TUESDAY, 31 DECEMBER 2019
16 pages in 1 section
MUMBAI (CITY)
₹9.00
VOLUME XXIV NUMBER 98

www.business-standard.com

Business Standard

THE MARKETS ON MONDAY		Chg#
Sensex	41,558.0▼	17.1
Nifty	12,255.8▲	10.0
Nifty futures*	12,329.3▲	73.5
Dollar	₹71.3	₹71.4**
Euro	₹79.9	₹79.5**
Brent crude ($/bbl)##	67.4##	67.5**
Gold (10 gm)###	₹38,822.0▲	₹34.0

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

COMPANIES P2
INTERNET SHUTDOWNS HIT INDIA'S DIGITAL ECONOMY

BACK PAGE P16
COLDEST DEC DAY SINCE 1901 IN DELHI; 530 FLIGHTS DELAYED

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

SBI CUTS EXTERNAL BENCHMARK RATE BY 25 BASIS POINTS

State Bank of India announced on Monday a 25 basis point reduction in its external benchmark-based rate to 7.80 per cent per annum from 8.05 per cent per annum, effective January 1, 2020. With this cut, interest rate for the lender's existing home loan customers will reduce by 25 basis points.

COMPANIES P3

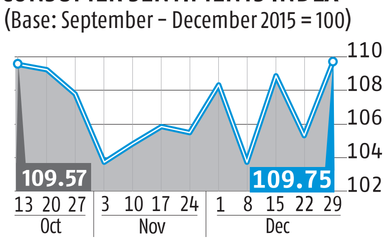
Jio adds 9.1 million users in October

Jio reported 9.1 million subscriber additions in October. It had reported 9.3 million additions in January and 9.4 million in February. Rivals Vodafone Idea and Bharti Airtel reported subdued numbers with 189,901 and 81,974 additions, respectively.

THE CMIE TRACKER

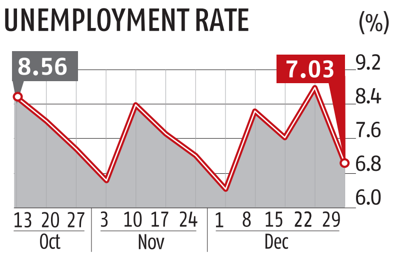
CONSUMER SENTIMENTS INDEX

(Base: September - December 2015 = 100)



UNEMPLOYMENT RATE

(%)



Source: CMIE

UNEMPLOYMENT CANNOT CAUSE AGITATIONS 8

Ten newcomers in billionaires' club

Relaxo Footwears' Ramesh Dua, PI Industries' Mayank Singhal see their net worth jump over 50%

KRISHNA KANT
Mumbai, 30 December

As the broader market swung from losses in the first nine months to gains in the last quarter, there was a big churn in India's Billionaire Club. In all, 10 promoters entered the billionaire list in 2019, as share price of their companies rallied after the cut in corporation tax.

At the other end of the spectrum, 12 promoters exited the billionaire list this year, either due to a slump in their companies' market capitalisation (m-cap) or stake sell by them due to debt issues.

Ramesh Kumar Dua of Relaxo Footwears, Mayank Singhal of PI Industries, and Irfan Razack of Prestige Estates Projects topped the chart of new entrants, while Anil Ambani, Rana Kapoor of YES Bank, and Subhash Chandra of Essel Group were the biggest exits from the Billionaire Club.

The net result was a marginal decline in the overall club size to 78 at the end of December 2019, from 80 billionaires at the end of December 2018.

The analysis is based on promoters' net worth of $1 billion or more as on December 27, 2019, based on monthly average rupee-dollar exchange rate of ₹71 to a dollar.

Consumer goods makers, real estate developers, and retail lenders were the biggest gainers in 2019, while pharma entrepreneurs, automakers, and owners of capital goods companies saw a sharp erosion in wealth in the current calendar year. Analysts attribute this to investors' preference for consumer-demand related stocks in an otherwise lacklustre economic environment.

"This is an excellent time to be a promoter of a profitable consumer goods company or retail lender. These sectors continue to grow, even if other sectors of the economy are stagnating," says G Chokkalingam, founder & managing director (MD), Equinomics Research & Advisory Services.

The sectoral dichotomy shows in the rich list for 2019.

Dua is the biggest gainer and newest member of the billionaire promoter's club. His family net worth is up nearly 65 per cent in the last 12 months to around ₹10,800 crore, or $1.5 billion, at the monthly average exchange rate.

Turn to Page 14

PROMOTERS WHO GAINED

Promoter stake: 2018 | 2019 (₹ crore) | % change

RAMESH KUMAR DUA
Relaxo Footwears
6,561.8
10,804.8 64.7%

MAYANK SINGHAL
PI Industries
6,078.9
10,357.4 70.4%

IRFAN RAZACK
Prestige Estates
5,757.9
8,830.5 53.4%

G MALLIKARJUNA RAO
GMR Infra
6,247.2
8,100.0 29.7%

SANJAY AGARWAL
AU Small Finance Bank
5,843.9
7,822.7 33.9%

Huawei gets 5G trial pass

Telecom minister says field open to 'all players'

MEGHA MANCHANDA & PTI
New Delhi, 30 December

"WE HAVE FULL CONFIDENCE IN THE GOVT AND INDUSTRY TO PARTNER WITH BEST TECH FOR INDIA'S OWN LONG-TERM BENEFIT"
Jay Chen, CEO, Huawei India

"5G IS FUTURE, IT IS SPEED. WE WILL ENCOURAGE NEW INNOVATION IN 5G"
Ravi Shankar Prasad, Telecom minister

The wait may be finally over for Chinese telecom gear maker Huawei as the government has allowed all equipment manufacturers to conduct 5G trials in the country, without making any distinction.

"We have taken a decision to give 5G spectrum for trials to all players," Telecom Minister Ravi Shankar Prasad said on Monday. "5G is future, it is speed. We will encourage new innovation in 5G."

The decision provides a breather to the Chinese firm, which is battling security issues not just in India but worldwide.

"We have read the news in media and we thank the Indian government for their continued faith in Huawei. We firmly believe that only technology innovations and high-quality networks will be the key to rejuvenating the Indian telecom industry. We have full confidence in the Indian government and industry to partner with best technology for India's own long-term benefit and also for cross-industry development. Huawei is committed to India," said Jay Chen, chief executive officer, Huawei India.

The second half of the calendar year saw Huawei battling to reserve its space in India's 5G footprint. The government had constituted a panel, headed by its principal scientific advisor, to decide on Huawei's participation in the 5G trials. The trials would establish used cases in the country as a precursor to the full-fledged launch of the 5G services.

Huawei came under a cloud after allegations that the firm's electronic and telecom devices helped China spy on US corporations and agencies. Huawei has been barred in Australia, and Japan. Russia, Turkey, and Saudi Arabia have welcomed it.

The Huawei India CEO had earlier said the company wants to tap India, which proposes to be the second-biggest 5G market. He had also said India is a very unique market. "You need to deeply understand it and have a long-term strategy," he had said.

Turn to Page 14

THE DECADE THAT WAS

PAGE 16 A time when the government leaned on banks
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2019 LOOKING BACK

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PAGE 2 Smartphones rode e-com wave
PAGE 2 What is India watching on Netflix?
PAGE 11 Tax cut, global triggers help markets end on high

25 YEARS ON, WORLD TRADE ORGANISATON ON SHAKY GROUNDS

On January 1, 1995, the creation of the World Trade Organization (WTO) marked the biggest reform of international trade since the end of the Second World War. Now on its 25th anniversary, reforming the WTO forms the core trade agenda of many nations. **SUBHAYAN CHAKRABORTY** writes 6

RBI wants UCBs to focus mainly on priority sector

ANUP ROY & ABHIJIT LELE
Mumbai, 30 December

The Reserve Bank of India (RBI) on Monday proposed that the single and group borrower limits of urban cooperative banks (UCBs) should be brought down and half the loans given should not be of more than ₹25 lakh, while the priority sector lending targets should be raised steeply.

UCBs' target for priority-sector lending has been proposed at 75 per cent of their credit from 40 per cent now. The target has to be reached in phases — 50 per cent by March 2021, 60 per cent by March 2022, and 75 per cent by March 2023.

The RBI proposed that the single and group borrower limits should be 10 per cent and 25 per cent, respectively, of a bank's tier-1 capital.

At present, UCBs are allowed to have exposures of up to 15 per cent and 40 per cent of their capital funds to a single borrower and a group of borrowers, respectively.

Urban cooperative bankers said the draft norms were similar to those prescribed for small finance banks (SFBs). These norms, if they become rules, will hamper the growth of cooperatives, they said. The move seems to be to push UCBs to become SFBs, they said.

Vidyadhar Anaskar, chairman, Maharashtra Urban Cooperative Banks Federation, said the norms would help in risk mitigation and strengthen the sector. However, there are two aspects that needed a relook.

THE PROPOSALS

- **Priority sector loans should be 75%** of credit, from 40% now
- **Half the loan book should have maximum** loan size of ₹25 lakh each
- **Single & group exposure brought down to 10%** and 25% of core capital
- **All changes will have to be met** by March 31, 2023

First, the exposure per borrower to ₹25 lakh is too small. Small traders with a banking facility have higher volumes, so the need is for a higher amount. The limit should be raised to at least ₹50 lakh, he said. Second, he said the priority sector requirement of 75 per cent was too high.

Jyotindra Mehta, president of the National Federation of Urban Cooperative Banks and Credit Societies, said banks would abide by the regulations. The federation will send representations after having discussions with members. Comments on the draft circular can be sent to the RBI by January 20.

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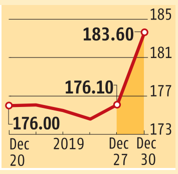
STOCKS IN THE NEWS

Tata Motors

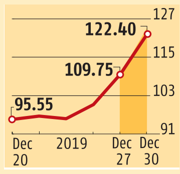


Top gainer among the S&P BSE100 index stocks

₹183.60 CLOSE

▲4.26% UP*

Gateway Distriparks

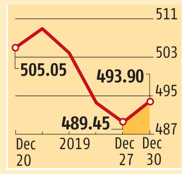


To sell entire 40.25% stake in Snowman to Adani Logistics for ₹296 cr

₹122.40 CLOSE

▲11.53% UP*

PSP Projects

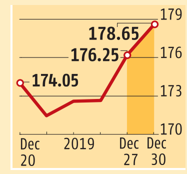


Bagged order in Utter Pradesh for ₹339 crore

₹493.90 CLOSE

▲1.00% UP*

Manappuram Finance

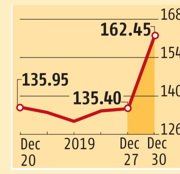


Plans to raise up to ₹350 cr via issuance of NCDs

₹178.65 CLOSE

▲1.36% UP*

I G Petrochemicals



Top gainer among chemicals stocks

₹162.45 CLOSE

▲20.00% UP*

* OVER PREVIOUS CLOSE

IN BRIEF

BSNL clears ₹1.7K cr in dues to vendors; pays salaries: CMD

State-owned Bharat Sanchar Nigam (BSNL) has cleared ₹1,700 crore of vendors dues, its CMD P K Purwar said on Monday. The corporation has also made salary payment to its employees for November, Purwar added. "Payments worth ₹1,700 crore have been released to our vendors and contractors of BSNL," he said. Overall, the outstanding to creditors is ₹10,000 crore, he added. "Employee salaries for November too have been released," he said adding that monthly wage cost stood at about ₹800 crore. In October this year, the government 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. PTI

FB fined $1.6 mn in Brazil for improper sharing of user data

Brazil's Ministry of Justice said on Monday it has fined Facebook 6.6 million reais ($1.64 million) for improperly sharing user data. In a statement, the ministry said the fine is the first applied to Facebook in Brazil this year and follows the misuse of data by Cambridge Analytica in 2018. The firm did not immediately respond to request for comment. REUTERS

Tata Group stronger, more resilient and future ready: Chandra

Tata Sons chairman N Chandrasekaran on Monday said uncertainties will persist in the new year but exuded confidence that the conglomerate is better placed to take on challenges. He said the $110-billion group is "stronger, more resilient and future ready" now and is moving "decisively" on financial fitness and operational efficiencies. PTI

DHFL creditors claim dues worth ₹87,905 cr

SUBRATA PANDA
Mumbai, 30 December

Creditors to Dewan Housing Finance (DHFL) have claimed a total of ₹87,905.6 crore in dues, according to the administrator appointed for the bankrupt company.

Meanwhile, the lenders of DHFL, in the first committee of creditors (CoC) meeting held on Monday, appointed R Subramaniakumar the resolution professional or administrator for the entire insolvency process. Also, the lenders have expressed an initial desire to segregate the loan portfolio of the mortgage lender into retail, wholesale and SRA loans and invite expression of interest from investors separately for all three categories, sources aware of the development said. The appointment of valuers will be done in the next CoC meeting, sources said.

Of the total, the financial creditors — banks, bond holders, and other financial institutions — have claimed ₹86,892 crore. Of these, ₹80,979.8 crore of claims have been admitted by the administrator. Bond holders have claimed ₹45,550 crore; banks and other financial institutions have claimed ₹41,342 crore.

The operational creditors have given a sum of ₹60.76 crore in claims but none of these have been admitted so far, being under verification.

Also, the employees of DHFL have claims worth a little over ₹2 crore, of which ₹1.81 crore has been admitted and ₹19.3 lakh is under verification.

Separately, there are claims from four real estate companies worth ₹950.5 crore, all being verified.

Among the financial creditors, State Bank of India has exposure of ₹10,082.9 crore, of which ₹7,131 crore has been admitted and the rest is under verification. Bank of India, Canara Bank, Union Bank of India, Syndicate Bank, and Bank of Baroda have significant claims.

The CoC met on Monday; running the company as a going concern and updates on the insolvency resolution were to be discussed.

DHFL is the first financial services company undergoing bankruptcy proceedings at the National Company Law Tribunal after the central government notified the financial services insolvency law on November 15. The Reserve Bank then referred it to the tribunal, having superseded the board of directors on November 20 and appointing R Subramaniakumar — former managing director (MD) of Indian Overseas Bank — the administrator.

It also appointed a three-member committee to assist the administrator. Comprising IDFC First Bank non-executive chairman Rajiv Lall; the MD of ICICI Prudential Life Insurance, N S Kannan; and Association of Mutual Funds in India Chief Executive N S Venkatesh.

LENDER CLAIMS

Creditors (figures in ₹ cr)	Amount claimed	Amount admitted	Amount under verification
Financial	86,892.30	80,979.85	5,912.49
Operational	60.76	NA	60.76
Employees	2.01	1.81	0.19
Others	950.53	NA	950.53
Total	**87,905.60**	**80,981.66**	**6,923.97**

Internet shutdowns: Amazon, Flipkart may have lost 20% biz

December is usually a busy month for e-commerce companies because the bulk of their business is driven by year-end and festive shopping

PEERZADA ABRAR & ROMITA MAJUMDAR
Bengaluru/Mumbai, 30 December

Intermittent clampdowns on the internet in December are learnt to have significantly affected online commerce as well as digital payments companies, apart from telcos, in the country.

Though none is talking about the extent of the losses, industry sources say e-commerce majors such as Amazon and Flipkart may have witnessed an 18-20 per cent decline in their business volumes this month.

December is usually a busy month for e-commerce companies because the bulk of their business is driven by year-end and festive shopping. A day's shutdown can heavily affect sales, added sources.

The companies were expecting huge sales in tier-II and tier-III cities and towns in the country, said an industry source.

Amazon and Flipkart could not be reached for their comments.

Mobile data services were suspended in parts of the country as security was intensified in several cities and towns amid nationwide protests against the new citizenship law.

The e-tailers sold less in places such as Uttar Pradesh, India's most populous state; the Northeast region, including Assam; and parts of Karnataka and the National Capital Region, where the authorities banned mobile internet services recently.

The impact has also been huge on digital payment companies.

Another industry source said many e-commerce companies had told the government that internet shutdowns were hurting their business.

"We don't know when these protests would stop and a number of other issues might also come up, but banning the internet is not the best solution. The authorities are using it very frequently," the person said. "This is certainly not a sustainable model and they have to find other ways to take care of security."

However, these problems are perceived by the authorities as permissible collateral damage to maintain law and order. Telecom licencees have to abide by government orders to suspend/shut down the internet.

SHUTDOWNS

2012	3
2013	5
2014	6
2015	14
2016	31
2017	79
2018	134
2019*	101

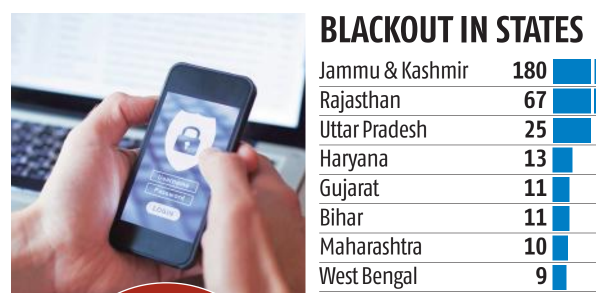
* so far

LONGEST INTERNET CLAMPDOWNS

150 DAYS AND COUNTING
Kashmir (since Aug 4 , 2019)

133 DAYS
Kashmir (Jul 8–Nov 19, 2016)

100 DAYS
Darjeeling (Jun 18–Sep 25, 2017)



373
Total number of internet shutdowns between 2012 and 2019

Source: Software Freedom Law Centre report

BLACKOUT IN STATES

Jammu & Kashmir	180
Rajasthan	67
Uttar Pradesh	25
Haryana	13
Gujarat	11
Bihar	11
Maharashtra	10
West Bengal	9
Meghalaya	5
Tripura	5
Manipur	5
Odisha	5
Madhya Pradesh	5
Arunachal Pradesh	4
Assam	3
Nagaland	3
Uttarakhand	2

A report by the Indian Council for Research on International Economic Relations last year estimated the average hourly loss in India because of various shutdowns during 2012-17 at $186,332 (around ₹13 crore). The same report said 16,315 hours of internet shutdown in India cost the economy approximately $3.04 billion (Over ₹21,000 crore) in the same period.

"In this digital age and connected world, where the internet has almost become an essential commodity, any disruption of services, especially during the busy holiday season, certainly has an adverse impact on the trade of not only consumer internet companies but also fintech businesses as well as offline players," said Ankur Pahwa, partner and national leader, e-commerce and consumer internet at EY India.

According to Satish Meena, a senior forecast analyst at Forrester Research, internet shutdowns have affected both e-commerce and digital-payment companies. "There is a direct impact on the digital economy, which is not good for the users. Because, if it happens very frequently, the users would look for options other than relying on these entities (Amazon and Flipkart)," added Meena. Walmart, the Bentonville-based company (in Arkansas), is locked in a battle with US rival Amazon for dominance in India's online retail market through Flipkart, which it acquired for $16 billion last year in May.

Jeff Bezos-led Amazon committed a $5-billion investment in India in 2016 and has been rapidly expanding its business in the country's e-commerce market, which is expected to touch $200 billion by 2028 from about $30 billion last year. The impact of internet shutdowns is not limited to big traders or e-commerce companies. Small businesses that depend on the internet are affected, too. While telecom operators lose out on millions of subscribers seeking recharges, millions of subscribers end up losing out on value due to shift towards monthly recharges across telcos and other payments they cannot process during this time.

While state governments have disabled internet services in the past to maintain law and order or prevent misinformation from spreading during sensitive times, this is perhaps the first time they are being halted on such a large scale in different parts of the country, simultaneously.

With inputs from Neha Alawadhi in New Delhi

Air India may shut by June if there's no buyer: Official

PRESS TRUST OF INDIA
Mumbai, 30 December

Struggling Air India might be forced to shut down by June next year unless it finds a buyer as "piecemeal" arrangements cannot be sustained for long, according to a senior airline official.

Amid continuing uncertainty over the fate of the national carrier, the official said there is also need for funds to restart operations of 12 grounded narrow-body planes.

The airline has a debt burden of around ₹60,000 crore and the government is still working on the modalities for the disinvestment.

Sounding alarm bells, the official said Air India might well go Jet Airways way if a prospective buyer does not come on board by June next year.

With government leaving the debt-ridden airline to fend for itself by refusing to inject funds any more amid its privatisation plans, the airline is "some how" keeping it afloat with peace meal arrangements, which are unlikely to sustain for long, the official said.

In FY19, Air India's net loss is provisionally estimated to be ₹8,556.35 crore

According to the government, it has infused funds to the tune of ₹30,520.21 crore in the flag carrier from financial year 2011-12 till December this year. Under the turnaround plan approved by the UPA regime in 2012, the airline was to get financial assistance of ₹30,000 crore over a 10-year period. "We had sought ₹2,400 crore sovereign guarantee to mop up funds for meeting operational requirement. But the government has provided guarantee only for ₹500 crore.

"We are some how managing the operations at present and at best we can sustain this situation till June. If a buyer does not come by that time, we will have to shut shop," said the official on condition of anonymity.

After more than 25 years of flying, full service carrier Jet Airways shuttered operations in April due to cash crunch. In 2018-19, Air India's net loss is provisionally estimated to be ₹8,556.35 crore. Besides, it has a total debt of ₹60,000 crore, half of which has already taken out of the books and parked in the special purpose vehicle, Air India Assets Holding.

HERE'S WHAT INDIANS ARE WATCHING ON NETFLIX

The second season of *Sacred Games* was the most popular series on Netflix in India in 2019. The $15.8-billion Netflix, which is available in 160 million homes across 190 countries, rarely shares viewership data. This week, the firm released a list of the most popular series and movies released on its platform in India.

Five of the ten most popular shows such as *Bard of Blood*, *Delhi Crime*, and *Typewriter* are Indian. The rest are an eclectic mix of international shows. There is science-fiction horror show *Stranger Things* (Season 3) and the witty *Sex Education*, among others. On the other hand, four of the top ten films are Netflix movies — *Drive*, *House Arrest*, *6 Underground*, and *Chopsticks*. Not surprisingly, as percentage of the overall time spent on Netflix globally, film viewing in India is the highest. About one-fourth of the television time is spent on watching movies. The ranking is based on the "number of accounts choosing to watch at least two minutes of a series, movie or special during its first 28 days on Netflix in 2019," says a Netflix release. The same methodology is used to calculate its daily Top 10 lists in the UK and Mexico.

VANITA KOHLI-KHANDEKAR

MOST POPULAR RELEASES OF 2019

1. *Sacred Games S2* (series)
2. *Kabir Singh* (film)
3. *Article 15* (film)
4. *Bard of Blood* (series)
5. *Drive* (film)

MOST POPULAR SERIES RELEASES OF 2019

1. *Sacred Games S2*
2. *Bard of Blood*
3. *Delhi Crime*
4. *Sex Education*
5. *Leila*

MOST POPULAR MOVIE RELEASES OF 2019

1. *Kabir Singh*
2. *Article 15*
3. *Drive*
4. *Badla*
5. *House Arrest*

Rural India hurt FMCG; smartphones rode on e-commerce

ARNAB DUTTA
New Delhi, 30 December

After nearly two years of disruption due to demonetisation and implementation of the goods and services tax (GST), the country's vast consumer goods sector had much hope from the year 2019. However, a lookback into the consumer market during the past 12 months presents a gloomier picture. While certain segments such as smartphones and air conditioners had some respite, fast-moving consumer goods (FMCG), the largest of the chunk, suffered a body blow as new pain points emerged in 2019.

2019 LOOKING BACK

The country's ₹4-trillion FMCG market — the world's fourth-largest — faced stiff challenges in the hinterlands with sales growth falling to a seven-year low in the September quarter. The data from market analyst firm Nielsen shows volume growth in the rural market fell to a meagre 2 per cent during the quarter, from 16 per cent a year ago. It was the first time in seven years that growth in the rural market that comprises nearly 40 per cent of sales for manufacturers, had fallen below that of urban.

In the April-June quarter, traditionally a strong period after the slump of the winter months, growth in rural markets was the lowest since early 2018. Nielsen observed that food and personal care were the categories worst affected by the slowdown. While food and personal care grew by 15 per cent and 12 per cent by value in calendar year 2018, the numbers are likely to fall to 13 per cent and 11 per cent in 2019, said the agency.

To put things into perspective, till mid-2018 rural sales growth was ahead of urban sales growth by at least 400 to 700 basis points for most FMCG firms. As India's overall economic growth slowed in 2019, the urban market followed the trend too — adding to FMCG woes. Volume growth in urban areas fell to 5 per cent in September from 11 per cent in the corresponding period in 2018. Meanwhile, growth in India's GDP fell to 4.5 per cent in July-September 2019, from 7 per cent a year ago and 8.9 per cent in July-September, 2016, before slowdown hit the sector.

Large FMCG players, from Nestlé to Hindustan Unilever (HUL), felt the pinch as consumers were reluctant to open up their purses. Sanjiv Mehta, chief executive of HUL, asserted that the sharp deceleration was led by a slowdown in rural areas.

The FMCG market in the rural North — the largest among all four regions — shrank 2 per cent by volume in September. Though large firms like Nestlé, Dabur or HUL were impacted by this slowdown in demand, the small, local players were hit harder. Small players, which account for a third of the sales for the region, grew only three per cent by value, from 35 per cent in the corresponding period last year. Medium players, accounting for 24 per cent of sales, saw their business shrink by 4 per cent in the quarter.

According to Edelweiss Securities' research, two key factors affected the fortunes of FMCG players in 2019. First, macroeconomic headwinds battered consumer sentiment, particularly in rural areas. And second, the continuing liquidity crisis arising out of faltering non-banking financial companies further dented liquidity at the wholesale and retailer levels. This further exerted pressure on the trade channel.

Further, during the latter half of the year, inflation in agri-linked commodities such as milk, wheat, and sugar impacted margins of FMCG firms. For example, it "dragged Nestlé's gross margin by 216 bps YoY and kept Britannia's gross margin flat. Continued inflation in glass and ENA prices heavily ate into United Spirts' margin — down 411 bps year-on-year", Edelweiss noted.

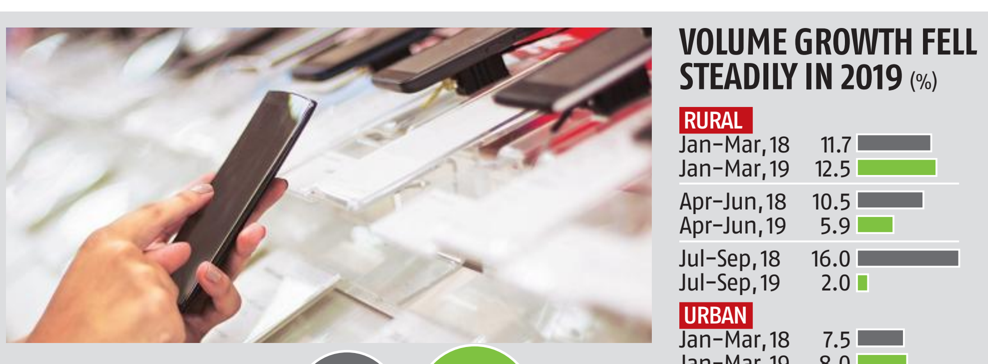
According to a Nestle India spokesperson, despite challenges the company managed to grow its rural presence that translated into higher contribution from the market — up to 25 per cent. Five years ago, Nestlé used to get 15 per cent of its sales from rural areas.

Other consumer good segments such as smartphones and certain durables, however, fared better. Sales of air conditioners, for example, revived in 2019. While, in 2017 and 2018 they had shrunk, due to higher taxes, weakening rupee against dollar and rising commodity prices. According to Kamal Nandi, vice-president of Godrej & Boyce and president, Consumer Electronics and Appliances Manufacturers Association, this year AC sales rose by double digit.

Despite having a huge base, smartphones sales too are expected to grow by 10 per cent in 2019. During the March and June quarters, shipments surged to record highs. And in September, they touched 49 million units — highest-ever for any quarter. Market experts attributed much of this to the surge in e-commerce sales.

Data from analyst firms like IDC India and Counterpoint Research show that shipments through the online channel grew by a whopping 28.3 per cent YoY in the quarter ended September. This took share of the online channel in the overall sales to an all-time high of 45.4 per cent. In the previous quarter, shipments through the channel had surged 26 per cent YoY.

Meanwhile, sales through brick and mortar stores shrank. While, in the June quarter, shipments through offline channel dipped by four per cent, in September, the fall was at 2.6 per cent YoY. Consequently, the share of offline stores, which used to hold over 75 per cent of the market three years ago, fell to less than 55 per cent. While the FMCG marketers are hoping for a revival in 2020, analysts expect that to arrive only after the first quarter, that is, from April, 2020 onwards. "We anticipate green shoots to emerge from FY21, anticipating pay-outs under direct benefit transfer and bountiful rainfall," Edelweiss said. Smartphones sales may suffer in 2020, however. Analyst firm TechArc predicts smartphone sales growth to come down to single digits after a decade, as macroeconomic factors may impact consumer buying behaviour.



SMARTPHONE SHIPMENT SURGED 11% DURING JAN-SEP

106 mn Jan-Sep '18 | 118 mn Jan-Sep '19 | 11.3% Change

Sources: Counterpoint Research, Nielsen, industry

VOLUME GROWTH FELL STEADILY IN 2019 (%)

RURAL	
Jan-Mar, 18	11.7
Jan-Mar, 19	12.5
Apr-Jun, 18	10.5
Apr-Jun, 19	5.9
Jul-Sep, 18	16.0
Jul-Sep, 19	2.0
URBAN	
Jan-Mar, 18	7.5
Jan-Mar, 19	8.0
Apr-Jun, 18	7.3
Apr-Jun, 19	6.4
Jul-Sep, 18	11.0
Jul-Sep, 19	5.0

Rattan Amravati's ₹4K-cr debt to be taken over by Goldman, Varde

This is the first of its kind deal where fresh capital is being infused in a stressed asset in India

SHREYA JAI
New Delhi, 30 December

Rattan India's Amravati power project (1,350 Mw) has concluded its debt restructuring with new lenders coming on board.

Goldman Sachs and Varde Partners will take over ₹4,050 crore of the total debt from existing lenders.

This also includes 15 per cent equity each in the project. The new lenders have used the Aditya Birla Asset Reconstruction Company platform for the deal.

The total debt exposure of the consortium of lenders was ₹6,575 crore. This would entail 38 per cent haircut by the consortium led by state-owned Power Finance Corporation. There were 12 lenders to the projects, including State Bank of India, Bank of India, Punjab National Bank and Axis Bank, among others.

Speaking with Business Standard, Rajiv Rattan, chairman, Rattan India group, said there was immense interest from foreign lenders for Indian assets. "This is the first-of-its-kind deal where fresh capital is being infused. The consortium of new lenders also has foreign firms which is also a first for the sector," he said.

He further said that there are many lenders which are sitting on the fence. They want to infuse capital in Indian assets and resolve the non-performing assets situation.

1,350 Mw Capacity	**1,000 Mw** Additional capacity envisaged	**₹7,493 cr** Total project cost with overruns	**₹4 per unit** Tariff with cost overruns	**₹3.6 per unit** Levelised tariff
₹6,575 cr Debt				

Amravati is part of the list of 40 stressed assets in the power sector.

The project has undergone two debt-restructurings in the past, of which the second one could not be concluded due a circular of the Reserve Bank of India (RBI) issued in February 2018.

The circular directed banks to resolve all stressed assets in 180 days or initiate insolvency proceedings at the National Company Law Tribunal. A Supreme Court order in September 2019 quashed the circular.

Under the RBI's new prudential framework for resolution of stressed assets, lenders to Amravati invited bids for the project.

Company executives said there will not be any change in the rate at which power is sold from the project. The power purchase agreement does not have any provision for change in tariff.

The levellised power tariff of Amravati is ₹3.26 per unit and the project cost was ₹7,493 crore (along with cost overruns). The project faced delays due to shortage of coal from Coal India (CIL) and cost overruns delayed payments from states it was selling power to.

The project is also under litigation of pass through of cost overruns on the final power rate.

Rattan said the company will not be making any fresh investment in the thermal power sector. "We don't have any plan for a greenfield investment in the thermal sector. However, as we have land, connectivity and water at Amravati, we may expand the project and construct the second phase. However, that will depend on when legal issues of the existing unit are resolved," he said.

Rattan is hopeful that the variables that landed the project in trouble won't repeat. "The sector is improving consistently. The letter of credit system has improved the payment mechanism," he said. Given the current coal supply, the company plans to run the project at 60 per cent plant load factor or operating ratio. It is 40 per cent right now. Amravtai has a fuel supply agreement with South Eastern Coalfields of CIL for 5.5 million tonne supply.

Rattan India's another thermal power unit in Nashik is also under stress. "For the Nashik project, we are working with the lenders. With the success of Amravati, we are hopeful that there will be similar interest in other assets," said Rattan.

Hindujas prepare to bid for Jet Airways

BLOOMBERG
30 December

The Hinduja Group is preparing a bid to buy grounded carrier Jet Airways India, according to people familiar with the matter.

The UK-based group, run by brothers Gopichand Hinduja and Ashok Hinduja, plans to submit an expression of interest by the January 15 deadline, signaling its intent to make a formal offer, the people said, asking not to be identified as the deliberations are private. Hinduja is seeking a partner to bid, one of the people said.

Creditors are seeking fresh bids for Jet Airways after earlier getting interest from only a single company, Synergy Group Corporation. The Mumbai-based airline, which was once the country's largest by market value, fell victim to a cut-throat price war initiated by a slew of budget carriers and eventually defaulted to banks, staff and lessors.

State Bank of India and Punjab National Bank have claimed ₹82.3 billion ($1.2 billion), while other creditors, like employees and lessors, are seeking ₹64 billion from the airline, which is 24 per cent owned by Abu Dhabi's Etihad Airways PJSC.

Hinduja Group had earlier this year considered bidding for Jet Airways in partnership with Etihad, but Etihad jettisoned the proposal and Jet Airways was tipped into bankruptcy. Gopichand Hinduja told newspapers this month that the group was open to buying Jet Airways if indemnified from the airline's legal liabilities.

Creditors are seeking fresh bids for Jet Airways after getting interest from Synergy Group Corporation

Deliberations are at early stage and Hinduja Group may decide against bidding, or other bidders may emerge, the people said. The Hinduja Group didn't respond to questions sent by email.

While preparing a bid, the Hinduja Group will grapple with the complexities that have sapped Jet's value, including lapsed landing rights at Heathrow airport, and the validity of the carrier's now defunct flying slots.

MNCs & domestic drug makers did equally well in terms of growth rate

SOHINI DAS
Mumbai, 30 December

Home-grown drug makers enjoy 80 per cent share of the domestic market and take the lion's share when it comes to brand launches. The data shows that in the last 12 months, multinational drugmakers have also done equally well in the Indian market in terms of growth rate.

According to the data from market research firm AIOCD AWACS, the moving annual turnover growth for November 2019 (which represents the last 12 months) for Indian firms is 9.9 per cent, while for multinational drug firms, it is at 9.7 per cent. During this period, the overall pharma market grew by 9.8 per cent. Of the total 2,466 brands launched in the last 12 months, Indian drugmakers enjoy the bulk share — a total of 2,357 new introductions were made by Indian firms — compared to just 109 by multinational companies (MNCs). MNCs took a focused approach to the Indian market and some firms even pared the number of brands they had in circulation in the market to focus on the more profitable ones.

For example, British multinational drug major GlaxoSmithKline Pharmaceuticals has sold eight to 10 tail-end brands in 2018-19, including its Vitamin C brand Celin and anti-infective brand Septran, as it focuses on paring the number of brands in India to about 20 over the next year.

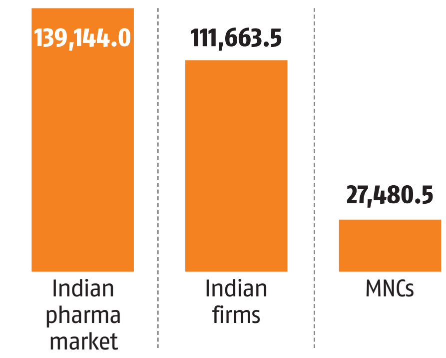
Annaswamy Vaidheesh, vice-president, South Asia, and managing director, GSK Pharma, said in the firm's annual report: "We optimised our product portfolio, identifying key brands behind which we put resources to actively promote." The top 10 brands of GSK Pharma contribute to 54.8 per cent of its revenues — mature brands like Augmentin (antibiotic), Calpol (paracetamol), T Bact (antibiotic topical ointment), and Betnovate (topical corticosteroid) continue to clock double-digit growth.

Similarly for Pfizer, its top 10 brands contribute around 50.4 per cent of its India turnover and its mature brands like Becosules (vitamin), Corex DX (cough syrup), and Gelusil (antacid) clock double-digit growth. In fact, brokerages now bet on the Indian subsidiaries of MNC drug firms. In the past 12-18 months, MNCs have seen improved performance with strong double-digit revenue and earnings before interest, tax, depreciation, and amortisation growth.

According to a recent CLSA report, this resurgence is due to their increasing focus on key brands as well as a rising acceptance of patented products in India. CLSA noted, "MNC stocks have outperformed local peers for the first time in over a decade and have also significantly outperformed the Nifty over the last 18 months."

It felt that better brand recall and a patented product portfolio placed MNCs in a better position to thwart competition at a time when there is broadening of the range of products falling under price control and threat from trade generics (Jan Aushadhi).

CLOSING IN
Indian/MNC MAT in November 2019 (in ₹cr)



	Indian pharma market	Indian firms	MNCs
Growth (%)	9.8	9.9	9.7

	Market share (%)	Growth (%)
Sun Pharma	8.2	8.5
Abbott	6.3	9.7
Cipla	4.7	8.8
Zydus Cadila	4.1	11.1
GSK	2.9	11.2
DRL	2.4	15.4
Pfizer	2.3	8.7
Sanofi	2.3	11.4

Source: MOSL

Affordable health care has been a key priority of the current government.

In fact, seven of the top 10 brands sold in India belong to MNCs. Indian firms, on the other hand, have been grappling with the ban on fixed-dose combination drugs, portfolio of drugs under price control as well as battling the regulatory scrutiny in their export markets.

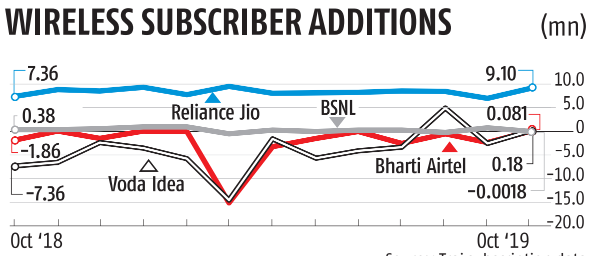
"The Indian subsidiaries of MNCs have the back-up of parents when it comes to new drug development. We have to focus our research and development to developing copycats of off-patent drugs for the regulated markets. This leaves little scope to develop innovative drugs for the Indian market," said a senior executive of a leading pharma firm, which ranks among the top in India and in the US.

He added that MNCs also had a clear advantage when it came to brand recall for segments like vitamins and had a repertoire of vaccines where Indian firms have a long way to go.

2019 LOOKING BACK

Jio adds 9.1 mn users in October

WIRELESS SUBSCRIBER ADDITIONS (mn)



Source: Trai subscription data

ROMITA MAJUMDAR
Mumbai, 30 December

The festive season worked out favourably for Mukesh Ambani-led Reliance Jio after the operator reported massive growth in subscriber addition for October, according to Telecom Regulatory Authority of India (Trai).

Jio reported 9.1 million subscriber additions in the month – the third time it added over 9 million subscribers in a month. It had reported 9.3 million additions in January and 9.4 million in February. Rivals Vodafone Idea and Bharti Airtel reported subdued numbers with 189,901 and 81,974 additions, respectively.

In terms of wireless subscription, Vodafone Idea has a market share of 31.49 per cent followed by Jio (30.79 per cent) and Airtel (27.52 per cent).

In September, the older telcos reported a combined loss of around 4.9 million subscribers while Jio had slipped below its average performance with less than 7 million additions. In the second half of October, Jio announced it would charge interconnect usage charge (IUC) from customers making calls outside the home network. However, it said the full impact of that move would be visible in November numbers.

The number of telephone subscribers in India increased from 1,195.24 million in September to 1,204.85 million in October, showing a monthly growth rate of 0.80 per cent. Urban telephone subscription increased from 677.95 million at the end of September to 681.69 million at the end of October. Rural subscription increased from 517.29 million to 523.16 million during the same period. The monthly growth rates of urban and rural subscription were 0.55 per cent and 1.14 per cent, respectively, during October.

Jammu & Kashmir showed negative growth of 0.39 per cent in wireless subscribers growth during the month as communication services remained suspended in the region with post-paid services restored in the second half of October. Madhya Pradesh service area showed maximum growth of 2.86 per cent in their wireless subscriber during the month.

Wireline subscribers declined from 21.49 million to 21.45 million. Net decline in the wireline subscriber base was 0.04 million with a monthly decline rate of 0.20 per cent. The share of urban and rural subscribers in total wireline subscribers were 87.49 per cent and 12.51 per cent, respectively.

The top five wired broadband service providers were BSNL (8.62 million), Airtel (2.40 million), Atria Convergence Technologies (1.49 million), Hathway Cable & Datacom (0.87 million) and Jio (0.79 million). The top five wireless broadband service providers were Jio (364.33 million), Airtel (130.45 million), Vodafone Idea (115.78 million), BSNL (13.64 million) and MTNL (0.20 million).

Monnet to start integrated steel ops from next month

ISHITA AYAN DUTT
Kolkata, 30 December

Monnet Ispat & Energy — acquired by AION and JSW Steel through the insolvency process — is looking to start integrated steel operations, in the wake of a pick-up in steel demand.

JSW Steel's joint managing director and group chief financial officer, Seshagiri Rao, said, "We have completed expansion of pellet plant to 2.4 million tonnes and we are also starting the integrated steel operations next month. So things should look better for Monnet."

Currently, integrated operations is completely shut. Monnet, which owed banks ₹11,000 crore, was one of the 12 non-performing assets (NPAs) mandated for resolution under the Insolvency and Bankruptcy Code (IBC). A ₹2,875 crore resolution plan, submitted by AION and JSW Steel (minority partner), was approved by the National Company Law Tribunal (NCLT) towards the end of July 2018. JSW's second quarter results presentation mentioned that steel making operations were impacted by earlier announced maintenance shutdown and repairs.

In October, Monnet informed the stock exchanges that it would undertake modification of plant and machinery for manufacturing special steel products. The period of shutdown of the plant, other than pellet plant and DRI, with effect from June 21, had been further extended and it would restart its integrated operations on completion of the modification which was expected to be in Q4 of financial year 2019-2020, it had said then.

Post-acquisition of management control, operations of the Raigarh pellet plant was started in October and production was ramped up to around 90 per cent of the installed capacity.

Then in February, Monnet started integrated steel production through a blast furnace (for iron making), an electric arc furnace (steel making), ladle refining, continuous casting and bar mill rolling.

Consequently, revenues moved up from Rs 493.82 crore in December 2018 to Rs 660.44 crore in September 2019. In June 2019, it was even higher at Rs 777.09 crore.

However, towards the end of last year, the steel market started showing signs of weakness.

"This is the country of Lord Krishna and Lord Ram, who were the symbol of compassion. Everybody dances in the marriage procession of Lord Shiva. There is no place for violence, revenge and anger in the country's soul"

PRIYANKA GANDHI VADRA
Congress leader

"In 2015, people believed him (Delhi CM Arvind Kejriwal) to be a great revolutionary, as Fidel Castro or Che Guevara. But now, they are fed up with (his) lies"

PRAKASH JAVADEKAR
Union minister

"My government will not allow the implementation of the Citizenship Amendment Act in Punjab and the Congress will fight against it tooth and nail"

AMARINDER SINGH
Punjab chief minister

KERALA TOP ACHIEVER IN MEETING SUSTAINABLE DEVELOPMENT GOALS: NITI

INDIVJAL DHASMANA
New Delhi, 30 December

Kerala was the top state in meeting the sustainable development goals in this year's ranking, prepared by NITI Aayog. Kerala retained the top slot, while Himachal, which shared the top ranking in 2018, was relegated to the second slot in this year's ranking. Bihar, Jharkhand and Arunachal Pradesh were the worst performing states in this year's index for Sustainable Development Goals (SDGs). According to the report on the index, while Uttar Pradesh, Odisha and Sikkim showed maximum improvement, states such as Gujarat have not shown any improvement vis-a-vis 2018 scores. India's composite score also improved from 57 in 2018 to 60 in 2019.

RANKING OF STATES IN SUSTAINABLE DEVELOPMENT GOALS

Rank	2018	2019
1	Kerala & Himachal Pradesh	Kerala
2	Tamil Nadu	Himachal Pradesh
3	Andhra Pradesh, Goa, Gujarat, Karnataka and Maharashtra	Andhra Pradesh, Tamil Nadu & Telangana
4	Telangana	Karnataka
5	Punjab & Uttarakhand	Sikkim & Goa

"THE UNITED NATIONS' SDG TARGET OF 2030 CAN NEVER BE MET WITHOUT INDIA... WE ARE FULLY COMMITTED TO ACHIEVING UN'S SDG TARGET"

AMITABH KANT, NITI Aayog CEO

IN BRIEF

Coal tax may be waived to fund pollution-curbing equipment

Prime Minister Narendra Modi's office has proposed waiving a tax on coal to help finance pollution-curbing equipment, according to documents, but the move would also make coal more competitive in price with solar and wind energy. Modi's office has proposed waiving the carbon tax of ₹400 ($5.61) per tonne that was levied on the production and import of coal, according to the documents reviewed by Reuters. The documents say the savings would improve the financial health of utilities and distribution companies, and help the power producers to install pollution-curbing equipment. The prime minister's office and the power ministry did not respond to requests seeking comment on the proposals and when a decision was likely to be made. REUTERS

Javadekar: Forest cover has risen by over 5,000 sq km

India is on track to achieve its goal of creating an additional carbon sink of 2.5-3 billion tonnes under the Paris Agreement, Union minister Prakash Javadekar said on Monday, while releasing the two-yearly state of forest report, according to which the tree-and-forest cover in the country has increased by over 5,000 sq kms in the last two years. PTI

Centre to create 100,000 tonnes of onion buffer stock

To prevent the repeat of this year's onion crisis, the Centre has decided to create a buffer stock of 100,000 tonnes of the key kitchen staple in 2020, a senior government official said on Monday. The government had created a buffer stock of 56,000 tonnes for the current year but it was not sufficient to contain the prices which are still ruling above ₹100 per kg in most cities across the country. PTI

Dispose of 5-yr-old cases by March, CBDT tells staff

There are about 31,000 pending cases, locking revenue worth ₹500 crore

SHRIMI CHOUDHARY
New Delhi, 30 December

In a bid to unlock revenue and improve litigation management, the Central Board of Direct Taxes (CBDT) has directed officials to dispose of cases which are pending at the commissioner's level for over five years.

They have to do this by the end of the current financial year, according to two sources privy to the development.

The sources said about 31,000 cases worth about ₹500 crore are pending before the commissioner of income tax (I-T) (appeals) for more than five years and have been stayed by the judicial authorities. The apex body wants to make this "nil" by March 31, 2020.

"Appeals pending for more than five years will be given the highest priority. Cases set aside and restored to the CIT (appeals) by the court or income tax appellate tribunal are to be settled on priority," said an I-T official, who received direction from the apex body.

Sources said this directive is not for revenue augmentation but aimed at reducing the arrear demand locked up in litigation. They, in fact, were of the view that this could increase refunds outgo. The target of reduction in arrears of demand has been retained at 40 per cent of the total demand as on April 1, 2019.

For the current financial year, the CBDT wants a minimum 15 per cent of the brought forward entries of arrear demand to be reduced in corporate and international taxation. It also wants 25 per cent of such entries to be reduced in non-corporate cases.

Moreover, the CBDT has prescribed targets and norms with respect to disposal of cases pending with CIT (A) in each region.

According to the body, tax demand above ₹50 crore and pending as on April 1, 2019, should be disposed of by December 31. Of the remaining, higher priority will be given to appeals involving a demand of ₹10 lakh and above irrespective of the year in which the appeals are filed.

Search and seizure appeals belonging to the same group shall be grouped together for disposal even if some of the appeals do not fall within the priority category.

Appeals have been segregated demand-wise, whereby high-value appeals have been targeted for disposal at the earliest. Each CIT (A) is expected to dispose of a minimum 550 appeals.

It further said that those appeals involving demand of between ₹2 and ₹10 lakh will receive the next priority for disposal. This will be followed by those appeals where tax demands are less than ₹2 lakh and filed upto March 2019. The CBDT clarified that a demand less than ₹10 lakh and filed in the current financial year should be given lowest priority.

Besides, appeals of the same taxpayers relating to different years involving substantially similar tax issues or inter-related issues may be disposed of irrespective of the category to which it belongs.

The CBDT also asked principal commissioners to identify the top 20 cases for quality assessment and will make proper representation before the CIT (appeals). Apart from pending cases at CIT appeals, the CBDT also asked commissioners of each region to reduce the cases which are stuck at courts and ITAT.

To ensure proper litigation management, the CBDT also wants a master list of appeals pending at various levels and tribunals. The CBDT also said that principal and chief commissioners will identify the prosecution complaints pending for more than two years. They will then devise a case-specific litigation strategy to enable the courts take a final view at the earliest.

STATUS CHECK ON PENDENCY CASES

123,480	321,843	31,325
No. of appeals disposed of during FY18	No. of appeals pending as of April 2018	Appeals pending for five years and more

- Total demand involved in appeals with CIT as of April 2018: **6.38 trillion**

Source: CBDT action plan

Not planning to privatise units: Railway Board

Asks subsidiary to come out with a report on corporatisation of production units

SHINE JACOB
New Delhi, 30 December

VK YADAV, Chairman, Railway Board

"Private train operators are being introduced to improve facilities for passengers. On the other hand, train operations, including infrastructure, maintenance and safety, will completely be handled by the Indian Railways"

The government is not planning to privatise either the production units, rail infrastructure or running of trains, Railway Board Chairman Vinod Kumar Yadav said on Monday.

His statement comes at a time when the national transporter is expected to invite bids from private players to operate passenger trains in the next 15 days but the ownership will continue to be with the government.

"We have no plans to privatise any part or production units of the railways. Not even thinking about it," he said. On the other hand, the Railway Board has asked its subsidiary RITES to come out with a report on the corporatisation of its production units.

According to the plan, the Railways will hive off all its production units and associated workshops into a new government-owned entity called the Indian Railway Rolling Stock Company.

Yadav said this would also be done after discussing with the employees. "Special instructions were given on how to adjust the existing employees, so that their revenue will increase. This should not be seen as a step towards privatisation," he said.

On the other hand, the Railway Board is likely to invite private players for running at least 150 trains soon, said reports. Responding to this, Yadav said the tender was likely to be floated in the next 15 days.

"Private train operators are being introduced to improve facilities for passengers. On the other hand, train operations including infrastructure, maintenance and safety will completely be handled by the Indian Railways," Yadav said.

The private players will be operating trains in major routes like Delhi-Kolkata and Delhi-Mumbai after the renewal of tracks, including fencing and addition of new signaling system, along with the introduction of the Dedicated Freight Corridors (DFCs). After the introduction of DFCs, the upgraded existing routes will be completely dedicated for passenger trains.

Yadav said the existing financial constraints would help the Railways in becoming more efficient, accepting that the operating ratio for the first six months of the current financial year was at 121 per cent, much lower than 113 per cent during the same time last financial year. Operating is the amount of money the Railways spends to earn each rupee, means the lower the operating ratio, better the financial health.

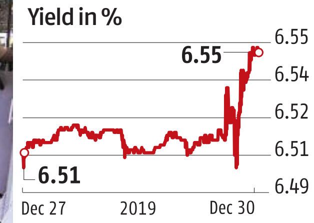
"We have financial constraints. It is helpful also, as we can be more efficient. The recent decision for unification of services is one such step towards improving the efficiency by making faster decisions," the chairman said.

He highlighted the seventh pay commission implementation as a major reason for the rising operating ratio. Around 65 per cent of the railway earnings are going towards staff expenditure, which includes 1.2 million employees and 1.3 million pensioners.

The Railway Board chairman said no final decision had been taken on a fare hike yet, on the other hand, increase in freight rates was necessary for the financial health of the Railways.

10-yr yields rise on RBI special OMO

ANUP ROY
Mumbai, 30 December



The Reserve Bank of India (RBI) on Monday bought ₹10,000 crore of 10-year bonds from the secondary market, while selling ₹8,501 crore of short-term bonds, in the special open market operations (OMO), held for the second time this calendar year.

Interestingly, instead of the 10-year bond yields coming down, it increased about 5 basis points to close at 6.55 per cent after the OMO. The idea of such OMO is to bring down longer term yields, while pushing up short-term yields. The rise in yields is despite the cut-off for the 10-year coming at 6.4874 per cent. The cut-off yields for the shorter maturity papers to between 5.39 per cent and 5.51 per cent for three papers. The RBI decided not to sell a particular paper, perhaps because of lower yields offered by the market.

"After the OMO, state government auction calendar came, which showed states would be borrowing some ₹25,000 crore extra in the next three months. This spooked the market," said the head of treasury of a bank.

Last week, the RBI had bought its full quota of 10-year bonds, but sold just ₹6,825 crore in aggregate of short-term bonds maturing in the next year. According to a senior bond dealer, the yields rose after the OMO was done to reflect the fundamentals and to reflect the fact that yields needed to be higher when there is a clear fear of at least ₹50,000 crore of extra borrowings coming before the close of the financial.

"The OMO announcements brought down yields from 6.75 per cent to 6.55 per cent. You cannot expect the yields to go down even further considering that the RBI had pause in December," said the bond dealer.

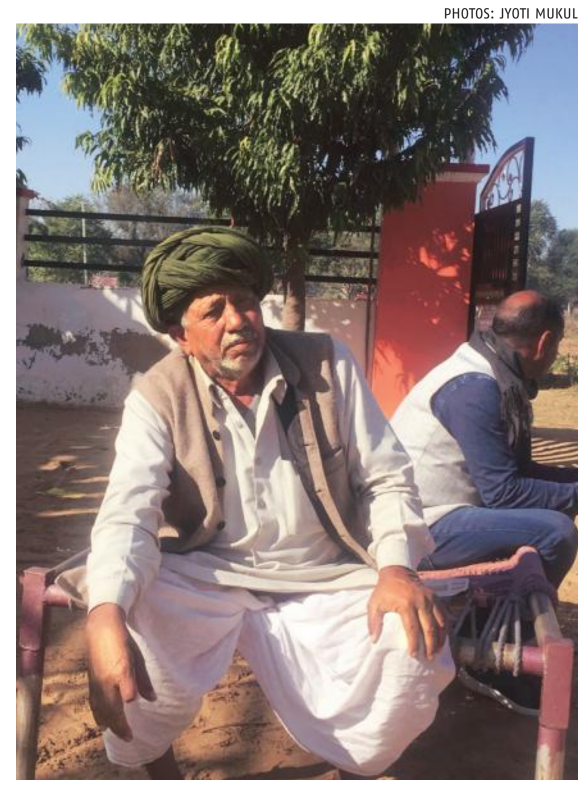
If there is further OMO announcement, the bond yields will likely fall temporarily. The yields fall as prices rise. The lower yield helps the government to borrow cheaper.

Traditional ways keep sunny days away for some

The second of a three-part series takes a look at challenges for those who aspire for solar-powered pumps in Haryana, Rajasthan

JYOTI MUKUL
Mehrauli/Udaipuria/Narnaul, 30 December

PHOTOS: JYOTI MUKUL



Shishupal Meena (*left*) has built a polyhouse, a pond for rainwater, and has a 5-hp solar pump; but Parbatilal Chotu Ram Jat does not want to change

With a traditional turban wrapped around his head, Parbatilal Chotu Ram Jat typifies a stubborn old man who does not want to change. His angst against other communities which take the benefit of subsidies comes out in a rather strange way.

"*Mei anodan se bach kar rahta hu. Jaivik khata ho aur kabhi bimar nahi padta* (I keep away from subsidies. Eat organic and never fall ill)," Jat of Mehrauli Khatik in Rajasthan's Sikar tells a group of officers from the horticulture department who are trying to convince him to use solar-powered pump that can irrigate his land without any of his family having to get up in the night. Also, saving on power bills.

SUN, WATER, AND SOIL
PART II

He is ineligible for some benefits under the state government's schemes because two of his sons are in government jobs, with the Central Industrial Security Force in Gujarat. However, this does not disqualify him from opting for solar-powered pump. Jat, who has one of his three sons helping him to farm, spends ₹1,800 every two months on electricity for irrigation. He gets six-hour daily supply. His approach is in contrast to neighbour Shishupal Meena, who has built a polyhouse, a pond for collection of rainwater and has a 5 hp solar pump.

Further towards Jaipur on National Highway 11 is Udaipuria, where Hari Bhagwan Kumawat is very angry with the village's lady patwari officer. "It is solar power (which I am asking for) and not her household electricity," he rages as he points to a diesel tractor which energises a pump that waters his fields. The patwari needs to approve applications for solar power pumps and one of the conditions is that farmers should not have a grid connection or be running pumps on diesel.

Naresh Pal Gangwar, principal secretary (horticulture) in the government of Rajasthan, underlines that to qualify for a solar power pump under Component B of the Centre's KUSUM, a farmer should not have a grid connection for irrigation. "Nonetheless, farmers with a grid connection but who want to solarise can avail of government subsidy under Component C of KUSUM," he adds. It is his department that is implementing Component B, under which they have to install an additional 25,000 pumps. A provision for ₹257 crore in subsidy on this account has been made in the state budget. About 48,000 applications have been received via a portal the state government has set up. "We will be giving 25,000 connections on a first come, first serve basis," says V Saravana Kumar, director (horticulture).

At Deroli Ahir village in Haryana's Mahendragarh district, farmers used to pay ₹80-150 to buy water for an hour. Some like Jaswant Singh earlier drew water from a traditional well but now use it only occasionally. "December and January are not very good for solar power generation. The plates do not generate power even in peak summer months when the temperature crosses 40 degrees Centigrade. Then, we depend on the earlier system," says Singh.

Haryana, which is going to implement all three components of KUSUM, has raised the subsidy component for pumps. Against the notified 30 per cent subsidy each from the Centre and state under the scheme, Haryana alone will give 45 per cent subsidy.

Through an online portal, the state invited applications and got 15,354 requests. Manageable, considering it has approval for 15,000 pumps under Component B in the first phase. At the Mahendragarh district office, the number of applications is 819 against a target of 1,000 for 2019-20, not so enthusiastic a response. Drawing of ground water is not permissible in three blocks—Narnaul, Nizampur, Nangal Chaudhury— of eight in the district which is why the number of applications is less.

According to Kumar, the demand for 5-7.5 hp solar pumps is more in Rajasthan, since ground water levels are low. Pumps with a lower capacity of 3 hp can be used for pumping water only out of farm ponds. He, however, cautions that with six contractors finalised by EESL, implementation could be slower compared to what they were doing earlier with more than 20 contractors.

According to a Union ministry official, around 20 bidders participated in the EESL tender. Interest was expressed by 31 but six were disqualified and of the rest, some did not put in financial bids. The bidders have chosen among five zones; rates were higher for the northeast and hilly ones. Despite the delay in finalisation of the tender, states are waiting with farmer applications to start KUSUM.

Tomorrow: Fields without water, hope

INTEREST IN SOLAR PUMPS: A COMPARISON

APPLICATIONS	TARGET
15,354 Haryana	15,000 Haryana
48,000 Rajasthan	25,000 Rajasthan

SOLARISATION OF GRID-CONNECTED PUMPS

- Haryana offers Yamunagar & Karnal feeders with 468 pumps
- Rajasthan has to solarise 12,500 existing grid connected pumps

Setting up of micro grids

- Haryana has target of 25 MW
- Rajasthan receives applications for 6,314 Mw, against 325 Mw target

GST facelift: E-invoicing, new returns

INDIVJAL DHASMANA
New Delhi, 30 December

WHAT'S CHANGING

- E-invoicing to come into effect on voluntary basis for those having annual turnover of over ₹500 crore, from January 1
- To expand to those having annual turnover of over ₹100 crore, from February 1
- Will be introduced from April 1 for those having a turnover of over ₹100 crore
- New returns to be introduced from April 1

2020 LOOKING AHEAD

Two things that will change the way transactions are reported under the goods and services tax (GST) system in 2020 are electronic invoicing and new returns.

While both of these will be introduced mandatorily from April 1, e-invoicing would be implemented on a voluntary basis by those having an annual turnover of above ₹500 crore from January 1. Those with an annual turnover of over ₹100 crore can use e-invoicing from February 1. Finally, those with annual turnover of over ₹100 crore will have to use e-invoicing system from the beginning of the next financial year.

In the e-invoicing system, the invoices are authenticated electronically by GST Network (GSTN) for further use on the common GST portal. Two procedures are required in e-invoicing system — generation of invoices in standard format and reporting it on to a central portal system.

The new system requires invoice details to be uploaded on the government site — Invoice Registration Portal or IRP — on real-time basis. Based on the uploaded details, a unique invoice reference number (IRN) will be allocated against an each invoice. IRN would be get validated through IRN portal and GSTN.

According to GSTN Chief Executive Officer Prakash Kumar, e-invoices are generated by large number of businesses even today. However, they all use the format as provided by the ERP or billing software they use. Lack of a standard leads to a scenario where e-invoice generated on one billing software can't be read by another, requiring manual data entry from electronically generated invoice. "All this means lots of engagement in maintenance of invoice, manual feeding in system, a pile of paper work, and lot of transcription errors," he said. Here comes a system that does away with much of paper, human error, transcription error, saves time and gives you a format which is compatible to all. He said no changes are required as far as the businesses are concerned as they will continue to use the same software with same user interface to generate the e-invoices such as ERP, accounting and billing software, excel based billing system etc. The companies, which have developed the ERP or billing software, will have to make changes in their software codes to make them conform to the approved standards, he said.

Abhishek Rastogi, partner at Khaitan & Co, said the phased manner of implementation of e-invoicing will enable adequatetesting of the system before it is made mandatory. Harpreet Singh, partner at KPMG, said: "In the long run, e-invoicing should be the only data collection point for the tax authorities replacing e-waybills and multiple returns."

However, new simplified returns would be implemented from April 1.

The GST Council had earlier decided to defer the implementation of these returns from the planned staggered manner from October this year.

In the new returns, there would be one main form — GST RET-1, which will contain details of all supplies made, input tax credit availed, and payment of taxes. This return will have two annexures — GST ANX-1 and GST ANX-2.

Form GST ANX-1 will have details of all outward supplies and form GST ANX-2 will contain details of all inward supplies. Currently, taxpayers are filing two returns: GSTR-1, which contains details of all outward supplies made, and GSTR-3B, which is a monthly self-declaration of outward supplies, input tax credit availed, and taxes paid.

Archit Gupta, CEO of ClearTax, said the e-invoice system would be integrated with the new return filing system for filing e-way bills and new return formats. Initially, businesses had a fear that their cash flow would be blocked because there was a proposition of only allowing credits to those invoices that were uploaded by vendors and tax discharged. To address the issue, the government had proposed allowing businesses to avail of input tax credit on the basis of self-declarations in GSTR-3B for initial months even under the new mechanism.

Gupta said the pain point involved in frequent matching of invoices was that the taxpayer had to allocate time from his daily business activities or he has to appoint personnel to do the same. There is also an issue of tracking and reporting of missing invoices to avail credit. Gupta said this would put additional responsibility even though the recipient paid the tax amount to his supplier.

Last day to link PAN & Aadhaar pushed back till end of March

PRESS TRUST OF INDIA
New Delhi, 30 December

The last date for the mandatory linking of Permanent Account Number (PAN) with Aadhaar has been extended until March 31, the Central Board of Direct Taxes (CBDT) said on Monday.

The earlier deadline was Tuesday, December 31.

"The due date for linking of PAN with Aadhaar as specified under Sub-section 2 of Section 139AA of the Income-tax Act, 1961, has been extended from December 31, 2019 to March 31, 2020," the department said on Twitter.

This is the eighth time that the CBDT has extended the deadline for individuals to link their PAN with Aadhaar.

The Supreme Court, in September last year, had declared the Centre's flagship Aadhaar scheme as constitutionally valid and held that the biometric ID would remain mandatory for the filing of income-tax returns and allotment of the PAN.

Section 139 AA (2) of the Income Tax Act says that every person having PAN as on July 1, 2017, and is eligible to obtain Aadhaar, must intimate his Aadhaar number to tax authorities.

Aadhaar is issued by the Unique Identification Authority of India (UIDAI) to a resident of India and PAN is a 10-digit alphanumeric number allotted by the I-T department to a person, firm or entity.

The CBDT, that frames policy for the tax department, said a notification numbered 107 has been issued in this context.

IGST refunds worth ₹1.12 trn paid to exporters, says CBIC

PRESS TRUST OF INDIA
New Delhi, 30 December

Since the advent of GST in July 2017, 77 per cent of India's exports have been under Letters of Undertaking, which are unaffected by the verification exercise being done by its officials

The revenue department on Monday said that IGST worth over ₹1.12 lakh crore has been refunded to exporters and only ₹3,604 crore is pending with the customs department.

The Central Board of Indirect Taxes and Customs (CBIC) said while the focus is on quick disbursal of pending refunds to exporters, data analytics has been used to identify "risky" exporter entities that take input tax credit (ITC) fraudulently and monetise it by paying IGST and taking refund thereof or taking refund of the accumulated ITC.

"Exporters have already been paid IGST (Integrted-GST) refund of over ₹1.12 lakh crore and over 83,500 exporters have been benefited by these refunds. "This shows that the government's efforts to fast track refunds under the GST especially to exporters are yielding results," it said.

The CBIC further said refunds of only ₹3,604 crore are pending, and of about 1.85 lakh exporters, a total of 6,421 (about 3.4 per cent only) including some "star exporters" have been identified as risky and hence red flagged.

"Even some of the 'star exporters' are not traceable," it added. The risky exporters are being subject to KYC and verification process before the grant of refund. The verification so far has revealed that 1,241 exporters are not traceable at their given addresses, which include 8 'star exporters'.

In addition, adverse verification reports have been received in the case of 399 exporters, which also include 4 'star exporters'.

The Commerce Ministry gives 'star' status to exporters on export performance of the last three financial years.

As per the CBIC, since the advent of GST in July 2017, 77 per cent of India's exports have been under Letter of Undertaking, which are unaffected by the verification exercise being done by its officials.

"Even in respect of the exporters identified as risky, the government is taking all necessary steps to expedite the verification," said the CBIC in the revenue department.

At the same time, the government remains concerned about the misuse of the facility of ITC credit and refunds by few unscrupulous exporters, it added. IGST is a tax levied on all inter-state supplies of goods and/or services. It also applies on supply of goods and/or services in cases of import and export.

HFCs' growth to remain subdued: CARE Ratings

CARE Ratings has stated that the growth in the housing finance companies (HFCs) loan book is expected to remain subdued due to funding challenges and lowered consumption due to slowing GDP growth.

"Most HFCs are looking to conserve liquidity and correcting asset and liability management through sell downs and slowing disbursements. Further, moderation in the loan book growth of non-banks has curtailed the growth of interest margins."

It said: "Overall, the growth in HFCs is expected to remain under pressure as the effect of the relief-measures made by the government on the liquidity front, are yet to unfold. The slowdown in the real estate sector coupled with higher risk perception of refinancing developers could impact the asset quality of players in the sector."

Further, HFC profit margins are likely to remain pressured on account of increasing cost of funds and delinquencies. Transmission of increasing funding costs to the borrowers is a key monitorable in the competitive interest rate scenario.

NIDHI RAI

MSE sentiment down for the third quarter in a row: CRISIL-SIDBI survey

ABHIJIT LELE
Mumbai, 30 December

Hit by a prolonged economic slump, the business sentiment among micro and small enterprises (MSEs) slid sharply to 106 in the quarter ended September 30, from 120 in the April-June quarter, according to CRISIL-SIDBI survey (CriSidEx).

The reading on the index for January-March 2019 was 122; it was 128 in the October-December 2018 quarter and 124 in the July-September 2018 quarter.

Amish Mehta, chief operating officer, CRISIL, said the findings for the September 2019 quarter need to be viewed in the context of macroeconomic factors, such as production cuts by automobile manufacturers impacting utilisation of components.

The reading on the index for January-March 2019 was 122; it was 128 in the October-December 2018 quarter and 124 in the July-September 2018 quarter

There was also a decline in both volume and realisation in commodity-linked sectors, such as steel, and a slowdown in consumption, impacting gems & jewellery industry and hotels, he said.

The survey showed the expectation from the next quarter — October-December — is higher than actual sentiment in the quarter in focus. The difference between reading for the December 2019 quarter (129) and the actual (106) is biggest, so far.

The production and capacity utilisation is likely to remain stable the next quarter as 28 per cent of participants from manufacturing MSEs expected an increase in production, 65 per cent viewed it as unchanged, and 7 per cent expected it to be lower.

Hiring was muted as only 7 per cent of the MSEs reported additions to their employee base in SQ8, compared with 16 per cent in SQ7, while 87 per cent maintained the base and 6 per cent reported reductions.

Lenders have a below-par outlook on the business situation. In the September quarter, only one of 10 lenders surveyed saw an improvement in the overall business situation of MSEs; four of 10 rated it as satisfactory, and 5 of 10 reported it as below satisfactory level, it added.

Maharashtra: Ajit Pawar sworn in as deputy CM, Aaditya Thackeray MoS

PRESS TRUST OF INDIA
Mumbai, December 30

***(Left)* NCP leader Ajit Pawar takes oath as deputy CM of Maharashtra. *(Right)* Shiv Sena leader Aaditya Thackeray was also among those who took oath** PHOTO: PTI

Maharashtra Chief Minister Uddhav Thackeray on Monday expanded his council of ministers by inducting 26 Cabinet and 10 ministers of state, including NCP leader Ajit Pawar who was sworn in as deputy chief minister.

The expansion took place more than a month after the Thackeray-led Maharashtra Vikas Aghadi (MVA) government took charge of the state.

The 36 ministers sworn in on Monday include 10 Cabinet and four ministers of state of the NCP, eight Cabinet and four MoS of Shiv Sena, eight Cabinet and two MoS of the Congress.

With this, NCP leads with 12 Cabinet ministers and four MoS, the Shiv Sena has 10 Cabinet ministers and four MoS while the Congress has 10 Cabinet ministers and two MoS.

The state now has 43 ministers, including the CM.

Ajit Pawar was sworn in as deputy chief minister, while former Maharashtra chief minister and senior Congress leader Ashok Chavan and Yuva Sena chief Aaditya Thackeray were among the Cabinet ministers who took oath. Pawar was sworn in to the post for the second time in just over a month.

Earlier, Pawar took oath as deputy CM on November 23 after he rebelled against the NCP and joined hands with the BJP. However, he resigned on November 26, leading to collapse of the three-day Devendra Fadnavis government.

Senior Congress leader and former chief minister Prithviraj Chavan did not find place in Thackeray's ministry.

Governor Bhagat Singh Koshyari administered the oath of office and secrecy to the newly inducted ministers in the Vidhan Bhavan (state legislature) premises.

The Shiv Sena kept its senior leaders Ramdas Kadam and Diwakar Raote, who were ministers in the previous Devendra Fadnavis-led government, out of the new council of ministers.

Instead, it included allies Shankarrao Gadakh (of Krantikari Shetkari Paksha) as Cabinet minister, and Rajendra Patil Yedravkar (Independent) and Bachhu Kadu (Prahar Janshakti Party) as ministers of state.

Senior NCP leaders Nawab Malik and Anil Deshmukh, who were ministers in the previous Congress-NCP government, also found place in the ministry.

The two leaders were defeated in the 2014 Assembly polls, but emerged victorious in the state elections held in October this year.

NCP leader and former Assembly speaker Dilip Walse Patil, former leader of opposition in the Legislative Council Dhananjay Munde and former LoP in Assembly Vijay Wadettiwar were also sworn in.

Chief Minister Uddhav Thackeray and NCP supremo Sharad Pawar were among those present at the swearing-in ceremony.

The Maharashtra Vikas Aghadi (MVA) government led by Uddhav Thackeray was formed on November 28.

Balasaheb Thorat and Nitin Raut of the Congress, Eknath Shinde and Subhash Desai of the Shiv Sena and Jayant Patil and Chhagan Bhujbal of the NCP took oath alongwith Thackeray on that day.

Maharashtra can have a maximum of 43 ministers.

The size of council of ministers cannot exceed 15 per cent of the total number of MLAs, which is 288 in the state.

The Shiv Sena last month joined hands with the Congress and NCP, its traditional adversaries, after its alliance with the BJP collapsed over the issue of sharing the chief ministerial post.

The Shiv Sena has 56 MLAs, the NCP-54 and the Congress-44 in the 288-member House.

25 years on, WTO on its shakiest ground

As confidence of member nations plummets, reforming the global body itself forms the core agenda for many

SUBHAYAN CHAKRABORTY
New Delhi, 30 December

On January 1, 1995, the creation of the World Trade Organization (WTO) marked the biggest reform of international trade since the end of the Second World War. Now, on its 25th anniversary, reforming the WTO itself forms the core trade agenda of many nations, rich and poor alike, as confidence in the global body plummets to historical lows.

While the earlier General Agreement in Trade and Tariffs mainly dealt with merchandise trade, WTO has expanded its reach to cover labour, environmental, and intellectual property aspects of trade. Through its enabling policies of free and fair trade, it was credited with providing a platform for all nations to consult, till just a few years back.

But that view has since been challenged by rising sectarianism in trade as major powers like the US, the EU, China, and Russia choose to increasingly carve out zones of influence. The onslaught on multilateralism has been dominated by US President Donald Trump, diminishing confidence for the body's ability to broker peace has affected all nations. This was brought on by the global body's top court for trade disputes going defunct earlier this month, for the first time.

Beginning December 10, two of the three remaining members of the seven-judge appellate body retired, making it defunct. The body functions as the highest global adjudicative authority for settling global trade disputes worth billions of dollars.

THE RISE & DECLINE OF GLOBAL TRADE BODY

October 1947: General Agreement on Tariffs and Trade (GATT) signed by 23 nations after Second World War

July 1948: India acceded to GATT

January 1995: WTO is founded under Marrakesh Agreement by 123 nations

November 2001: Doha Development Agenda formulated to improve trading prospects of developing countries

December 2011: China joins WTO

August 2017: Trump attacks WTO for slowing 'America First' law, begins trade war with China

December 2019: Top WTO court for trade disputes goes defunct for the first time

Regarded as the central pillar of the multilateral trading system, and as WTO's "unique contribution to the stability of the global economy", the appellate body has shaped global trade flows over the past two-decades.

But India and 116 other nations failed to convince Washington DC to drop its longstanding opposition to the appointment of new judges, which requires the unanimous support of every nation. "The developments actually ended up vindicating the US' stand that WTO continues to be an unequal space and common sense means little, if major forces refuses to budge," a senior European Union diplomat, said.

Axe to grind

But over the past three years, the US has increasingly chipped away at WTO authority by arguing that genuine American concerns and broader interests of developed nations have been ignored. This criticism had accelerated after the body rebuked Washington DC over its unilateral tariff measures against trade partners, including China.

"The US has playing a far larger game whereby it is on one hand petitioning the dispute settlement body while also single-handedly and consistently blocking the appointment of judges to the seven-member panel," India's former ambassador to the WTO, Jayanta Dasgupta, had said earlier.

Leading the American charge has been US Trade Representative Robert Lighthizer, who has repeatedly thundered against the WTO for being unfair to the US. Interestingly, Lighthizer was nominated to the appellate body as a judge 16 years ago. However, he was not confirmed after the other nations rejected him. Come 2019, Lighthizer has threatened to cut the WTO's budget, called China's accession to the body a 'mistake' and warned the US may pull out altogether if its demands are not met.

But the powers of the WTO as a single stop for solving trade spats had continued to dwindle for a long time now. Currently, cases take more than a year to be heard while the government, trade officials stationed in Geneva, said. On the other hand, smaller nations continue to feel marginalised as issues crucial to them such as a permanent solution to the public stockholding of food grains and a demand for special safeguard mechanism, they added.

India size vacuum

With most orders of the top court now unenforceable, the fate of six critical trade disputes being fought by India has ground to a halt. However, luckily for policy makers in New Delhi, this includes a recent ruling by the appellate body, which abolished India's export-promotion schemes for almost all sectors as well as special economic zones.

"Economies such as China, which have repeatedly circumvented trade norms to push non-tariff barriers, will not be held accountable and may simply refuse to abide by global rules anymore," senior trade policy expert and Jawaharlal Nehru University professor Biswajit Dhar said.

The slow but sure death of the WTO's clout has not come as a surprise to India. Over the past two years, New Delhi has repeatedly stitched coalitions with least-developed nations and other developing nations and arranged multiple mini-ministerials in India to call for a return to multilateralism. It has also intermittently clashed with richer economies over legacy conflicts such as the current practice of not taxing digital transactions, the lack of a services trade facilitation agreement, and calls for a global set of e-commerce rules.

Other major WTO economies such as Canada and the EU have planned ahead by deciding on an interim arrangement. However, the idea to set up arbitration panels to resolve disputes bilaterally have been opposed by India. Instead it is looking to occupy the power vacuum. "Smaller nations will never get their due in a one-on-one fight. If current conditions resists, other nations would see India remains committed to the WTO's ideals, which is the only way to go forward," a senior government official, declared.

IL&FS financial arm reports net loss of ₹13,272 cr in FY19

SUBRATA PANDA
Mumbai, 30 December

The financial services arm of the beleaguered Infrastructure Leasing & Financial Services — IL&FS Financial Services (IFIN) — reported a staggering net loss of ₹13,272 crore in 2018-19 (FY19), compared to a net profit of ₹9.5 crore in the preceding financial year (2017-18, or FY18), revealed the annual report of IFIN for FY19.

Its net revenue also nosedived 87.22 per cent in FY19 to ₹288.88 crore, from ₹2261.93 crore in FY18. Furthermore, its exposure to loans — marked non-performing — is of ₹12,429 crore.

As of March 2019, IFIN has a loan book of ₹12,945 crore, of which 96 per cent of the loans are non-performing. The under-performing loans are ₹35.12 crore, and standard loans are ₹480.44 crore. Its liabilities as of end-March 2019 are ₹16,635.72 crore. IFIN has been classified 'red' by the board of IL&FS; it is not in a position to meet its debt obligations —secured or unsecured.

The company's total borrowings as of March 2019 from various avenues, such as debt securities, bank loans, commercial papers, and intercorporate deposits, stood at ₹14,916 crore.

Furthermore for FY19, the board of IFIN factored in losses vis-à-vis balance of loans, receivables, investments, and other financial assets aggregating to ₹4,798 crore, ₹79.8 crore, ₹252.8 crore, and ₹405.1 crore, respectively, and also recorded a net loss on fair value change of ₹283.7 crore on financial assets.

The audit report by the statutory auditors of IFIN — Mukund M Chitale & Co — said with huge losses and liabilities, along with consistent rating downgrades, the firm's ability to raise funds has been substantially impaired, with normal business operations being curtailed. Also, it has breached its conditions for holding a certificate of registration as a NBFC, issued by the RBI.

IFIN has breached the minimum capital ratio of Tier 1 and Tier 2 capital. The company's capital adequacy ratio is -520.29 per cent.

According to the RBI norms, the firm is required to maintain regulated capital adequacy ratio of minimum 15 per cent, with minimum Tier 1 capital of 10 per cent. Tier 1 capital is also referred to as the 'net-owned fund' and IFIN has reported negative net-owned funds for FY19, although according to a RBI mandate, a company is required to have a net-owned fund of ₹2 crore to hold an NBFC licence.

'Drawback brand rates can be fixed on basis of averages'

CHATROOM

T N C RAJAGOPALAN

We are filing our brand rate application, where we have made the DBK-I, DBK-II and DBK-IIA forms. When we make the worksheet, can we take average duties on several bills of entry under DBK-II and DBK-IIA, as we are unable to establish a one-to-one corelation or work out the duty incidence on the basis of first-in first-out basis? If so, can you support us with any specific instructions on this matter?

You can refer to Para 5b (iii) of CBEC Circular no. 21/94-Cus dated September 15, 1994, which says: "In many cases, DBK-II/III statements show procurement of different lots of inputs suffering Customs/Excise Duties as the case may be. In such situations, the exporters can manufacture the goods out of one lot only of different lots procured at different points of time. Where the verification report does not indicate clearly the exact lot from which the export goods have been manufactured, the drawback rates are sometimes arrived at by following the principles of averaging. The brand rates in such cases will now be worked out in all cases by taking the average of duties suffered on different lots of inputs procured over a period of time."

We have imported our raw material under advance authorisation on payment of IGST. Can we transfer this to our SEZ unit under LUT?

What are the relevant provisions?

As per Para 4.43 of FTP, "Goods imported against Advance Authorisation Scheme, which are found defective or unfit for use, may be re-exported, as per Department of Revenue guidelines. The authorisation holder has to inform the RA who has issued the authorisation before re-export of such defective goods". As per notification no. 16/2015-Cus dated April 1, 2015, "Where the materials are found defective or unfit for use, the said materials may be re-exported back to the foreign supplier within six months from the date of clearance of the said material or such extended period not exceeding a further period of six months as the Commissioner of Customs may allow".

You will observe that the notification allows you to re-export the goods to the foreign supplier only. So, your option is to pay the basic customs duty and social welfare surcharge with interest from the date of import and then supply the goods to the SEZ under LUT and claim 98 per cent of the basic customs duty and social welfare surcharge paid under Section 74 of the Customs Act, 1962, read with Re-export of Imported Goods (Drawback of Customs Duties) Rules, 1995. You cannot claim drawback of interest.

In my individual capacity, I want to consult a foreigner and pay in foreign currency. Can you advise whether I have to pay IGST on foreign exchange remitted on reverse charge basis?

S.No. 10 of notification no. 9/2017-IT (Rate) dated June 28, 2017 exempts "services received from a provider of service located in a non-taxable territory by an individual in relation to any purpose other than commerce, industry or any other business or profession".

Taking ayurveda to the world

With the whole world turning to natural products, the time for its rebirth is just right

AMBI PARAMESWARAN

As a speaker in the third Global Ayurveda Summit, I was worried. Unseasonal rains were lashing Kochi that day and at the scheduled time for start at 10 am, the hall was hardly full. The organisers pushed the start time by 15 minutes. I was not sure if the hall would even get half full. I should not have worried. In just under 20 minutes, the hotel staff was scurrying around adding chairs at the back of the hall. While I spoke about the need for better branding of ayurvedic brands, a young speaker after me from Amazon spoke about the firm's channel for global customers of ayurvedic products.

Incidentally, the summit attracted a significant number of global participants and also hosted well over 30 well-appointed exhibition stalls. But a question remained in my mind: What is ayurveda and are all ayurvedic brands the same?

Perhaps the biggest-selling so-called "ayurvedic medicine" brand in India is not really ayurvedic. In the mid-1980s, the government decided that ayurvedic medicines will attract zero excise duty. The excise duty on all forms of over the counter medicines was around 15 per cent. Spotting the anomaly, one of the early MNC brands to jump on to the ayurvedic bandwagon was Vicks vaporub. Halls and Vicks cough drops were soon to follow. This is what I would call the "switchover ayurveda" brands.

The next category of ayurvedic brands are those that are not even touting their ayurvedic heritage. The oldest and the biggest in this category is Liv52 from Himalaya. It has been around for decades but the ayurvedic origin is not trumpeted as much as its natural ingredients. Himalaya has rolled out a brand globally for hangovers called PartySmart; it does not speak of its ayurvedic origin and is presented as an all-natural product.

There are numerous ayurvedic brands that are sold for multiple remedies -- from aches and pains to indigestion and hair fall. The brand Indulekha, which now belongs to Hindustan Unilever, is expected to hit a ₹2,000 crore valuation mark in the next five years.

Then there are ayurvedic brands that are sold as prophylactic. The biggest in this group would be chyawanprash. This product, if sold as "chyawanprash", did not attract any excise duty during the excise duty era. The moment you brand it as, say, "HealthyFit", it came under the excise duty regime.

So much for individual brands that have been promoted and built in India.

Traditionally, ayurvedic brands were sold under an umbrella brand. These brands spoke of many years of heritage and legacy. For example, this year, Kottakkal Arya Vaidya Sala celebrated its 150th year. Dabur too is almost 140 years old. Many global pharmaceutical companies may not be that old.

In the last few decades, there have been many efforts to modernise ayurveda with better branding, better technology and better retailing. The first to tread this path is perhaps Biotique. There is also work happening in companies such as Indus Biotech to identify and extract valuable natural ingredients with medicinal properties. So when we talk of ayurveda, the field encompasses multiple shades of nature-based cures. Not all of them are called ayurveda of course.

In the last decade, two ayurvedic brands have managed to invest heavily in design and high-street outlets — Forest Essentials and Kama Ayurveda. They offer a wide range of products, all with roots in ayurveda. But while Forest Essentials speaks of natural ingredients more than ayurveda, Kama has ayurveda in its front-facing branding. Estee Lauder, the super-premium beauty brand, took a minority stake in Forest Essentials 10 years ago. Don't be too surprised if you start seeing Forest Essentials in the shopping malls of the developed world.

Encouraged by their success, numerous brands are venturing into the market with premium displays in airports and malls. What they need to keep in mind is that Forest Essentials and Kama Ayurveda have been at it for almost 20 years.

The new brands on display in Kochi are still working on their go-to-market strategies. Is there a need to have a few arrow-head offerings (hair-fall cream; under-eye gel; natural hair colour)? What to tout more — natural, botanical, ayurveda? Should the pricing be premium, super premium or affordable?

Given the excitement around ayurvedic brands, even ayurvedic doctors are getting a new glow. A start up, Nirogstreet, is trying to create a network of ayurvedic practitioners. Hopefully all these efforts will help ayurvedic practices, products and offerings reach a wider target audience. With the whole world turning to more natural, botanical products, the time for the rebirth of ayurveda is just right.

The author is an independent brand coach and founder, Brand-Building.com ambimgp@brand-building.com

CHINESE WHISPERS

Parallel celebrations

The Congress has been celebrating its 135th foundation day (December 28) across the country. Some expelled leaders of its Uttar Pradesh unit have also been celebrating the occasion separately while simultaneously slamming the party for cracking down on them. Last month, 10 senior state unit leaders, including All India Congress Committee member Santosh Singh and former UP legislator Siraj Mehndi, were expelled for six years on charges of indiscipline. While the "official" Congress unit of UP was busy hosting party General Secretary Priyanka Gandhi Vadra in Lucknow, the expelled leaders claimed they constituted the "real" Congress and that the current disciplinary panel of the party had no business easing them out because it comprised mostly people with a criminal history.

Stick to the script

Maharashtra Governor Bhagat Singh Koshyari (*pictured*) had a tough time administering the oath of office to some ministers on Monday. He reprimanded two ministers on the dais during the swearing-in ceremony for deviating from the text of the oath. Koshyari first intervened when Congress MLA Varsha Gaikwad invoked Dalit icon B R Ambedkar while taking the oath. The governor stopped Gaikwad, a four-term MLA from Dharavi in Mumbai, and asked her to stick to the written words of the oath. Then, while taking oath as a cabinet minister in the state government, Congress MLA KC Padvi added a few lines of gratitude for his voters. Koshyari directed the seven-term legislator, who represents Akkalkuva in north Maharashtra, to take the oath again.

Jharkhand clean-up

The new government in Jharkhand on Monday removed senior IAS officer Sunil Kumar Barnwal as principal secretary to the chief minister. Barnwal held the post since 2015 and was considered close to former chief minister Raghubar Das of the Bharatiya Janata Party. Sources said the clout he enjoyed in the previous regime had sparked speculation of his removal and that of some others. However, since the state Budget has to be tabled shortly, the Jharkhand Mukti Morcha-led government is focusing only on critical positions. It is rumoured that anticipating the outcome, Barnwal had applied for a central posting just before the election results were announced but it is not known what happened after that. As of now, he is attached to the Department of Personnel, Administrative Reforms & Rajbhasha, the coordinating agency of the state government in personnel matters.

Flickers of interest in power distribution

Drawn by structural reforms, private players are hesitantly entering the customer-facing end of the business

JYOTI MUKUL

Power distribution, the end of the electricity value chain that involves selling to customers, has been the most problematic element of the sector. Predicated on the political compulsions of selling power below cost to large swathes of rural consumers, power distribution has been the root cause of the losses right from generation and sometimes even from the source of the fuel supply. Reform attempts by successive governments — including the current government's UDAY scheme that ends in March 2020 — have brought no fundamental change. Even so, there are signs of a realignment led by private sector players in areas where power pricing is more flexible.

Earlier this month, for instance, Adani Transmission announced that it was offloading its 25.1 per cent stake in its Mumbai distribution business to Qatar Investment Authority for ₹3,200 crore at a small profit over the value the group paid for the business to Reliance Infrastructure in August 2018. The agreement requires 30 per cent sourcing of power from renewable alternatives for distribution in Mumbai by 2023. The transaction is likely to be completed by early 2020, subject to regulatory and other approvals.

There have been a few others in the recent past. Mumbai-based private equity player Bessemer Venture Partners' investment in Spanco Power, power distributor in Nagpur, in 2012 and Asia-focused private equity player ADV Partners' invested in Feedback Infra, which is into power and road management services, in 2018. There would well have been more such deals, according to Sambitosh Mohapatra, partner, advisory, power & utilities, PwC, were it not for the fact that "the opportunities were very few and even within that the success stories limited".

What explains this shift in private sector interest? After all, as Mohapatra points out, the performance of the distribution business remains largely in the hands of state-owned discoms. A good part of the reason lies in recent structural reforms introduced via the Electricity Act. The critical one is content carriage segregration, which separates power distribution from the generation business by allowing multiple licensees to supply power to consumers based on market-based pricing principles. This move to what is also known as open access systems (since it enables consumers to get a choice of supplier) is, in turn, expected to expand the market for large investments in networks and base systems (transformers and so on).

Metering, data-driven infrastructure to optimise demand patterns and so on are expected to be the growth areas, as will such non-tariff revenue sources — for instance, the increasing level and volatility of power prices also increases value of energy management services.

Several markets and business models are emerging and will co-exist in India. The emergence of local island grids is one of them. It is this potential that has attracted a big player like Tata Power in direct competition with energy supply companies that are essentially small enterprises currently facing pressure from grid power given by state-owned discoms. Tata Power has floated TP Renewables in tie-up with the Rockefeller Foundation for offgrid power generation and distribution in rural areas.

In parallel, traditional privatisation of the distribution business, meanwhile, got a booster with the Odisha government deciding earlier this month to give licences for five circles to Tata Power under a 25-year-old contract. With this, the company will add 2.5 million consumers to its existing base of 2.5 million in Mumbai, Delhi and Ajmer. Tata Power will be responsible both for procurement and distribution of power in the Odisha circles.

Odisha's is the first full privatisation of distribution companies in 17 years since the privatisation of Delhi power distribution. The state government is offering three more circles over the next six months. Explaining the private interest in the Odisha circles, Mohapatra says, "The private sector is interested in any well-structured transaction with appropriate risk return framework, reasonable size and scale of business and regulatory certainty. Political stability and administrative support were also key factors. Odisha was providing all of that." The private operator also draws comfort from 49 per cent state government equity in the privatised entity. PwC was the transaction advisor for the Odisha deal.

Before this, companies such as Feedback Infra, Essel and Tata Power had explored the franchisee model. This model only privatises billing and metering part of the distribution business leaving generation to state companies. In states such as Madhya Pradesh, the franchise model hit a wall when the state government did not allow for a tariff hike for the Indore circle.

The political pressure on tariffs remains the key sticking point to the expansion of private sector interest in the sector. This was the focus of the 2015 Ujjwal Discom Assurance Yojana (UDAY) programmes, which asked states to take over 75 per cent of discom debt and repay lenders by selling bonds. The central assumption of this financial revival programme was that state governments would raise power tariffs. The results have been mixed, with some states retaining subsidies to rural consumers and raising the cross-subsidy from other users. Even so, discoms have not been able to eliminate the gap between the average cost of supply and the revenue realised (ACS-ARR gap) or reduce their aggregate technical and commercial (AT&C) losses to 15 per cent.

Nonetheless, Uday was successful in bringing down the cost of funds for discoms from 13-14 per cent to 8-9 per cent. "That's substantial savings when we look at around ₹2 trillion of borrowings. The scheme, however, put the onus of driving operational efficiency improvement and investments on the owners of the business — state governments. That didn't work out at the step jump level expected but incremental gains happened," Mohapatra says.

The way the power paradigm is playing out therefore is this. State government-owned discoms will have to balance the challenge of losses with the responsibility of universal electrification whereas private investors are innovating with investment models even as they keep away from the generation business.

ON THE JOB

Unemployment cannot cause agitations

Campuses provide the critical mass of an aggrieved population necessary for a political movement

MAHESH VYAS

The best part of Shekhar Gupta's columns is the rich experience they reflect of his journalistic journey. To those who lived through the Emergency and through Gulzar's *Mere Apne*, his "Back to the inglorious past" (*Business Standard*, December 28) will connect vividly. To the rest, it is the best sketch of those times in under thousand words.

Mere Apne highlighted joblessness in the late 1960s and early 1970s. And, as Shekhar describes, this was followed with a period of heightened nationalism and eventually the Emergency. Today's joblessness is also followed by heightened nationalism. But his hypothesis, that once people have suffered joblessness and economic stall for a length of time, nationalism will no longer calm their anger, remains to be tested.

I may venture to wager that the link between unemployment and political agitations is not causal but is catalytical, at best. People do not get sufficiently angry to agitate because of prolonged joblessness or economic stall. Not in India.

It is true that we do face high joblessness today. The unemployment rate is of the order of 8 per cent according to CMIE's Consumer Pyramids Household Survey. According to official statistics, at 6.1 per cent in 2017-18, it was at a 45 year high.

The agitation in campuses and across towns in India is not an agitation against this unemployment. It is an agitation against the CAA, NRC, NPR and against high-handedness of the government in many places. It is not a demand for jobs.

A high rate of unemployment in the educated youth can be a catalyst in the germination of these movements in campuses and can be used to accelerate any political process. Campuses provide the critical mass of an aggrieved population necessary for a political movement. But, the connection between a large stock of unemployed and a particular political movement is tenuous, at least in India. Disillusioned youth can be rallied against CAA/NRC just as much as they can be for CAA/NRC. In fact, the deployment of youth for NRC is easier since it carries a potential reward that reduces the competition for scarce jobs by eliminating a few migrants from the competition. It is therefore facile to assume unidirectionally that the high stock of unemployed youth will help movements against the political dispensation of the day.

A high rate of unemployment in the educated youth can be a catalyst in the germination of movements in campuses and can be used to accelerate any political process

The BJP is a better organised party than any other in India and therefore, it is more likely to be successful in mobilising the stock of unemployed than others.

Independent of the particular case of CAA/NRC, it is difficult to appreciate that an unemployment rate of 6 per cent or even 8 or 10 per cent is a politically potent problem. Unemployment among graduates is much higher at 17 per cent. But, even if such unemployment generates anger, it is not enough to be a serious political problem. Here's why.

Unemployment hurts few. A 10 per cent unemployment means that 10 per cent of the people who are actively looking for jobs are unable to find one. This means that 90 per cent of the people who were looking for jobs did find one. And, most of the 10 per cent who are still unemployed remain hopeful that like the rest, they too will eventually find jobs. So, the number of people really agitated for not having found a job are really too few to make a political difference.

Since unemployment hurts very few it is not considered to be a societal problem, or the government's problem, but a shortcoming of the individuals who are left unemployed. The unemployed is ridiculed for his or her lack of effort or ability. In India, unemployment is not recognised as a macro-economic problem.

Unemployment is tolerated. We have seen that when jobs are lost, people do not agitate on the streets. They simply stop looking for jobs and leave the labour force. Quietly. They do not seek a change in the political dispensation. The twin shocks of demonetisation and GST was followed by a 10 million fall in jobs in 2018. There were no agitations. The unemployment rate has been rising steadily since then. Yet, in 2019, the same political dispensation was rewarded with a bigger mandate.

There have been agitations for reservations in government jobs. But there are no agitations for good jobs in general. There are no agitations against the rise of contractual labour which compromises job security for those who have jobs.

There are two possible reasons for the lack of agitations against unemployment. First, the number of households with no adult person employed has not increased even as unemployment has increased.

And second, unilateral government (centre and state) transfers to households have increased. This has cushioned the impact of unemployment on households.

The pain of unemployment is too local unlike the pain of inflation which has universal impact. When inflation rises, everyone is hurt. The pain is felt more by some compared to others but, everyone pays the price of high inflation. Inflation is therefore politically a lot more potent than unemployment.

Further, governments are seen capable of handling inflation -- they can bring in price controls, change trade policy, control stocks with traders and crack down on "hoarders" etc. An agitation against inflation can be effective. And a government that fails to control inflation can be punished. But this is not the case with unemployment. Political parties may promise jobs but the electorate knows that those are empty promises across the political spectrum. If an incumbent government cannot provide jobs, others cannot either.

Slowing growth and joblessness can impoverish us. They can be a catalysts for change but they are not sufficiently potent to morph into political agitations.

The author is managing director & CEO, CMIE

LETTERS

Fear exaggerated

This refers to the report "Banks need not fear probe agencies: FM" (December 29) that talks about Finance Minister Nirmala Sitaraman meeting the heads of the public sector banks or PSBs. She has performed yeoman service to the cause of promoting the health and efficiency of the banking system by assuring them in the presence of the director of the Central Bureau of Investigations (CBI) that granting of loans or any other financial decision should not be influenced by the fear of being hounded by the CBI. A similar meeting with the Enforcement Directorate and the Directorate of Revenue Intelligence will also take place and that is good.

Concerns about undue harassment by the Central Vigilance Commission and Comptroller and Auditor General of India (CAG) were also expressed (incidentally, CAG has no audit jurisdiction over banks). A frank discussion and the assurance by the PM earlier and the FM now will be of great value to the bureaucracy in the banking world. The FM has assured that "no action will be initiated if genuine commercial actions turned bad".

My view is that while this assurance needs to be reiterated, there should be no presumption that CBI has been harassing bankers and bureaucrats for genuine mistakes. All these CBI cases relating to banks reported in the newspapers are not cases of genuine mistakes but of deliberate fraud. I have worked in the revenue department for more than three decades. My view about the efficacy of CBI should be more reliable than of one who has worked in the CBI itself. I am not talking of political cases but of cases in the revenue department and the banking department. There, I have not found any case of harassment by the CBI. These (CBI) cases take a long time to get decided which is not because of the CBI but due to court delays. Even failures cannot be attributable to the weakness of the basic charge-sheet made out by the CBI but largely to court decisions. I dare say that I have not found any honest and good officer in our department punished by the CBI.

My firm view is that the fear of the three "Cs" is highly exaggerated. Slothful and corrupt fellows use this imaginary fear for not taking decisions. But the FM's assurance is useful and soothing.

Sukumar Mukhopadhyay
Retired member, CBEC
Via email

Letters can be mailed, faxed or e-mailed to:
The Editor, Business Standard
Nehru House, 4 Bahadur Shah Zafar Marg
New Delhi 110 002
Fax: (011) 23720201 ·
E-mail: letters@bsmail.in
All letters must have a postal address and telephone number

HAMBONE

Business Standard
Volume XXIV Number 98
MUMBAI | TUESDAY, 31 DECEMBER 2019

Restore data credibility

Govt move to set up new panel of statisticians welcome

It is welcome news that a high-level panel under former chief statistician Pronab Sen has been set up to examine currently used surveys of employment, industry, and services. These surveys are essential inputs into various major official statistics, in particular the estimates of gross domestic product (GDP). The 28-member committee has its work cut out. India's official statistics have recently been widely questioned, as on occasion they seem to work at cross-purposes with other high-frequency indicators of the economy. More worryingly, their credibility and independence from political interference have also come under fire. Government choices in terms of concealing some data — such as a recent round of the National Sample Survey — have not helped in dispelling these concerns. The setting up of this committee, as well as its chairmanship by Dr Sen and the inclusion of other academics who have questioned official statistics recently, might go some way towards recovering and repairing the reputation of Indian data.

Much, however, will depend upon what the panel feels empowered to do and how transparently it can restructure the statistical system. The committee has been told to examine various government data sets — such as its surveys of industries and service sector enterprises, of the labour force, and the widely watched index of industrial production, among others. While the committee's remit might appear limited to ensuring the data sets square with one another and are broadly consistent, as well as to identify gaps in data collection, it is also supposed to oversee the finalisation of the survey reports and to determine problems in the compilation of administrative statistics. This means that it has, if it so wishes, relatively broad powers to overhaul India's statistical approach. It is important that the government accepts what disinterested experts have to say. There are major problems with the statistical system that are regime-agnostic and need to be addressed. A case in point is the divergence in consumption between what is shown by the consumption survey and what is revealed by the national accounts. The GDP calculation, which perhaps overstates the formal sector through the use of Ministry of Corporate Affairs data, will also need to be looked into. Other crucial details will include how deflators are calculated and whether the corporate data is being extrapolated correctly.

The government has released draft legislation that intends to put the National Statistical Commission on a secure legal footing as the apex body for national statistics. It is to be presumed that the Standing Committee on Economic Statistics will discuss and evaluate what must be done to conduct immediate repairs and then create a blueprint for future reform on data collection and analysis, and the National Statistical Commission will be in charge of implementing it on a consistent basis. What is important, however, is that the institutional footing and powers of the NSC be sound. It should be independent and autonomous as well as having the powers to oversee the distribution and release of officially collected statistics, so that there is no longer any suspicion that inconvenient statistics are being concealed or manipulated for political reasons by the government or its bureaucrats. The NSC Bill does not go far enough.

Who's afraid of NPR?

The strong link with NRC and other rules raises concern

Union Home Minister Amit Shah's statements that Indians have nothing to fear from the National Population Register (NPR), which is set to begin countrywide from March 2020 through September (except Assam), and that there is no link with the National Register of Citizens (NRC) are misleading on several levels. The impression that is being sought to be created is that the NPR is a benign enumeration exercise for the Census, as it was in 2010. There is, first, a critical difference with the decadal census exercise. The Census is conducted under the Census Act, 1948, and is done on the basis of self-declaration by people, without any verification. The NPR, however, is a coercive exercise; it is compulsory for everyone to share data, and there are penalties stipulated for non-cooperation. The NPR is defined as a database of usual residents in an area demarcated by the Registrar General of Citizen Registration, and it defines "usual resident" as someone who has resided in a local area for the past six months or more or a person who intends to reside in that area for the next six months or more. Second, the rules for both the NPR and NRC were framed in 2003 under the Citizenship Act, 1955. The Registrar General's office is responsible for both exercises. The rules also explicitly state that the NRC data will be duly verified by the data from the NPR. In effect, the NPR forms the foundation for the NRC.

The government has clarified that no documents or biometrics will be required for the NPR. This should be reassuring, but the concern that arises is the level of discretion vested in local officials if the NRC exercise follows, as the government had stated several times (including in Parliament) until Prime Minister Narendra Modi denied it at a rally in New Delhi recently. The rules empower the local register to mark out a category of "doubtful citizens" after the verification exercise, and duly inform the individual or family concerned. This level of discretion raises the spectre of arbitrary exclusions of the kind that were seen in the Assam NRC exercise and opens the door for corruption. Even more worrying, the rules enable any person to file objections against the inclusion of someone in the local register of citizens, widening the ambit for abuse even further. The exercise becomes all the more fraught for those who are poor and uneducated.

The demographic details under the 2010 NPR required roughly 14 kinds of data, such as parents' name, nationality, occupation and address. The 2020 exercise has added the requirement of the date of birth and place of birth of one's parents. Apart from pointing to yet another link between the NPR and NRC, the significance of this new data requirement is that, following amendments to the Citizenship Act in 1987 and 2003, the citizenship status of the parents determines whether someone is an Indian citizen by birth. Indeed, when the Census data and a near nationwide Aadhaar database (verified via documents and biometrics) already exist, it is difficult to understand the need for the NPR, still less for the government to spend ₹3,941 crore for this exercise unless it is the starting point for determining citizenship within the ruling party's political paradigms.

ILLUSTRATION: AJAY MOHANTY

Indo-US ties: Sailing into choppy waters

Questions over India's democratic stability and economic upturn will weigh on the ties between the two countries in 2020


ANITA INDER SINGH

What is the outlook for the Indo-US tie in 2020? The upswing in the relationship that was highlighted by the signing of the civilian nuclear deal in 2008 started abating when Donald Trump became president of the US in 2017. Economic progress was the outstanding reason why India went up in America's estimation after 1991. Its high growth rates over a 15-year period persuaded Washington to believe that it could become a counterpoise to rising authoritarian China. Additionally, India's stability as a multicultural democracy also impressed the US, especially after the collapse of the authoritarian Soviet Union and Yugoslavia in 1991.

By 2019, however, it was obvious to the world that India's economy had fallen into decline over the last six years. Moreover, political and social polarisation, symbolised by increasing communal violence since 2014 and the large-scale protests over the Citizenship Amendment Act (CAA) have raised questions about the quality of its democracy.

The economic downturn and New Delhi's ruling out of a quick recovery brings into question India's ability to counter China in Mr Trump's "Indo-Pacific". Over the last decade, India and the US have signed more than $15 billion worth of arms deals — and Washington recently offered India another $1 billion worth of naval guns. But to New Delhi's chagrin, the US still refuses to transfer sensitive military technology because India is not a formal ally. While sovereignty decrees that India has a right to buy Russia's S-400 missile, this air defence system blocks closer military ties with the US, which sees Russia as a security threat. If the absence of an alliance reflects India's determination to uphold its strategic autonomy, it simultaneously makes Washington doubtful about the viability of the Indo-US tie.

Trade issues are another sticking point in their tie. India's cat's cradle of red tape and protectionist tariffs irk Washington. They take the sheen off India as a trading partner. A mere 2.1 per cent of US exports come to India; and 2.2 per cent of imports come from India. Fifteen per cent of India's imports come from the US, 16 per cent of its exports go to the US.

As India's economy has taken a nosedive, China has shown off its economic progress by expanding its Belt and Road Initiative (BRI) worldwide. Several member-states of the European Union and all of India's neighbours have joined the BRI. China's financial clout has established it as the largest investor in their economies. It is also the largest arms seller to Myanmar and Bangladesh. Its growing presence in the Indian Ocean poses tough queries about India's standing as the dominant South Asian power.

The other domestic development — the passing of the CAA and the large-scale protests that it provoked — have led many in the US to question India's secular democratic credentials. Even before that, the State Department in June reported that religious intolerance in India had grown under Prime Minister Narendra Modi's government. India predictably riposted that a foreign government had "no right" to comment on the country's internal affairs.

At December's 2 +2 dialogue in Washington, US Secretary of State Mike Pompeo said that the US cared deeply about protecting minorities and religious rights everywhere. He voiced confidence in the Indo-Pacific partnership, as being grounded in democratic values.

Official Washington speaks in more than once voice. If Pompeo's statement appeared to dispel any idea that the Trump administration was putting pressure on New Delhi on domestic conflicts, the attitude of US lawmakers told a different story.

The situation in Kashmir since last August and the strong-arm tactics used to deal with popular protests against the CAA have led the US Congress to question India's commitment to secularism — implying equal rights for all communities and the maturity of its democracy. Foreign Minister S Jaishankar's recent refusal to meet the Congressional committee on foreign affairs to discuss Kashmir sparked the response that shutting out US lawmakers who were standing up for human rights was what they expected from authoritarian regimes — not New Delhi.

Despite the strategic partnership, the Indo-US relationship will sail on choppy waters in 2020. But the economic gap between India and China raises questions about India's value as a contributor to Mr Trump's game plan for the Indo-Pacific. China's gross domestic product per capita is more than four times that of India. At $177.6 billion, China's 2019 defence budget was over three times that of India. And as China aims to build a world class military by 2050, India is finding it hard to upgrade its armed forces.

The fact of India's economic and military dependence on the US rankles with New Delhi and annoys Washington. The Trump administration likes prosperous allies because they are better able to face common threats.

As the New Year approaches, India's democratic stability and economic upturn appear uncertain. Although the widespread anti-CAA protests also reflect anger at declining job opportunities, the government shows little sign of harnessing financial and human resources to overcome India's economic and socio-political crises. Instead, its insistence on going ahead with the CAA shows that it ignores warnings that any move away from secular democracy could spark destabilising conflicts.

India's strategic position in the Indian Ocean rules out its being ignored by the US. But 2020 will show whether India's troubled domestic economic and political house reveals a mismatch in their strategic association or whether a closer strategic tie is yet possible.

The writer is a founding professor of the Centre for Peace and Conflict Resolution in New Delhi. www.anitaindersingh.com

Argentina's bright young hope


JOSEPH E STIGLITZ

Judging by his appointment of a first-rate economist to his cabinet as Minister of Economy, Argentina's new president, Alberto Fernández, is off to a good start in confronting his country's economic problems. Martín Guzmán, with whom I have frequently collaborated in recent years, is among the world's leading experts on sovereign debt and the problems it can cause, making him the right person in the right place at the right time.

After completing his PhD at Brown University under Peter Howitt (co-author with Philippe Aghion of seminal work in modern growth theory), Guzmán obtained a coveted position at Columbia University, where he forged an academic career and became an influential expert on crucial policy debates at the domestic and global level. He has testified before the US Congress on Puerto Rico's debt crisis and spoken at the United Nations about the need for a better international system for resolving sovereign debt crises. In recent years, he has divided his time between New York and Argentina, where he is a professor of macroeconomics at the University of Buenos Aires.

When former President Mauricio Macri took office, his economic team openly admitted that while they had inherited many problems, they started with one major advantage: A low level of debt. They gambled on a set of policies — making, for instance, untimely and unnecessarily large cuts in export taxes, paying off old, defaulted debt to so-called vulture funds with unconscionably high returns, and taking on new high-interest, long-term, dollar-denominated debt, all in the hope that market-friendly signals would lead to a rush of growth-spurring foreign investment. Even at the time I thought it was a foolhardy gamble.

The rest is history. It didn't work out, and as matters went from bad to worse, Macri compounded the mistakes. More borrowing, including a $57 billion programme with the International Monetary Fund. Austerity. Misguided sterilisation efforts to prevent inflation, which built up a debt overhang. The worst of all possible worlds was soon at hand: More inflation (reaching almost 60 per cent in the current year), higher unemployment (already at double digits and rising), and the re-imposition of the exchange controls, the removal of which Macri had hailed at the outset of his administration as the cornerstone of his economic policy.

As a result, Fernández inherits a far worse economic situation than Macri confronted: Higher inflation, higher unemployment, and now, a debt beyond Argentina's ability to service. Doubling down on a failed policy won't work; nor will returning to what preceded it. That's why it's so important that Fernández has appointed a knowledgeable, brilliant economist who combines youthful energy with a wisdom well beyond his 37 years.

Given the mess that Macri has handed Fernández, there are no magic bullets. It is easier to say what not to do. As Fernández has put it, one doesn't solve a problem of excessive debt by taking on more debt. Nor does one solve a problem of recession and unemployment by imposing more austerity, which in every recession always leads to more economic contraction. The reality is that there will be no substantial private-sector flows in the immediate future, no matter what policies the government enacts.

But Argentina must husband its limited resources, devoting them to reigniting the economy. One hopes that the multilateral development banks will provide countercyclical lending for investment projects that spur growth and poverty alleviation (under Macri, poverty has once again grown enormously, to more than 35 per cent of the population). There is enormous potential. Tourism, for example, boomed after the last major devaluation. Argentina has first-rate universities and large numbers of highly educated, entrepreneurial people.

Bondholders won't necessarily be thinking, however, of Argentina's people or of the country's long-run potential. Many of them will be thinking only of the short-run gains from squeezing Argentina into more austerity. They will spin a story about a profligate country that lived beyond its means once again, even though they encouraged Macri in his misconceived policies and gave him the money that led Argentina into its current debt crisis. Presumably, they knew there was a risk: That's why they demanded and received such high interest rates. Some may be more thoughtful and understand that restoring Argentina's debt-service capacity depends on economic recovery.

In recent months, many other countries in the region have confronted political instability and economic turmoil. It is in no one's interest that Argentina be added to that list. We should celebrate the orderly transfer of power, and the commitment on all sides to maintain and defend democracy. We should also celebrate the shared vision that any effective economic programme must involve not only shared sacrifice but also shared prosperity when the fruits of that programme are achieved.

Fernández, with Guzmán, appears to be formulating a programme of moderation, avoiding the extremes of the past. Unlike Macri's agenda, the Fernández programme is not based on big gambles and wishful thinking. It is based on the hard realities of the situation that he has inherited. It represents Argentina's best chance to achieve gradual restoration of growth. Obviously, the more assistance the international community can provide, the faster and more robust the recovery will be.

The writer is a Nobel laureate in economics, University Professor at Columbia University and Chief Economist at the Roosevelt Institute. His most recent book is People, Power, and Profits: Progressive Capitalism for an Age of Discontent *© Project Syndicate, 2019*

Memoirs of a turnaround artist

BOOK REVIEW

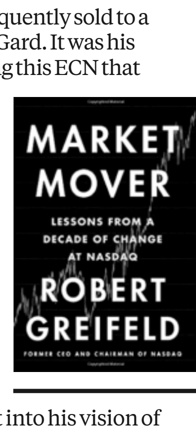
SANJAY KUMAR SINGH

The author of the book under review was the chief executive officer (CEO) of Nasdaq from 2003 to 2016. When he took over the reins, the business was caught in a deathly tailspin. Robert Greifeld chronicles how he first stabilised Nasdaq and then over time built it into one of the world's preeminent stock exchanges, leaving its more storied rival, the New York Stock Exchange, in its slipstream.

In 2003, Nasdaq was in deep trouble and Mr Greifeld often wondered if he had taken on a hopeless assignment. Very few new tech companies were listing on exchanges in the aftermath of the dotcom bust. Transaction volumes had also plummeted. But the most serious threat arose from the fact that Nasdaq faced technological obsolescence.

In those days, customers could watch the buy and sell quotes of stocks on a computer screen. But to place orders they had to pick up a phone and call a Nasdaq dealer. The process was tedious and time-consuming. Prices would often have moved by the time a trade was executed, causing losses to traders.

The threat to Nasdaq came from start-ups called Electronic Communications Networks (ECNs), which were providing an alternative virtual platform for stock trading. On the ECNs, the customer did not have to call up a dealer. Order matching and execution occurred electronically. Mr Greifeld had won his spurs as the co-founder of an ECN called ASC, which he subsequently sold to a company called SunGard. It was his experience in creating this ECN that made him a prized catch for the Nasdaq board.



MARKET MOVER: Lessons From a Decade of Change at Nasdaq
Author: Robert Greifeld
Publisher: Nicholas Brealey Publishing
Price: ₹599

On the people's front, Nasdaq was bureaucratic and slow-moving. Even before he joined, Mr Greifeld carried out an evaluation of its manpower. He hunted high and low within Nasdaq for people who would fit into his vision of the organisation, and placed them in key positions. He also laid off hundreds who he felt were not suited for the new, more driven and fast-paced culture that he planned to usher in. Only for positions he could not fill with insiders did he turn to outsiders. Readers will find many insights in the chapter called "People first" on how a leader should go about putting an appropriate team in place.

A CEO who is trying to engineer a turnaround has limited time and resources. He must possess the ability to triage, or determine which businesses and tasks need to be accorded higher priority. If he spends time on non-essential matters, he could win numerous battles and yet end up losing the war.

Nasdaq's core business was transactions (exchanges earn a small commission on every transaction). Its dealer-based system had become obsolete. Mr Greifeld had two choices: He could develop either in-house the software for automating order matching and execution, or he could purchase it from outside. The former route is usually more cost-effective but slow. In a rapidly-evolving business, where time is of the essence, it is sometimes wiser to buy a company that possesses the much-needed technology. Though doing so requires paying a premium, it is justified when survival is at stake. What you also get by adopting this route is a proven winner that has bested several rivals.

Mr Greifeld used Nasdaq's cash hoard, and even took a loan, to buy an ECN called Instinet. By acquiring and further building upon it, he was able to transform Nasdaq from a technological laggard into a leader.

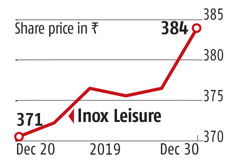
The first part of the book is a veritable manual on how to turn around a moribund, bureaucratic, and technologically obsolete organisation. In the latter half, Mr Greifeld writes about the multiple acquisitions he undertook. This part contains insights on why international takeovers have become imperative, the pressures one faces as a negotiator, and why some succeed while others fail.

Grace under pressure is an essential quality in a leader. In 2012, Facebook chose to list on Nasdaq. Unfortunately, high trading volumes on listing day caused Nasdaq's systems to falter. It was the worst fiasco of Mr Greifeld's career for which he was roundly criticised, even lampooned, in the media. He explains in a calm and sober tone why the failure occurred, how he dealt with the barrage of criticism, and the steps he took to make Nasdaq's systems more fool proof.

Most people learn from their mistakes and try not to repeat them. But the really smart ones learn from the experiences of others. Reading books such as this one may not turn you into a management wizard overnight, but they definitely have the power to shape your instincts. When faced with challenges in her own career, the reader will be better equipped to come up with appropriate responses. This book should surely find a place on the shelf of anyone keen to augment her leadership skills.

Business Standard
MUMBAI | TUESDAY, 31 DECEMBER 2019
The Smart Investor

QUICK TAKE: STRONG COLLECTIONS HELP INOX LEISURE



Commencement of its multiplex in Lucknow and expectations of strong box-office collections for the December quarter helped the Inox Leisure stock hit its all-time high on Monday. Earnings momentum, given the content pipeline, is expected to continue in the coming quarters

"In the US, Davids have kept pace with their FAANG Goliaths. A broad-based rally, unlike in India"

BALAJI VAIDYANATH
CEO, Crest Wealth Management

WWW.SMARTINVESTOR.IN FOR INFORMED DECISION MAKING

Timeline for PMS 2.0 guidelines worries ₹16-trillion industry

Notification awaited a month after announcement; service providers fear sudden implementation

SACHIN P MAMPATTA
Mumbai, 30 December

Lack of a defined timeline for the implementation of new regulations has led to a fear of disruption among industry players as they await the official notification of the first overhaul of the portfolio management services (PMS) regulations in nearly two decades.

The Securities and Exchange Board of India (Sebi) has announced changes, including the appointment of key employees and custodians under the Sebi (Portfolio Managers) Regulations, 2019. The changes were approved in November, but are yet to be notified. The regulations replace the Sebi (Portfolio Managers) Regulations, 1993.

PMS providers expressed concerns that a sudden implementation may cause difficulties to the industry that manages over ₹16 trillion in assets. One service provider said that getting necessary approvals from clients for transferring their assets to a custodian may take time, and a sudden implementation may lead them to be in technical violation of the new regulations.

PMS typically manage money for rich investors. They are generally perceived as taking a higher risk for potentially higher returns. The new regulations look to tighten norms for an industry which is seen to be loosely governed. Key employees will now have to meet defined criteria and assets are also sought to be better protected.

"The enhanced eligibility criteria (are) to be applicable to any employee with decision-making authority relating to management of clients' portfolios... the appointment of custodian (is) mandatory for all the portfolio managers, except for those providing only advisory services to clients," said the November press release in which the new regulations were announced.

Sebi had set up a group to examine the old regulations. It had released its report in the middle of the year. It suggested a number of changes to the existing rules. Some of these were accepted in the board meeting after which the announcement was made.

Other changes in the new regulations include a higher net-worth for players of ₹5 crore and increasing the minimum investment to ₹50 lakh. A player said that they are trying to follow the new regulations as announced in the absence of the fine print in a notification.

"We are taking a conservative approach," said the person.

Legal experts said Sebi may take steps to avoid major issues. "Sebi may provide reasonable time after notification of the regulations in order to encourage portfolio managers to align their systems and be compliant with the regulations," said Sumit Agrawal, founder of legal firm, RegStreet Law Advisors.

Tejesh Chitlangi, senior partner at IC Universal Legal, said that one would expect a long enough timeline for getting a custodian in place. Draft regulations released earlier can provide some guidance on other matters, according to him.

"The draft regulations have been in the public domain for some time. The press release which came later had some divergence with the draft. One would want to see the final document for clarity on those points. Meanwhile, portfolio managers would be able to continue operations under the old norms until the new regulations are notified," he said.

An email sent to the regulator did not immediately receive a reply.

REGULATORY CHURN

- **New PMS regulations announced** in November
- **But final regulations** yet to be notified
- **Worries over timeline** for implementation sans fine print
- **Seeks sufficient time** for aligning systems
- **Says could lead** to disruption

Prince Pipes falls 6% on debut

Prince Pipes and Fittings made a tepid debut on the bourses on Monday. The stock got listed at ₹160, 11 per cent discount to its issue price. It closed its first day at ₹166.60, which was ₹11.4 or 6.40 per cent lower than its issue price of ₹178. Prince Pipes and Fittings' IPO was subscribed 2.2x. SUNDAR SETHURAMAN

Sebi fines Satco ₹5 lakh

The markets regulator, Sebi, on Monday levied a fine of ₹5 lakh on Satco Capital Markets for misusing the client funds on several instances, and in a separate order fined ₹5 lakh on India Advantage Securities for failing to settle accounts of both active and inactive clients. PTI

Grey areas in IPO process on Sebi radar

JASH KRIPLANI
Mumbai, 30 December

The Securities and Exchange Board of India (Sebi) wants to address grey areas in the initial public offering (IPO) process that mutual fund (MF) houses' arbitrage schemes misuse to the advantage of one scheme's investors over others. Towards this end, the market watchdog wants to make pre-trade allocations mandatory for all institutional investors.

"Such a practice is unfair to investors of other schemes belonging to the same fund house. If the investor appetite is strong, the fund house after allocation may decide to transfer the shares to arbitrage schemes which can make strong short-term gains in the IPO investment," said a senior executive of a fund house.

Arbitrage schemes have gained significant investor interest in recent months.

In 2018-2019, these schemes garnered over ₹33,500 crore of inflows, as steady returns given by these schemes have attracted flows exiting schemes exposed to credit risks.

"By not informing in advance which scheme would get what allocation, there is a gap in the system that can be easily misused. After allocation, some fund managers can take a call on which scheme should get the allotted shares, depending on their view of the firm and investors' demand," said another executive.

Apart from IPOs, similar issues have cropped up during qualified institutional placements and also bulk deals.

Some fund houses do inform investors in advance about which scheme would get how much allocation, but the regulator wants uniformity in practices across the industry.

In the case of foreign portfolio investors, the problem is likely to arise from the regulations that they are already required to adhere to.

"The proposal would mean placing orders directly in the name of each account. This would lead to different execution prices as orders get filled at a different time. The fund manager would then be forced to allocate at different prices into different funds, which would again be in breach of the fiduciary duty of equitable pricing," said an official of an industry body.

The proposal on pre-trade allocation was also being mulled over by Sebi in the past, but the regulator was unable to implement it back then.

Industry sources said that there have also been cases of MFs taking advantage of this lacunae to the advantage of their flagship schemes.

"A flagship scheme is also an important scheme for a fund house as it accounts for the largest chunk of assets and a lot of investor money is riding on it. However, it means that a fund house is giving preference to one scheme over the other, which is not fair to the other investors," said a fund manager.

A BIG DRAW AMONG MFs EYEING SMART GAINS

Recent IPOs	Issue price (₹)	Listing price (₹)	% gain
IRCTC	320	644	101
CSB Bank	195	275	41
Ujjivan Small Finance Bank	37	58	56
Affle India	745	929	24

Compiled by *BS* Research Bureau — Sources: PRIME Database, Exchanges

MANDATORY HALLMARKING OF GOLD JEWELLERY

Lack of awareness remains major hurdle

RAJESH BHAYANI
Mumbai, 30 December

Mandatory hallmarking for gold jewellery is likely to be notified within a week or two, and from that day a one-year clock will start ticking for jewellers to adhere to the new norm. But for its successful implementation, according to government officials and industry experts, consumer awareness is necessary.

They said resources with the Bureau of India Standards (BIS), which is the implementation and supervisory authority for hallmarking, are limited, or in other words, mandatory hallmarking will succeed only when consumers insist on it. The government had announced mandatory hallmarking of gold jewellery at the end of November.

Estimates regarding the number of jewellers and ornaments being hallmarked at present are varied. But policymakers and market insiders said the number of jewellers could be fewer than the estimates. Some industry associations have stated there are 300,000-400,000 jewellers across India. However, this number could be as low as 100,000, experts said.

"In our conservative estimate, there could be around 120,000-150,000 jewellers in the country," said Debajit Saha, senior analyst-precious metals demand, GFMS. Many other organisations working for transparency in the gold industry put it around 80,000-100,000.

They said many moneylenders and artisans count themselves among jewellers but they are not.

Only 26,019 are registered with the BIS to sell hallmarked jewellery; jewellery hallmarking has been there, though voluntary, for the past two decades. Hallmarking gives consumers an assurance regarding purity of the gold ornaments they bought, but awareness is lacking, said experts.

"In our study, we have observed that virtually no hallmarked gold is sold in smaller cities and rural areas. Consumers are often unaware of the hallmarking system. We have also found that some dubious jewellers are selling under-carat jewellery with hallmark claims, cheating consumers across the value chain. This is largely happening in the eastern and some parts of the northern and central India," said Saha.

He further said: "In our field study across the country, we have found jewellers selling 916 purity jewellery (22-carat) to customers, but those items are often not more than 80 per cent pure." In South India, consumer awareness regarding hallmarking is high and hence, the situation there is much better.

A senior official at the Ministry of Consumer Affairs said: "Our understanding is that 40 per cent of jewellery is hallmarked, though there is no official data on this. As many as 44.9 million jewellery pieces were hallmarked in 2018-19." Industry players and analysts had in the past stated that the average piece of jewellery is of 10 gram. But the government official quoted believes that the actual weight of an average hallmarked piece may be lower.

At the 10-gram average size, the hallmark jewellery estimate comes to 80 per cent of gold ornaments being hallmarked, which to many experts and government official is an "unacceptable" figure. The government official quoted above said: "40-50 per cent appears nearer to reality".

The World Gold Council had done a survey in the first half of 2019 and it stated distrust of jewellers and fake or heavily impure ornaments were among major concerns for consumers in India and across the world.

Though jewellers have been given one year to clear the stock of their non-hallmarked jewellery, with the implementation of mandatory hallmarking, they will now have to be much more careful and forthcoming over the purity of their products, said experts.

There is also an issue of strengthening the BIS. For implementing mandatory hallmarking, the BIS needs more staffers to inspect and create an atmosphere where jewellers take it seriously. A source close to the development said that "the government has received a proposal for strengthening the BIS, especially for implementing mandatory hallmarking".

AT A GLANCE

Hallmarking rules
- From January 2021, only gold jewellery of 14, 18, and 22-carat can be sold
- Gold artefacts also need to be hallmarked
- Silver not mandatory

Strength
- Currently 899 centres
- West Bengal, Tamil Nadu, and Maharashtra have good numbers
- Central and Northern India have the least, Gujarat only 75

For jewellers
- 26,019 registered
- Others have to register with BIS
- One year to clear stock of un-hallmarked jewellery

Needed
- Consumer awareness (Centre plans campaign with BIS)
- More personnel for inspections and actions in BIS

THE COMPASS

Cold chain acquisition diversifies ADSEZ portfolio

Proceeds from sale will help Gateway reduce debt

RAM PRASAD SAHU

In a deal expected to benefit both companies, Adani Ports and SEZ (ADSEZ) acquired India's largest cold chain company Snowman Logistics from Gateway Distriparks.

The deal for a 40.25 per cent stake in Snowman for ₹296 crore pegs the enterprise value at 11.6x its 2020-21 operating profit.

ADSEZ's third logistics-related acquisition this year comes at a premium, largely due to the potential of the cold chain business and Snowman's aggressive plans. The company plans to double the capacity over the next five years at a cost of ₹580 crore. The acquisitions and expansion are in line with ADSEZ's strategy of connecting the port to the customer.

Analysts at CLSA highlight that the cold chain market is highly unorganised at 84 per cent share, which is an opportunity for organised players with end-to-end solutions. The combined offerings of Snowman-ADSEZ should help gain share.

Most brokerages are bullish on the stock, given the recent correction and a 12 per cent discount to players such as Container Corporation of India.

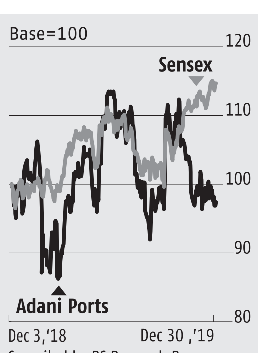
While ADSEZ's stock was up marginally, the gains were sharper for Gateway Distriparks, which ended 11.5 per cent higher.

The sale to ADSEZ is part of Gateway's plan to divest its non-core assets, deleverage its balance sheet, and fund future capital expenditure plans in the rail segment.

Analysts at Antique Stock Broking say the debt pay-down from the proceeds would significantly improve the leverage position and business viability of Gateway in a fiercely competitive market, while moderately reducing the overhang on valuations.

The company's consolidated net debt at the end of September quarter was ₹700 crore. Net debt-to-operating profit, which was at 3x at the end of 2018-19, is expected to come down to 2x after the company's deleveraging exercise.

Analysts have a 'buy' call on the stock, given the attractive valuations, gains from higher realisations, and benefits from the roll-out of the dedicated freight corridor. Though the stock has gained 11 per cent, given the target prices, there is an uptick of at least 25 per cent from these levels.



Compiled by BS Research Bureau

Pricey valuation may not limit upside for SBI Life

Increased business contribution from SBI's branches and lower costs to boost earnings growth

SHREEPAD S AUTE

Strong growth in business and an equally robust outlook are key reasons for the rise in SBI Life Insurance Company's stock valuation, which at 3x the 2020-21 embedded value is near its peak. The stock has surged 64 per cent in 2019, so far, versus a 15 per cent rise in the S&P BSE Sensex and 21-50 per cent gains in the case of ICICI Prudential Life and Max Financial. HDFC Life is the only life insurer to have matched SBI Life stock's returns.

Though SBI Life's pricey valuation is turning some analysts a bit cautious, many others see further upside on the back of strong growth potential led by gains from its bancassurance (banca) channel and improving cost structure.

Literacy about life insurance is only improving and insurers like SBI Life and others would benefit.

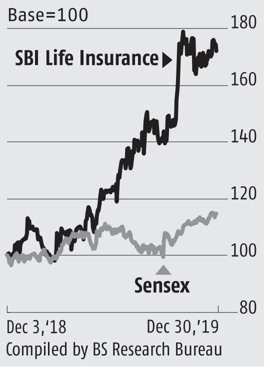
For SBI Life, though, it is blessed with a large country-wide branch network (over 24,000) of its parent — State Bank of India (SBI). SBI Life had generated 57 per cent of its new business premium (NBP) during April-September 2019 (H1FY20) through SBI's branch network. Although this could also be seen as concentration risk, there is also huge room to grow through this channel.

According to HDFC Securities' analysts, even now, only 61 per cent of SBI's branches are activated. The domestic brokerage believes that branch activations will increase and the (business from) SBI channel will easily grow at 15-20 per cent annually over the next three-five years. The analysts foresee a 25 per cent upside in the SBI Life stock from the current levels. In 2018-19, SBI's network contributed ₹3.8 million per branch (in terms of NBP), which SBI Life expects to increase to ₹4.5 million in 2019-20. A combination of increased branch activation and higher contribution per branch could help SBI Life growth at a good pace.

Even during April-November 2019, SBI Life clocked 22 per cent growth in new business sales (annual premium equivalent) and analysts expect it to rise 18 per cent annually during FY19-FY22.

This apart, SBI Life also has the lowest cost ratio at 10.4 per cent in H1FY20 versus 11-23 per cent for other listed players. This, along with a satisfactory persistence ratio (indicating policyholders' stickiness), should help in terms of faster margin improvement. Rising demand for high-margin protection products, such as term plans, also augurs well for the sector.

Overall, long-term investors can consider the stock on dips.



Compiled by BS Research Bureau

Farmers move online, sell produce for 15-20% more

DILIP KUMAR JHA
Mumbai, 30 December

Deepak Chauhan, a Sultanpur (Aurangabad)-based farmer with around 6 acres of land, is planning to buy 1 acre from his 20 per cent additional earnings. He got this money by selling his produce online directly to corporate buyers through his farmers produce company (FPC), that is Swarup Satkari FPC.

One of the largest FPCs in Sultanpur, Swarup Satkari has registered around 400 farmers in the region to facilitate them to trade maize, soybean, pulses and other agricultural commodities directly to bulk dealers and corporate consumers.

Like Swarup Satkari FPC, there are over 300 FPCs registered across Maharashtra to facilitate farmers to sell their produce online.

FPCs in major agrarian states, including Madhya Pradesh, Rajasthan, Telangana, Andhra Pradesh, and Punjab, have also started taking advantage of online trade by eliminating middlemen. They earn higher prices for their produce.

To take advantage of the futures market, a number of FPCs have taken membership of the National Commodity and Derivatives Exchange (NCDEX). They look at the futures prices and make selling decisions in order to fetch higher prices. The NCDEX educates them to use the futures markets to help them make maximum profits from their produce.

"We have successfully sold maize and soybean through online platforms via futures and spot auctions. Earlier, we used to sell our produce in distress at the time of harvesting to pay lenders spontaneously. But our FPC has helped us realise higher prices. This year, we have earned 20 per cent more profit by selling online," said Chauhan.

Several farmers like Chauhan have chosen this option. Online partners help them avail funds to pay lenders and sell their produce at high prices.

Besides, warehousing companies like Star Agriwarehousing & Collateral Management (Star Agri) and National Collateral Management Services (NCML) have launched their online commodity trading platforms and auction farm commodities of their clients.

While Star Agri has launched agribazaar.com, NCML has introduced marketyard.com to help clients sell their produce. Another warehousing company, National Bulk Handling Corporation, is planning to introduce an online trading platform.

"On agribazaar, we have done transactions worth over $1.4 billion and delivered over 1.8 million tonnes of agri produce. More than 150,000 farmers are associated with us," said Amith Agarwal, co-founder and CEO, Star Agri.

Online platforms by warehousing service providers are different from that of electronic National Agriculture Market (eNAM).

While eNAM is a mandi-linked service, the platforms of warehousing companies are useful for post-*mandi* services of their clients.

"Our platforms offer clients auctions and other related services. We have negotiated with seven banks to allow users to settle their accounts even if they have loan outstandings," said Sanjay Kaul, MD, NCML.

Through online sale, farmers earn at least 15-20 per cent more.

To take advantage of the futures market, a number of farmers produce companies have taken membership of the NCDEX

2019 LOOKING BACK

Tax cut and global triggers help markets end on a high

Debt-laden companies get heavily punished amid uncertainties over economic growth

SUNDAR SETHURAMAN & JASH KRIPLANI

The benchmark indices — Sensex and Nifty — are ending 2019 on a strong footing, with the two gaining 15 per cent and 12.8 per cent, respectively, even as the domestic economy is slowing down.

Both Sensex and Nifty touched their all-time highs of 41,810 points and 12,294 points, on an intra-day basis on December 20.

According to market participants, the corporation tax cut in September, along with signs of a thaw in the US-China trade stand-off, pumped up the markets in the second half of the year.

It was a highly-volatile year, though, with traders caught at the receiving end of market whipsaws in the absence of a clear trend. In the first half of 2019 (between January and June), the Sensex gained as much as 12 per cent, only to give up almost all its gains by September. However, the tax cut reversed the fortunes.

A broader market rally remained elusive. Because of acute polarisation and large institutional money sticking to "quality" names, even the frontline indices saw few stocks contributing to the bulk of the gains.

Only 19 of the 30 Sensex stocks gave positive returns. Only 14 Sensex stocks beat the index. For the 50-stock Nifty index, half the constituents gave negative returns year-to-date. Only 18 managed to beat it. The Nifty Midcap and the Nifty Smallcap index declined 4.5 per cent and 10 per cent, respectively, on a year-to-date basis.

"Large-caps are preferred during an economic slowdown as investors prefer safety over returns," said Andrew Holland, CEO, Avendus Capital Public Markets Alternate Strategies.

In a note, Edelweiss Research said economic slowdown and continued earnings recession added to investor woes. As a result, investors stuck to stocks where scope of sharp downside was limited.

Meanwhile, companies saddled with a large debt pile remained under pressure, still feeling the after-effects of the liquidity crunch in the debt markets after the IL&FS default. Concerns around promoter pledging and corporate governance also took a toll on some of the well-known business houses.

Among the Nifty stocks, the bigger losers for the year included YES Bank (-74 per cent), Zee Entertainment (-36 per cent), Gail India (-34 per cent), Mahindra & Mahindra (-33.2 per cent), and Vedanta (-23.59 per cent), whereas the top gainers included Bharti Airtel (60.49 per cent), Bajaj Finance (60.42 per cent) and ICICI Bank (51 per cent).

"Everyone underestimated the impact of the non-banking financial (NBFC) crisis, which led to a virtual freeze on lending. The fact that it coincided with NPA recognition did not help matters. Banks were also unwilling to step in to bridge credit gap," said Jyoti Jaipuria, CEO, founder, Valentis Advisors.

The concerns over firms relying on the debt markets — especially NBFCs — got aggravated with multiple rating downgrades. NBFCs found it difficult to meet their debt obligations due to high levels of short-term liabilities against assets or loan advances structured over longer tenure.

Further, corporates taking loan-against-shares were also left in the lurch, as value of promoters' pledged shares came under pressure amid overall market selling.

"Companies with weak fundamentals were heavily punished as investors didn't want to take any chances in firms grappling with mounting debt pressure," said an analyst.

The optimism triggered by the Modi-led government's second-term soon fizzled out as economic realities begin to weigh on investor sentiments.

Gross domestic product grew just 4.5 per cent for the September quarter, the slowest in over six years. In November, Moody's revised India's rating outlook. It said economic growth could remain materially lower, and the government could face significant constraints in keeping fiscal deficit under check.

Lack of stimulus package, surcharge on foreign portfolio investors (FPIs), and buyback tax in the Budget in early July were other pain points for investors.

The Sensex dropped as much as 9 per cent between the Budget and the corporation tax cut in September. The sharp fall came on the back of ₹38,000 crore being pulled out by FPIs in between July and September. Mutual funds provided some counterbalance. However, their buying moderated as investors pulled out funds.

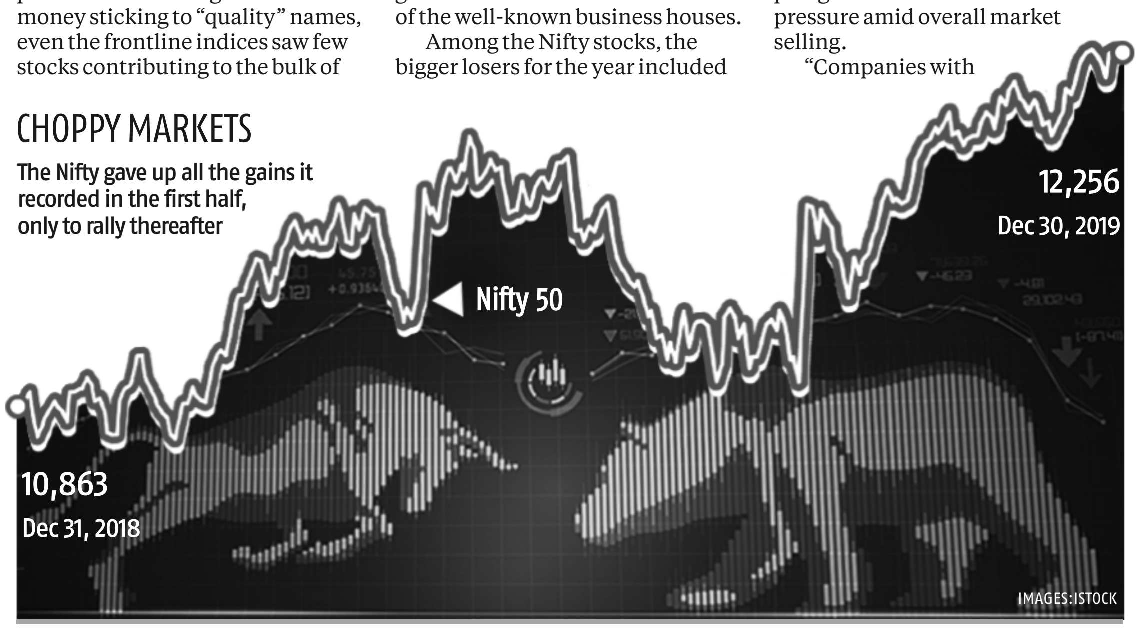
More recently, protests against the Citizenship Amendment Act and the proposed National Register of Citizens (NRC) have even got foreign brokerages worried. "The powerful public backlash will exacerbate domestic demand prospects over coming months," CLSA said in a note.

Meanwhile, measures have been afoot to inspire a revival. The Reserve Bank of India (RBI) has recently initiated Operation Twist to improve transmission of lower policy rates by banks. The RBI has cut the benchmark policy rate by 135 basis points this year.

The government has also announced merger of some of the troubled public sector banks and expressed intention to privatise public sector enterprises.

CHOPPY MARKETS

The Nifty gave up all the gains it recorded in the first half, only to rally thereafter



IMAGES: ISTOCK

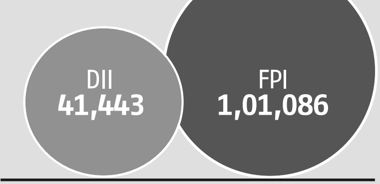
INVESTORS SOUGHT EXIT OPPORTUNITIES

JASH KRIPLANI

Polarisation in the markets continued in 2019, with institutional flows sticking to safety of large-caps. As a result, the broader markets continued to lag. The Nifty Midcap closed 5 per cent lower, while the Nifty Smallcap fell about 11 per cent. Domestic institutional investors (DIIs) also shied away from committing large funds, as fund managers avoided mid- and small-cap stocks with no major signs of an earnings recovery. In 2019, DIIs bought ₹41,443 crore of equities, which was not even half of the ₹1 trillion put in by foreign portfolio investors (FPIs). Even though the Nifty touched its lifetime high as the year came to a close, sentiments of individual (retail and high-networth) investors were far from restored. Individual investors, looking for exits from underperforming schemes, made use of market highs to pull-out funds. Redemptions jumped 47 per cent to ₹16,268 crore, over the previous month. Mid-cap schemes – which were a big draw among retail investors – returned a measly 2.4 per cent in 2019, and small-cap delivered negative returns of 2.2 per cent. Amid these uncertainties, equity flows fell 78 per cent month-on-month to a 41-month low of ₹1,300 crore in November.

FPIs OUTPACE DOMESTIC INVESTORS

Figures are for CY19, Investment in ₹cr

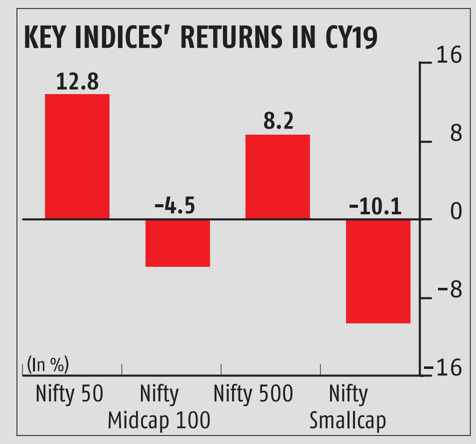


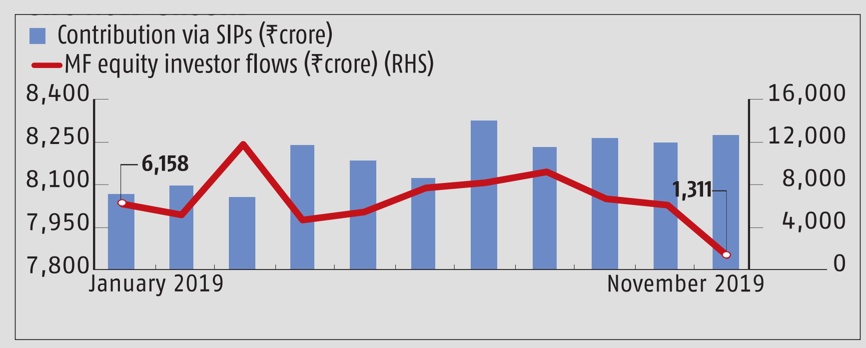
Data up to December 27, 2019

BANKS, ENERGY RULE

BSE SECTORAL INDEX	CY19 returns (%)
Auto	-10.5
Bankex	21.4
Cap Goods	-9.8
Cons. Durable	21.3
Energy	23.9
Finance	18.7
FMCG	-3.2
Healthcare	-3.3
IT	10.5
Telecom	13.9
Sensex	15.2

KEY INDICES' RETURNS IN CY19





Price data as on December 30, 2019; source: BSE, NSE, Sebi & Amfi; Compiled by BS Research Bureau

Gold gains 23%, most in 8 yrs

DILIP KUMAR JHA

The price of gold has jumped 23 per cent in 2019, the most in the last eight years, because of reduced supply and continuous buying by central banks. Investors looking for safe-haven assets against global economic uncertainty have also benefited the yellow metal. And, so did the trade war between the US and China leading to fears of a global slowdown, and the worsening geopolitical tensions. Silver also did well with 21 per cent gains, the most after 2010.

IMAGES: ISTOCK

A BIG SPIKE FOR PRECIOUS METALS

CY	Gold ₹/10 gm	Return YoY (%)	Silver ₹/Kg	Return YoY (%)
2011	27,100	32	50,965	8
2012	30,490	13	57,820	13
2013	29,240	-4	43,800	-24
2014	26,720	-9	37,195	-15
2015	24,980	-7	33,565	-10
2016	27,900	12	39,930	19
2017	29,240	5	38,425	-4
2018	31,585	8	38,245	0
2019	38,882	23	46,130	21

Data upto Dec 30, 2019; Average domestic gold & silver prices, year-on-year (YoY) returns; Source: IBJA, Zaveri Bazar, Bloomberg; Compiled by BS Research Bureau

The rupee's weakness against the dollar, however increased cost of imports, pushing consumers from buying gold unless necessary. Continuing rural distress and an increase in import duty on precious metals by 2.5 per cent are other reasons for the sudden fall in domestic gold demand in the second half of 2019.

The surprise import duty hike aggravated the situation with bullion dealers (holding gold imported before the hike) selling it at a discount. Unofficially, imported gold was selling at a huge discount for a brief period. If that was not enough, consumers also sold their gold to encash money during the slowdown. As a result, monthly imports (in tonnes) fell during the July-October period.

The much-awaited gold policy and spot gold exchange also don't seem to be the government's priority.

Yet, those holding gold are a richer lot. And the gains are much larger than any other asset class.

Another development in the domestic bullion market was the fall of a few big jewellers with whom consumers were investing money under monthly deposit schemes. After a few jewellers vanished with consumers' money running into a few thousand crores, schemes run by other jewellers have seen redemption.

Analysts forecast more gains in bullion in 2020, but return expectations are now moderate at around 6-7 per cent.

"We expect the trend to continue in 2020 with the US Fed's dovish economic move, which indicates interest rate cuts and the possibility of deferral of the second phase of the US-China trade war," said Gnanasekar Thiagarajan, director, Commtrendz. Thiagarajan expects gold to rise to $1,565 per ounce in the overseas market and to over ₹41,000 per 10g in rupee terms. Silver could see more upside due to rising industrial demand, he adds.

Goldman Sachs, in its recent report, forecasts gold to reach $1,600 in 2020 on expectations of weak global macro-economic data, looming geo-political tensions, and the impact of Brexit. But, easing of US-China trade tensions has also raised hopes of an economic recovery and reduced fears of a recession.

Kishore Narne, associate director, Motilal Oswal Financial Services, is, however, not very bullish. He says: "Earlier, we thought the first half of 2020 would be volatile for the bullion, but we see a change and expect volatility to emerge in the second half. Gold prices are likely to remain range-bound in the near term." The jury is out on this.

Oil, nickel and iron ore shine

DILIP KUMAR JHA

This year proved to be a difficult one for industrial commodities, with base metals, except for nickel, moving with every buzz emanating from the US-China trade war, the West Asia stand-off, and a decelerating Chinese economy.

Crude oil was one of the hottest commodities with a 28 per cent return. Nickel was an outperformer rising a staggering 32.1 per cent on falling supplies. Iron ore was another big gainer, but copper was up marginally, 4.1 per cent. All other base metals, fell by up to 12.3 per cent in 2019. Steel was almost flat, while thermal coal and natural gas were also among big losers.

"Demand worries were overblown and/or supply-side issues were not well appreciated by investors. In other words, the escalating trade-war had attached a 'sentimental discount' to commodity prices," said Sandeep Daga, director, Regsus Consulting, a global commodity research firm.

During the year, the market was gripped by recession fears, and at the same time geopolitical and policy risks were flaring up. For the most part of the year, the market was under pressure due to the US-China trade war, which fuelled slowdown worries as manufacturing sentiment continued to deteriorate.

The domestic metal market was not an exception. "The domestic economic slowdown, disappointing macro data, dovish central banks, and strengthening dollar, all these didn't augur well for metal prices," said Pritam Kumar Patnaik, head of commodities, Reliance Commodities. Even share prices of metal companies were down.

The S&P BSE Metal index fell 12 per cent in 2019, compared to a 15 per cent rise in the S&P BSE Sensex.

The firm grip of Opec (Organization of the Petroleum Exporting Countries) and its friends acting as cartel never allowed oil prices to be impacted by trade-war worries. The price of nickel moved up after Indonesia announced a surprise early ban on raw-ore exports. Copper, the industry barometer, because of trade tiffs, was also down till September. As the perception on trade-war front settled, this bellwether gained, showing signs that copper will lead in 2020. Iron ore was another outperformer, due to the disruption of output in large mines.

A MIXED BAG

Spot price (S/tonne)	Price	% chg
BASE METALS		
Copper	6,211	4.1
Zinc	2,296	-8.5
Lead	1,910	-4.9
Nickel	14,000	32.1
Tin	17,100	-12.3
Aluminium	1,789	-4.3
OTHERS		
Brent Crude spot *	68.07	28.0
Iron ore	84.86	20.2
China HRC #	550.00	1.5
Natural gas **	2.23	-24.1
Richard Bay Coal	78.60	-18.4

Price on Dec 27, 2019; % change over Dec 31, 2018; * in $ per barrel; ** $ per million British Thermal unit; Source: London Metal Exchange, Bloomberg

Things are now set to turn in favour of metal investors with trade dispute moving towards settlement. Industry organisations estimate the deficit in metals like copper and zinc to rise. Analysts also expect a reduction in aluminium production as its price remains stubbornly below cash costs of mining companies.

This will get reflected next year. Daga says that China has stepped up spending on infrastructure. Many commodities on charts are oversold compared to their current fundamentals. There are good chances that commodities steal the limelight in the first half of 2020, he says.

"Copper could surprise in 2020. A weaker dollar is a supportive factor for all commodities. If manufacturing activity around the globe improves, metals could rally sharply," said Naveen Mathur, director (commodities and currencies), Anand Rathi Shares and Stockbrokers.

However, the going may need not be smooth for industrial commodities. Joel Hancock, metal analyst with London-based Natixis Commodity Research, has identified three macro themes that will drive commodities now on. These are phase two of US-China trade talks, US elections, and progress in Chinese economy. These could have a bearing on prices.

Eventful year for bonds, rupee

ANUP ROY

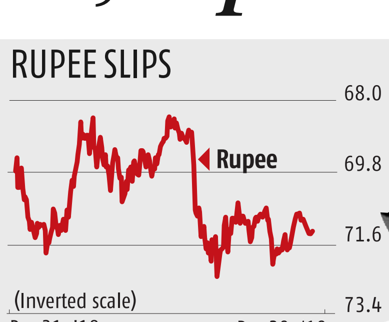
The year 2019 was an interesting one where global, as well as domestic factors, exerted an equal pull to determine the value of the asset classes. Towards the end, the Indian central bank introduced a special open market operations (OMO) to bring down bond yields.

But this was not the only new tool that the central bank brought out from its arsenal. In March, it had introduced currency swaps as part of its new liquidity tool. The central bank swapped $10 billion with banks, for a three-year premia.

The rupee started at 69.44 a dollar, and on December 27, closed at 71.32 a dollar. For much of the year, the US-China trade tensions held the emerging market currencies on tenterhooks, rupee being no exception. The tensions are far from over now, but it is nowhere near as heightened as it was in the first half of the calendar when both the countries were imposing retaliatory tariffs on each other.

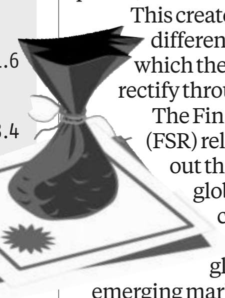
BOND YIELDS FALL

RUPEE SLIPS



The 10-year bond yields, started the year at 7.418 per cent, and ended at around 6.5. The yields would have closed at around 6.75 per cent, but for the two special OMO announcements.

This was also the period when yield curve inverted in the US, which send a shockwave on concerns over an impending recession globally. The Indian bonds too responded to that movement, but was capped by very aggressive rate cuts by the central bank. Since February, the Reserve Bank of India (RBI) reduced rates by 135 basis points, before halting in the December policy. The 10-year bond yields fell about 90 basis points in response. The short-term yields, however, fell 137 basis points, transmitting the entire rate cut.



This created a wide spread difference in the yield curve, which the central bank tried to rectify through special OMOs.

The Financial Stability Report (FSR) released on Friday points out that negative yields globally is no reason to cheer, as that is increasing leverage globally, especially in emerging markets.

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

The coming year could be interesting too. The central bank is fast losing out space for monetary easing at a time when growth has floundered.

"The outlook for the coming year remains challenging. Economic growth expected to show a modest rebound, while inflation, notably core inflation, is expected to stabilise or bottom out around current levels. The scope for further monetary policy easing appears quite limited," said Badrish Kulhalli, head of fixed income at HDFC Life Insurance.

Between January and March, the markets expect extra borrowing of at least ₹50,000 crore by the government.

"It is expected that the bond market will perform better in next year with RBI support by way of easier monetary policy to support economic growth. But fiscal worry will limit the gains," said Devendra Dash, head of ALM at AU Small Finance Bank.

The rupee was impacted by global events in 2019, and that should continue in 2020. The rupee is directly related to portfolio flows, and even as the RBI has accumulated reserves of $455 billion due to healthy portfolio flows, the reserves can come down if there is an outflow.

"Going ahead global factors will dominate again however the outcome will be different in calendar 2020. US protectionist policies, uncertainty over US Presidential election will continue to spread fear among the trade circle along with the Fed's less dovish monetary policy outlook," said Rahul Gupta, Head of Research-Currency, Emkay Global Financial Services.

"On the local front, worries over slowing growth, rising inflation and fiscal slippage will prevent rupee from appreciating. On a broader perspective, we expect USD/INR to remain within 69-74 amid various global and domestic idiosyncrasies," Gupta said.

The art of 24x7 brand management

THE DECADE THAT WAS

The decade is defined by globalised consumption patterns and a tetchy consumer-brand relationship

ARUNDHUTI DASGUPTA
MUMBAI, 30 DECEMBER

If there is an abiding story that marks the decade, it is that of Nestle India and Maggi. Even though this was not the first time an iconic brand ran afoul of regulators and consumers—Cadbury (now part of Mondelez India) had found itself in a similar spot over worms inside chocolate bars in 2003, the Maggi story snowballed into a crisis like none other.

The difference say experts is the all-encompassing, all pervasive nature of the consumer brand relationship. The decade has seen the emergence and maturing of a new breed of buyers, the smartphone consumers who move seamlessly between marketplaces, communication networks and the real and virtual world and expect brands to do the same—that is be omnipresent, alert and engaged 24x7.

The big shift that several consumer reports and brand experts point out is that the line that existed between online and offline behaviour is fast disappearing. It is reflected in the expectation that brands must react instantly to allegations and adapt to changes happening offline and online. It is seen in the way people shop or choose the brands they desire.

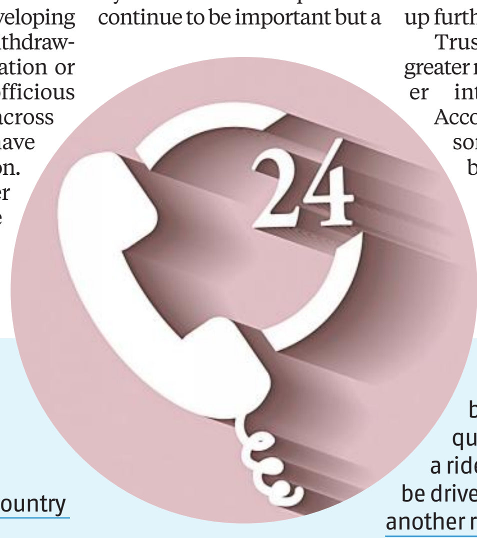
Consumers want answers and action in real time, no matter where brands build their universe. And the trick lies in reacting quickly to developing situations instead of withdrawing from the conversation or serving up bland officious statements. Brands across categories (*see box*) have had to learn this lesson.

The new consumer has also overhauled the way brands communicate. Purpose led branding has emerged as a potent tool. According to a report by Accenture earlier this year, '*From me to we: The rise of the purpose-led brand*' consumers want companies to stand for something bigger than what they sell. Hence brands that communicate their purpose and demonstrate commitment, are more likely to attract consumers and influence purchasing decisions.

"Technology and media have empowered consumers to take a stand on their opinions and beliefs. Price, product quality and customer experience continue to be important but a brand's purpose beyond profit has emerged as a clear differentiator," Anindya Basu, geographic unit and country senior managing director, Accenture in India had said during the launch of the report.

Consumers trust brands that demonstrate commitment to a cause or sincerity in their promises. According to Kantar research, trust as driver of brand value is more important today than ever before. The total brand value of trusted brands in India has shot up several times in recent years, according to the last report that Kantar did, it wentup from $1,385 million in 2014 to $3,685 million in 2018 and has climbed up further ever since.

Trust will play an even greater role as brands dig deeper into the hinterland. According to a spokesperson for Kantar, trusted brands are those with a clear purpose. Purpose, he defines, is having clarity about how the brand is making consumer's life better.



BATTLING CRISES

The decade saw its fair share of brand bashing, bans and boycotts

Flipkart: The e-commerce giant ran into trouble when 'The Big Billion Day Sale" on **October 6, 2014** crumbled under the rush of online shoppers. Products were not available, servers crashed and social media ran stories of dropped orders of 'Flopkart". Much has changed since then with the sales getting bigger and more frequent and running more smoothly

Uber: It was run off the roads in **2014**, after a passenger was raped by one of its drivers in Delhi. The brand's lax communication andslow reaction to the controversy fuelled the crisis further and since then, the India team has worked hard to rebuild its reputation and make safety one of its key brand pillars in the country

Maggi: Nestle India faced a six-month ban on its popular brand of instant noodles in 2015. For a brand that had become a near-generic term for the category through aggressive marketing practices, high-profile celebrity endorsements and memorable advertising, the controversy proved to be its unmaking and then, also its resurrection in its present format as a snack that is not just safe for kids, but also healthy for all age groups

IndiGo: The airline was caught in the eye of a storm on social media in **2017** when two staff members were seen getting into an altercation and roughing up a passenger on the tarmac at Delhi Airport. The video, first aired on television, soon went viral online with consumers resorting to #BoycottIndigo on various channels

Airtel, Ola: Discrimination and hate against religious communities played a big role online and in 2018, the two brands were caught in the crossfire. While Airtel was pummelled on Twitter for furthering religious bigotry, by being slow to respond to a subscriber's prejudiced rant against an employee, Ola fared better because it was quick to act against a rider who refused to be driven by a person of another religion

Zomato: In **2019**, the food delivery app found itself in the spotlight when users turned a tweet from its founder Deepinder Goyal "Food doesn't have a religion. It is a religion," viral. The tweet came after a customer discriminated against a delivery person on the basis of his religion. The company was prompt with its condemnation, but it led to many deleting the app from their phones

Grow or die!

Churn, disruption and agility are the key takeaways of the decade

GUEST COLUMN

ASHISH MISHRA
Managing director, Interbrand India

Sample this: since 2000, 52 percent of companies in the Fortune 500 have either gone bankrupt, been acquired, or ceased to exist. In fact, three-quarters of today's S&P 500 is expected to be replaced by 2027. Risk is no longer in changing. But in not changing. Those that think change is a big risk, risk annihilation.

The brand is the new category today. Challenge is no longer just the competition or the ever-changing business environment. It's our own inertia. Our fear of the new, of the unknown.

What can brands learn from the decade past? Those that overcome, change. They stay awake as business landscapes around them change. They acknowledge the new consumer preferences. They accept the new customer experiences. They react and respond. Sacrificing their comfort. Replacing complacency with competitiveness. Because they change, they grow. Because they grow, they change.

Growth and change are inseparable and yet habit, inertia and fear impedes change. The truth is that in growth, there is both chaos and order: new dynamics that change the shape of things, and the structures that channel and harness that change. Major cultural shifts impact the way people think on a macro scale—especially younger generations—and these attitudes trickle into organisations. Understanding the forces behind their motivations and desires is key to shifting the thinking of an organisation.

Luxury is the new normal

Nothing illustrates the way consumer attitudes are changing and driving change in brand behaviour than the premium segment. Interestingly, while some of the fastest growing brands globally like LV, Gucci and Hermes have moved with the times, brands outside the luxe-club have taken a leaf right out of the luxury playbook. Because if the decade has one big lesson for all brands, it is that one must inculcate a luxury mindset.

Brands are responding by creating world class experiences even in transactional sectors. Royal Enfield in motorcycles. IndusInd, Kotak Bank in banking. In this manner, not only do they cater to a growing customer desire, but also stand up to global brands. Premium drives innovation, freshness and growth in brands. Maruti is an example of turning the premium route into one for growth and expansion through its retail brand Nexa.

Custom-made, not just customer first

Being truly customer-centric today means going deeper than just offering a product or service that the customer wants, and truly recognizing how customers think, feel and behave, and then delivering the most optimized experience possible across each and every customer touch point.

In early 2000—almost 20 years ago—Amazon CEO Jeff Bezos said, "We seek to be earth's most customer-centric company for four primary customer sets: consumers, sellers, enterprise, and content creators." When people order household goods 24/7 from Amazon Prime, watch Prime TV shows, party at Prime Live Events, order clothes from subscription service Prime Wardrobe, or purchase sustainably-sourced groceries from recently-acquired Whole Foods, the company analyses consumers' interaction data, and then uses it to continually to customise and enhance the experience for every single customer.

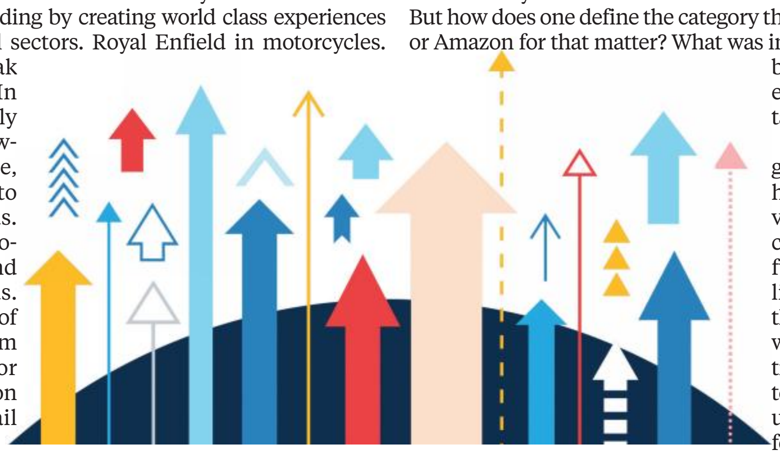
Another company that has customer-centricity engrained in its brand DNA is Netflix. In fact, Netflix can attribute its rapid transformation from its small beginnings as a mail-order DVD service to becoming the multi-Oscar award-winning media powerhouse that it is today to this very customer-oriented approach. Over time, the media juggernaut Zee 5 too has tapped into data analytics to develop all-encompassing personal profiles of customer preferences.

The retail brands making their way into the league table too reflect a serious uplift in their customer centricity. Big Bazaar over the years has evolved substantially to add key customer choice drivers like design and experience into its strong value proposition. Even B2B brands such as Infosys are driving value growth by moving closer to their customers and staking their claims to being best placed for navigating their next steps as a side-on partners.

Brand is the new category

Consider the big disruptor brands. Amazon, through its subscription service Amazon Prime, convenience store concept Amazon Go, 'try before you buy' online shopping service Amazon Wardrobe, or even its latest version of the Echo, called Look, that can deliver fashion advice. Jio in India has turned almost every rule in the communication business on its head. But how does one define the category the Jio Brand operates in, or Amazon for that matter? What was intended to be a telecom business now includes everything from entertainment to ecommerce.

Transcending categories is a pattern we have seen in other key value creators in other categories too. The future of brands clearly lies in understanding that it is the 'age of you' we live in. In this cognitive era, consumers want to design their lives and use brands as a tool for that.



Commission ban, market turmoil hit new offers

ASHLEY COUTINHO
Mumbai, 30 December

Collections from new equity and debt fund offerings dipped significantly this year, given that the ban on upfront commission, debt turmoil, and the uncertainty in equity markets all restricted launches and also limited inflows.

The frontline indices have risen close to 15 per cent year-to-date, led by a rise in a handful of stocks.

As a result of the polarisation and underperformance of mid- and small-cap stocks, diversified equity schemes have not done particularly well. "The markets have not been supportive and only a few stocks have risen, with the result that one-year and two-year SIPs are not doing well. If the current portfolio is in the red, investors are bound to wait and watch before committing fresh money," said Amol Joshi, founder of Plan Rupee Investment Services.

Ironically, the lack of a track record has helped sell some of these new offers in the backdrop of the underperformance of several existing schemes. New funds come with no baggage in terms of returns and are more agile, as the corpus managed is smaller. The Securities and Exchange Board of India (Sebi) has imposed a ban on upfront commission and prohibited upfronting of any trail commission either directly, or through cash/kind and any other route.

The diktat has impacted new launches, particularly those of closed-ended products, which would have attracted commission of as high as 5-6 per cent, earlier.

According to experts, most fund houses are launching new fund offerings (NFOs) to fill the gap in their portfolios, not to garner revenues.

NEW FUND OFFERS
Both equity and debt fund mop-up dipped significantly this year

Year	Equity Count	Equity Collection (₹ cr)	Debt Count	Debt Collection (₹ cr)
2013	28	2,757	878	116,257
2014	82	15,186	846	99,121
2015	71	7,783	270	23,159
2016	29	2,279	248	24,533
2017	64	36,641	225	16,443
2018	71	20,022	568	96,214
2019	52	8,137	262	22,069

Source: Value Research

While distributors benefit from slightly higher trail commission, incentives are lower as there is no upfront payout.

"The switch to an all-trail model of paying commission could have impacted fund raising by fund houses. What's more, closed-ended funds have traditionally been launched in the mid- and small-cap segments. Mid- and small-caps have corrected this year, impacting sentiment against such launches," said Dhaval Kapadia, portfolio specialist at Morningstar Investment Advisers India. New equity offerings have also been hit by Sebi's one-scheme-per-category diktat, which came into play last year. Fund houses, especially the mid- and smaller ones, have been launching schemes to complete their portfolios, since the last year.

Sebi has broadly classified all equity schemes under 10 categories. There is no restriction on number of index funds, exchange-traded funds, fund of funds, and sector/thematic funds that can be launched.

"Most of the AMCs now have funds across different categories. Once the product basket gets filled you cannot launch another fund in any of the key categories specified by the regulator," said Kapadia.

Product launches on the debt side were hit by the risk aversion resulting from the IL&FS episode. The launch of fixed maturity plans, for instance, was hit by the reluctance of investors to lock their money for a longer duration and the preference of safety over returns. "A few FMPs did not return money on time or did not deliver the expected returns because of a few credit events. This has dented their attractiveness," said Joshi. NFO collections were boosted by two tranches of Bharat 22 ETF and Bharat Bond ETF, India's first corporate bond ETF. The latter fetched ₹12,400 crore.

HC breather for Karvy on plea by ICICI

The bank had moved tribunal against the broking company after no relief from SAT

JASH KRIPLANI
Mumbai, 30 December

Karvy Stock Broking has got interim relief from the high court (HC) of Telangana against ICICI Bank's plea for initiating debt recovery proceedings against the broking house.

In an application dated December 9, ICICI Bank had approached the debt recovery tribunal (DRT) in Hyderabad against Karvy Stock Broking.

SEEKING RELIEF
- **Lenders had earlier** approached SAT
- **No immediate relief** was granted
- **ICICI Bank moved** DRT for intervention
- **However, DRT proceeding** stayed for now by Telangana HC

The HC in its order last week observed that DRT's order was ex parte and prejudicial to Karvy Stock Broking and, therefore, the 'interim suspension' shall be granted, according to Karvy's application.

In ICICI Bank's DRT plea, Karvy Group's Chairman and Managing Director C Parthasarthy was also listed as one of the respondents.

The court has also sought application from ICICI Bank and DRT to explain why Karvy's plea should not be accepted.

According to sources, other lenders are also likely to approach DRT after they were unable to secure their interests by approaching the Securities Appellate Tribunal (SAT).

Earlier, ICICI Bank, along with HDFC Bank, Axis Bank, and IndusInd Bank, had moved SAT to seek relief after the National Securities Depository (NSDL) restored the client securities that Karvy had pledged with lenders back to the affected clients.

The lenders cumulatively have lent close to ₹1,000 crore to Karvy.

Following NSDL's move — which stemmed from the Securities and Exchange Board of India's (Sebi's) November 22 order — banks were left in lurch as they lost access to the collateral shares.

In its interim order in November, Sebi barred the firm from enrolling new clients for alleged misuse of client funds.

Sebi also said that depositories and stock exchanges shall initiate appropriate disciplinary regulatory proceedings against Karvy for misuse of clients' funds and securities, according to their respective bylaws, rules, and regulations.

Taking cue from this, NSDL reversed shares back to clients, and the National Stock Exchange suspended membership of Karvy Stock Broking, citing non-compliance with the regulatory provisions of the exchange.

'Panel will look at existing gaps on data points'

PRONAB SEN, chairman of the recently-constituted standing committee on economic statistics, tells **Indivjal Dhasmana** about the whole gamut of tasks that the panel will be looking at. Edited excerpts:

There are groups and sub-groups looking into various kinds of official data. Will your panel be making these data talk to each other?
No, it is not like this. There are many standing committees on various official data. All those have been merged into a single standing committee. The committee will look at gaps, overlaps, difference in standards, and definitions among these data sets. We are supposed to iron out these areas.

Do you think the government will accept your panel's recommendations?
Our job is not to give recommendations. This is a standing committee. The National Statistical Commission (NSC) is the regulator, we are a committee. NSC sets the standards. Our committee will look at how these standards will be operationalised. The NSC's job is to audit data and to see which standards are needed for that.

There are many issues in the job data, even in the periodic labour force survey (PLFS). How would you rectify those?
There is no issue in PLFS, at least for now. We will see if some issues crop up as we go along.

And what about unorganised manufacturing?
Currently, the surveys related to unorganised manufacturing come in a gap of five to ten years. If these could be converted into yearly surveys, we will be on stronger footing.

There are many issues in the services sector. How would you go about addressing those?
The data on services are very poor. The standing committee will look at that.

By when will your panel submit its ideas?
Ours is a standing committee. We will decide the plan in consultation with NSO.

MDR waiver to hit biz model of payments, fintech cos

SAMREEN AHMAD
Bengaluru, 30 December

Raising strong concerns over the government's move to scrap merchant discount rate (MDR) charges on the transactions done via UPI and RuPay payment systems, the Payments Council of India (PCI) has said the move will have a catastrophic effect on payments companies and make their business model unviable.

According to the PCI, if the government wants to promote digital payments in the country, then a lower controlled MDR along with added tax benefits to merchants would be the solution.

MDR is the rate charged to a merchant for digital payment processing services leveraged on debit and credit card transactions. It is usually 1-3 per cent of the overall transaction amount.

"Elimination of MDR will dry up revenues and create a catastrophic situation for new start-ups and fintech companies, as banks will not pay for their service," said Vishwas Patel, chairman at PCI.

UPI, non-banking payments methods allowed to link FASTags

The Reserve Bank of India (RBI) has said customers can use non-banking prepaid payments instruments (PPIs), cards, and Unified Payments Interface (UPI) to link FASTags. The move is expected to boost the National Electronic Toll Collection (NETC).

It said the turnaround time for resolving failed transactions would be applicable to the non-banking transactions carried out in the NETC system.

"The transactions in the NETC system can be performed without any Additional Factor of Authentication (AFA) and/or pre-transaction notification/alert," RBI said.

The respective requests from banks and non-banks will be facilitated by the NPCI.

The tag enables automatic deduction of toll charges from the prepaid or savings account linked to it by using radio frequency identification (RFID) technology, while the vehicle is in motion.

NIDHI RAI

Questioning the government's move to revoke the charges from January 2020, several fintech start-ups have also raised similar concerns. They said the move will directly affect their revenue streams.

"Who does it really benefit, other than of course, the NPCI, which owns RuPay and UPI?" said Akash Gehani, co-founder and chief operating officer (COO) of Bengaluru-based digital payments start-up Instamojo.

He added, "While tax evasion is one of the boons of this move, its real benefit is put in question, given that these are companies with a turnover of ₹50 crore and above. They already fall in a certain mandatory tax bracket."

The government, in its notification, has underlined that all firms with a turnover of more than ₹50 crore have to offer a RuPay and UPI facility to customers towards a digitisation push.

"In fact, elimination of MDR may also result in withdrawal of the existing deployed PoS terminals in the market that are too huge in numbers. This would adversely affect digital payments in India," said Byas Nambisan, CEO of Ezetap, an enterprise-focussed digital payments service provider.

Terming it a nationalisation of sorts for the payments industry, the PCI said if there is zero revenue to be made from the over 500 million plus RuPay debit cards that are active in the country, then service providers will start withdrawing the PoS terminals.

These are already deployed in unviable small shops and establishments.

Continued maintenance of these PoS machines, training and supply of printer rolls will increase losses of these companies.

However, players that operate in the prepaid debit card space are not much worried about the government's move.

"MDR charges are applicable on debit cards now and not on prepaid cards. Hence, fintechs operating in the prepaid card space will not have any impact," said Shailendra Naidu, CEO, indyFint, a virtual banking start-up.

FROM PAGE 1

Huawei gets 5G trial pass

Bharti Airtel Chairman Sunil Bharti Mittal had also come out in support of Huawei. Speaking at the World Economic Forum, Mittal had said the company, in over the last decade, had become very good with its products.
"To a point where I can safely say their products in 3G and 4G that we have experienced, are significantly superior to Ericsson and Nokia. I use all three of them," Mittal had said. Huawei has been trying to compete with its rivals such as Nokia, Ericsson, and Samsung to become the top player in 5G. It has so far secured 50 commercial 5G contracts — 28 in Europe, 11 in central Asia, six in Asia-Pacific, four in South America and one in Africa. The government has begun the process of auctioning the next-generation 5G spectrum with the aim of improving data speed and bringing in Internet of Things, which will enable robotic surgeries and driverless cars among a host of other things.

On December 20, the Digital Communications Commission, the apex decision-making body, at the telecom department approved the auctions across 22 circles. A lion's share, 6050 MHz, has been set aside for 5G spectrum.

10 newcomers in billionaires' club

PROMOTERS WHO LOST

Promoter/chief	Flagship company	Promoter stake (₹ cr) Dec '18	Dec '19	YoY chg (%)
Anil Ambani	Reliance Capital	15,978.5	997.5	-93.8
Subhash Chandra	ZEE Entertainment	27,386.6	3,416.1	-87.5
Rana Kapoor	YES Bank	8,329.6	1,597.6	-80.8
Ravi Jhunjhunwala	HEG	9,352.0	2,633.3	-71.8
Bangur K K	Graphite India	9,638.7	3,878.7	-59.8

The Dua family was worth around ₹6,500 crore, or $900 million, at the end of December 2018.

The Dua family owned 71 per cent stake in Relaxo at the end of September this year, down from 74.2 per cent at the end of December 2018. The company's m-cap is up 72 per cent in the current calendar year, making it one of the top performing consumer stocks on the bourses.

Dua is followed by Mayank Singhal of agro chemical maker PI Industries, whose share price is up 70.4 per cent during the year. The Singhal family is now worth around ₹10,400 crore, or around $1.5 billion, up from around ₹6,000 crore at the end of 2018.

The family owns 51.4 per stake in the company, unchanged from last year.

Irfan Razack, chairman & MD, Prestige Estates Projects, a real estate player in Bengaluru, also made it to the list this year, as investors bid up his company's share prices. The family stake in the company is now worth around ₹8,800 crore, up 53.4 per cent during the year so far. The family owns 70 per cent stake in the company.

Other new entrants to rich list include G M Rao of GMR Infra, Sanjay Agrawal of AU Small Finance Bank, and Motilal Oswal and Ramdeo Agrawal of Motilal Oswal Financial Services.

Ravi Raheja, owner and promoter of Shoppers Stop, also made it to the Billionaire Club, thanks to the listing of his company, Chalet Hotels.

The analysis is based on promoters' stake and m-cap of a common sample of 822 companies that are either part of the BSE500, BSE MidCap, or BSE SmallCap indices.

The sample excludes government-owned companies, listed subsidiaries of global multinationals, institution-owned companies and their subsidiaries, such as Larsen & Toubro, Housing Development Finance Corporation, and ICICI Bank, among others.

The sample has also been adjusted for separately listed subsidiaries of holding companies, such as Reliance Industries, Tata Steel, Grasim Industries, Bombay Burmah Trading Corporation, Reliance Capital, Bajaj Finserv, Godrej Industries, Mahindra & Mahindra, and Kama Holdings, among others.

In contrast, Satyanarayan Nuwal of Solar Industries, R G Chandramogan of Hatsun Agro Products, Ajanta Pharma's Mannalal Agrawal, and Nusli Wadia exited the billionaire list due to a slump in share prices of their key operating companies.

It must be mentioned that Wadia's stake in biscuit and packaged food maker Britannia Industries — the group's most valuable and most profitable company — is owned by Bombay Burmah, a relatively small company, in terms of profits and m-cap.

The same is true for Arun Bharat Ram of SRF and Venu Srinivasan of TVS Motor.

BS SUDOKU # 2935

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SOLUTION TO #2934

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1	7	9	8	5	6	2	3	4
9	4	8	6	7	2	3	1	5
3	2	6	1	4	5	9	8	7
7	5	1	9	3	8	6	4	2
6	1	4	3	2	9	7	5	8
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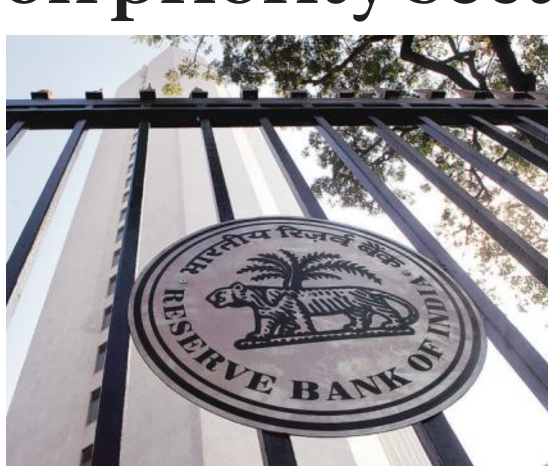
Very Hard: ★★★★★
Solution tomorrow

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

RBI wants UCBs to focus mainly on priority sector

The RBI said the norms would save UCBs from concentration risk and focus on their larger agenda of financial inclusion, for which they were created.

The revised exposure limits will apply to all types of fresh exposures taken by UCBs. At least half the loan book of a UCB should comprise loans, both funded and non-funded, of not more than ₹25 lakh per borrower. The existing UCBs should align their loan book to reflect these by March 31, 2023. "Loans" for the purpose will include all types of funded and non-funded exposures in the nature of credit. If the exposure is in the case of term loans, or non-fund based, it can continue till the end of its repayment period, or maturity, the RBI's draft circular said.



Tier-1 capital is the core capital of a bank, while capital funds comprise paid-up capital and free reserves. Exposure includes both funded and non-funded credit limits and underwriting and similar commitments.

In its draft circular, the RBI said the large exposure of banks to a single borrower or groups of connected borrowers led to credit-concentration risk. "When large exposures to a few single parties/groups become non-performing, it affects the capital/net worth of the concerned bank significantly and, at times, leads to liquidity and/or solvency risk for the bank," the draft circular said.

The central bank sought to bring down large-ticket loans in UCBs as such "predominance of large ticket loans in the bank's portfolio reduces diversification of credit risk and also reduces the scope for greater financial inclusion which is one of the main roles of UCBs".

The UCBs should have a board approval action plan for compliance with the revised exposure norms and priority-sector lending targets, the RBI said, adding the banks should establish an appropriate mechanism to regularly monitor the progress made under the action plan.

25 August

P V Sindhu became the first Indian to win the badminton World Championships gold by beating Nozomi Okuhara of Japan. Sindhu won straight sets — 21–7, 21–7 — in a match that lasted only 38 minutes.

SPORTS & ENTERTAINMENT

SOME STEPS FORWARD

27 June

Indian Men's Cricket Team captain Virat Kohli had a stellar run this year. He beat records of Sachin Tendulkar to score 20,000 runs in international cricket, across all formats, reaching the landmark in his 417 innings. Tendulkar — and Brian Lara — had both taken 453 innings

20 April

Hima Das claimed her 5th gold in the month, returning successfully to the 400 m at Nove Mesto, Czech Republic.

12 October

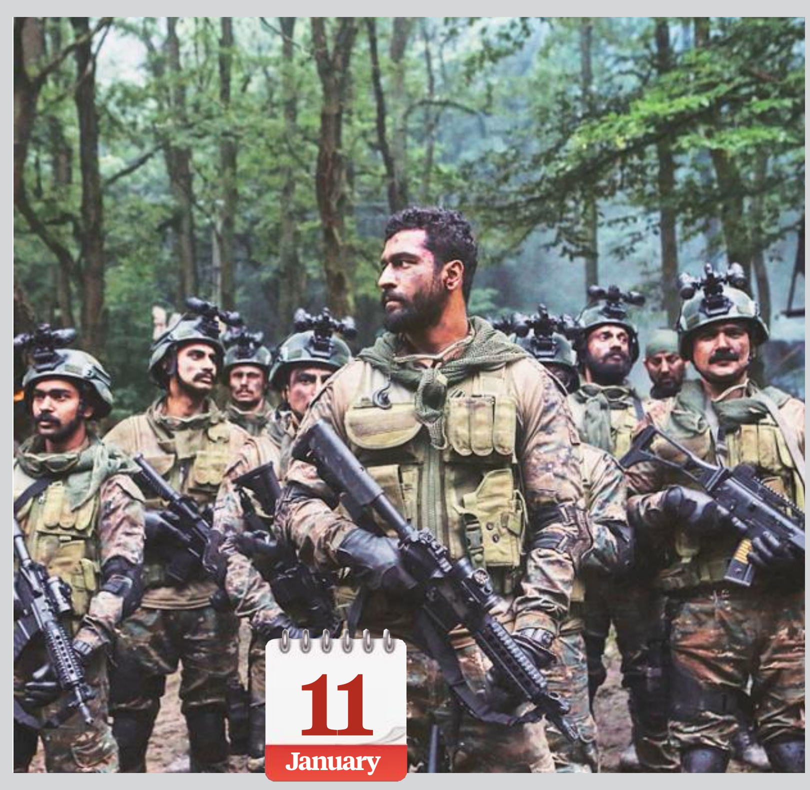
Six-time champion Mary Kom lost to Turkey's Busenaz Cakiroglu in the semi-final of the World Women's Boxing Championship. She called for a review of the decision, but had to settle for bronze.

Dutee Chand became the first Indian to win a gold medal for a 100m sprint at a global meet. She clocked 11.32 seconds for her winning run at the World University Games in Naples

10 July

21 June

Feminists and critics panned Shahid Kapoor-starrer *Kabir Singh* for the violence and misogyny it seemed to celebrate, but its makers laughed all the way to the bank, proving that sexism still sells in India.



11 January

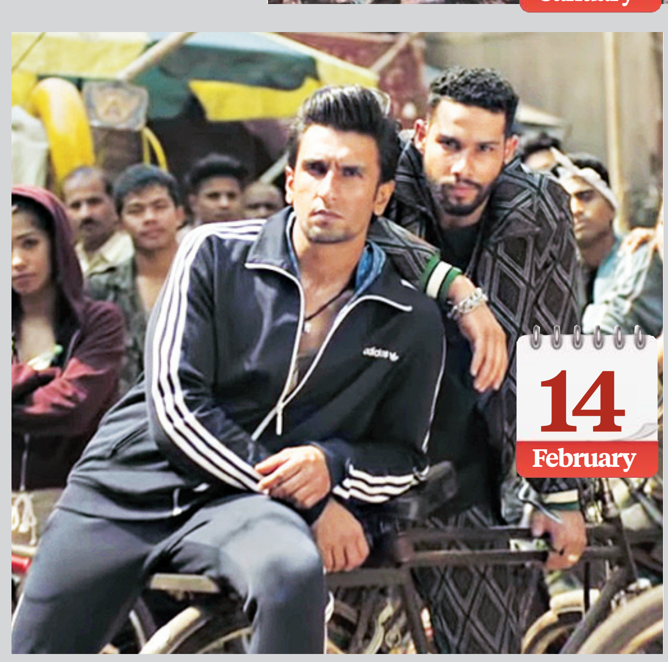
A dramatisation of India's surgical strike in Pakistan-occupied Kashmir in retaliation for the terror strike on the Uri Army camp, *Uri: The Surgical Strike* drummed up patriotic feeling that some felt were too jingoistic.

10 July

India, a favourite to win the Cricket World Cup (WC) this year, failed to chase down a modest target of 240 that New Zealand set it in the semi-final of the tournament. A team full of superstars, it will have to wait for another four years for a shot at WC glory.

22 November

Eden Gardens in Kolkata hosted the first day-night Test on Indian soil, where the home team took on Bangladesh. India won the match by an innings and 46 runs, with skipper Virat Kohli scoring 136.



14 February

Zoya Akhtar's *Gully Boy*, inspired by the life and times of Mumbai rappers, gave the nation its new anthem: "*Apna time aayega*! (Our time will come.)" Too bad its Oscar run ended without a nomination.