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THE MARKETS ON TUESDAY

		Chg#
Sensex	41,253.7▼	304.3
Nifty	12,168.5▼	87.4
Nifty futures*	12,246.3▲	77.8
Dollar	₹71.4	₹71.3**
Euro	₹80.1	₹79.9**
Brent crude ($/bbl)##	66.3##	67.1**
Gold (10 gm)###	₹39,083.0▲	₹261.0

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

BRAND WORLD P13
TWITTER TO TIKTOK, THE CONSUMER STORY EVOLVES

BACK PAGE P16
'HELD HOSTAGE' BY JAPAN JUSTICE SYSTEM, GHOSN FLEES TO LEBANON

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

GOVT KEEPS INTEREST RATES ON SMALL SAVINGS UNCHANGED

The government has kept interest rates on small savings schemes intact for January–March 2020, compared to those during October–December 2019, contrary to what the Reserve Bank of India (RBI) and banks had advised. Depositors are, however, likely to cheer the decision. At present, fixed deposits up to 10 years offered by State Bank of India draw an interest rate of 6.25 per cent, says the bank's website. 15 ▶

COMPANIES P2

Airlines may close due to predatory pricing: Puri

Civil Aviation minister Hardeep Singh Puri on Tuesday blamed predatory pricing by airlines for sustained losses in the sector. Some airlines can shut down if this continues, he said. However, he ruled out any regulatory intervention on fares for now, and said airlines are regularly called and counselled.

BACK PAGE P16

Railways hikes fare for first time in 5 years

On the New Year's eve, the railways announced a fare hike across its network, excluding suburban trains, effective January 1, according to an order issued on Tuesday. Ordinary non-AC and non-suburban fares were hiked by 1 paisa per km of journey. The railways also announced a 2 paise/km hike in fares of mail/express non-AC trains.

BACK PAGE P16

Penalty on firms not using UPI, RuPay

In another push towards a 'less-cash economy', the finance ministry on Tuesday said that companies with annual turnover of over ₹50 crore which do not accept payments through home-grown RuPay and Unified Payments Interface (UPI) platforms will have to pay a penalty of ₹5,000 every day. This will be applicable with effect from February 1, 2020.

BS SPECIAL ON WEDNESDAY

MONEY MANAGER:
Yours, mine and ours! 14 ▶

The co-lending model between banks and NBFCs is good on paper, and may remain so unless it is tweaked. **ABHIJIT LELE** & **RAGHU MOHAN** write

BUSINESS STANDARD WISHES ITS READERS
A HAPPY NEW YEAR.

Govt unveils ₹102-trillion infra plan to spur growth

Task force headed by economic affairs secy identifies projects across sectors

ARUP ROYCHOUDHURY
New Delhi, 31 December

Finance Minister Nirmala Sitharaman on Tuesday launched a National Infrastructure Pipeline (NIP), unveiling projects worth ₹102 trillion, to boost economic growth and help the economy reach the $5-trillion target by 2024-25.

The NIP has identified projects across 23 sectors and 18 states and Union Territories, which will be funded over the next five years by the central and state governments as well as the private sector.

Addressing a press conference while launching the NIP report, Sitharaman said that of the proposed projects, 39 per cent each would be implemented by the Centre and states, and the rest 22 per cent by private players.

She said the government was expecting the private sector's share to go up to 30 per cent by 2024-25, and added that some additional projects worth ₹3 trillion would be identified in the coming weeks, taking the total commitment to ₹105 trillion.

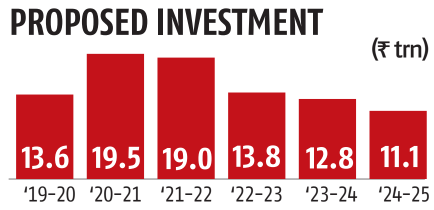
The pipeline includes brownfield and greenfield projects by the Centre, states, the private sector, and state-owned companies, as well as those under the public-private partnership model. According to the data given in the report, some ₹42.7 trillion (43 per cent) worth of projects are under implementation, ₹32.7-trillion (about 33 per cent) projects are at a conceptualisation stage, and ₹19.1-trillion (19 per cent) projects are under development.

The NIP follows a commitment by Prime Minister Narendra Modi in his Independence Day speech, that more than ₹100 trillion would be invested in infrastructure over the next five years.

Turn to Page 15 ▶

Finance Minister Nirmala Sitharaman with Economic Affairs Secretary Atanu Chakraborty at the launch of projects, in New Delhi on Tuesday PHOTO: DALIP KUMAR

PROPOSED INVESTMENT



Note: 2019-20 figures are estimates, others are projected numbers; chart excludes power sector, and some states

39% of projects to be implemented by the Centre and states each

22% to be implemented by private sector; govt hopes this will rise to 30%

43% of projects are under implementation; 33% are at conceptualisation stage

P4
₹19.63-trn road projects in the pipeline | Energy expenditure to have lion's share in NIP | Experts: Infra plan needs hand-holding by Centre

Slowdown could worsen in 2020, predicts CEO poll

Budget wish list: Income-tax cut, blueprint for investment push

BS REPORTERS
Mumbai, 31 December

A majority of chief executive officers (CEOs) of Indian companies expect economic growth to slow down further in the new year, mainly due to slowing consumer demand in the country and ongoing trade wars among the world's major economies.

A survey of 50 CEOs, conducted by *Business Standard* across the nation in December, shows that 52 per cent of the business leaders expect the slowdown to worsen in 2020, while 42 per cent believe the worst is now behind. Six per cent of them responded with "can't say".

"Given the global cues, it looks like we may have some time more to go before we see an uptick across the board. There were good signs this quarter as the festival season saw consumption grow, but we will need to see a sustained pick-up before we term it a recovery," said Harsh Goenka, chairman of RPG Enterprises.

In the third quarter of 2019-20, India's gross domestic product (GDP) grew by 4.5 per cent from a year earlier, compared with 7 per cent in the year-ago quarter. In the December quarter, CEOs expect economic growth to fall below the 4-per cent mark. Almost 56 per cent of the CEOs say fear is the main reason for the slowdown.

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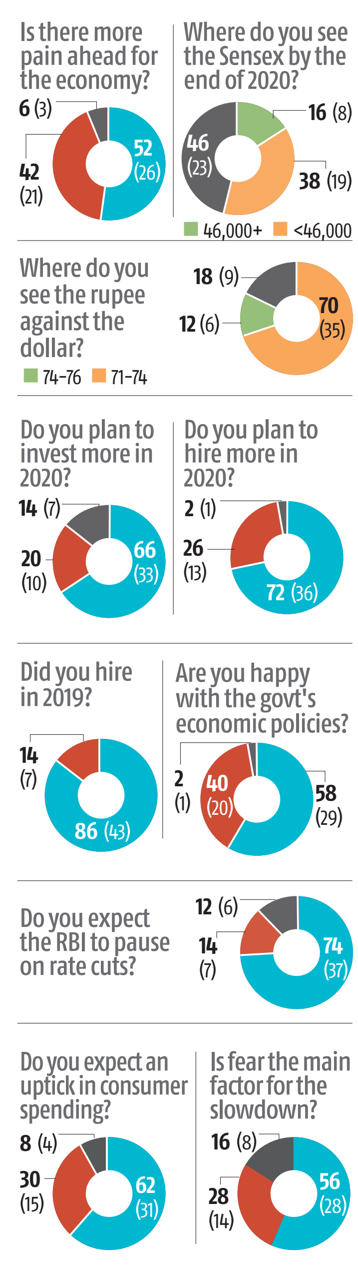
2020 LOOKING AHEAD

P 11
10 STOCK PICKS FOR NEW YEAR

CORPORATE FORECAST



Note: The *Business Standard* survey was conducted among 50 CEOs from across the nation in December; figures in brackets show actual nos

SBI to float $2-billion distressed asset fund

SUBRATA PANDA & ABHIJIT LELE
Mumbai, 31 December

The country's largest lender, State Bank of India (SBI), plans to float a distressed asset fund in the new year and will be roping in a global partner to raise money from international investors.

Rajnish Kumar, chairman, SBI, told *Business Standard*: "We are expanding our fund management business. At present, SBICAP Ventures, a fund management arm of the group, is managing a realty fund. It is looking at a distressed asset fund too."

SBICAP Ventures is creating capabilities to manage the fund, he said. The size of the distressed asset fund is expected to be on the lines of the government of India-backed alternative investment fund (AIF) for distressed housing projects. The size could be up to $2 billion.

"SBICAP Ventures can float such a fund (for stressed assets) only when it has commitment from a strong international partner. Negotiations are going on. The realty fund has given us a lot of confidence," Kumar said.

The realty AIF, which was announced in November 2019, aims to provide capital for last-mile financing for stressed housing projects. The fund has already garnered ₹10,530 crore in its first closing. Life Insurance Corporation of India and SBI have contributed 10 per cent each. Four projects have been identified and funds will be released after due diligence.

In 2016, SBI had announced a tie-up with Canada's Brookfield Asset Management to set up a joint venture with an initial commitment of over $1 billion to make investments in businesses with stressed assets. But the alliance did not see traction.

Kumar said the driving factors for foreign capital's interest in the Indian stressed asset market are supply of stressed assets, regulatory transparency and robustness, and potential for greater returns on investment compared to other such assets globally.

Turn to Page 15 ▶

Rajnish Kumar, chairman, SBI

CORE SECTOR OUTPUT DOWN 1.5% IN NOV

The output of the eight core infrastructure industries shrank by 1.5 per cent in November 2019 as five of these sectors witnessed negative growth. The eight core sectors had expanded by 3.3 per cent in November 2018. Production of coal, crude oil, natural gas, steel, and electricity contracted in the month under review. 6 ▶

FISCAL DEFICIT AT 115% OF TARGET TILL NOV

The fiscal deficit of the Union government rose to 114.8 per cent of the target in the first eight months of the fiscal year, the data released by the Controller General of Accounts showed. The gap between the government's revenue and spending stood at ₹8.07 trillion at the end of November. 6 ▶

CAD shrinks to 0.9% of GDP in July-Sept quarter 6 ▶

Fund managers bet on mid, small-caps for '20

JASH KRIPLANI
Mumbai, 31 December

Mid- and small-cap stocks, which had a difficult last year, can get their mojo back in 2020, say domestic fund managers. They expect the stocks of smaller-sized companies to start staging a strong recovery after the economy starts to respond to the government's efforts to revive growth.

"Mid- and small-cap stocks can be attractive investment opportunities for the next year, following the lack of broader market participation for the last two years. Valuations have slid to reasonable levels, limiting further downside," says Anoop Bhaskar, head of equity at IDFC Mutual Fund (MF).

"Divergence between the Nifty and mid- and small-caps has been close to historical extremes. While it is difficult to spot the bottom, historically, broader markets tend to outperform for 18-24 months after such extremes are reached," says Pankaj Tibrewal, equity portfolio manager at Kotak MF.

In 2019, the BSE MidCap had slipped 15 per cent before the corporate tax cut in September led to market recovery. The BSE SmallCap had corrected more than 17 per cent during the same period. In 2018, the BSE MidCap had corrected 13.4 per cent, while the BSE SmallCap had corrected 24 per cent.

Whenever the price-to-earnings (P/E) valuation of small-caps has gone down to 40-45 per cent of the Nifty, there tends to be a bottoming out, say fund managers. The Nifty is currently trading at around 14.5 times its one-year forward P/E multiple.

Also, the share of market cap of the Nifty SmallCap is currently 5.3 per cent of the market cap of the Nifty, which is close to its lowest levels seen in six years.

"At close to these levels in the past, we have seen a bottoming out of mid- and small-cap stocks," says Bhaskar.

Amid weak sentiment, even quality mid- and small-cap stocks have come under heavy selling pressure, say market experts. "Good quality stocks in this segment had to face collateral damage because they happened to be in this segment. Such stocks offer strong opportunities for next year," says Ambareesh Baliga, independent capital markets professional.

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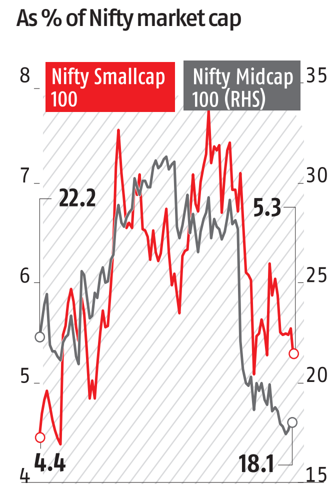
LOSING WEIGHT

As % of Nifty market cap



Note-ban ghost comes to haunt jewellers

Thousands face tax demand for cash deposits three years after demonetisation

RAJESH BHAYANI
Mumbai, 31 December

The income-tax (I-T) department has passed recovery orders against thousands of jewellers across the country on their cash deposits after demonetisation of high-value currency in November 2016. Tuesday (December 31) was the last day to pass orders for the accounting year 2016-17 in which such deposits were made.

This has brought fresh worries in the industry, about whether jewellers will be in a position to pay that money when jewellery demand has been low for the last six months. Sources say many of them may have to shut shop.

Surendra Mehta, national secretary, Indian Bullion and Jewellers Association, said, "In view of the reports of additional demand orders of income tax following cash deposits during demonetisation by retail jewellers, we have advised all manufacturers and wholesalers to do proper KYC (know your client) of retail jewellers, including their tax demand, before delivering any fresh material to them."

According to sources, in Mumbai alone, the I-T department has sent orders to around 500 jewellers, raising tax demand. The figure is higher for New Delhi. There are over 300,000 jewellers in the country and many of them were quite active in accepting old currencies for gold sales.

When Prime Minister Narendra Modi announced demonetisation of ₹500 and ₹1,000 notes on November 8, 2016, traders were allowed to accept old currency notes against cash sales only till midnight. However, many jewellers continued to accept the banned notes for several days, selling gold at a 30-40 per cent premium, and making a quick buck.

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FACING THE HEAT

- **Around 500 recovery orders issued** to Mumbai jewellers
- **In New Delhi,** the number of such orders is even more
- **Trade body issues advisory** to wholesalers, jewellery makers
- **20% of demand should be deposited** to appeal against the order
- **I-T demand including interest** and penalty equals cash deposited

GOLD AT ALL-TIME HIGH, NEW ORDERS ON HOLD

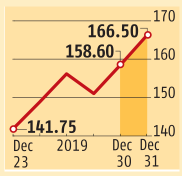
Gold prices rose for the seventh day, adding 0.7 per cent in the Mumbai spot market on Tuesday to hit a new all-time high, prompting consumers to stay away from fresh orders. Standard gold has risen by 3 per cent and silver by 6 per cent in Mumbai's Zaveri Bazaar in the last 10 days. While standard gold price closed at ₹39,083/10 g, silver ended the day at ₹46,665/kg. Gold is getting support in both the domestic and the international markets. DILIP KUMAR JHA

P2 INDIAN AIRLINES TO HIRE FEWER PILOTS IN 2020

P3 IT FIRMS TO RECRUIT MORE FRESHERS NEXT YEAR

STOCKS IN THE NEWS

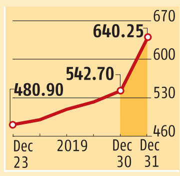
Adani Green Energy



With 300% rally, most value creator in 2019

₹166.50 CLOSE ▲4.98% UP*

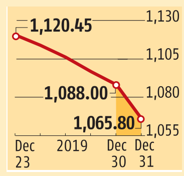
CARE Ratings



Top gainer among the 'A group' stocks

₹640.25 CLOSE ▲17.97% UP*

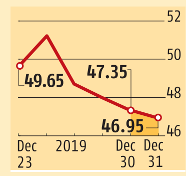
HEG



LIC reduces its stake by 152 basis points to 6.85% in December quarter

₹1,065.80 CLOSE ▲2.04% UP*

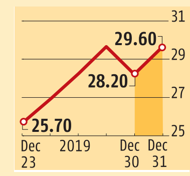
YES Bank



Top loser among Nifty50 index stocks in 2019; falls 74%

₹46.95 CLOSE ▼1.00% DOWN*

Jet Airways



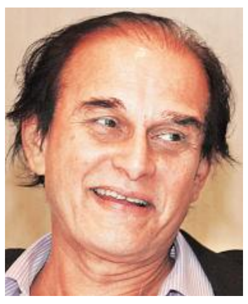
Hinduja brothers preparing to bid by Jan 15 deadline

₹29.60 CLOSE ▲5.00% UP*

* OVER PREVIOUS CLOSE

IN BRIEF

Neighbourhood shops hit hard by slump: Mariwala



The neighbourhood shopkeeper has been hurt more than modern retail chains in consumption slump, and the industry will have to evolve innovative solutions to come out of it, Marico Chairman Harsh Mariwala (*pictured*) has said. He termed the slowdown in consumption — a major factor blamed for pulling down GDP growth to a six-year low — as a 'phase'. The economic growth slowdown is a 'reality' but all should keep a forward-looking approach to come out of it, he told *PTI*. "While modern retail is showing better numbers, it is at the cost of general trade. It is just that one channel is compensating for the other channel. However, an overall low pick-up is a reality," Mariwala said. **PTI**

Uber sues California over gig-economy labour law

Uber and Postmates have filed a lawsuit against California, claiming a new law that would treat gig-economy freelancers as employees is unconstitutional. The legislation, known as Assembly Bill 5 and due to go into effect on Wednesday, would mean that — under certain conditions — independent contractors are classified as employees. **PTI**

JSW Steel completes acquisition of Vardhman Industries

JSW Steel on Tuesday said it has completed the acquisition of Vardhman Industries by infusing ₹63.50 crore into the debt-ridden firm. JSW Steel also said it has acquired 100 per cent equity shares of VIL by infusing ₹63.50 crore into the company according to the plan, which was also clarified by the National Company Law Appellate Tribunal (NCLAT) in an order on December 4. **PTI**

Hero MotoCorp launches HF Deluxe BS-VI at ₹55,925

Hero MotoCorp on Tuesday launched BS-VI compliant version of its entry level 100 cc bike, HF Deluxe with price starting at ₹55,925. The HF Deluxe BS-VI will be available at ₹55,925 for self-start alloy-wheel variant and ₹57,250 for self-start alloy i3S variant (prices ex-showroom Delhi) from the beginning of January 2020, the company said in a statement. **PTI**

Cochin Shipyard becomes successful bidder for Tebma

Public Sector firm Cochin Shipyard said that it has become the successful resolution bidder for Tebma Shipyards. The shipyard is dedicated to building offshore ships such as geotechnical research vessels, platform supply vessels, multipurpose support vessels, anchor handling tugs, harbour tugs, utility vessels, hopper dredgers among others. **BS REPORTER**

NCLT dissolves Orchid Pharma promoter firm

GIREESH BABU
Chennai, 31 December

The National Company Law Tribunal (NCLT) has dissolved Orchid Healthcare (OHPL), promoter entity of bankrupt Orchid Pharma, saying there are no assets and a corporate insolvency resolution process (CIRP) would only mean more of cash outflow and without benefits.

OHPL holds 22.64 per cent share in Orchid Pharma and 99.99 per cent of this is pledged with lenders to the pharmaceutical manufacturer. The committee of creditors has said OHPL does not possess any valuable assets other than the shares held as investment in Orchid Pharma. And , since the latter is also currently undergoing CIRP, these shares might be worth nothing. Even if there is debt resolution, there would be nothing available for equity shareholders.

Besides, OHPL has had no business operations for the three years prior to CIRP initiation. With no employees or tangible assets, the prospect of a resolution plan is remote; a better option is to order direct liquidation.

The resolution process for Orchid Pharma, which owes around ₹3,300 crore to various lenders, is currently pending with the Supreme Court of India.

SPOTLIGHT ON INDIAN CARRIERS

Some airlines may've to shut due to predatory pricing: Puri

'There are no plans of regulating fares, it has to happen within parameters of deregulation'

ARINDAM MAJUMDER
New Delhi, 31 December

Civil Aviation minister Hardeep Singh Puri on Tuesday blamed predatory pricing by airlines for the sustained losses in the industry. However, he ruled out any regulatory intervention on fares for now, and said airlines are regularly called and counselled whenever instances of predatory pricing are noticed.

Under current regulations, it is the prerogative of airlines to establish their process of determination of airfares. As such, the government does not interfere in their commercial affairs.

"One of our concerns is that if there is predatory pricing, then the airlines will stop functioning. This is not Air India's problem only. Jet Airways got shut down. Before that, it was Kingfisher airline," he said.

"We have noticed instances where airlines are pricing their tickets at a level which is lower than their operational cost. Such measures may benefit in the short term but in the longer term they hurt the entire industry," Puri said, citing the example of the popular Delhi-Mumbai sector, in which prices haven't gone up in the last 10 years.

HARDEEP PURI, Civil aviation minister

"WE HAVE NOTICED INSTANCES WHERE AIRLINES ARE PRICING THEIR TICKETS AT A LEVEL, WHICH IS LOWER THAN THEIR OPERATIONAL COST. SUCH MEASURES MAY BENEFIT IN THE SHORT TERM, BUT IN THE LONGER TERM, THEY HURT THE ENTIRE INDUSTRY"

"The fare price in Delhi-Mumbai sector is similar to what it was 10 years back. That certainly isn't rational pricing," Puri asserted. SpiceJet owner Ajay Singh last month raised a similar argument, saying competitive pressure forcing a low-fare regime will lead India's aviation sector to a bloodbath. Drawing a comparison with India's telecom firms Singh said, "It is important that we learn lessons from telecom sector. We need to take steps urgently and stop selling tickets at prices that don't even cover operating costs."

India's telecom companies have been reeling under stress due to intense competition which has forced them to charge low tariffs. Adverse regulatory and judicial orders have only added to the sector's woes, with Bharti Airtel and Vodafone posting their largest losses ever. The industry expects Vodafone India to shut down due to its precarious financial state.

According to aviation consulting firm CAPA, Indian airlines are expected to lose over $600 million (₹4,273 crore) in FY20, as compared to a previous estimate of full-year profit of $500-700 million (₹3,561-4,985 crore). Two of the largest airlines in India, InterGlobe Aviation Limited-operated IndiGo and Singh-controlled SpiceJet, which are both listed on the BSE, reported huge losses during the September quarter. SpiceJet plunged to a consolidated loss of ₹461.22 crore in the three months to September 30, from a year-ago net loss of ₹382.72 crore.

Meanwhile, IndiGo plunged to a wider-than-expected quarterly loss during the September quarter with higher maintenance and overhaul costs outweighing the increase in passenger traffic. The country's largest domestic airline posted a loss of ₹1,062 crore in the September quarter (Q2) compared with a loss of ₹652 crore a year ago.

Passenger growth may fall to 4% in FY20: CRISIL

PRESS TRUST OF INDIA
New Delhi, 31 December

Non-revival of Jet Airways, coupled with grounding of the Boeing 737 MAX planes, is expected to drag down domestic passenger growth to 3-4 per cent in 2019-20 as against 14 per cent in the previous financial year, rating agency CRISIL said on Tuesday.

The domestic traffic data in the April-September period, during which the passenger volume grew a mere 2 per cent, also reflects this estimate, rating agency said in its aviation outlook note.

On a calendar year basis, the domestic air traffic grew only 3.86 per cent in the January-November period of this year, way below an 18.60 per cent growth recorded in the January-December period of 2018.

"CRISIL expects domestic air passenger traffic growth in India to slow to 3-4 per cent in fiscal 2020 from 14 per cent in fiscal 2019, considering the non-revival of Jet Airways and grounding of Boeing 737 Max aircraft," Hetal Gandhi, director at Crisil Research, stated in the outlook note.

Indian airlines may hire fewer pilots in 2020

ANEESH PHADNIS
Mumbai, 31 December

PILOT RECRUITMENT IN 2019

IndiGo	1,088
SpiceJet	398
AirAsia India	246
Vistara	224
GoAir	179
Air India group	94
TruJet	45
Zoom Air	15
Blue Dart	12
TOTAL	2,301

Source: Ministry of Civil Aviation Lok Sabha reply

Indian carriers are expected to hire fewer pilots in 2020 compared to the previous year.

This is due to delivery delays from Airbus, uncertainty surrounding Boeing 737 Max's return to service and a reserve of Jet Airways pilots currently in training.

In 2019, Indian carriers hired 2,301 pilots, many of them from Jet Airways which shut down in April. In 2018 and 2017, airlines had hired 1,696 and 1,221 pilots, respectively, through examinations. "Indian carriers will have sufficient local pilots for Airbus A320 and Boeing 737 aircraft in 2020 but would continue to rely on expatriate captains for smaller turboprop planes like ATR-72 and Q-400s," said director general of civil aviation (DGCA) Arun Kumar.

The DGCA is issuing 700-800 commercial pilot licences each year to fresh cadets, as well as Indian Air Force personnel, among others. It is strengthening flying training schools, he said. "Pilot availability is not an issue," added Kumar.

Last week, GoAir left hundreds of holidaygoers in the lurch as it cancelled nearly 20 flights a day due to non-availability of pilots for those days. GoAir said while there was no shortage of pilots, it blamed external factors like inclement weather, which resulted in diversions, for schedule disruptions. Sources say the airline is strengthening its crew roster team which has seen resignations and reshuffles in past.

Domestic airlines reaped a windfall following the closure of Jet Airways in April as it made available slots at busy airports, overseas traffic rights and trained pilots. Domestic and foreign airlines have hired most of the 1,600 pilots who worked with Jet and only about 300 are still said to be on its rolls.

Pilot appointment, however, cannot be equated with pilot availability. Jet Airways largely flew Boeing 737s apart from wide bodies and turboprops while AirAsia, GoAir, IndiGo and Vistara operate the A320 type planes. It takes seven-eight months for a pilot to convert from one type of aircraft to another (Boeing 737 to Airbus A320) and the process includes ground training, simulator course and flying under supervision of an instructor.

Aviation experts say changes in DGCA regulations on pilot training and quicker issuance of airport entry passes will improve utilisation of domestic and foreign pilots.

"DGCA should allow examiners (senior captains) from approved flight simulators to conduct examinations. This will lighten the load on airline examiners, improve pilot availability and result in cost reduction for airlines," said aviation consultant Vishok Mansingh.

Currently, DGCA norms do not allow for certification of an airline pilot by external examiners. Sources said DGCA has made an exception this year and allowed examiners from a West Asian airline to certify simulator checks of Airbus A320 pilots from India.

There are other operational challenges, too, which impact schedules. For instance, a Boeing 737 captain trained to operate in low visibility conditions in Delhi in winter would require 400 hours of flying experience on an Airbus A320 plane to be eligible to operate the plane in foggy conditions. Rostering teams have to factor such conditions also while preparing duty schedule.

Airlines, on their part, say they are well prepared to meet pilot requirements in the next year and have sufficient captains for the current requirement. "We hired 136 pilots from Jet Airways and have adequate number of pilots to meet our present requirements. We're fully on track for our planned fleet expansion to 40 aircraft by end 2020," said Captain Manish Uppal, head of operations, AirAsia India.

"Our hiring is going as per plan. At Vistara, our priority is to build an internal pipeline of flight crew and become self sufficient for the long term," said an airline spokesperson. Vistara will have a fleet of 50 planes by the end of 2020.

The country's largest airline, IndiGo hired 1,088 pilots in 2019. In the previous two years, it had hired 1,203 pilots. SpiceJet and AirAsia India recruited 398 and 246 pilots in 2019, respectively.

A source said IndiGo has strength of over 150 commanders under training who are yet to be released for regular flying duties. Additionally, it upgrades around 300 first officers each year and would be able to meet its pilot requirements this year. IndiGo will continue to recruit more pilots but will not be aggressive in its hiring, the source said. Recruitment of first officers in IndiGo has slowed down due to aircraft delivery delays. A SpiceJet executive said it has adequate pilots for its current schedule. Thirteen of its Boeing 737 Max aircraft are out of service due to regulatory ban and the airline's pilot requirement in the coming months will depend on how soon the Boeing 737 returns to service. GoAir, IndiGo and SpiceJet did not respond to email queries.

Pharma firms plan awareness drive to battle cancer scare in antacid

SOHINI DAS
Mumbai, 31 December

Around four months ago, the US drugs regulator said it had found a cancer-causing impurity in some products containing ranitidine, a popular drug for acidity.

That has given a major jolt to the Indian pharmaceutical industry, since a number of its prominent members sell versions of this drug. India also happens to be the largest supplier of ranitidine's active pharmaceutical ingredient (API) to the world, with monthly production capacity of 5,000 tonnes.

Both bulk drug and formulation players have been altering their manufacturing processes. The domestic market size for the formulation has since shrunk by at least 20 per cent — a key player such as GlaxoSmithKline Pharma (GSK), for instance, pulled out its marquee brand, Zinetac.

Indian companies have also been hit in their global business. The European Medicines Agency has implemented stringent criteria for permissible limits of the suspected ingredient, Nitrosodimethylamine (NDMA), now considered a probable carcinogen.

Armed with laboratory test results, Indian players say they're now gearing up to re-woo domestic patients and restart supplies to their global clients.

Rescue ops

Pranabh Mody, president at JB Chemicals and Pharmaceuticals, the maker of popular brand Rantac, says they've gone back to the drawing board. They started with the API suppliers. Two of the key ranitidine API makers, Hyderabad-based SMS Lifesciences and Saraca Laboratories, have stated the NDMA in their bulk drug is within permissible limits. "We noticed that any heating can cause production of NDMA. We brought down the temperature in the manufacturing process," Mody said, with several tests to prove NDMA does not rise during the latter sequence.

Rantac is an important product for the company in India — of its ₹700 crore domestic annual turnover, around ₹190 crore comes from Rantac. "We have seen a 15 per cent drop in average monthly sales," Mody said.

It is now approaching doctors with certificates of quality and wants to reach out to the consumer who is now largely shying away from the product.

Earlier this month, a group of doctors met journalists in Mumbai to speak on safety and efficacy of the drug. Rajiv Karnik, cardiologist at Fortis Hospital in Mulund, said: "Cardiologists prescribe ranitidine to counter acid formation in patients as a side-effect of other medicines that are given for different heart conditions. Ranitidine is the safest bet for controlling acid refluxes. The US FDA (the sector regulator there) has also confirmed that ranitidine does not lead to NDMA formation in typical stomach conditions, through their tests."

Mody's company is waiting for all clearances in place from the FDA before exporting to that country.

As for GSK's withdrawal of Zinetac from the Indian market, that was part of a global recall in September. Re-introduction here would again be part of a global decision. Afte Zinetac was withdrawn, Aciloc, the category brand from Ahmedabad-based Cadila Pharmaceuticals is market leader, with JB Chemicals' Rantac in second position. Aciloc sales had increased in October but came down in November, according to data from AIOCD AWACS.

The Indian market for ranitidine has been ₹650-700 crore a year. Monthly sales fell from around ₹60 crore in September to ₹47 crore in November. It is a cheap drug, priced at ₹23 for a pack of 30 tablets.

A senior official of a drug firm said if the market shifted to the next available alternative, proton pump inhibitors (PPI, priced higher at ₹90-110 for 15-tablet strips), the market size would swell. The ranitidine market volume is about a billion tablets per month.

Looking ahead

API makers, however, say things will start looking up in the next three to four months. Rajkot-based Orchev Pharma, a single product company, was supplying almost its entire 50-tonne monthly output to Europe. Vasant Bhalodia, managing director, said the company stopped production of the API around September for two months, for a detailed testing on NDMA's presence in the bulk drug. "We made necessary tweaks in the production process after that and now our capacity of ranitidine API is 35-40 tonnes per month. We are now in talks to supply to Indian pharma players. There is also significant demand from the South Asian market and we are exploring it," he added.

Bhalodia claims the level of NDMA in its ranitidine API is 0.05 ppm, well within the permissible limits prescribed by the FDA (0.32 ppm) and European authority (0.16 ppm). "There is huge pent-up demand in the European market. However, the European agency has sought stability data on the API — that is, if there any NDMA creation during storage (shelf life). Once we have that data, which is going to take another two to three months, we can look at restarting supplies," he explained.

Drug makers' lobby groups have met the Indian sector regulator. "The Drugs Controller General of India is looking into the matter but has not yet come out with any guidelines around NDMA," said an official from one such firm. Regulatory staff is reportedly visiting the manufacturing facilities to collect samples for testing.

SALES VALUE (₹ cr)

	Sep '19	Oct '19	Nov '19
Aciloc	23.1	24.8	23.4
Rantac	13.7	12.4	13.5
Zinetac	15.1	6.0	4.0
R-Loc	2.8	2.5	2.5
Ranitin	1.2	1.0	0.8

TOP 5 FIRMS' MKT SHARE (%)

	Sep '19	Oct '19	Nov '19
Cadila	39.54	50.65	50.47
GSK	25.35	12.23	8.64
JB Chemicals	24.93	26.62	30.59
Zydus Cadila	4.72	5.11	5.43
Torrent Pharma	1.98	2.04	1.71

Source: AIOCD AWACS

IT cos to hire 10% more freshers

Hiring to remain unchanged; mid-level staffers with over six years of experience will continue to face pressure

DEBASIS MOHAPATRA
Bengaluru, 31 December

The IT sector is likely to hire 10 per cent more freshers in 2020, even as the overall recruitment in this space may remain at the current level.

According to various estimates, the net addition of new jobs in the IT sector is likely to be more than 100,000 in 2020, of which around 40 per cent will go to fresh graduates from engineering colleges.

2020 LOOKING AHEAD

Experts in the human resources (HR) consultancy space said that mid-level staffers with more than six years of experience will continue to face pressure this year as IT firms are likely to reduce count in this level.

"We expect the share of fresher hiring to go up to around 35-40 per cent of net hiring in 2020, as compared to 25-30 per cent last year," said Supaul Chanda, business head at TeamLease Digital. "However, mid-level hiring will continue to remain subdued."

Last year, market leader Tata Consultancy Services (TCS) had made offers to 30,000 engineers from campuses; Infosys made 18,000 during this period. Wipro has plans to hire 20,000 fresh graduates in the current financial year (FY20).

A HIGH FOR FRESHERS AND TOP-RUNG

- Net addition seen at more than 100,000 in 2020
- 40% of net hiring in 2020 will be fresh graduates, against 30% last year
- Reduction of job roles in mid-level to continue
- Hiring for leadership roles to remain robust

Data points on the number of freshers who have actually been on-boarded are not available.

"Job creation will happen in fresher and junior levels (one-five years of experience). This is mainly because of cost pressure faced by IT firms, which want to make their employee pyramids right," said Aditya Narayan Mishra, director & CEO at CIEL HR Services. "According to our estimates, fresher hiring is likely to grow in high single-digit in 2020."

In anticipation of demand, domestic IT services firms added more employees in the April-September period of FY20. The top five IT firms — TCS, Infosys, HCL Technologies, Wipro, and Tech Mahindra — added 64,332 employees in the first six months of the ongoing financial year, which is 18 per cent more than the corresponding period of FY19.

At the same time, many companies reduced their headcount in the mid-level as part of their cost optimisation measures. While Cognizant announced to reduce its headcount by around 12,000 in the next few quarters, Infosys, TCS, and Wipro, among others, are trimming job roles at this level.

People in the know said the total number of layoffs in the IT industry is likely to be more than 50,000 in 2019.

Despite the pressure on mid- and senior-level staffers, HR consultants said that hiring in the leadership role (CXO level and above) will remain robust.

"While IT firms are reducing staffers at the mid-level, CXO level hiring remains robust, which is likely to continue in 2020 as well," said a senior consultant at a global HR consultancy firm. According to experts, GICs (global in-house centres) of multinational corporations, and start-ups are looking for more hiring at leadership roles as compared to traditional IT firms.

Survival our top priority as sales fall short: Huawei

PRESS TRUST OF INDIA/AFP
Beijing, 31 December

Chinese telecommunications giant Huawei said Tuesday that "survival" was its top priority after announcing that the sales for 2019 were expected to fall short of projections as a result of US sanctions.

The global leader in telecom networking equipment has been effectively banned by the United States from working with American firms on the grounds that it poses a national security threat -- an accusation the Chinese company has consistently denied.

Chairman Eric Xu said Huawei's sales revenue for 2019 was likely to reach 850 billion yuan ($121 billion) — up roughly 18 per cent from the previous year.

Though he said "business remains solid", the figure was lower than a previous forecast of $125 billion.

In a New Year's message to employees, Xu said the US government was in the midst of a "strategic and long-term" campaign against the company that would create a "challenging environment for Huawei to survive and thrive". "Survival will be our first priority" in 2020, said Xu, the current chairman under the company's rotating leadership scheme.

He said Huawei would need to "go all out" to build up its mobile services ecosystem — its answer to Google apps and services — to "ensure that we can keep selling our smartphones in overseas markets".

A bright spot was its smartphone business, posting "robust growth" with 240 million units shipped in 2019.

While telecom experts consider Huawei a global leader in 5G equipment — in terms of both technology and price -- the company has faced obstacles and suspicion from the US and other countries wary of its close relationship with the Chinese government.

Govt shouldn't allow Huawei for trials of 5G, SJM tells Modi

Urging Prime Minister Narendra Modi to intervene, the RSS-affiliated Swadeshi Jagran Manch (SJM) said that Huawei should not be allocated airwaves for 5G network trials to ensure that India's security interests are not compromised. In a letter to Modi, the outfit claimed that there are evidences that lead to suspicion of Chinese firms indulging in exfiltrating sensitive information from, devices and equipment that it exports. SJM's co-convener Ashwani Mahajan said the organisation has made representations to the DoT cautioning and alerting it of "various threats Huawei brings in". PTI

Trai issues draft rules on network testing before commercial wireline services launch

PRESS TRUST OF INDIA
New Delhi, 31 December

The Telecom Regulatory Authority of India (Trai) on Tuesday issued draft recommendations on 'network testing before commercial launch of wireline services' as it mooted a 90-day limit on the test phase involving trial subscribers in such cases.

Trai has sought stakeholders' views on the draft recommendations that are modelled on the lines similar to norms that it had previously prescribed in the case of mobile services.

"Most of the issues raised during the consultation process for the norms for network testing before commercial launch for mobile services, are equally applicable for wireline access services. However, according to the reference received from the Department of Telecom (DoT), this consultation paper on draft recommendations is issued to solicit the views of the stakeholders for specifying the norms of network testing before commercial launch of services for wireline access services," Trai said.

WHAT THE DRAFT NORMS SAY

- Telecom service provider should be allowed to enrol test subscribers in the trial phase to carry out the network testing before commercial launch of its services
- Number of test subscribers that can be enrolled by an operator in a circle should be limited to 5 per cent of its installed network capacity for that area
- The draft recommendations also said that there should be a limit of 90 days on the test phase involving test subscribers

According to the draft recommendations, a telecom service provider should be allowed to enrol test subscribers in the trial phase to carry out the network testing before commercial launch of its services.

"The authority recommends that there should be no restriction on the time-limit, if the network testing is conducted using wireline telephone test connections given to employees and business partners for test purpose only," it said.

The number of test subscribers that can be enrolled by an operator in a circle should be limited to 5 per cent of its installed network capacity for that area.

"The service provider will submit the detailed capacity calculations of the network to DoT and Trai at least 15 days before commencing enrolment of test subscribers," it added.

The draft recommendations also said that there should be a limit of 90 days on the test phase involving test subscribers.

"However, if the TSP fails to conclude network testing due to valid reasons, it may make a representation to the licensor, seeking additional time for network testing giving detailed justification, which may be decided by the licensor on a case-to-case basis. The requisite norms to be followed for extension of timeline for network testing may be formulated by the licensor," Trai said.

The duration for network testing provided to the operator should not exceed 180 days, according to the draft.

Trai has said that written comments on its latest consultation paper should be submitted by January 30, 2020, and counter-comments by February 13, 2020.

DoT holds meet with telcos and vendors to talk about 5G trials

PRESS TRUST OF INDIA
New Delhi, 31 December

A day after the government said all operators will be allowed to participate in the upcoming 5G trials, the Department of Telecommunications held a meeting with various service providers and equipment vendors, including Huawei, to discuss the way forward.

The meeting on Tuesday, chaired by Telecom Secretary Anshu Prakash, lasted for over an hour. An official with one of the telcos said that all operators attended the meeting. A Huawei executive, who was present at the meeting, declined to comment on the proceedings.

Telecom Minister Ravi Shankar Prasad on Monday said the government will allocate airwaves to all telecom service providers for conducting trials of super-fast speed 5G networks.

Lodha Group calls for special policies to fight growth woes

India's top builder is clamoring for unconventional policy measures to get the nation out of the worst economic slump in more than six years.

"When demand is as tepid as it is right now in certain parts of the economy and sentiment is negative, we need a bazooka to come out and change sentiment," Abhishek Lodha, managing director at Lodha Group, said in an interview.

Calls for authorities to unveil more steps have been gaining steam. India's central bank has struggled to revive economic growth despite being the most aggressive slasher of rates among Asian peers. Government measures have also failed to spur growth. "We have a lot of liquidity, but it's trapped liquidity in the banking system," Lodha said.

BLOOMBERG

Ronnie Screwvala-backed start-up upGrad lines up big plans for 2020

VINAY UMARJI
Ahmedabad, 31 December

In its bid to tap the growing online higher education market in India, media entrepreneur and former UTV founder Ronnie Screwvala-backed start-up upGrad has planned an ambitious ₹175-crore branding and marketing campaign in 2020.

Comprising both online and offline mediums, including television, digital and print, the campaign is aimed at creating awareness around upGrad's online higher education programmes in the data, technology, and management domains among its potential learner group i.e., working professionals and their influencers.

Co-founded by Screwvala with Mayank Kumar, Ravijot Chugh, and Phalgun Kompalli, upGrad has been marketing itself as an online university for working professional offering postgraduate certificates, diplomas, and degrees in association with leading domestic and international higher education institutes.

"One of the key challenges as edtech grows is the credibility of edtech companies in terms of adding value to one's career... What we did in the last three years was substantially digital-oriented. Now we think we need it to be 360 degrees"

RONNIE SCREWVALA, Media entrepreneur and former UTV founder

With offerings in collaboration with some of the leading campuses, including Cambridge University, Duke University, BITS Pilani, MICA, IMT, and NMIMS, among others, upGrad offers online higher education programmes that working professionals can enrol while continuing their day job, at costs that are at times one-fifth similar offline programmes on campuses.

Of the ₹175-crore, ₹100 crore will be spent on the offline medium and ₹75 crore on digital in a sustained campaign spaced throughout the year, said Screwvala. To date, upGrad has been offering online higher education programmes, ranging from six months to two years, in a price bracket between ₹1 lakh and ₹4 lakh.

In the last three years, upGrad has grown to garner 20,000 paying learners, thereby earning an average revenue per user upwards of ₹3 lakh. Now, according to Screwvala and Kumar, the ₹175-crore marketing campaign is not only aimed at attracting more paying learners, but will help grow the overall online market in the higher education space in India.

"What we did in the last three years was substantially digital oriented. We need it to be a 360-degree (orientation). So far, whatever we spent, almost 50 per cent was to build the market and create awareness," Screwvala said.

Raheja-Blackstone firm files DRHP for REIT IPO

RAGHAVENDRA KAMATH
MUMBAI, 31 December

Mindspace Business Parks Real Estate Investment Trust (REIT), sponsored by K Raheja Corp, has filed a draft offer document for the public issue of its REIT. Blackstone Real Estate Partners is one of the key investors in the REIT.

It is the second REIT in the country coming out with a public issue after another Blackstone joint venture (JV) Embassy Office Parks hit the market with its REIT early this year and raised ₹4,750 crore.

The REIT has roped in 13 bankers, including Morgan Stanley, CLSA, and Nomura for the issue.

Sources said the issue could raise around ₹3,500 crore, of which ₹1,000 crore is a fresh issue of shares. The extent of stake dilution is yet to be decided, sources said.

It is the second REIT in the country coming out with a public issue after another Blackstone JV Embassy Office Parks hit the market with its REIT early this year

In 2017, Blackstone acquired 15 per cent stake in K Raheja Corp's select commercial income-producing office portfolio spread over 30 million square (sq.) feet (ft).

Blackstone's other JVs with Panchshil Realty and Salarpuria Sattva could also come with REIT in the near future, sources said.

REITs are like mutual funds, which are traded on stock exchanges. They are tax efficient as they distribute 90 per cent of profits as dividends.

Real estate developers may raise more than $25 billion over the next three years by listing their rent-yielding commercial properties through the REIT route, according to real estate consultant Anarock Property Consultants.

"Commercial REITs may raise over $25 billion for Indian real estate over the next three years. This involves the listing of more than 150 million sq. ft of rent-yielding Grade A office properties across top seven cities covering 25-30 per cent of the overall Grade A office space in these cities," said Shobhit Agarwal, managing director & chief executive officer, Anarock Capital. Currently, the top seven cities — Delhi-National Capital Region, Mumbai, Kolkata, Chennai, Bengaluru, Hyderabad, and Pune — have close to 550 million sq. ft, which are "REIT-able", he said.

"Assuming turncoat, rudderless, fickle Nitish Kumar has an ounce of intent not to implement NRC in Bihar, he must order suspension of National Population Register with immediate effect until this unconstitutional law CAA is repealed! Walk the talk, Mr CM!"

TEJASHWI YADAV
RJD leader

"It is only Parliament which has got the powers to pass any law with regard to citizenship; not any Assembly. This law is binding on the country. CAA is not related to any Indian Muslim"

RAVI SHANKAR PRASAD
Union law minister

"2019 was an amazing year for India. We changed things that we thought could never change. We achieved things which we never thought were possible"

NARENDRA MODI
Prime Minister

IN BRIEF

Govt extends Sabka Vishwas scheme till January 15

With only about a fifth of disputed excise and service tax dues declared under the amnesty or relief scheme till the last day of the four-month window, the government on Friday extended it by another 15 days. With this, the government hopes to shore up revenues to make up for the steep shortfall in tax collections this fiscal year. Although 73 per cent of total eligible taxpayers availed the Sabka Vishwas Legacy Dispute Resolution scheme, they made up for just 18 per cent of the disputed amount, suggesting that taxpayers with large dues have stayed away so far. As many as 180,000 cases are under litigation, arrears, or investigation, with a pending tax demand of ₹3.75 trillion. Of the total 184,000 taxpayers who are eligible to avail the scheme, 133,661 taxpayers have so far submitted their applications by December 31, said CBIC. DILASHA SETH

Irdai slaps ₹2.18-cr penalty on Hero Insurance Broking

Insurance regulator Irdai has slapped a fine of ₹2.18 crore on Hero Insurance Broking India for violating norms on motor insurance service providers, forcing customers to buy policies from their panel and discriminating policyholders, among others. PTI

NHAI has issued over 11.5 million FASTags so far

Over 11.5 million FASTags have been issued so far, the government said on Tuesday. The National Highways Authority of India started electronic toll collection through RFID-based FASTags on its 523 toll plazas on December 15 for seamless flow of traffic. "Over 11.5 million FASTags have already been issued, with more than 100,000 being issued every day," the Ministry of Road Transport & Highways said in a statement. The daily transactional value has crossed ₹52 crore with the number of FASTag payments surpassing 3 million, it added. PTI

Lakshmi Vilas Bank appoints S Sundar interim MD & CEO

Lakshmi Vilas Bank (LVB) has appointed S Sundar, its Chief Financial Officer (CEO), as the interim managing director and CEO (whole time director) of the bank with effect from January 1, 2020. As part of this, he has resigned from the post of CFO on Tuesday. He has also been appointed as the additional director of the Bank. In August, the bank's previous Chief Executive Officer Parthasarathi Mukherjee resigned from the position. BS REPORTER

Manappuram Finance raises ₹350 cr via bonds

Manappuram Finance on Tuesday said it has raised ₹350 crore by issuing bonds on private placement basis. The Financial Recourse and Management Committee of the company's board has approved allotment of 3,500 secured, rated, listed, redeemable non-convertible debentures of face value of ₹10 lakh each, aggregating to ₹350 crore, according to a BSE filing. PTI

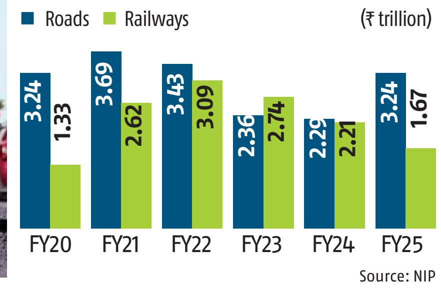
MEGA INFRA PUSH

₹19.63-trn road projects in the pipeline

Centre and states will be equal contributors

MEGHA MANCHANDA & SHINE JACOB
New Delhi, 31 December

IN TOP GEAR



Source: NIP

Finance Minister Nirmala Sitharaman ended 2019 on a benevolent note for the road sector by announcing a pipeline of road projects worth ₹19.63 trillion. The new pipeline comprises 39 per cent projects each of the Centre and states, and 22 per cent of the private sector.

"It is good to see the government focusing on substantial infrastructure agenda to put the economy back on track," said Vinayak Chatterjee, chairman, Feedback Infra. As part of the infrastructure vision 2025, the government has envisaged enhanced road connectivity to remote areas and trunk connectivity to major economic corridors, strategic areas, and tourist destinations through expressways. Ratings agency ICRA said: "Indian infrastructure is likely to witness a massive increase in investment with the target of ₹102 trillion to be spent over the next five years (FY20-FY25)."

At a time when economic growth is slowing down, increasing investment in infrastructure can be a booster dose.

While a large development plan is already underway for the national highways under the Bharatmala Pariyojana scheme, many states have taken up large road development projects. Similarly, for the Railways, besides the regular capex of railway lines upgrade, modernisation of railway stations and the bullet train project foresee a higher capital outlay over the next five years.

Until FY25, the expected investment in the Railways sector comes to around ₹13.7 trillion, of which 87 per cent is likely to be contributed by the Centre government. The share of the private sector is as low as 12 per cent and that of states is only 1 per cent.

At this pace, the national transporter may fall short of its ambitious target of bringing in additional ₹50 trillion investment by 2030, as it may not be able to achieve even half of it by FY25. "The Railways will be one of those sectors where private sector investments will be the lowest. It may turn out to be a challenge for it to convince the private sector to bring in even this much investment, as a large chunk of this investment is expected to come in plans like station redevelopment," said R Sivadasan, former financial commissioner of the Railways.

Major projects that will be part of the Railways infrastructure expansion include dedicated freight corridors and a high-speed railway project between Ahmedabad and Mumbai. In addition, the network will go for 100 per cent electrification. Work to upgrade tracks, including renewal and doubling, is likely to be completed by then to improve safety and efficiency of infrastructure.

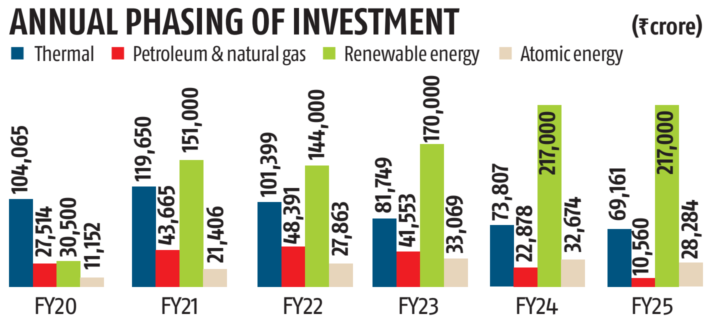
Among annual investment plans, the highest investment of ₹3.09 trillion in the rail sector is expected to come in FY22. This can be compared with the capital expenditure plan of ₹1.6 trillion lined up for the current financial year.

According to a report, from 2008-2019, power, roads and bridges, urban, digital infrastructure, and railways subsectors constituted 85 per cent of the infrastructure investment in India.

Energy expenditure to have lion's share in NIP

SHREYA JAI
New Delhi, 31 December

ANNUAL PHASING OF INVESTMENT



Source: NIP

To improve energy access and sustainability, the Central government's National Infrastructure Pipeline will have a greater focus on the power sector.

As much as ₹24 trillion worth of investments have been envisaged for the energy sector and the government expects a majority of these coming from private players.

This comes at a time when private investment in the conventional energy space is at an all-time low, with ₹2 trillion worth of stressed assets and renewable energy facing a dearth of investors. In a report released by the Finance Ministry on Tuesday, the Centre laid down the plans for increasing private participation in the energy sector, especially in power distribution. The report forecast India's per capita energy consumption to go up to 1,616 Kwh by 2025, from 1,181 Kwh currently. The Vision 2025 states 24x7 clean and low-cost power available to all households, industry, commercial businesses, and agriculture. It also expects the power generation capacity to touch 619 Gw by 2025 with 50 per cent contribution from thermal and 39 per cent from renewable sources. According to the report, all the investments needed in renewable energy would come from the private sector. "100 per cent of the NIP to be implemented by the private sector. There is a well-stocked pipeline through to FY25 because of 450 Gw target visibility," said the report.

India's current renewable energy capacity stands at 84.3 Gw. This week, ICRA Ratings downgraded the year-end outlook for the renewable energy sector from stable to negative. It said the sector is facing several challenges, including long payment delays by state distribution utilities, execution delays in projects bidding, challenges in project completion and land acquisition, and transmission connectivity difficulties. "These have impacted investor sentiments in the sector and is reflected in the slowdown in tendering of wind and solar projects. It came down to 10.6 Gw in January-September 2019, from 16.7 Gw in the corresponding period of the previous year. Moreover, many of the bids called by central nodal agencies remained under-subscribed," said Sabyasachi Majumdar, group head & senior vice-president-corporate ratings, ICRA.

Regarding conventional energy, the Centre in its NIP has envisaged state governments to take lead in investment. It expects close to 57 per cent of the expected ₹11.8 trillion to come from the states. The government is also hopeful of opening doors for private players in the power distribution sector, which continues to be sick because of the debt-ridden status of state-owned power distribution companies (discoms).

The report said increased public-private partnership in discoms would lower the losses. It has also proposed other reforms, such as open access in distribution, regular tariff revisions, and extensive smart metering.

The cumulative loss of discoms stands at ₹28,369 crore by end of FY19, up 88 per cent over the previous year. The RBI in its report on state finances observed the losses of discoms have plagued states' balance sheet as well.

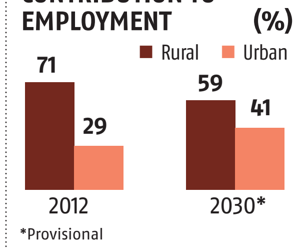
WHICH SECTOR GETS HOW MUCH

FM Nirmala Sitharaman has announced details of infrastructure to be developed in the five-year period ending March 31, 2025, a promise mentioned in the ruling Bharatiya Janata Party's manifesto for general elections, and announced in the Budget. While ₹100.2 trillion to be invested during this period would be spread between 12 broad sectors, almost one-third of the projects are still in conceptual stage. COMPILED BY INDIVJAL DHASMANA

SECTOR-WISE INVESTMENT

	Investment envisaged during FY20-25 (₹ cr)	Share of sectors in % of total investments
Energy	2,454,249	24
Roads	1,963,943	19
Urban	1,629,012	16
Railways	1368523	13
Irrigation	772,678	8
Rural infra	772,765	8
Digital comm	320,498	3
Social infra	356,701	3
Industrial infra	307,462	3
Ports	100,923	1
Airports	143,398	1
Agri and food processing	60,553	1
Total	**10,250,704**	**100**

CONTRIBUTION TO EMPLOYMENT (%)



*Provisional

INDIA'S POPULATION AND URBANISATION

	Population (bn)	Ubanisation (%)
1991	0.8	25.7
2001	1.0	27.8
2011	1.2	31.1
2030*	1.5	41.7

*Urbanisation to increase the need for infrastructure. Source: Task force on National Infrastructure Pipeline

Indore cleanest city for 4th time in a row

PRESS TRUST OF INDIA
New Delhi, 31 December

Indore was adjudged India's cleanest city for the fourth time in a row while Kolkata was worst performer in the central government's cleanliness survey announced on Tuesday.

In the category of cities having population more than 1 million, Bhopal stood second in first quarter results (April to June), while Rajkot grabbed the second spot in second quarter results (July-September) of 'Swachh Survekshan League 2020'.

The third position was grabbed by Surat in the first quarter and Navi Mumbai in the second quarter.

In the category of cities with over 1 million population, Bhopal stood second in first quarter

In the second quarter, Vodara was ranked fourth, followed by Bhopal, Ahmedabad, Nashik, Greater Mumbai, Allahabad and Lucknow.

Among cantonment boards, Delhi Cantt stood first while second and third positions were grabbed by Jhansi Cantt board and Jalandhar Cantt Board respectively in the second quarter. Secunderabad Cantonment Board in Hyderabad was worst performer among other cantonment boards.

Experts: Infra plan needs hand-holding by Centre

The proposed ₹102-trillion infrastructure investment announcement by Union Finance Minister Nirmala Sitharaman would boost investor confidence, say sector experts and officials.

The plan, however, will need initial hand-holding by the Centre, through higher spending, they add. The FM has said she expected Centre and states to have equal share of the proposed capital expenditure, at 39 per cent, followed by the private sector at 22 per cent.

"Identifying projects' pipeline is a great initiative, to help focus on progress and provide visibility to investors. Sectors like irrigation and railways will likely continue to depend largely on government spending. In the current context, I would expect the same for roads, until bank financing eases," said Manish Agrawal, partner at consultants PWC India. He expects airports and digital infrastructure to attract private investment.

The head of an infrastructure finance company said, "This scale of money — equity and debt — will need foreign investors' participation, as they bring in long-term capital. They will look for reliability and stability in policy and execution. The recent instances of policy reversals for renewable energy projects in Andhra Pradesh act as dampeners."

Sharad Mahendra, director and chief operating officer at JSW Energy, says how banks and other infra finance companies will approach this "will depend on how the RBI responds".

AMRITHA PILLAY & ABHIJIT LELE

No water beneath the ground and no hope around the corner

The concluding part of a three-part series looks at recharge efforts in a Haryana village even as some farmers in Rajasthan neither have water nor hope

JYOTI MUKUL
Udaipuria/Bhasalta Khurd/Deroli Ahir

Women coming out to talk is usually not the case in most parts of Rajasthan and Haryana. So, when Prem Devi of Udaipuria village in Chomu tehsil of Jaipur district starts to speak, she is not sure whether she should sit or stand while narrating her woes.

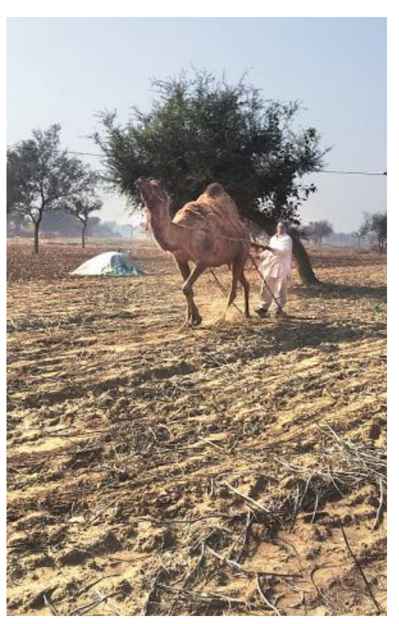
Just outside her courtyard is a papaya tree, with plastic wrapped around its fruit that appear big but are yet to ripen. After being prodded to sit, she narrates how two borewells in her holding of less than 0.5 hectare stopped pumping water about six years earlier. Her family now depends on rain-fed irrigation to grow some bajra (local millets) for household consumption and fodder for goats. Her son works on construction projects as an artisan to eke a living.

Among her many complaints is grid electricity. The family used to get a subsidy of ₹833 in the power bill itself but the rules have changed and there is cash transfer into the bank account. "The cash no more comes," she says, as officials clarify that this could be due to non-linking of their bank account.

About eight km from the National Highway 52, which connects Jaipur and Agra, Murli Dhar in Bharni village of Sri Madhopur tehsil of Sikar district has a similar challenge of dried farmland. His family of 12 survives on the earnings of his labourer-sons. All he can grow after the rainy season is bajra and taramira, an oilseed grown in drier regions of north-western India.

In fact, taramira is close to the mustard crop that is traditionally grown in Rajasthan and Haryana. Dharamveer Dudi, assistant director in the horticulture department, Jhunjhunu district, says as compared to wheat, a better crop for the region is mustard. "If wheat gives ₹2,000 a quintal, mustard gives around ₹4,000. Besides, wheat requires more fertiliser and at least six to seven watering cycles. Mustard requires only three and very little fertiliser," he explains. Also, mustard foliage helps to produce micro organisms which are good for soil health.

Across Jhunjhunu district, right up to Haryana's Mahendragarh, a number of khejri (prosopis cineraria) trees can be seen within the farms. These traditional ones fix nitrogen content in soil and are considered good for the area. "You will mainly see these trees in Rajasthan. Once you cross the border on to Haryana, they won't be seen," says Dudi.



Kashi Ram (*left*) of Bhaisawata Khurd wonders if this road work (*pictured*) could turn around his fate while Prem Devi of Udaipuria village narrates how two borewells in her holding of less than 0.5 hectare stopped pumping water about six years ago

The road that leads to Narnaul in Haryana is abuzz with six-laning of National Highway 11. Kashi Ram of village Bhaisawata Khurd is wondering if this road work could turn around his fate — his dry farmland is along the route and agriculture earns him no income. His family gets water for drinking from a village well; for irrigation, he banks on rainwater. Some years before, he had set up a small poultry unit but it did not last. "I let out the (poultry) shed for weddings now," he says.

Since water scarcity knocks at the doors of most areas in Rajasthan and Haryana, the state governments have made micro irrigation practices mandatory with solar powered pump scheme. With power bills virtually nil for irrigation, there is always a danger of over exploitation of groundwater.

GROUND WATER PROFILE

Figures in bcm*

	Rajasthan	Haryana
Annual groundwater recharge	13.21	10.15
Annual extractable groundwater resource	11.99	9.13
Annual groundwater extraction	16.77	12.50
Stage of groundwater extraction (%)	140	137

* Billion cubic metre

Rajasthan
Total assessed blocks
295

Over-exploited	185
Critical	33
Semi-critical	29
Safe	45
Saline	3

Haryana
Total assessed blocks
128

Over-exploited	78
Critical	3
Semi-critical	21
Safe	26

Source: National Compilation on Dynamic Ground Water Resources of India, 2017, CGWB

V Saravana Kumar, director (horticulture) in the Rajasthan government, says the state will be promoting universal solar water pump controller to incentivise use of solar power for non-irrigation productive use like thrashing, atta chaki, etc. "It will be one connection for irrigation and three for other uses." Besides, component C of the Centre's KUSUM programme will enable farmers to sell the extra power to power distribution companies. This is intended to disincentivise over exploitation of ground water.

The Deroli Ahir village of Mahendragarh district in Haryana has presented another plausible scenario for areas that are close to some irrigation canals. "The dry land problem has been reversed partially," says Bhoop Singh. The village panchayat gave about 1 hectare land to make a pond and to two recharge wells. Overflow from the nearby Narnaul irrigation canal is directed into this land, besides collecting rain water. "This has become a lifeline in the 5-km radius," says Singh who is busy getting a new house ready next to his old house in preparation for his son's wedding in the coming year. He is rather unconcerned that the shadow of the new structure is reducing the output of his solar panels next doors.

Series concludes

Core sector output contracts 1.5% in Nov

Cumulative growth has been nil in FY20 due to contractions in previous months

SUBHAYAN CHAKRABORTY
New Delhi, 31 December

The output of eight core sectors of the economy fell for a third straight month in November, contracting by 1.5 per cent as key sectors like refinery products and electricity continued to see slow growth or contraction.

Output had crashed by a record 5.8 per cent and 5.2 per cent over the preceding two months as a broad-based decline gripped most sectors. As a result, the core sectors saw nil cumulative growth till November in the current fiscal year (FY20), down from 5.1 per cent in the previous year.

Economists warned that the latest figures indicated that the industrial slowdown would take time to recede. The above 5 per cent contractions had been unprecedented in the index's history, on either the FY12 or FY05 bases of calculating the data. "This is first instance of eight core infrastructure industries production contracting in three consecutive months on FY12 base. Most disappointing has been the contraction of electricity output in four consecutive months, which is a reflection of state of the economy," said Devendra Pant, chief economist at India Ratings.

The data released by the commerce and industry ministry on Tuesday showed electricity generation shrank by 5.7 per cent in November, with the decline in generation widening from just 0.9 per cent in August to 12.2 per cent in October. Sluggishness in manufacturing is understood to have led to a steep fall in the power demand. According to the data from the Index of Industrial Production (IIP), the contraction in the manufacturing sector has continued unabated, standing at 2.1 per cent in October.

By extension, in November, coal production remained negative for a fifth straight month. But the rate of fall has sharply dropped from 20.5 per cent to 2.5 per cent in the latest month. Contraction in the sector continued to become entrenched since July, when a 24-month growth period ended.

In the energy space, crude oil production continued its downward spiral, having completed a continuous chain of contraction for the past 14 months.

Production reduced by 6 per cent, more than the 5.1 per cent contraction in October. Natural gas extraction continued to fall for an eighth straight month, reducing by a higher margin of 6.4 per cent in November.

The latest data continued to cast uncertainty over infrastructure growth in the country as steel output reduced by 3.7 per cent in its third consecutive month of fall. It had reduced by 1.6 per cent in October, attributed to low performance of large steel consuming industries like auto and capital goods.

On the other hand, cement output returned to the growth charts in November after three months. Cement production rose 4.1 per cent following October's 7.7 per cent fall, as construction projects picked up after the monsoon season.

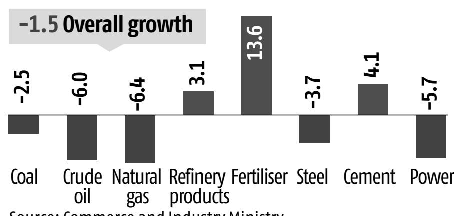
This indicates signs of a return to growth, some experts say. "Though disappointing, the November figure has a silver lining in so far as there are certain sectors like cement and refinery products that have registered positive growth. There is, hence, a mixed picture when it comes to non-energy based industries which have performed relatively better," said Madan Sabnavis, chief economist at CARE Ratings.

Refinery products rose by 3.1 per cent in November, picking up on October's marginal 0.4 per cent growth. While the sector has remained volatile in FY20, senior officials continue to claim that a solid recovery in production is underway as key refining units, which were closed earlier, have gone live.

The engulfing industrial slowdown continued to bypass fertiliser production which rose by 13.6 per cent in November, constituting the highest margin in over a year. This reflects both demand for rabi sowing as well as build up of inventory for the next season, Sabnavis said.

Experts predicted hope for industrial production ahead. "With an improvement in the performance of a number of lead indicators, including the core sector industries, auto production and non-oil merchandise exports, we expect the IIP to report a modest growth in November 2019 after having contracted since September 2019," Aditi Nayar, principal economist at ICRA, said.

Sector-wise growth for November (% YoY)



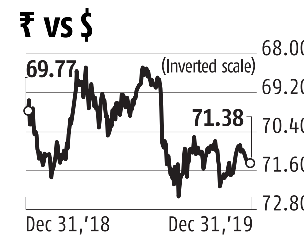
Source: Commerce and Industry Ministry

LOOKING BACK
Core sector growth in the past year (% YoY)

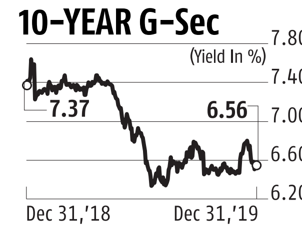
Nov, '18	3.3
Dec, '18	2.1
Jan, '19	1.5
Feb, '19	2.2
Mar, '19	5.8
Apr, '19	5.2
May, '19	3.8
June, '19	1.2
July, '19	2.7
Aug, '19	0.1
Sep, '19	-5.2
Oct, '19	-5.8
Nov, '19	-1.5

Rupee closes 2019 at 71.38, 10-yr yields end at 6.56%

₹ vs $



10-YEAR G-Sec



ANUP ROY
Mumbai, 31 December

The year 2019 ended on a good note for banks and other bond investors as the 10-year bond yields softened 86 basis points (bps) since the start, thanks to rate cuts by the Reserve Bank of India (RBI), while the rupee also exhibited some stability despite a choppy global outlook rocking on trade tensions.

The 10-year bond yields closed the year at 6.5 per cent, from its January 1 level of 7.4 per cent. Bond prices rise, yields fall. Rupee closed at 71.38 a dollar, from 69.44 a dollar.

This was also the period when yield curve inverted in the US, which sent shock waves 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 RBI. Since February, the central bank reduced rates by 135 bps, 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 open market operations.

Fiscal deficit rises to 115% of target in 8 months of FY20

ABHISHEK WAGHMARE
New Delhi, 31 December

The fiscal deficit of the Union government rose to 114.8 per cent of the target in the first eight months of the fiscal year, the data released by the Controller General of Accounts showed. The gap between the government's revenue and spending stood at ₹8.07 trillion at the end of November — ₹1 trillion (13 per cent) more than the full-year target.

A persistent contraction in gross tax revenue, with expenditure growing consistently, has put pressure on government finances, resulting in a larger deficit well before the end of the fiscal year.

While the corporation tax collection contracted 1 per cent in April–November on the revenue side, budgetary capital spending on roads took the worst hit on the expenditure side. Income support to farmers and food subsidy bills have taken a graver hit in terms of revenue expenditure.

Non-tax revenue, especially in the form of dividend from public enterprises (including public sector banks), lower devolution to states owing to higher devolution in previous year, probable revenues from telecom company dues, and a slice of cash from the legacy service tax and excise disputes scheme, could help the government restrict fiscal slippage. The situation was similar last year, with a 15 per cent overture in the first eight months of FY19. In FY17, fiscal deficit stood at a comfortable 86 per cent of the target.

The government would need to prune spending or depend upon funds to remain unspent with ministries to save on the expenditure side, and retain fiscal deficit to the budgeted ₹7.04 trillion.

This target was projected to be 3.3 per cent of India's GDP, assuming that the GDP would grow 11 per cent in FY20, to nearly ₹210-211 trillion. However, after taking into account the nominal GDP estimate assumed in the National Infrastructure Pipeline (NIP), which the government released on Tuesday, fiscal deficit would touch 3.45 per cent of GDP, even if it is restricted to the budgeted ₹7.04 trillion.

The report assumes that India's nominal GDP would be₹205.3 trillion in FY20, growing at 8 per cent, substantially lower than the Budget expectation. Experts said capital spending has taken a bigger hit from subdued revenues, and asserted that the probability of deficit being higher than targeted has only risen.

Aditi Nayar, principal economist at ICRA, said concerns on the extent of fiscal slippage still persist.

"Given the likely shortfall in tax collections and lack of clarity on revenue from telecom license holders and disinvestment, expenditure cuts may have to be undertaken to prevent fiscal deficit from rising too sharply," she said.

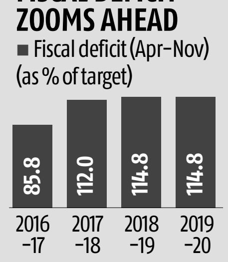
While gross tax revenue contracted 2.6 per cent in November, revenue spending rose 7 per cent. As a result, productive capital spending contracted 12 per cent. ICRA said that this is a "discomfiting trend". In April-November, gross tax revenue grew by a paltry 0.8 per cent.

THE FISCAL BLUEPRINT

Fiscal deficit targeted for FY20 (BE)	₹7.04 trillion
Fiscal deficit in Apr–Nov (provisional)	₹8.07 trillion
Nominal GDP assumed in Union Budget	₹210–211 trillion
Fiscal deficit targeted	3.3% of GDP
Nominal GDP assumed in National Infrastructure Pipeline	₹205.3 trillion
Probable fiscal deficit at lower GDP	3.43% of GDP

Source: Controller General of Accounts, National Infrastructure Pipeline, Ministry of Finance

FISCAL DEFICIT ZOOMS AHEAD



CAD shrinks to 0.9% of GDP in Q2

ANUP ROY
Mumbai, 31 December

India's current account deficit (CAD) in the July–September quarter (Q2) of 2019–20 fiscal year contracted to 0.9 per cent of the gross domestic product (GDP), from 2.0 per cent in Q1, primarily on account of lower trade deficit, the data released by the Reserve Bank of India (RBI) showed. In the year–ago period, the CAD was at 2.9 per cent of the GDP.

In absolute terms, the CAD came at $6.3 billion in Q2FY20, from $19.0 billion in the year–ago period, and $14.2 billion in the preceding quarter. The trade deficit in Q2 was at $38.1 billion, as against $50.0 billion a year ago. Net services receipts increased by 0.9 per cent on a YoY basis, on the back of a rise in net earnings from computer, travel, and financial services. Private transfer receipts, mainly remittances by Indians employed overseas, rose to $ 21.9 billion, increasing by 5.2 per cent from their level a year ago, the RBI said. Net foreign direct investment was $7.4 billion, almost same level as in Q2FY19. Foreign portfolio investment recorded net inflow of $2.5 billion, against an outflow of $1.6 billion in the year–ago quarter, due to higher flow in the debt market.

ECB was up at $3.2 billion, against $2.0 billion in the year–ago quarter. The foreign exchange reserves got a boost of $5.1 billion in Q2. In the 2019–20 half year period, the CAD narrowed to 1.5 per cent of GDP, from 2.6 per cent in the first half a year ago. Trade deficit in this period shrank to $84.3 billion, from $95.8 billion in the first half of the last fiscal year.

The 2020 media fantasy

A stable regulatory environment, digital transparency, the disappearance of Indian news television and better informed citizens

MEDIASCOPE

VANITA KOHLI-KHANDEKAR

There is a feeling of fear and uncertainty in the air. India's economy is on a downslide, its social fabric is in tatters. And it doesn't look like anyone in charge is doing anything to repair and rebuild.

That is true for India's ₹1,67,400 crore media and entertainment industry too. Therefore, my first and biggest wish for the industry that has been my home for so long is a stable regulatory environment. One which is about facilitating growth instead of becoming something the industry needs to work around in order to grow.

Take for example the New Tariff Order or NTO from the Telecom Regulatory Authority of India (Trai) which was implemented in February last year. It has brought transparency and method in an industry where 60-70 per cent of the ₹43,500 crore collected on the ground doesn't always come back. But it also led to a rise in prices, complaints of complicated packages, a drop in sampling, a shift from cable to DTH or from TV to online options. None meet the stated objectives of the Trai, the biggest of which was giving viewers' choice. Nevertheless, in August, it released yet another consultation paper on tariff to howls of protest from across the industry. There is now talk of another paper with more recommendations.

Since 2004, when Trai became broadcast regulator, there have been 35 orders including amendments on tariff alone. There are scores of others on interconnection, quality of service, audience measurement. "There is a new regulation or direction, almost every month for the past five to 10 years. This makes the regulator's role intrusive and the industry's working unstable, unpredictable and contentious. The industry then tries to find loopholes in Trai's regulations which in turn leads to a patchwork of modified or new regulations. It is a vicious unending cat and mouse game," says Dinyar Contractor, editor and publisher, Satellite & Cable TV Magazine. Can we end this cat and mouse game in 2020?

While transparency has been creeping into the TV trade, it is far from present in digital which is next on my wishlist. Try getting a list of the top 10 OTTS or news sites in India without half a dozen qualifiers — it is not possible. Unlike the Broadcast Audience Research Council for TV or the Readership Studies Council of India for print, in digital there is no single independent body that offers a reliable metric to advertisers, media and the trade.

While most OTTs have their own analytics which offer figures on traffic, time spent and so on, these may or may not be comparable with the figures of others. The numbers comScore puts out are two to three times lower than those from the OTTs themselves. Much depends on what is included and what is not. Are they based on logins and single users across devices? Are they the sum of all devices without duplication? Are these visitors who have visited the site or app and not seen a video? Also, any list of OTTs will not have subscription-only services such as Netflix or Amazon Prime Video. Since these don't need ad revenues, their systems are not open to measurement.

Can digital firms get together to give us a robust metric to measure their business?

The third, arguably the most childish fantasy, is that Indian news channels disappear. Or at least change into proper news organisations overnight. Of all the things that have caused harm to the democratic fabric of India, TV news is the worst.

And my last, most ardent, wish is that we become a well-informed country that doesn't scream and shout at each other because of some rubbish from WhatsApp. That we become a country that has devastating but well-informed arguments devoid of personal abuse or mud-slinging.

Isn't that a good dream to sleep on? Happy New Year everyone.

http://twitter.com/vanitakohlik

Why Tiruppur is fraying at the edges

GST glitches are crimping working capital supply and adding to the difficulties of competing against nimble, low-cost competitors in other countries

T E NARASIMHAN

The hiring signs outside Tiruppur's garment factories, until recently a source of prosperity, have been replaced by ones saying "To let" and "Up for sale", leaving no doubt about the distress in this once-thriving export hub of Tamil Nadu.

Trouble in the state's garment industry, brewing for years because of competition from Bangladesh and Vietnam, has worsened owing to technical and policy on refund problems with the goods and services tax (GST) and the inability of manufacturers to innovate.

Exports have been on a steady decline in recent years. They dropped to ₹24,000 crore in 2017-18 from ₹26,000 crore in 2016-17. In 2018-19, exports grew marginally to ₹26,000 crore helped by a stronger rupee, but are expected to remain flat in 2019-20.

Smaller players who have traditionally been dependent on a cluster model — where bigger players outsource part of their work to them — have been the worst hit. Orders have nearly dried up because many of the bigger players are opting for vertical integration to cut costs instead of outsourcing work.

And cost has become a central concern because of duty disadvantages with competing nations. Raja M Shanmugham, president, Tiruppur Exporters Association (TEA), says exporters are unable to compete with Bangladesh, Sri Lanka, Cambodia and now Vietnam, which will get duty free status from the European Union from January 2020. Duty alone for India-made products is 9.6 per cent. Add to this high borrowing costs, labour cost, raw material prices and so on, he says, and the pressures have only multiplied.

A leading exporter with business worth around ₹600 crore annually recently attended a vendor meet in Europe and was surprised to see the top 20 vendors out of 75 were either from Bangladesh, or from Vietnam and Cambodia.

India has also not been able to take advantage of the opportunities presented by the space vacated by China, whose share has reduced by 5 per cent to 31 per cent in the global garment market. It could increase its market by only 0.5 per cent with the remaining going to other Asian countries.

A big problem has been the delay in refunds under GST. Although exporters say GST has been a good idea, glitches in its implementation have had severe consequences for their cash flow.

First and foremost, there is the issue of pending rebate of state levies (ROSL) worth 1.7 per cent of freight on board value of garments. Dues of ₹425 crore from January to December 2019 have not been cleared by the Centre.

Then there is the January 2019 announcement of an additional 2 per cent rebate on state and centre taxes and levies (ROSCTL). The scheme that was to come into effect from March 7, 2019 and remain valid till March 3, 2020, however, is still to be implemented. In anticipation of the rebate, many exporters slashed prices by 2 per cent, but now are saddled by this additional burden which has added to their costs.

A 'to-let' sign outside a closed garment manufacturing unit in Tiruppur. Such signages are now very common in this once bustling textile hub

Similarly, another ₹750 crore is pending with the Centre under the Merchandise Exports from India Scheme. GST refunds, too, have stopped from August 1.

A new problem has also arisen with the government classifying 225 units as "Risky Exporters" and stopping IGST and drawback refunds worth ₹200 crore to them from June 2019.

"The complex system does not provide any mechanism to the exporting units concerned to provide clarifications, so these units do not know what criteria has been used to identify them as Risky Exporters. There was no show cause notice issued or reasons given to identify them as Risky Exporters," said Shanmugam.

Besides blocked refunds, which cause a working capital crisis, units in the Risky Exporters' list have to undergo 100 per cent inspection at the port against the usual practice of random inspection. This not only delays consignments but also damages the garments in the process of inspection, causing problems for exporters. Meanwhile, banks are turning down their requests for fresh capital because many of the units are unable to service loans due to pending claims.

T Thirukumaran, managing director, Esstee Exports, one of the leading exporters, says unless the government comes forward and extends support, it will be difficult for the industry to sustain itself in the current scenario.

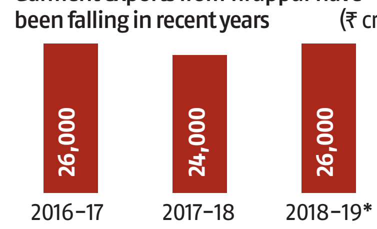
Besides issues related to refund, he wants the government to sign free trade agreements with European and other countries to buffer demand and create a more level playing field for them.

The upshot of these multiple problems is that companies are expanding outside Tiruppur. Companies such as KPR, Best Corporation and Jay Jay Mills are setting up factories in Ethiopia where they believe significantly lower manufacturing costs will help them compete more effectively with Bangladesh, Cambodia, Mynamar, Sri Lanka and others. European brands are also urging their India vendors to set up plants in Vietnam, which enjoys duty benefits from European countries and from the US.

But there is more the industry will have to do to thrive and compete effectively with nimble Asian neighbours. Best Corporation's Managing Director Rajkumar points out that the industry is still heavily dependent on cotton, whereas nearly 60 per cent of the demand today globally is for man-made fibre.

STEADY DECLINE

Garment exports from Tiruppur have been falling in recent years (₹ cr)



*Helped mainly by a stronger rupee

CHINESE WHISPERS

Inside job

Even as the Adityanath government was smarting from the rebellious protest by some Bharatiya Janata Party (BJP) legislators inside the Vidhan Sabha recently, a Member of Parliament from Lucknow has levelled charges of corruption against the Lucknow Police. The MP from the Mohanlalganj reserved constituency, Kaushal Kishore, blamed the unprofessional conduct of the police force for the spiralling crime graph in the state capital. Kishore claimed that police personnel were not acting appropriately in many cases, and that he has had to intervene with a request to expedite probes on several occasions. While his outburst has unsettled the state BJP unit, Opposition parties have lapped up his allegations to sharpen their attack on the state government.

Water-proof watch story

Bharatiya Janata Party national general secretary Ram Madhav (*pictured*) came up with an interesting analogy to explain how the opposition parties were impervious to reason. "In our school days, there was a fashion of waterproof watch. It is the type of watch in which water doesn't enter. Similarly, the mind of opposition leaders who are opposing the CAA is knowledge proof and information proof," he said. The Citizenship (Amendment) Act for the first time made religion the test of citizenship in India. The government said it would help minorities from three Muslim-dominated countries to get citizenship if they fled to India because of religious persecution. Critics say it was designed to discriminate against Muslims and violated the secular principals of the Constitution.

Prateek who?

Indian music lovers on Twitter were left overjoyed on Tuesday when they, rather unexpectedly, found a familiar name, Prateek Kuhad and his song Cold/Mess, on a list of favourite music numbers shared by former United States President Barack Obama. Obama's post read: "From hip-hop to country to The Boss, here are my songs of the year. If you're looking for something to keep you company on a long drive or help you turn up a workout, I hope there's a track or two in here that does the trick." So while users back home were lauding Kuhad and his music, many of those in the US and elsewhere went on a Google search spree with the singer's name. Kuhad himself expressed excitement on the social media platform: "This just happened and I don't think I'll sleep tonight..." he said, retweeting Obama's list.

INSIGHT

A blueprint for fiscal management & development

The Delhi government has focused its spends on essential services

ATISHI & AANCHAL BAJPAI

In the recently released *State Finances Audit Report* of the CAG for Delhi, it has been highlighted that Delhi has performed exceptionally well in managing its fiscal deficit and public debt. Many had earlier alleged that the state has been populist in its outlook by giving free water, free electricity and now free bus rides for women. The state has also devoted a large portion of its Budget to high quality public education and health care. It has been seen across the world that any government spending heavily on government services, that are available to citizens free of cost, ends up having high levels of fiscal deficit and public debt. But the Delhi government still manages to roll out these schemes while maintaining fiscal prudence. So how does Delhi manage to do that? And what are the lessons for other governments?

A closer look at the current macroeconomic situation of India will tell us that it is not easy for any government to increase its expenditure considerably and yet maintain fiscal deficit and public debt at the stipulated levels. The fall of India's GDP growth rate to 4.5 per cent in the second quarter of 2019-20, the lowest in last six years, has once again triggered the debate on the government's role in the economic growth of the country. It is quite an opportune time for the discussion as the GDP growth for the July-September quarter was largely driven by government expenditure, which grew by 15.64 per cent. The non-government part of the economy, which tends to form nearly 90 per cent of the total economy, grew by a meagre 3.05 per cent. The situation is indeed grim.

The question is: Can government expenditure be the only way to induce growth in the economy? There is a limit to what the government can spend given its constraints under the Fiscal Responsibility and Budget Management Act, 2003, which has a target of reducing fiscal deficit to 3 per cent of GDP in the years up to March 2020. Simply put, fiscal deficit is the difference of total expenditure and total revenue (except borrowings). Fiscal prudence means that government should spend largely within its total income, and not more than that. While this is a principle we all apply to our household budgets, governments routinely spend much more than their revenue and put the government in debt. In Budget 2017, the then Union finance minister deferred the fiscal deficit target of 3 per cent and chose a target of 3.2 per cent. The target was again revised to 3.3 per cent in Budget 2019. With the economic slowdown and reduced GST collections, the target is slated to be breached for the next year as well.

Across the world, any government spending heavily on government services, that are available to citizens free of cost, ends up having high levels of fiscal deficit and public debt

In the wake of the present economic and fiscal situation in the country, there is a glimmer of hope shown by the fiscal prudence and development model of the government of Delhi. The recent CAG report for Delhi highlights that fiscal deficit, which was ₹3,942 crore in 2013-14, was turned to a fiscal surplus of ₹113 crore during 2017-18. This is no mean achievement, as the total expenditure increased by nearly 20 per cent during the same period from ₹32,000 crore to ₹40,000 crore. The sustained increase in expenditure and the fiscal deficit was managed despite the decrease of ₹641 crore of grant-in-aid from the government of India from 2016-17 to 2017-18.

Another achievement, which has been largely missed, is the efficient public debt management by the Delhi government. Public debt, essentially, is the total liability of the government. During the period 2013-14 to 2017-18, the percentage of public debt to GSDP (gross state domestic product) for Delhi, reduced from 7.23 per cent to 4.89 per cent, with no part of debt receipts being used for meeting the revenue expenditure. Moreover, the borrowed funds were exclusively used for capital expenditure and repayment of the principal debt. This assumes greater significance following a recent red flag by the Reserve Bank of India in its report *State Finances: A Study of Budgets of 2019-20*, describing the state's rising public debt as a potential medium-term challenge. The debt-to-GSDP ratio of at least 20 states has crossed the threshold of 25 per cent, with Punjab and Uttar Pradesh having the highest debt-to-GSDP ratio of 39.9 per cent and 38.1 per cent respectively. In light of this, Delhi, having consistently reduced its debt-to-GSDP ratio, can provide a guiding framework for other states to emulate.

But how has Delhi managed to do that while other states find it difficult? The answer lies in what development economists, including Nobel Laureate Prof Amartya Sen, have been saying for ages. The investment in building human capital through interventions in essential areas like health care, education, nutrition, water etc. would have a high multiplier effect on the economy. This has been proved by the model Delhi followed. A close look at the Budget spending in Delhi shows that it has focused extensively on the priority areas of health care, education, water, nutrition among others. The share of social services (which includes all of the above) in the total expenditure is whopping 53.96 per cent, as per the CAG report. The trend in the last five years shows a steep increase in spending in these areas.

This is in stark contrast to India's expenditure on health, which is merely 1.4 per cent of GDP, while the same on education is 4.6 per cent. This is abysmally low, in comparison to Western countries and the global benchmark stipulated by experts. Health care spending by the US is 16.9 per cent of GDP. Countries like Switzerland, Germany, France etc spend more than 10 per cent of GDP on health care. The WHO recommends a minimum of 5 per cent (of GDP) spend on health care.

In the area of education, the US spends 7.3 per cent of its GDP towards it, and the OECD countries spend 6.3 per cent of GDP on an average. In the *Strategy for New India @ 75* report, the NITI Aayog recommends a 6 per cent spend on education by India. Needless to say, India is far away from these targets. An immediate focus on these areas is needed; otherwise, India will not be able to reap the benefits of its demographic dividend.

Clearly, there is a lesson to be learnt from Delhi on the focus areas for the Union and different state governments, and on ways to manage financial resources prudently. As Prof Amartya Sen rightly said, "Economic growth without investment in human development is unsustainable and unethical". Therefore, investments in human capital, which is the biggest asset of a nation, is the way forward.

Atishi is the national spokesperson for the Aam Aadmi Party and former advisor to the education minister of the government of NCT of Delhi; Bajpai is a New Delhi-based media researcher

LETTERS

The three missing As

The editorial "Who's afraid of NPR?" (December 31) rightly sums up the possible misgivings and actual pitfalls that might arise from the implementation of the National Population Register (NPR). This is because the present government has again ignored the three "As" which should be followed before implementing a controversial and seemingly unpopular strategy. One, it should make people "aware" about the need for introducing such a strategy. Two, it should use various communication channels and forums to seek public opinion and allay any doubts so that people "accept" the new move. Once creating awareness and getting acceptance are out of the way, it should be followed by the third "A" that is "action" after incorporating the feedback received.

The government's decision may be well-intended and even necessary, but it will not serve the purpose if it is taken with undue haste. It should learn from its recent experience. The decision to make Jammu and Kashmir an integral part of India did not yield the desired results. It created more fear about the government's intentions and the expected warmth has become a chill. Key leaders were under detention. The Pakistan army has become more active along the border. No one is certain whether people there have accepted the action whole-heartedly. Similarly, the Citizenship Amendment Act, though well intentioned, has been introduced after just two days of Parliamentary debate. This gave the Opposition parties an opportunity to play up the negative emotions of the minority community resulting in violent protests.

Now the government should prepare the right environment before going for NPR and making it citizen-friendly instead of an unnerving experience. I am 84 now and my father died when I was nine. And I do not know his exact date and place of birth.

Y G Chouksey, Pune

Calm the nerves

This refers to "Who is afraid of NPR?". Indeed there is huge confusion over the linkage between the National Population Register and the National Register of Citizens and whether the latter will follow the NPR or not. A lot of damage was done after the passage of the Citizenship Amendment Act (CAA). It is better to clearly communicate the issues involved to not only the Opposition parties but to the general public as well. Merely saying that the NPR was initially proposed by the Congress won't do any good. If the present government wants to go ahead with it, it must clearly communicate the objectives to the people.

Bal Govind, Noida

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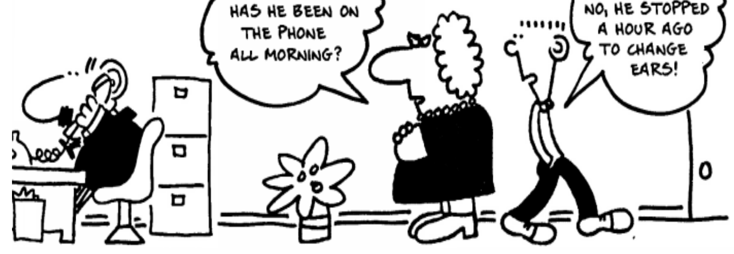
HAMBONE



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The 2020 vision

Without economic growth, Mr Modi will struggle to fulfil his agenda

India's economic growth has been slowing steadily over the past several quarters and forecasts suggest there is little reason to believe it will pick up in the foreseeable future. In this same period, Prime Minister Narendra Modi's headline actions have been focused on fulfilling the social agenda that delivered two massive majorities in Parliament. But his party's shrinking footprint in the states ought to offer him a timely pointer to the perils of prioritising the Hindutva manifesto at the expense of the economy. The fact that the Bharatiya Janata Party's (BJP's) footprint has shrunk from 71 per cent of India's land-mass to 35 per cent after the loss of Jharkhand, plumb in the middle of the uproar over the Citizenship Amendment Act (CAA), is the most potent indicator of this dichotomy. He and Home Minister Amit Shah's campaign in Jharkhand demonstrated an oblique understanding of this tribal electorate. Growing joblessness and the Naxalite menace are the chief concerns here; Mr Shah spoke instead of building a "sky-kissing" mandir in four months in Ayodhya. Earlier, in Maharashtra, home to India's financial capital, the party lost seats and failed to win a decisive majority on its own in spite of a booming stock market, enabling smaller rival parties, led by its own disgruntled pre-poll ally, to form a government despite the BJP's attempts to dilute constitutional proprieties.

Both recent losses question Mr Modi's understanding of the difference between national and state elections. It is possible for the former to be fought on the relatively abstract big ideas. But state elections typically involve bread-and-butter issues. This was already in evidence in Goa in 2017, and an engineered floor crossing in Karnataka. The party's loss in the big three heartland states of Madhya Pradesh, Chhattisgarh and Rajasthan in December 2018 should have been a wake-up call, since the critical issue in all three was deepening rural distress induced in part by the 2016 demonetisation and the hurried implementation of the goods and services tax in 2017.

Apart from announcing an ephemeral farm income support scheme just before the code of conduct for 2019 Lok Sabha elections kicked in, Mr Modi had not absorbed the message from the ground. Instead, he embarked on a high-stakes gamble in sending the Indian Air Force into Pakistan and chose to interpret his commanding second parliamentary majority as a *carte blanche* for bigger, bolder Hindutva — reading down Article 370, turning Jammu & Kashmir into Union Territories, pushing through the CAA and announcing the National Population Register (NPR) exercise. As the pushback from non-BJP states and now even BJP allies to the CAA/NPR combo has shown, Mr Modi's Hindutva project remains hostage to the states. His experience as chief minister of Gujarat should tell him that no social agenda can be achieved without setting the ground-work for economic success. He squandered the opportunity afforded by his party's powerful grip on Indian states to push through the tough economic reforms (such as on land and labour laws) needed to offer India a sustainable growth momentum. Now, by extending the "strong India" agenda to the economy — raising tariff barriers, for instance — he is doing the economy a lot of harm. Rising unemployment in a country as young as India represents both the dangers and the challenges Mr Modi faces going into 2020.

Let's get real

Navy's plan to build 24 subs is too ambitious

There is a worrying disconnect between the Indian Navy's budget and its spending plans. On the one hand, the navy has told a parliamentary panel on defence that it plans to build 24 new submarines, including six nuclear attack submarines (SSNs). On the other hand, the navy chief, Admiral Karambir Singh, has publicly lamented that, with the navy's share of the overall defence budget having shrunk from 18 per cent in 2012-13 to just 13 per cent this year, it will have to make do with just 175 warships in 2027 instead of the 200 envisioned in the Maritime Capability Perspective Plan.

So dire is the navy's fund shortfall that the defence ministry has been putting off sanctioning a second indigenous aircraft carrier (IAC-2), which will cost more than ₹75,000 crore, including the cost of its aircraft. There is similar vacillation in green-lighting Project 75-I, which involves spending ₹45,000 crore on six conventional submarines with air-independent propulsion. There is the continuing liability of some ₹90,000 crore on six nuclear-propelled submarines armed with nuclear-tipped missiles (SSBNs), of which only two have been completed. While such programmes are paid for over at least a decade, they will still require the navy to pay over ₹20,000 crore from its capital budget each year. The SSN project would load another ₹10,000 crore of annual liability on the navy. Sanctioning these four projects will require the navy to more than double its capital budget, which stands at ₹25,656 crore for this financial year. The current budget is already stretched in paying for the 50 warships currently under construction, and for another 41 ships and 61 helicopters that are sanctioned in principle and likely to be contracted. Major capability upgrades such as IAC-2, Project 75-I, SSBNs and SSNs require significantly higher allocations, but those are not realistically forthcoming, given the sharp economic slowdown and the fact that defence modernisation already accounts for more than one-third of the central government's overall capital budget.

Until the economic climate changes, the military, including the navy, will need to heed then prime minister Manmohan Singh's November 2013 exhortation to "cut our coat according to our cloth." The navy is already taking in its belt with the decision to overhaul its aging submarines — 12 of its 15 conventional submarines have already served more than a quarter century — so as to keep them in service for another decade. Steps must also be taken to fill capability gaps in other warships, such as the shortfall in torpedoes and active sonar systems. And the clear and evident shortfall of specialist ships like minesweepers and anti-submarine vessels must be filled on priority. The navy chief has already underlined the need to focus on maximising warship capabilities instead of bemoaning the shortage of numbers. In modern warfare, better maritime domain awareness through satellites and aerial reconnaissance aircraft translates into battle-winning operational advantages. Similarly, improved networking and command systems, along with more lethal on-board weaponry, allow fewer warships to deliver greater battlefield effects.

Finally, India must tighten its international maritime partnerships in fulfilling the role of being the primary "net security provider" in the Indian Ocean. Currently, the navy is overstretched with continuous anti-piracy patrols, mission-based deployments from West Asia to the Strait of Malacca and joint exercises with every major world navy. Given the magnitude of these tasks, India should harness its diplomatic goodwill to share the burden.

ILLUSTRATION: BINAY SINHA

Without fear or favour

The exchange between Rahul Bajaj and Amit Shah is of great value to the country

The star performer at a recent ET Awards function was Rahul Bajaj. Speaking to an audience of India's leading industrialists with three ministers (home, finance, and commerce and industry) on the stage, he said people had the freedom to critique the United Progressive Alliance (UPA) government but that the current regime has created an environment of fear and uncertainty. "During UPA-II, we could abuse anyone. You are doing good work, but if we want to openly criticise you, there is no confidence you will appreciate that. I may be wrong but everyone feels that". Home Minister Amit Shah responded by saying: "About fear I can say that nobody needs to be afraid.... But still, you are saying that an atmosphere [of alleged intolerance] has been created and we too will have to work to improve that. But I want to reiterate that nobody needs to be afraid."

INDIA'S WORLD?

NAUSHAD FORBES

This exchange — a powerful and courageous statement from Mr Bajaj responded to positively and openly by Mr Shah — is of great value: It opens space for discussion and debate. Three propositions to trigger discussion and debate on this first day of the New Year:

Our key priority is the economy: Many of us view with dismay the events unfolding since the passage of the Citizenship Amendment Act (CAA). Our key concern should be that the CAA and the protests it has prompted are diverting us from what must be paramount: Our moribund economy.

"Moribund" is a strong word: The dictionary defines it as "in terminal decline; lacking vitality and vigour". The only debate is over how fast the decline is. Official government figures say our growth rate has fallen consistently to 4.5 per cent now. The former chief economic advisor, Arvind Subramanian, says all real indicators point to even slower growth — the lowest in 29 years. Our consumer goods firms report major stress in rural demand — growing, for the first time in decades, at a lower rate than urban demand. Employment is stressed, with unemployment at a 45-year high. The construction sector, which accounted for much of our recent employment growth, has been losing jobs. Exports have stagnated for six years. Both domestic output and imports of capital goods have dropped by over 10 per cent this year, reflecting falling investment. Electricity output is flat for the first time in decades. All this demands attention without diversion by any alphabet — CAB, CAA, NRC or NPR. Future generations will not forgive us if we neglect our single collective priority. A public acknowledgement of the deep challenges the economy faces would enable the government to use its considerable political capital to drive the necessary changes we need. I have written separately of how the government could use the Budget to kick-start the economy (*Business Standard*, December 19, 2019). Massive public investment in construction — in rural roads, water infrastructure, highways, low-income housing, ports — would do more to revive the economy than any tax cut or attempt to stimulate consumption.

Debate and independent institutions are to India what strong government and state leadership is to China: On almost any Confederation of Indian Industry mission to the US, we hear an India-China comparison. The complaint is typically about contradictory policies being pursued by the Centre and states (the Centre plans the NPR, some states say they won't implement it), or a reversal of policy by a new government (Amravati, the Bullet train), or outlandish or shameful words used by a politician (termites, *chowkidar chor hai*, *pappu*, *tukde tukde* gang). The contrast is always China — where no one contradicts anyone, the provinces (at least officially) toe Beijing's line, and policy is consistent to the point of boredom. My response is that the US should not expect India to be like China, but expect it to be like, well, the US. The present administration in Washington takes the US out of the Paris Accord on Climate Change — and California passes a resolution saying it will pursue it. It withdraws from the Iran nuclear deal — and other supposedly binding and sacrosanct agreements. And Donald Trump is surely a world-champion of political invective!

The point is that China is an authoritarian state; debate ends when the boss says so, and action follows his words. India — and the US — are noisy democracies. We do not work in a coordinated, planned manner, following the dictates of any one leader, however strong, however popular. The protests against the CAA must be seen in this light. So fundamental a change requires widespread support across the population, and not only a parliamentary majority.

So how do noisy democracies progress? By checks and balances from autonomous and independent institutions such as universities, election commissions, courts, independent media, and an effective opposition. Instead of a strong leader determining what's right, independent institutions frame the rules. And these rules are built on a foundation of distinctive, balanced values. Our leaders must be able to compromise, listen, tolerate, include, and balance as much (or even more) as they are strong, decisive, visionary and courageous. Leaders who wish to leave a permanent positive legacy on vibrant democracies must set aside things that divide and make people fearful, and focus on things that unify and inspire. When democracies progress they do so because millions of animal spirits are liberated, and not just the spirit of one state animal. The process may be messier and less efficient than in an authoritarian state, but it is much more powerful.

Without fear means without favour: Let me come back to Mr Bajaj and industry. We cannot speak truth to power if we plead for favours and special privileges. For too many years, Indian industry has looked to the government for help — for protection from imports, for tax relief to help boost demand, for concessions and incentives to boost investment, for a word put in with a bank to renew a loan, and — in the bad old days of the 1970s — a licence to manufacture a particular product. It is time to shed this culture of supplication, of deference, of vassaldom. Let us deal with the government as equals —praising where praise is due, but criticising when criticism is called for.

Let industry shed its fear and speak truth to power, as Mr Bajaj did, and stop asking the government for things. Let the government respond by trusting industry to do right. And let industry repay that trust. A new relationship — as tough, demanding, and unforgiving as it is mutually respectful — between government and industry can take India forward and make 2020 a truly Happy New Year.

The writer is co-Chairman Forbes Marshall, past president CII, chairman of Centre for Technology Innovation and Economic Research and Ananta Aspen Centre; ndforbes@forbesmarshall.com

What may lie ahead in 2020

With 2019 having ended on a depressing note, a lot of hope rests on 2020. Will the new year usher in a revival in the Indian economy? And will the Narendra Modi government, which in 2019 was mostly focused on achieving its political agenda, pay more attention to the economy in 2020?

Nobody can anticipate, let alone predict, what Mr Modi will do in 2020. But what one can safely do is to list out the possible key economic issues that might figure in the new year. Here are three such issues or developments that you need to be prepared for in the next 12 months.

NEW DELHI DIARY

A K BHATTACHARYA

Air India may be history: Air India, the state-owned airline, may not exist after June 2020, if government officials are to be believed. The Modi government is trying hard to see if it could be sold to a private airline. But it appears there are no takers. If no buyer comes forward by June, the government would close down Air India. Its pilots have already sent a letter to the civil aviation ministry urging it to clear their wage arrears and other dues before Air India is shut down.

The closure of Air India will mark the end of a saga in India's civil aviation industry. It was an airline that was floated by the Tatas and run efficiently as a private airline for quite some time before India's first prime minister decided to nationalise it. Since then, successive prime ministers have allowed Air India to operate as a public sector enterprise, lose market share, become more inefficient and incur losses. Air India's financial dependence on the central exchequer has kept rising over the years.

It was only sometime in the middle of 2017 that the Modi government decided to privatise Air India. However, the procedures adopted for its sale were such that the privatisation exercise was doomed to failure right from day one. In its second term, the Modi government has once again tried to privatise Air India, but so far with little success. Hence, there is now talk of its closure in June, if no buyer is found for the airline. If that indeed happens, it would reflect how governments over the years have neglected Air India and allowed a slow destruction of an asset. If the privatisation move had been initiated earlier and with a greater sense of realism by making the norms more attractive, Air India could have escaped the ignominious fate that it would face after June 2020. There is a lesson in this for many other such assets that the Union government still owns.

Budget 2020 may reveal the true state of government finances: Just about a month later, Finance Minister Nirmala Sitharaman will unveil the Union Budget for 2020-21. Understandably, the Budget will give a clear indication of the government's approach to how it wishes to tackle slowing economic growth. Whether it would do so by increasing expenditure on infrastructure projects or by cutting taxes or by a mix of both types of measures keeping in mind the need for fiscal consolidation, the Budget will reveal it all.

However, the more important revelation of Budget 2020 will pertain to the true state of government finances. It has to acknowledge, for the first time, that the actual gross tax revenue collections in 2018-19 were substantially lower than what the revised numbers indicated when the last Budget was presented in July 2019. It may also have to indicate the true extent of the government's off-Budget borrowings, which it has resorted to in the past to help meet its expenditure, without adversely affecting its headline fiscal deficit number. It will be interesting to see if Budget 2020 presents a more realistic fiscal deficit number that is arrived at without seeking recourse to off-Budget borrowings or imaginative accounting.

GST Council meetings will become contentious: The last meeting of the Goods and Services Tax (GST) Council held in New Delhi last month provided an early indication of how contentious its deliberations in the coming months will become. The 38th meeting of the Council had to decide on the fixation of rates for lotteries through a voting, the first time a decision was taken on the basis of voting since the Council was set up more than three years ago. All decisions in the past were taken on the basis of consensus.

Now, the politics of the country has undergone a significant change. The Bharatiya Janata Party (BJP) at present rules in only 17 states. In the GST Council, 29 states and the two Union Territories of Delhi and Puducherry have a vote each that can be exercised when consensus becomes elusive. But each vote of the states and the Union Territories has a weight of 2.1. A decision can be taken only when it receives approval from three-fourths of those present and voting. The Centre has a weight of 33 or one-third of the total.

Of course, the Centre can count on the 17 BJP-ruled states for their support at the GST Council meetings. But that would give them a total weight of 69, including 33 of the Centre and 36 of the 17 states. This, however, will be six votes fewer than what will be required to get a decision approved at the GST Council. In other words, the Centre will not only have to count on all the 17 BJP-ruled states, but also get at least three more states to support its proposals at any voting during the Council's deliberations. In short, GST Council meetings in 2020 will become more contentious and the Centre will have to embrace the principles of cooperative federalism not just in letter but also in spirit.

The above three issues or developments in 2020 are only a few examples of how the new year would pose new challenges for the Indian economy as also the polity. If the right lessons from these developments are learnt early enough by the government, one can expect 2020 to end on a less depressing note than 2019 did.

The business of eating out

BOOK REVIEW

RAAJ SANGHVI

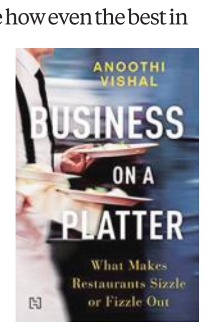
"The mismatch between what the restaurant is offering and who it is reaching out to is really what causes most restaurants to fail," says food writer Anoothi Vishal in her book *Business On A Platter: What Makes Restaurants Sizzle Or Fizzle Out* .

Ms Vishal, founder of the 'Great Delhi Pop-Up', examines the food and beverage (F&B) industry not only through the lens of an independent commentator but also as a stakeholder: "I see the business both from a consumer point of view and also from the other side, from an insider, entrepreneurial side," she explains.

Her book delves into the less glamorous aspects of restaurants: Their commercial viability, business models and success to failure ratios. Her research is intended as a comprehensive guide into the Indian restaurant universe, for those who are considering the thought of entering this "fickle and tricky business" as she describes it.

She traces the advent of "eating out" as we know it in India and covers important phases that helped shape the sector; including the domination of Punjabi cuisine led by restaurants such as Moti Mahal and Kwality in New Delhi, to the arrival of the Indo-Chinese era in the 1980s popularised by pioneering restaurants such as Nanking, China Garden and House of Ming. Along the way, she cites examples of evolving consumer trends and other factors that shaped the Indian F&B industry.

Her book offers a glimpse of the turbulent careers of a handful of successful contemporary restaurateurs such as A D Singh, Riyaaz Amlani and Rahul Akerkar. Ms Vishal uses their examples to illustrate how even the best in the business have struggled and made mistakes. These case studies buttress her larger point: That all too often, naive entrepreneurs are seduced by this sector without spending time on market research or understanding nuanced consumer trends and other market constraints.



BUSINESS ON A PLATTER: What Makes Restaurants Sizzle Or Fizzle Out
Author: Anoothi Vishal
Publisher: Hachette
Price: ₹550
Pages: 272

Her book features other insightful profiles, such as that of restaurateur Rohit Khattar, who is most famous for being the owner of "Indian Accent", India's most successful fine-dining restaurant. Others examples — such as that of chef-turned-restaurateur Ritu Dalmia, who oversees the "Diva" brand of restaurants around India (and now abroad) as well as a profitable catering business — showcase how chefs with no prior business acumen or training can become successful restaurant owners.

But for every successful owner, there are an equal number who failed. "The restaurant business everywhere now seems to be struggling across segments," writes Ms Vishal "Rising costs — rents, wages and food — are also coupled with what many restaurateurs describe as erratic and changing demand of millennial consumers, making the restaurant business riskier than it was deemed to be."

The Indian restaurant environment is characterised by red-tapism and throws up its own challenges: "High cost of rentals, long gestation periods for restaurants, a lack of financing, unclear policies such as multiple clearances and high taxes, heavy import duties, different excise policies for different states and multiplicity and publication of licensing at central and state levels."

And although the disposable income of the Indian middle class continues to rise, price is still the most important factor when Indians dine out. "A majority of consumers are reluctant to spend money on dishes and ingredients that they eat at home, however trendy these may get on Instagram".

As a result, even if a restaurant takes the trouble to source the highest quality ingredients, their efforts are rarely appreciated "Restaurants like The Table and Indian Accent often complain how rich Indians are ready to drop $300-400 on meals abroad but don't want to spend that kind of money within India," Ms Vishal writes.

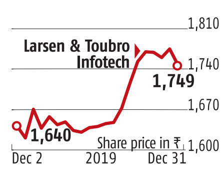
Interestingly, she also points out that not all restaurateurs are motivated by the bottom-line but by what she calls "creative hubris". Her point about hubris is exemplified by some restaurants that feature on the World's 50 best list. And even in India, this can be the case; "a restaurant like Masque in Mumbai, is an example of a restaurant run for other reasons than profit", she writes.

Ms Vishal also dwells on the relatively recent influx of private equity (PE) money in the sector, which sometimes poses another kind of challenge for restaurateurs. "Not all restaurants funded by PE investments are healthy and profitable." Her case is that PE and VC firms often don't share the philosophy of the restaurant's founders and are in it, "to grow valuations and typically exit in three to five years, many funds allegedly put pressure on restaurant companies to go on adding outlets. And some companies do this without paying adequate attention to their bottom line and store profitability."

In her concluding chapter, Ms Vishal cautions budding restaurateurs, "Shed those visions of glamour, sit down, learn from examples of those who have trod this space before you."

Business Standard
The Smart Investor
MUMBAI | WEDNESDAY, 1 JANUARY 2020

QUICK TAKE: MULTIPLE TRIGGERS FOR L&T INFOTECH



Shares of L&T Infotech have gained 4 per cent over the past one month. Resolution of client-specific issues, a large deal pipeline, and robust growth of its high-margin digital business have improved the earnings outlook. Net profit growth for FY21 is expected to be over 16 per cent

"Anybody who is bearish but does not want to say so can say: It will be a bottom-up market and there will be big rewards for stock pickers"

SAMIR ARORA,
Fund Manager, Helios Capital

WWW.SMARTINVESTOR.IN FOR INFORMED DECISION MAKING

At 10:1, insurance agents outmatch MF distributors

There are only 220,217 MF distributors compared to 2.1 million insurance agents

JASH KRIPLANI
Mumbai, 31 December

The mutual fund (MF) industry has lost further ground to life insurance players. The Insurance Regulatory and Development Authority of India's (Irdai's) annual report for 2018-2019 revealed that there were 2.1 million individual insurance agents, 10 times the total 'feet on the street' for the MF industry.

According to industry estimates, there are 220,217 MF distributors at present.

Last year, the tally for individual insurance agents stood at 2 million, which was eight times the MF distributor count of 265,000.

"This has been a challenging year for MF distributors because of several regulatory changes. For smaller distributors, the viability of business has become challenging as upfront commission has been scrapped for systematic investment plans (SIPs)," said Radhika Gupta, chief executive officer of Edelweiss Asset Management Company (AMC).

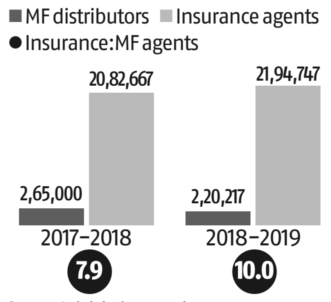
Upfront commissions are allowed for SIPs of up to ₹3,000 per scheme only for first-time MF investors.

According to the data from Association of Mutual Funds in India (Amfi), the MF industry added 5,709 independent financial advisors in April-November 2019, which was 57 per cent less than the corresponding period last year.

"We have seen too many changes and over-regulation in the MF industry, which has perturbed distributors," said Srikanth Matrubai, chief executive officer of SriKavi Wealth.

WIDENING GAP

The field force of insurers has gained further ground on mutual funds



Source: Irdai, industry estimates

"We are seeing cases of distributors switching to insurance products like unit-linked insurance products, where commissions offered are higher," said an executive of a fund house.

In September 2018, the Securities and Exchange Board of India (Sebi) introduced new slabs for charging total expense ratio (TER), which brought down the maximum ceiling on TER to 2.25 per cent, from 2.5 per cent.

According to industry officials, larger fund houses passed the bulk of these cuts onto the distributors.

According to industry players, Sebi's move to scrap upfront commission has pinched smaller distributors in recovering their client acquisition costs.

"New distributors will take time before they can build enough asset base to cover their costs through the trail commission model," said a fund manager.

Gupta said: "We need to find a way to make sure that smaller distributors are efficiently incentivised so that they have a sustainable business model."

In 2018-2019, the MF industry's payouts to distributors stood at ₹7,938 crore, which was 7 per cent less than the previous year. This was the first time that distribution commissions had seen a dip in five years.

To compound matters for distributors, growth of digital platforms has added to the competitive intensity for these participants.

The industry has witnessed the entry of deep-pocket players, such as Paytm Money, which are charging no commission. These 'direct' plans have also found the backing of Sebi, with the regulator often encouraging the industry to do more to ensure growth of such plans.

Risk aversion, small-cap slump hit SME IPOs as collections drop 73%

ASHLEY COUTINHO
Mumbai, 31 December

Collections from public share sales of small and medium enterprises (SMEs) in 2019 have dropped 73 per cent over the previous year to ₹617 crore, given that risk aversion among investors and the fall in mid- and small-cap stocks have hit investor sentiment.

The number of listings reduced by a third in 2019, over the previous calendar year (CY). This was the first time in five years that the mop-up from such share sales slid, even as the amount collected in 2019 was higher than in 2013, 2014, 2015, and 2016.

CY18 was the best for SME IPOs, with 141 offerings garnering ₹2,287 crore.

"The decline in the number of SME IPOs is in line with the overall primary market sentiment and risk aversion among investors after the steep correction in mid- and small-cap stocks," said Mahavir Lunawat, chairman and managing director, Pantomath Advisory Services Group, which is active in the SME space.

HITTING THE BOURSE

Year	Listed on BSE		Listed on NSE		Total	
	No. of IPOs	Amount (₹cr)	No. of IPOs	Amount (₹cr)	No. of IPOs	Amount (₹cr)
2013	33	300.6	2	34.5	35	335.2
2014	38	234.4	2	32.4	40	266.8
2015	37	215.7	6	44.5	43	260.2
2016	43	351.4	24	185.9	67	537.3
2017	55	486.4	78	1193.1	133	1679.5
2018	63	961.6	78	1325.3	141	2286.9
2019	35	442.7	14	174.5	49	617.2

Source: PRIME Database

Despite this, Lunawat said, the SME segment has witnessed more activities than the mainboard in terms of number of IPOs. "There is a healthy pipeline of companies waiting to hit the market and the mop-up from SME IPOs is expected to improve in the next financial year," he said.

The performance of companies listed this year has been a mixed bag: 24 companies are in the green, with five gaining more than 100 per cent; 21 firms are trading in the red, with seven companies shedding more than 50 per cent. Average returns of these companies stood at 21.5 per cent, compared to -6.8 per cent for the BSE SmallCap index.

Sectors, such as trading & distribution, retail and textiles, dominated the SME capital market this year, according to Pantomath. "Price performance of SMEs listed in CY19 have been disappointing, resulting in a decline in market valuations," it said.

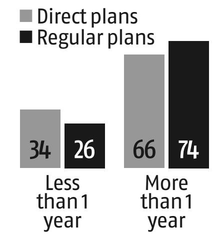
Despite the possibility of high returns, experts said there was a high probability of losing one's entire capital in SME stocks. Analysing these firms can be a challenge as they are neither tracked by analysts nor there is much information in the public domain.

"Investors have to a lot more selective in the SME space and carefully study the business model a company operates before investing," said the research head of a mid-size capital market firm.

The SME segment has been grappling with issues, such as lack of liquidity and lacklustre institutional participation. According to experts, the need is to bring in priority investing from big institutional players and tweak the lot size to improve liquidity.

ONE-THIRD OF DIRECT SIP ASSETS LESS THAN 1-YEAR OLD

The holding period for investors putting money in systematic investment plans (SIPs) through direct plans has remained on the lower side, compared to those investing through regular plans. For direct plans, the share of assets held for less than one year is around one-third of the total direct plan assets. In contrast, the share of SIP investments held for less than one year is 26 per cent, in the case of regular plans. This means 74 per cent of assets are held for over one year. Experts say the do-it-yourself investors, who opt for direct plans, are prone to churning their investments amid market volatility. "Those coming through distributors have managed to stay longer, as the advisors hand-hold these investors through market cycles," said a fund manager. JASH KRIPLANI



Data as of November 30
Source: Amfi

KARVY IMPASSE

ICICI to challenge HC order

ICICI Bank is planning to challenge the order by the Telangana High Court (HC) that stayed a plea of the lender, which it had filed in the debt recovery tribunal (DRT) against Karvy Stock Broking.

The HC had stayed the plea that immoveable and moveable properties of Karvy Stock Broking and other respondents be taken under possession. The bank said it was in the process of challenging the stay.

ICICI Bank said in a statement that the DRT proceedings were not completely put on stay. "The DRT orders, requiring the defendants to deposit sufficient security and imposing a non-disposal injunction on the properties, have been upheld by the HC, and continue to be binding on the defendants," the statement said.

Among other prayers that stay operational, ICICI Bank had sought recovery of ₹629 crore. The DRT, in its order dated December 9, 2019, had directed Karvy Stock Broking to deposit ₹629 crore before the tribunal within 15 days of the receipt of the order, failing which the "petition schedule properties shall be attached".

However, in a statement, Karvy denied any part of ICICI Bank's plea is operational.

"The order dated December 9, 2019, has been stayed by the HC, which includes attachment of properties and deposit of security amount. Since the said order has been stayed, nothing in that remains operational," said Karvy. Axis Bank has also moved DRT against Karvy Stock Broking.

As on December 7, 2019, Karvy Stock Broking owed ₹81 crore to Axis Bank, which was given in the form of overdraft against shares.

Lenders are approaching the DRT after they didn't get any relief from the Securities Appellate Tribunal (SAT).

ICICI Bank, along with HDFC Bank, Axis Bank, and IndusInd Bank, had moved SAT after National Securities Depository restored client securities that Karvy had pledged with lenders, back to affected clients. JASH KRIPLANI

Financial services gets new CEO as part of rejig

The Karvy Group on Tuesday said it was restructuring its businesses into two verticals — financial and non-financial.

It has initiated a management reshuffle as part of the process, aimed at improving the overall governance, it said.

C Parthasarathy, chairman of the group, said the appointment of Amitabh Chaturvedi (*pictured*) as Group CEO (financial services), with a mandate to completely overhaul the governance processes, ensures best practices and aims to bring in greater fiduciary discipline to these businesses.

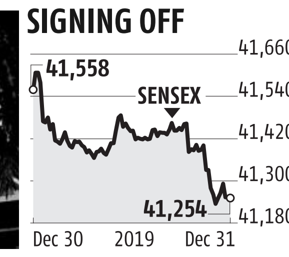
Chaturvedi has been associated with prominent names such as Dhanalaxmi Bank, Reliance AMC, ICICI as well as the Essel Group.

He has over 30 years of experience in financial services. Karvy's financial services business include equity broking, repository participant services, currency derivatives, and wealth management, among others. DASARATH REDDY

Sensex closes 2019 on a high despite plunging 304 points

PRESS TRUST OF INDIA
Mumbai, 31 December

SIGNING OFF



The benchmark Sensex fell 304 points on the last session of 2019, dragged by losses in Reliance Industries, the HDFC twins, ICICI Bank, and TCS.

After swinging over 423 points intra-day, it closed 304.26 points, or 0.73 per cent, lower at 41,253.74. The broader Nifty closed 87.40 points, or 0.71 per cent, down at 12,168.45.

Despite ending on a weak note, the Sensex surged 5,185.4 points or 14.37 per cent, and the Nifty soared 1,305.9 points or 12.02 per cent, during the entire year.

On an annual basis, investors' wealth soared over ₹11 trillion in 2019, helped by the stupendous rally in the stock market.

The market capitalisation (m-cap) of BSE-listed firms rose ₹11 trillion to ₹155 trillion.

Rusmik Oza, senior vice-president and head (fundamental research-PCG) of Kotak Securities, said: "CY19 has seen a broad-based rally across all regions, in which Indian equities underperformed most of the developed markets and few of the emerging markets. The polarisation seen in CY18 continued in CY19, with only a handful of stocks contributing to the returns in the Nifty."

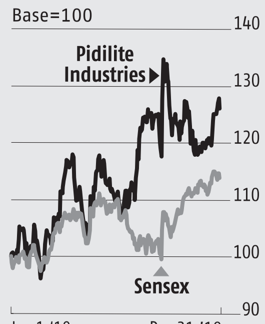
"In CY19 to date, India has attracted $14.3 billion from FPIs and $7.5 billion from local MFs. We expect FPI flows to remain positive in CY20, and SIP flows to remain sticky with an annualised run rate of $14-15 billion," Oza added.

In the last trading session of 2019, Tech Mahindra was the top loser among the Sensex components, shedding 2.51 per cent, followed by Bajaj Auto, RIL, Hero MotoCorp, IndusInd Bank, Mahindra and Mahindra, HDFC and TCS.

THE COMPASS

Strong margins provide cushion to Pidilite Industries

Pricey valuation leaves no room to disappoint investors



Compiled by BS Research Bureau

SHREEPAD S AUTE

Despite muted volume growth in Q2, the Pidilite Industries stock has gained 6.4 per cent over the last one month, outperforming the Sensex, which has risen 1.1 per cent during the period.

A sustained strong margin outlook with supportive raw material inflation is keeping investor sentiments intact.

In fact, stock valuation has remained high and is currently at par with that of companies like Asian Paints at around 50x its FY21 estimated earnings.

The southward trend in prices of key raw material, i.e. vinyl acetate monomer (VAM), has continued even in Q3, with the average VAM price down over 20 per cent year-on-year and 1.3 per cent sequentially.

This provides strong margin comfort as VAM accounts for around 30 per cent of Pidilite's overall raw material costs. Notably, input costs are likely to remain benign at least for the near term, despite recent upswing in the crude oil price.

"Though the VAM price is linked to crude oil, any change in the oil price gets reflected on VAM typically with a 3-4-month time lag. Pidilite maintains 1-month VAM inventory and it also has good pricing power. Thus, at least for the next few quarters, Pidilite's gross margin profile will remain intact," says an analyst from a domestic broking house.

A report by Narnolia Financial Advisors also indicates that the crude oil price is unlikely to see significant gains for some time because of supply outpacing demand.

Even in April-September 2019, Pidilite had witnessed a sharp 235 basis point year-on-year expansion in gross margin to around 52 per cent.

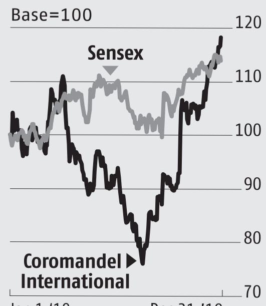
Higher advertising spends had narrowed the margin benefits at the Ebitda (earnings before interest, tax, depreciation and amortisation) level. The Ebitda margin had improved by 40 basis points year-on-year to around 21 per cent. Consequently, analysts expect it to remain at 20-22 per cent for FY20.

The caveat, however, is tepid demand. Factors, such as feeble GDP (gross domestic product) growth and sustained real estate stress, are likely to keep volume growth under pressure for Pidilite.

Thus, the only supportive factor for the stock, for now, is strong margins. However, many analysts believe the current valuation has priced in the potential margin benefits. Investors should await a correction as even a small disappointment on the margin front could hurt the sentiment significantly.

Coromandel on course for higher sales growth, market share

Stock seen gaining as much as 29% from current levels



Compiled by BS Research Bureau

RAM PRASAD SAHU

The stock of Coromandel International has been hitting its yearly highs and is the preferred pick in the fertiliser space, as an increase in Rabi sowing and volume growth in fertilisers have led to a bullish view on the company.

Overall acreage for the ongoing Rabi season is up nearly 7 per cent over the last year's levels with sowing for key crops of wheat, rice and pulses is higher than the year-ago period.

In addition to a better rabi season, reservoir levels — which are 40 per cent above the average in key agricultural states — also give comfort.

Analysts highlight other positives including improving farm economics and lower raw material costs which should help the sector and the company. Higher minimum support prices and rise in rural inflation to the highest level in two years and support from insurance claims are expected to aid spending on farming.

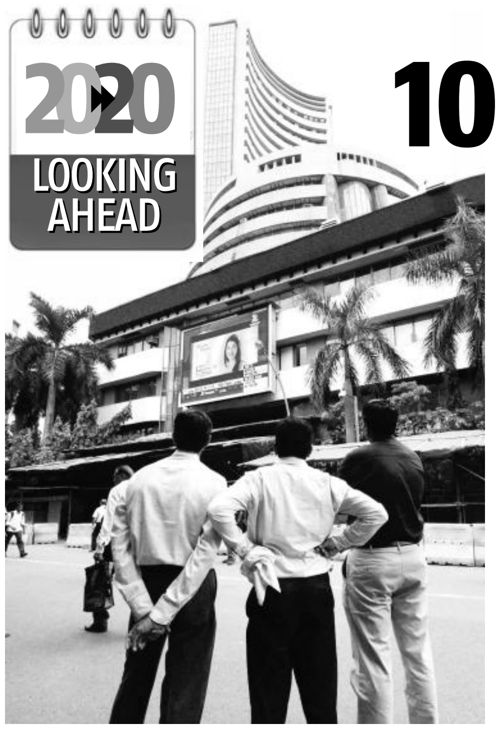
The extended kharif and rabi season have reflected well in the fertiliser sales for the December quarter. Sales growth of complex fertilisers (NPK and DAP) for October and November is up 27 per cent year-on-year due to a low base and a sharp correction in channel inventories. Fertiliser volume for Coromandel was down 12 per cent in the year ago quarter. Given the strong growth, analysts expect the company to improve its market share.

Analysts at Spark Capital are positive on the company as they expect improvement in margins on backward integration.

The company is setting up a plant for phosphoric acid production which accounts for 40-45 per cent of its raw material costs. Margins over the next three years is expected to improve by 70 basis points over the FY19-22 due to this move.

Further, the start of large irrigation projects which will reduce dependence on rain, increase in crop cycles and improvement in the subsidy disbursement mechanism too are positive for Coromandel.

At the current price, the stock which is up 53 per cent since its lows in August, is trading at 14.6x its FY21 earnings estimates. Investors can add the stock to their portfolios on dips.



10 STOCK PICKS FOR 2020

RAM PRASAD SAHU & SHREEPAD S AUTE

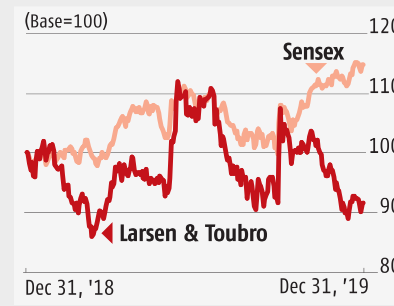
Even as the Sensex and Nifty have gained about 12 per cent each over the past year, the rally has largely been led by large-caps. Mid- and small-caps have barely retained their year-ago values. In fact, the BSE SmallCap index has shed about 7 per cent over the year.

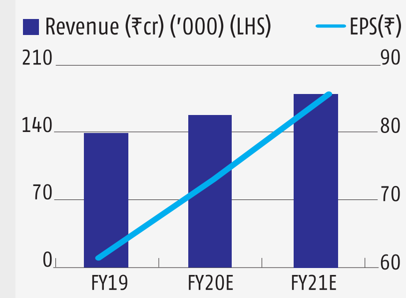
The economic slowdown and uncertain environment have led investors to put their faith in quality and size. Brokerages such as Credit Suisse believe that at least for the first half of CY2020, the market's narrow performance will continue. For a broad-based rally, more policy action is necessary, say analysts. Morgan Stanley's bullish view, for example, is based on corporation tax rate cuts boosting the investment cycle, accelerated government capex, and an uptick in exports. Most analysts believe the recovery will be gradual, picking up pace only in the second half of CY20.

In addition to a low base, other growth triggers are normal monsoons and the full impact of interest rate transmission. With investment and consumption expected to pick up, most research houses believe that domestic recovery plays such as financials will be the key beneficiaries. In addition to financials, we have highlighted stocks across sectors with high return potential and ones that are considered relatively safer. Moreover, these stocks have been recommended by at least two brokerages, with upside of 10 per cent or more.

LARSEN & TOUBRO

Current price (₹)	1,298.95
Target price (₹)	1,636.83
Upside (%)	26.0
Current PE (x)	20.5

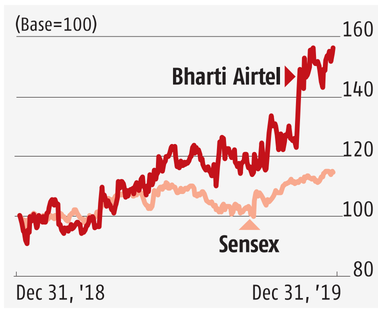


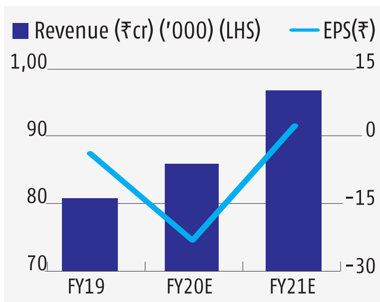


- With 16 per cent market share, the company has maintained its leadership position in infrastructure space
- A surge in new orders has helped the engineering major's order book cross the ₹3 trillion-mark in September 2019
- Given the strong deal pipeline in the second half, L&T should beat its order inflow growth guidance of 10-12 per cent for FY20
- Over the medium term, the company will be a key beneficiary of government's investments in roads, railways, port, airport and urban infrastructure
- The company's return ratios are expected to improve as it moves away from non-core and low-margin businesses

BHARTI AIRTEL

Current price (₹)	455.80
Target price (₹)	542.50
Upside (%)	19.0
Current PE (x)	NA

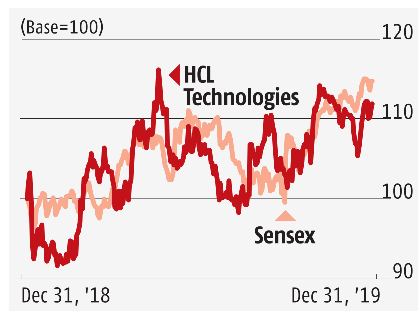


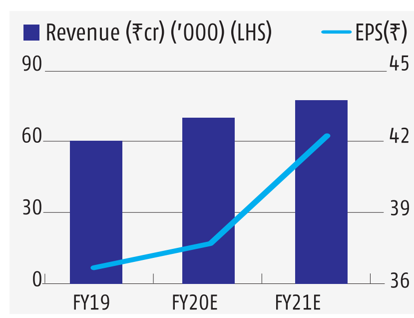


- Tariff hikes, uptrading, and higher consumption of data to drive average revenue per user
- Government measures to alleviate distress in the sector should help Airtel as well
- Plan to raise capital and improving cash flows to offset the pay-out on account of aggregate gross revenue in the worst case scenario
- Given the network and offerings, it is best placed to benefit from consolidation
- Diversified geographic presence and non-telecom offerings to contribute meaningfully over the long term

HCL TECHNOLOGIES

Current price (₹)	568.25
Target price (₹)	657.50
Upside (%)	15.7
Current PE (x)	15.5

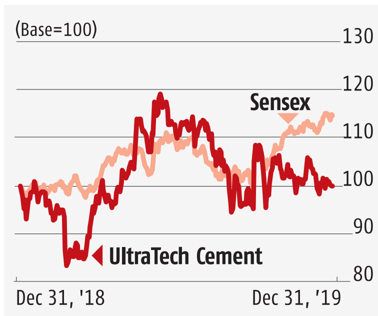


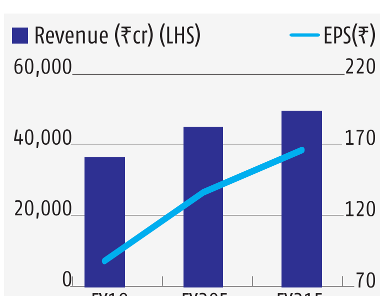


- Focus on new age technologies such as internet of things, big data and block chain to drive future growth
- Client mining, collaboration with partners and cost management through automation to maximise current growth opportunities while aiding margins
- Balance between inorganic and organic growth and focus on maximising revenue from acquisitions
- Deal wins, strong order book and contribution from the software segment (includes the acquired IBM products business) are key triggers

ULTRATECH CEMENT

Current price (₹)	4,046.85
Target price (₹)	4,762.93
Upside (%)	17.7
Current PE (x)	45.6

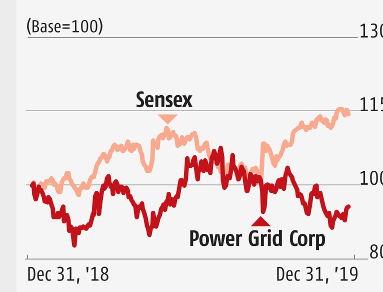


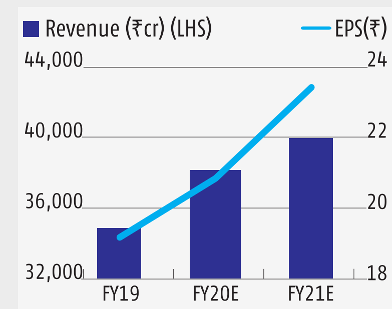


- UltraTech is the leader with close to 23 per cent market share and pan-India presence
- Expectations of a pick-up in government spending on infrastructure and low-cost housing in 2020 to aid overall cement demand and higher clinker capacity utilisation in most of regions would improve the overall realisation
- Likely strong free cash-flow amid limited capex requirement would help UltraTech's return ratios
- The recently acquired cement capacities of Century are expected to turn around helping UltraTech's overall earnings over the next two years
- Risk-reward looks favourable after the recent stock correction

POWER GRID CORP

Current price (₹)	190.20
Target price (₹)	253.50
Upside (%)	33.3
Current PE (x)	8.0

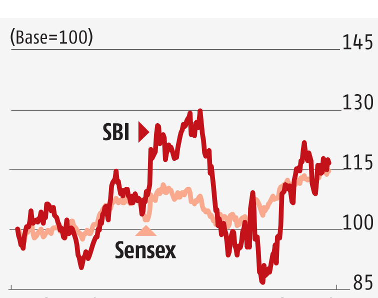


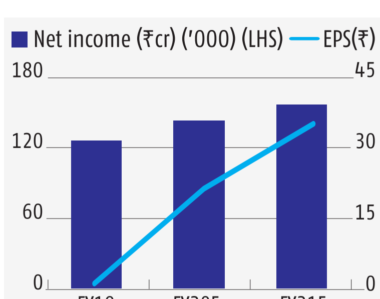


- Power Grid is aggressively going for tariff-based competitive bidding projects to beat the slowdown in capital expenditure (capex), and replenish the order book and ongoing projects
- The company is monetising its assets, which will help unlock value and provide capital for new projects
- Government's plan to increase renewable energy capacity, from around 130 gigawatts currently to 450 gigawatts by 2030, is positive as it would entail a transmission capex of ₹5.5 trillion
- Power Grid's stock currently trades at inexpensive price to earnings valuations on a one-year forward basis
- Apart from growth prospects, a dividend yield of 4.4 per cent also gives comfort

STATE BANK OF INDIA

Current price (₹)	333.70
Target price (₹)	395.02
Upside (%)	18.4
Current P/BV (x)	1.2

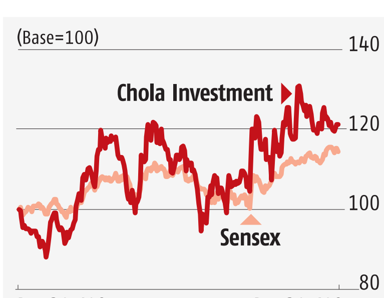


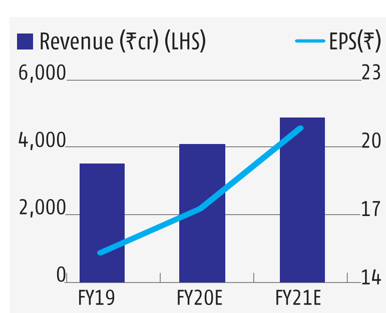


- Vast branch network is an edge over peers in terms of business opportunity
- Recent completion of Essar Steel resolution among other bad loan accounts to lead to provisioning write backs and boost earnings
- Though the impact of last year's bad loan divergence needs to be seen, strong provision coverage ratio of 63 per cent as of Sept'19 provides comfort
- Sturdy performance of key subsidiaries, which SBI plans to monetise, will create further value for shareholders
- Currently, the stock is trading at an attractive 1.2 times FY21 estimated book value compared to 2-3 times in case of some large private banks

CHOLA INVEST & FIN.

Current price (₹)	305.65
Target price (₹)	354.72
Upside (%)	16.1
Current P/BV (x)	3.8

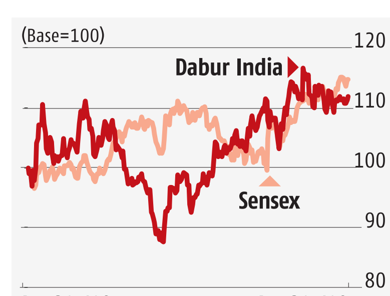


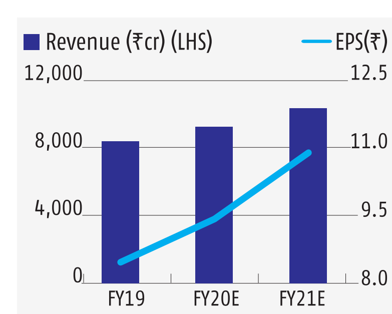


- A diversified non-banking financier with focus on relatively safe and steadily growing vehicle finance and home equity segments
- Good liquidity access, parent support (Murugappa group) and conservative credit practices augur well amidst sectoral challenges
- Digitisation focus, introduction of new tools like *Gaadi Bazaar* (online market for used vehicles) to support its vehicle finance business
- Supportive balance sheet with large chunk of fixed interest rate assets and major share of floating liabilities indicate strong margin accretion
- Bad loans ratio down from 3.6 per cent in June'18 to 3.2 per cent in Sept'19

DABUR INDIA

Current price (₹)	458.40
Target price (₹)	516.77
Upside (%)	12.7
Current PE (x)	56.1

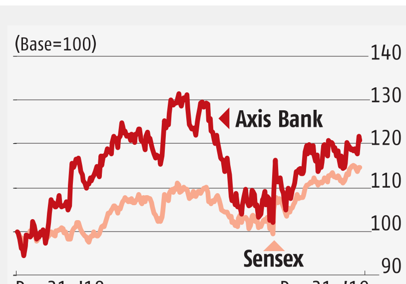


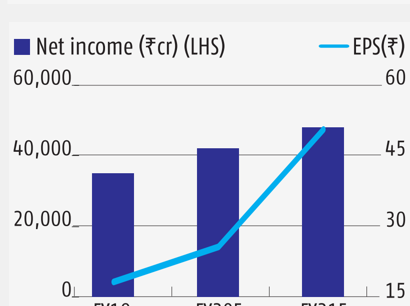


- Expectations of improvement in rural sentiment are positive as 45 per cent of revenues accrue from the rural areas
- Aggressive promotional activities and trade offers would help push volumes during the current weak demand situation
- Strategy of enhancing rural reach (51,000 villages as of September) is helping Dabur to drive its rural business ahead of urban unlike other major peers
- Focus on innovation and premiumisation, mainly for natural products segment, should improve margins
- The 13 per cent upside potential is best among FMCG majors

AXIS BANK

Current price (₹)	754.00
Target price (₹)	851.67
Upside (%)	13.0
Current P/BV (x)	2.9

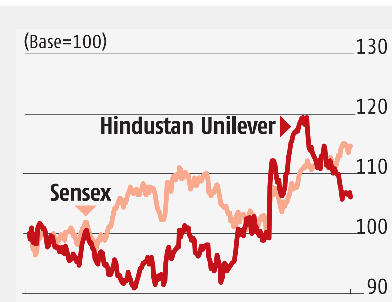


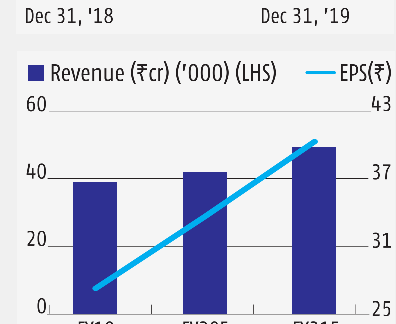


- A large network of branches, including ATMs, has helped the bank to build a strong retail franchise, which should improve further with use of technology
- Long-term focus on loans giving higher return on risk-weighted assets and cost efficiency to improve profitability
- Pool of BB & below or lower-rated loans has declined to 1.1 per cent of total assets as of September 2019 compared to 7.3 per cent as of June 2016
- Improved outlook on asset quality to boost return ratios with likely decline in bad loan provisioning
- Capital adequacy ratio of 18.5 per cent and provision coverage ratio of 79 per cent as on September 2019 also look good

HINDUSTAN UNILEVER

Current price (₹)	1,923.25
Target price (₹)	2,158.49
Upside (%)	12.2
Current PE (x)	68.8





- Largest fast moving consumer goods (FMCG) player with multiple product segments and merger of GlaxoSmithKline Consumer to strengthen its product base
- Strong brand equity would help reap the benefits of premiumisation trend observed in the current challenging situation
- Progress in faster adaptability to market requirements and efficient execution of natural products portfolio; plans to focus on technology to boost earnings growth are positive
- Expectations of a revival in rural economy should support the overall earnings given that 40 per cent of HUL's revenue comes from rural areas
- In the September quarter, the company's sales growth remained stable, rising 5 per cent sequentially, despite sluggish demand

Current price is as on December 31, 2019; Target price and upside are for next 12 months; price-to-earnings (P/E) and price-to-book value (P/BV) ratios based on trailing-12 months ended September 2019 financials; NII is net interest income; EPS is earnings per share; Source: brokerages including Axis Securities, ICICI Securities, KIM ENG Securities, Motilal Oswal Financial Services and Credit Suisse

Data compiled by BS Research Bureau

Twitter to TikTok, the evolving consumer story

Lists on what the country watches, buys and looks up on the internet hold up a mirror to society. What can brands learn from them?

ARUNDHUTI DASGUPTA
Mumbai, 31 December

IMAGE:ISTOCK

The end of the year and the start of a new one are marked by a proliferation of lists. Top consumer trends to viewership patterns—everything is tracked and bundled into neat sets to put together a profile for the consumer for the year ahead.

From what you watched through the year or argued about or liked and which brands you clicked on and the stories you shared. It is all out there in a mass jumble of data that every year makes its way on to a list of top 10s or 50s or 100s. So what do these lists tell us about ourselves—the much hyped and sought after, Indian consumer?

"Take all lists with a pinch of salt," says Ambi Parameswaran who is founder and CEO of Brand-Building.com and has spent many decades working with brands and advertisers. He has an interesting insight. "We did a study at SPJIMR (SP Jain Institute of Management and Research) on the Forbes celebrity rankings for India, China and US. In India, the lists are all dominated by Bollywood and cricket (and some other sports). The US is very different, in the top 100, only 10-15 are from Hollywood. There are many from sports, TV, music and so on. In China it is like India, TV and cinema," he says. Every country throws up the lists its people represent.

The lists leave a trail of breadcrumbs to the consumer. Even more interestingly, though, the nature of lists drawn up tell us what brands want. Take one of the many lists that Twitter put out this year; the top 10 brands that make people happier, for instance. More than conveying a sense of what the customer seeks, the idea is to tell brands and advertisers what Twitter wants. To dial down the animosity on the platform. At a time when social media networks are under the scanner for the hate and venom being spewed under their watch, this is a more than just another wish on a New Year star.

AMBI PARAMESWARAN
Founder, Brand-Building.com

"ULTIMATELY THE TACTICAL MUST ALIGN WITH THE STRATEGIC AIMS OF THE BRANDS"

Similarly for Instagram. The platform that has spent a lot of time exploring ways to keep its screen hate-free has a list of all the positive things that trended on its platform. Love, sareegrammers, weddings and festivals are the top trends.

For brands, these platforms that draw in millions of users offer a ringside view of the lives of consumers as they live it. Ashish Mishra, managing director of Interbrand India says, "The future of brands clearly lies in understanding that it is the 'age of you' we live in. Brands will have to move at the speed of life and enable multiple micro experiences around the consumer."

However brands must pick and choose the insights, as must they strategise according to the platforms they choose. Many online trends are ephemeral says Parameswaran, pointing to the girl whose wink won her brands or a dancing uncle who went on to star in ads. "A brand's alliance is more tactical on these platforms. But there must always be a brand fit, otherwise these associations don't make sense. Ultimately the tactical must align with the strategic aims of the brands. Following what is the 70:20:10 rule. 70, for classical and traditional advertising and marketing, 20 for experimental and 10 for going completely off the grid," he adds.

K V SRIDHAR
Founder and chief creative officer, HyperCollective

"DATA HELPS US GO WHERE THE CONSUMERS ARE AND WHERE THE PRODUCERS OF POPULAR CONTENT COME FROM"

THE DECADE AHEAD

Brands would benefit also from looking at lists as many pieces of a single consumer. The sharp differences between popular endorsers on Twitter and TikTok, for instance, reflect the multi-layered nature of the Indian consumer. The same consumer may behave differently on different platforms. Pops K V Sridhar founder and chief creative officer HyperCollective says, "Data helps us go where the consumers are and where the producers of popular content come from." His advice and that of other experts is that read the lists and go armed with a bunch of insights for 2020, but do temper it all with a large dose of realism.

Following the number trail

ROMITA MAJUMDAR

With major elections, skirmishes with neighbouring countries and internal conflicts being discussed across the platforms, it is no wonder that political stakeholders have shifted the debate online. Since most of the lists were generated in early December, they do not mention the CAA discussions or the debate around internet shutdown across regions which has ruled digital conversation in December.

IMAGE:ISTOCK

Read between the lists and one gets a picture of who we are, and importantly for all the marketers scouring the data charts, an image of the consumer in our midst. Pops K V Sridhar, founder and chief creative officer of HyperCollective who has spent a lifetime in the advertising business says, "Always look at a couple of lists, check for data authenticity and third party verification." Of course lists are not to be taken with the seriousness that one would, other research metrics. But they do throw open a window into the consumer's mind and act as weather vanes on a popularity track. Sometimes reading between the lists can be instructive too. For instance, underlying the popular movies watched or hashtags and posts are a wave of discussions around toxic divisive politics, patriarchy and hyper-masculinity. A movie such as *Kabir Singh* drew heated discussions on toxic masculinity while brands such as Zomato and Airtel found themselves on the firing line for perceived religious and nationalistic undertones. The lists don't always capture the undertone, but smart copywriters and brand masters do.

TOP TRENDS ACROSS PLATFORMS:

- Lok Sabha Elections 2019
- Article 370
- Pulwama attack
- Chandrayaan 2
- ICC Cricket World Cup
- Ayodhya verdict
- Kabir Singh

TWITTER TRENDS

1. #loksabhaelections2019 was heavily debated and followed
2. #chandrayaan2, a tweet from NASA commending ISRO became one of the top ten most retweeted tweets this year by Indians
3. #cwc19, from game analysis and reactions to viral memes, the hashtag was present everywhere.
4. #pulwama, the news of the death of 40 Central Reserve Police Force (CRPF) personnel led to heated debates
5. #article370, in August 2019, the government revoked Article 370 of the Indian Constitution that gave special status to Jammu & Kashmir, drawing opposition and support on Twitter

TOP SEARCHES/CONVERSATIONS

On Google
1. Cricket World Cup
2. Lok Sabha Elections
3. Chandrayaan 2
4. *Kabir Singh*
5. *Avengers: Endgame*

On Sharechat
1. Elections 2019
2. Pulwama attack, tribute to martyrs
3. Abhinandan Varthaman

PEOPLE IN THE NEWS

On Google
1. Abhinandan Varthaman
2. Lata Mangeshkar
3. Yuvraj Singh
4. Anand Kumar
5. Vicky Kaushal

On TikTok
1. Jacqueline Fernandez
2. Riteish Deshmukh
3. Kapil Sharma
4. Madhuri Dixit
5. DJ Bravo

On Twitter (Male)
1. Amitabh Bachchan
2. Akshay Kumar
3. Salman Khan
4. Shah Rukh Khan
5. Vijay

(Female)
1. Sonakshi Sinha
2. Anushka Sharma
3. Lata Mangeshkar
4. Archana Kalpathi
5. Priyanka Chopra Jonas

WHAT PEOPLE WATCHED

BookMyShow Top 5
1 *Avengers: Endgame*
2 *URI - The Surgical Strike*
3 *Kabir Singh*
4 *Saaho*
5 *War*

IMDB Top 5 Web Series
1. *Kota Factory* (YouTube/TVF)
2. *Sacred Games* (Netflix)
3. *The Family Man* (Amazon Prime Video)
4. *Delhi Crime* (Netflix)
5. *Humorously Yours* (YouTube /TVF Play)

Yours, mine and ours!

The co-lending model between banks and NBFCs is good on paper, and may remain so unless it is tweaked, report **Abhijit Lele & Raghu Mohan**

ILLUSTRATION: BINAY SINHA

It is lift-off time for the co-origination of loans by banks and non-banking financial companies (NBFCs). If the model were to fly, it has the potential to reshape the delivery of credit — early estimates peg the annual incremental flow at ₹25,000 crore. But will it?

The operational part was flagged off on September 21, 2018, but it is only now that the building blocks are coming into view. The reason: the greater part of this time was taken up by the principals involved to dance around issues after the blowout in shadow banking; and iron out finer aspects of the model. Just about every other state-run (and select private) banks, are setting up dedicated co-lending verticals. The underlying idea is to carve out the risks between banks and NBFCs with an emphasis on long-term structural reforms. And the emerging model goes beyond the plain-vanilla, and is not restricted to the priority sector.

The Piramal Group has teamed up with IIFL Wealth Management for a ₹2,000-crore Alternative Investment Fund to finance last-mile realty projects. Khushru Jijina, managing director of Piramal Capital & Housing Finance, will not tell you more than, "it is part of a strategy to build newer platforms for co-lending. We will initially seed the fund with existing loans from the Group's portfolio, while continuing to explore quality deals from the market".

UGRO Capital wants to be a market-maker to small and medium enterprises. "Smaller NBFCs can either list their loan books for which they are looking for co-origination partners, or sell their portfolios. We will on-board the larger banks which are keen to co-originate loans, or buy loan books", says Shachindra Nath, executive chairman of UGRO Capital.

The devil lies in the details

Mrutyunjay Mahapatra, managing director and chief executive, Syndicate Bank, says, "There is no tripartite-agreement with each borrower. The master agreement for loan has a provision for the co-originator's involvement and the borrower is aware of it", And adds: "Co-originators are not middleman or brokers. They have skin in the game as they have deployed money in terms of technology and are equally interested in the success of the scheme. The new trend is fintech firms emerging as micro finance institutions". But NBFCs don't see it as being this simple.

Policies would have to be agreed upfront between banks and NBFCs. The former is more comfortable funding fleet operators; the latter is happier with new-to-credit commercial vehicle owners and market load operators. Banks service largely out of branches; NBFCs are fine with field decisions.

Says Jaspal Bindra, Executive Chairman of the Centrum Group: "The borrower will execute a tripartite loan agreement with us and the co-lender (bank). The disbursements would be through an escrow account and similarly, the repayments will be collected in a common collections account. This will enable robust monitoring of fund inflows and outflows".

"Disbursements would be through an escrow account and similarly, the repayments will be collected in a common collections account"
JASPAL BINDRA
Executive chairman, Centrum Group

Gaurav Gupta, chief executive officer of Adani Finserv, points to the co-ordination needed on the field: "Banks have to adopt NBFCs' underwriting process, which may be different from our current policies. If many changes are proposed, our field teams will find it difficult to switch between sole and co-lending mid-way through the underwriting process". And what can prove irksome is banks expecting NBFCs to adopt their policies, "which will make it no different from a business-correspondent structure", he adds.

Banging heads together

A problem which is now being worked upon is to how to marry the low cost of funds from banks with the lower cost of operations of NBFCs and pass this on to borrowers through a blended rate. Another catch is that while sharing of loan is in the 80:20 ratio (banks: NBFCs), the central bank has said that "NBFC shall give an undertaking to the bank that its contribution towards the loan amount is not funded out of borrowings from the co-originating bank, or any other group company of the partner bank".

A blended rate, and the fact that NBFCs cannot source funds from the co-originating banking partners is causing headaches. Banks have current and savings accounts; NBFCs are funded through debentures and commercial papers, a route made tougher with the new asset-liability norms, and the general aversion on the part of banks to take on such exposures. "To say that NBFCs must not be funded by their partners would mean we have to tie up funds from another lot of banks (with whom co-origination will be ruled out) unless these limits are vacated", points out an NBFC official. It calls for a fine balancing act.

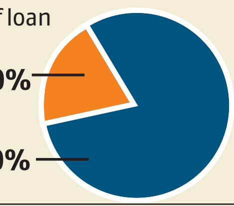
"Depending on the product, credit appetite, roles and responsibilities, co-lenders can decide their respective rates and the co-lending ratio after which the blended interest rate would be offered to the customer", points out Bindra. Says Arijit Basu, managing director of State Bank of India: "The borrower is looking at interest rates lower than what NBFC's charge. The bank is looking at having a slightly higher rate than what it normally charges on loans to small and medium enterprises". Notes Gupta: "It may be more effective if this condition (blended rate) is done away with and instead, banks agree on an origination or collection fee for NBFC's, keeping in light the bank's effective returns on such products".

In all this, the central bank may well have to relook at priority sector lending certificates (PSLCs) which is akin to trading in carbon credits. Under this arrangement, the overachievers sell excess priority sector obligations, while underachievers buy the same with no transfer of risks or loan assets.

With the introduction of PSLC's, and more loans (including consumption loans in some cases) qualifying for priority sector, securitisation (of NBFCs assets) has become less attractive for banks.

For now, yours and mine are fine. Not ours!

Matters of detail



- Banks and NBFCs will have flexibility to price their part of the exposure
- Rate of interest charged to be blended – of banks and NBFCs
- Repayment, and recovery of interest to be shared between banks and NBFCs in proportion to their share of credit and interest
- NBFCs to give an undertaking to banks that their contribution towards the loan amount is not funded by the co-originating bank or any other group company of the partner bank

Understand your risk and play

GUEST COLUMN
RAJIV SABHARWAL
Managing director & CEO, Tata Capital

Here is wishing each one of you a very successful New Year.

As I reflect on the year gone by, it came with both positives and negatives. Non-banking financial companies (NBFCs) continued to contribute significantly to the economy. Assets of deposit and non-deposit-taking systemically important NBFCs, excluding housing finance companies, grew from □28.30 trillion in September 2018 to □31.95 trillion in September 2019, recording a 12.90 per cent growth. While the better managed NBFCs emerged stronger and wiser, the less well managed companies struggled to weather the financial volatilities. Given the current scenario, a relevant point to discuss would be on how this sector can create a sustainable profitable business model and contribute to India's 5-trillion-dollar economy ambition. Here's my 5-point agenda

Calibrate growth with matched ALM

NBFCs will have to focus on creating a diverse set of offerings to cater to a wide range of customers across sectors. This would in turn serve to insulate NBFCs in a downturn in specific industries. It is imperative that the duration of assets and liabilities complement each other. This will create a natural hedge which will reduce liquidity risks. On the liabilities side, NBFCs will have to be well capitalised with assured streams for future growth. Conscious calls will have to be taken to augment resources through an array of debt options. Clearly, borrowing decisions cannot be based on cost optimisation only. Also, strong asset liability management.

We are now in a period where liquidity comes to high governance entities, growth seems to have slowed down and asset prices are dropping

Build robust governance and risk management structures

Implementation of stricter underwriting norms to build a superior quality portfolio is of primary importance. Earlier, monitoring systems predominantly focused on asset origination. But now an increased emphasis on application of risk management over the entire life cycle of the asset is a must. This will give early warning signals and prompt corrective action can be taken. In the past, a few NBFCs could afford to be careless while managing their risk -- this has to change. We need to understand taking risk is not bad, as long as it is well calculated.

Invest in your customer

Building a customer-centric model would serve to differentiate among NBFCs. It would be important to keep the customer in mind while designing new products, and be ready to serve the digitally-savvy `Gen Z' and millennials. Leveraging newer technologies such as robotics, machine learning, and big-data solutions across the lending value chain to increase efficiency and productivity would enable greater success. Fostering new alliances with the fintech ecosystem would also help enhance capabilities.

Build nimbleness

The markets have been volatile. Till about two years back, we were seeing a market with surplus liquidity, high growth, dropping interest rates and rising asset prices. We are now in a period where liquidity comes to high governance entities, growth seems to have slowed down and asset prices are dropping. The need to adjust one's strategy with the changing environment is critical.

Prepare for tougher supervisory norms

It would be prudent to expect stricter supervision and tighter norms — whether it's on capital requirement, liquidity or risk standards. The need to have a dedicated chief risk officer also points towards that. The technology platforms will also need to be oriented for providing real-time information on all the above aspects.

IMAGE:ISTOCK

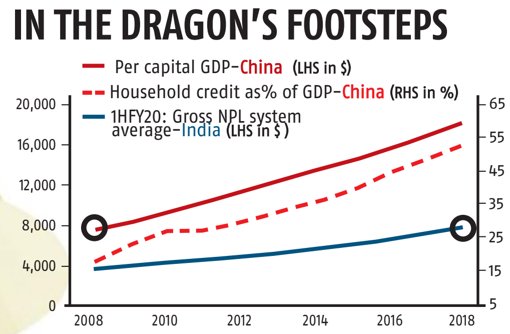
THE BIG SWEET SPOT

The retail loan market in the country is estimated to double to ₹96 trillion in five years, and emerge as the most lucrative business vertical for lenders of all hues. It grew at a compound annual growth rate of 17 per cent between FY13 and FY18, and this run rate compares to the Middle Kingdom's 16 per cent and United States' three per cent during the same period.

According to an ICICI Bank-Crisil report, key drivers of the exponential growth expected in the years ahead are a) consumers being more open to taking loans, b) the continuing trend of urbanisation and nuclearisation, c) the increased availability of data from both traditional and non-traditional sources, and d) financiers leveraging technology and data analytics. Plus, the fact that regulatory and legislative initiatives are propelling growth in loans towards low-cost housing; and micro, small and medium enterprises.

While concerns have been expressed of late that stress may be on the rise in the retail loan books, it is also true that lenders now have access to a plethora of data points for credit assessment and process innovations brought about by technology.

IN THE DRAGON'S FOOTSTEPS



DOUBLE-DIGIT RUN-RATE ACROSS VERTICALS

	Amount outstanding (₹ trillion)			
	FY14E	FY19E	FY24P	CAGR (FY19 - FY24 in %)
Normal housing loans	4.8	13.0	25.4	14
Low-ticket housing loans#	3.5	5.7	11.5	16
Loan against property	1.6	4.7	9.2	15
Personal loans	1.1	3.9	10.5	22
Credit cards*	0.3	1.2	3.3	23
Commercial vehicle finance**	2.6	4.8	9.1	14
Passenger vehicle finance##	1.8	3.7	7.3	14
Two-wheeler loans	0.2	0.5	1.1	16
MSMEs	3.1	6.6	13.2	15
Consumer durables loans	0.07	0.24	0.62	21
Gold	2.1	2.8	3.9	7
Education loans	0.6	0.9	1.4	10

Note: # Average ticket size of low-cost housing loans: Metro less than ₹2.5 million, non-metro less than ₹1.5 million; *No. of fresh issued cards; ** Commercial vehicle finance includes new commercial vehicle, old commercial vehicle, construction equipment, tractors, and three-wheelers; ## Passenger vehicle finance includes new passenger vehicle and old passenger vehicle

Source: ICICI Report

'Bankers are not ready to take risks'

Muthoot Finance feels it is in a sweet spot. The gold-loan financier has just raised $450 million in debt from the international markets, and ₹800 crore via non-convertible debentures. The company's managing director, **GEORGE ALEXANDER MUTHOOT,** spoke to **Nidhi Rai** on his loan book growth, going ahead, even as he feels banks should lend more to non-banking financial companies. Edited excerpts

What kind of loan growth are you looking at?

We have given a guidance of 15 per cent growth in gold loans this year. The second quarter has not been good, but I think in the coming quarters, we will be able to achieve it, or do better. The average cost of bank borrowing a year ago was 8.5 per cent, but it has gone up in the last one year. This unfortunately has not started coming down as yet although it is not going up now. The availability of funds is better now, but the costs will stabilise only over three months. It should start coming down slowly.

What is the source of your funding?

We have working capital coming in from banks, and non-convertible debentures (NCDs). In the last one year, the rate of interest on NCDs has gone up. We concluded an NCD issue last week of ₹800 crore and that also came in at an average cost of about 9.5 per cent; a year ago, it was 8 per cent. Another source of funding is commercial papers, and it is usually priced in the range of 6 per cent-6.5 per cent. In October last year, after the crisis at the Infrastructure Leasing & Financial Services Financial Services, it went up to 9 per cent, but it is back to about 6 per cent.

You mentioned the growth outlook for FY20 at 15 per cent. What is the outlook for FY21 keeping liquidity and other aspects in mind?

There is a minimum demand of 15 per cent for gold loans, and I think we should be able to achieve it. The availability of funds is good for companies like Muthoot Finance. We recently went to the international markets and raised $450 million. So, we are using that as well to fund our growth.

Q&A
GEORGE ALEXANDER MUTHOOT
Managing director, Muthoot Finance

Keeping gold prices in view, what kind of businesses are you looking at?

The price of gold does not determine our funding requirements or loan disbursals. The price of gold is just a factor; it is a base on which we give a loan at a maximum of 75 per cent of that day`s gold price. So that's the only role of the price of gold. There is a lot of gold in the country, and only about 100 or 200 tonnes comes into the market while the rest is still lying idle.

Do you see green shoots in the non-banking financial companies (NBFCs) sector?

We see very good opportunities because banks and other NBFCs are a little sceptical. They are not lending freely on unsecured loans compared to loans with a gold ornament as security. There are always lenders which like to grow the gold-loan portfolio rather than other portfolios. And we see a 15 per cent growth, going forward. We don't see any immediate challenge on the funding side. We have started to use one more option for funding -- external commercial borrowings. But as far as other NBFCs are concerned, they will continue to face challenges because they have to demonstrate the quality of their portfolio, liquidity, and an improvement in asset-liability management. Only then will funding start coming in.

How do you look at the central bank's measures for NBFCs?

The Reserve Bank of India (RBI) has tried to nudge banks to reduce their lending rates. They have cut key rates, but it has not translated into a reduction in bank lending rates. The RBI has always been saying that banks have lent ₹50,000 crore, ₹75,000 crore or ₹1 trillion to the NBFC sector, but you should also look at where this money is actually going. You will realise that a good part of this money is going in to government-owned NBFCs or finance corporations -- they are getting the maximum funding. Then, it goes to the highly-rated NBFCs, but the average or the just about good NBFCs, are not getting sufficient funding from banks. Bankers are not ready to take risks.

What are your expectations from the Budget?

The gold loan sector is a little misunderstood. People feel this is going towards just consumption which is not correct. People are taking money for bridge-finance, and most of it is towards small finance, productive activities. The government should see gold loan finance companies as doing a service to the economy. With respect to our company, I do not think we need any new initiatives. I think the government should start spending more on projects so that money will start flowing into the economy. They should support housing, infrastructure and start releasing payments.

"BANKS AND NBFCs ARE STILL SCEPTICAL. THEY ARE NOT LENDING FREELY ON UNSECURED LOANS COMPARED TO LOANS WITH A GOLD ORNAMENT AS SECURITY".

Govt retains interest rates on small savings

A cheer for depositors, the move is contrary to what RBI and banks had advised

INDIVJAL DHASMANA
New Delhi, 31 December

The government has kept interest rates on small savings schemes intact for January-March 2020, compared to those during October-December 2019, contrary to what the Reserve Bank of India (RBI) and banks had advised.

Depositors are, however, likely to cheer the decision.

"On the basis of the decision of the government, the rates of interest on various small savings schemes for the fourth quarter of 2019-20... shall remain unchanged from those notified for the third quarter," said an office memorandum by the Department of Economic Affairs (DEA) in the finance ministry.

At present, fixed deposits up to 10 years offered by State Bank of India draw an interest rate of 6.25 per cent, says the bank's website. However, the public provident fund, or PPF, and national savings certificate deposits fetch 7.9 per cent, which are also tax-free in nature.

In fact, specific schemes such as the one for the girl child — Sukanya Samridhi Account Scheme — attracts an interest rate of 8.4 per cent.

Devendra Pant, chief economist at India Ratings, said people will naturally prefer deposits that give them higher interest rates. In addition, the reach of post offices is much deeper than banks, said Pant.

Another economist said the amount collected through small savings schemes is just 10 per cent of the incremental bank deposits. This should also be considered while gauging the impact of small savings schemes on bank deposits.

According to the monetary policy statement, though the RBI reduced the repo rate by 135 basis points (bps) between February and October, the weighted-average lending rate on fresh rupee loans of banks declined only by 44 bps during the period. The weighted-average lending rate on outstanding rupee loans has actually increased by 2 bps during the period.

Recently, SBI Chairman Rajnish Kumar had said that banks could not go beyond a threshold to reduce deposit rates, which are linked to the lending rates.

STATUS QUO ON RATES

Small savings schemes rates that come into effect from January 1 for three months

Name of scheme	Interest rate (%)	Name of scheme	Interest rate (%)
Savings deposits	4.0	Senior Citizens Savings Scheme	8.6
One-year time deposit	6.9	Monthly Income Account	7.6
Two-year time deposit	6.9	National Savings Certificate	7.9
Three-year time deposit	6.9	Public Provident Fund Scheme	7.9
Five-year time deposit	7.7	Kisan Vikas Patra	7.6
Five-year recurring deposit	7.2	Sukanya Samridhi Account Scheme	8.4

Fiscal deficit of states to touch 3% of GDP: Ind-Ra

INDIVJAL DHASMANA
New Delhi, 31 December

India Ratings has estimated that the aggregate fiscal deficit of states would touch 3 per cent of the gross domestic product (GDP) in the current fiscal year, against 2.6 pegged in the Budget Estimates. The deficit had stood at 2.9 per cent in FY19.

This fiscal slippage will originate from a decline in tax revenue, a lower nominal GDP and higher expenditure, it said. In aggregate, states have budgeted total revenues to grow by 10.2 per cent to ₹30.97 trillion in FY20, India Ratings Chief Economist Devendra Pant said. Tax revenue growth was assumed to grow 11.5 per cent to ₹22.15 trillion in the year. States' tax collections fall under three different revenue heads — states' own tax revenue (SOTR); share in central taxes and grants.

SOTR remains the dominant contributor to the state revenues with 44.0 per cent share in the total budgeted revenue in FY20, followed by states' share in central taxes at 27.5 per cent.

State GST is part of SOTR. Under the GST regime, states are assured of at least 14 per cent annual growth in SGST collections and entitled for compensation from the Centre, if their SGST collections growth is less than this on the base year of 2015-16.

Twelve states have not budgeted for compensation cess from the Centre in FY20. However, they may witness lower SGST collection than budgeted due to slowdown.

IL&FS is a test case for group resolution, says Uday Kotak

SUBRATA KUMAR PANDA
Mumbai, 31 December

The new board of Infrastructure Leasing and Financial Services (IL&FS) expects to recover close to 50 per cent of the firm's overall debt, which stands at above ₹94,000 crore.

It also expects to complete the resolution process by July 2020 by paring a significant portion of the debt.

The board, led by Uday Kotak, managing director and chief executive officer of Kotak Mahindra Bank, has taken a series of steps including "resolution, restructuring, and recovery" to pare debt in the absence of any requisite legal framework for group-level resolution under the Insolvency and Bankruptcy Code (IBC).

Kotak, in his address to shareholders of IL&FS in the annual general meeting on Tuesday, said: "IL&FS Group had emerged a test case on group-wide resolution of stressed assets."

The IL&FS group's stake in seven wind power special purpose vehicles (SPVs) has been sold for nearly ₹4,300 crore, covering 100 per cent of entity-level debt and including equity value of nearly ₹590 crore.

Further, it has received binding bids for a Chinese road asset, which will resolve nearly ₹1,600 crore of debt and an add ₹980 crore to the shareholding entity's equity value.

In addition, binding bids have come for 10 road assets. Five assets — with combined financial debt of ₹9,500 crore — have been referred to the respective creditor committees for the next step.

The board is also setting up an Infrastructure Investment Trust (InvIT) for nine road assets, with total financial debt of more than ₹11,000 crore. It has also received confirmation from the Gujarat government regarding purchase of its stake in GIFTCL, which will ease debt by ₹1,200 crore.

It has also sold real estate assets that it held, for ₹3,500 crore, and accumulated a cash reserve of ₹6,500 crore with nearly 87 per cent of the cash reserve parked in instruments like fixed deposits and money market mutual funds.

Finally, the board reduced the wage bill by 48 per cent and operating expenses by 42 per cent (annualised basis), between October 31, 2018 and October 31, 2019. Of the 55 entities classified as "green", 40 have been regularly servicing debt to the tune of ₹7,200 crore.

The board is in talks with concession authorities to expedite the release of claims in excess of ₹5,000 crore, filed by IL&FS Transportation Networks.

The IL&FS board is setting up an InvIT for nine road assets, with total financial debt of more than ₹11,000 crore

Non-food credit growth down to 7.2%

ABHIJIT LELE
Mumbai, 31 December

The pace of non-food credit offtake slowed further in November 2019 with year-on-year (YoY) growth of 7.2 per cent, reflecting protracted economic slump.

The growth was 13.8 per cent in November 2018, according to Reserve Bank of India (RBI) data.

Even sequentially, the pace of non-food credit offtake moderated from 8.26 per cent in October 2019.

At the start of financial year 2019-20, credit expanded by 11.9 per cent in April 2019.

Agriculture, industry and the services segment saw credit expansion pace losing steam in November 2019. Only retail loans covering home, personal and credit cards held steady with double-digit growth.

Credit to agriculture and allied activities slowed down to 6.5 per cent in November 2019 from 7.7 per cent in November 2018, the RBI said.

Credit growth to industry decelerated to 2.4 per cent in November 2019 from 4 per cent in November 2018. Within the industry, credit growth to 'food processing', 'textiles', 'gems & jewellery', products', 'infrastructure' and 'construction' either decelerated or contracted.

However, credit growth to 'rubber, plastic & their product' and 'cement & cement products' accelerated.

Credit growth to the services sector decelerated sharply to 4.8 per cent in November 2019 from 28.1 per cent in November 2018.

Personal loans grew at a marginally lower rate of 16.4 per cent in November 2019 compared to 17.2 per cent in November 2018.

RBI says UCBs should be run professionally

ANUP ROY
Mumbai, 31 December

The Reserve Bank of India (RBI) on Tuesday said urban cooperative banks (UCB) with deposit size of ₹100 crore and above should have a professionally run board of management, and CEO appointments would be subject to the RBI's nod.

"The BoM (board of management) shall comprise persons with special knowledge and practical experience in banking, to facilitate professional management and focused attention to banking-related activities of the UCBs through appropriate amendments to their bye-laws, in accordance with the enclosed guidelines following the due process," the RBI said.

It added that the board of directors of UCBs should also carry out a process of due diligence to determine the suitability of the person for appointment as the member of the management. This should be "based on qualification, expertise, track record, integrity and other 'fit and proper' criteria".

This brings UCB regulations in line with other scheduled commercial banks, for whom the 'fit and proper' criterion is applied. The RBI had said such criterion would apply for UCBs too, and having a board of management would be mandatory "for allowing such banks to expand their area of operation and open new branches".

These UCBs must obtain prior approval of the RBI for appointing the CEO.

"In this connection, it is advised that scheduled UCBs shall approach the Department of Regulation of Reserve Bank for approval, at least three months prior to the end of tenure of the incumbent CEO," the RBI said.

The UCBs should also submit annual returns furnishing details of the members of the BoM, as of December 31 each year. UCBs with deposit size of less than ₹100 crore may continue with their usual practice, but "for having good governance practices, such banks may also constitute BoM, if they so desire," the central bank added.

The RBI has been tightening norms for UCBs after the recent scam in Punjab and Maharashtra Cooperative Bank (PMC).

On Monday, the RBI had released draft guidelines that mandated UCBs to lend 75 per cent of their loans to the priority sector, ensure they have half their loans of ticket size below ₹25 lakh, and increase the single and group borrower exposure to a maximum of 10 per cent and 25 per cent of the core capital, respectively.

GUIDELINES

- Management should have people with practical experience in banking
- The board must conduct due diligence for appointment of key people
- Appointment of CEO should be subject to RBI approval
- UCBs must furnish annual returns to RBI

Third-party ATM switch ASPs to comply with cybersecurity controls: RBI

SUBRATA PANDA
Mumbai, 31 December

The Reserve Bank of India (RBI) on Tuesday said all RBI-regulated entities entering into a contract with third-party automated teller machine (ATM) switch application service providers (ASPs) need to comply with cybersecurity controls prescribed by the central bank. They also have to give access to the RBI for on-site or off-site supervision.

The RBI-regulated entities have to amend their contracts at the earliest or at the time of renewal, in any case not later than March 31, 2020.

In the fifth bi-monthly monetary policy statement of the RBI in December, the central bank had said that a number of commercial banks, urban co-operative banks (UCBs), and other regulated entities are dependent upon third-party ASPs for shared services for ATM switch applications.

Since these service providers also have exposure to the payment system landscape and are, therefore, exposed to the associated cyber threats, the RBI decided that certain baseline cybersecurity controls shall be mandated by the regulated entities in their contractual agreements with these service providers.

FROM PAGE 1

Fund managers bet on mid, small-caps for '20

Further, higher liquidity in the banking system can help smaller companies, which tend to suffer when interest rates are on the higher side.

"There is enough liquidity in the overall banking system. This should lead to transmission of credit to the economy," says Tibrewal.

"These companies often find it difficult to convert their earnings before interest, tax, depreciation, and amortisation into profit before tax when interest costs are higher," adds Bhaskar. However, foreign investors are still circumspect of a strong broader market rally.

"Narrow market performance should continue at least till mid-year as uncertainty stays high, but we must start reducing concentration risk," Credit Suisse said in a recent note.

Brokerages say that going ahead, revival of domestic economy will be crucial and on the global front, the trading relationship between the US and China will be a key factor to watch out for.

BS SUDOKU # 2936

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

SBI to float $2-billion distressed asset fund

"The Insolvency and Bankruptcy Code is a big success story with the Supreme Court clearing all issues. Ruchi Soya and RattanIndia Power have been resolved in December quarter. The process of resolving cases like Reliance Communications and Alok Industries is under way and are likely to be resolved in March-June 2019 quarter," Kumar said.

The prolonged economic downturn in India is expected to postpone asset quality improvement and push gross non-performing assets (NPAs) of banks from 9.3 per cent in September 2019 to 9.9 per cent level by September 2020, according to Reserve Bank of India's Financial Stability Report.

An Ernst & Young study estimates the stressed asset market in India at over $150 billion, indicating significant potential for investments. It presents a huge opportunity for foreign capital to participate either through IBC or through out-of-court alternatives such as in collaboration with asset reconstruction companies or through participating in inter creditor agreement transactions. Moreover, the revised prudential framework on stressed assets issued by RBI on June 7, 2019 has significantly addressed earlier concerns on the stressed assets resolution rules and also builds in incentives for the early adoption of a resolution plan.

Slowdown could worsen in 2020, predicts CEO poll

CEOs say spending on the ground by retail consumers is worsening the economic crisis as evident in the falling auto and consumer products sales.

"Demand from smaller cities and rural areas is not moving much. Bigger cities are seeing some activity, but only when there are sales during festival days," according to the CEO of a large consumer products company, who requested not to be named.

However, 62 per cent of the CEOs expect an uptick in consumer spending in 2020, especially if income tax is cut, which will play an important role in bringing customers back into the stores.

CEOs say the Union Budget, which is expected to be announced on February 1, could help turn the tide. "Apart from tax rationalisation for individuals and reducing tax terrorism for companies, the Budget should have a plan for how the investment cycle will restart," said the CEO of a financial services company.

CEOs say the tax department has raised several tax demand in the December quarter and is asking the assessees to pay 20 per cent of the demand immediately and, if necessary, appeal the demand. "The 20 per cent downpayment is supposed to help the tax department in meeting their targets even as the case goes for litigation. But this is harassment," said a CEO.

When asked for their views on the government's measures to boost the economy, 58 per cent of the CEOs said they were happy but there was more to be done. "The implementation of goods and services tax (GST), infrastructure boost particularly in railways, tax rate reduction for companies, and interest rate reduction are all positive measures aimed at boosting the economy," said Goenka.

But 40 per cent of the CEOs are not happy with the government's moves. "The government's efforts seem to be piecemeal. There is an urgent need to streamline operations and make it as convenient as possible to do business, which isn't happening. The faulty GST roll-out has added to the mess," said a CEO.

Interestingly, almost 38 per cent of the CEOs are expecting the BSE Sensex not to cross the 46,000-mark by 2020-end, and only 16 per cent expect the index to breach the mark. The BSE Sensex gained 14.4 per cent in calendar 2019 to close at 41,254 points in 2019 on Tuesday. Some CEOs expect the market to do relatively better in 2020 due to a possible 25 per cent earnings growth of index companies in FY20 and possible favourable tax changes in the Budget.

In spite of the grim economic conditions, an overwhelming majority of the CEOs said they were planning to hire more in the new year, even as 66 per cent of the respondents said they would invest more in 2020. The confidence of the CEOs also stems from the fact that almost 86 per cent of the CEOs said they hired more people in the year gone by.

Nearly 75 per cent of the CEOs said they were expecting the Reserve Bank of India to pause rate cuts, considering that inflation was rising and the repo rate could not be below the inflation mark. After five rate cuts in 2019, the RBI on December 5 hit the pause button over worries of rising prices. The repo rate – the rate at which banks borrow money from the RBI – was kept unchanged at 5.15 per cent even as the retail inflation hovered at a three-year high of 5.54 per cent. Rising prices could be the black swan event of the year and may turn the tide against the government, warned CEOs.

Govt unveils...

A task force led by Economic Affairs Secretary Atanu Chakraborty identified the ₹102 trillion worth of projects after conducting 70 stakeholder consultations in a short period of four months, Sitharaman said. The first meeting of the task force was held in September 2019. Subsequently, several meetings were held with various central and state departments and corporates engaged in infrastructure development.

Chakraborty said the investment on infrastructure by the Centre, states and the private sector combined was 0.8 per cent of gross domestic product (GDP) currently, and the government expected to improve that to 1.1 per cent by 2024-25.

The sectors identified include traditional power and renewable power, railways, roads, urban development, irrigation, aviation, education, and health. The lion's share of the funding is expected to go to the energy sector. Nearly ₹24 trillion in energy projects have been lined up, while projects worth ₹20 trillion in roads and ₹14 trillion in railways have been planned. These sectors will form the bulk of infrastructure investment under the NIP, Sitharaman said.

The finance minister admitted concerns regarding financing of these projects, given the current economic slowdown. However, the government believes, and the NIP report states, that India's GDP growth was expected to gradually swing upwards over the next five years, starting fiscal 2020, following on the clean-up of financial sector balance sheets, corporates starting to leverage for funding capital expenditure, and payoff from various government policies. Sitharaman said the government would look at deepening the debt market and alternative investment funds, which would provide the bulk of the debt financing necessary for this. She said the first edition of the Annual Global Investors' Meet on Infrastructure would be held in the second half of the coming year.

Note-ban ghost...

For jewellers, the current I-T orders come as a double whammy — the demand order includes tax, penalty and interest to date, which works to almost 100 per cent of the cash deposited, said a source. Besides this, the value of the gold that was sold will also be a loss for the jeweller.

There is no information on the total number of orders issued across the country and the amount of recovery, though sources maintain that several thousands of jewellers have received these demand orders, and the recovery amount along with penalty and interest is very high.

An industry veteran said that after demonetisation, there were reports that some jewellers in Jaipur and Gujarat had deposited over ₹100 crore each in cash.

Jewellers who have received such orders will have to cough up at least 20 per cent of the demand before they can file an appeal. Dilip Lakhani, a senior chartered accountant, said, "The demand raised by the tax department against jewellers, rejecting their claim of cash deposits, can be contested by filing an appeal before the Commissioner of I-T – Appeal. In such cases, they have to deposit 20 per cent of the levy of tax and interest."

The assessee can also file a writ petition in a high court, seeking a waiver for not depositing the 20 per cent with the I-T department to file the appeal. Legal experts say the court will grant the waiver only if it is convinced that the grounds for the cash deposits were genuine and supported with stock records and others circumstantial evidence.

Soon after demonetisation, I-T officials in major cities including Mumbai and New Delhi had carried out several raids and surveys. The department had also issued notices to jewellers, seeking clarifications on such cash deposits when their returns came under scrutiny.

The jewellers had responded that their sales were genuine and they sold from the stock they had. However, tax officials had found that the sales in the note-ban period were significantly higher than previous periods and were also not in tandem with the overall demand trend. Hence, in most cases, I-T officials had rejected their explanations.

Cos not accepting payments via UPI, RuPay to be fined

Companies with turnover of over ₹50 crore to pay ₹5,000 a day as penalty

SOMESH JHA & SAMREEN AHMAD
New Delhi/Bengaluru, 31 December

In another push towards a 'less-cash economy', the finance ministry on Tuesday said that companies with annual turnover of over ₹50 crore which do not accept payments through home-grown RuPay and Unified Payments Interface (UPI) platforms will have to pay a penalty of ₹5,000 every day. This will be applicable with effect from February 1, 2020, a notification issued by the Central Board of Direct Taxes (CBDT) said.

"In order to allow sufficient time to the specified person to install and operationalise the facility for accepting payment through prescribed electronic modes, it is hereby clarified that the penalty shall not be levied if the specified person installs and operationalises the facilities on or before January 31, 2020," the CBDT notification reads.

The government has said this move will "encourage digital economy" and help India move towards a "less-cash economy".

Earlier this week, the finance ministry had also announced waiving merchant discount rates (MDR) on transactions through RuPay and UPI platforms beginning Wednesday. This move was strongly criticised by the Payments Council of India — an industry body that represents the payments and fintech companies in the country.

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

"In order to allow sufficient time to the specified person to install and operationalise the facility for accepting payment through prescribed electronic modes, it is hereby clarified that the penalty shall not be levied if the specified person installs and operationalises the facilities on or before January 31,

In her Budget speech in July, Finance Minister Nirmala Sitharaman had proposed that businesses should offer low-cost digital modes of payment such as Bharat Interface for Money (BHIM) UPI, UPI QR code, Aadhaar Pay, debit cards, National Electronic Funds Transfer, real-time gross settlement, etc to their customers, and no charge or MDR shall be imposed on customers to promote digital payment.

Both UPI, which is the payment interface, and RuPay, a card system, are owned by the National Payments Corporation of India.

The government is promoting these platforms in order to reduce dependency on global payment platforms, such as Visa and Mastercard, as part of its initiatives to boost digital payments.

SMS facility in Valley restored

PRESS TRUST OF INDIA
Jammu, 31 December

Internet services in all government-run hospitals and short message service (SMS) to all mobile phones have been restored from December 31 midnight in the Kashmir Valley, Jammu & Kashmir official spokesman Rohit Kansal said on Tuesday.

On December 10, some SMS services were enabled on mobile phones in order to facilitate students, scholarship applicants, traders and others. It has now been decided to fully restore the service throughout Kashmir from midnight of December 31, Kansal said.

Meanwhile, as many as 160 terrorists were killed and 102 arrested in Jammu & Kashmir in 2019, while 250 ultras were still active, Director General of Police Dilbag Singh said on Tuesday, noting that the number of local youths joining militancy has decreased.

He said that there is 30 per cent fall in terror incidents, less civilian killings, and 36 per cent decrease in law and order incidents, compared to last year. "218 such (local) youths joined militant outfits in 2018, but only 139 joined in 2019," Singh said at the annual press conference. Of these new recruits, only 89 have survived.

Rlys announces hike in fares

FARE HIKE CHART

Increase in fares (paise per km)

Ordinary non-AC class	1
Mail/ express non-AC class	2
AC class	4
Suburban & season tickets	No change

SHINE JACOB
New Delhi, 31 December

After five years, the Indian Railways decided to increase passenger fares by 1 to 4 paise per kilometre (km) across various classes, excluding suburban and season tickets, with effect from January 1. The 'marginal' hike is expected to bring in additional ₹2,300 crore in revenues to the cash-strapped national transporter.

For ordinary non-air conditioned (AC) class, the fare increase will be 1 paisa per kilometre and in mail/express non-AC class, the hike will be 2 paise per km. On the other hand, for AC class, the fare hike will be 4 paise per km. The hike will be applicable for only 34 per cent of the travellers. Looking into the affordability concerns of daily commuters, the Railways avoided a fare hike for passengers over suburban sections and season ticket holders.

The fare hike will bring only a minor relief for the Railways; it was staring at an operating ratio of 121 per cent for the first six months of the financial year, against 113 per cent during the same time in 2018-19. Operating ratio is the amount the Railways is spending to earn each rupee and, hence, lower the operating ratio, better the financial health of the national transporter is expected to be.

For the current financial year, the operating ratio was targeted at 95 per cent, against 97.29 per cent achieved in 2018-19.

The last hike was in 2014, soon after the NDA government came to power, when the ministry was headed by Sadananda Gowda increased passenger fares by 14.2 per cent in all classes. The current hike is coming at a time when the national transporter was bearing 73 paise in cost for every 10 km travel, while charging only 36 paise to passengers.

"The additional revenue will be used to augment passenger experience through modernisation of coaches and improved station infrastructure," said a senior Railways official. Investments to the tune of ₹13.7 trillion are expected to improve the Railways by 2024-25, while a total of ₹50 trillion may be infused to improve its infrastructure by 2030. In a notification, the Railways said the increase in fare will be on tickets bought on or after January 1, 2020, and no excess fare will be charged from passengers who have booked tickets earlier.

Even after the 2014 hikes, the Railways came with the rationalisation of rates across segments that included schemes like flexi fare, similar to the aviation industry and cab-based applications.

Railway board chairman gets 1-yr extension

Railway Board chairman V K Yadav has received an extension in term for one year till December 2020. Yadav became the second chairman to get the same after A K Mittal got extension in August 2016. The appointments committee of the Cabinet approved Yadav's reappointment from January 1, 2020. The move is likely to fast-track the restructuring of the Railways through the unification of the existing eight Group A services into one central service — the Indian Railway Management Service. PTI

Ex-Nissan chief Carlos Ghosn flees Japan, lands in Lebanon

REUTERS
Beirut/Tokyo, 31 December

Ousted Nissan boss Carlos Ghosn was in his childhood home of Lebanon on Tuesday after fleeing what he said was a "rigged" justice system in Japan, raising questions about how one of the world's most-recognised executives slipped away while on bail.

Ghosn's abrupt departure marks the latest dramatic twist in a year-old saga that has shaken the global auto industry, jeopardised the alliance of Nissan Motor Co and top shareholder Renault SA and cast a harsh light on Japan's judicial system.

"I am now in Lebanon and will no longer be held hostage by a rigged Japanese justice system where guilt is presumed, discrimination is rampant, and basic human rights are denied," Ghosn, 65, said in a brief statement on Tuesday.

"I have not fled justice — I have escaped injustice and political persecution. I can now finally communicate freely with the media, and look forward to starting next week."

Tokyo officials have previously said the system is not inhumane and that Ghosn, who is facing trial on financial misconduct charges he denies, has been treated like any other suspect.

It was unclear how Ghosn, who holds French, Brazilian and Lebanese citizenship, was able to orchestrate his departure from Japan, given that he had been under strict surveillance by authorities while out on bail and had surrendered his passports.

According to a senior Lebanese foreign ministry source, Ghosn entered Lebanon legally on a French passport and using his Lebanese ID with normal security procedures.

Asked if Ghosn used a French passport, the French foreign ministry press service said it had no immediate comment.

Ghosn arrived in Beirut on a private jet from Istanbul on Monday, people familiar with the matter told *Reuters*.

New Army chief warns Pak: We have the right to strike at sources of terror

PRESS TRUST OF INDIA
New Delhi, 31 December

General Manoj Mukund Naravane on Tuesday took over as the 28th Chief of Army Staff, helming the 1.3 million-strong force at a time India faces evolving security challenges such as cross-border terrorism and an assertive Chinese military along the border.

Gen Naravane, who was serving as Vice Chief of the Army, succeeds General Bipin Rawat, appointed the country's first Chief of Defence Staff, a post created to bring in operational convergence among the three services.

In a stern warning to Pakistan, Army chief General Manoj Mukund Naravane on Tuesday said India reserves the right to preemptively strike at sources of terror threat if the neighbouring country does not stop state-sponsored terrorism. In an exclusive interview to *PTI*, General Naravane said a strategy of "resolute punitive response" has been evolved to punish cross-border terrorism.

He also said the Pakistan Army's all out efforts to deflect attention from state-sponsored terrorism has been a total failure and that the situation in Kashmir has improved significantly after the abrogation of Article 370.

"The Pakistan army's proxy war design received setback due to elimination of terrorists and decimation of terror networks (by India)," he said.

Asked how he will deal with Pakistan-backed terrorism, he said, "Multiple options across the spectrum of conflict are on the table to respond to any act of terror sponsored or abetted by Pakistan." On security challenges along the 3,500 km border with China, General Naravane said the focus has shifted from the Western border to the Northern border as part of re-balancing priorities.

"We will continue to improve capability building along the Northern border so we are prepared when the need arises," he said. Referring to the appointment of a Chief of Defence Staff, he said it will greatly change the way the defence establishment operates and will bring about significant reforms in the entire military system.

His main focus as Army chief will be to make the Army ready to face any threat at any time, the General said.

General Manoj Mukund Naravane with outgoing Army chief General Bipin Rawat as the former takes charge as Chief of Army Staff, in New Delhi, on Tuesday PHOTO: PTI

"MULTIPLE OPTIONS ACROSS THE SPECTRUM OF CONFLICT ARE ON THE TABLE TO RESPOND TO ANY ACT OF TERROR SPONSORED OR ABETTED BY PAKISTAN"

GEN MANOJ MUKUND NARAVANE, Army chief

Gen Rawat: Army better prepared to face challenges

PRESS TRUST OF INDIA
New Delhi, 31 December

The Army is "better prepared" to face any challenge that may come up at India's borders with Pakistan and China, General Bipin Rawat said on Tuesday, noting that the Army's restructuring and modernisation were among his biggest achievements during his tenure as the Army chief.

General Rawat had assumed charge as the 27th Chief of Army Staff on December 31, 2016, and retired from the post on Tuesday after a distinguished career. On Monday, he was appointed India's first Chief of Defence Staff.

During an interaction with reporters after receiving a ceremonial farewell, General Rawat was asked if the troops are better prepared and equipped to face challenges at the borders with Pakistan and China, with him at the helm of the Army for three years, and he said, "Better prepared... I would say, yes". He was given a Guard of Honour in the forecourt of the South Block at the Raisina Hill complex here. Before becoming Army chief, he handled various operational responsibilities in many areas, including along the LoC with Pakistan, the LAC with China and in the Northeast.