform to sell attached assets of defaulters for improved realisation of value.

The platform is equipped with property search features and navigational links to all PSB e-auction sites, provides single-window access to information on properties up for e-auction as well as facility for comparison of similar properties, and also contains photographs and videos of uploaded properties.

As per the latest data, a total of 35,000 properties have been uploaded on the platform by PSBs.

PSBs have attached assets worth over ₹2.3 lakh crore over the last three financial years. To strengthen banks, in addition to the recent infusion of ₹60,314 crore, additional infusion of ₹8,855 crore (₹4,360 crore to Indian Overseas Bank, ₹2,153 crore to Allahabad Bank, ₹2,142 crore to UCO Bank and ₹200 crore to Andhra Bank) has been approved and would be released shortly.

# Small biz sentiment at 1-yr low: CriSidEx

SUBHAYAN CHAKRABORTY  
New Delhi, 28 December

Hit by the ongoing economic slowdown, the sentiment of micro and small enterprises (MSEs) fell to a one-year low after the second quarter (July-September) of 2019-20, says a major quarterly survey.

According to the eighth edition of the CriSidEx survey, sentiment fell during Q2 to 106. It was 120 in Q1.

This represents a fall in sentiment for the third-straight quarter in a row. Developed jointly by ratings agency CRISIL & the Small Industries Development Bank of India (Siddhi), the survey maps business sentiment on a composite index of zero (extremely negative) to 200 (extremely positive).

Crucially, only 27 per cent of the manufacturers reported Q2 as being good for business. This is almost the same as Q1.

As a result, positive sentiment in the quarter was the lowest in the past five quarters.

Among manufacturers, more firms from metals & mining, auto-components, and engineering & capital goods reported a subdued quarter.

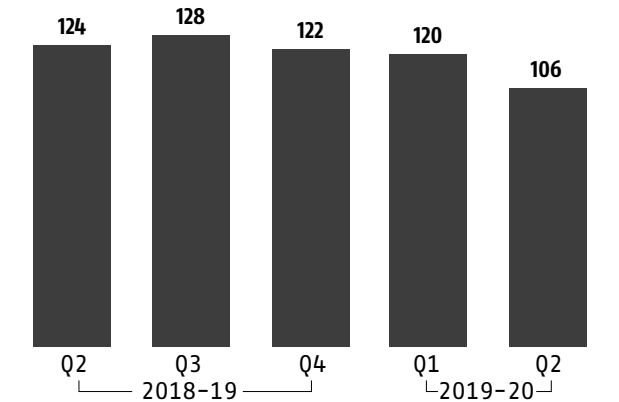
For manufacturing, the on-quarter drop was sharper in top line related parameters (volume and order book) than in margins. Among services providers, only 19 per cent of the firms reported a good Q2, against 28 per cent in Q1. This was again lower than the 38 per cent positive sentiment recorded in the last quarter of the previous financial year. Respondents from commercial services, construction & real estate, travel & hotels, and logistics were the most optimistic.

"The survey's findings need to be viewed in the context of macroeconomic factors, such as production cuts by automobile manufacturers, which impacted utilisation of components. Decline in both volume and realisation in commodity-



## IN NUMBERS

CriSidEx Score\*



Note: 0 refers to extremely negative sentiment while 200 is extremely positive sentiment. Source: CriSidEx survey for July-September and October-December, 2019

linked sectors such as steel, and a slowdown in consumption impacted gems & jewellery as well as hotels," said Amish Mehta, chief operating officer (COO) at CRISIL.

Export-oriented MSEs performed better, with 21 per cent of them reporting an increase in order book compared with 15 per cent in the case of domestic peers. Among importers, share of respondents that saw higher procurement in July-September 2019 declined to 9 per cent from 13 per cent in the preceding quarter.

Production and capacity utilisation are expected to remain stable next quarter as 28 per cent of the manufacturing MSEs expect an increase in

production. However, 65 per cent saw it unchanged and 7 per cent expected it to be lower.

On the other hand, hiring was muted as only 7 per cent of the MSEs reported addition to their employee base in Q2, compared with 16 per cent in the previous quarter.

At the same time, 87 per cent of firms reported the same employee count and 6 per cent reported reductions.

The survey pointed out that lenders have below-par outlook on the business situation.

In Q2, one out of 10 lenders surveyed saw an improvement in the overall business situation of MSEs. Four out of 10 rated it as satisfactory, and 5 out of 10 reported it as below satisfactory.

# Locust attack under control, claims Gujarat govt

VINAY UMARI  
Ahmedabad, 28 December

Gujarat has claimed that it has been able to bring the locust swarm attack under control, barring in a couple of isolated locations.

On a war footing now, the state government has deployed 100 tractor-mounted pesticide sprayer teams along with 16 from the Central government to tackle the locust menace, according to Punamchand Parmar, additional chief secretary for Agriculture, Farmers

Welfare and Cooperation Department, Government of Gujarat. He claimed the operation was "overall successful".

"The spread of locusts has been controlled. A two-day operation on December 26 and 27 in Tharad taluka was successful. Now, only a few isolated locations are left, including one in Jorapura, Dhanera and another in Kuchavada of Deesa taluka, where the central and state teams are working. Another eight teams of the Government of India are working in Sanchor, Rajasthan, where the locusts

of Tharad went yesterday," Parmar told *Business Standard*.

While a change in wind direction has reportedly turned the swarm towards Balochistan in Pakistan, Parmar said there are not too many left to go. The situation is likely to be brought fully under control by Sunday.

However, the Gujarat government has now assured compensation to farmers in the northern parts of the state, who have been affected by the recent swarm attack.

Till Friday, the state government had

said locusts in about 25 per cent of affected area had been controlled with pesticide spraying.

While Gujarat chief minister Vijay Rupani has assured compensation to aggrieved farmers in north Gujarat, their demand for electricity during the day has also been addressed. Farmers had sought power during the day to run water pumps and ward off the pests by playing loud music or making noises.

According to Parmar, large swarms of locusts has been found across 124 villages in 17 talukas of four districts.

# HEALTH

## FIT & PROPER

Your weekly health guide

### On secondary autism



ATISH LADDAD  
Founder & Director, Doctez

Separating children from technology has emerged as one of the major issues being faced by parents today. Weaning them away from screens is becoming more and more difficult. And here is why this a major problem, especially for children.

**What exactly is screen time and when does it cause a possible threat?**

Screen time refers to the time spent staying glued to the television, playing games on handheld electronic devices like computers, video games, phones, iPad or technologically advanced gaming consoles. If your child spends copious amount of time on the screen or is obsessed with the virtual world, it may be an indication that your child has fallen prey to an electronic screen syndrome (ESS) that can sow seeds for issues like secondary autism in kids or autism triggered by electronic screens.

#### What is ESS?

Have you ever encountered a situation wherein your child's head is continuously buried in a gadget? This, without a doubt, has a negative impact on your child's developing brain.

Our technology-oriented world is impacting children's decision-making abilities and their behavioural patterns. Moreover, falling prey to technology-induced secondary autism may lead to the gradual development of autistic symptoms in children.

ESS is fundamentally a syndrome of dysregulation — an inability to modify the child's mood, responsiveness, or level of stimulation in a manner suitable to one's environment.

Networking with screens tends to shift the nervous system into fight-or-flight mode which results in dysregulation and inefficiency of various biological systems. At times this anxiety response is instant and noticeable, say while playing an action video game, and other times the retort is more understated and may occur only post a certain amount of recurrence.

#### Symptoms of ESS

Symptoms like extreme mood swings, tantrums, low tolerance towards anxiety and stress, insomnia, behavioural snags, loss at the academic front, diverse behaviours, lack in sports-manship, lack of development in fine motor skills, speech impairment are commonly seen.

#### Negative impacts of ESS on the child

Studies suggest that young kids who spend long hours on-screen will certainly display signs that are close to autism. And when parents deliberately keep their kids away from the screens for a few months, the symptoms of secondary autism typically vanish. For instance, watching shows on television will only teach your child to repeat words without understanding what the words or numbers actually mean. Parents must note that kids learn the meaning of words via the medium of social communication, that is, by engaging in playful sessions with real people and having someone to converse with. On the other hand, the noise and light that comes from an electronic screen will only capture a baby's attention but will fail to result in the healthy development of the brain.

#### How to prevent ESS

According to current guidelines, infants less than two years of age should not get any screen time and kids between 2 and 5 years should be allowed to watch television or any other electronic gadget only for an hour. You will soon realise that your child will begin engaging in outdoor games and will embrace a normal growth.

# Fathers should be screened for postpartum blues, too

VISHWADHA CHANDER  
28 December

Screening fathers for postpartum depression is as important as screening mothers, researchers argue, and current guidelines don't go far enough in urging doctors to identify new fathers who may be suffering.

A perspectives piece in the journal *Pediatrics* points out that recent guidelines from the American Academy of Pediatrics (AAP) and the US Preventive Services Task Force (USPSTF) recommend that pediatricians use well-child visits to screen mothers for postpartum depression, yet they hardly mention fathers.

The guidance from these two respected organisations risks "being out of touch with contemporary American families," the authors write, in light of all the evidence emerging in recent decades showing the importance of fathers' mental health to the wellbeing of their children.

"Depression among new dads is a problem that too often gets overlooked," lead author Tova Walsh, an assistant professor of social work at the University of



Wisconsin-Madison, told *Reuters Health*.

"Although many new dads experience depressive symptoms, few know how to identify the signs or talk about their struggles."

Depression symptoms in fathers in the first year after the birth of a child are considered paternal postpartum depression, Walsh and colleagues write. Past studies have estimated that anywhere from 2 per cent to 25 per cent of

fathers are affected. But no clear diagnostic criteria specific to fathers exist, they note.

"Depression often looks different in fathers than in mothers," Walsh said. "In addition to the familiar symptoms of depression such as persistent sadness, loss of interest in previously enjoyable activities and trouble eating and sleeping, men may mask their symptoms by throwing themselves into work or by drinking more."

REUTERS

# Certain foods may help postmenopausal women sleep better

NICHOLAS BAKALAR  
28 December

The right diet might help you sleep better.

In a study of 77,860 postmenopausal women, researchers found that consuming foods that had a low glycemic index is associated with a reduced risk for insomnia.

Foods with low glycemic indexes — for example, vegetables, nuts and whole grain breads — have carbohydrates that are slowly absorbed and cause lower, and slower, rises in blood glucose and insulin levels after being consumed.

For this study, in the *American Journal of Clinical Nutrition*, participants completed lengthy questionnaires about what foods they ate and how often. They also reported their degree of insomnia at the start of the study and after three years of follow-up.

Compared with the one-

fifth of participants whose diet had the lowest glycemic index, those with the highest were 11 per cent more likely to have insomnia.

Some low-glycemic index foods — whole grains and dairy foods, for example — were not associated with reduced insomnia. But people who ate the most

fruits and vegetables were about 14 per cent less likely to have insomnia, and the largest consumers of fibre were 13 per cent less likely. In contrast, women who ate the most refined grains had a 16 per cent higher risk of insomnia than those who ate the least.

Although the study controlled for many health and behavioural characteristics, the study showed only an association and could not prove cause and effect. "Randomised controlled trials examining dietary patterns in relation to insomnia are needed to clarify these findings," the authors write.

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# Cannabis is a cure-all, claim Twitter bots without evidence

LISA RAPAPORT  
28 December

Social media bots are promoting cannabis as a remedy for everything from cancer to insomnia and foot pain, according to an analysis of posts on Twitter.

"Social bots regularly perpetuate unsubstantiated health claims on the platform, providing one example of how false statements may drown out solid science on social media," said lead study author Jon-Patrick Allem of the Keck School of Medicine at the University of Southern California in Los Angeles.

"I want the public to be aware of the difference between a demonstrated, scientifically backed piece of health information and claims that are simply made up," Allem said by email. "Currently, cannabis is only approved for medical use by the US Food and Drug Administration in a small number of instances, including to help with chemotherapy-induced nausea and vomiting, with appetite stimulation in conditions like AIDS or HIV that cause weight loss, and with the management of two forms of pediatric epilepsy."

Cannabis has become easier to get and more affordable in the US as a growing number of states have legalised the drug for medical or recreational use, or both, Allem and colleagues note in the *American Journal of Public Health*. A total of 33 states have legalised medical cannabis and 11 have legalised adult recreational use.

Despite legalisation, cannabis is not risk-free, the study team notes. Serious health problems associated with the drug include impaired short-term memory, reduced attention, impaired coordination and sleep prob-

lems, they point out. Regular cannabis use can also lead to an increased risk of dependence as well as addiction to alcohol or other drugs.

To assess how Twitter posts may be shaping public perception of the benefits or risks associated with cannabis, researchers sifted through millions of tweets to select a subset of more than 60,000 from almost 48,000 different users who didn't appear to be bots. They also looked at almost 9,000 tweets from

roughly 2,900 users that did appear to be bots.

The study team then coded the tweets into 12 categories, including mentions of first-time use, health and medical, legality, processed products such as edibles and using cannabis in conjunction with alcohol, painkillers and psychedelics.

About one third of the tweets involving cannabis from non-bots involved users "tagging" the drug, or identifying it in a photo or post, the analysis

found.

Cannabis use was a topic in about 12 per cent of posts that weren't generated by bots, with about three per cent of these involving first-time use of the drug.

Almost six per cent of the posts that didn't come from bots involved medical uses of the drug, which was described as helping cancer, plantar fasciitis, Crohn's disease, sleep, pain, anxiety, depression, trauma and PTSD.

The next most common posts involved legality of the drug or posts about where to buy or sell cannabis.

REUTERS



# A new playbook for protests

Somesh Jha finds out how the leaderless anti-citizenship protest is mobilising an army of volunteers, doctors and lawyers

Students running to safety in a fog of tear gas, police swinging lathis on them, and young men being hustled away into police vans and taken into custody.

These images of hapless students from Delhi's Jamia Millia Islamia University have now become synonymous with the anti-citizenship law protests that began with the police bursting into the library of the university on December 15.

Days later, when violence broke out in the National Capital's Daryaganj area as protesters clashed with the police, and dozens of students, including minors, were detained and injured, the word spread quickly.

Twenty nine-year-old lawyer Mishika Singh's phone went abuzz as messages about protesters being injured and detained poured in from everywhere. By midnight over 50 pro bono lawyers had arrived at the Daryaganj police station, ready to provide legal assistance to those arrested.

"By 7.30 pm, we had got to know that the situation had become bad and I was among the first few lawyers to reach the Daryaganj police station," says Singh. "The police wasn't letting us meet the detainees, which is a statutory right."

By then, Singh had already formed a group on messaging platform WhatsApp by the name "Lawyers for Detainees", which now has over 250 volunteers.

Driven by a sense of public service, some lawyers went to the house of the metro magistrate, who issued late-night directions to the Daryaganj police station to let detainees meet lawyers, release the minors and to provide medical aid to the injured. Following suit, some other lawyers went to the Seemapuri police station, where too the protests had turned violent, the same night and got a similar order passed from the relevant magistrate at 3 am. They managed to get all minors and some adult detainees released.

In what can be said as a citizen-led crowd-sourced movement, a diverse group of citizens, including lawyers, doctors, civil rights activists, artists and students from across institutions and religious groups have joined hands to drive or aid the anti-citizenship protests, especially in New Delhi.

Since December 19, when Singh-led the "Lawyers for Detainees" communication group was formed, it has been helping out those who have been detained in other parts of the country as well. It has now expanded its role to providing legal aid to bridging the information gap by passing on updates through Twitter and WhatsApp about the instances of violence during protests, particularly in Uttar Pradesh and Bihar.

There are over 250 young lawyers either helping or on standby in New Delhi alone, where hundreds of people have been detained in the past few days. They have been helping victims in filing petitions in courts, accompanying them to police stations in different parts of the city, and, in some instances, even offering monetary support for legal proceedings.

Lawyers though are not the only ones heading into the maelstrom. Doctors, psychiatrists and trauma teams too have



pitched in.

When Dr Harjit Singh Bhatti, national president of the Progressive Medicos and Scientists Forum (PMSF), saw a social media alert related to injured protesters being detained at Daryaganj on December 20, he rushed to the police station accompanied by two more doctors.

"We provided first aid and gave pain relief to the detainees and police both," Bhatti said, who formed a group of 30 doctors who were willing to volunteer during citywide protests.

The PMSF, a group of doctors and medical students, arranges ambulances on protest sites along with medical volunteers for assistance. This though has not been without consequences for the volunteers.

"At Assam Bhawan recently, the Delhi Police had detained two of our volunteers. The Indian Medical Association had to intervene and it issued a strongly-worded letter saying how medical facilities are available even in war zones," he said, adding the daily expenses of ₹10,000-₹15,000 for first aid

and treatment is being met through crowd-funding.

This trend is not confined to Delhi. Sonali Vaid, who didn't want to disclose her present location for fear of her safety, has formed a page on Twitter known as the "Medical Aid Support". Through the Twitter handle, Vaid sent out a distress message last week asking for volunteer doctors at Shaheen Bagh, where



(Top) A sit-in protest at Delhi's Shaheen Bagh, where women have been leading the protest since December 15; and medical volunteers with an ambulance stationed at UP Bhawan earlier this week

women have been leading protests since December 15.

Now heading into its third week, the protests have been notable not just for the huge number of people willing to defy authorities but also for the way support has poured in from different quarters. To shield themselves from the biting cold that Delhi has been witnessing, tents have been erected at Kalindi Kunj Road at Shaheen Bagh where protesters have parked

themselves permanently. "People are mostly suffering from cold, fever, and some have even sustained bruises. Two people are on hunger strike for 13 days now. They need to be checked upon," Vaid said.

Two Indian Institute of Technology (IIT) students — Aasif Mujtaba and Sharjeel — are coordinating the Shaheen Bagh protests. People from across the city have been making contributions in kind at the protest site.

**Everything from a stage microphone to speakers to posters has been crowd-sourced. Even the electricity connection for the tent, where organisers screen films through a projector, is being supplied by a nearby shop**

## How banks can help cool the world

India, US and China are the top three polluters globally. Banks can help change that

PRAVEEN GUPTA

As the planet Earth struggles to stay sustainable — the race to contain and reduce greenhouse gas emissions gets critical. Three countries stand out as the top pollutants — China, US and India, in that order. Each of them is faced with their set of unique challenges. Most of those challenges can be overcome with the support of the banking and especially the insurance industry.

Look at what is happening in the US. In the next decade the nation will account for 61 per cent of the world's new oil and gas production. The sheer scale of this new production dwarfs that of every other country in the world and would spell disaster for the world's ambitions to curb climate change. Yet a recent study found that up to half of new US oil fields rely on government subsidies to be economically viable. Without these subsidies, those projects would not proceed. It is here that banks, asset managers and insurers can play a role. They provide capital to the fossil fuel industry. The only American insurers to date to take a clear position to not insure fossil fuel are Axis and Chubb. Unlike the key European insurers and reinsurers, the Americans — notwithstanding their listed status — stay invested in fossil fuel and continue to support all insurance requirements.

At the other end, China has emerged as the biggest generator of solar power and the biggest installer of solar panels. The installed capacity of solar panels in China in 2018 amounted to more than a third of the global total. But while it has shown interest in solar, challenges persist in the form of its overseas investments in coal. An



### CARBON FOOTPRINT

Countries/region	Regional fossil fuel emissions	Per-capita emissions	Consumption-based fossil fuel emissions
China	27%	7.0 t	25%
Growth rates	+ 1.7%	+4.7%	
USA	15%	16.2 t	16%
Growth rates	-0.5%	+2.5%	
European Union	10%	28 t	12%
Growth rates	1.4%	-0.7%	
India	7%	1.8 t	6%
Growth rates	4.0%	+6.3%	

Source: www.globalcarbonprojects.org

analysis by the Chinese NGO Global Environmental Institute estimates that China was involved in 240 coal-fired power projects in 25 of the Belt and Road countries by the end of 2016. With 52 projects in the pipeline, Chinese-funded coal projects in Belt and Road countries alone accounted for 12.66 per cent of the world's planned projects; the 114 plants already in operation represent 4.5 percent of the coal currently being burned. Again here the changes can be steered by funding. Chinese finance is increasingly stepping in as

the lender of last resort for coal plants, according to Institute for Energy Economics and Financial Analysis. This needs to change. A "green Belt and Road" is not expected to happen overnight. However, emissions by 2050 from all BRI countries could be 39 per cent lower if they followed industrial "best practice" by employing greener technology. China, South Korea and Japan account for most of the public finance for new coal plants in developing countries. If those three countries joined the 113 finance institutions

with coal exclusion policies, most plants outside India and China would go un-financed and thus unbuilt.

Down South, India has committed to install 175 gigawatt of renewable power capacity by 2022. Even though there was a record growth in renewable power capacity installation until 2017, this growth slowed in 2018, due to several reasons. An anti-dumping duty imposed by the government on imported solar modules to aid domestic manufacturing; higher rates of taxation under the goods and services tax (GST), and unclear policy. As of May 2019, 22 per cent of India's total installed capacity for energy generation comprised of renewable sources, while 63.2 per cent of the capacity comprised of coal, lignite, gas and oil. Ironically, it is also waking up to exploit its abundant domestic coal reserves by inviting 100 per cent foreign direct investments in coal mining — just as it is becoming a taboo elsewhere. India has a peculiar record of state financed coal projects and private sector plumping for renewable energy. In 2018, most coal-fired project loans came largely from government and government-owned financial institutions. Privately-owned commercial banks contributed 75 per cent of all finance towards renewable energy projects. In conclusion, money is the oxygen on which the fire of global warming burns. Be it supplied by asset managers, banks, insurers or state driven — snuffing it would cool down the world we live in — at a sustainable level.

The writer is a former managing director & CEO, Raheja QBE General Insurance Company Ltd

IMO



Army Chief Bipin Rawat

### ARMY CHIEF'S REMARKS ON CAA PROTESTS

**Sudeep Chakravarti**@chakravarti This is not leadership, says Army chief Bipin Rawat on CAA protesters... Well, sir, neither is the 'leadership' provoking and inciting violence a sign of leadership.

**Yashwant Sinha**@YashwantSinha There are many ways in which democratic norms are being destroyed in India. But Army Chief Bipin Rawat wading into the current political controversy is a new low. Must be nipped in the bud.

**Nistula Hebbbar**@nistula Someone give the man a party ticket. ??

**Major Gaurav Arya (Retd)**@majorgauravarya Gen Bipin Rawat has not criticised anti CAA protests. He has criticised violence & arson. Surveys show that Indian Army is the single most credible & respected institution in India. Hence, politicians guilty of inciting violence are criticising him.

### CONTROVERSY OVER DETENTION CENTRES

**Bharti Jain**@bhartijain101 Detention centres for foreigners who are illegally staying here or have completed jail sentence in India, exist in many states, including West Bengal. They are in line with provisions or Foreigners Act and Foreigners Order, 1948, with even Supreme Court having taken cognisance

**Anjali Bhardwaj**@AnjaliB, PM says there is no detention centre in India. But reply of MHA to Lok Sabha in July 2019 says there are 6 detention centres in Assam. Another reply states govt has approved detention centre in Goalpara costing 46.5 cr & circulated Model Detention Centre Manual to states & UTs.

**Manak Gupta**@manakgupta Detention centres have existed in India for decades. Even Delhi & Bengal have them. They have suddenly become a conspiracy...!!!!

**Manish Tewari**@ManishTewari @narendramodi says in the Ramliha Grounds - there are no detention centres in India. His Govt told Rajya Sabha on 27 th November 2019 that 28 people died in Detention Camps in Assam. Are you correct PM or your Home Minister?

### PROTESTS OVER CAA

**Lisa Ray**@Lisaraniray My father was born in 1933, in undivided India. He has no birth certificate. My grandfather was a judge who was transferred every 3 years to another district in what today is known as Bangladesh. They returned to Kolkata August 15, 1947. Under NRC how would they prove citizenship

**Rupa Subramanya**@rupasubramanya Looks like a massive turnout for a rally in support of CAA here in Mumbai. An hour after the rally began, clearly it's in full swing. The anti-CAA\_NRC folks who thought their protest rally last week was huge should be worried. ????

**Mahua Moitra**@MahuaMoitra Without our right to privacy and data protection enshrined in law NPR = NRC. Data Protection Bill in current form gives unlimited rights to Gov for access and use. Don't trust this lying government with anything. No NPR, No NRC, No CAA

**Priyanka Chaturvedi**@priyankac19 India is perhaps now a leading democracy that instead of actively engaging in a dialogue is now clamping down on it by repeatedly shutting down modes of communication.



# At least 76 killed in blast in Mogadishu

PRESS TRUST OF INDIA

Mogadishu, 28 December

A massive car bomb exploded in a busy area of Mogadishu on Saturday, leaving at least 76 people dead, many of them university students, officials said.

The blast occurred at a busy intersection southwest of the Somali capital where traffic is heavy because of a security checkpoint and a tax office.

The wounded were carried on stretchers from the site, where the force of the explosion left charred and twisted remains of vehicles.

Mogadishu is regularly hit by car bombings and attacks waged by Al-Shabaab Islamist militants allied to Al-Qaeda, but Saturday's blast is the deadliest in about two years. Many of those killed are believed to be university students whose bus was hit by the blast. Two Turkish nationals also died, police said.

"The number of casualties we have confirmed is 76 dead and 70 wounded, it could still be higher," the director of the private Amin Ambulance service, Abdulkadir Abdirahman Haji, told AFP.

Police officer Ibrahim Mohamed described the explosion as "devastating".

"We have confirmed that two Turkish nationals, presumably road construction engineers are among the dead, we don't have details about whether they were passing by the area or stayed in the area," he said.

Mogadishu's mayor Omar Mohamed Mohamed told a press conference that the exact number of dead was not yet known, but that around 90 people were wounded.

"We will confirm the exact number of the number of the dead later but it is not going to be small, most of the dead were innocent university students and other civilians."

"This was a devastating incident because there were many people including students in buses who were passing by the area when the blast occurred," said another witness, Muhibo Ahmed.



A Somali man stands at the scene of the car bomb explosion at a checkpoint in Mogadishu on Saturday

REUTERS

Sakariye Abdulkadir, who was near the area when the car bomb detonated, said the blast "destroyed several of my car windows".

"All I could see was scattered dead bodies... amid the blast and some of them burned beyond recognition." No group has yet claimed the attack.

Mogadishu is regularly hit by attacks by Al-Shabaab, which has fought for more than a decade to topple the Somali government.

The militant group emerged from the Islamic Courts Union that once controlled central and southern Somalia and is variously estimated to number between 5,000 and 9,000 men.

In 2010, the Shabaab declared their allegiance to Al-Qaeda.

In 2011, its fighters fled positions they once held in the capital Mogadishu, and have since lost many strongholds.

But they retain control of large rural swathes of the country and continue to wage a guerrilla war against the authorities. Two weeks ago, five people were killed when Shabaab militants attacked a Mogadishu hotel popular with politicians, army officers and diplomats in an hours-long siege.

Since 2015, there have been 13 attacks in Somalia with 20 or more killed, 11 of which have been in Mogadishu, according to a tally of AFP figures.

All of them involved car bombs.

The deadliest attack in Somalia's history was a truck bombing in October 2017 in Mogadishu which left 512 people dead and around 295 injured.

## Taliban kill 10 Afghan soldiers

Ten Afghan soldiers were killed in a Taliban attack on a military base in the southern province of Helmand on Saturday, officials said.

The Taliban dug a tunnel into the base in volatile Sangin district and then blew it up before their fighters could attack the compound, Nawab Zadran a spokesman for 215 Maiwand Army Corps in southern Afghanistan told AFP.

"There were 18 soldiers in the base at the time of the attack providing security for the people of Sangin. Four soldiers were wounded and four repelled the Taliban attack bravely," he said.

Provincial spokesman Omar Zawak confirmed the attack and said the soldiers were killed by the powerful blast inside the base.

Taliban spokesman Zabihullah Mujahid in a statement sent to media claimed responsibility for the attack.

The attack in Helmand comes as local and international forces brace for another deadly winter amid US-Taliban talks to end the violence in Afghanistan. On Tuesday, seven Afghan soldiers were killed in a Taliban attack on a base in the northern province of Balkh.

# China to scrap benchmark lending rate in shift to new system

BLOOMBERG

28 December

China's central bank ordered lenders to adopt a new loan-pricing regime for all credit from next year, marking an end to the previous benchmark and another step toward liberalising the financial system.

Financial institutions should stop using the old lending rate as the pricing reference for all credit from January, while gradually converting existing loans to a new base — the loan prime rate — from March to August, the People's Bank of China said Saturday. The one-year lending rate had provided the previous anchor for loans across the economy.

The move could lower costs for some of the 152 trillion yuan (\$21.7 trillion) in yuan-denominated outstanding loans held by financial institutions and boost economic growth, even though it won't involve a straightforward cut to interest rates. The LPR — set at 4.15 per cent for one-year tenor this month — is lower than the benchmark rate at 4.35 per cent.

Against the backdrop of the long-term slowdown in the economy, policy makers are opening the financial system to outsiders more while making it more market driven in some respects. At the same time, officials are keen to control the pace of change as they try to weed out bad debt while



The one-year lending rate had provided the previous anchor for loans across the economy

ISTOCK

keeping the system stable.

The transition is "in line with the need to further reduce the financing costs for the real economy, although there's still a long way to go", said Fan Ruoying, an analyst at the Bank of China's Institute of International Finance in Beijing. The move will present more challenges for commercial banks as the interest margin will be squeezed and lenders will need to improve their pricing ability, she said.

## Revamped rate

The LPR, revamped to become the benchmark for new loans this year, is based on the interest rate for one-year loans that 18 banks offer their best customers. Banks submit the quoted price each month in the form

of a spread over the rate of the PBOC's medium-term loans.

"By now close to 90 per cent of new loans are priced with the LPR, but outstanding loans with floating rates are still based on the benchmark lending rate," the central bank said in a separate statement. That means the real lending cost "can't reflect changes in market interest rates", it said.

The move may help make monetary policy more effective, resolving a long-standing problem in which cheap funding that the PBOC offers banks doesn't result in cheaper loans to businesses. In the new scenario when all borrowing is based on the LPR, the supply of central bank funding or cuts to the rates of medium-

term loans will in theory push down the LPR, and reduce the cost of all lending to businesses.

## Old system

Most central banks govern the price of money in an economy via the rate that banks are charged to borrow cash over short time periods. In China, that approach had been divided into two steps. First, the PBOC guided prices for funding in the inter-bank market via its reverse repurchase agreements and medium-term lending facility. Then, it set the benchmark rates that were used to price mortgages, business loans and other commercial lending — the one-year and five-year lending rates.

While the interest rate of home mortgages should also be converted to the LPR, the new borrowing cost must be the same as the current charges to "reflect the request to regulate the property market," the central bank said in the statement. Home mortgages could be repriced in the future, based on the LPR, it said.

The PBOC's latest efforts show its commitment to making the interest-rate system more market-driven, though controls on deposits remain for now. The step-by-step approach appears to be trying to open up the system without shrinking interest margins too rapidly and adding more pressure to smaller lenders.

# Biden says he won't testify at Trump trial

RYAN TEAGUE BECKWITH

28 December

Former Vice President Joe Biden again said that he would refuse to testify in President Donald Trump's Senate impeachment trial, even if subpoenaed.

In an interview with the *Des Moines Register* editorial board, Biden said any testimony would just distract from the charges that Trump abused the power of the presidency by pressuring Ukraine to smear him and obstructed Congress by refusing to cooperate with the investigation. "What are you going to cover?" he

told the influential Iowa newspaper's editor. "You guys are going to cover for three weeks anything that I said. And (Trump's) going to get away. You guys buy into it all the time. Not a joke." Biden said earlier this month that he would not testify, arguing it would allow lawmakers to "take their eye off the ball" instead of focusing on Trump's actions.

For now, Senate Majority Leader Mitch McConnell has indicated he'd prefer a trial with no witnesses, though Trump and some of his Republican allies have floated calling Biden and his son Hunter to testify. Only a little more than a week

after Senator Elizabeth Warren boasted about her grassroots fundraising at a Democratic debate, her campaign admitted it is falling short.

In an email to supporters, the Warren campaign said it has raised less money than in the previous quarter.

"So far this quarter, we've raised a little over \$17 million. That's a good chunk behind where we were at this time last quarter," the email says, according to *CNBC*. If that holds, it would be about a 30 per cent drop from her third-quarter total of roughly \$25 million.

Campaigns frequently send these kinds of last-minute appeals just

before the Federal Election Commission reporting deadlines. In this case, Tuesday will be the deadline for both the fourth quarter and the annual campaign finance reports.

But it's particularly bad timing for Warren, who sparred with South Bend, Indiana, Mayor Pete Buttigieg last week over his reliance on big donors, especially a fundraiser held in a "wine cave" in California. Warren has eschewed fundraisers with big donors, relying instead on small, mostly online donations, though she accepts \$2,800 donations from individuals, the maximum a person can contribute.

BLOOMBERG

# UN condemns human rights abuses against Rohingya

PRESS TRUST OF INDIA

28 December

The UN General Assembly approved a resolution on Friday strongly condemning human rights abuses against Myanmar's Rohingya Muslims and other minorities, including arbitrary arrests, torture, rape and deaths in detention.

The 193-member body voted 134-9 with 28 abstentions in favour of the resolution which also calls on Myanmar's government to take urgent measures to combat incitement of hatred against the Rohingya and other minorities in Rakhine, Kachin and Shan states.

General Assembly resolutions are not legally binding but they do reflect world opinion.

Buddhist-majority Myanmar has long considered the Rohingya to be "Bengalis" from Bangladesh even though their families have lived in the country for generations. Nearly all have been denied citizenship since 1982, effectively rendering them stateless, and they are also denied freedom of move-

ment and other basic rights.

The long-simmering Rohingya crisis exploded on August 25, 2017, when Myanmar's military launched what it called a clearance campaign in Rakhine in response to an attack by a Rohingya insurgent group. The campaign led to the mass Rohingya exodus to Bangladesh and to accusations that security forces committed mass rapes and killings and burned thousands of homes.

Myanmar's UN ambassador, Hau Do Suan, called the resolution "another classic example of double-standards (and) selective and discriminatory application of human rights norms" designed "to exert unwanted political pressure on Myanmar".

He said the resolution did not attempt to find a solution to the complex situation in Rakhine state and refused to recognise government efforts to address the challenges.

The resolution, the ambassador said, "will sow seeds of distrust and will create further polarisation of different communities in the region". The res-

olution expresses alarm at the continuing influx of Rohingya Muslims to neighbouring Bangladesh over the last four decades, now numbering 1.1 million including 744,000 who arrived since August 2017, "in the aftermath of atrocities committed by the security and armed forces of Myanmar".

The assembly also expressed alarm at an independent international fact-finding mission's findings "of gross human rights violations and abuses suffered by Rohingya Muslims and other minorities" by the security forces, which the mission said "undoubtedly amount to the gravest crimes under international law". The resolution called for an immediate cessation of fighting and hostilities.

It reiterated "deep distress at reports that unarmed individuals in Rakhine state have been and continue to be subjected to the excessive use of forces and violations of international human rights law, international humanitarian law by the military and security and armed forces".

## FACE OF RESISTANCE



An injured anti-government protester is seen detained inside Hong Kong's Sheung Shui shopping mall on Saturday

REUTERS

# Lufthansa union calls for three-day strike

BLOOMBERG

28 December

German cabin-crew union UFO called for more strikes at Deutsche Lufthansa's low-cost Germanwings unit after the two sides failed to settle a long-running labour dispute.

Workers at Germanwings, which now operates under the Eurowings umbrella, will strike between December 30 and January 1, the union said in a video broadcast on YouTube on Friday. Further strike action will be declared after January 2, 2020, the union said.

"We had hoped up until the last minute to be able to bring better news today," union representative Daniel Flohr said in the video. "We have no choice now but to defend our interests through strike action."

Lufthansa blasted the strike-call, saying UFO had for weeks failed to spell out its concrete demands in writing, blocking a quick fix to the dispute. Strife between UFO and the airline was a ruse to "enforce personal and financial interests" of the union's management, said Lufthansa board member Detlef Kayser in an email.

Eurowings, in a separate statement, said 30 of the group's 140 planes fly for Germanwings. Further talks between the airline and UFO are planned for January 16-17.

The dispute between Lufthansa and its cabin crew has been going on for several months. The parties hammered out a deal on pay earlier this month, but failed to reach an agreement on working conditions. Cabin-crew members held strikes in November, leading to the cancellation of about 1,300 flights.

The labour strife is coming at a difficult time for Lufthansa, which warned in July that competition from low-cost carriers would have a negative impact on its business in the second half of the year.

Airlines globally are dealing with a decline in traveller and cargo revenue caused by slowing economic growth and trade wars. UFO represents the interests of over 30,000 cabin crew in Germany.

BLOOMBERG

# World's longest-serving ruler must reveal his assets for IMF bailout

KATARINA HOJIE &amp; ALONSO SOTO

28 December

Equatorial Guinea's leader Teodoro Obiang Nguema Mbasogo, the world's longest-serving president, should declare his assets before the nation receives more financial support, according to the International Monetary Fund.

The central African country needs an IMF bailout to deal with a crisis that shrank its economy by a third to \$13 billion last year. Under a program agreed to last week, the state will be required to increase transparency, improve governance and implement reforms to fight corruption, Lisandro Abrego, the lender's mission chief for Equatorial Guinea, said in an interview.

"Authorities will implement an asset-declaration regime for senior public officials as part of the programme's requirements," he said by phone from Washington. "It's our understanding that the law will apply to all senior government officials."

Obiang, in power since August

1979, and his regime have been accused by prosecutors in the US and France of squandering the tiny Central African's vast oil wealth. As recently as 2017, Equatorial Guinea was as rich in per-capita terms as its former colonial master Spain. Today, OPEC's smallest member is struggling to pay its debts after oil prices collapsed in 2014. The government has piled up arrears with construction firms that equate to almost 19 per cent of its gross domestic product, according to the World Bank.

"The economy has been hit hard by the decline in oil and gas prices, which has affected export earnings and led to a virtual depletion of foreign assets," Lisandro said. "The economy has also been affected by long-standing governance and corruption problems."

Audits by the government of state-owned oil and gas companies are already under way and should be completed by mid-2020, Lisandro said. All active oil and gas contracts are expected to be made public by March, he said.



Equatorial Guinea's leader Teodoro Obiang Nguema Mbasogo's son received a three-year suspended jail term and a \$35 million fine from a French court in 2017 for spending tens of millions of dollars in public funds on a mansion, sports cars and jewellery

REUTERS

The IMF will also require Equatorial Guinea to join the Extractive Industries Transparency Initiative, which promotes good governance in the oil and mining industries. The

country initially applied in 2008 and has since implemented several reforms to meet the membership requirements. Authorities filed a new application last month, Lisandro said.

Calls and text messages to Finance Minister Cesar Mba Abogo seeking comment went unanswered. A Finance Ministry official didn't reply to questions sent by text message.

## Money laundering case

The IMF last week gave the green light to a \$280-million loan to Equatorial Guinea, \$40 million of which has already been dispersed. The loan roughly equates to what Obiang's oldest son and vice president, Teodoro Nguema Obiang Mangué, spent between 2000 and 2011 buying luxury properties on four continents and assets including Michael Jackson memorabilia, documents filed in a 2013 US Department of Justice money-laundering case show. The case was settled the following year.

The president's son received a three-year suspended jail term and a \$35 million fine from a French court in 2017 for spending tens of millions of dollars in public funds on a mansion, sports cars and jewellery. In September, Swiss authorities raised \$27 mil-

lion in an auction of exclusive cars they'd seized from him, including a limited-edition Lamborghini Veneno roadster that sold for \$8.4 million. He's denied any wrongdoing.

Human-rights and anti-corruption advocates have questioned why the IMF is lending its credibility to "a regime with no previous record of serious reform," Sarah Saadoun, a researcher with Human Rights Watch, said in an interview.

"With no external pressure, besides the IMF, there's a risk that the loan will fund the same lifestyle that the oil wealth has upheld for 25 years," Saadoun said by phone from New York.

Oil was discovered in Equatorial Guinea in the 1990s. Revenues from offshore oil fields supported investments in large infrastructure programmes but left little room for social projects. Less than half of the 1.3 million population has access to clean drinking water and 20 per cent of children die before the age of five, according to United Nations data.

BLOOMBERG



# Steel firms hope for better pricing in 2020

Analysts see commodity prices looking up and say looking forward to a pick-up in consumption

ADITI DIVEKAR  
Mumbai, 28 December

The year 2019 has been tough for the domestic steel industry as both stocks and commodity prices dropped significantly during the year. With steel consumption slipping to unexpected levels on the back of an extended monsoon, the US-China trade war, and a liquidity crunch in the domestic market, among several other factors, prices of the alloy plunged almost 34 per cent in the period under review.

"The steel industry had not seen such a steep price fall in the past two-three years. Hot-rolled coil prices slumped continuously for 21 straight weeks (during the year) and have led to lowering market consumption estimates to 4.5 per cent for FY21," said Amit Dixit, analyst with Edelweiss Securities.

The industry had estimated market consumption growth at 7 per cent at the beginning of FY20. In the last two years, domestic steel demand has grown 7-8 per cent. In 2019 so far, hot-rolled-coil prices

have dropped to the lowest level of ₹33,000 per tonne from the high of around ₹44,000 per tonne in the year.

Meanwhile, large domestic steel players such as JSW Steel and Tata Steel had to cut production to align themselves with the market consumption pattern and announced capex cuts as well. State-owned Steel Authority of India (SAIL), Delhi-based Jindal Steel & Power Ltd (JSPL), and Rastriya Ispat Nigam are among other large players in the domestic market.

Taking the calendar year into consideration, since the quarter-ended March, most top producers have witnessed a fall in their revenue stream, leading to margin contraction sequentially, indicating a grim business climate. Jindal Steel was the only player with expanded margins due to higher exposure to long steel products, where the drop in revenue was not as sharp as that for flat players (see chart).

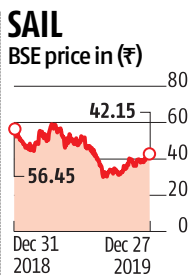
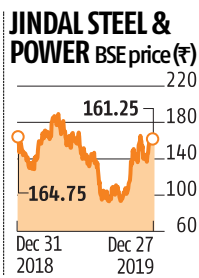
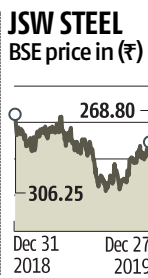
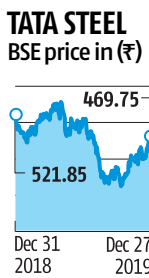
Flat steel products are used in the auto sector, while long products find wide application in infrastructure and construction. The unprecedented fall in



## THE OUTLOOK

	Revenue (₹ cr)			PBITD (₹ cr)		
	Mar '19	Jun '19	Sep '19	Mar '19	Jun '19	Sep '19
JSW Steel	19,264	17,344	15,218	4,424	3,991	2,984
Tata Steel	18,498	15,813	14,487	5,472	4,094	3,579
SAIL	18,506	14,820	14,127	2,406	1,765	1,318
Jindal Steel	7,402	7,085	6,573	-214	1,608	1,255

Compiled by BS Research Source: Capitaline



the auto market due to a liquidity crunch hit flat players such as Tata Steel and JSW Steel the hardest.

Society of Indian Automobile Manufacturers (SIAM) showed passenger vehicle sales decreased for the tenth straight month in August by 31.57 per cent to 196,524 units. This was the

sharpest fall registered since SIAM started recording data in 1997-98, said the industry body.

Amid the gloomy business environment, in which players relied on exports to meet revenue targets since realisations remained shifty back home, ArcelorMittal, the world's largest steel

producer, entering India in a joint venture with Nippon Steel was a positive development. The joint venture acquired Essar Steel early this month.

"Mittal entering India market has brought hope for better capacity utilisation along with expectations of new capex for the coming year," said Nikunj Turakhia, president of the Steel Users Federation of India (SUI).

According to the Joint Plant Committee data, India exported 3.94 million tonnes during April-September as against imports of 4.02 million tonnes in the same period. Consumption was slightly up at 50.84 million tonnes in April-September from 48.45 million tonnes in the same period last year.

"For the last couple of months there have been no imports. This is not good for the consumer as Indian players are not competitive in some products and importing such products is needed for the white goods industry," said a Mumbai-based analyst.

Dual faced cold-rolled steel and a higher grade of galvanised-colour coated steel are some of the examples of such products.

Hoping the worst is behind, steel industry executives are looking forward

to a better price scenario, coupled with a pick-up in consumption, mainly in the infrastructure and construction segments.

In the past couple of months, domestic producers have raised prices by ₹2,000-2,500 per tonne.

"The recent price increase has led to a slight pick-up in demand since there is some stocking taking place and so the demand here is B-to-B (business-to-business). Only when the demand goes B-to-C (business-to-consumer) can we say that actual demand pick-up is happening in the market," said the trader.

Though the trade war between the US and China is not over, it is not expected to aggravate, given that reconciliation is on its way, said brokerages.

"Reconciliation happening between the US and China should heal the global industry, which in turn will impact the domestic market positively," said Vishal Chandak, analyst with Emkay Research.

The domestic industry remains hopeful that the Budget would also bring some relief to the steel sector.

The key to revive flat steel production in the market would be to improve liquidity for the auto sector, said officials.

# For tea firms, quality is the flavour again

AVISHEK RAKSHIT  
Kolkata, 28 December

After witnessing a dent in profitability owing to their "volume play", tea companies are reverting to quality, which they think will help improve margins and make them sustainable.

Quality has not been one of the thrust areas for plantation companies, which have been trying to keep pace with rising input costs vis-à-vis price realisations.

Over the past five-six years, while input costs rose by around 15 per cent, prices improved 5-7 per cent only. For instance, during 2013-14, Warren Tea made a net profit of ₹20.24 crore, while during 2018-19, the company registered a net loss of ₹15.92 crore.

For the past three financial years, the company hasn't been making any profit. Same has been the case with Willamson Magor Group-owned McLeod Russel, which posted a ₹257.15 crore net profit during 2013-14 but registered a net loss of ₹4.42 crore in the last financial year.

For McLeod, however, apart from prices, group affairs have been a drag on its balance sheet. This resulted in mounting debts of around ₹1,700 crore.

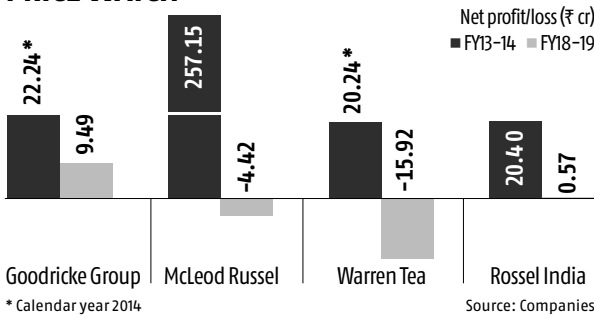
Goodricke had posted a ₹22.24 crore profit in calendar year 2014 but it shrank to ₹9.49 crore during the financial year ended March 31, 2019.

Rossel India, too, had posted a ₹20.40 crore profit during 2013-14 but the figure fell to ₹57 lakh in the last financial year.

With focus back on quality, prices of high-end teas increased by 3-5 per cent for Warren Tea, while the low-end prices shrank by the same percentage. In case of Goodricke, too, prices of Assam tea (upper



## PRICE WATCH



\* Calendar year 2014

- Average price of better quality tea shot up by 7-8%
- Average price of lower grades declined 7-8%
- Quality improvement will lead to better margins
- Lower availability of volume will also lead to better auction prices

quality) increased by five per cent.

The drive to improve quality, in fact, led Goodricke, Luxmi Tea and MK Shah Exports to buy estates from McLeod in the Assam region when it was up for sale.

"The gardens are of good quality and we are investing around ₹2-3 crore in the estates," said Atul Asthana, chairman and managing director of the Goodricke Group.

Sharing a similar view, Rudra Chatterjee, director at Luxmi Tea, who also bought gardens from McLeod in Assam and Africa, said, "Auction prices have improved for the estates we bought. The average auction prices are the highest for the estates in Moran region in Assam and we saw it as a good opportunity to buy those estates and improve quality."

Luxmi Tea had sold estates in Dooars and Upper Assam and opted to buy plantations from McLeod in a bid to strengthen the company's financial position.

In fact, after the acquisition, estates in Moran, under Luxmi Tea, fetched 10-12 per cent higher prices owing to quality improvement at the cost of a fall in production volume.

On an average, for major plantation companies, prices increased 7-8 per cent in the quality tea range while it dipped by a similar percentage for lower quality teas.

In case of Assam Company, which had to undergo insolvency resolution in the National Company Law Tribunal (NCLT), the firm was able to bounce back riding on quality produce.

During July this year, its Doomur estate in Assam

achieved the number one rank in average tea sale price of CTC tea at Kolkata auctions. In a similar auction last year, the produce from this tea estate had ranked at 185th.

Besides, its Maijan Orthodox Golden Tea tips fetched a record \$1,000 per kg in Guwahati. Better quality teas, which are priced above ₹200 a kg in bulk sale, comprise around 20 per cent of the total tea production of around 1,300 million kg.

"We have decided to focus on quality and rationalise the estates besides bringing down the debt considerably. Asset monetisation is the way out," said Vivek Goenka, executive director at Warren Tea.

Warren Tea has sold its Sealkote tea estate in Assam for ₹19 crore to pare debt and sale of other estates is likely.

## 2019 LOOKING BACK

# MOVIES THAT MOVED INDIA IN 2019



Indians are watching more English movies, shows a recent report by online ticket booking platform BookMyShow. The report titled 'Show Off The Year' captured the trends in movies and live entertainment shows watched by Indians in 2019 based on the bookings made.

BookMyShow hosted over 1,880 films across languages on its platform. English films saw significant traction in 2019 – the Marvel craze took over India as *Avengers: Endgame* broke all records to sell over 8.6 mn tickets on BookMyShow, making it the highest-selling Hollywood movie. *Endgame* was closely followed by Vicky Kaushal starrer *Uri - The Surgical Strike* with over 5.7 mn tickets sold on BookMyShow alone.

BY SOHINI DAS

## TOP 10 MOVIES (basis number of tickets sold on BookMyShow)

- 1 Avengers: Endgame
- 2 Uri - The Surgical Strike
- 3 Kabir Singh
- 4 Saaho
- 5 War
- 6 The Lion King
- 7 Mission Mangal
- 8 Simmba
- 9 Gully Boy
- 10 Chhichhore

## MOVIES WITH THE LONGEST SHELF LIFE (days)

Aladdin (English)	179
Ayogya (Tamil)	125
Kabir Singh (Hindi)	102
Maharshi (Telugu)	99

## MARQUEE INTERNATIONAL EVENTS OF 2019

- U2: The Joshua Tree Tour 2019
- NBA India Games 2019
- Aziz Ansari - Road to Nowhere
- Marvel Avengers S.T.A.T.I.O.N.
- The Grub Fest

Date range: December 1, 2018 - November 30, 2019

U2 event: 26% of attendees travelled from NCR, Bengaluru, Pune, Hyderabad, Kolkata, Chennai, and Ahmedabad for the Mumbai concert

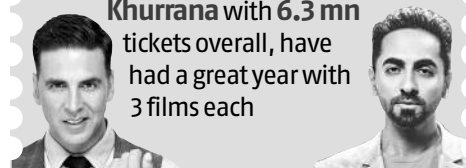
NBA Games: Saw 100% occupancy with the average ticket price for the event at ₹12,000

Demand for Hindi movies grew 25% from last yr

Demand for Malayalam movies rose 108% followed by English at 45%

Total value of English movie tickets sold grew by 56% YoY

Akshay Kumar with 9.2 mn tickets and Ayushmann Khurrana with 6.3 mn tickets overall, have had a great year with 3 films each



Hyderabad was home to maximum number of movie lovers, followed by Mumbai and Bengaluru. Hyderabad moved from fourth position in 2018

Movie buffs booked an avg of 2.6 tickets per transaction

Advance ticket sales grew by 11% on BookMyShow in 2019, just shy of 20 million tickets - 11% of movie tickets being booked before release

Number of international live events listed on BookMyShow grew 62%

Mumbaiers held pole position when it came to live entertainment experiences followed by NCR and Chennai

Music festival Sunburn grew significantly this year with over 3,00,000 fans attending the festival

# After 2 years of strong growth, cement demand fizzles out

Hope of recovery now pushed to second half of FY21

AMRITHA PILLAY  
Mumbai, 28 December

Growth in cement demand was significantly affected this year after no major recovery was seen in the sector.

With no significant demand growth in sight in the near future, analysts expect growth to return only after the 2020 monsoon.

All India cement volume growth between April and September declined in the range of 2 to 4 per cent. The sector is expected to end both the calendar as well as the financial year with flat demand growth.

"The general elections in Q1, and subsequently, heavy rains in most parts of the country had taken a toll on demand consumption and even the latter part of the calendar year failed to put up an impressive show," said Shailendra Chouksey, whole-time director for JK Lakshmi Cement.

India's cement demand was expected to grow at the rate of 5 to 6 per cent for the full financial year. The

confidence stemmed from a two-year strong growth rally. India's cement demand growth story, however, fizzled out from April 2019.

"There has been a glitch in the smooth ride the industry experienced in the last 8 or 10 quarters till March 2019. Expectations of a slowdown post-election was in the offing, but such a sharp decline that we have seen is a surprise," said Atul Datta, chief financial officer (CFO) of UltraTech during the company's September quarter earnings call.

Datta pegged the industry's cement demand decline in the second quarter at 2-2.5 per cent, with only the northern market showing a positive growth rate.

Demand growth, analysts say, is now likely to revive after monsoons in 2020.

"Cement demand was expected to grow at 5 to 6 per cent this year. But it has not happened. Demand was impacted first by liquidity constraint, slowdown in infrastructure development and later extended monsoon," said Binod Modi, analyst with Reliance Securities.



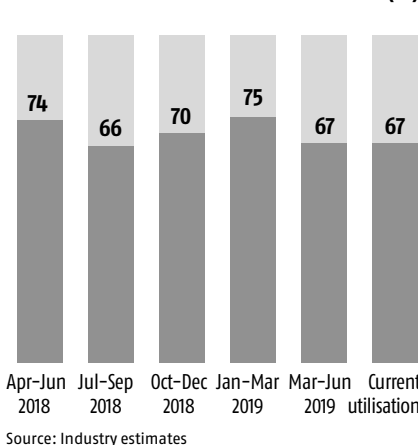
He added, "A meaningful recovery in demand is expected only by the second half of FY21."

Analysts at JP Morgan, in a November 22 report, noted, "The cement sector is likely to see slow volume growth after two years of strong demand." The analysts added,

"Hopes of a second half (for FY20) recovery have been pushed out, given the muted activity for roads/government programmes and persistent weakness in urban real estate construction activity."

Some like UltraTech are hopeful of an earlier recovery. Analysts with

## FALLING CAPACITY UTILISATION



Source: Industry estimates

Motilal Oswal in a December 26 note said, "Demand has picked up recently and improved the visibility of growth in the March 2020 quarter. Overall demand in the country should be better in FY21 at 6 per cent year-on-year (YoY) and the East should see stronger growth at 10 per cent YoY."

The report was based on takeaways from a meeting with the UltraTech management.

All India cement prices have also moved in tandem with the tepid demand. Based on data available upto November 2019, sourced from JM Financials research reports, cement prices either declined or remained flat during eight months.

The industry's capacity utilisation also took a hit in the April-June 2019 period. Utilisation in the June quarter was at 67 per cent as volume growth declined 3-4 per cent after a seven-quarter growth rally.

The sector has been facing lower capacity utilisation for most part of the last decade. A YES Securities Research note said supply overhang for the sector rose to 156 million tonne per annum (MTPA) in FY19 against 38 MTPA in FY09. Capacity utilisation in the same period fell to 70 per cent from 80 per cent in FY09.

"We expect capacity utilisation of the industry to gradually improve from the current 67 per cent-68 per cent to about 80 per cent-82 per cent in the course of three to four years," Chouksey added.



## RJD's safe haven

Former Bihar chief minister Lalu Prasad was in 2013 convicted by a special Central Bureau of Investigation (CBI) court in a case related to the embezzlement of funds meant for the purchase and distribution of cattle fodder. As separate cases were registered for withdrawal of money from various places in Bihar, he was convicted by a CBI court to around 14 years in prison.

But here's the twist. He is currently in prison in Ranchi. In the last five years, because of the rule of Bharatiya Janata Party's Raghuraj Das, Lalu got little consideration from the state authorities whose guest he was. But earlier, when Hemant Soren was CM, Lalu was shifted out of the jail into a government guest house where every possible facility was made available to him. Now Soren is back as CM, it is hardly surprising that Lalu should have congratulated him warmly and made dire predictions about the BJP's future.

Lalu's party, Rashtriya Janata Dal (RJD) was in alliance with Soren's Jharkhand Mukti Morcha in the election. The chances are the prisons portfolio will go to a member of the RJD. Even if it doesn't, the RJD will find it has a sanctuary in Jharkhand. This in turn, will have implications for the party's strategy and politics in the upcoming assembly elections in Bihar: because now, Lalu Prasad's political expertise will be available to the RJD without fetters.

It all depends on how soon this happens and whether somebody petitions the court to see Lalu does not get 'preferential' treatment. Either way, RJD is now in for an overhaul.

## DID THEY REALLY SAY THAT?



**"Leaders are not those who lead people in inappropriate direction. We are witnessing in large number of universities and colleges that students are leading masses and crowds to carry out arson and violence in cities and towns. This is not leadership"**

Outgoing Army chief General Bipin Rawat at an event in New Delhi on December 26

## CHECKLIST

## THE RISE OF INDIA'S POLITICAL CONSULTANTS: PRASHANT KISHOR

■ Born in 1977, Kishor is a public health expert by qualification. He worked for the United Nations for eight years. The first ever election strategy that he devised was for Narendra Modi, when he was contesting for chief minister of Gujarat for the third consecutive term in the 2012 Assembly elections. And, that was his first victory as a strategist.

■ The next campaign for Kishor was a big one – the 2014 Lok Sabha elections. Ahead of the polls, Kishor founded the Citizens for Accountable Governance (CAG). He formed a team of 200 young, Indian professionals from top schools and companies who contributed to the phenomenon of the 'Modi wave'. These youngsters quit their comfortable banking and consultancy jobs and worked diligently with Kishor to devise the campaign for BJP. The 'chai pe charcha' campaign, 3D rallies, conclaves and social media

programmes were all the work of Kishor's team. ■ Kishor broke away from the BJP in 2015 and reformulated the CAG as Indian Political Action Committee (I-PAC). I-PAC's first project was designing a campaign for Nitish Kumar. As the advisor and consultant to Nitish Kumar, who was at his political low in 2015, Kishor brought in a team of strategists, number crunchers, communication experts, media planners, appropriate technology, etc. ■ He provided his services to the Congress in the 2016 Punjab Assembly Polls. ■ Jagannathan Reddy, whose YSR Congress Party (YSRCP) swept Andhra Pradesh in the recently concluded Assembly polls also made use of his services. ■ He is learnt to be advising Mamata Banerjee's Trinamool Congress ahead of the West Bengal Assembly elections



## OPINION

VENKAIHAH NAIDU

## We must be effective ambassadors in cultural diplomacy

I would like to convey my heartiest congratulations to Amitabh Bachchan, the doyen of the Indian film industry, for being awarded the prestigious Dadasaheb Phalke Award. I am sorry he could not be physically present with us for this ceremony because of indisposition. I hope he would bounce back to good health soon. It would be no exaggeration to say that Bachchan is an institution by himself. For more than five decades, he has been enthralling the masses in India and abroad by essaying different roles from an angry young man to an ageing parent. He continues to be a perennial source of inspiration to the entire Indian film industry.

I must thank our esteemed jury for having collectively decided on the list of distinguished awardees. It must have been quite an intensive, immersive experience to watch more than 400 entries in the feature film category and 255 entries in the non-feature categories and select the most socially relevant and aesthetically deserving films.

I notice that the non-feature films deal with a wide range of subjects from female infanticide to the challenges faced by weavers. They tell stories of brave human trafficking survivors, about the ethics of adoption, films mapping the journey of fictional characters to real life heroes like G D Naidu.

The feature films this year are as much about emotions as they are about intelligence. We have gifted child artistes among us who have shown us infinite range of emotions. In the bouquet of films, we have films that break stereotypes and attack superstitions sensitively.

It also gives me great pleasure to know that the award for best feature film goes to a film on women's struggle. There is a vast range of films in these awards. We have awards that bring to us the best of sound and the best of silence. Sounds that take us back to small Indian villages, towns and cities. Awards in various Indian languages that capture our culture, awards which raise our awareness about environment, awards that raise questions and others that offer solutions.

Feel that there are huge opportunities for greater co-operation between the film fraternity and the government to devise ways to utilise the scenic endowments of India.

I am glad to know that State of Uttarakhand has won the award for being the most film friendly state. I must congratulate the government in facilitating the ease of film making in the state. While collectively striving for sustainable development, we can promote the tourism sector and showcase India's cultural diversity to the world.

As you all are aware, cinema is not only the most popular medium of entertainment but also the most impactful. Right from 'Raja Harishchandra', the first movie made in India in 1913, films have caught the popular imagination and earned a special place in the hearts of people.

Cinema has no geographical or religious boundaries because it speaks a universal language and touches the raw emotions. Raj Kapoor's 'Awaraz Hoon' continues to be popular in Russia even today. Over the years, Indian movies from Bollywood and other languages have earned global popularity. During my visits abroad, I was pleasantly surprised to find about the popularity of Indian films. In fact, one of the top dignitaries of a Baltic country told me how they enjoyed watching Bollywood movies. And in the recent times, films like 'Bahubali' have proved that India's film industry is capable of making technically superior movies.

Over the years, cinema has become an integral part of our cultural consciousness. The staggering number of films made in different languages in our country every year is a testimony not only to the popularity of films, but also to the fact that the film industry provides livelihood to thousands of families across the country. Since films can make profound impact on the society, I feel that cinema should act as an instrument of social change.

Art speaks a universal language. This language reaches the hearts and minds of people very easily. It communicates emotions, transmits values and helps shape social norms. It influences behaviour and can alter perceptions. It can incite people and excite passions or calm ruffled nerves and provide solace to troubled minds. It can make us laugh whole heartedly and shed tears copiously.

Art doesn't merely copy what happens within society but also imagines the future and indirectly shapes a society.

In a way, it not only provides wholesome entertainment but also performs an educative function. In my view, the film makers should also be conscious of the impact this powerful medium has on the people. The effort should be to educate people and promote social harmony. The focus should be on creating an artistic rendition of challenges and social ills and resolve the conflicts in a way that reinforces social cohesion and ethical principles. The film medium should strive to bring about an attitudinal change in the society as has been done in quite few films on many contemporary issues like sanitation, gender parity and caste discrimination.

I was extremely disturbed, like every right-minded citizen of the country, by the incidents of rape and violence against women in some parts of the country. No civilized society can accept such despicable acts against women.

The nation must rise in one voice to not only to condemn such atrocities but also to act with determination to prevent them. The mindset has to change. Parents have a huge role to play in inculcating the right values and attitude among children. So have the media.

As a matter of fact, cinema industry should not do anything that weakens the culture, traditions, values and ethos of Indian civilization. Indian films carry an important message to audiences across the world. They convey an important glimpse of 'Indianness' or 'Bharatheeyatha' to the outside world. We need to be effective ambassadors in the world of cultural diplomacy.

Edited excerpts from an address by M Venkaiah Naidu, vice president after presenting the National Film Awards in New Delhi on December 23



ILLUSTRATION BY BINAY SINHA

As China faces challenges of administration and authority from Hong Kong and Xinjiang, formerly Professor of Political Science at University of Delhi and an expert on Chinese politics, **Manoranjan Mohanty** tells **Aditi Phadnis** how the Chinese leadership will battle its challenges within the boundaries while maintaining its image in front of its neighbours as well as the West. Edited excerpts:

## 'Democratisation a deeper issue in China'

**China is facing challenges of administration and authority from Hong Kong and Xinjiang. It is worried enough about the two to mount an aggressive defence. How do you read the problem?**

Hong Kong and Xinjiang present two different kinds of challenges to China's central leadership. Hong Kong is a case of demand for democracy and self-governance. On the other hand, Xinjiang is a long-standing case of demand for ethnic self-determination.

The campaign against the extradition bill that started in June which occasionally led to violent confrontation with police and other incidents has grown into a movement for substantive democratic practices. This included direct elections of the Chief Executive who is currently appointed by the Chinese government out of a panel submitted by an electoral college consisting of elected members as well as representatives of other sectors. Xi Jinping has refrained from deploying security forces to suppress the democracy movement in Hong Kong. The original bill which would have allowed Hong Kong to hand over fugitives to mainland China has been withdrawn. The demand for an independent investigation into police excesses may be acceded. District Council elections had been conducted peacefully on 24 November where pro-movement candidates

got 55 per cent votes. Even though there was some disruption of business, the financial interests remained vibrant and the flight of capital to places like Singapore was insignificant. The framework of 'One Country, Two Systems' that Deng Xiaoping declared for Hong Kong's return to China in 1997 has been reiterated by the Chinese authorities.

In Xinjiang, the policy is still one of 'strike hard' against 'fundamentalism, extremism and secessionism'. Besides intensifying close surveillance and strong police action against dissidents, Xi Jinping's signature focus on 'poverty alleviation' has been put into force on a massive way. That has involved putting thousands of Uighurs in what the Chinese call 'Vocational Training Camps' and others regard as 'Concentration Camps for forced labour and brain-washing'. Major companies from Eastern China are tied up with training programmes and have employed Uighurs in satellite enterprises which have come up in a big way in the rural areas.

Thus there is no likelihood of a new policy of 'aggressive defence' in the future.

**The Hong Kong problem has not gone away, despite the withdrawal of the extradition bill. This suggests a deeper issue.**

Indeed the deeper issue is that of democratisa-

tion not only in Hong Kong, but in China as a whole. But more than ever before, the Xi Jinping leadership believes that stability was the most important condition for China's remarkable economic growth and that must be maintained at any cost. So the Chinese government blames the Western governments, civil society groups and media for fomenting the unrest in Hong Kong accusing them of envying China's successful rise as a world power and trying to prevent that. When the US Congress passed the Hong Kong Human Rights and Democracy Act on 26 November on the initiative of President Trump, the Chinese government reacted sharply as interference in internal affairs. Hong Kong will continue to put the question of democratization of the Chinese system on the agenda.

**Is containment of Xinjiang really a big issue for China? Or is it being exaggerated out of proportion by the United States and other interested parties?**

Xinjiang is a major issue for China even though US and other Western countries fully exploit the tensions there.

The forces of religious fundamentalism are active in the region. But the way the government has enforced restrictions on women wearing veils, men sporting beards and similar such actions show that they are not addressing the roots of alienation of Muslims. There was a brief period in 1980s under Hu Yaobang under whose leadership Xi Jinping's father former Vice-Premier Xi Zhongxun's liberal approach to religious question and Xinjiang and Tibet that stressed tolerance and respect for minorities was in practice. But that perspective was debated under Jiang Zemin and was abandoned. After the rise of Al Qaeda and later ISIS the policy of comprehensively defeating fundamentalism and secessionism was in force. After the violent incidents of 2009 the policy has become even more stringent. But clearly this policy has not won over the people of Xinjiang. Even though the number of terrorist incidents has declined, alienation of the population persists.

**How do you see the Xi regime handling the challenge?**

Formally, the Xi leadership has followed a three-pronged strategy on Xinjiang which was worked out in 2014 and reiterated recently by Wang Yang, the Standing Committee Member who also chairs the CPPCC, the United Front organ: a) deradicalisation by educating the youth in skills and patriotic values, and weaning them away from religious extremism; b) poverty eradication by lifting the region's 770,000 people above poverty line; and c) strengthening the Xijiang Production and Construction Corp which has been in charge of the security and economic development of Xijiang since the 1950s.

All three aspects are put into action in the so-called vocational training centres. According to Western reports as many as 1.8 million people are in these camps in mostly northeastern Xijiang. Many of them had got employment in rural enterprises after train-

ing. According to one account each company that takes people for training is paid 1800 Yuan (₹18000/-) per head as incentive and again 5000 Yuan (₹50,000/-) for giving them a job. Most enterprises provide apparently satisfactory child care and elderly care facilities in their premises so that both male and female members of the family can work. Involving companies in training and employment is a rather new method of addressing poverty. Big foreign corporations such as Volkswagen which has a car manufacturing plant in Urumqi, the capital is also participating in this programme as also Adidas.

The Xinjiang Production and Construction Corp – actually a military organization has many agricultural firms, manufacturing enterprises and energy programmes among others.

Xinjiang's cotton industry involving many Chinese and foreign multinationals has a worldwide market. That has got additional encouragement both from government investment as well as private capital.

But whether the vocational training camps are sites of 'involuntary labour' and separating family members from one another is desirable are constantly questioned. The phenomenon of monitoring the behavior of each family to check if there was any element of extremism exhibits direct state control over the household. Migration of Uighurs for work within China is seen with suspicion. Refugees from Xinjiang paint a dismal picture of repression.

History of ethnic movements in the world shows that no amount of economic upliftment satisfies the minority nationality until they are treated with dignity by sharing political power. That has not happened in Xinjiang. For example, no Uighur has ever been appointed as the CPC Secretary thus far though the Governor of the Province, rather the Chair of the Autonomous Region is one. But the Party leader manages the region.

**Could China see a fall-out of its treatment of Muslim minorities in the Islamic world, especially its Belt and Road Initiative? What about BRI projects that pass through Xinjiang?**

The Belt and Road Initiative indeed is a major instrument for the development of Xinjiang. The ancient Silk Road passed through this region linking Central Asia as well as Europe. The success of the BRI projects such as the sixty billion US dollar CPEC (China-Pakistan Economic Corridor) depends a lot on the economic development and people's participation in the various projects along the route. Indeed, there is a fall out of the Xinjiang situation in the neighbouring Islamic countries. But China has deftly handled its relations with them by making SCO (Shanghai Cooperation Organisation) an active forum for combating terrorism and promoting economic cooperation. Besides its close relations with Pakistan, it has extended development support to Afghanistan and Political support to Iran and even Turkey where a large number of Uighurs have found asylum. But the uneasy condition in Xinjiang is bound to adversely affect BRI.

## More legs to run

Class tenth students of an NCR school design a prosthesis to help amputee dogs, writes Swarnami Mondal

Ellie, a ten-month-old dog lost two of her front paws when she was a puppy. With the help of prosthetic paws, Ellie no longer limps but romps around with a sheepish grin. Its almost like a Christmas miracle, being gifted the ability to walk...

It was a group of tenth standard girls from Shiv Nadar School who gave Ellie the gift to walk. They developed a forelimb for another dog, Delna who is an amputee as well. As part of a school project which involved designing a technology-based solution for a real-life problem, a team 'Pawsitivity' comprising students Arushi Shah, Navya Aggarwal, Navya Jain, Shreeya Mittal, Sriha Singh, and Utpal Chauhan developed silicone-based prosthetics to make Ellie and Delna self-reliant.

One of the students of the team 'Pawsitivity', Navya Aggarwal, said: "It all began with trips to the shelter - Sophie Memorial Animal Relief Trust - and identifying the area of impact." Now, they had to come up with a process to mitigate the challenge they faced and create a positive impact. They tried building the prosthetics with several materials including clay but nothing worked. After a couple of failed attempts, hours of research and brainstorming, they figured silicone could be used as one of the materials to design the prosthetic limb.

A detailed design was developed and a sil-

icone 3D printer helped them reach the basic form of their prototype. After a few trials and errors, and experimentation with material to make it water-resistant, the final prototype was made. The final prototype is made of plastazote, silicone, medipop bandage and rubber. Delna required an entire forelimb whereas Ellie required prosthetic paws. Both of these cases were to be approached in a different way. To mimic a leg, the prosthetic limb is attached to Delna's upper body using a plastic case that can be strapped on using velcro strips and a sturdy spring is attached at the base to act as a paw.

A student of the group, Utpal Chauhan says, "The process was long-drawn and challenging, but there were enough incentives to keep us pushing our boundaries. The owner of the shelter where Delna and Ellie live supported us a lot."

The students also tell *Business Standard* how the project taught them a lesson or two about animal behavior. Shreeya says, "Once the prosthetic was designed, the next challenge was teaching Delna to walk on all-fours rather than balance on three legs. She is still learning and will master the act in some time." Mark Nelson, the IT teacher at Shiv Nadar school, helped them with the needed hand-holding. He says, "This six-month-long project is aimed at teaching kids how to identify a problem, apply design-thinking and come up with an innovative solution."

The students registered their cause on a crowd-funding platform and managed to raise



(Top) Delna the dog with team Pawsitivity; (right) Delna and Ellie with their prosthetic limb designed by the team

₹10,000 through it. They even organised a bake sale in their school and raised about ₹4,000. "This is a cost-effective solution and it doesn't require too many sub-parts, thus it can be accessed by a lot of people," says Mark. The students developed each prosthetic at about one-fourth of the prevalent market price.

The students plan on scaling up this concept going forward through a very simple model. An owner can just send pictures of the amputated limbs of his dog and necessary meas-



urements to build the prosthetic. The team will design, build the prosthetic and send it across to the owner who can just help his dog wear it. In the future, team Pawsitivity wants to design an app that will help them reach out to many such furry amputees.



## THE OTHER INDIA



# Middle class rising

Civil society is finally acquiring dynamism in India

From Hong Kong to the US, France, the UK and New Delhi, the mobilisation of civil society has been one of the notable trends of the second decade of the 21st century. These public protests, in the form of marches and sit-ins and mostly peaceful demonstrations, will remain a heartening reminder that liberal values have not lost their currency in an increasingly authoritarian world. The year 2019 alone will be remembered for the success of the pro-democracy protestors in Hong Kong, who recorded significant victories against the might of the Beijing administration. India, too, has attracted

global attention for the countrywide demonstrations against the Citizenship Amendment Act (CAA) and the National Register of Citizens (NRC), the latter in abeyance as a result. The little-noticed aspect of these protests is that they reflect a trend in civil society that has been gathering momentum over the decade.

Till the noughties, public demonstrations were largely considered the province of party workers mobilising the grassroots for a cause: Farmers, adivasis, dispossessed peasants, slum dwellers, and so on. An educated, agnostic civil society of the kind that has existed in the West since the revolutions of

1848 was virtually absent (the student movement during the Naxalite riots in West Bengal was too *sui generis* to fit this paradigm). Middle-class Indians were either too reticent about getting involved in public issues or too self-absorbed to do so — a fact that was starkly in evidence during the Emergency (1975-77). But starting with civil society's candlelight vigils against the blatant miscarriage of justice in the murder trial of the socialite Jessica Lal, India's expanding middle class is experiencing an awakening of social consciousness beyond narrow concerns.

This new dynamism was starkly in evidence at the end of 2012 and the start of 2019 in states as distant as Delhi and Kerala. In 2012, the gang rape of a young paramedic caused an unprecedented turnout of women (and some men) in the heart of the national capital to protest against the lack of safety for women and girls in the city. It was a potent

demonstration that reflected the growing confidence of professional, middle-class women in a male-dominated society that reflected their rising participation in the workforce. It had a salutary impact on the political class, which eventually passed more stringent (and slightly more sensitive) rape and workplace harassment laws. In this instance, it was a question of society leading politics. In the dramatic 620-km human chain formed by women in the southern state of Kerala on January 1 this year, it was a case of civil society pressuring politicians to enforce the law. This was in response to the continuing ban on women entering the iconic Sabarimala temple, though it was overturned by the Supreme Court in September 2018. This potent demand for gender equality has not, regrettably, encouraged the male priests and their chauvinist supporters to change their mind but it remains an uncon-

fortable reminder of the dissonance between tradition and modernity.

Students have been at the forefront of demands for civil rights from as far back as 2015, when protests erupted over the suicide of the Dalit student Rohith Vemula and later over the hanging of Afzal Guru, which launched the career of leftist student Kanhaiya Kumar. It has, again, been students who have catalysed civil society at large to mobilise against CAA and NRC protests, provoking the prime minister to stretch the truth about his party's policies. The notable point about the latest protests is that Hindus, Sikhs, Christians, and Indians of all denominations have united to protect the rights of Muslims. They provide a bulwark against the crude communalism fanned by majoritarian politics and highlight the reassuring potential embedded in the forever argumentative Indian.

# Unravelling India's growth story

Major structural reforms are needed to raise growth rates to the highs achieved between 2003 and 2008

ALOK SHEEL

The Central Statistical Office's (CSO's) gross domestic product (GDP) data show that the economic expansion that began in 2014-15 peaked in 2016-17 at 8.2 per cent. Growth declined thereafter to 7.2 per cent in 2017-18, 6.8 per cent in 2018-19, and further to 4.8 per cent in the first half of 2019-20.

Quarterly data pinpoints growth peaking at 8.1 per cent in Q4 2017-18, followed by six successive quarterly declines, with Q2 2019-20 coming in at 4.5 per cent. The sharpest decline can be dated to Q2 2018-19, when growth fell to 7 per cent, from 8 per cent in the previous quarter. This was followed by 6.6 per cent in Q3 and 5.8 per cent in Q4. Growth continued to fall to 5 per cent in Q1 2019-20, and to 4.5 per cent in Q2.

Economists are divided over whether the decline in growth is cyclical or structural. There is also an unresolved debate over the sanctity of the new 2011-12 GDP series, on which the above estimates are based. Both the former chief economic advisor, Arvind Subramanian, and the then Reserve Bank of India governor had voiced scepticism over the revisions when the 2011-12 series was put out in 2015. This was because the new numbers were out of synch with high-frequency data.

There was even greater incredulity when the back numbers for the new series were made available. The (old) 2004-05 series estimates were revised downward from an average of 8.8 per cent to 7.8 per cent for the period 2003-04 to 2007-08. This meant that average growth during this period of global boom was just 30 basis points higher than what it was in 2014-15 to 2018-19 (7.5 per cent), as against 130 basis points earlier. This revision was done over a decade after the events.

What gave credence to these doubts were calculations done by technical experts in the Committee on Real Sector Statistics, formed by the National Statistical Commission. These showed GDP growth during the boom years to be actually higher than what was originally estimated under the 2004-05 series.

Rival politicians publicly sparred over these numbers, especially since they overturned received wisdom. This was that while the preceding UPA-II government (2009-14) may have lost the plot, growth during the UPA-I regime (2004-09), but excluding the global crisis year of 2008-09), was nevertheless significantly higher than during the tenure of the succeeding NDA government, as there was a global boom.

The debate over GDP numbers was joined recently by Mr Subramanian, with the publication of two papers in June and July 2019, respectively, following up on some observations made by him earlier.

First, he compared India's growth trends with those of similarly-based major developing economies. Second, he took stock of the discrepancies between headline GDP numbers and high-frequency indicators.

On this basis he estimated that India's growth for the period beyond 2011-12 was about 2.5 percentage points lower than what the CSO had estimated. His second paper reiterated these arguments but avoided quantifying the overestimation.

GDP growth numbers should be broadly consistent with other economic data to be amenable to macroeconomic logic. If these are not, GDP numbers need to be revisited.

One can think of several data sets that have a strong positive correlation with the GDP growth rate. There may be occasions when, for specific reasons, a particular indicator is misaligned over a short period. Taken collectively, it is hard to imagine lead indicators being anything but positively correlated with GDP. All such indicators go into the calculation of the national income, directly or indirectly.

The indicators considered in the accompanying

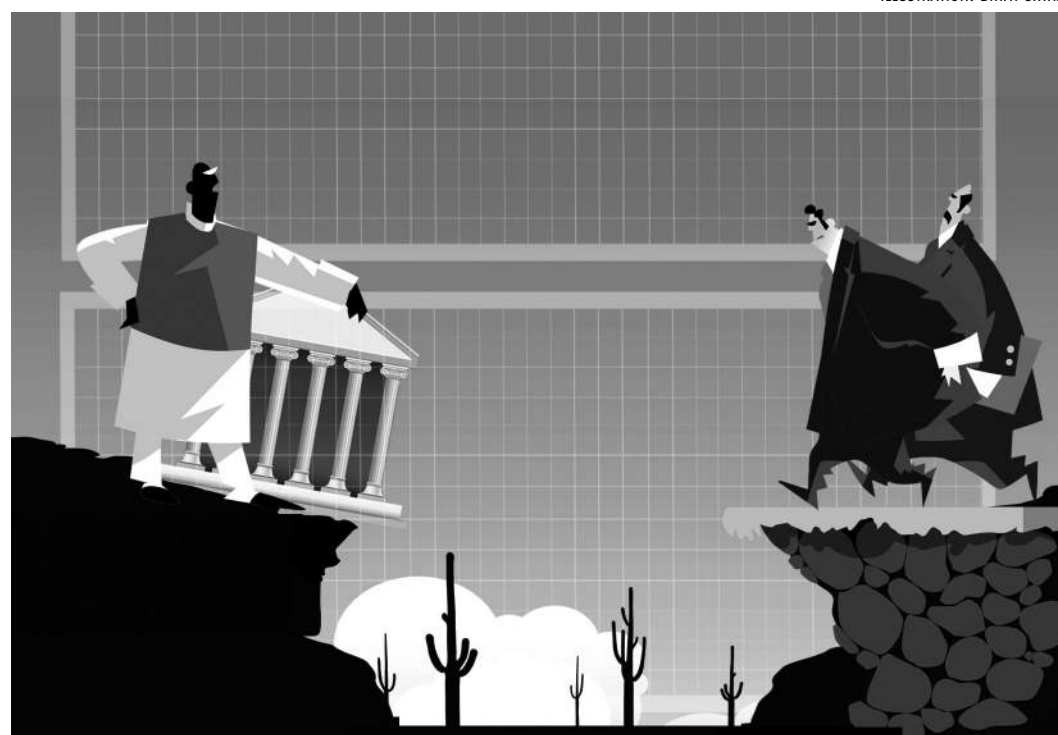


ILLUSTRATION: BINAY SINHA

	AVERAGE ANNUAL GROWTH (%)	
	2003-04 to 2007-08	2014-15 to 2018-19
Real GDP	7.8	7.5
Real bank credit	21.6	7.5
Real tax revenue	13.1	8.2
Index of Industrial Production	10.1	3.8
Automobile production (mn)	9.9	6.9
Export growth (\$)	27.0	3.3
Power generation (bn KwH)	6.0	4.5
Rail freight (bn tonne km)	10.2	11*
Air cargo (tonnes)	10.5	8.5
Coal production (tonnes)	5.6	2.0
Index of Agricultural Production	6.4	0.3
IT market (\$)	26.2	8
Sensex inflation	25.9	10.5
Net FDI (\$)	15.3	0.2
Corporate profits (% of GDP)	22.2	-8.4
Employment (NSSO and PLFS)	0.80	-1.0

\*Data available only up to 2015-16

table are the index of industrial production, the index of agricultural production, automobile production, power generation, rail, road and air freight, exports, central tax revenue, corporate profits, employment, bank credit, information technology market size, net foreign direct investment (FDI) and the Sensex. Wherever monetary data sets are involved, such as bank credit, revenue growth and Sensex (asset) inflation, these have been deflated with the average of wholesale and consumer price inflation. This is because comparisons are made with real GDP growth. Dollar-denominated series are taken at face value.

Overall, these data sets point to robust growth between 2003-04 and 2007-08. This was followed by a sharp fall in 2008-09 and 2009-10, coinciding with the global financial and economic crisis. There was an

equally sharp recovery that peaked in 2010-11. Growth, however, declined and flattened out thereafter, at levels significantly below the earlier period.

The data also points to a modest uptick between 2014-15 and 2017-18, when a new government had taken charge. Growth, however, fell back yet again in the wake of demonetisation and a flawed (Goods and Services Tax) tax reform.

The data also indicate that overall growth between 2014-15 and 2018-19 was markedly lower than in the period 2003-04 to 2007-08.

It is difficult to come up with alternative authoritative GDP numbers in the absence of a comprehensive review. The data, however, appear to be broadly consistent with Mr Subramanian's estimation that GDP growth in the post-2011-12 period is overstated by 2-2.5 percentage points.

This means that the average growth between 2014-15 and 2018-19 could be closer to 5 per cent, as against 7.5 per cent estimated by the CSO under the 2011-12 series. It also means that GDP could be currently trending nearer 2-2.5 per cent.

To conclude, if one were to keep the contentious GDP figures aside, and look at other high-frequency data directly correlated with growth, it would appear that there was only a weak recovery following the growth crisis beginning 2011-12. The decline in potential growth from the highs of 2003-04 to 2007-08 would therefore appear to be structural, through a process of hysteresis. The sharper decline over the last few quarters, on the other hand, could possibly be cyclical, but on a lower base GDP.

That being the case, while macroeconomic (fiscal and monetary) policies might raise growth back to 5 per cent, major structural reforms would be required to raise the growth potential back to anywhere near the 2003-04 to 2007-08 levels. These include, in addition to the longstanding suspects, addressing frictions in the banking system, restoring the lost trust between government and economic players, and a well-articulated, predictable forward-looking policy road map that is adhered to.

The writer is RBI chair professor, ICRIER. These are his personal views

# How vulnerable are bank ATMs?

ATANU BISWAS

At least 22 people of the same locality in Kolkata lost more than ₹5 lakh in early December, as fraudsters possibly using skimming machines at multiple ATMs emptied bank accounts within hours of salaries and pensions being deposited. On another "Black Sunday" in August 2018, more than 50 people lost over ₹20 lakh.

How vulnerable are ATMs worldwide? About five or six years ago, a restaurateur in the American state of Tennessee, along with his associate, withdrew more than \$400,000 in \$20 bills around Nashville over a period of 18 months. Using a special button sequence and some insider knowledge, they allegedly reconfigured ATMs to believe they were dispensing \$1 bills, instead of the twenties actually loaded into cash trays. The vulnerabilities of ATMs can be illustrated in numerous such instances.

ATM jackpotting is the exploitation of physical and software vulnerabilities to get the machines to dispense cash. There are mostly three ways to rob an ATM — remote (involving remote-controlled malware), almost remote (a Bluetooth keyboard) and physical. There has been a string of smash 'n' grab robberies in countries such as the US, where trucks are crashed into stores and ATMs hauled out. Poor security, defunct CCTV cameras and easy availability of cheap, high-tech skimming devices are major reasons for ATM frauds around the world.

Skimer, a Trojan able to steal funds and bank card data, was introduced in 2009. Logic attacks have become increasingly popular among cybercriminals since then, through other malware families, including GreenDispenser, Alice, Ripper, Radpin and Ploutus, among others. Micro cameras are also sometimes placed either above the keypad or where bank forms are kept. They capture PINs, which enables card-cloning for fraudulent cash withdrawals.

How can ATM security be enhanced? It can be done by increasing awareness, tightening security measures, and incorporating new technologies for security.

Many customers are careless; they use overly simple and non-random PINs (such as date of birth), and do not change PINs periodically, compromising security. Are banks careful about such issues? In 2014, two 14-year-old boys of Winnipeg, Canada, managed to crack the password of a Bank of Montreal ATM on the first try, using a default factory password (000000) that had apparently never been changed. They had used the operating manual of the ATM, available online, to find almost all the information needed to reprogramme the ATM.

The implementation of chip technology to prevent card skimming has been successful in many places. Also, we know that the PIN is encrypted and decrypted during transactions, and several computations

occur within the ATM where the PIN is converted into a binary string. Several sophisticated modes of attack, such as side-channel attacks, are practised by attackers using this simple feature. Essentially, side-channel attacks are based on statistical methods used to estimate the PIN. American cryptographer Paul Kocher pioneered such techniques.

Several types of side-channel attacks are practised by hackers. The "power-monitoring attack", for example, uses the fact that a "1" involved in computation consumes more power, and a "0" consumes less power. The power consumption curve, if recorded by a sensor, can be statistically analysed to estimate the PIN. In similar fashion, a "timing attack" is based on measuring how much time various computations take within the ATM — the PIN can be statistically estimated by analysing this. Similarly, an "electromagnetic attack" relies on leaked electromagnetic radiation, which can directly provide plain-texts and other information, and "acoustic cryptanalysis" uses sound produced during a computation.

To make a system perfectly secure, "mutual information", which is a measure of association between the message to be sent and stored, actually should be zero. Such an idea was introduced by Claude Shannon, known as "the father of information theory". This essentially requires that when any information is converted to binary string, they are needed to behave like the outcomes of repeated independent flips of a coin, so that no pattern can be identified from the binary string of data. This can be ensured by introducing suitably designed fake computations within the ATM, so that the power consumption curve, time consumption, electromagnetic radiation, and produced sound curves become either flat or completely random, bearing no information of the PIN or the user.

Also, financial institutions have been experimenting with viable implementation of biometric-enabled authentication systems for their customers. Banks in Japan, for example, have widely deployed biometric-enabled ATMs using fingerprint or finger vein scans. Citigroup in the US attempted to use iris scans of customers. In such cases, the ATM communicates with the bank server by encryption and decryption of biometric information only. Also, cardless ATMs are now coming in the domain. So, the dynamics of ATM usage is being changed with added security features. However, privacy might be a serious issue for biometrics-enabled ATMs, and the system should comply with the law of the land.

To conclude, the continual war between hackers and banks over ATM security is going to be dynamically redefined — no doubt about that.

The writer is professor of statistics, Indian Statistical Institute, Kolkata

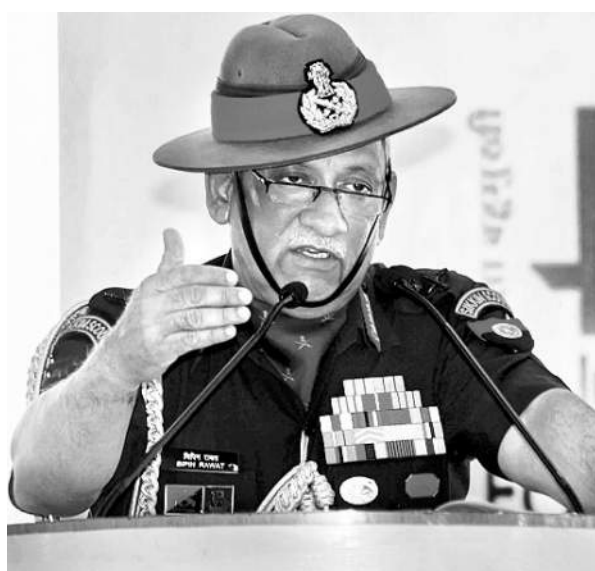
## OTHER VIEWS

### Gen Rawat's comments on a political issue are improper

His criticism of the student protests has damaged his reputation and office

When the Army chief, General Bipin Rawat, took a position on the ongoing students' protests against the new citizenship law at a public event in the national capital on Thursday, he overstepped an important line. Despite the exception and aberration, it is a line that has, by and large, held in India's constitutional democracy, dividing the polity from the military, and underscoring civilian supremacy. General Rawat's criticism of the protests, therefore, his publicly expressed conviction that protesters are "leading masses and crowds to carry out arson and violence in cities and towns", and his stern pronouncing of judgement "this is not leadership", are conspicuously improper. The fact that the general, only days away from retirement, chose to wade into a sensitive political issue playing out live across the country, and in doing so, echoed the point of view of the ruling regime, says disquieting things. General Rawat's comments reinforce attempts by the Narendra Modi government in the last few days to criminalise the protests.

Beyond the immediate events, the backdrop for General Rawat's intervention is also made of a more general tendency by the ruling regime to paint all criticism and political oppo-



sition as unpatriotic, if not pro-Pakistan, and to put the figure of the soldier to political and electoral use. By being seen to make a partisan point in this moment, by appearing to fall in political line, General Rawat does damage to both his own reputation and to his high office.

The Indian Express, December 27

### Mental health a serious issue

India ill-equipped to deal with it

Mental illness continues to struggle for recognition as a significant contributor to poor health in spite of the existence of the Mental Healthcare Act, 2017. The problem has gained frightening proportions according to the findings of a recent study published in the medical journal, *The Lancet*. The data reveal that an estimated one in seven Indians — or 197 million persons — suffered from mental disorders, at varying degrees of severity, in 2017. That this is a first-of-its-kind study implies that the seriousness of the mental health crisis in India is not only ignored at the societal level, but is also far from being adequately represented in policy.

In the latest health budget, the funds allotted for the gov-

ernment's flagship National Mental Health Programme was just ₹50 crore — a paltry ₹15 crore more from the previous year's budget. Of what use is a mental healthcare law if proper investments are not made to alleviate the crisis? Indian lawmakers must look at international care-giving models to understand how the social aspect of treating patients — contact with family, a sense of community, rehabilitation — is as crucial as the medical aspect and that integration must find its way into policy. The scale of the challenge is immense, and will grow unless civil society and the State find comprehensive solutions together.

The Telegraph, December 27

### Leander Paes' mixed legacy

Could he have done more?

Leander Paes' career, which the Indian tennis legend announced would terminate at the end of the 2020 season, will always be remembered for what could have been, as much as what he did go on to achieve. Would Paes have gone on to add to his eight men's doubles majors had he buried the hatchet with the most successful of his 130 doubles partners, Mahesh Bhupathi? But back in 1991, when Paes turned pro, his presence promised a tennis renaissance in India. That renaissance never did fully occur, but his individual career thrived. His legacy will always be his pioneering effort to put Indian tennis on the doubles map — an Indian-record of 18 Grand Slams titles and a world-

record 42 wins in the format in the Davis Cup. All that, however, came at the cost of his singles career, which peaked with India's first-ever individual medal at the Olympics — a bronze in Atlanta in 1996.

Paes has often stated that nothing has given his life more meaning than representing India. In the country's colours, he became both a hero and a villain — his presence fragmenting the Indian tennis landscape into camps and factions. Those indiscretions and many controversies will be forgotten once he hangs up his racket, but Paes' contribution to the game in India never will.

Hindustan Times, December 27



# Politics 2010-19: UPA, NDA and the art of governance

ADITI PHADNIS

New Delhi, 28 December

If Costa-Gavras, Greek-French director of films that are both political arguments and entertainment, were asked to make a film about Indian politics in the last ten years, he would have the time of his life. His most widely discussed film 'Z', is about a political assassination, but the subtext is corruption and the limits to liberal democracy. His newest film *Eden Is West*, is about an illegal migrant in Europe, whose dream is to reach Paris, a part of a boatload of migrants who throw their identity documents overboard, leaving their spats behind to join the ranks of the sans-papiers (those without papers).

From 2010 to 2019 India has been through all of the above. The United Progressive Alliance (UPA)'s second term (2009-14) began with glory but ended in ignominy. A tenure that will always be remembered for such farsighted social security interventions

as education for all and the employment guarantee programme ended with the unmasking of massive corruption in Commonwealth Games that the government knew about but was apparently helpless in controlling; allegations of bribes in the auction of 2G spectrum; and cronyism on a scale that was shocking — as revealed in the CBI's recordings of publicist Niira Radia's conversations with politicians, bureaucrats, and journalists. With all the experience and cumulative administrative knowledge at its command, the UPA's second stint was expected to unveil deep and wide administrative reform and restructure and find imaginative ways to maximise the demographic dividend. None of this happened. Instead, the enduring images of the Congress-led regime bowing out were spontaneous uprisings in Delhi over the brutalisation of a young woman and the government's helplessness.

Little wonder then, that when Narendra Modi, sweeping aside the



The UPA's second term (2009-14) began with glory but ended in ignominy. Narendra Modi swept aside the extant leadership of the BJP and came to power in 2014



extant leadership of the Bharatiya Janata Party (BJP), came to power in 2014 on the strength of a party that was structured in a way so as to realise his ambitions, he rapidly decided what he would not permit: No scams of the kind that the previous government was mired in, no alliance partners who would speak out of turn, no tails that would wag the dog. Shiv Sena's disaffection with the BJP dates back to 2014, when its nominee for ministership in the Cabinet, Anil

Desai, was asked to skip Modi's swearing-in and fly back home: Because Sena felt it hadn't got its due. Those cracks were papered over, but they persisted, like an aching tooth. Ministers found Narendra Modi's office, the Prime Minister's Office (PMO), vigilant and intrusive. Many, who considered themselves experienced administrators, found it irksome that PMO should micromanage their ministries, from cross-questioning them over pro-

posals to turning down their choice of staff for their office.

But on a high and functioning on the advice of colleagues like Arun Jaitley who knew navigation of Delhi's power corridors was like swimming in a sea of sharks, Modi embarked on his restructuring of India. The first initiative came a cropper. Legislation on land acquisition was sought to be amended to make it easier for the industry to acquire land. The BJP government wasted the first

18 months of its tenure trying to recast a rule they knew from first, would be defeated in the Rajya Sabha where they did not have a majority. Ultimately, the government came back where it had started — leaving it on the state governments to do what they could on land acquisition and inviting industry to invest.

Learning from this, the National Democratic Alliance (NDA) government launched popular programmes on which there could be no political argument or contestation. Congress leader Jairam Ramesh has conceded that the popularity of programmes like Ujjwala Yojana and Swachh Bharat Abhiyan caught the imagination of the people and the Opposition was politically wrong to criticise them. Modi's audacity lies in the fact that few remembered how Swachh Bharat was, in fact, the repackaged Nirmal Bharat sanitation programme launched by the Atal Bihari Vajpayee-led NDA government and later the UPA. But Modi became the first prime minister to take up the cause of cleanliness with such conviction and vigour, attempting to make a mass movement out of an issue that affected not just people's health, but was also an attack on

social ills like untouchability and manual scavenging. The Jan Dhan Yojana and digital delivery of services played their part in taking the government to people's home.

This paid off and people stood solidly behind Narendra Modi even when his government took decisions that were patently unwise and not thought through. The 2016 demonetisation and the Uttar Pradesh Assembly elections that followed will forever remain in Indian political history as the puzzle of the dog that didn't bark. Demonetisation robbed people of livelihood: And yet, they voted for Narendra Modi with their heart and soul in the UP elections. He showed them they were right in putting their trust in him.

As the 2019 general election came closer, the BJP began to worry about the delayed effect demonetisation might have had. Two national security missiles — the playing up of a terror attack in Balakot and its retaliation through surgical strikes — ensured an even more emphatic victory in May 2019. This was underscored by a political discourse that created and justified a new Hindu India story. What we see today is the logical culmination of that discourse.

## DELHI'S COLDEST DAY OF SEASON



The national capital on Saturday recorded its coldest day of the season at 2.4 degrees Celsius, officials said. The mercury even plunged to below 2 degrees Celsius in some areas, with the Lodhi Road Observatory recording a low of 1.7 degrees Celsius. Dense fog enveloped the city, reducing visibility and affecting air traffic and vehicular movement

PHOTO: PTI

## Cops held me by throat & pushed, alleges Priyanka

### GIVES COPS A SLIP, RIDES SCOOTER

PRESS TRUST OF INDIA  
Lucknow, 28 December

A high-voltage drama unfolded in Lucknow on Saturday evening as Congress leader Priyanka Gandhi Vadra (pictured) alleged she was manhandled by police personnel who grabbed her by the throat and pushed her when she resisted their attempts to stop her from visiting the residence of retired IPS officer SR Darapuri, arrested in connection with the recent anti-CAA protests.

"They do not have the right to stop me. If they want to arrest me, they should do so,"

Priyanka said after meeting Darapuri at his Indiranagar's sector 18 residence. She accused the BJP government of acting in a cowardly manner.

The police denied the allegation as "false", while the Congress, at a press conference in Delhi, slammed the police action and demanded imposition of President's Rule in UP.

Priyanka told reporters, "As we were on our way, a police vehicle came and the policemen said you cannot go... I was surrounded and a woman cop held me by my throat. Another woman cop pushed me and I fell down."

## Chidambaram to Army chief on CAA talk: 'Mind your business'

Senior Congress leader P Chidambaram on Saturday came down heavily on Army chief General Bipin Rawat, who had recently criticised people leading violent protests over the Citizenship Amendment Act, asking him to "mind his business."

The former union minister was speaking at the "Maha Rally" against the new Act, organised by Kerala Pradesh Congress Committee (KPCC) in front of Raj Bhavan here.

He also alleged that the

Army Chief and the Director General of Police (DGP) of Uttar Pradesh had been asked to support the government and it was a "shame". "Now, the Army General is being asked to speak up. Is it the job of the Army General?" Chidambaram asked.

"The DGP... the Army General are being asked to support the government. It is a shame. Let me appeal to General Rawat.. You head the Army and mind your business... what politicians will do, politicians will do."

PTI

