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THE MARKETS ON THURSDAY

		Chg#
Sensex	41,452.4▲	634.6
Nifty	12,215.9▲	190.6
Nifty futures*	12,269.8▲	53.8
Dollar	₹71.2	₹71.7**
Euro	₹79.1	₹79.8**
Brent crude ($/bbl)##	64.6##	65.9**
Gold (10 gm)###	₹39,722.0▼	₹965.0

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

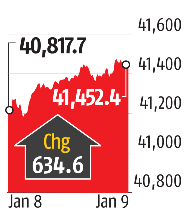
ECONOMY & PUBLIC AFFAIRS P4
POLICYMAKERS SHOULD FOCUS ON SLOWDOWN: ROUBINI

ECONOMY & PUBLIC AFFAIRS P5
'TOUGH TIMES': SC REFUSES URGENT CAA HEARING

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

INDICES SURGE, OIL DROPS ON EASING US-IRAN TENSIONS

SENSEX INTRA-DAY



The benchmark indices rose to mirror the gains in global markets on hopes of a de-escalation in the US-Iran tensions. The Sensex and Nifty rose 1.5 per cent each, their biggest single-day stride since October 23, 2019. The Sensex rose 635 points to end at 41,452, while the Nifty surged 191 points to close at 12,216. The biggest gainers were ICICI Bank, State Bank of India, IndusInd Bank, and Mahindra & Mahindra. 11

House of Commons approves Brexit Bill

British Prime Minister Boris Johnson's Brexit legislation cleared its final hurdle in the House of Commons, putting an end to the parliamentary gridlock that cost his predecessor Theresa May her job. Members of Parliament voted 330 to 231 in favour of the Withdrawal Agreement Bill, which now passes to the House of Lords. Johnson wants the measures passed into law before the end of the month so the UK can leave the European Union on January 31. BLOOMBERG

COMPANIES P3

Will not face insolvency, says Reliance Infra

Anil Ambani-led Reliance Infrastructure (RInfra) will not undergo insolvency proceedings as it is looking to pay its lenders in the next few weeks, said a company executive. RInfra is likely to complete the sale of its Delhi-Agra toll road by January-end and its proceeds will be used for debt repayment, the executive added. "RInfra has received in-principle approval for harmonious substitution in the Delhi-Agra toll road project on January 7 from the NHAI.

BS SPECIAL ON FRIDAY

PERSONAL FINANCE: Keep an eye on capital protection 16

Use these smart strategies to ensure decent returns from equity investing, writes SARBAJEET K SEN

Fundamentals are strong, economy will rebound: PM

Economists ask Modi to restore data credibility, provide stimulus

Prime Minister Narendra Modi and Home Minister Amit Shah at a pre-Budget meeting with economists and experts at the NITI Aayog on Thursday. Finance Minister Nirmala Sitharaman was not present because she was holding meetings with party workers at BJP headquarters PHOTO: PTI

ARUP ROYCHOUDHURY & ABHISHEK WAGHMARE
New Delhi, 9 January

Prime Minister Narendra Modi said on Thursday that the fundamentals of the Indian economy were strong, it had the capacity to bounce back, and the Centre was expecting an economic revival in the coming quarters.

At a pre-Budget meeting, organised by the NITI Aayog, with economists, business leaders, entrepreneurs, and sectoral experts, Modi said: "The strong absorbent capacity of the Indian economy shows the strength of basic fundamentals of the Indian economy and its capacity to bounce back."

He added that sectors like tourism, urban development, infrastructure, and agri-based industry had great potential to take forward the economy and for employment generation, according to an official statement released after the meeting. Modi also called for focused efforts from all stakeholders to achieve the target of nearly doubling the size of the Indian economy to $5 trillion by 2024.

With the prime minister said to be taking direct charge of the upcoming 2020-21 Union Budget, economists and sector experts advised him to keep aside fiscal concerns and embark on an expanded spending programme to revive growth. The prime minister was also advised to restore the credibility of official economic data.

"There were suggestions that while it is good to have fiscal discipline, this has been a challenging period, given the extent of the economic slowdown, so the markets won't punish any decision to go for an expansion," a participant told *Business Standard* after the meeting. The person said the prime minister was asked about the ways the Centre was planning to earn revenue next fiscal year.

Another person who attended the meeting said the prime minister was apprised of the importance of credible data on the fiscal balance, and urged that the Budget should be honest about the real fiscal deficit.

Union Home Minister Amit Shah, Road Transport and Highways Minister Nitin Gadkari, and Commerce and Industry Minister Piyush Goyal, besides NITI Aayog Vice-Chairman Rajiv Kumar, Chief Executive Officer (CEO) Amitabh Kant and other senior officials of the think-tank, were in the meeting.

Turn to Page 17

FROM THE EXPERTS
- Boost spending and public investment
- Remove policy uncertainty in taxation, rules and regulations
- Boost exports and take advantage of US-China trade war
- Corruption in lower-level bureaucracy needs to be removed

ED likely to attach Chanda Kochhar's residence, assets

Their market value could be around ₹800 crore

SHRIMI CHOUDHARY
New Delhi, 9 January

The Enforcement Directorate (ED) is likely to make a provisional attachment of assets and properties belonging to former ICICI Bank managing director and chief executive officer Chanda Kochhar and husband, Deepak Kochhar, in connection with the Videocon loan case.

The assets may include her plush South Mumbai apartment, besides certain shares, investments and offices of Deepak Kochhar's companies including Nupower Renewables.

The investment value of these assets is estimated at around ₹100 crore. But, their market value could be much higher at around ₹800 crore, said a source in the enforcement agency.

This will be the first big action in the case filed last January, accusing Chanda Kochhar and eight others for ICICI Bank's irregularities in sanctioning loans to the Videocon group.

A text message sent to Chanda Kochhar went unanswered.

According to sources, the federal agency will issue a provisional attachment order of proceeds of crime under the Prevention of Money Laundering Act (PMLA) by the end of this week. Legally speaking, this order will be valid for 180 days until a court confirms it and allows it to make a final confiscation on the grounds that the assets were created out of the proceeds of money laundering.

The acquisition of the current family residence of Kochhar at 45, CCI Chambers CHS Limited (Churchgate area opposite the Cricket Club of India), has been under the probe agency's lens due to its complex transaction involving Deepak Kochhar and firms linked to Videocon group.

This complex transaction was also highlighted by the ICICI Bank-appointed panel headed by former Supreme Court Judge BN Srikrishna. Turn to Page 17

Chanda Kochhar, former ICICI Bank MD and CEO

STORY SO FAR

2018

February: CBI launches preliminary enquiry in ICICI-Videocon loan matter

March: ICICI Bank board backs then MD & CEO Chanda Kochhar

April: Sebi initiates preliminary enquiry, seeks explanation over conflict of interest

May: Sebi issues show-cause notice to ICICI Bank, Kochhar
- Bank's board orders an independent inquiry under Justice B N Srikrishna

2019

January: Srikrishna panel indicts Kochhar, finds violation in bank's code of conduct

February: ED files criminal case of money laundering against Kochhar, others

Airtel mops up $10 billion, three times its target

SURAJEET DAS GUPTA
New Delhi, 9 January

Bharti Airtel on Thursday received offers for subscriptions aggregating over $10 billion, three times its target of $3 billion, through a combination of qualified institutional placement (QIP) and foreign currency convertible bonds (FCCB), according to banking sources.

The issue opened Wednesday and has already been oversubscribed and according to banking sources the allocation of the shares will be made next week.

According to sources, Fidelity, Blackrock, Goldman Sachs, BNP Paribas, Citigroup, Warburg Pincus, J P Morgan, Axis Capital, ICICI Pru, SBI Mutual, Aditya Birla Mutual HFDC Mutual and Temasek Holdings among others have offered to subscribe to the QIP.

For the FCCB portion, offers have come from Blackrock, GIC of Singapore (which has also offered to subscribe the QIP), Barclays, Societe Generale and Standard Chartered Bank, among others. A Bharti Airtel spokesperson, however, declined to comment on the issue.

GIC of Singapore currently holds around 4 per cent in Bharti Airtel.

Turn to Page 17

FUNDRAISING PLAN

$3 billion Issue size

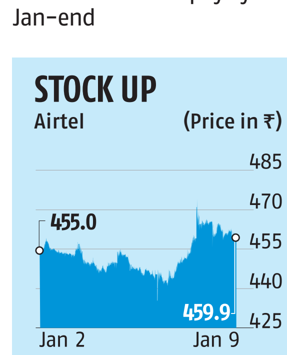
$2 billion Through QIP, and the remaining via foreign currency convertible bonds (FCCB)

₹452 QIP floor price per share

- Fidelity, Blackrock, Goldman Sachs, BNP Paribas, Citigroup, Warburg Pincus, JPMorgan, Axis Capital, ICICI Pru, SBI Mutual, Aditya Birla Mutual HFDC Mutual and Temasek Holdings have offered to subscribe to the QIP

₹35,000 crore AGR and spectrum usage charge dues which Airtel has to pay by Jan-end

STOCK UP



RBI approves Aadhaar-based video KYC

NEHA ALAWADHI & ANUP ROY
New Delhi/Mumbai, 9 January

The Reserve Bank of India (RBI) on Thursday allowed video-based authentication as an alternative to the accepted e-KYC (know-your-customer) practices, but such verification will be Aadhaar-based, either online or offline.

The need for video-KYC was proposed in the report of the Expert Committee on Micro, Small and Medium Enterprises, headed by UK Sinha, former chairman of the Securities and Exchange Board of India (Sebi) in June last year. The panel observed that currently for conducting even e-KYC, the customer has to be physically present and the whole process takes lots of data handling. On the other hand, in video-KYC, the whole process can be done simply through a video chat where the customer can display documents. Such video-KYC can be done through Google Duo or Apple FaceTime, the committee had recommended. Turn to Page 17

CHANGES IN THE OFFING
- **RBI revises** master direction on KYC
- **Video KYC** will have to be verified through Aadhaar
- **No foreign app** is likely to be used as data needs to be stored onshore
- **Customer will have to give** his consent
- **Geotagging is a must** to ensure presence of customer in the country

Byju's overtakes Ola as third-largest unicorn

Firm valued at $8 bn after Tiger Global's $200-mn funding

BIBHU RANJAN MISHRA
Bengaluru, 9 January

Education technology company Byju's is learnt to have raised $200 million in a funding round from Tiger Global Management, which has valued the Bengaluru-based start-up at around $8 billion, making it the third-largest unicorn (start-up valued over $1 billion) in the country.

With this, the Byju Raveendran-founded company has seen over 50 per cent jump in its valuation in just around nine months. In March 2019, Byju's was valued $5.4 billion, when it raised around $31 million from General Atlantic, and Chinese investment giant Tencent.

At the current valuation, Byju's has now replaced home-grown cab-hailing major Ola as the third-largest unicorn, next only to Paytm and OYO, which are valued around $16 billion and $10 billion, respectively.

Byju's confirmed the transaction through a press statement, though the company declined to share any specific details of the deal. Tiger Global could not be immediately reached for its comments.

"We are happy to partner with a strong investor like Tiger Global Management. They share our sense of purpose and this partnership will advance our long-term vision of creating an impact by changing the way students learn," said Raveendran. "This partnership is both a validation of the impact created by us so far and a vote of confidence for our long-term vision."

This is Tiger Global's first investment in the edutech space in India after Vendantu, an online tutoring platform, where it, along with WestBridge Capital, led a $42-million round in August.

An early backer of India's internet growth story, the New York-headquartered Tiger Global has been a prolific investor in the Indian start-up space. Its portfolio in the country ranges from consumer focused e-commerce companies that are vital for the growth of the sector, such as Flipkart, Delhivery, Grofers, Quikr and PolicyBazaar, to mention a few.

After tasting success with Flipkart, one of its earliest investments, where it had pumped in around $1 billion, the PE major is now doubling down its focus on the Indian start-up space, under its new investment head Scott Shleifer. Turn to Page 17

Byju Raveendran, founder, Byju's

VALUATION OF INDIAN UNICORN START-UPS

Figures in ($ bn)

Paytm (Payments)	16.0
Oyo	10.0
Byju's	8.0
Ola Cabs	5.7
Swiggy	3.3
Udaan	2.8
Zomato	2.5
ReNew Power	2.0
Billdesk	1.8
Delhivery	1.6

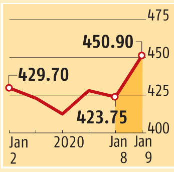
Source: Companies, reports

TAX DEPT ALLOWS SIMPLE FORMS FOR FILING RETURNS BY JOINT PROPERTY OWNERS

Rolling back its week-old order, the income-tax department on Thursday allowed joint owners of a single-house property to file income tax returns using simple Form-1 (Sahaj) or Form-4 (Sugam). On January 3, it had debarred individual taxpayers owning a house property in joint ownership and those who paid ₹1 lakh in electricity bills in a year or incurred ₹2 lakh expense on foreign travel from filing their annual income returns using the simple return forms. PTI

STOCKS IN THE NEWS

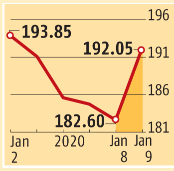
Sunteck Realty



Signs MoU with SBI to safeguard homebuyers

₹450.90 CLOSE
▲ 6.41 % UP*

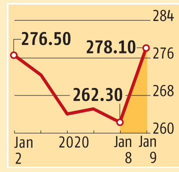
Tata Motors



Surpasses M&M in market-cap ranking

₹192.05 CLOSE
▲ 5.18 % UP*

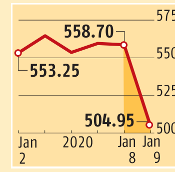
JSW Steel



Metal shares gain after government eases coal and mining norms

₹278.10 CLOSE
▲ 6.02% UP*

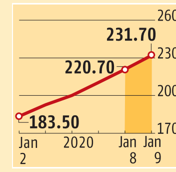
Max Financial Services



Top loser among S&P BSE MidCap index stocks

₹504.95 CLOSE
▼ 9.63% DOWN*

Adani Green Energy



Ends higher for ninth straight day; zooms 409% in four months

₹231.70 CLOSE
▲ 4.98% UP*

* OVER PREVIOUS CLOSE

CCI probing if Maruti forced buyers to take its insurance

ADITI SHAH & ADITYA KALRA
New Delhi, 9 January

Antitrust regulator Competition Commission of India (CCI), is looking into allegations that Maruti Suzuki, the country's biggest carmaker, pushes buyers to purchase insurance policies offered by the company, two sources told *Reuters*.

The CCI in June last year received an anonymous complaint alleging insurance plans recommended by Maruti while selling cars resulted in customers paying more compared with other options in the market. Based on the complaint, the CCI is assessing whether Maruti has engaged in so-called 'tie-in arrangements', in which a carmaker promotes preferred suppliers of complementary goods such as lubricants or insurance, the sources said.

According to the law, such practices are anti-competitive if they end up stifling competition and limiting consumer choices. The Commission is looking into the complaint and "it will take a while", said one of the two sources, who declined to be named as the case details are private.

In response to *Reuters* questions, a Maruti spokesman said: "We are not aware of any such alleged complaint that is being investigated by CCI and therefore, cannot comment on the same." The CCI did not respond to a request for comment. The watchdog can still throw the complaint out if it finds no merit in the allegation, or order a deeper probe by its investigations arm.

Maruti is already the subject of another antitrust investigation in India. Last year, the CCI ordered its investigations unit to probe allegations the carmaker limits discounts its dealers can offer, a prohibited anti-competitive practice if it hurts consumers. If the CCI decides to launch a wider probe into the new complaint, it could ask its investigation unit to wrap it into the ongoing case into Maruti's discounting practices, or order a fresh investigation, the second source said.

It was not clear over what period the anonymous complaint about insurance sales relates to. Maruti, majority-owned by Suzuki Motor, is a market leader in India with a 50 per cent share of the passenger vehicles market.

It sold 1.73 million cars in the financial year ended March 2019 and has around 3,600 sales outlets. The allegation of insurance tie-up arrangements against Maruti is similar to an earlier complaint against its competitor, South Korean Hyundai Motor, a third source aware of the complaint said.

In 2014, following a complaint from a car dealer, the CCI found initial merit in the allegations that Hyundai had entered into several tie-in arrangements, including to promote certain insurance companies, and ordered a wider investigation. However, in its final order in 2017, the CCI said Hyundai's insurance arrangements were not anti-competitive. "The most credible way for Maruti to show there is no tie-in would be by providing actual data on Maruti car buyers opting for insurers other than those recommended by it," said Rahul Rai, a New Delhi-based lawyer specialising in antitrust law. REUTERS

The CCI in June last year received an anonymous complaint regarding insurance plans recommended by Maruti

SC to hear Tatas' plea on NCLAT judgment today

PRESS TRUST OF INDIA
New Delhi, 9 January

The Supreme Court is scheduled to hear on Friday the petition by Tata Sons (TSPL), challenging the decision of the National Company Law Appellate Tribunal (NCLAT), restoring Cyrus Mistry (*pictured*) as executive chairman of the Tata Group.

The matter is listed before a Bench of Chief Justice S A Bobde, and Justices B R Gavai, and Surya Kant. Sources said Tatas' have roped in senior advocate Abhishek Singhvi, Harish Salve, Mukul Rohatgi, and Mohan Parasaran to argue the case. "We will seek stay of the NCLAT decision in toto," one of the sources said.

TSPL has challenged the December 18 decision of the NCLAT that gave a big relief to Cyrus Investments and Mistry, restoring him as the executive chairman of TSPL. Cyrus Investments, Mistry, and other respondents who have filed a caveat that no ex-parte order be passed in the matter will be represented by senior advocates C A Sundaram, Arvind Datar, Shyam Divan, and Somasekhar Sundareshan. The NCLAT also ruled that the appointment of N Chandrasekaran as head of the holding company of the $110-billion conglomerate was illegal. The Tatas submitted the verdict by the NCLAT "undermined corporate democracy" and the "rights" of its board of directors.

While the petition has been pending, Mistry came out with a statement saying that he is not interested in returning and the decision was made in the interest of the group, whose interests are far more important than the interests of any individual.

IN BRIEF

HDFC completes majority buy in Apollo Munich

Mortgage lender HDFC on Thursday said it has completed the acquisition of majority stake in Apollo Munich Health Insurance for ₹1,495.81 crore. HDFC bought 50.80 per cent stake of Apollo Hospitals Group in Apollo Munich for ₹1,485.14 crore and 0.36 per cent shareholding of employees for ₹10.67 crore. On January 2, HDFC had informed that the company and its subsidiary HDFC ERGO has got approvals for acquiring a majority shareholding in Apollo Munich. "Subsequent to this approval (regulatory), Apollo Munich Health Insurance Co has been renamed as HDFC ERGO Health Insurance (HDFC ERGO Health) and will operate as a subsidiary of HDFC," HDFC said in a regulatory filing on Thursday. PTI

Removing Airtel from ratings watch depends on SC: Fitch

Fitch Ratings on Thursday said removing Bharti Airtel from its Rating Watch Negative (RWN) will depend on the Supreme Court ruling, on a review petition filed by telecom companies against being asked to pay backdated statutory dues after considering non-telecom revenues. Fitch assigned a rating of 'BBB-' to the firm's proposed US dollar senior unsecured convertible notes. PTI

Centre asked to stop disinvestment by Bridge and Roof

Citing doubling of the order book and rise in profitability, Bridge and Roof Company India (B&R) is considering writing to the Centre, asking to reconsider the disinvestment plan. In 2016-17, the Centre had first mooted the plan to divest its 99.35 per cent stake in this engineering, procurement and construction Miniratna company and invited expression of interest from investors in 2018. BS REPORTER

Mastek arm offloads stake in Majesco USA to drive growth

Mastek on Thursday said that its arm Mastek UK had sold partial stake in Majesco USA for a cash consideration of $1.59 million (about ₹11.3 crore). "Mastek UK (material wholly-owned arm of Mastek) intimated us about sale of its partial holding of 2,02,183 shares in Majesco USA for cash consideration of $1.59 million, in the open market on NASDAQ on January 8, 2020," the IT firm said. PTI

British Airways to connect London with Bengaluru

British Airways on Thursday announced the launch of its state-of-the-art A350 aircraft with the club suite from Kempegowda international Airport from Bengaluru to London's Heathrow Terminal 5. The daily flight from Bengaluru to London, which started from January 1, is marked by sophistication, luxury, privacy and branded business cabin called Club Suite with luxurious flat-bed seats, British Airways head of sales, (Asia-Pacific and Middle-East) Moran Birger said. PTI

In November 2019, Indian airlines experienced a return to double-digit growth for the first time since January 2019, as traffic rose 11.3 per cent, compared to November 2018, the International Air Transport Association said on Thursday. "However, economic growth in the third quarter was the weakest in around six years amid a broad-based slowdown that is affecting many sectors of the economy. This will present a more challenging environment for the industry, going forward," said IATA, which represents around 290 airlines comprising 82 per cent of global air traffic, measures passenger growth in revenue passenger kilometres (RPKs), which is calculated by multiplying the number of people to the distance travelled by them. COMPILED BY ANEESH PHADNIS

Top air passenger markets in November 2019

Domestic traffic in India rose the most in the world

	World share* (%)	RPK (% chg YoY)
US	14.0	▲2.4
China	9.5	▲5.3
India	1.6	▲11.3

RPK: Revenue passenger kilometre measures actual passenger traffic;
*% of industry RPKs in 2018
Source: IATA

IN TOP GEAR

'Tata Motors will get back to growth path by H2 FY21'

SHALLY SETH MOHILE
Mumbai, 9 January

Tata Motors expects the automobile industry to turn around in the second half of financial year 2020-21 (FY21). This would be after the switch from BS-IV to BS-VI emission rules is complete and the central government's effort to turn around the economy starts paying off, said Guenter Butschek, managing director.

Tata, the country's largest in the segment by sales revenue, says it will begin introduction of its BS-VI range with passenger vehicles (PVs), starting this month. There will be four global unveilings, 14 commercial, and 12 PV displays at the coming Auto Expo 2020, in Greater Noida.

"We are going to get back to a growth path. Am being cautiously optimistic; the second half of FY21 should be realistic," Butschek, leading Tata Motors India operations for four years, told reporters.

He says the PV market could see growth earlier, if the current trend of monthly improvement in retail sales continues. However, a real breakthrough in volumes will be in the festive season, he adds.

Butschek remains cautious on the commercial vehicle (CV) segment, the fortunes of which are linked to the economy and regulatory changes. He says the segment has "yet to swallow" the impact of 2018's axle load notifications and needs intervention like a scrappage policy to revert to a growth path.

The revised axle norms (July 2018) increased the freight capacity of operational trucks by 20-25 per cent. It impacted inter-state movement of trucks, the bulk of primary freight and where overloading was limited. Butschek says if these norms had taken effect in 2021 and a scrappage scheme from April 1, the CV industry wouldn't have suffered so much, as each would have compensated for the other.

His concern on CVs is in the backdrop of a slowing economy and overall slowdown in consumption, prompting fleet operators to put off buying of new trucks or replacing of existing ones, despite deep discounts.

The crucial transition to BS-VI, from April 1, is another worry. It is expected to disrupt the CV industry in a big way, given the higher pricing of vehicles with the new emission technology. Unlike PVs, the transition in CVs will come with multiple variants, trim levels and body types. This makes the exercise quite complex.

The transition is an opportunity to "recalibrate the transaction price" (sale price) of CVs, said Butschek, alluding to the practice of sale at deep discounts. While high discounts to clear old stock is fine, it cannot become routine and be done to buy market share, he added. "It's retail that should trigger wholesale and wholesale should trigger production. Otherwise, we will have a discrepancy between demand and supply."

Asked if Tata was seeing transporters buy their BS-IV trucks to beat the coming price hike of 10-25 per cent in BS-VI ones, he said pre-buying had started but not by as much as one expected at the beginning (April 2019) of this financial year. Truck sales in India have been skidding since June.

GUENTER BUTSCHEK
MD & CEO, Tata Motors

"IT'S THE RETAIL THAT SHOULD TRIGGER WHOLESALE AND WHOLESALE SHOULD TRIGGER PRODUCTION. OTHERWISE, WE WILL HAVE DISCREPANCY IN DEMAND AND SUPPLY"

M&M to drive EV plan via shared mobility

ARINDAM MAJUMDER
New Delhi, 9 January

Automobile entity Mahindra & Mahindra says shared mobility will be the base of its electric mobility plan.

"This is in tune with government policy. The company is working with state governments and fleet operators to make electric mobility viable. Mahindra now has 22,000-23,000 electric vehicles (EVs) on ground," said Pawan Goenka, managing director.

EVs, believes the company, can take off faster in the shared mobility segment. Goenka also notes many states have started procuring electric buses, with at least 4,000 of these to be on road this year. Mahindra Electric has been in partnership with electric fleet provider Lithium Urban for five years, covering 100 million e-kms, it says, in the Bengaluru-based startup's fleet.

Goenka says many states have started procuring electric buses, with at least 4,000 of these to be on road this year

Goenka says Mahindra is also looking to electrify radio taxi operator Meru's fleet, although there is no deadline. Mahindra acquired a 55 per cent majority stake in Meru during September 2019.

"The company is working with states and fleet operators to make electric mobility viable. We have 22,000-23,000 EVs on ground"

PAWAN GOENKA
MD, Mahindra & Mahindra

According to a report from Bloomberg NEF, shared mobility services will adopt EVs faster than private owners. By 2040, around 80 per cent of the global ride-sharing fleet will be attributed to EVs; the present ratio is only 1.8 per cent (including taxis, ride hailing and car sharing). Attractive economics, it says, will push the ratio.

It also claims that demand for private vehicle ownership will gradually reduce and shared mobility see a multi-fold hike. Currently, at least a billion people are said to use some form of a ride-hailing app across the world.

Mahindra will be launching its ATOM Electric in the third quarter of 2020-21 for a shared mobility fleet entity.

By this March, it also plans to localise production of EV parts in India (however, this excludes battery cells). The company will be manufacturing motors, chargers and assembling batteries at its Bengaluru factory, where it has invested ₹250 crore.

Mahindra has also decided to set up a research and development (R&D) centre in that city, investing close to ₹500 crore. The R&D is aimed at manufacture of high voltage batteries and high power starter motors, among other EV components.

Data subscriber additions and ARPU growth may dial in cheer

But tariff hikes will not translate instantly into ARPU growth

ROMITA MAJUMDAR
Mumbai, 9 January

The October-December quarter is likely to yield healthy operational performance for telecom operators with data adoption, subscriber addition, and average revenue per user (ARPU) showing positive growth.

QUARTERLY RESULTS

Incumbent telcos are expected to report revenue growth, following higher data usage and data subscriber addition, while benefiting from interconnect usage charge (IUC) introduced by Reliance Jio. However, the impact of internet shutdowns across the country and subscriber response to recent tariff hikes will be watched closely.

"Incumbent telecom operators are expected to see sequential improvement in wireless revenue, driven by healthy data subscriber addition, resumption of services in Jammu & Kashmir (J&K), and some voice traffic shift from Jio due to the introduction of IUC top-up vouchers," noted Naval Seth, research analyst, Emkay Global in a report. The analyst, however, notes that there will be little impact of the tariff hike in the third quarter as subscribers would have recharged ahead of the hikes.

Estimate ARPU for Bharti Airtel and Vodafone Idea is likely to improve by 6 per cent and 7 per cent quarter-on-quarter (QoQ), respectively. Jio's growth might be impacted slightly due to the new charges, noted Seth.

"We expect Vodafone Idea to report subscriber base decline of 5 million on integration, led by network flux, while addition for Airtel is estimated around 3 million, as it may benefit from new entrant (Jio) charging for voice and J&K situation normalising. We see strong data subscriber addition of 13 million and 5 million for Airtel and Vodafone Idea, respectively," wrote Sanjesh Jain, research analyst, ICICI Securities.

Airtel's India revenue is expected to grow 3 per cent QoQ (7.2 per cent year-on-year) to ₹159 billion, mostly led by the mobile segment, and earnings before interest, taxes, depreciation, and amortisation (Ebitda) will likely decline 2.1 per cent QoQ to ₹62 billion on normalisation of selling, general, and administrative cost, which had one-off benefit in the second quarter of 2019-20.

For Vodafone Idea, revenue is likely to rise 1.5 per cent QoQ to ₹110 billion, on better ARPU. However, the operator's network issues during the past quarter are likely to result in significant churn.

"For Jio, we expect ARPU to increase to around ₹123 (versus ₹120 in F2Q20), leading to 9 per cent QoQ revenue growth. We expect Ebitda margin to improve QoQ, benefiting from revenue growth and lower interconnect costs, partly offset by increase in network costs," noted Parag Gupta, equity analyst, Morgan Stanley, in a report.

With IUC charges across telcos now, the incumbents are not likely to see significant IUC benefits this quarter, but tariff hikes will drive numbers. However, the full impact of tariff hikes will be spread over two quarters as a bulk of subscribers are now opting for three-month recharges.

Vodafone Idea is expected to report the closing phase of subscriber churn to retain users that spent a minimum amount on their subscriber identity module. Analysts will look for commentary on incremental adjusted gross revenue provisions, ARPU growth and strategy to further maintain it as well as subscriber movement as higher tariffs require further consolidation in the market.

SCOPE FOR GROWTH

Estimates of QoQ for Q3

	Airtel	Vodafone Idea	Jio
Revenue growth (%)	6.4	1.7	8.4
Data subscriber growth (%)	12.0	4.0	5.9
ARPU growth (%)	6.0	6.6	1.7

Source: Emkay Research
(Airtel India wireless estimates)

Won't face insolvency, says Reliance Infra

AMRITHA PILLAY
Mumbai, 9 January

Anil Ambani-led Reliance Infrastructure (RInfra) will not undergo insolvency proceedings as it is looking to pay its lenders in the next few weeks, said a company executive. RInfra is likely to complete the sale of its Delhi-Agra toll road by January-end and its proceeds will be used for debt repayment, the executive added.

"RInfra has received in-principle approval for harmonious substitution in the Delhi-Agra (DA) toll road project on January 7 from the National Highways Authority of India (NHAI). This approval paves the way for closing the sale," the company said in a statement on Thursday.

In March 2019, RInfra had agreed to sell the Delhi-Agra road project to Cube Highways and Infrastructure for an enterprise value of ₹3,600 crore. Of this, ₹1,900 crore will move as special purpose vehicle (SPV) debt to Cube Highways. RInfra is expected to receive ₹1,700 crore as consideration for its equity component in the project. "100 per cent of the proceeds will be used by RInfra to pay the lenders and reduce the debt of the company," the statement said.

The executive mentioned earlier said with the payment of ₹1,700 crore to lenders, RInfra would not need to go through an insolvency process.

In a disclosure to the exchanges, RInfra pegged its current default amount at ₹1,048.70 crore. The disclosure said the total amount outstanding as on date in terms of loans and revolving facilities was ₹4,597.06. The company's financial indebtedness, including short-term and long-term debt, was ₹6,073.66 crore.

In July, the company entered into an inter-creditor agreement (ICA) with its lenders, which allowed for a standstill arrangement for six months. The tenure ended earlier this month. "The ₹1,048.70 crore default amount is for the period between July and December," the executive said.

The RInfra statement added, " This (the payment from the deal proceeds) is in line with the commitment made by RInfra to its 16 lenders on July 6, 2019, when the lenders signed an ICA for the resolution of the debt and granted moratorium to the company on the interest and principal payments."

RInfra has set a target to be debt-free at the standalone level in 2020. In its earlier statements, the company said it was looking to monetise its Mumbai office property through long-term lease as part its debt reduction plan.

DEBT BURDEN

₹6,073.66 cr
Total financial indebtedness

₹4,597.06 cr
Outstanding loans and revolving facilities

₹1,048.70 cr
Current default amount

₹1,700 cr
Cash proceeds expected from road asset sale

Source: Company announcement

Govt gives tax breather to airlines

Fuel throughput charge scrapped; carriers to save ₹500 crore a year

ANEESH PHADNIS & ARINDAM MAJUMDER
Mumbai/ New Delhi, 9 January

The fuel bill of airlines is set to reduce as the civil aviation ministry has ordered discontinuation of the fuel throughput charge (FTC) collected by airports from oil companies.

People in the know said the move will help airlines save close to ₹500 crore per year. Fuel is one of the highest cost components for airlines.

Airports levy charges such as FTC, infrastructure charge, and into-plane charges on sale of jet fuel. The levy is passed through to airlines, pushing up costs. FTC varies from airport to airport. At Mumbai airport, ₹1,000 is levied per kilolitre of jet fuel. A kilolitre of ATF is priced at ₹64,529 in Mumbai.

In addition, various taxes such as GST and VAT are levied on the FTC, pushing up the cost. "For every ₹100, tax components including GST and VAT push up the cost by ₹60. Airports are not providing any kind of service in return. Why should we pay for that? Abolishing throughput charges is a big impetus at a time when oil prices are rising," said the CEO of a private airline.

"It was seen that the global best practices at airports avoid levying a double charge by way of land rental on fuel suppliers for the use of the land at the airport, and a market access or concession fee for providing commercial opportunity when there is no underlying tangible service being rendered by the airport operator," the government said in the circular.

Airports levy fees such as FTC, infrastructure charge, and into-plane charges on sale of jet fuel

The move will negatively impact cash flows of airports in the near term, but operators will get compensated during tariff revision.

FTC has been a source of dispute between airlines and airport operators for 10 years now. Global carriers Emirates and Air France, too, had opposed the charges. Airlines have opposed the levy and urged the government to scrap it on the lines of Europe. Airlines have also complained of double taxation as both airports and oil companies collect tax in the process.

"IATA is opposed to airports levying charges on aviation fuel services that are not cost-related and justified," wrote the global lobbying firm for airlines in its letter to the government.

The civil aviation ministry had set up a committee in 2019 to rationalise taxes on jet fuel, which are among the highest in the region. On their part, airport operators had asked the government not abolish FTC due to an ongoing litigation.

The ministry said the FTC, in its all its manifestations, shall be discontinued at airports, airstrips, and heliports with immediate effect. The ministry said airports will be compensated during tariff fixation, and charges will be recalibrated factoring in the revenue loss.

"The order will bring immediate relief to airlines but we will have to see what impact it causes on overall airport charges," said an airline executive.

The Mumbai and Delhi airports have challenged the Airport Economic Regulatory Authority's decision to treat FTC as aeronautical charges. The airports contend that these are non-aeronautical in nature and should be outside the regulatory tariff fixation process.

RCom CoC to seek 24-day extension for asset sale

SURAJEET DAS GUPTA
New Delhi, 9 January

The committee of creditors (CoC) tasked with finding buyers for the Anil Ambani-promoted Reliance Communications and its two arms decided at a meeting on Thursday to seek an extension of 24 days from the National Company Law Tribunal (NCLT) to complete the process.

Banking sources involved in the process of sale of the companies — Reliance Communications, Reliance Telecom Infrastructure, and Reliance Infratel, which houses the tower and fibre assets — say they are expecting the extension to be granted soon.

The creditors have to recover ₹33,000 crore of secured debt through the IBC process

The deadline for completion of the sale ends on January 10. However, though various offers have come for the companies, the CoC has not come to a final decision.

Reliance jio has made an upfront offer to buy Reliance Infratel for ₹3,600 crore and is ready to pay cash upfront in 60 days. It is not interested in the two other companies that have the spectrum and real estate assets.

The other bidders include Bharti Airtel, Värde Partners and UV Asset Reconstruction Company (UVARCL). However, it is believed none of the other bidders are ready to give a reasonable upfront payment to buy the company.

The creditors have to recover around ₹33,000 crore of secured debt through the Insolvency and Bankruptcy Code process. Yet the offers would force them to go for a large hair cut. Bankers say it might be better if the company is out under liquidation and assets sold in parts to get better value.

Amazon founder Jeff Bezos to visit India next week

PRESS TRUST OF INDIA
New Delhi, 9 January

Amazon founder and CEO Jeff Bezos will be visiting India next week and is likely to meet Prime Minister Narendra Modi and officials, besides industry leaders, according to sources.

The top executive will also attend SMBhav – an event focussing on small and medium businesses in India - that is slated for January 15-16 in the capital city. When contacted, Amazon declined to comment. Amazon, which has seen significant growth in its business in India, has also witnessed protest from a section of traders in the country who claim that e-commerce giants including Amazon and Walmart-owned Flipkart offer deep discounts and engage in unfair business practices.

Last year, the government had tightened rules for e-commerce marketplaces with foreign investment. These rules barred such platforms from offering products of sellers in which they hold a stake and banned exclusive marketing arrangements among other clauses. Following this, Amazon restructured its joint ventures to ensure compliance.

Bezos is likely to discuss regulatory issues in his meeting with the government officials. He is also slated to engage with SMBs during the SMBhav event.

Ashok Leyland partners ABB Power Products for electric bus development

Hinduja Group flagship firm Ashok Leyland and ABB Power Products and Systems India on Thursday announced a partnership for co-operation in public electric mobility space with plans to develop electric bus that can be charged within seconds.

The partnership aims to expand eco-system for efficient and greener electric bus transportation systems in India, the companies said.

The partners aim to develop a pilot electric bus based on ABB's innovative flash-charge technology, TOSA, which tops up the battery in just seconds while passengers get on and off the bus. "This avoids the need to take the vehicle out of service for recharging every few hours or having a replacement bus ready, thus minimising the size of the fleet while increasing passenger carrying capacity," the statement said. PTI

Proxy advisors ask for Sterling and Wilson Solar exit offer

AMRITHA PILLAY
Mumbai, 9 January

Proxy advisory firm InGovern on Thursday asked Sebi to force the Sterling and Wilson Solar promoters to provide an exit offer to its shareholders. The firm, in its report, added failure of timely repayment of debt amounts for changes in objects of the public offer.

"While the objects of the initial public offering (IPO) were to enable the promoters to repay loans amounting to ₹2,563 crore to Sterling and Wilson Solar within 90 days of listing, the Company has received only ₹1,000 crore on December 31, 2019, i.e., 133 days after listing," InGovern said. It further said, "This is tantamount to change of objects of the IPO from what was stated in the prospectus. This has resulted in aggrieved minority public shareholders." Building a case for the market regulator Securities and Exchange Board of India (Sebi) to take action, the advisory firm in its note added, "In this case, where shareholders have suffered significant erosion in value of their holdings solely due to the non-utilisation of funds as per the objects of offer of the IPO, Sebi must force the promoters to provide an exit offer to shareholders at a price according Sebi (ICDR) Regulations."

InGovern pegged the loss to public minority shareholders at ₹1,700 crore. "This non-fulfilment of obligations by the promoters as per the objects of the offer has resulted in a loss of over 60 per cent in investment value for IPO investors as stock price has fallen from the issue price of ₹780 to ₹310 as on January 6, 2020." Shriram Subramanian, founder and MD of InGovern said, "The Shapoorji Pallonji group should provide an exit option for public minority shareholders. This is a demand from minority shareholders and Sebi should force the promoters to provide and exit option for minority public shareholders."

Uber India announces new safety features

NEHA ALAWADHI
New Delhi, 9 January

Uber announced the launch of new safety features for the India market on Thursday.

The first one, RideCheck, will enable the company to note trip irregularities such as long or unexpected stops or midway drops that might indicate an increased safety risk, especially for women.

"If an anomaly is detected, Uber will send a push notification to both driver and rider, through the safety blue shield within the app. They will then see five or six options to clarify on the situation, such as share location, call 100, reach out to the Uber safety line and so on," said Sachin Kansal, it senior director for global safety products.

The company says the feature is now live for about half of Uber's users and will be available for the other half within two weeks. Riders have complained of not being able to get help or being stranded on roads due to a cab breakdown and so on. This feature could address some of these.

Uber will also be experimenting with audio recording as a safety feature in the Indian market this year. This choice will be given to rider or driver through their phone while on-trip. When the trip ends, the user has the option to report a safety incident and send the recording. The audio file will be recorded within the Uber app and encrypted. The user will not be able to listen to the stored recording on his or her device but may choose to send it to Uber's customer support agents, who will use the audio to understand what did happen and take action. Only Uber will have access to the audio once the user sends it.

Rival Ola already offers some of these safety features on its platform

"It is a feature we tested in the Latin America market. We want to make sure we keep local regulation in mind before we pilot it in India," Kansal said.

Final word is awaited on the Personal Data Protection Bill. Once made into law, this will decide the privacy and personal data protections people would have in cases like these. The third feature is similar to the PIN-verification used by rival firm Ola. Once a rider boards a vehicle, they may provide a four-digit PIN number to the driver, verbally. The driver can then start the trip in the app only when the correct PIN is entered.

"We are also working on making this happen wirelessly — once a user is in close enough proximity with the driver, the PIN number can get entered automatically," said Kansal.

On whether this was a feature modelled after Ola, he said: "Our approach is not to follow competition; we are customer-obsessed. Our features are based on intensity of pain points and we accordingly prioritise our product roadmaps." Uber said it has invested in sensitising the drivers on its platform, especially on women's safety, in partnership with Manas Foundation. They say at least 50,000 drivers in eight cities have been sensitised.

Odisha okays Hindalco's ₹8K-cr alumina project

JAYAJIT DASH
Bhubaneswar, 9 January

The High Level Clearance Authority (HLCA), the apex body to clear investment projects in Odisha, approved a new greenfield alumina refinery unit, proposed by Aditya Birla Group-owned Hindalco Industries.

It is estimated to cost ₹8,000 crore, is proposed to come up at Kansariguda near Rayagada in Odisha. With an envisaged nameplate capacity of two million tonnes per annum, the project is expected to spawn employment for 4,250 people. Hindalco will bank on the Odisha government on raw material for feeding the refinery. This project is scheduled to go on stream in four to five years. Bauxite from any of the leases of Odisha Mining Corporation is likely to feed the planned refinery of Hindalco.

The alumina refining unit is planned at the foothills of the Kodingamali bauxite lease, currently under OMC's leasehold. Hindalco has 1,500 acres for this refinery. Rest 600 acres needed will be made available by the state authorities.

This will be Hindalco's second alumina refining complex in Odisha after Utkal Alumina refining project, also in Rayagada district.

"In a republic, the power should reside with the people who have been voted to power. This (not having statehood status) is neither good for the country nor for the national capital"

ARVIND KEJRIWAL
Delhi chief minister

"The government is using dictatorial policies. What happened in JNU is being opposed across the country. The government's dictatorship needs to be answered with Gandhiji's way of non-violence"

SHARAD PAWAR
NCP chief

"If we hold talks under the present scenario, I will surrender my seat or BJP won't contest the next polls. The clause of the CAA, the protesters are against or want to talk about, does not exist"

HIMANTA BISWA SARMA
Assam minister

DEEPENING TIES

External Affairs Minister S Jaishankar with his Sri Lankan counterpart Dinesh Gunawardena before a meeting at Hyderabad House, in New Delhi on Thursday PHOTO: PTI

Where's FM, asks Oppn as PM holds pre-Budget meet

FM to present 'pro-people Budget' on Feb 1: BJP

ARCHIS MOHAN
New Delhi, 9 January

Around the same time Prime Minister Narendra Modi held a meeting with economists and others for pre-Budget suggestions, Finance Minister Nirmala Sitharaman on Thursday separately interacted with Bharatiya Janata Party (BJP) leaders, giving ammunition to the Opposition to attack her absence from the PM's event.

"What is going on here? Finance Minister indisposed?" Congress leader Shashi Tharoor said in his tweet which showed photograph of the PM's meeting. "Where is the finance minister? Or has the duo (Modi and Home Minister Amit Shah) forgotten they have one," he tweeted.

The finance minister's office replied: "Sir, the minister has already met economists on December 20 as a part of the pre-Budget consultations."

The Congress Twitter handle posted messages that highlighted her absence from the meeting. "How many men does it take to do a woman's job?" it said in a tweet hashtagged "finding Nirmala". "Here's a suggestion, next Budget meeting, consider inviting the finance minister," it tweeted.

Union Minister Prakash Javadekar termed the Congress' tweets on the FM as "sexist". He said the comment was absolutely unnecessary in a civilised society and sought an apology from the opposition party.

Javadekar said the Congress was headed by a woman (Sonia Gandhi) and asked if she agrees with her party's view on Sitharaman.

Finance Minister Nirmala Sitharaman in a pre-Budget meeting with BJP's national office-bearers, spokespersons, Morcha members, and think tanks, at BJP headquarters in New Delhi on Thursday PHOTO: PTI

At its interaction with Sitharaman at the party's national headquarters in the afternoon, the BJP expressed confidence that a "pro-people" Union Budget will be presented on February 1.

The BJP, under the leadership of its general secretary (organisation) B L Santhosh, had undertaken month-long consultations with different stakeholders on the Budget preparation. Sitharaman held four rounds of meetings with the BJP leaders for their feedback from the consultations.

BJP Working President JP Nadda, general secretaries Santhosh, Bhupender Yadav and Arun Singh, and party's spokesperson on economic affairs, Gopal Krishna Agarwal were among those who attended the meeting.

The four party meetings attended by Sitharaman, included one each with BJP office bearers, spokespersons, and functionaries of various 'morchas' like those working with farmers, youth, and women among others.

"Prime Minister Narendra Modi has been running a government dedicated to people's welfare. This is the agenda of the government and that of the party as well," Singh said.

IN BRIEF

Axis Bank to hire 4,000 in March quarter; add 30,000 in 2 years

Axis Bank says it will hire 30,000 people in the next two years, including at its subsidiaries. Gross hiring till last month was 28,000 employees, as compared to 14,500 a year before. Net new hiring was 12,800 as measured that month, as compared to 3,000 till the earlier December. The bank plans to add another 4,000 in the March quarter, much of this in semi-urban towns and rural India. Around 800 employees have been added in an additional unit which is working on intelligent automation across banking operations, using artificial intelligence, machine learning, big data and RPA (Robotic Process Automation). The bank has 75,000 employees in all; the total was 60,000 a year before. However the bank has reported two percent spike in its attrition. As of last month, staff attrition in the financial year was 19 per cent; it was 17 per cent a year before. BS REPORTER

Need 6.3% labour productivity for 8% GDP hike: Ind-Ra

India Ratings and Research on Thursday said that the country will have to increase its labour productivity growth to 6.3 per cent to attain 8 per cent economic growth. The labour productivity growth in FY19 was 5.2 per cent. "India will have to raise its labour productivity growth to 6.3 per cent to achieve 8 per cent GDP growth. And to attain nine per cent growth, labour productivity growth will have to be raised to 7.3 per cent," India Ratings and Research (Ind-Ra) said. PTI

Justice Dilip Bhosale resigns as member of Lokpal

Justice Dilip B Bhosale has resigned as member of the country's anti-corruption ombudsman Lokpal nine months after he was appointed to the Constitutional post. "I have tendered my resignation from the post of judicial member Lokpal on January 6, from January 12, due to personal reasons," he said. PTI

Sale of 13th tranche of electoral bonds from Jan 13: FinMin

The finance ministry on Thursday said 13th tranche of electoral bonds sale will take place from January 13 to January 22. Electoral bonds have been pitched as an alternative to cash donations made to political parties as part of efforts to bring transparency in political funding. PTI

Oriental Bank cuts MCLR by up to 0.15%

State-owned Oriental Bank of Commerce on Thursday announced to cut the marginal cost of funds based lending rate (MCLR) for various tenors by 0.05-0.15 per cent. The bank has decided to reduce the MCLR for different tenors with effect from January 10, 2020, it said in a regulatory filing. It has cut the benchmark one year MCLR — against which most of the consumer loans are priced — by 0.15 percentage points to 8.15 per cent. For other tenors from overnight to 6-months, the MCLRs have been cut in the range of 0.05-0.10 per cent. PTI

Budget maths won't be hit if oil is below $70: Analysts

ARUP ROYCHOUDHURY
New Delhi, 9 January

On top of the sustained economic slowdown that the Narendra Modi government has to factor in as it readies the 2020-21 Union Budget, there is also the uncertainty of further flashpoints in the West Asia and the resultant impact on crude oil prices.

Analysts and economists, however, say that as long as crude prices stay below the $70 a barrel level, neither the Centre's Budget maths nor inflation trends will be affected adversely. And going by the recent statements from global leaders, including US President Donald Trump, a de-escalation is being sought, which is good news for budget-makers.

"We would be okay if the budget-makers have assumed average crude price for the coming fiscal year between $65-70 a barrel for their fiscal arithmetic. The critical point is that the fiscal arithmetic needs to get more credible," said Shubhada Rao, chief economist at YES Bank.

BUDGET INSIGHT OUT 2020-21

"The economy and the Centre's Budget calculations are unlikely to be significantly impacted if crude stays below $70 for a sustained period. Even if it goes above that for a short period, there shouldn't be a big impact. If crude prices are above that mark for more than two months or so, then there will be a problem," said Devendra Kumar Pant, chief economist with India Ratings.

EXPERTSPEAK

- Expect adverse impact if crude prices go above $70/bbl for a sustained period
- Budget calculations will be upended and inflation will shoot up
- However, Opec and US want oil prices to stay low
- Global economy weak, will not withstand another oil shock
- Signs of de-escalation in West Asia

Oil sank to the lowest level in a month after shedding all of its gains from the US-Iran clash as traders waited to see whether any further hostilities will disrupt exports from the East Asia, according to Bloomberg.

Futures in New York declined as much as 1.6 per cent on Thursday after losing nearly 5 per cent the day before as President Trump downplayed the impact of missile attacks on American bases in Iraq. That's allayed concerns that Washington and Tehran were headed for military confrontation. There's been virtually no impact on the supply of oil to the market.

West Texas Intermediate for February delivery weakened 80 cents to $58.80 a barrel on the New York Mercantile Exchange, after climbing as much as 1.2 per cent earlier. Brent futures for March settlement slipped 66 cents to $64.78 a barrel on the ICE Futures Europe exchange, after rising as much as 1 per cent earlier.

"OPEC region may not want a serious escalation of a war-like situation because their economies may also turn significantly vulnerable. Trump's messaging in the run-up to the Presidential elections is an acknowledgement that he wants to de-escalate," said Rao, adding it was in nobody's interest to let oil prices rise.

"Global recovery is nascent and further flashpoints may also affect US recovery. The global economy is still not in a position to withstand another big oil shock," she said.

Pant said any unexpected rise in crude prices in the coming months would not only upend Budget calculations by expanding the petroleum and fertilizer subsidy bills, but will also lead to a rise in inflation, which in turn will force a response on the monetary policy front.

India distracted by ideological considerations: Nouriel Roubini

PRESS TRUST OF INDIA
Mumbai, 9 January

According to US economist Nouriel Roubini, the Indian economy is in a slowdown and the declining growth will "probably stabilise" in 2020

Indian policymakers have been "distracted" by ideological considerations, when the economic slowdown deserves the most attention, American economist Nouriel Roubini said on Thursday.

Foreign investors get "worried" by scenes of protests on the streets, the professor at New York University's Stern School of Business said, warning that economic slump can make a regime unpopular.

The comments from Roubini come at a time when official data showed that GDP growth may slip to 11-year-low of 5 per cent this fiscal, and amid growing protests across the country against the Citizenship Amendment Act, which critics allege as being discriminatory against the Muslims. "The macroeconomic policies are not where they should be, structural policies are not where they should be," Roubini said, while speaking at an event organised by CFA Society India.

In a conversation with global brokerage firm Morgan Stanley's Riddham Desai, Roubini rued that Indian policymakers are focusing on other aspects despite global headwinds like the impacts that can be caused due to a rise in oil prices amidst the US-Iran conflict. x"The attention of the policymakers should have been concentrated on the economy and is instead distracted by political things, ethnic things and other things to do with ideology," Roubini said.

Uncertainties are not good for the economy, he said and referred to President Bill Clinton's famous phrase 'It is the economy, stupid!' to warn that the policies adopted may not pay political dividends as well. "You may be popular initially because of politics and ideology but if the economy slows down, you will be losing your popularity," Roubini said.

He said the Indian economy was in a "slowdown" and the declining growth will "probably stabilise" in 2020.He bracketed India among the emerging markets where a growth pick-up is up to two quarters away.

While speaking on the monetary policy-related aspects, Roubini also flagged up the issue of RBI autonomy.

In letter, not in spirit? Taking stock of Andhra's prohibition

Govt's funds crisis is so severe that it has failed to settle ₹2,000 cr it owes liquor and beer suppliers

B DASARATH REDDY
Hyderabad, 9 January

Andhra Pradesh's "phased prohibition" policy has had a strange hangover. Sales declined when the government took over retail business last October to implement the policy but people have had to wait longer as they queue up at liquor stores.

Customers are confused when they find unfamiliar brands on the shelves and the ones they know missing, said an onlooker. "Undecided at the first instance, people come back again to join the queue to buy a bottle since the stores are filled with labels they hardly recognise," said Suresh Reddy, a resident of Guntur who has experience in liquor business.

Chief Minister Y S Jagan Mohan Reddy's has said that he would sacrifice liquor revenues — ranging from ₹18,000 crore to ₹20,000 crore annually — for the sake of public good, but phased prohibition appears to prove otherwise.

The government's funds crisis is so severe that it has failed to settle nearly ₹2,000 crore it owes to liquor and beer suppliers for bills pending since mid-August 2019, according to multiple sources.

Phased prohibition, strange effect

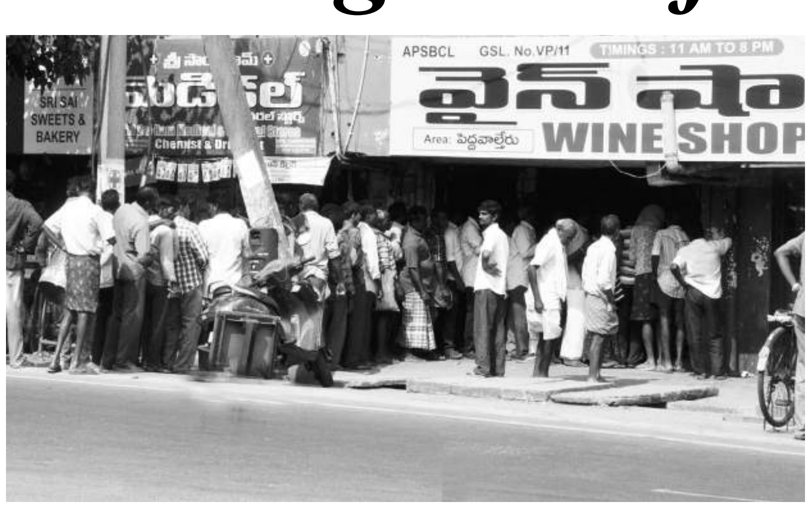
Revenue from liquor and beer sales grew by around 6 percent at ₹18,320 crore up to December 31, 2019 compared to ₹17,320 crore in the same period previous year, according to official data. Without prohibition, Andhra's liquor sales would have been much higher.

"Even the dip in sales revenues registered in the months of September and October were not on account of prohibition but because retailers did not lift the stock as their license term was ending in September. Any remainder of stock will have to be surrendered to the government first and (businesses will have to) wait for the refund for months afterwards, which no one would like to do," said a Vijayawada-based industry association leader. Liquor sales declined 20.63 per cent and beer 12 per cent in April-December 2019, matching the government's claim that the phased prohibition is working. The numbers are a paradox though: sale revenues increased as volumes climbed down, thanks to the increase in liquor prices.

Meddling with the market

Liquor ban failed when it was tried out in undivided Andhra and elsewhere in the country, but chief minister Reddy has said his government would succeed with its gradual prohibition approach. His government seeks to curtail the availability of liquor before completely banning the sale in the last year of its term in 2024.

But industry insiders say that many things that have been happening in the name of the phased prohibition are either not helping the cause or have got nothing to do with the stated objective. Alleged meddling with brands is one of those trends that is no way connected to the stated policy and it is seen where ever governments hold absolute control over retail liquor trade.



After taking over the liquor retail trade, the government opened 3,500 stores —about 20 per cent fewer since the last excise year lasting October to September

After taking over the liquor retail trade, the government opened 3,500 stores — about 20 per cent fewer since the last excise year lasting October to September. The government will gradually reduce stores each year till none exist by 2024.

People, however, question the logic in reducing liquor stores in big towns and cities but not touching those in rural areas. "Traveling a couple of more miles in the city to buy a bottle of liquor is not a big deal as every household will at least have a bicycle. How would it help reduce the liquor consumption?" said a liquor industry representative said on condition of anonymity.

Leaving that aside, the pricing and repositioning of mass market categories looks largely responsible for the decline in the sales volume. The only evidence the government can produce to prove the success of the 'phased prohibition' would be a decline in sales volumes each year until the day it entirely stops alcohol sales.

The government, before it implemented phased prohibition, increased the price of lower category liquor (90 ml quantity) to ₹100 from ₹80, to ₹120 from ₹100 for the category a notch above, and to ₹140 from ₹120 for mid-level spirits. The pricing protected, if not increased, liquor revenue.

The lower, or base-category liquor, alone had 40 percent share in overall sales volumes of around 3-3.2 million cases per month followed by the ₹120 price category liquor with around 35 per cent share before the 'phased prohibition was introduced. These two categories roughly commanded 75 percent of the total liquor volumes in the state.

The volumes of lower-category liquor (₹100-price point) fell by 50 percent while ₹120-price category sales increased to 40-50 percent of the total volumes, according to the distillery industry sources. The fall in volume growth has significantly come from the lowest category level.

"There seems to be a conscious attempt to push the customers of lower category liquor to the next price point while pulling the consumers of middle and premium segments to the levels down below them. There is a talk in the government that from April onwards only the ₹120-price point will be made available at the lower end," a senior official, who heads the operations of a popular mass market liquor brand, told *Business Standard* on condition of anonymity.

Increasing prices gave the government a problem: smuggling. The cheapest liquor in Telangana costs ₹85, but in Andhra it's ₹100 MRP or ₹120 if sold illegally at the doorsteps. This 35-rupee price arbitrage has already encouraged many enterprising individuals to bring liquor from Telangana on bikes and other means to sell and make a living in their neighborhoods, according to a businessman who ran liquor stores for decades till the government stopped giving retail licenses in October last year.

Customers are unhappy at the steep rise in liquor prices and the way the unknown brands are pushed, according to Suresh Reddy. It was thought that liquor companies had stopped supplies when the government withheld payments but subsequent developments revealed the actual fact.

On November 25, a large brewery unit of the UB Group in Srikakulam was shut down. The reason being that AP Beverages Corporation did not place fresh orders for the highly popular King Fisher brand owned by the company for unknown reasons. Brands owned by international companies, including Diageo, Pernod and Record, disappeared from the shelves in Andhra on December 15.

"(The market) system became vulnerable as soon as the state government took over the retail liquor trade. From December 15, things have gone completely awry. All sorts of deals are being alleged but we still have to verify the facts," said Amrit Kiran Singh, executive chairman of International Spirits and Wines Association of India (ISWAI). Maharashtra, Kerala and UP have been trying to build liquor revenues through consumption of premium brands, but Andhra is going the other way, says Singh. According to him, ISWAI member companies would like Andhra to follow an indenting system based on average national market share of each brand, so that no particular label is unfairly promoted. This system would ensure that brand market shares would continue to be more or less in line with the market shares that existed in Andhra prior to the state government taking over the retail trade.

‘Tough times’: SC refuses urgent CAA hearing

JNU students during a protest march demanding removal of the university vice-chancellor, in New Delhi on Thursday PHOTO: DALIP KUMAR

Delhi Police baton-charge students protesting JNU violence; BJP leader Joshi demands removal of V-C

ARCHIS MOHAN & PTI
New Delhi, 9 January

The Delhi Police on Thursday evening resorted to a baton charge to disperse hundreds of students who had gathered in the heart of the capital to demand the sacking of the Jawaharlal Nehru University (JNU) Vice-Chancellor Jagadesh Kumar, reduction in fees, and arrests of perpetrators of violence in the university campus. The police have not made any arrests yet in Sunday night's violence by masked goons inside the JNU campus.

Protesting students and teachers received a shot in the arm from an unlikely source with veteran BJP leader Murli Manohar Joshi, the minister for human resource development in the Atal Bihari Vajpayee government, demanding that the JNU V-C be sacked. Joshi tweeted: “It is shocking that the V-C is adamant for not implementing the government proposal. This attitude is deplorable and in my opinion such a V-C should not be allowed to continue in this post.”

Thousands of students, including those associated with students' organisations of the Congress and Left parties, marched from Mandi House to Shastri Bhavan to meet Human Resource Development (HRD) ministry officials. HRD Secretary Amit Khare said officials would talk to Kumar again on Friday over the students' claims of revised fee not being implemented. “The removal of the vice chancellor is not a solution,” he said.

The student protests come in the wake of protests over the contentious Citizenship Amendment Act (CAA) and National Register of Citizens.

Refusing to entertain a plea seeking CAA be declared constitutional, the Supreme Court on Thursday said the country was going through difficult times and there was so much violence that endeavour should be for peace. A Bench, headed by Chief Justice S A Bobde, said it would hear the petitions challenging validity of CAA when the violence stops. “There is so much of violence going on. The country is going through difficult times and the endeavour should be for peace... This court's job is to determine validity of a law and not declare it as constitutional,” the CJI said. The SC had earlier fixed a batch of 59 petitions for hearing on January 22.

“You people (Congress and Left parties) follow one policy in West Bengal and a totally contradictory policy in Delhi. I do not want to be on the same page with you. If needed, I will fight alone

MAMATA BANERJEE
Chief minister, West Bengal

West Bengal Chief Minister Mamata Banerjee said in the Assembly she would boycott a meeting called by Congress interim president Sonia Gandhi on January 13 over violence and the CAA.

Congress leader Jairam Ramesh alleged the JNU violence was “officially sponsored goondaism” and said Home Minister Amit Shah and HRD Minister Ramesh Pokhriyal were responsible for it. The JD(U), headed by Bihar CM Nitish Kumar, asked ally BJP to take action against its leaders who had been speaking on issues settled by the brass, violating the “coalition dharma”.

One hundred and six retired bureaucrats on Thursday wrote an open letter to people, saying both the NPR and the NRC were “unnecessary and wasteful exercises” that will cause hardships to them. Former L-G of Delhi Najeeb Jung, former cabinet secretary K M Chandrasekhar, and former chief information commissioner Wajahat Habibullah, among others, urged the public to insist the Centre to repeal relevant sections of CAA 1955, pertaining to the issue of national identity cards.

Article 370: SC verdict today on pleas challenging curbs in J&K

PRESS TRUST OF INDIA
New Delhi, 9 January

The Supreme Court is scheduled to deliver on Friday its verdict on a batch of pleas, including that of Congress leader Ghulam Nabi Azad challenging the restrictions imposed in the erstwhile state of Jammu & Kashmir (J&K) following abrogation of provisions of Article 370.

A Bench of Justice N V Ramana, Justice R Subhash Reddy and Justice B R Gavai had reserved the judgment on November 27 last year.

On November 21, the Centre had justified restrictions imposed in J&K after the abrogation of provisions of Article 370 and said that due to the preventive steps taken, neither a single life was lost nor a single bullet fired.

The Centre had referred to terror violence in the Kashmir Valley and said that for the past so many years terrorists were being pushed through from across the border, local militants and separatist organisation had held the civilians captive in the region and it would have been “foolish” if the government would not have taken preventive steps to secure the lives of citizens.

Opposition parties say the government is organising guided tours to J&K for foreign envoys, but is not allowing Indian leaders to visit the UT

Visit of envoys

The government on Thursday said the objective of taking envoys of 15 countries to Kashmir was to help them see the efforts to bring back normalcy in the Valley after abrogation of Article 370 and rejected criticism that the visit is like a guided tour.

The envoys from 15 nations including, from the US, began a two-day government-facilitated trip to Jammu and Kashmir on Thursday. The Congress accused the government of “adopting double standards” by organising “guided tours” to J&K for foreign envoys, but not allowing Indian politicians to visit the Union territories. The People's Democratic Party (PDP) said the visit of envoys was an attempt by the government to “normalise its clampdown” in the Valley, daring the Centre to allow the dignitaries to meet the detained political leaders.

The National Conference said it was “disappointed” with the way the government brought envoys from various countries to “endorse” its “claims of normalcy” in the union territory.

PDP expels eight leaders

The PDP on Thursday expelled eight party leaders for going “against the will of the people” by engaging in parleys with the government. “PDP expels leaders for going against the will of the people,” the party said in a press release posted on its official Twitter handle.

US Ambassador to India Kenneth I Juster and envoys from 15 other countries arrived in Srinagar on Thursday on a two-day visit, the first by diplomats since August last year when the state's special status was revoked and it was downsized to a Union Territory PHOTO: PTI

‘Free Kashmir’ poster: Shiv Sena slams Fadnavis for targeting CM

The Shiv Sena on Thursday hit out at BJP leader and former CM Devendra Fadnavis for targeting Maharashtra Chief Minister Uddhav Thackeray over the "Free Kashmir" placard displayed by a woman at a protest in Mumbai against the JNU violence.

When Mehek Prabhu, a Marathi woman from Mumbai stood up for the pain of Kashmiris by holding the placard, the opposition termed it as "sedition, the Shiv Sena said, adding that there cannot be a "dirtier example of irresponsibility". In remarks laced with sarcasm, an editorial in Sena mouthpiece 'Saamana' said the placard "shocked the opposition leaders and awakened the nationalist sentiment in them." PTI

Facebook: Won't back down from allowing lies in ads

In this presidential election year, no big changes planned in policies governing political advertising

MIKE ISAAC
San Francisco, 9 January

Facebook said on Thursday that it would not make any major changes to its political advertising policies, which allow lies in ads, despite pressure from lawmakers who say the company is abdicating responsibility for what appears on its platform.

The decision, which company executives had telegraphed in recent months, is likely to harden criticism of Facebook's political ad practices heading into this year's presidential election.

The company also said it would not end so-called microtargeting for political ads, which lets campaigns home in on a sliver of Facebook's users — a tactic that critics say is ideal for spreading divisive or misleading information.

Political advertising cuts to the heart of Facebook's outsize role in society, and the company has found itself squeezed between liberal critics who want it to do a better job of policing its various social media platforms and conservatives who say their views are being unfairly muzzled.

The issue has raised important questions regarding how heavy a hand technology companies like Facebook — which also owns Instagram and the messaging app WhatsApp — and Google should exert when deciding what types of political content they will and will not permit. By maintaining a status quo, Facebook executives are essentially saying they are doing the best they can without government guidance and see little benefit to the company or the public in changing.

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In a blog post, a company official echoed Facebook's earlier calls for lawmakers to set firm rules. "In the absence of regulation, Facebook and other companies are left to design their own policies," Rob Leathern, Facebook's director of product management overseeing the advertising integrity division, said in the post. "We have based ours on the principle that people should be able to hear from those who wish to lead them, warts and all, and that what they say should be scrutinised and debated in public."

Other social media companies have decided otherwise, and some had hoped Facebook would quietly follow their lead. In late October, Twitter's chief executive, Jack Dorsey, banned all political advertising from his network, citing the challenges that novel digital systems present to civic discourse.

Google quickly followed suit with limits on political ads across some of its properties, though narrower in scope.

Facebook's hands-off ad policy has already allowed for misleading advertisements. In October, a Facebook ad from the Trump campaign made false accusations about former Vice President Joseph R. Biden Jr. and his son Hunter Biden. The ad quickly went viral and was viewed by millions. After the Biden campaign asked Facebook to take down the ad, the company refused.

"Our approach is grounded in Facebook's fundamental belief in free expression, respect for the democratic process and the belief that, in mature democracies with a free press, political speech is already arguably the most scrutinised speech there is," Facebook's head of global elections policy, Katie Harbath, wrote in the letter to the Biden campaign.

In an attempt to provoke Facebook, Senator Elizabeth Warren's presidential campaign ran an ad falsely claiming that the company's chief executive, Mark Zuckerberg, was backing the re-election of Trump. Facebook did not take the ad down. Criticism seemed to stiffen Zuckerberg's resolve. Company officials said he and Sheryl Sandberg, Facebook's president, had ultimately made the decision to stand firm.

In a strongly worded speech at Georgetown University in October, Zuckerberg said he believed in the power of unfettered speech, including in paid advertising, and did not want to be in the position to police what politicians could and could not say to constituents. Facebook's users, he said, should be allowed to make those decisions.

"People having the power to express themselves at scale is a new kind of force in the world — a Fifth Estate alongside the other power structures of society," he said.

Facebook officials have repeatedly said significant changes to its rules for political or issue ads could harm the ability of smaller, less well-funded organisations to raise money and organize across the network.

Instead of overhauling its policies, Facebook has made small tweaks. Leathern said Facebook would add greater transparency features to its library of political advertising in the coming months, a resource for journalists and outside researchers to scrutinise the types of ads run by the campaigns.

Facebook also will add a feature that allows users to see fewer campaign and political issue ads in their news feeds, something the company has said many users have requested.

There was considerable debate inside Facebook about whether it should change. Late last year, hundreds of employees supported an internal memo that called on Zuckerberg to limit the abilities of Facebook's political advertising products.

On December 30, Andrew Bosworth, the head of Facebook's virtual and augmented reality division, wrote on his internal Facebook page that, as a liberal, he found himself wanting to use the social network's powerful platform against Trump.

But Bosworth said that even though keeping the current policies in place "very well may lead to" Trump's re-election, it was the right decision.

Dozens of Facebook employees pushed back on Bosworth's conclusions, arguing in the comments section below his post that politicians should be held to the same standard that applies to other Facebook users.

For now, Facebook appears willing to risk disinformation in support of unfettered speech.

"Ultimately, we don't think decisions about political ads should be made by private companies," Leathern said. "Frankly, we believe the sooner Facebook and other companies are subject to democratically accountable rules on this the better."

Lebanon bans former Nissan boss Ghosn from travelling

LAILA BASSAM & NADINE AWADALLA
Beirut, 9 January

A Lebanese prosecutor imposed a travel ban on former Nissan boss Carlos Ghosn on Thursday, judicial sources said, after he was questioned over an Interpol warrant issued by Japan seeking his arrest on financial misconduct charges.

Ghosn fled Japan to Lebanon, his childhood home, last month as he was awaiting trial on charges of under-reporting earnings, breach of trust and misappropriation of company funds, all of which he denies.

The Lebanese judicial authorities also asked Japan for its file on Ghosn, including the charges against him, and will not question him again until the information is received, one of the sources said. Carlos Abou Jaoude, a Beirut-based lawyer for Ghosn, told Lebanese broadcaster MTV Ghosn was "very comfortable" with the proceedings in Beirut.

"He is very comfortable with the path," Jaoude said, adding that Ghosn was also comfortable himself "especially after what he went through". The decision issued by the prosecutor, Judge Ghassan Ouiedat, requires Ghosn to keep the authorities informed of his place of residence, the judicial sources said.

Ghosn would surrender his French passport to the Lebanese authorities later on Thursday, one of the sources said after the questioning, which took place at Beirut's Justice Palace, the headquarters of the judiciary.

The Brazilian-born Ghosn said on Wednesday he had escaped to Lebanon to clear his name and was ready to stand trial anywhere he could get a fair hearing.

Ghosn said he was ready to stay for a long time in Lebanon, which does not allow the extradition of its nationals, and a source close to the 65-year-old has said his legal team is pushing for him to be tried in the country.

In addition to the Interpol warrant, Ghosn was also questioned over a formal legal complaint filed against him by a group of Lebanese lawyers who accuse him of "normalisation" with Israel over a visit he made there in 2008.

The prosecutor released him with the same condition, that he keep the authorities aware of his place of residence, the sources said.

There was no immediate statement from the prosecutor's office. In his comments to MTV, Ghosn's lawyer Jaoude said a statement would be issued by Ghosn's team later.

Ghosn said on Wednesday he had made the trip as a French citizen and an executive of Renault to sign a contract with a state-backed Israeli firm to sell electric vehicles, and had been obliged to go because the board had requested it. He said apologised for the trip and said he had not meant to hurt the people of Lebanon, which deems Israel an enemy state.

During the visit, Ghosn met Israel's former prime minister Ehud Olmert, who was premier at the time of the 2006 war between Israel and the Iranian-backed Lebanese group Hezbollah.

REUTERS

Boeing faces $5 billion tab on 737 Max simulator training

Boeing's costs would rise an estimated $5 billion if pilots need to get simulator training before flying the 737 Max, according to Bloomberg Intelligence. That would nearly double the $5.6 billion that Boeing had committed to cover costs from last year's grounding of the jetliner. The firm will be expected to reimburse airline expenses for simulator training because it sold the plane on the basis that pilots certified for the previous 737 variant would need minimal additional training, analyst George Ferguson said on Thursday.

The manufacturer on Tuesday said it had advised regulators that pilots need more than brief tablet-based instruction before flying the Max, reversing its previous stance in part because of revisions to the plane after two crashes killed 346 people. Simulator training would delay the return of the aircraft, Ferguson said. The decision on simulators is up to regulators, who have yet to approve the plane's return.

"Our estimates show the cost of airline lost profits will probably exceed Boeing's $5.6 billion reserve just for 2019," he wrote.

BLOOMBERG

Three-day weekend

Even Finnish PM Sanna Marin wants it to remain a statement of aspiration

HUMAN FACTOR

SHYAMAL MAJUMDAR

Finland's youthful Prime Minister Sanna Marin has become the darling of employees across the world due to her reported support for a four-day week. The employee advantages of this are pretty clear: Having another day with no work and no commute can free up personal time in a big way, reduce stress and increase productivity.

Some global companies have already tried this out with great results. Microsoft Japan implemented it in August last year and said it boosted sales by 40 per cent compared to the same month the previous year. There were other benefits, too. The company's electricity consumption dropped by a quarter and there was a 59 per cent reduction in the printing of paper pages. Others have also done trial runs and experienced similar benefits. Another experiment published by the *Harvard Business Review* showed shorter work days increased productivity.

The results are not a surprise as happier employees do contribute to the company's overall prosperity. In fact, throughout history, productivity has increased whenever labour works fewer hours. Henry Ford found that in 1926 when he became one of the first employers to introduce a five-day, 40-hour week. Four years later, Kellogg reduced factory accidents by over 40 per cent with the introduction of the six-hour day.

So is it time for companies to consider shifting to a four-day week? The answer, unfortunately, would be no. Even Finland is not planning to do anything like this. The "thank you" messages from employees perhaps prompted the Finnish prime minister's office to clarify soon that a four-day week is not part of the government's plans, and is not expected to be government policy in the near future. The utter disappointment increased after it was revealed that Marin had said this before becoming the prime minister and it was more a statement of aspiration.

There is a reason why the idea of employees working for four days for a full-time wage is not feasible. Any reduction in the working days is unaffordable without a commensurate increase in productivity or a matching reduction in pay. It's true that employers will get some benefits in terms of increased productivity, morale and retention, but no company would move to a four-day week if it is not a profit-enhancing shift.

Another problem is that the four-day working week can be difficult to implement in service industries where customer demands need to be met. A Labour-backed study in the UK also warned against increasing exhaustion as contracted employees would cram their work into four days, plus negative impacts on unskilled and zero-hours workers who need the hours to get paid.

This is because employers can't afford less than the standard full-time workweek of eight hours per day, five days a week. If they switch to a four-day week, employees will still have to work 40 hours at the rate of 10 hours per day for four days. So while people may feel refreshed by having an extra day off of work each week, they may also experience a drop in productivity after so many hours at work in a single day.

In the U.S., Treehouse, a large tech HR firm, implemented a four-day week in 2016, but as the firm failed to keep up with competition, it reverted to a five-day week. "It's simply hard to compete if you're working 80 per cent of the time your competitors are," chief executive Ryan Carson told *The Washington Post*.

Broadly, there is obviously a need to bring down the total working hours in a week. Research has shown that employee output falls sharply after a 50-hour-work-week, and falls off a cliff after 55 hours — so much so that someone who puts in 70 hours produces nothing more with those extra 15 hours. This is evidence that those extra late nights in the office don't necessarily boost output, and can put even rational employees on the edge.

The danger is that the CEO would end up with a bunch of multi-tasking, channel-flipping, fast-forwarding zombies, who are always banging the lift button without realising that it will only stop working.

But India Inc can hardly afford a four-day week as it's simply too expensive. Implementing such a concept would invariably mean recruiting more people — something which is not economically sustainable. So at this point, it's better to stick to flexible working hours, work from home, etc and let four-day week remain just an aspiration.

MCA vs NCLAT: Truce or war?

The National Company Law Appellate Tribunal's latest judgment on the RoC application in the Tata-Mistry case has made the fight interesting on many counts

J N GUPTA

In the Tata-Mistry case, the issue boils down to this: The Registrar of Companies (RoC) feels that there are strictures against it although it had acted within the law. The National Company Law Appellate Tribunal (NCLAT), however, feels that it has not cast aspersions on the RoC and has not passed any strictures.

The NCLAT held conversion of Tata Sons from deemed "public" to "private" company as illegal and observed that it was done "with the help of the RoC just before filing of the appeal". The RoC feels it has complied with the law and hence the use of the word "helped" amounts to casting aspersions on its conduct. It is a Hobson's choice for both: The RoC cannot accept helping Tata in any manner without accepting that the conversion was illegal, whereas the NCLAT cannot expunge the word "helped" as it will make the action of the RoC compliant with law, shaking the foundation of the NCLAT's order. Hence a royal stalemate.

Absence of law?

Can commercial and corporate function come to a standstill if lawmakers fail to make laws? How should the wheels of commerce continue to run? What is a private company? Can one form a private company at present? Can one convert a public into a private one?

Section 2(68) of Companies Act 2013 defines a "private company" as a company having a minimum paid-up share capital as may be prescribed. The RoC has stated before the NCLAT that no minimum capital has been prescribed. In that case, can the RoC register a private company? Should all companies become public? The logical answer is no.

If one goes by para 15 of NCLAT judgment of January 6, 2020, it appears that the RoC does not have any power in case the minimum capital is not prescribed.

"*--- in absence of any prescription of minimum paid up share capital, the Registrar of Companies has no power or jurisdiction to carry out any changes in the Register of Companies or Certificate of Incorporation ----.*"

The NCLAT judgment means that under the 2013 Act, no private company could be incorporated; all companies registered as private post the Act, would be illegal.

The NCLAT's ruling contrasts with the ruling of the Supreme Court in Orissa State v/s. M/s Orient Paper Mills (2003.03.10) where it said:

"*...Where a statute confers powers on an authority to do certain acts or exercise power in respect of certain matters, subject to rules, the exercise of power conferred by the statute does not depend on the existence of rules unless the statute expressly provides for the same. In other words framing of the rules is not condition precedent to the exercise of the power expressly and unconditionally conferred by the statute. The expression "subject to the rules" only means, in accordance with the rules, if any. If rules are framed, the powers so conferred on authority could be exercised in accordance with these rules. But if no rules are framed there is no void and the authority is not precluded from exercising the power conferred by the statute...*"

ILLUSTRATION: BINAY SINHA

Therefore no void is created and the wheels of commerce can function without any hitch; the RoC could act within its jurisdiction even though the rules had not been framed.

Conversion to private company

What is the procedure of conversion? On the procedure part, RoC Mumbai asserts that till January 30, 2019, Section 43A (2A) of the Act of 1956 was operative.

"*[(2A) Where a public company referred to in sub-section (2) becomes a private company on or after the commencement of the Companies (Amendment) Act, 2000, such company shall inform the Registrar that it has become a private company and thereupon the Registrar shall substitute the word `private company' for the word `public company' in the name of the company upon the register and shall also make the necessary alterations in the certificate of incorporation issued to the company and in its memorandum of association within four weeks from the date of application made by the company*]."

While the NCLAT in para 17 has said that the RoC had omitted mention of Section 43A(4), it appears the NCLAT had overlooked the fact that Section 43A(4) was repealed way back in 2000. Should RoC follow a current law or a repealed one?

The NCLAT judgement, has quoted Section 18 of Companies Act 2013 also: "A company of any class registered under this Act may convert itself as a company of other class..."

Section 18 is not applicable to Tata Sons because it has not been registered under Act of 2013. In the 2013 Act, there is no place for hybrid companies such as Tata Sons — private by functioning and public by fiction of law. Once the fiction disappears, dual nature automatically disappears.

Contempt of NCLAT order?

NCLAT in its judgment of December 2019, under Para 187(iv), ordered RoC to issue a new certificate of incorporation to Tata Sons. There was no stay of order. The RoC has not yet carried out the required changes. It is in Catch-22 situation: If it does not appeal and change registration certificate, it would admit it acted illegally. In that case, it would be Tata Sons that would drag the RoC to the Supreme Court and there it will be in a precarious position, admitting that it acted illegally and make arguments totally opposite to that it made at the NCLAT. And if the RoC appeals in the SC, it will be continuation of war and not truce between MCA and NCLAT. That might be better as it would save the RoC some embarrassment. The MCA needs to demonstrate that it believes in the interpretation of law it has created.

Whatever the decision of the RoC, it will be an interesting battle ahead for all corporate law practitioners.

The author is managing director, Stakeholders Empowerment Services

CHINESE WHISPERS

Chacha bhatija 'together'

With the Citizenship Amendment Act (CAA) setting the political narrative in the country, smaller and fringe parties have found a perfect opportunity to get attention. One such is the Pragatisheel Samajwadi Party (Lohia) headed by Shivpal Singh Yadav (*pictured*). However, for the estranged uncle of Samajwadi Party chief Akhilesh Yadav, this is also an opportunity to express solidarity with his nephew and explore reconciliation with the rest of the clan as some put it. Shivpal, aka *chacha*, recently said that vested interests were "fanning communalism in the name of nationalism under the garb of the CAA" and that his party would make every effort to thwart the nefarious designs of such protesters. In saying so, he found himself on the same page as Akhilesh, who, recently flagged off a cycle march of Samajwadi Party MLAs against the CAA, National Register of Citizens and National Population Register. Is something brewing in UP's first political family?

Two in one

To separate or not to separate is the dilemma faced by many Indian promoters whose companies have not split the offices of chairman and managing director (MD). A firm, which had appointed a head hunter to search for a managing director, has put its plan on hold and is likely to allow its promoter to continue as chairman and MD. Almost half the top 500 listed companies appear unprepared to meet the current Securities and Exchange Board of India (Sebi) deadline. On Wednesday, it was reported that Sebi was considering relaxing the March 31 deadline for listed companies to separate the positions.

Relax! It's not about JNU

External Affairs Minister S Jaishankar's statement — that the "tukde tukde" gang did not exist when he was a student at Jawaharlal Nehru University (JNU) — in response to a question on the recent violence in the university campus expectedly grabbed eyeballs earlier this week. The afterstory was just as interesting. It so happened that immediately after Jaishankar's remark, the microphone was passed on to a questioner who happened to be a JNU student. As she identified herself and said that she was enrolled in the International Relations programme, there was an awkward silence, followed by nervous laughter in the audience. The woman clarified that her question was not about JNU and she proceeded to probe the minister on India-China relations.

INSIGHT

A royal family spinoff

Allowing some royals to step away from "senior" status makes sense if you think of the British monarchy as a business

SARAH GREEN CARMICHAEL

The announcement by Prince Harry and Meghan Markle — aka the Duke and Duchess of Sussex — that they're stepping back from being "senior" members of Britain's Royal Family should have come as no great surprise to royal watchers who have watched the pair struggle in the glare of the spotlight over the past year.

Insiders sometimes call the royals "The Firm," and perhaps that analogy is useful to understanding their desire to live, shall we say, a more entrepreneurial life. (Buckingham Palace seems to have been caught flat-footed by their pivot.)

The shift is consistent with a long-term strategic plan attributed to Prince Charles, who has indicated that he favours a slimmed-down monarchy with fewer people called upon to play the role of senior executive. He wants the focus to be mainly on the monarch and those in the line of succession. In this case, that's the Queen, himself, his son Prince William, and William's oldest child, Prince George. It's not the Sussexes, as much as the media loves covering them.

This means not only jettisoning some liabilities — think of Jeffrey Epstein-linked Prince Andrew — but also divesting some potential assets, like the Sussexes, into independent entities, if they don't fit with the strategic vision.

Think about it. To succeed, an organisation needs to focus. The essence of competitive strategy is not only deciding what you will do, but being firm on what you will not do. The royal family doesn't get to pick its relatives any more than you or I, but they can decide who lives off the public purse, who counts as "senior" and who does not.

There's no doubt they'd prefer to keep the focus firmly on the royals who burnish the family brand. Over the past couple of years, Prince William and his wife, Kate Middleton — the Duke and Duchess of Cambridge — have taken on an increasing number of public engagements of the kind the crown would like to see more of: carefully staged ribbon cuttings, sidewalk meet-and-greets, charity work. They share adorable photos of their adorable children (often snapped by Kate herself). They weathered unsubstantiated rumours about their marriage and a falling-out with friends with hardly a backward glance.

By contrast, the Sussexes have managed over the past couple of years to snatch defeat from the jaws of victory several times. They've repeatedly failed to coordinate major announcements with the palace — Wednesday's kerfuffle being just the latest, and maybe the craziest, example. Last fall, they torpedoed the good public relations they'd earned on a tour of South Africa by launching an ill-considered lawsuit against the press just as the visit was ending. They also fumbled the public aspect of baby Archie's birth — which is usually a pretty hands-down positive royal news story — by promising to share some details with the public, but then holding most of those details in strict secrecy. And, fairly or not, they struck people as hypocritical by extolling personal efforts to mitigate climate change while, like most rich people, living a pretty carbon-intensive lifestyle. When their celebrity friends rushed to defend them, it only made the public angrier.

While these may seem like tempests in so many gilded teapots, and while some of the criticisms seem wildly unfair — would we prefer elites who didn't care about the climate at all? — taken as a whole, they run the risk of eroding the Firm's "customer base." In other words, each dust-up has the potential to make British taxpayers ask, Hey, do we really need to keep supporting these toffs? Roughly a quarter of younger Brits would like to abolish the monarchy, polls show, and that's with an enormously popular Queen about to reach her 68th year as monarch.

After so many own-goals, it's not surprising that senior management might want to "make some changes," as the old corporate euphemism goes, or that the Sussexes themselves would want a sort of career change. They have clearly struggled to balance the public and private aspects of royal life, and frankly, seem pretty miserable doing the job they've been trying to do since their wedding. Harry and Meghan have issues they care deeply about and want to have a public voice on; their job in the family business has been to keep quiet and smile. Seen in that light, they haven't really been hitting their performance targets — and they probably don't find the work all that fulfilling.

Perhaps this is one spinoff that could work for everyone involved.

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LETTERS

Double standards

This refers to "Mamata to skip oppn meet; cites violence by Left, Cong during strike in WB" (January 9). It was interesting to learn that West Bengal Chief Minister Mamata Banerjee (*pictured*) has announced that she will boycott the Opposition meeting convened by Congress president Sonia Gandhi on January 13 to protest the violence unleashed in the state allegedly by Left Front and Congress workers during a trade union strike. Various parts of West Bengal have been witness to massive incidents of violence and arson, blocking of railway tracks and roads by protestors trying to enforce a shutdown. Well done, Mamatadi, for taking such a bold stand. But will she also kindly recall that her own state was marred by huge political violence let loose by Trinamool Congress activists both during last year's Lok Sabha polls and the by-elections to the state Assembly? Why such "double standards"?

Kumar Gupt Panchkula

Improving governance

This refers to the front page report "Breather for India Inc likely on CMD norm" by Shrimi Choudhary (January 9). The extension of the March 31 deadline by the Securities and Exchange Board of India (Sebi) may help the 247 top companies — including the big ones — identify suitable people for one of the two — chairman or managing director (MD)/chief executive officer (CEO) — roles but I do hope the "extension" is not a precursor to watering down the excellent proposal that promises to improve our corporate governance norms. There is, of course, the possibility that many corporations will only end up having merely titular/dummy and powerless nominees as chairmen and the MDs/CEOs will continue to exercise unfettered control with some "ineffective" independent directors on board. But even so, splitting the top two posts will do a lot of good.

Sebi Chairman Ajay Tyagi neither accepting nor denying the "possibility of considering a relaxation" creates the feeling that there could indeed be a relaxation of the good measure. The Uday Kotak Committee had made this suggestion — to separate the roles of chairperson and MD/CEO — to improve corporate governance in India, a much needed reform in line with global practices — and it would be useful to follow the same for the overall good of the Indian corporate sector.

Krishan Kalra Gurugram

Political unionism

This refers to "Bharat Bandh: An interaction of economic and social issues" (January 9). A major bane of Indian trade unions is that they are politically affiliated and practise political unionism more than economic unionism. It is not surprising then that the top demand of the unions for going on a national strike is the repeal of the Citizenship Amendment Act or CAA. At a time when they have failed to perform their primary function of providing job security to their members (as evidenced by decline in the number of permanent employees and replacing them with temporary hands) their prioritisation of CAA strengthens the belief that they are the obedient arm of their political masters.

Moreover, such a nationwide strike does not serve any purpose. Despite claims of success supported by a section of media the reality on the ground is otherwise. That said, a confrontation among the two sides — the government and the unions — is not a good sign when the need is for unions, industry and government to work together to stabilise the economy. Things have not improved because the government has made no serious effort to build consensus among unions so far to facilitate the implementation of industrial relations codes.

Y G Chouksey Pune

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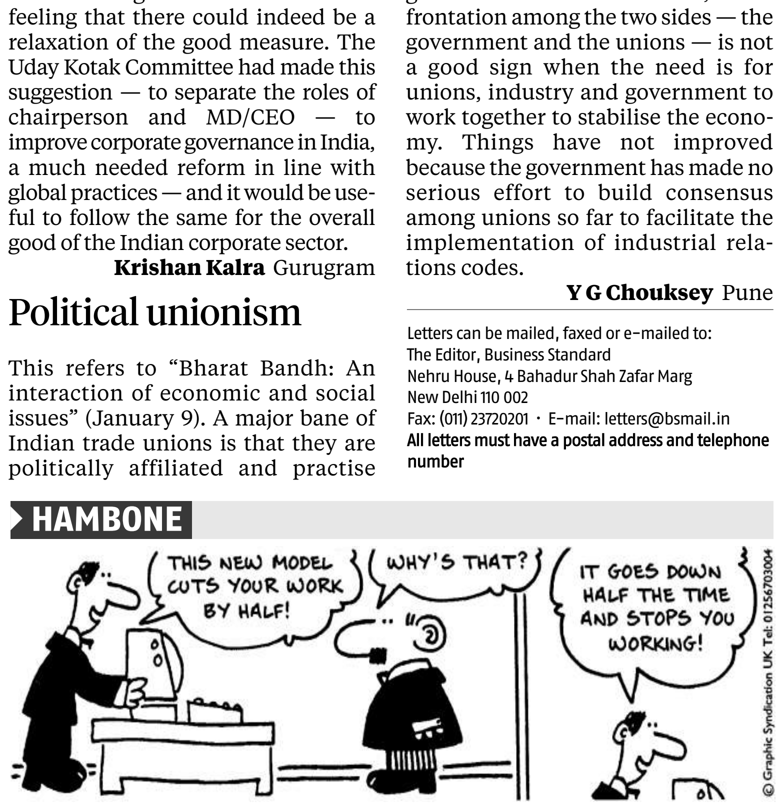
HAMBONE



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Opening up mining

Removal of end-use restrictions is a major step forward

The Union Cabinet on Wednesday cleared an Ordinance that, in effect, opened up India's mineral extraction sector to commercial mining companies of both local and foreign ownership. The Mineral Laws (Amendment) Ordinance 2020 amends both the Mines and Minerals (Development and Regulation) Act of 1957 and the Coal Mines (Special Provisions) Act of 2015. This sets in motion the process by which mining leases can be auctioned. Any company registered in India can bid and develop coal blocks, which means that previous restrictions — such as compulsory mining experience or a presence in specified sectors such as power or iron and steel — have been removed. In other words, there will be no end-use restrictions on the auctioned leases. This is a major step forward for commercial mining and for general efficiency in the sector, which has hitherto been dominated by the state.

The government has claimed that its changes to the coal-mining regimen in the country will ensure that the import bill is reduced. More than 200 coal blocks are eventually to be auctioned, according to the authorities, which they claim could eventually produce as much as 400 million tonnes a year. Even a partial movement towards that target would considerably reduce India's import bill of about $15 billion. There is no reason for the country to be importing thermal coal in particular, of which it has ample reserves. High-quality coking coal, however, may have to continue to be imported. The iron ore sector, meanwhile, is also being affected. Leases for 46 mines that are currently operational are due to run out in a couple of months. This Ordinance will open up the market, a step which has long been hoped for. However, to attain desired results, the government will also have to work on other legal and administrative changes so that output moves efficiently.

NITI Aayog Chief Executive Officer Amitabh Kant has tweeted that it is "finally the end of coal nationalisation" in India. Currently, Coal India and Singareni Collieries account for more than 90 per cent of India's coal production. Some of this will now be taken up by both India-based companies and multinationals. This will be a wake-up call for Coal India, which will have to improve efficiency in both extraction and delivery if it is to maintain market share. The coal minister has insisted that there will be no impact on Coal India, but that remains to be seen. Competition and efficiency in the sector are overdue. The government is also to be commended for ensuring that the legal framework is in place rather than relying on purely administrative shortcuts, as was the norm prior to the coal judgment of the Supreme Court some years ago. However, some caution is still warranted. The financial and "fit and proper" norms for bidders will have to be carefully designed. It is also essential that the government keeps in mind its other commitments, including on climate change. Further, the banking sector is still state-controlled and it should be careful to not over-lend to a sector that is globally facing a supply glut. A build-up of stranded and non-performing assets would be in nobody's interests.

Irrational demand

Licence-linked dues from non-telcos should be reviewed

The Supreme Court order defining telecom revenue has landed a number of non-telecom companies in the soup because they are saddled with a demand of close to ₹3 trillion. These companies will have to pay licence-linked dues based on their overall revenues, which have very little to do with telecom, after the apex court, in an order in October last year, upheld the government's definition of adjusted gross revenues (AGR) for telecom licensees. AGR is the revenue amount used to calculate the licence fee and spectrum charges paid by telecom companies to the Department of Telecommunication (DoT). As a result of the order, non-telecom companies including GAIL, RailTel, and PowerGrid, need to together cough up ₹2.97 trillion, which is more than double what telcos will have to pay. The numbers are baffling — GAIL (India) has to pay ₹1.72 trillion, which is more than three times its net worth and several times the actual revenue earned. The company has claimed that it earned only ₹35 crore as revenue from its telecom business since 2001-02. PowerGrid will have to pay an astounding ₹22,168 crore, while Gujarat Narmada Valley Fertilisers and Chemicals needs to pay ₹15,019 crore and RailTel ₹290 crore.

While the court verdict has put telcos in the dock at a time when they are running deep losses with some on the verge of default, the others with internet service provider (ISP) licences or those having licences to meet their internal communication needs have been caught in the legal crossfire without any reason. Many of these companies, after taking communication-linked licences, never operated those businesses, and some others ran very minuscule telecom/internet operations while their primary business interests ranged from energy to power to broadcasting services. Instead of fighting on their behalf in the court, the DoT has sent out notices to non-telcos for paying up the dues by January 24. The DoT should have stepped in proactively in the case to argue the irrationality of bringing non-telcos under the ambit of the judgment. In the absence of the court order, making a distinction between telcos and non-telcos, the DoT, which has been the prime mover in the AGR case, should have been responsible enough to intervene when required.

For the government, the AGR payout by telcos and non-telcos adding up to ₹4.41 trillion would be a timely help in meeting the revenue target this financial year. But the government should avoid falling into this trap. Any irrational levy on businesses (non-telcos who are part of the SC order in this case) may boomerang and that's something that should have been avoided. The Supreme Court, which refused an open court hearing in the matter earlier this week, is expected to hear the petition moved by the industry ahead of the January 24 AGR payout deadline in a closed chamber. The expectation from the top court is that it will review its earlier order in the case of non-telcos so that they can put their focus back on their respective core businesses.

ILLUSTRATION: BINAY SINHA

A force to reckon with

Through the position of CDS, the military gets a say in governance. Should we worry about it?

India has given its military a formal say in how government is to be run. The long-term consequences of this are unclear, but what is clear is that we will not be able to avoid them. They will come. The record of military in government in our part of the world is not encouraging, and keeping soldiers at arm's length has always been wise.

It is not particularly understood that the military capture of Pakistan happened because of a civilian initiative to introduce soldiers into government. Gen Ayub Khan, the army chief, was made a minister in the cabinet while he was still a serving officer. When things became sticky (in the language of our times, when the anti-nationals were up to no good), it was easy for the general to push his fellow ministers aside and take over because he had control over more force. That is the simplest and most direct explanation for why Pakistan remains, even today in 2020, totally beholden to its warriors in matters concerning internal and external affairs as well as the economy.

AAKAR PATEL

India has created a new position in its military, the chief of defence staff (CDS). In doing so, the government has also brought the position inside the administration by additionally making the CDS a secretary— in fact, the most powerful secretary in the defence ministry. Why they did this is unclear. The CDS (and I assure you it will always be a man) will be in charge of military affairs and advise the defence minister. He will not hold formal military command and the three service chiefs will not report to him but as the person in control of promotions and postings, he will, in fact, influence military command and they will, in fact, report to him. And in his role as the defence ministry's most powerful secretary, he will have the civilian side of the ministry subordinate to him. Because we have unified all this, the CDS will have more control over the military than the defence minister.

Has any of this been thought through? Of course, it hasn't. When leadership radiates genius and certitude, why should it bother with details and the opinions of others? I asked the two most well-informed reporters on defence matters (this organ's correspondent and that of *The Indian Express*, both soldiers themselves) whether it had been debated in public before being announced and they didn't think it was done.

What must we now worry about? The first thing is that Indians have never had a say in how their Army is to be run. One of the problems with the 1935 Government of India Act was that the largest head of the budget, the Army, was outside the purview of Indians. This is no different from how it remains today. It is scandalous and outright treason to suggest that the ₹4 trillion or more that we spend on military and paramilitary might be too much. It does not even occur as a question in politics: All parties outdo each other in promising more money for defence.

The second thing is that the creation of positions for specific individuals, as has likely happened in this instance, is not without danger. The CDS has already offered his opinion on politics and said that what the opposition is doing regarding the Citizenship Amendment Act is not leadership.

The third thing is that we must not assume that a force inside government will not assert itself. It will. Of course it will believe that it is doing something good and for the right reason: All forces think that. The question is whether you want the most powerful one to have a say in government. India's military has always been a colonialist institution. I trust one can be blunt here without causing offence. The fact is that the same regiments, which for 250 years had been bayonetting and bombing Indians before August 14, 1947, were charged with protecting Indians the following day. Our response cannot be that our soldiers are all loyal and love the country and would never do anything to harm it. That is not how adults debate.

The fourth thing is that we are too afraid to even discuss such things. *The Indian Express* reported a few years ago about the unusual troop movement ordered by the then army chief (who is today a minister). The government freaked out because it didn't know if this movement was being directed against it. The newspaper report was accurate and factual but it was derided because the army chief cannot do any such thing.

Less noticed was a report on these pages published a few days before *The Indian Express* report. I physically sat up when I came across this paragraph: "Consider the appointments made by the current army chief, General Singh, from his Rajput Regiment. While Singh has been a relatively fair chief, he has posted officers from the regiment to practically every crucial appointment: The deputy chief of army staff, the director general of military operations, the adjutant general (responsible for discipline and manpower planning), the military secretary who posts and promotes officers, and the additional director general of administration & coordination. In addition, Rajput officers were placed at the head of key formations around Delhi: The Delhi Area which controls military installations around the capital, and the Meerut-based 22 Infantry Division."

On September 23, 2015, *The Hindu* published an editorial, which said: "The Technical Support Division, a covert intelligence unit of the Army raised during the tenure of General V K Singh as Army chief, is in the news for all the wrong reasons. The revelation that sensitive documents relating to it were destroyed illegally in 2012, in the final days of General Singh's tenure — he is a Union Minister today — deserves a thorough and serious inquiry. The TSD has faced allegations that it misused funds earmarked for secret service operations, indulged in unauthorised surveillance and made attempts to destabilise the Jammu and Kashmir government. Some of these charges are attributed to the findings of an inquiry report by a Board of Officers. The latest exposé by this newspaper, with documentary evidence, shows that between May 22 and May 25, 2012, the Pune-based Southern Army Command assembled two different boards of officers to destroy all TSD-related documents in its possession."

If you haven't heard much about this, the reason is that the media thinks it is out of bounds even to discuss such things. And it is in this environment that this prime minister has given the military an even larger role and a say in the doings inside government.

Policy challenges with 5 per cent growth

The Indian economy, according to the first advance estimates of gross domestic product (GDP) for the current financial year, is expected to expand by 5 per cent, compared with 6.8 per cent last year. The nominal growth is likely to slip to 7.5 per cent, compared with the assumption of 12 per cent in the July Budget. The decline in growth can lead to a variety of problems, particularly in managing corporate and government finances. While growth estimates did not surprise anyone, the big question is: How fast can India return to a higher growth path? Therefore, in the given backdrop, 2020 will perhaps be the most important year for economic policy in recent times. The first stop will be the Union Budget.

REAL TERMS

RAJESH KUMAR

Government finances are in stress and revenue collection might fall short by at least ₹2 trillion in the current financial year. Although the government is reportedly compressing expenditure, most analysts expect it to overshoot the fiscal deficit target of 3.3 per cent of GDP. However, it will now be important to see how the government intends to manage its finances in the next financial year, and beyond. Some commentators have argued in favour of running a higher deficit to support demand. It is being suggested that the government should not worry about the fiscal deficit and focus on reviving growth. The government would be well advised to carefully evaluate its options and not fall for what now looks like a popular demand. It is worth highlighting that if the actual public sector deficit of 8-9 per cent of GDP is not able to push demand adequately, it is highly unlikely that further expansion of, say, worth 1-1.5 per cent of GDP will sustainably revive economic activity. Also, the government should not be seen as taking fiscal constraints lightly. Both international and domestic financial markets care deeply about government borrowing and debt sustainability. Loss of confidence, or a possibility of a ratings downgrade, will significantly increase risks to macroeconomic stability and affect growth outlook in the medium term. Besides, additional government borrowings will choke the financial system, crowd out the private sector, and increase challenges for the Reserve Bank of India (RBI) in conducting monetary policy.

The policy path for the RBI will not be easy, anyway. After cutting the policy rate by 135 basis points in the current cycle, it is now trying to influence yields by intervening in the bond market. Since the accommodative stance of large central banks, particularly the US Federal Reserve, would lead to a continued inflow of foreign funds — assuming the situation in West Asia will not result in higher risk aversion — liquidity management will become tricky for the RBI. Necessary intervention in the currency market to avoid rupee appreciation will add to excess domestic liquidity. The monetary policy committee (MPC) did not cut policy rate in its last meeting, largely because of inflation risks, but excess liquidity in the system for too long can complicate policy management. Further, given the uncertainties, it will be difficult for the MPC to cut rates in the near term. However, if it decides to ignore inflation for a while to support growth, it will need to effectively communicate how far it intends to go, as the RBI's credibility as an inflation-targeting central bank will be at risk.

Since the scope of supporting growth through fiscal and monetary policy is fairly limited, economic revival will ultimately depend on policy reforms. Excessive policy accommodation might lift growth in the short run, but it may not sustain and end up increasing risks to macroeconomic stability. It is important to note that an external risk, like a sustained increase in crude oil prices, can make India vulnerable very quickly.

In terms of reforms, the government has been criticised for intervening on the supply side when the problem is seen to be of inadequate demand. India needs large scale supply-side reforms. For instance, it is well accepted that no country can grow at higher rates sustainably without strong exports. One of the biggest reasons why India decided to stay away from the Regional Comprehensive Economic Partnership was the fear of imports. If India is not expected to compete with members of this group for years to come, then the problem is certainly not limited to domestic demand. As economist Amita Batra has shown in these pages, India's global value chain integration is not only low but has declined over the years ("India's exports and Factory Asia", September 3, 2019.) As a result, while India's exports have been virtually stagnant over the past several years, countries such as Vietnam and Bangladesh are moving ahead ("Why neglect exports?" by Shankar Acharya, *Business Standard*, December 12, 2019). This indicates India needs wider structural reforms to improve efficiency and compete in the global market.

Another round of fiscal and monetary push may not take India too far and increase risks to financial stability. Thus, policy decisions in the coming months, to a large extent, will decide the trajectory of the Indian economy in the medium term.

Technology and government

BOOK REVIEW

PRAVEEN CHAKRAVARTY

India is considering a transition to the next generation 5G telecom technology. Chinese telecom giant Huawei is the world's leading provider of 5G technology, far superior and cheaper than its rivals. But the United States has alleged that Huawei is a Chinese government-controlled company in disguise and China indulges in unlawful surveillance and spying of people using Huawei's data. It has banned Huawei. Canada, Australia, New Zealand and some parts of Europe have joined the US in banning Huawei.

In this context, should Prime Minister Narendra Modi and his government allow a free market for 5G equipment or protect Indians from potential surveillance by the Chinese government, as alleged by the US?

History can offer some lessons from the past for this quandary, argues Arun Mohan Sukumar in his delightful book *Midnight's Machines: A Political History of Technology in India*. The book is a fascinating chronicle of the history of technology in independent India, the similar dilemmas that our leaders faced, the technology choices that they made and their consequences.

First off, kudos to the author for this enthralling idea for a book. Independent India's tryst with technology has been an equally critical component of India's development over the last seven decades, yet under-researched and under-published. This book fills the void, to some extent.

The book is erudite, scholarly yet eminently readable. The book's standout feature is its writing with its crisp, punchy and vivid prose. The copious research by the author is packaged and presented through interesting stories, events and anecdotes, devoid of dense technology jargon.

The author draws an interesting parallel with the Huawei dilemma from the 1980s when India was caught in the crossfire of technology spats between two world powers then —the US and Japan. Japan was the rising power, threatening to unseat the US in technological dominance just when India's technology savvy prime minister, Rajiv Gandhi wished to propel India into the world of computers and supercomputing. The book argues that India was forced to make geo-political compromises in its technology choices and had to settle for a lower grade supercomputer from the US rather than a better one from the Japanese, which had subsequent repercussions. Citing few other similar precedents, the author makes a case for minimal state and bureaucratic intervention in such technology choices and letting the market decide. The author draws strong counter-factual conclusions that is a history writer's perennial curse. But a counter-factual can neither be proven nor verified. Often, policy choices on important matters can be a bit more complex and nuanced than the author makes it seem.

MIDNIGHT'S MACHINES: A Political History Of Technology In India
Author: Arun Mohan Sukumar
Publisher: Penguin
Price: ₹599
Pages: 272

The other pet peeve of the author seems to be the idea of an "appropriate technology" for a nation which he beautifully illustrates with the story of India's "solar cooker versus satellite" technological debate in the 1950s. In 1952, the shiny new public sector entity National Physical Laboratories (NPL) announced the invention of a solar cooker that would ostensibly free poor Indians from wood and cow dung stoves. The product was announced and demonstrated with great fanfare eliciting international attention from *The New York Times, Washington Post,* BBC and so on. Realisation dawned soon that the solar cooker would cost ₹50, a princely sum in 1950s India and, more importantly, will not be ready to cook breakfast just after sunrise when most households needed it. The project was abandoned. The author extrapolates this to imply that the entire debate of appropriate technology for a nation is futile and castigates the role of government in technology choices. But the private sector is equally culpable of a wrong "appropriate technology" decision as the Tata Motors' vaunted Nano car project showed. The author believes that appropriateness of technology is a fallacious idea and is scathing in his criticism of the then political leadership for settling for an "appropriate" technology rather than the latest technology.

The book is well structured and takes the reader chronologically through the important events and milestones in India's political history of technology. The only distraction to this flow is the sudden "Ode" to three technocrats whom the author feels have made an indelible impact on India's technological development, which seems like a needless outlier to the book's deeper context and purpose.

The book sets up an excellent framework for rich debates and discussions that are extremely relevant today. It is undeniable that technologies such as internet, social media and smart phones' impact on society are profound and complex.

The reviewer is a political economist and a former scholar in a think tank

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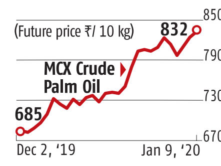
The Smart Investor

WWW.SMARTINVESTOR.IN FOR INFORMED DECISION MAKING

QUICK TAKE: PALM OIL TO RALLY FURTHER



Crude palm oil prices have been rallying sharply for the past six months. Analysts expect the rally to continue in the near term. They cite India's decision to restrict import of refined palm oil, lower stocks in Malaysia, and Indonesia's biofuel blending target for next year as key factors

"Actual conversation at Mumbai airport today morning. Person 1: "Iran and US are going to war". Person 2: "So, the Indian economy is finished?" Person 1: "Yes". Person 2: "Should I redeem all my mutual funds?" Person 1: "Absolutely". Miles to go before we sleep!"

RADHIKA GUPTA, CEO, Edelweiss AMC

Insurers stay on sidelines as MFs continue equity purchase spree

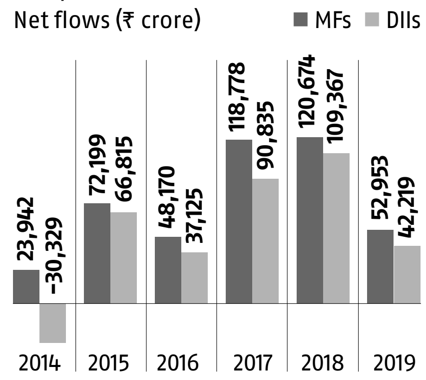
Fund houses have ramped up buying since 2015, led by a surge in SIP flows

ILLUSTRATION: BINAY SINHA

HOLDING BACK

While MFs have bought shares since 2014, insurers have been net sellers

Net flows (₹ crore)



MFs: Mutual funds; DIIs: Domestic institutional investors

ASHLEY COUTINHO & SUBRATA PANDA
Mumbai, 9 January

Domestic insurers have largely remained on the sidelines even as mutual funds (MFs) stepped up their purchase of shares in the past few years. In 2019, MFs shopped for equities worth about ₹53,000 crore, while domestic institutional investors (DIIs) bought shares worth ₹42,000 crore, implying net selling by insurance companies. A similar trend has played out in the past eight years. MFs, on the other hand, have significantly ramped up their buying since 2015, driven by the surge in flows through systematic investment plans (SIPs), ploughing in ₹4.1 trillion.

"Within the industry, there is an increased focus on protection, which typically means less equity exposure. In our estimate, insurance companies have been flat to negative on equities flows in 2019," said Mihir Vora, director and chief investment officer (CIO), Max Life Insurance.

According to market observers, insurers are long-term investors in the market and tend to get stable flows. MFs, on the other hand, are much more driven by cyclical flows, especially in times of sustained market upsurge. "With a long-term perspective and stable flows, insurers have the ability to sell at expensive valuations and wait for the right time to buy on corrections," said Aneesh Srivastava, CIO, IDBI Federal Life Insurance. Indian valuations relative to the country's Asian (excluding Japan) peers remain at a premium, both on price-to-earnings multiples and price-to-book value, and the current premium is slightly higher than the long-term average, foreign brokerage BNP Paribas recently observed, adding that there was sharp polarisation in valuations between "high-quality" stocks and the rest.

Investors in unit-linked investment plans (Ulips) have a tendency to withdraw their money once their lock-in period is over, especially if the market is at a high, say experts. In 2019, the benchmark Sensex gained 14 per cent.

The asset allocation in Ulip products varies from customer to customer, but typically about 75 per cent is invested in stocks. Traditional products such as term, endowment, and whole-life policies are more long-term, and have 5-20 per cent invested in stocks. These products are driven more by fund managers than by investors.

"Whenever the markets heat up, in Ulips by and large, to improve the performance of the funds the fund managers may ease out their position with a hope that they might be able to rebuild it at a later stage," said Ashvin Parekh, chief executive officer, Ashvin Parekh Advisory Services.

"Insurers might have liquidated their gains from equity and may be deploying some of that money in the debt market owing to the favourable interest rate scenario and the Reserve Bank of India's (RBI's) accommodative stance."

The RBI slashed rates by 135 basis points in 2019, boosting debt portfolios. Bond prices and interest rates move inversely.

Insurers are one of the largest drivers of Indian stocks. In the past, insurance firms such as the Life Insurance Corporation (LIC) of India, the country's largest insurer, have helped prop up the market against steep falls.

According to market observers, LIC may have liquidated some of its holdings in the secondary market to participate in the government's disinvestment programme. The insurance behemoth, which reportedly invested about ₹68,000 crore in stocks in 2018-19, typically looks to increase its stock investments by 10-15 per cent every year.

Historically, foreign portfolio investors have been the dominant market price-setters, given their size and trading patterns in India. The past couple of years have indicated a change, with domestic flows increasingly being the primary driver of the market direction.

PMS players likely to consolidate after Sebi's rule change

SACHIN P MAMPATTA
Mumbai, 9 January

Recent changes in regulation are increasingly weighing on smaller portfolio management service (PMS) providers, industry officials say, and might trigger a round of consolidation. At present, there are over 350 PMS providers, compared to 46 registered players in the mutual fund (MF) industry. The Securities and Exchange Board of India (Sebi) in November increased the minimum investment in such funds from ₹25 lakh to ₹50 lakh. Minimum net worth has also been increased from ₹2 crore to ₹5 crore. The regulations also come with a higher compliance burden.

The chief executive officer of a PMS at a brokerage said he had received feelers for mergers and consolidation from around six players. The head of a domestic brokerage said that they had decided to shut down their PMS because of higher minimum investment. Both asked not to be identified.

Danesh Mistry, head of PMS at Tata Asset Management, said portfolio managers are faced with two issues. The minimum investment size has doubled, making it difficult to attract customers used to a lower threshold, and, fixed cost has risen because of compliance requirements mandated by Sebi, including a higher number of officials on payroll. "They may need to consolidate just to cover the fixed cost," said Mistry.

Meanwhile, there are also those who are looking to take advantage of the churn. Chhavi Moodgal, chief strategy officer at InCred Group, said the financial services firm is looking to capitalise on the opportunities thrown up the by possibility of consolidation. "We are very aggressively looking for existing businesses as well as hiring fund managers," she said.

She believes consolidation is more likely for those with an asset size of under ₹200 crore currently. On average, break-even is likely to shift higher, with operational leverage and economies of scale only kicking in at upwards of ₹500 crore. People are also looking to offer expertise in more than one asset, rather than having only equity or debt segments exclusively. "Regulations are forcing people to innovate, change to client-centric models, and consolidate," said Moodgal.

COMING TOGETHER

- Sebi regulations require more employees, net worth
- Fixed costs to go up
- Minimum investment size has increased
- Smaller players looking to consolidate
- Mergers and acquisitions, buyouts on the anvil

PMS refer to specialised investment services for rich investors. It is generally associated with more risk and higher returns. The new rules have raised compliance standards for such funds.

"A portfolio manager...(shall)... mandatorily employ minimum one person with defined eligibility criteria in addition to principal officer and compliance officer... appointment of custodian (is) mandatory for all the portfolio managers, except for those providing only advisory services to clients," Sebi said, following a board meeting in November.

There are 353 registered players in the PMS space, and 46 in the mutual funds sector. However, investor accounts for MFs number around 86.5 million, with ₹27 trillion in assets.

Gold ETFs garner ₹16-crore inflows, a first in 7 years

PRESS TRUST OF INDIA
New Delhi, 9 January

Investors infused ₹16 crore in gold exchange-traded funds (ETFs) in 2019 — after pulling out money from safe-haven assets for the last six years — on fears of a slowdown in the global market and volatility in equity and debt markets.

The segment is likely to gain more traction from investors on account of the ongoing tensions between the US and Iran, and the threat to global economic growth, said Himanshu Srivastava, senior analyst manager (research) at Morningstar Investment Adviser India.

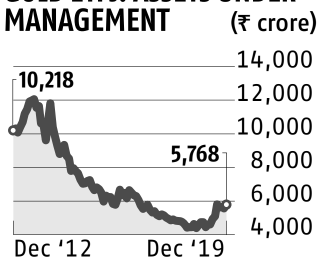
The inflows meant assets under management (AUM) of gold funds surged 26 per cent to ₹5,768 crore at the end of December 2019, from ₹4,571 crore at the end of December 2018, showed the data from the Association of Mutual Funds in India (Amfi).

Over the last few years, retail investors have invested more money into equities, compared to gold ETFs, mainly on account of strong returns.

According to the Amfi data, investors infused a net sum of ₹16 crore in 14 gold-linked ETFs last year, while they pulled out ₹571 crore in 2018.

The safe-haven asset had witnessed an outflow of ₹730 crore, ₹942 crore, ₹891 crore, ₹1,651 crore, and ₹1,815 crore in 2017, 2016, 2015, 2014, and 2013, respectively. Gold ETFs had seen an inflow of ₹1,826 crore in 2012.

GOLD ETFs: ASSETS UNDER MANAGEMENT (₹ crore)



Source: Amfi Compiled by *BS* Research Bureau

"Fears of a slowdown in global markets have helped gold find its safe-haven appeal back in recent times. This triggered a sharp rally in prices in 2019, therefore, catching investors' fancy," said Srivastava.

"Gold also adds a different layer of diversification to an investor's portfolio, which has come in full play in 2019, with gold witnessing one of its best years after 2011," he added.

He added that the rise in AUM was largely led by the change in market valuation — increase in the price of the yellow metal.

SBI Mutual Fund Managing Director and Chief Executive Officer Ashwani Bhatia said: "Gold as an asset class, preferably in the gold ETF format, should ideally be a part of every investor's portfolio, and is relatively safer than other asset classes."

"To that extent, we are not surprised to see inflows into the category. However, what we believe created additional interest in gold ETFs was perhaps the volatility in both the equity and debt markets, along with a rise in gold prices," added Bhatia.

Gold-backed ETFs are passive investment instruments, which are based on price movements as well as investments in physical gold.

Sebi directs bourses to set up new monitoring framework

Regulator refuses to tweak new rules in meeting with brokers

JASH KRIPLANI & SUNDAR SETHURAMAN
Mumbai, 9 January

OPTIONS FOR THE FUTURE

- Brokers may propose an intra-day product to Sebi in which margins could be offered to clients using brokers' own funds
- Sebi will take the final call on whether such a product can be allowed
- New regulations to also apply to sell delivery trades, where brokers don't have power of attorney on clients' accounts
- Futures segment accounts for 10-15% of market volume; options accounts for 80-85%

The Securities and Exchange Board of India (Sebi) has refused to tweak its new regulations on margin requirements, and has also directed exchanges to implement a framework to monitor margins maintained by clients for intra-day trades, in both the derivatives as well as cash segments.

It has given the bourses a month for implementation of the new monitoring mechanism. According to two people familiar with the development, the Association of National Exchange Members of India, the Bombay Stock Exchange Brokers' Forum (both representing brokers), along with exchange officials. met Sebi on Wednesday.

However, the regulator made it clear that margin requirements would apply to intra-day trades, and directed the exchanges to introduce peak margin reporting within a month to ensure clients maintain the upfront margin requirements for intra-day trades too.

The move is likely to have a wider impact on volumes in the futures and options (F&O) segment, in which leveraged intra-day trades had been a common practice.

"Earlier, there was an ambiguity in the F&O segment, where margin reporting needed to be done only at the end of the day," said one of the people familiar with the development. Due to this grey area, a large segment of brokers offered additional leverage to clients looking to participate in intra-day trades.

However, in the coming days, brokers may propose an intra-day product to Sebi, in which margins could be offered to clients using brokers' own funds.

People in the know say Sebi will take a final call on whether such a product can be allowed.

In the cash segment too, Sebi stuck to its stance during Wednesday's meeting. The new norms will ensure that clients maintain upfront margin before taking delivery of stocks.

Earlier, it was not uncommon for brokers to allow clients to take delivery without upfront margins.

The new margin norms will also apply to sell delivery trades where brokers don't have the power of attorney on clients' accounts.

People in the know have suggested that exchanges could be allowed to give some operational flexibility in the cash segment.

"Giving leverage facility in the F&O segment had helped brokers attract retail traders, who wanted to place intra-day trades but didn't have enough funds to meet margin requirements," said an executive of a broking house.

According to the industry data, the futures segment accounts for 10-15 per cent of the market volume, while the options segment accounts for 80-85 per cent.

In the last few months, the markets regulator has brought in several norms to tighten practices in the broking industry.

On handling of client securities, Sebi issued a circular stating that brokers were required to 'unpledge' any client securities and sell them in the market if the dues were not cleared by clients.

THE COMPASS

CIL: No pressure from new players, but outlook stays weak

Govt's plan to sell stake remains an overhang

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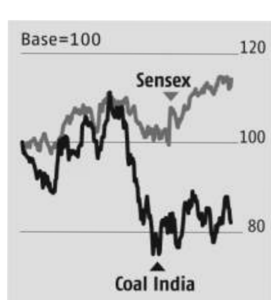


Compiled by BS Research Bureau

The government's nod to the ordinance, which allows other players to mine coal for open-market sales, impacted the stock of Coal India negatively on Wednesday. Despite the benchmark indices seeing good recovery at the close of the trading, the Coal India (CIL) stock was down 3.7 per cent over the last couple of sessions, while the Sensex gained about 1.4 per cent.

The latest development has only worsened sentiment, with a likely negative business impact for CIL, which has already reported dismal volumes for the first nine months of 2019-20 (FY20) during which production and offtake reduced around 6 per cent each.

First, the good in the bad. While there is bound to be an impact in the long term, the development is unlikely to hurt CIL anytime soon and a large part of its sales also remains protected. According to Vineeta Sharma, head (research) at Narnolia Financial Advisors: "Large portion of CIL's business is under long-term fuel supply agreement (FSA), which would not see much impact." Of the total volumes of over 600 million tonnes, in 2018-19, over 85 per cent was under FSA. The remaining 15 per cent and incremental volumes are the ones at risk. Further, an analyst from a domestic broking house believes that new players would take at least five-six years to start production.

VOLUME PERFORMANCE

Figures in million tonnes

For the month	Dec '18	Dec '19	YoY chg (%)
Production	54.14	58.02	7.2
Offtake	52.61	53.63	1.9

Year-to-date	Apr-Dec '18	Apr-Dec '19	YoY chg (%)
Production	412.44	388.41	-5.8
Offtake	444.63	417.26	-6.2

YoY: Year-on-year Source: Company

Having said that, there is nothing very encouraging about CIL's near-term outlook as production and off-take growth for FY20 as well as 2020-21 (FY21) is expected to be dismal. Although December's performance was better, the volumes (production and offtake) are unlikely to get material push unless the power sector picks up sharply, cautions Sharma.

For FY20, volumes are expected to fall by 3-5 per cent. The only solace is that this lower base would make FY21 volume growth look a little better. Additional pain would stem from weak international coal prices, impacting realisations of CIL's e-auction business, which earns higher margin, compared to FSA-based coal supplies. Some support from non-power segment is not ruled out though.

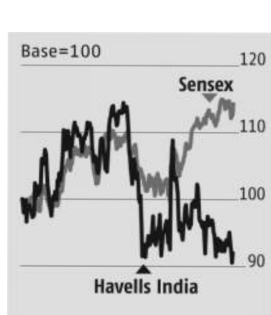
The government's plan to sell any stake remains an overhang for the stock. In fact, with lower tax revenue of the government, stake sale target by the government is likely to increase, say analysts.

The stock is unlikely to see a sharp upside despite attractive valuations of around 4x the enterprise value to Ebitda and a high dividend payout ratio.

Havells' underperformance may take a while to reverse

Valuation of 34x FY21 earnings does not capture whole picture

HAMSINI KARTHIK



Compiled by BS Research Bureau

When stocks in the cooling solutions segment such as Voltas, Blue Star, and Whirlpool delivered handsome gains, diversified consumer durables player Havells failed to live up to expectations. With the stock down 6.5 per cent in 2019, the question is how soon it can reverse the past year's underperformance. Going by the current trend, it appears that it is some time away.

For one, Havells' dependence on traditional segments such as switchgears, lighting, and cables remains high at 65 per cent of its total revenue. With the economic downturn showing little signs of reversal, revenue streams from these pockets could stay stressed.

Among these, while cables and wires fared better than the rest in terms of revenue growth in the September quarter (Q2), thanks to last year's price hikes, revenue growth in the cables segment in 2019-20 (FY20) has been only 6 per cent, which hasn't been enough to make up for the muted show by other segments. Even as Havells maintained its market share across product offerings, challenges remain elevated for its switchgears and lighting businesses, which hinge more on industrial projects. The lighting business has been vulnerable to competition from Chinese imports in the LED segment.

The saving grace is Havells' consumer durables business, which has seen a healthier 19 per cent year-on-year growth in revenues for the first half of FY20.

Contributing to about 19 per cent of the company's overall kitty, Havells' has managed deeper customer penetration and market share gains in the past year for categories such as fans and water heaters.

But what could weigh on these gains for a reasonable period could be the Lloyd's consumer business, a vertical acquired in 2017. Work is still under way in terms of rationalising its operations.

Pointing out that much of the revenue decline in Lloyd's business could be attributed to intense competition in the television panels segments, analysts at HDFC Securities say FY20 will remain to be a year of work in progress as far as this Lloyd's is concerned.

"We see Lloyd's business turning around from 2020-21 (FY21), with benefits of portfolio diversification and backward integration reflecting in the numbers," say analysts at CLSA. In short, the near future offers little cheer to investors and hence, the chances of its stock price reversing the past year's underperformance appear low.

While valuations at 34x its FY21 earnings appear reasonable after the correction, it may not fully capture the pain ahead for the stock.

Investors should, hence, remain cautious.

US-IRAN CONFLICT

Sensex soars 635 points, oil cools off

₹ GAINS 48 PAISE TO CLOSE AT 71.21 AGAINST $ AS INVESTORS CHEER EASING TENSIONS

STANDARD GOLD FALLS MORE THAN 2.4% TO ₹39,772, BIGGEST DROP SINCE OCTOBER 2016

US STOCKS HIT RECORD HIGHS; MSCI'S GAUGE OF INDCIES IN 49 COUNTRIES REACH NEW PEAK

SUNDAR SETHURAMAN & RAJESH BHAYANI
Mumbai, 9 January

The benchmark indices rose to mirror the gains in global markets on hopes of a de-escalation in the US-Iran tensions. While the rupee, too, appreciated by 48 paise to close at 71.21 against the dollar (during the day, it traded in the range of 71.52-71.17 to the US currency), crude oil and gold prices witnessed a sharp correction.

The benchmark indices — Sensex and Nifty — rose 1.5 per cent each, their biggest single-day stride since October 23, 2019. The Sensex rose 635 points, or 1.5 per cent, to end at 41,452, while the Nifty surged 191 points, or 1.6 per cent, to close at 12,216. A day earlier, both indices tanked as investors were worried about the possible fallout of the Iranian missile strike against the American forces in Iraq, days after top Iranian general Qasem Soleimani was killed in a US drone strike in Baghdad.

US stocks, too, hit record highs on Thursday and several brokerages boosted price targets on high-profile companies.

At 11.29 am EST (9.59 pm IST), the Dow Jones Industrial Average was up 182.22 points, or 0.63 per cent, at 28,927.31, the S&P 500 was up 17.59 points, or 0.54 per cent, at 3,270.64 and the Nasdaq Composite was up 70.40 points, or 0.77 per cent, at 9,199.64. Investors snapped up market heavyweights, including Apple, Microsoft, Amazon.com, Alphabet, and Facebook, lifting their shares between 0.9 per cent and 2.0 per cent.

The MSCI's all-country world index gained 0.63 per cent. Its emerging markets index rose 1.64 per cent.

Global stocks jumped after Iran's Foreign Minister Javed Zarif tweeted: "We do not seek an escalation or a war." On Wednesday, US President Donald Trump said that Iran's attack did not result in any casualties and added that Tehran appears to be "standing down".

"The US- Iran crisis had destabilised the whole thinking that global growth will pick up because of the phase one trade deal between the US and China. The latest de-escalation has brought back that optimism," said Andrew Holland CEO, Avendus Capital Public Markets Alternate Strategies.

Brent crude fell over 4 per cent in the last two days and was trading at $65.21 a barrel at 10.32 IST, after rising as high as $71 during the week. The rising crude oil price had stoked fears of inflation pressures in the economy. India is one of the biggest importers of oil and every $10 rise in crude pushes the headline consumer price index inflation by 0.4 per cent.

"The easing of the geopolitical concerns led to a risk-on rally across global markets. The latest geopolitical concerns had a bigger sensitivity to global oil prices," said Rajat Rajgarhia, managing director, Institutional Equities, Motilal Oswal Securities.

However, some analysts were sceptical. They said investors are naively hoping the current round of tensions as a show strength, and that there could be panic selling if there is a any escalation in tensions between the two countries. Market players, on the other hand, said the US-China tariff deal next week, the third-quarter results and the factory output data, set to be released soon, will give some direction to the market.

"Ultimately, events come and go, but earnings essentially determine where the markets are headed. This quarter will be subdued; hence investors will be closely watching the management commentaries," said Rajgarhia.

The market breadth was inclined strongly on the advancing side on Thursday with two stocks advancing for every declining stock on the BSE. All the sectoral indices on the BSE, barring one, ended with gains. The realty sector index gained the most and ended the session at 2,330, a gain of 2.8 per cent. Barring four, all stocks rose and the biggest gainers were ICICI Bank, State Bank of India, IndusInd Bank, and Mahindra & Mahindra.

With easing tensions, the rush to the safety of gold stemmed, too. The yellow metal fell from Wednesday's intraday high of $1,611 per ounce to $1,545 per ounce now. In India, on the MCX futures, gold fell from its Wednesday's high ₹41,293 per 10 gm to ₹39,770 per 10 gm at the close of Thursday's session.

In Mumbai spot also, standard gold was down over 2.4 per cent to ₹39, 772 per 10gram (without GST), while silver lost 3 per cent in a day to close at ₹46,375 per kg. This fall in the gold price in the spot market was the sharpest after October 2016.

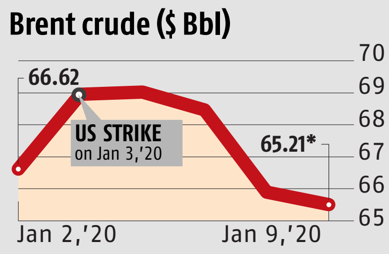
Analysts were unsure about the future price of gold. According to Nigam Arora, US-based market observer and author of Arora Report, "Technically, gold was much overbought and due for a correction." He also said the only thing that was working for crude oil was the Iran situation, "otherwise, global supply has been more than the demand."

In India, the recent volatility in crude oil and precious metal prices on the MCX futures have resulted in many traders facing huge margin calls. Brokers are reducing clients' leverage levels. However, high volatility has resulted in multi-year record high volumes on the MCX. The MCX daily futures segment turnover was at a 7-year-high on Wednesday (the data comes with a day's lag), at ₹62, 318 crore, while option volumes were ₹5,135 crore.

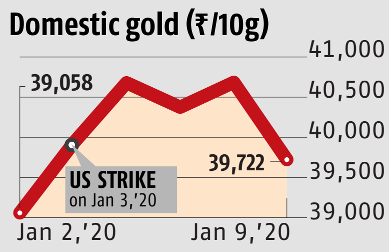
In crude oil futures & options, the turnover was at an all-time record of ₹31,183 crore. Gold option and futures volume was at ₹18,128 crore, and silver was at ₹9,503 crore. In derivatives, higher the volatility, higher will be volumes.

RELIEF TRADE

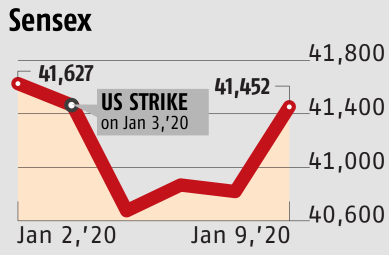
Brent crude ($ Bbl)



Domestic gold (₹/10g)



Sensex



*At 10.32 pm
Source: Bloomberg/IBJA;
Compiled by BS Research Bureau

Ukraine plane accidentally downed by Iran: US

Wreckage of the Ukrainian plane near Tehran. Iran has dubbed the American allegation of accidentally downing the aircraft "illogical rumours" PHOTO: REUTERS

REUTERS
Washington/Kiev, 9 January

A Ukraine airliner that crashed in Iran, killing all 176 people aboard, was most likely brought down accidentally by Iranian air defenses, US officials said on Thursday, as President Donald Trump said he had a terrible feeling about the disaster.

But, Iran's Civil Aviation Organisation denied the US version of the incident as "illogical rumours" and said "scientifically, it is impossible that a missile hit the Ukrainian plane".

One US official said American satellites had detected the launch of two missiles shortly before the plane crashed, followed by evidence of an explosion.

Speaking to reporters, Trump said the crash could have been a mistake, adding he had a terrible feeling about the downed airliner but offering no evidence. "Somebody could have made a mistake," Trump told reporters at a the White House, adding that he had suspicions about the crash but giving no other details.

Ukraine, meanwhile, outlined four potential scenarios to explain the crash, including a missile strike and terrorism, as Iranian investigators said the plane was on fire before it fell to the ground. Kiev said its investigators wanted to search the site of the crash.

Baghdad's Green Zone hit by 2 rockets, no casualties

Two rockets fell inside Baghdad's heavily fortified Green Zone, which houses government buildings and foreign missions, but caused no casualties. Sirens were sounding inside the Green Zone on Wednesday. Police sources said at least one of the rockets fell 100 metres from the US Embassy.

China rejects Trump's call to end Iran deal

China on Thursday rejected US President Donald Trump's call to "break away" from the Iranian nuclear deal and work for a new one, saying the agreement is a "hard won outcome" adopted by the UN and "all parties" should abide by it. The nuclear deal called Joint Comprehensive Plan of Action was reached between Iran and the P5+1 (Germany and the EU).

ICICI Prudential AMC invests ₹334 crore in credit risk fund in Q3

PRESS TRUST OF INDIA
New Delhi, 9 January

"At ICICI Prudential, we convey a lot about our values and beliefs that are ingrained in the risk management practices and investment process that we use. Simply put, we walk the talk"
NIMESH SHAH
MD and CEO, ICICI Prudential AMC

Prudential Asset Management Company on Thursday said it invested ₹334 crore in its credit risk fund in the December 2019 quarter, a move that may encourage investors to put in their money in the fund.

The fund house has invested ₹256 crore in December and ₹78 crore in October.

Credit risk funds invest mainly in corporate bonds that are below the highest rating assigned by credit rating agencies.

"At ICICI Prudential, we convey a lot about our values and beliefs that are ingrained in the risk management practices and investment process that we use. Simply put, we walk the talk," ICICI Prudential AMC MD and CEO Nimesh Shah said in a statement.

"Speaking on behalf of the stakeholders, I can confidently say that we do eat our own cooking and invest side by side with our investors," he added.

Joydeep Sen, founder of wiseinvestor.in, said, "It pays to invest with managers who invest in their funds. Investors want to know whether fund manager eats their own cooking. So, if anybody does it, it is a good indicator of future success and alignment of objectives. This way, fund houses can clearly demonstrate their conviction to investors and distributors." Industry experts said it is encouraging for investors to see that fund managers believe enough in the fund to put their own money on the line.

Earlier in March 2016, Sebi made it mandatory for asset management companies (AMCs) to disclose in their Scheme Information Documents the aggregate investments made by AMC board of directors, fund managers and other key personnel.

Kotak Mahindra AMC in 2015 took a stance that made it mandatory for its employees to invest in their schemes. In March 2019, DSP AMC followed.

Margin contraction and competitive pressure may keep spirits low at USL

Faces higher costs of raw materials, consumption slowdown

RAM PRASAD SAHU
Mu.mbai, 9 January

Investors in United Spirits (USL) did not make any money in 2019. The stock, which has underperformed the broader indices, ended marginally lower than the year-ago levels. From its September levels when it had peaked, the stock has shed about 11 per cent.

Pegged back by a consumption slowdown and high base, the company reported muted volume in the September quarter. What hampered sales further were the liquidity challenges for trade in certain states and a temporary supply-chain disruption. The company faces some headwinds on account of margin contraction and competitive pressures.

The hike in key raw material prices is putting pressure on gross margins. Half the raw material cost is contributed by extra neutral alcohol (ENA) and glass. A spike in their costs had led to a 410-basis point (bp) dip in the September quarter to 45 per cent. The company offset the impact somewhat at the operating profit level by curtailing its marketing, employee, and other expenses. Advertising expenses, as a proportion of sales at 7.6 per cent, was the lowest in eight quarters.

The government's ethanol blending policy and higher cost of the ethanol blending component in ENA, coupled with the rise of 15-18 per cent in glass prices over the past few years, have been putting pressure on gross margins. While the company has been taking steps to offset the impact and has maintained its operating profit margins over the past couple of years, cost surge could keep margins under stress.

Analysts at Elara Capital expect the cost of goods sold as a proportion of sales to rise from 49.6 per cent in 2018-19 to 54.3 per cent in 2019-20. This is expected to move up further by another 300 bps to cross the 57-per cent mark in 2021-22. In the December quarter, gross margins are expected to fall 200 bps year-on-year to 46.6 per cent, while operating profit margins are weaker by 10 bps.

Regulatory changes are another headwind which could impact the revenues of USL. In November last year, the Andhra Pradesh government had introduced a new bar policy, which included the cancellation of existing bar licences, issuance of new ones from January 2020, and reduction in the number of bars.

The government has also imposed additional retail excise tax on Indian Made Foreign Liquor sold to bars, which led to sharp price increases. The state contributes 4 per cent to USL's sales. Analysts at Emkay Global expect third-quarter volumes to be impacted by 2-3 per cent, but expect a recovery from the March quarter as trade stabilises.

In addition, any excise duty hike by the states will be an added headwind, at a time when volume growth has been impacted by the ongoing slowdown. In addition to price increases, which have to be approved by the state governments, higher revenues will be a function of higher sales in states, with increased realisations and better product mix.

Finally, analysts at Elara Capital believe the company (shed 500-bp market share since 2013-14 due to focus on premiumisation) will continue to struggle to regain lost share because of underperformance in the high margin category.

While the near-term stock performance will depend on the December quarter results, investors should await signs of margin improvement and volume uptick, especially in the Prestige-and-above segment before considering investment in USL.

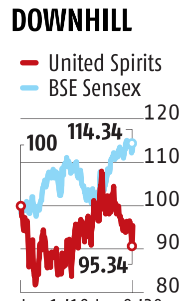
MARGIN PRESSURE

For the quarter ended

Figures in ₹ cr	Dec '18	Dec '19E	% chg YoY
Revenue	2,496.9	2,621.1	5.0 ▲
Gross profit margin (%)*	48.6	46.6	-200 ▼
Ebitda	358.2	372.3	3.9 ▲
Ebitda margin (%)*	14.3	14.2	-10.0 ▼
Net profit	192.4	233.8	21.5 ▲

*YoY change in basis points; E: estimate; Ebitda: earnings before interest, tax, depreciation and amortisation
Source: Company, Brokerage Reports and BS Research

DOWNHILL



Sebi lays down guidelines for investment advisors in IFSC

PRESS TRUST OF INDIA
New Delhi, 9 January

The Securities and Exchange Board of India (Sebi) on Thursday came out with guidelines for entities for operating as investment advisers in the International Financial Services Centre (IFSC), under which such advisers need to have a net worth of at least $1.5 million. The decision has been taken following the representations received from various stakeholders, Sebi said in a circular.

Under the framework, any recognised entity or entities desirous of operating in the IFSC as an investment advisor (IA), may form a company or limited liability partnership (LLP) to provide investment advisory services.

The country's only IFSC is in GIFT City near Ahmedabad in Gujarat.

An applicant needs to have a net worth of not less than $1.5 million (about ₹10.5 crore). In case, the IA is set up as a subsidiary, the net worth requirement is to be met by the subsidiary itself. However, if the subsidiary does not meet the criteria, the net worth of the parent can be considered.

The markets regulator has prescribed an application fees of $750 for registration as investment advisors for operating in IFSC and a renewal fee of $7,500

The investment advisor needs to fulfil the net worth requirement separately and independently for each activity undertaken by it under the relevant regulations.

Spelling out qualification and experience requirement for IA, Sebi said partners and representatives of applicants offering investment advice will need to have a post graduate degree or post graduate diploma of a minimum two years tenure in finance, accountancy, business management, commerce, economics, capital market, banking, insurance or actuarial science from recognised institution.

Those having experience of at least five years in activities relating to advice in financial products or securities, or portfolio management, or investment advisory services are also eligible.

Sebi said that an IA will have to ensure to conduct annual audit in respect of compliance with investment adviser norms and these guidelines from a chartered accountant or a company secretary or its equivalent under the laws in force of the country in which the applicant is registered.

In case of overseas applicants, a net worth certificate (not more than six months old at the time of filing of application) by a chartered accountant or its equivalent will have to be provided.

The membership number or any other identification number of the chartered accountant needs to be included in the certificate.

In case of overseas applicants, a credit score from a body similar to CIBIL, if existing in the applicant's jurisdiction, will have to be provided.

The markets regulator has prescribed an application fees of $750 for registration as investment advisers for operating in IFSC and a renewal fee of $7,500.

NCDs provide interest income, capital gains

However, look at credit rating and payout options before investing

BINDISHA SARANG

YOUR MONEY

Muthoot Fincorp unveiled its fifth issue of secured redeemable non-convertible debenture (NCD) to raise ₹480 crore on Thursday. This is the second issue to be announced within a week. Tata Capital's NCD issue, which was launched on Monday, is already fully subscribed. NCDs are debt instruments that can't be converted into equity or stocks. If you want a piece of this pie, you need to choose right.

Credit rating: Mumbai-based tax expert Balwant Jain says, "Of all the parameters one should look into, credit rating is paramount." After all, the credit rating shows the likelihood of the underlying issuing company defaulting on its interest and principal payment. Jain says, "A rating of 'AAA' shows the highest quality or that the probability of default is extremely low. The next level is 'AA', where the default probability is still considered fairly low." Likewise, 'BBB' and a higher rating mean it's worth investing in as there is a relatively low risk of default. Never let only returns be your parameter — interest coupon offered is inversely linked to the credit rating; you get a premium yield for investing in lower-rated securities with more risk.

Payout options: The second parameter to consider is the payout option. Anuj Shah, Mumbai-based certified financial planner, says, "NCDs come with a fixed maturity date. Interests can be paid along with the principal amount, either monthly, quarterly, or annually, depending on the fixed tenure specified."

At times, you get the added option of receiving interest on a cumulative basis. Here, you do not get interest payments throughout the NCD's tenure, but as a lump sum amount on maturity. Know your money need — short-term, long-term or regular income and then pick the tenure accordingly. For regular income, go for the accumulated interest option as compounding results in a better yield.

Taxation: Abhinav Angirish, founder, InvestOnline, says," NCDs are taxed according to the slab rate of the investor. Hence, if the investor is in the high tax bracket of 30 per cent, he will have to pay 30 per cent tax on the interest accrued. However, the investor can get indexation benefit if he holds the NCDs for more than a year. If NCDs are sold before completion of one year, the short-term capital gains have to be paid at normal tax rates." If you sell NCDs after a year or more or before the maturity date, long-term capital gains will be applicable at 20 per cent with indexation.

Other parameters: Jain says, "Credit rating will reflect other parameters. But if you want to consider a few more, you can like interest coverage ratio (ICR), capital adequacy ratio (CAR), liquidity, provisions for non-performing assets, level of debt and the like."

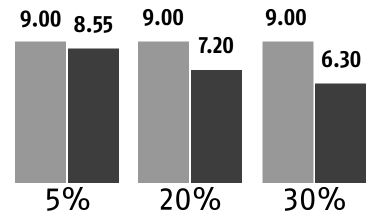
ICR shows how well a firm can pay interest on outstanding debt. CAR measures the company's capital and sees if the company has sufficient funds to survive potential losses.

Stay away from any company that has allocated 50 per cent or more of its total assets towards unsecured loans.

Most NCDs are listed on the stock exchanges. Many believe that at times if you want to exit, it could become challenging to find a buyer, especially for small investors with small volumes. However, many advisors believe liquidity is a function of several factors mentioned above, and higher rated ones have decent liquidity.

Some planners do not recommend these products. Others think they are good options. Angirish says, "If the person is in high tax bracket, his post-tax returns will be considerably lower. However, NCDs are ideal investment instruments for those in a lower tax bracket or do not have taxable income since they offer a higher interest rate than bank fixed deposits."

INVESTMENT TIME



Footnote: Income Tax Slab Rate for AY 2020-21 for Individual

Keep an eye on capital protection

Use these smart strategies to ensure decent returns from equity investing

SARBAJEET K SEN

With global headwinds like US-Iran tensions and slowdown in the Indian economy, stock markets are likely to remain volatile for some more time, say experts. The NSE India Volatility Index or VIX on Tuesday rose to 15.64 – up 7.05 per cent. So, even if one is investing through equity mutual funds, one has to be careful and think of means to avoid loss of capital. This is especially true for conservative investors or ones close to retirement because while returns are important, capital protection should take prominence. There are a few strategies that can help achieve this:

Capital protection-oriented funds (CPOF): These are schemes with a fixed maturity – say three years. They invest in a mix of bonds and stocks in a way that the money invested in bonds gives back the capital and the money invested in stocks provides higher returns, or as they say, the alpha. "As debt instruments are held until maturity, the probability of mark-to-market losses due to interest rate fluctuations is mitigated. For investors who are spooked by the volatility of stock markets and yet do not want to lose out on the opportunity to make gains, investing in closed-end hybrid schemes such as CPOFs can be beneficial," says Rajiv Bajaj, chairman & managing director, Bajaj Capital.

Akhil Chaturvedi, associate director and head of sales, Motilal Oswal Asset Management, says these funds can be a substitute for fixed deposits. "These funds are like defensives in the client's portfolio and help him make predictable returns with low volatility over the investment tenor," he says.

Since they are closed-end products, investors have to forgo liquidity. Though their units are listed on the stock exchange, they rarely trade at fair value.

Dividend transfer plan (DTP): Invest your money in the dividend option of a liquid fund and sign up for DTP. Each time the liquid fund announces a dividend, the amount is transferred to the equity scheme you have chosen. Choose a multi-cap fund as the transferee scheme. "Investors who do not want to take equity market risks and are sensitive towards protecting their capital value can do so by parking a lumpsum amount in fixed-income funds. These funds ensure safety of capital, and returns from such funds can be systematically transferred to equity funds. This also leads to rupee-cost averaging and helps earn slightly better returns than pure fixed-income funds," says Chaturvedi.

Remeber that any dividend announced by a liquid or bond fund is subject to dividend distribution tax of around 29 per cent. Second, if the amount of dividend falls below a threshold, it is reinvested back in the scheme.

Capital appreciation transfer plan: You can also use this tool to invest in equity mutual funds systematically. Here, you may choose to transfer on a monthly basis only the capital appreciation in your source scheme to a target scheme. Invest in a liquid fund or bond fund and instruct the fund house to transfer the capital appreciation every month. The rules pertaining to exit load, minimum investment amount and minimum incremental investment amount will apply. "This strategy is good for conservative investors who want to protect their principal and take a risk with only the returns. This could be a better option compared to the dividend transfer option. On the one hand, the probability of capital protection is higher while on the other, it is more tax-efficient," says Bajaj.

Trigger facility: Investors can also use the trigger facility, which allows them to instruct the fund house to transact (buy, sell or transfer) in the units held if the given condition is satisfied. For example, an investor can instruct the fund house to sell all the units of an equity mutual fund if the net asset value were to fall below a particular level. One can also instruct the fund house to transfer units of an equity mutual fund to a bond fund if capital appreciation of a particular size is seen. You can set the trigger in such a way that your capital is preserved, or a certain minimum capital appreciation along with capital is protected in case of a massive fall in the stock market.

However, be careful with the condition you specify when defining a trigger. The trigger should not get activated too early. You can register, modify or cancel the trigger anytime. But once the fund house acts on it, little can be done about it. Each transaction is subject to exit load and taxation. "Triggers are not meant for the average investor; they are more suited for the informed investor who knows how much she wants to earn, and is willing to take the risk of his/her view going wrong. For long-term equity investors, returns materialise over a period of time. There are good and bad years, and if you exit too soon in a bull market the long-term return from equities will suffer," adds Bajaj.

HOW GAINS FROM MUTUAL FUNDS ARE TAXED

Category	Taxation of dividend
Debt funds	Tax free in the hands of investor, DDT of 25% (plus surcharge and cess as applicable)
Equity funds	Tax free in the hands of investor, DDT of 10% (plus surcharge and cess as applicable)
Category	**Taxation of short-term capital gains**
Equity mutual funds	15%
Debt mutual funds	Slab rate
Category	**Taxation of long-term capital gains**
Equity mutual funds	10% on gains above ₹1 lakh
Debt mutual funds	20% with indexation

Source: Cleartax.in

Self-employed can also be a consumer

CONSUMER PROTECTION

JEHANGIR B GAI

Dr Ram Kumar, a pathologist, ran two labs. He purchased a Lumax instrument for ₹3,79,250 and its chemical kit costing ₹1,20,000 manufactured by Lilac Medicare (now named Tosoh India).

Kumar alleged that the instrument was defective and sought a refund. Since the company did not agree, Kumar filed a complaint before the District Forum against Lilac as the manufacturer and Sharda Enterprises as the seller. The manufacturer contested the complaint and questioned its maintainability on the ground that the equipment had been purchased for commercial purpose.

If the buyer purchases goods to earn his own livelihood through self employment, in that case he should be deemed to be a consumer

The Forum upheld the objection and dismissed the complaint. Kumar appealed to the Haryana State Commission, which overturned the Forum's judgement and held the complaint to be maintainable, and remanded it back for adjudication on merits. Feeling aggrieved, the manufacturer questioned the decision by filing a revision before the National Commission.

A three-member bench of the National Commission comprising Justice R K Agrawal, Justice V K Jain and M Shreesha considered the issue. The Bench noted that even though goods purchased for commercial purpose are excluded from the ambit of the Consumer Protection Act, there is a proviso that if the purchase is for earning livelihood through self-employment, a complaint would be maintainable.

The Bench considered various Supreme Court decisions where the Apex Court had observed that the purchase of goods for resale or for generating profits is excluded from the purview of the Act. In contrast, if the buyer himself uses the goods (with or without the assistance of one or two other persons) for earning his livelihood through self-employment, he would be a consumer.

Interpreting the various rulings of the Apex Court, the National Commission concluded that a person engaged in commercial activities on a significant scale to make a profit would not be a consumer. Also, when there is a direct nexus of the goods purchased being utilised for large-scale commercial activity, he would not be considered a consumer. The test to determine whether a person is a consumer is the purpose for which the goods are bought, regardless of value.

The National Commission applied these principles to Dr Kumar's case. It observed that he had laboratories at two locations, one of which was looked after him and the other by a technician. Since only one technically qualified person was engaged in running the laboratories, the National Commission held Dr Kumar to be a consumer who had purchased goods for earning his livelihood.

Accordingly, by its order of January 6, 2020, delivered by Justice V K Jain on behalf of the Bench, the National Commission dismissed the revision. It upheld the order directing the District Forum to adjudicate the complaint on merits.

The writer is a consumer activist

Arogya Sanjeevani offers wide coverage

As affordability grows, port to a higher-end health cover or buy a top-up plan

SANJAY KUMAR SINGH

With medical inflation ranging between 12 and 14 per cent annually, buying health insurance should be high on buyers' priority list. Yet surveys show that 75-80 per cent of hospitalisation expenses are borne by customers out of their own pockets. One factor that deters many from purchasing health insurance is lack of faith. Buyers are not sure whether their insurer will reimburse a claim when it arises. It is this mistrust that the Insurance Regulatory and Development Authority of India (IRDAI) has tried to address with *Arogya Sanjeevani*, a standard health insurance product that all health and general insurers must offer from April 1.

Sometimes, customers do not understand the terms and conditions of their cover. When their claim is rejected, even on legitimate grounds, they feel aggrieved. "The standard product will have the same features irrespective of which insurer you buy it from. Policy wordings will be the same. The features have been decided by the regulator. Hence, it will reduce expectation mismatch and distrust," says Amit Chhabra, business head, health insurance, Policybazaar.com.

Currently, insurers offer products with varying levels of coverage and prices. Doing a feature-versus-price evaluation for so many products and then deciding which one to buy is a daunting task. This makes selection difficult. "*Arogya Sanjeevani* will make decision much easier for buyers," says Subramanyam Brahmajosyula, head-underwriting and reinsurance, SBI General Insurance.

Today, customers can port to another insurer without loss of accumulated benefits. However, both the sum insured and the coverage offered by the second insurer can be different from that of the existing one. "Even when porting, customers need to take a number of factors into account. Most do not have the time or the inclination to go through the fine print. Now, with a standard policy, they can be assured that they will get the same coverage," says Brahmajosyula.

YOUR MONEY

This product, however, comes with several restrictions (to ensure affordability). The maximum sum insured allowed is ₹5 lakh. There are caps on room rent (2 per cent of sum insured or ₹5,000 per day), intensive care unit and cardiac care unit charges (5 per cent of sum insured or ₹10,000 per day), ambulance charges (₹2,000 per hospitalisation), and cataract treatment (25 per cent of sum insured or ₹40,000). There is also a co-payment requirement of 5 per cent (this percentage of claim will have to be borne by the customer).

Arogya Sanjeevani is a base-level product. First-time buyers who have just started working or those whose salaries do not allow them to buy a more expensive cover should go for it. It may also fulfil the needs of individuals and families living in tier III and IV towns, where medical costs are lower. As income and family size grow, customers can shift to a higher-end plan, or buy a top-up plan to bump up coverage.

Those who live in metros and want to be treated at high-end hospitals will find the ₹5 lakh sum insured inadequate. Those who want a higher sum insured, or desire features like wellness, restore, etc. may opt for the higher-end plans of insurers.

Once insurers have announced their prices, compare them, evaluate the claim servicing capability (a claim settlement ratio of above 90 per cent is a good yardstick to go by), and the list of network hospitals (the best hospitals in your vicinity should be included), and then decide which insurer's standard cover to go for.

GOOD FOR FIRST-TIME BUYER

- **Besides most of the usual costs incurred** on hospitalisation, treatment under Ayush system is covered. No sub-limits
- **Pre-and post-hospitalisation expenses** 30 days prior to admission and 60 days after date of discharge covered
- **Dental treatment and plastic surgery** necessitated by disease or accident covered
- **All daycare** treatments covered

BUDGET: ₹1 CRORE –₹1.5 CRORE

REALTY CHECK

Business Standard **brings you a snapshot of average current rates and unit sizes in localities that offer property in the price range of ₹1 crore and ₹1.5 crore. If you are looking at buying real estate, an idea about prevailing rates would come in handy**

	Avg price (₹/sq ft)	Avg unit size (sq ft)
AHMEDABAD		
Science City Road	4,986	2,516
Vastrapur	5,835	1,992
Naranpura	5,548	2,048
Chandkheda	3,464	3,125
Paldi	5,640	2,141
Motera	3,747	3,351
Thaltej	5,688	2,200
Jodhpur Village	6,185	2,039
JAIPUR		
Vaishali Nagar	4,844	2,455
Mansarovar Extension	5,178	2,207
Jawahar Circle Garden	8,287	1,348
Jagatpura	4,532	2,429
Vidhyadhar Nagar	5,572	1,976
Pratap Nagar	4,800	2,238
Civil Lines	5,509	2,260
Durga pura	6,600	1,970
KOCHI		
Maradu	6,189	1,821
Kadavanthra	6,217	1,935
Palarivattom	6,763	1,926
Kakkanad	4,904	2,476
Vyttila	7,139	1,859
Kaloor	5,911	1,934
Vennala	5,292	2,171
Panampilly Nagar	6,977	1,793
KOLKATA		
New Town	6,256	2,007
Tangra	5,736	1,996
Kankurgachi	8,469	1,337
Mukundapur	7,624	1,750
Beleghata (Beliaghata)	6,734	1,830
New Alipore	7,238	1,860
JM Avenue	7,000	1,889
Sealdah	7,364	1,667
NAGPUR		
Gandhi Sagar Lake	8,276	1,580
Narendra Nagar	6,425	1,770
New Colony	6,000	2,300
Dharampeth	7,500	1,465
Raj Nagar	7,500	1,896
Rambagh	7,176	1,762
Pratap Nagar	6,250	2,002
Wardha Road	6,825	1,543
VISAKHAPATNAM		
Yendada	4,551	2,877
MVP Colony	6,400	1,897
Murali Nagar	6,000	1,741

Note

- The ticket price range considered for the above data points is between ₹1 crore and ₹1.5 crore
- All the data points discussed in the above table refer to primary market only
- Above residential data set comprises of residential apartments only
- Above residential data is representative of organised real estate developers only
- The top performing micromarkets based on sales during last year (November–2018 to October–2019) is represented on the above table
- Data points are updated till October 2019

Source: PropEquity

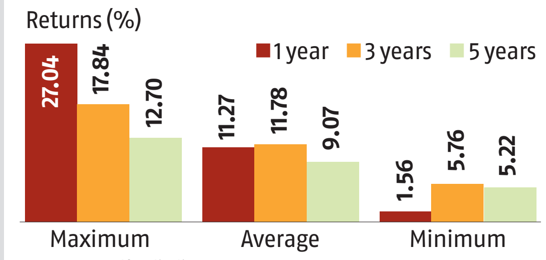
TIPPING POINT

Are focused funds for you?

Focused funds, which according to Sebi guidelines can take exposure to at most 30 stocks in their portfolios, have performed well over the past year. They have given an average return of 11.27 per cent. The best-performing fund has yielded 27.04 per cent. These funds have done well due to the polarised nature of the equity markets. The large-cap category has done well. Within large caps, select stocks have driven the rally. Those fund managers in the focused category who were able to latch on to these stocks at the right time and take concentrated bets on them have outperformed. Weigh your risk appetite before entering them. When markets correct, they can take a bigger beating than diversified funds.

POLARISED MARKET HELPED

Returns (%)



Source: mutualfundindia.com

READER'S CORNER

LIFE INSURANCE

TARUN CHUGH

I have an endowment plan with a ₹5 lakh cover. I am married and have twins. Should I invest in a ₹1 crore term plan?

Term plans are pure protection covers for the family/dependants, which come into play in the event of the death of the family's breadwinner. The cover helps the family continue its journey towards its life goals without hitting a financial roadblock due to the death of the breadwinner. Since you have a family/dependants, opting for a term plan would be right for you. An endowment plan enables you to accumulate wealth for achieving your and your family's life goals.

As for whether you should invest in a ₹1-crore term plan, it is difficult to answer this as how much life insurance you should purchase depends on several factors such as current income, liabilities, number of dependants, cost of child's education, etc. Use one of the Human Life Calculators available online to understand the amount of sum assured you need.

I am getting married this year and plan to buy a house. My annual income is ₹15 lakh. I already have a term plan worth ₹25 lakh. Should I increase my insurance cover?

It is an excellent idea to review your life insurance cover at every life stage you cross. You need to ensure continuity of your financial goals. At the same time, you need to secure your family's life goals. If you are the only breadwinner in your family, you should review your existing life cover after evaluating your and your spouse's life goals, lifestyle needs, rising inflation and healthcare costs. An ideal cover should be such that it enables the family to sustain its lifestyle and meet its life goals even in the absence of the regular income from the breadwinner. If your current term plan does not meet your requirements, and your existing policy does not allow you to increase the cover, buy a new policy for the additional sum insured you require.

I am 34 years old and want to invest ₹30,000-40,000 per month to build my retirement corpus. Where should I invest my money to get the maximum benefits?

Two key aspects to keep in mind while investing are your goals and your profile as an investor, which depends on the risk you are ready to take and the returns you expect over time. Try some of the tools available online to know the type of investor you are. At 34 years, you have time on your side to build a retirement corpus, and maybe you even have a higher risk-taking appetite. If you are risk tolerant, adopt an aggressive investment strategy and invest in market-linked funds. Ulips fit in well here. They are market-linked investment plans that come with several advantages. They make you disciplined by ensuring you invest regularly towards meeting your goal. You also invest in the markets for a long time, thereby enjoying the advantages of compounding your returns. You also get the benefit of rupee-cost averaging over time. Ulips also help you diversify into both equities and debt according to your needs. They provide you the flexibility to switch between them depending on market conditions and your risk profile. Furthermore, Ulips also offer life cover and tax benefits.

If you are looking at guaranteed returns from your investments, and don't want to dive into market-linked plans, you may opt for traditional life insurance products that give guaranteed returns on maturity. You may also consider other conventional investment products such as fixed deposits or PPF that give guaranteed returns. Ideally, your portfolio should be well balanced and diversified for achieving any goal.

The writer is MD & CEO, Bajaj Allianz Life Insurance. The views expressed are the expert's own. Send your queries to yourmoney@bsmail.in

Brands battle the troll-storm

From consulting firms to tech and detergent companies, brands are busy swatting away online crusaders

NEHA ALAWADHI
New Delhi, 9 January

It has been a rocky start to the year. With protests raging all around and tempers on a short fuse, within weeks of sending out New Year greetings and messages of peace, social media timelines for many brands are reeling under abuse and threats of boycott.

It all started out with two technology firms at the centre of a storm because two of their representatives were believed to be attending an event organised by the RSS. Their mistake: mixing religion with business, which is always tricky in this country, said experts.

But religion is not the only crossed item on the 2020 list. Detergent brand Nirma that has largely steered clear of any such controversies, is in the thick of one. Its portrayal of Maratha warriors has hurt the community's pride, leading to an outpouring of outrage online.

And Deepika Padukone is being pilloried for her support for the students of JNU. Her movie that releases this week is being boycotted and Medlife, a brand she endorses and one that has also associated with her movie, is fielding abusive rants on its timeline.

Rage and fulmination are the norm and brands are vulnerable as they define their online identities, said several experts. "Everything on brand perception is formed on social media. Even brands that do not have an online presence, market themselves online," said a senior image management consultant who did not want to be named. She believes that the tech companies must be prepared to deal with the mud being flung at their brands; he added, "It won't hold ground to say the two individuals could have their own political or religious views, they represent the brand as senior executives, and in social media parlance, their views represent the views of the brand."

What must brands do to stay out of the fire?

"Typically in good and bad times, sensitive and non-sensitive ones, my advice is to keep a complete distance from two things, politics and religion. A brand is treading on thin ice otherwise," said Harish Bijoor, founder, Harish Bijoor Consults.

What makes religion such a sensitive subject? A 2018 paper titled "Does Religion Sell? A brief journey in religion and advertising,"(marginalie.hypotheses.org) may have an answer. The author says the people want controversy in their advertising, but only in moderate doses. They want religion to stoke their desires just as they want some amount of sexual undertones, but they want all this in small safe doses and brands must know the line.

Brands must also know that nothing is sacred for trolls—within hours of the poster about the RSS event being tweeted, Accenture's old projects in India were dug out, its global CEO tagged in tweets asking about the company's stand on such issues. Ditto for Zoho.

In the fraught times we live in, it is not just religion that stokes the fires of controversy. In such instances, it may be best to take the trolls head on. As the chief marketing officer of Medlife.com has done in a LinkedIn post.

She explains the brand's current plight and compares it with something she faced in her earlier job at Big Basket. At the time Sharukh Khan, the brand ambassador of the online retailer was hounded for his comments about safety and tolerance in the country and many had deleted the app. Without offering any comment, nor playing victim to the trolls' abusive rants, she has managed to protect the brand said many.

DARK NET

AKSHAY KUMAR, NIRMA: Following the release of its ad with Akshay Kumar where he stars as a warrior in typical Maratha attire, Nirma has faced a huge backlash for allegedly showing the community in poor light

DEEPIKA PADUKONE, MEDLIFE: Her decision to stand with the protesters at JNU has led to Medlife's social media pages being flooded with abusive comments and threats to delete the app

ZOHO CORPORATION, ACCENTURE SOLUTIONS: The companies were trolled because senior executives were to participate in an RSS event. While Zoho founder has brazened it out, the executive from Accenture has allegedly backed out

FROM PAGE 1

Fundamentals are strong...: PM

Bibek Debroy, chairman of the Economic Advisory Council to the Prime Minister, was present. Finance Minister Nirmala Sitharaman did not attend because she was holding pre-Budget meetings with party workers at BJP headquarters.

While the economic slowdown was not mentioned in the meeting, a participant said: "Slowdown is in the air. The entire discussion was in that context."

While the fiscal deficit in 2018-19 stands at 3.4 per cent of GDP according to the revised estimates, it is higher — to the tune of 6 per cent — if off-Budget borrowings are taken into account. Participants said there were suggestions to deal with the slowdown in areas including agriculture, the rural sector, the auto industry, electronics, and consumer goods, as well as improvements in education and health.

The participants urged the government to focus on public investment, credit expansion, exports growth, governance in state-owned banks, and increasing consumption and job creation. "A number of people spoke about the importance of removing policy uncertainty," a participant said.

Another person said given the time constraints, each of the 35 participants was given two minutes, and could give only two-three suggestions, with Rajiv Kumar timing them. The person said there were discussions on increasing exports, and about India benefitting more from the US-China trade war, which countries like Vietnam and Bangladesh were doing. "One of the suggestions was whether a public-private institution could be set up to discuss ways for India to benefit from the global situation," he said. "A lot of people also spoke about a meddlesome lower-level bureaucracy which makes the life of entrepreneurs difficult. Why do we need them? Why can't there be more self-attestation?"

Participants said Modi spoke at the end of the interaction. "He admitted there were problems. He gave an analogy. A weak person may appear healthy because there is a lot of water retention. Now that the water has gone, finally people are calling him weak. But the truth is he was always weak," the source quoted first said.

Modi intervened twice during the discussion, once when rural employment was raised, and when the quality of primary education was mentioned.

Modi has over the past few days held multiple meetings with different stakeholders over various issues affecting the economy and to thrash out appropriate policy interventions in the upcoming Budget, even as India faces its worst slowdown in more than a decade.

"We must all work together and start to think like a nation," an official press statement quoted him as saying at the meeting. The PM said he was happy the two-hour open discussion had brought to the forefront the experience of people on the ground. Modi assured them that he would act on suggestions that could be implemented in the short term and also consider long-term suggestions in due course.

Among others, the meeting was attended by economist Ila Patnaik of the National Institute of Public Finance and Policy, former chief economic advisor Shankar Acharya, R Nagraj of the Indira Gandhi Institute of Development Research, KKR India CEO Sanjay Nayar, Ather Energy co-founder and CEO Tarun Mehta, MakeMyTrip CEO Deep Kalra, Dabur India chief Mohit Malhotra, Bandhan Bank MD and CEO Chandra Shekhar Ghosh and CRISIL MD and CEO Ashu Suyash.

ED likely to attach...

According to Srikrishana panel, this South Mumbai residence was owned by an entity QTAPL of the Videocon group between 2009 and 2016. During this period, no rent was paid and no consideration was given for such residence, the panel had said.

Further, the apartment seems to have been transferred in 2009 to the Videocon group presumably to satisfy a liability of Deepak Kochhar or his business Credential Finance (CFL), owed to Videocon group. It was subsequently re-acquired by Deepak Kochhar (indirectly by the family Trust acquiring 100 per cent of QTAPL which owned the house) for nominal consideration.

The said transactions—rent-free residence at the apartment and the transfer of the apartment for nominal consideration—were in arrangement with a borrower group (Videocon) of the ICICI Bank for inadequate or no consideration, the panel pointed out. It also said that Chanda Kochhar's claim of no knowledge about the dealings was not true.

With respect to the apartment, not only was her husband transacting with the Videocon group, but her brother's wife Neelam Advani was the signatory authority to a board resolution of CFL authorising transfer of the apartment, according to the findings. Deepak Kochhar was a director on an entity owned by the Videocon group (QTAPL) till 2014. And Chanda's disclosures of such directorship were inadequate for the financial years 2010-11 to 2012-2013.

Airtel mops up...

Forced by a SC judgment ordering it to pay AGR (adjusted gross revenues) and spectrum usage charges dues of over ₹35,000 crore by January end, Bharti decided to raise fresh funds through a combination of debt and equity to comply with the SC order. It has, however, also filed a review petition in the SC challenging the order asking it to pay interest on dues, penalty as well as interest on penalty. The industry has to fork out ₹147,000 crore as part of the SC order and many companies like Vodafone-Idea have already said they might have to close operations.

In its prospectus, Bharti said in case of a favourable SC order the company will utilise the money or part of it to augment long-term resources and strengthen its balance sheet for servicing and repayment of short and long-term debts, capital expenditure, long-term working capital requirement and general corporate purposes.

Byju's...

Shleifer, who set up international private equity practice for Tiger Global, is said to be as aggressive deal maker like his predecessor Lee Fixel, who left the investment firm in March. Since then, Tiger has also invested in a host of technology-focused companies in diverse sectors including Ninjacart, CRED, NoBroker and Facilio to mention a few.

"Byju's has emerged as the leader in the Indian education-tech sector. They are pioneering technology shaping the future of learning for millions of school students in India," Shleifer was quoted in the press statement issued by the edutech firm.

RBI approves...

However, experts pointed out that considering these applications were of foreign origin, the RBI would unlikely allow them. Under the data protection Bill, the central bank is unwilling to let companies store customer data in foreign locations.

The RBI master direction did not mention what application can be used for video chat. But experts say it is likely that the government will have to develop such an app specifically for video-KYC whose servers will be located onshore. The RBI accepted the recommendations and amended its master direction on KYC.

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BS SUDOKU # 2943

	2							
	4			2		9		
		9		6		3	4	
	7			9		1	2	
	9					7		
			1		4			5
		6			2			1
1								
	3				5		6	

SOLUTION TO #2942

9	7	8	5	3	1	2	6	4
5	6	1	4	2	9	3	7	8
3	4	2	8	7	6	5	1	9
4	5	3	7	1	2	9	8	6
1	2	6	3	9	8	4	5	7
7	8	9	6	5	4	1	3	2
8	3	4	9	6	5	7	2	1
2	9	5	1	8	7	6	4	3
6	1	7	2	4	3	8	9	5

Medium: ★★★
Solution tomorrow

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

India lost over $1.3 bn to Net shutdowns last year

Study pegs global loss at $8 billion, says India third-most impacted country

NEHA ALAWADHI
New Delhi, 9 January

India lost over $1.3 billion in internet shutdowns across the country — lasting 4,196 hours in 2019 — making it the third-most economically affected country after Iraq and Sudan, says a new study.

The report, titled *The Global Cost of Internet Shutdowns*, in 2019 by internet research firm Top10VPN, worked on calculating the data in major regions of the world using the COST tool. The tool was developed by internet monitoring NGO Netblocks and advocacy group The Internet Society, and uses indicators from the World Bank, ITU, Eurostat, and US Census.

The total cost of internet shutdowns across the world, according to the report, stood at $8.05 billion in 2019, an increase of 235 per cent since 2015-16.

The report also looked at data collated by not-for-profit legal services organisation Software Freedom Law Foundation. Its internet shutdown tracker for India calculated 106 shutdowns in 2019.

"India imposes internet restrictions more often than any other country, with over 100 shutdowns documented in 2019," said Samuel Woodhams and Simon Migliano, authors of the report. "As they tend to be highly targeted — even down to the level of blacking out individual city districts for a few hours while security forces try to restore order — many of these incidents have not been included in this report, which instead focused on larger region-wide shutdowns. The full economic impact is, therefore, likely to be higher even than our $1.3 billion figure," they added.

An April 2018 report by the Indian Council for Research on International Economic Relations (ICRIER) estimated the economic impact of internet shutdowns in India from 2012-17 at $3.04 billion, and the overall number of hours of shutdown worked to 16,315 hours.

It has been reported globally that the internet shutdown in Kashmir, which was imposed on 4 August, is the longest-ever internet block imposed by any country. It has now been over 158 days and counting, since internet access was cut off in Kashmir.

"The most significant disruptions have been in the turbulent Kashmir region, where after intermittent shutdowns in the first half of the year, access has been blocked since August, with no end to restrictions in sight," the report noted.

In contrast, Iraq — which suffered the highest economic impact from internet shutdowns, was hit by $2.3 billion and 209 hours of blackouts.

The most significant internet blackouts were in October amid anti-government protests due to rising unemployment, failing public services and corruption, the Top10VPN report said.

Sudan suffered the second highest impact at $1.87 billion, and 864 hours of blackouts.

Countries across the world also put blocks selectively on specific online platforms. WhatsApp was the platform that saw the highest number of shutdowns globally at 6,236 hours. Facebook was second, blocked globally for 6,208 hours, followed by Instagram (6,193 hours), Twitter (5,860 hours) and YouTube (684 hours).

122 Major shutdowns took place in 21 countries

18,225 hrs Duration of major shutdowns around the world

11,857 hrs Internet blackouts

Iraq Most economically impacted nation, followed by Sudan and India

6,368 hrs Social media shutdowns

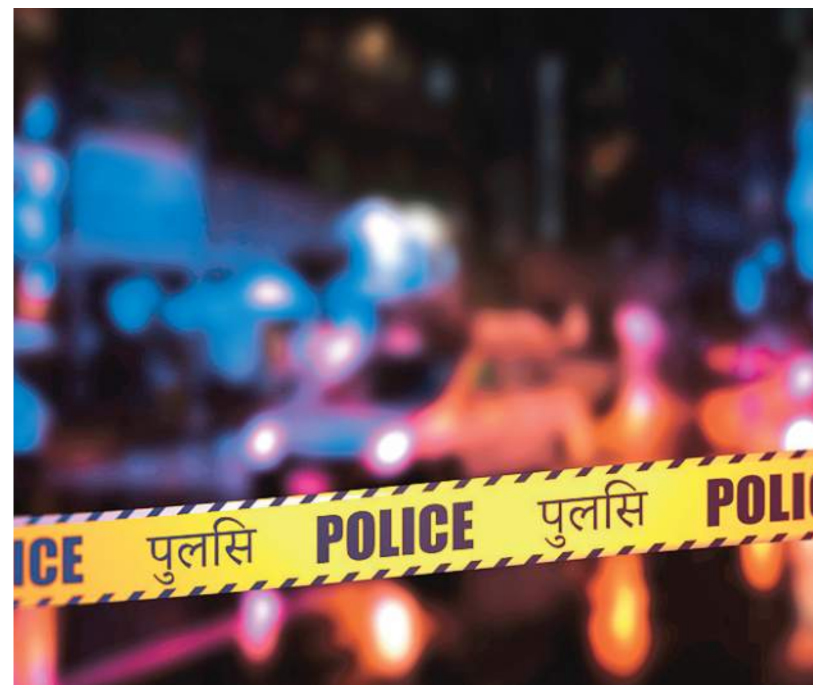
WhatsApp Most blocked platform globally

Source: Top10VPN.com

An average of 80 murders, 91 rapes reported daily in 2018: NCRB data

An average of 80 murders, 289 kidnappings and 91 rapes were reported daily across the country in 2018, said the National Crime Records Bureau (NCRB) in its report 'Crime in India' in 2018, released on Wednesday. According to the NCRB, though the overall crime numbers show an increase of 1.3 per cent in registration of cases over 2017 (50,07,044 cases), crime rate per 100,000 population has come down from 388.6 in 2017 to 383.5 in 2018. "West Bengal, Bihar, Odisha, Uttarakhand, Meghalaya, Goa, Chandigarh, Daman & Diu, Delhi, Lakshadweep and Puducherry reported zero suicides of farmers/cultivators as well as agricultural labourers," the NCRB report said. The NCRB, under the Union Ministry of Home Affairs, is responsible for collecting and analysing crime data as defined by the Indian Penal Code and special and local laws in the country. Uttar Pradesh, the most populous state with 16.9 per cent share of the country's population, has reported comparatively lower percentage share of suicidal deaths, accounting for only 3.6 per cent of the total suicides in the country in 2018.

Delhi has reported the highest number of suicides (2,526) among UTs, followed by Puducherry (500).



10,349 People working in the farm sector ended their lives in 2018

134,516 Suicides in the country in 2018. Farm sector saw 7.7% of it

11,379 Farmers committed suicide in 2016

2017 Farm suicide data not public. The year saw sustained farm protestsin several parts of the country

5,763 of farmer suicides in 2018 were farmers/ cultivators and 4,586 agricultural labourers

129,887 people ended their lives in 2017. The figure increased 3.6% the next year

29,017 murder cases were registered in 2018, an increase of 1.3% over 2017 (28,653 cases)

10.3% jump witnessed in 2018 in kidnapping and abduction cases

378,277 cases registered under the 'crime against women' category in 2018

359,849 was the figure in 2017 and 3,38,954 in 2016

COMPILED BY ARCHIS MOHAN

Census will seek info on toilets, TV, vehicles owned and mobile number

PRESS TRUST OF INDIA
New Delhi, 9 January

Enumerators of the census will seek the mobile number of the head of the family, information related to toilets, TV, Internet, vehicles owned, source of drinking water, besides asking other questions during the houselisting phase of the exercise.

In a notification, the Registrar General and Census Commissioner said the census officers have been directed to ask as many as 31 questions to collect information from every household during the houselisting and housing census exercise scheduled from April 1 to September 30.

The notification, however, made it clear that the mobile number will be sought only for census-related communications and not for any other purpose.

The other information that will be sought from every household is: whether the family owns a telephone, mobile phone, smartphone, bicycle, scooter, motorcycle, moped, car or van, radio or transistor, television, laptop or computer or has access to the internet.

Information will be sought on building number (municipal or local authority or census number), census house number, predominant material of the floor, wall and roof of the census house, use of census house, condition of the census house, household number, number of persons normally residing in the household, name of the head of the household and the person's sex.

The numerators will ask whether the head of the household belongs to a Scheduled Caste or Scheduled Tribe or Other category, ownership status of the house, number of dwelling rooms exclusively in possession of the household, number of married couple(s) living, main source of drinking water, and main cereal consumed in the household.

Questions related to main source of lighting, whether the family has access to a toilet, the type of toilet, waste water outlet, availability of bathing facility, availability of kitchen and LPG/PNG connection and main fuel used for cooking will also be asked by the enumerators, the notification said.

The 2021 census will be conducted through a mobile phone application, moving away from the traditional pen and paper. The census will have its reference date as March 1, 2021, but for snow-bound Jammu and Kashmir, Himachal Pradesh and Uttarakhand it will be October 1, 2020.

The central government has also decided to prepare a National Population Register (NPR) by September 2020 which will be carried out along with the houselisting phase of the census.

The NPR will be a list of usual residents of the country.

Trump's tariffs cost US companies $46 bn

Tariffs imposed by President Donald Trump to restructure the United States' (US') top trade relationships have cost American companies $46 billion since February 2018, and US exports of goods hit by retaliatory tariffs have fallen sharply, according to an analysis of Commerce Department data.

The lion's share of the higher tariff costs, some $37.3 billion, stemmed from duties on imports from China, said Washington-based consultancy Trade Partnership Worldwide, which calculated cumulative tariff costs through November 2019, the latest data available. Exports of US goods hit by retaliatory tariffs from China and other countries fell by 23 per cent in the 12 months ended November, compared with 2017, before the tariffs began, the analysis showed. Even when retaliatory tariffs have ended, those exports haven't bounced back, said Trade Partnership Vice-President Dan Anthony.

Meanwhile, China's Vice-Premier Liu He is slated to sign a Phase 1 trade deal at the White House on January 15, China's commerce ministry said on Thursday.

REUTERS

Tesla's m-cap zooms past that of GM and Ford, combined

For the first time, Tesla's stock market value has eclipsed the combined values of General Motors and Ford Motor.

The electric car maker's stock jumped nearly 5 per cent on Wednesday, closing at a record $492.14 per share and elevating its market capitalization to almost $89 billion, or $2 billion larger than the sum of General Motors' and Ford's respective market caps (m-caps) of $50 billion and $37 billion.

Fuelled by a surprise third-quarter profit, progress at a new factory in China and better-than-expected car deliveries in the fourth quarter , Tesla's stock has more than doubled in the past three months.

REUTERS