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PRIORITY AREAS

Amitabh Kant, CEO, Niti Aayog

The government has placed electricity and clean cooking access as its topmost priority and with continuous efforts, India has seen a remarkable development in this area

Quick View

Stake dilution in NINL, not NMDC: Govt

NMDC CHAIRMAN AND managing director N Brijendra Kumar on Friday said that the Union Cabinet has approved disinvestment of stake of six public sector units (PSUs) in Neelachal Ispat Nigam, and not that of NMDC. Neelachal Ispat Nigam (NINL) is a joint venture company, in which four central PSUs — MMTC, National Mineral Development Corporation (NMDC), Bharat Heavy Electricals Ltd (BHEL) and MECON — and two Odisha government companies, IPICOL and Odisha Mining Corporation (OMC), are shareholders.

'PMJDY impact to be taken forward'

THE MOMENTUM GENERATED by the government's PMJDY needs to be taken forward to ensure better delivery and choices available to the end customers with active involvement from the service providers including private sector players, said an RBI report on Friday.

Mongolian group meets Pradhan

UNION STEEL MINISTER Dharmendra Pradhan on Friday held a meeting with Mongolian delegation and discussed ways to strengthen the strategic partnership between the two nations and enhance economic cooperation in areas such as oil, gas and steel. Pradhan said he has discussed the progress of an oil refinery project in Sainshand, Mongolia, for which India is assisting with a credit line of $1,236 million.

REVENUE SHORTFALL

Govt may seek interim dividend from RBI

Earlier this fiscal, the RBI transferred ₹1.48 lakh crore to the government (₹58,000 crore above the Budget estimate for FY20)

FE BUREAU
New Delhi, January 10

STARVED OF REVENUE after a substantial cut in the corporate tax rate amid an economic slowdown, the government may seek an interim dividend from the central bank in FY20 to prevent its fiscal deficit from going haywire.

The likelihood of the government turning to the central bank for an interim transfer got reinforced after the National Statistical Office on Tuesday pegged the expected nominal GDP at ₹204.4 lakh crore, lower than the budgeted ₹211 lakh crore. This alone will widen the Centre's fiscal deficit to 3.44% of GDP against the 3.34% target, while the sharp decline in revenue (both tax and disinvestment) could add to the fiscal woes.

"That option (asking RBI for an interim dividend) is on the table. A decision will be made shortly," a senior government official told *FE*. In such a case, the central board of the Reserve Bank of India could consider the government's request in the customary post-Budget meeting with the finance minister, said the official.

Earlier this fiscal, the RBI transferred ₹1.48 lakh crore to the government (₹58,000 crore above the Budget estimate for FY20) after it accepted the Bimal Jalan panel recommendations, in the biggest-ever annual transfer from the central bank to the government. The central bank had paid ₹28,000 crore as interim dividend from its 2018-19 fiscal accounts (July-June) in February, which helped the government contain deficit at 3.4% in the last fiscal.

Hit by a huge revenue shortfall, the Centre has already imposed strict curbs on revenue expenditure. Its decision to cap the Q4 spending at 25% of the full-year Budgept estimate, compared with the usual practice of 33%, could result in an annual spending compression of ₹2.2 lakh crore, versus the budgeted level of ₹27.86 lakh crore. If the trend of tax receipts in recent years is any indication, then the shortfall in net tax receipts could be as high as ₹3 lakh crore, according to an *FE* analysis.

Govt measures to help India secure sustainable energy future: Niti vice-chairman

PRESS TRUST OF INDIA
New Delhi, January 10

VARIOUS POLICY INITIATIVES undertaken by the government will help India achieve a secure, affordable and sustainable energy future, Niti Aayog vice chairman Rajiv Kumar said on Friday.

Kumar said India has taken significant steps in improving energy efficiency and cleaner transport with electric vehicles (EVs).

Speaking at the release of IEA's 'India 2020 Energy Policy Review' here, he said India has increased its focus on energy storage solutions, cleaner fuels and liberalisation of upstream sector.

At the same event, Niti Aayog CEO Amitabh Kant said with the distribution of LPG under Pradhan Mantri Ujjwala Yojana and provision of piped natural gas connections through city gas distribution networks, India has crossed 280 million households, implying 98% households with access to sclean cooking facility.

Kant also noted that India is working hard to move towards its aspirations of transition in the energy sector.

"The government has placed electricity and clean cooking access as its topmost priority and with continuous efforts, India has seen a remarkable development in this area," he said.

Kant also said the blue revolution is ensuring better quality of life to citizens, especially rural women.

IIP growth turns positive, expands by 1.8% in Nov

PRESS TRUST OF INDIA
New Delhi, January 10

HAVING CONTRACTED FOR three months in a row, the Index of Industrial Production (IIP) recorded a growth of 1.8% in November mainly on account of improvement in the manufacturing sector, said government data on Friday. The IIP growth in November 2018 was 0.2%.

According to the National Statistical Office (NSO) data, the growth in the manufacturing sector was 2.7% as against a contraction of 0.7% in the same month last year. Electricity generation turned -5% as against a growth of 5.1% in November 2018.

Mining sector output decelerated to 1.7% from 2.7% in the year ago month. The IIP growth during April-November period of the current fiscal came in at 0.6%, down from 5% in the same period of 2018-19.

The data for the November month further revealed that production of capital goods, a barometer of investment, contracted by 8.6%. This compares with a contraction of 4.1% in November 2018.

Also, there was a contraction of 3.5% in the infrastructure and construction goods segment.

While consumer durable output was in the negative territory, the consumer non-durable segment or FMCG goods recorded a small growth of 2% (against contraction of 0.3% in November 2018).

As per the NSO data, 13 out of the 23 industry groups in the manufacturing sector showed positive growth during November 2019 as compared to the corresponding month of the previous year.

Commenting on the data, Rumki Majumdar, economist, Deloitte India said the latest IIP numbers came as a relief to the market and policy makers as the activity in the industry sector showed some traction.

INTERVIEW: **PRALHAD JOSHI,** Union coal minister

'Commercial coal mining to usher efficiency'

*WITH THE RECENT Cabinet decision to remove end-use restrictions in coal blocks to be put up for auctions, dozens of coal mines with abundant reserves of the fuel could be up for grabs soon. The step is also seen to attract FDI in the sector, which has largely been a monopoly of state-owned Coal India (CIL) – the largest coal miner in the world. Union coal minister **Pralhad Joshi** spoke to **Anupam Chatterjee** on the future course of action. Excerpts:*

Is it the end of captive coal blocks?

Hereafter, we will decide on captive allocations only for PSUs. Every other coal block auction would be done for selling in the open market. As far as the government is concerned, there is no confusion regarding that. Once the Mineral Laws Amendment Ordinance, 2020 comes out in a few days, then it should be very clear to all.

When is the first auction of commercial coal blocks expected?

The first commercial auction is expected in another 4-5 months. I want to have a detailed consultation with stakeholders before bringing out the first such auction. We expect the industry to react positively to this progressive and forward looking decision. We want the exercise to be very 'participative'. Depending on the industry reactions, we are even open to tweaking the commercial mining modalities which were cleared by the Cabinet in February, 2018.

Does these necessitate the formation of a coal regulator?

It is on our agenda. More importantly, we want to let the sector grow first, for which these reforms have been initiated.

What about the existing linkages and fuel supply agreements (FSA) with CIL?

FSAs are commercial documents. So government doesn't make in changes in that. These are executed by commercial entities. CIL is the pride of our country. But there will be other suppliers in the future. Customers allowed to make rational choices. Still, CIL would remain the dominant supplier.

How do you plan to tackle potential resistance from labour unions?

That should not be any problem. I am assuring that CIL will be our major supplier. We have recently allocated 16 blocks to them. The coal ministry has also assisted CIL in receiving forest and environmental clearances for a number of its mines. Even if no additional blocks are added to CIL's kitty from today, it can comfortably run for another 30-40 years. They have no reason for them to worry. We are in need of coal. CIL is one of the most economical coal producers. The opening of the market can make them more competitive as well.

While global mining firms are seemingly withdrawing from the coal sector in a gradual manner, why do you think they will come to India?

Whatever said and done, coal will be there for another 40 years. Even now, it remains the most important source of electricity generation, in India and the world. This should attract global players. One hundred fully explored coal blocks are ready for offering. There are other partially explored blocks as well. Six blocks, with cumulative reserves of 4 billion tonne, were cancelled recently from states and PSUs and these will also be put up for commercial auctions. Many other blocks which had been allotted to the PSUs has not been operationalised yet. We will check on their status and even those mines can be put up for auctions for sale in the open market. Some officials from from power sector PSUs have told me that coal mining is not their forte. Such mines would be more efficient if they are run by expert miners.

Do you see these sudden policy changes may risk supply stability to the power sector?

I don't think there is any risk of supply disruption to the power sector with the market dynamics changing. Now anyone can buy coal from anywhere. That is the larger picture I'm seeing today. For this to happen, a strong political will was needed. The step to open the coal market is also in line with the BJP's pre-election manifesto, which promised to increase the contribution of the mining sector to the GDP from the current level of 1.5% to 2.5% by 2024. Also, how can Make in India succeed without raising the output of coal and electricity. There are mining projects in the country (in non-coal) which are stuck since 1974 when the first bore-well was dug. Things cannot stay that way.

From the Front Page

SC stays NCLAT order reinstating Mistry

SINCE THE TATA Group had challenged the ruling in SC, it postponed the board meeting of TCS to take on record the October-December earnings, which was scheduled for January 9.

On Friday, while opposing any stay on the NCLAT order, Mistry's lawyer CA Sundaram said, "We are not interested in relief. We are stating on record that we don't want the relief of reinstatement as chairman. Our contentions is on wrongful removal." He also submitted an interim "arrangement" before the apex court, that instead of Mistry his "nominee should be placed on board of Tata Sons... Tata Sons should not invoke powers under Article 75 to coerce me (the minority shareholders) to sell the stake".

However, the CJI told Sundaram, "You may have a point, but that needs to be argued. You (Mistry) haven't been in the saddle for a long time. Does it (stay order) hurt you... How does it hurt you today?"

Arguing on behalf of the Tata Group, senior counsel Harish Salve said that there is a lot to be said about the quality of the NCLAT's order.

On January 5, Mistry had issued a statement saying he was not interested in returning to Tata Sons as its chairman and was only fighting for his rights as a minority shareholder and for a seat on the board of Tata Sons.

In his appeal in the appellate tribunal, through his firms Cyrus Investments and Sterling Investments, Mistry had contended that his removal as chairman was arbitrary and was a clear case of oppression of minority shareholders at the Tata Group.

He had also alleged that Tata Group chairman emeritus Rata Tata and Tata Trust's Noshir Soonawala acted as "super directors" and made inappropriate interference in the affairs of the group.

Mistry through his firms had also sought proportionate representation on Tata Sons' board, no interference from the trustees of Tata Trusts who hold 66% in Tata Sons, reversal of Tata Sons into a public limited company and protection from any forceful transfer of shares held by his family in Tata Sons.

He had contended that the articles of association of Tata Sons are loaded against minority shareholders, which restricts his firms from freely selling their shares in the market.

SC directs J&K govt to review restrictions

"WE DECLARE THAT the freedom of speech and expression and the freedom to practice any profession or carry on any trade, business or occupation over the medium of internet enjoys constitutional protection under Article 19(1)(a) and Article 19(1)(g)," a three-judge bench, headed by Justice NV Ramana, said in its 130-page verdict.

"The restriction upon such fundamental rights should be in consonance with the mandate under Article 19 (2) and (6) of the Constitution, inclusive of the test of proportionality," it said.

Holding that an order suspending internet services indefinitely is impermissible under the Temporary Suspension of Telecom Services (Public Emergency or Public Service) Rules, 2017, the top court said that suspension can be utilised only for temporary duration.

Any order suspending internet issued under the Suspension Rules, must adhere to the principle of proportionality and must not extend beyond necessary duration, it said.

Existing Suspension Rules neither provide for a periodic review nor a time limitation for an order issued under the Suspension Rules, it added.

"Till this gap is filled, we direct that the Review Committee constituted under Rule 2(5) of Suspension Rules must conduct a periodic review within seven working days of the previous review, in terms of the requirements under Rule 2(6)," the apex court said.

The judgement came on pleas filed by Anuradha Bhasin, executive editor of Kashmir Times and Congress leader Ghulam Nabi Azad, which challenged the curbs imposed in Jammu and Kashmir after the Centre's abrogation of provisions of Article 370 on August 5 last year.

These pleas were different from another set of petitions which have challenged the constitutional validity of abrogation of Article 370, being heard by a separate 5-judge Constitution bench which will resume its hearing on January 21.

The top court said that achievement of peace and tranquillity within erstwhile state of Jammu and Kashmir requires a multi-faceted approach without excessively burdening the freedom of speech.

"In this regard the government is required to consider various options under Article 19(2) of the Constitution, so that the brunt of exigencies is decimated in a manner which burdens freedom of speech in a minimalist manner," the bench said.

It further said that complete suspension of telecom services, be it the Internet or otherwise, being a drastic measure, must be considered by the state only if "necessary" and "unavoidable".

"In any case, the State/concerned authorities are directed to consider forthwith allowing government websites, localised/limited e-banking facilities, hospitals services and other essential services, in those regions, wherein the internet services are not likely to be restored immediately," the bench also comprising Justices BR Gavai and R Subhash Reddy, said.

The apex court further said that power under Section 144 of Criminal Procedure Code (prohibitory orders) is exercisable not only where there exists present danger, but also when there is an apprehension of danger and repetitive orders under this provision would be an abuse of power.

It directed the authorities to immediately review the need for continuance of any existing orders passed under Section 144.

"However, the danger contemplated should be in the nature of an 'emergency' and for the purpose of preventing obstruction and annoyance or injury to any person lawfully employed. The power under Section 144, CrPC cannot be used to suppress legitimate expression of opinion or grievance or exercise of any democratic rights.

"An order passed under Section 144, CrPC should state the material facts to enable judicial review of the same. The power should be exercised in a bona fide and reasonable manner, and the same should be passed by relying on the material facts, indicative of application of mind. This will enable judicial scrutiny of the aforesaid order," the bench said.

It said that while imposing Section 144, the magistrate cannot apply a straitjacket formula without assessing the gravity of the prevailing circumstances and the restrictions must be proportionate to the situation concerned.

"In a situation where fundamental rights of the citizens are being curtailed, the same cannot be done through an arbitrary exercise of power; rather it should be based on objective facts," the bench said.

Food delivery space heats up, Zomato may buy UberEats

IN TURN, UBER secures a good exit from the food delivery vertical which is not top priority in India, Satish Meena, senior analyst at Forrester Research, pointed out. Zomato's offerings will become more diversified since its platform is skewed towards mid-range to premium restaurants, analysts said.

Nonetheless, fighting off Swiggy will not be that easy for Zomato. "Swiggy dominates the food delivery market and even after Zomato-UberEats deal, it will stay the largest," said Meena. While Swiggy delivers about 42 million orders per month, Zomato delivers around 36-37 million orders. Currently, Zomato and Swiggy jointly command nearly 90% of the market — while Swiggy leads with a 48% market share, Zomato holds about 42%, according to industry estimates.

The monthly cash burn for Zomato and Swiggy is estimated to be around $35 million-$40 million. Recently, Zomato claimed to have reduced its cash burn to $20 million in October 2019 from $45 million in March. For smaller player like UberEats, the burn is pegged at around $4 million-$5 million per month. UberEats made its India launch in 2017 and operates in over 40 cities. Zomato is present in over 500 cities.

Zomato's advertising promotional expenses increased to Rs 1,213.61 crore in FY19 from Rs 80 crore in FY18. Swiggy's expenses on the front rose to Rs 776.2 crore from Rs 129.8 crore. Zomato's losses increased to Rs 570.52 crore in FY19 from Rs 78.49 crore in FY18. Founder and CEO Deepinder Goyal believes the company will turn profitable by the end of 2020.

Given that Zomato's other service verticals like events, Gold programme will take time to scale up and generate considerable revenue, reducing cash burn will be a challenge as food delivery is an expensive category, analysts said. Growth in the sector which was primarily driven by discounts in the last 12-18 months is now saturating. Also, food delivery players are facing the wrath of restaurants on charges of arbitrary commissions. "Moreover, Swiggy is becoming more aggressive on the delivery part. Zomato has to spend a lot to capture the market share in delivery," an analyst said on condition of anonymity. Reportedly, Uber is in talks to invest $100-200 million in fresh capital as part of the sale. The fund infusion will be a critical part of the share-swap deal between the two firms, the Economic Times reported last month. Zomato has raised $150 million from existing backer Ant Financial. The fundraise, which is part of a larger deal, gives it a pre-money valuation of $3 billion, parent Info Edge said in a stock filing on Friday. The share swap deal is likely to consider the $3 billion valuation, according to media reports.

Earlier last year, Uber in its IPO (initial public offering) filing had said Swiggy and Zomato have significant product advantages as the companies have substantial market-specific knowledge and established relationships with local restaurants. "As a result, such competitors may be able to respond more quickly and effectively than us in such markets to new or changing opportunities," Uber had said. Uber Technologies posted its largest-ever quarterly loss, a whopping $5.24 billion in the three months ended June 2019. Losses remained elevated at $1.2 billion in Q3 2019.

Infy probe finds no evidence of misconduct

THE COMPANY EARLIER said it expected revenue to grow between 10% and 10.5% on a constant currency basis in the year ending March 2020, compared with its previous forecast of between 9% and 10%.

"We continue to see momentum in the market and we have an extremely robust pipeline driven by segment leaders," CEO Parekh told a news conference.

"With the strength of large deal wins and digital momentum, we were able to clearly see that we have support to raise our guidance."

Infosys said it signed large deals worth $1.8 billion in the quarter to December, a factor that helped the company post a 23.5% rise in net profit to ₹44.57 billion ($628.2 million). That compared with a profit of ₹36.09 billion a year earlier.

Analysts on average had expected Infosys to post a profit of ₹42.06 billion, according to Refinitiv data.

Sales were 7.9% higher at ₹230.92 billion.

The company's digital offerings now account for 40.8% of its overall revenues, it said.

Infosys expects to see some softness in its banking and retail business, chief operating officer Pravin Rao said.

Financial services, including banking, is Infosys' biggest revenue stream, accounting for around a third of its revenue.

Infosys shares closed 1.5% higher in a broader Mumbai market which edged 0.3% up.

— Reuters

Yes Bank, director spar

ON NOVEMBER 24, 2019, Mint newspaper reported the RBI had asked Yes Bank to re-examine the fit and proper status of the lender's audit committee chairman Agarwal after it was found that he had failed to disclose details of criminal cases filed against him, according to people familiar with the matter.

Agarwal has sought a forensic audit into the lender's fund-raising exercise as well as its communication to authorities. In the letter to Sebi, seen by FE, Agarwal has said Gill was unable to present before the board binding term sheets from most of the nine investors whose names were "verbally" shared with the board. "On our persistence, CEO/MD tabled a copy of the term-sheets received from one from CITAX and second jointly from SGPG Holding (HK) Ltd. and Mr Erwin Singh Braich which were incomplete and did not include firm commitment as to the price, size, timings, confirmation from the banks about availability of the funds etc," Agarwal wrote in the letter. He further accused the bank of sending to the stock exchanges and regulators, communication that was at variance with that presented before the board. National Stock Exchange (NSE), Agarwal claimed, had issued several letters to Yes Bank seeking details of the "global investor" who had offered to invest $1.2 billion, as per the CEO's submission before the board on October 31.

An empowered committee of the bank met on January 7 and reviewed presentations made by three independent experts on the subject of the bank's fund-raising. Yes Bank's shares ended 5.29% lower than the previous day's close at Rs 44.80 on the BSE on Friday.