

THE MARKETS ON MONDAY			Chg#
Sensex	41,859.7	▲	260.0
Nifty	12,329.5	▲	72.8
Nifty futures*	12,362.2	▲	32.6
Dollar	₹70.9		₹70.9**
Euro	₹78.8		₹78.7**
Brent crude (\$/bbl)**	64.4**		65.3**
Gold (10 gm)***	₹39,598.0	▼	₹3.0

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

SC ASKS ED TO ATTACH JPMORGAN PROPERTIES FOR FEMA VIOLATION



The Supreme Court on Monday asked the Enforcement Directorate (ED) to attach Indian properties of JPMorgan, which engaged in transactions with the now defunct Amrapali Group to allegedly siphon off money of homebuyers in violation of the Foreign Exchange Management Act (FEMA) and foreign direct investment norms. The ED said it had prima facie found that there was violation of FEMA norms by the US-based JPMorgan.

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PINK SLIPS

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It's official: Oyo to sack 1,000 employees

Oyo group Chief Executive Ritesh Agarwal has sent an email to employees, stating the company will be trimming its headcount over the next week or two. "One of the implications of the new strategic objectives for 2020, is that... we will reorganise more teams. And this means that, unfortunately, some roles will become redundant," Agarwal said.

Walmart India lays off 56 people

Walmart has handed pink slips to 56 employees at its India corporate office located in Gurugram, it said on Monday, as slowing consumer spends force retail companies to rejig operations. Eight senior executives and 48 mid and junior executives were laid off, Walmart India's President and Chief Executive Krish Iyer said, representing 1 per cent of its India workforce.

THE SMART INVESTOR P10

Sensex, Nifty hit record highs amid positive cues

The Sensex and Nifty vaulted to record highs on Monday as investors scooped up tech, banking and metal stocks amid a rally in global markets in anticipation of the US-China trade deal. The 30-share Sensex settled 259.97 points, or 0.62 per cent up at its new closing peak of 41,859.69.

ECONOMY & PUBLIC AFFAIRS P14

ICICI Bank seeks fund recovery from Kochhar

Private lender ICICI Bank has filed a civil suit against its erstwhile MD and chief executive Chanda Kochhar in the Bombay High Court, seeking recovery of amounts towards the clawback of bonuses given to her from April 2006 to March 2018 after the termination of her service.

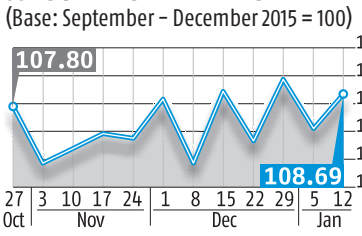
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Trai refuses to budge on new tariff order

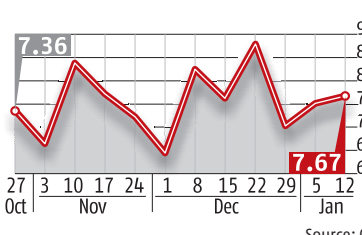
The Telecom Regulatory Authority of India (Trai) on Monday said it would implement amendments to its February 2019 tariff order even as broadcasters have united against it. On Monday, companies such as Sony Pictures Networks India and Disney India moved the Bombay high court.

THE CMIE TRACKER

CONSUMER SENTIMENTS INDEX



UNEMPLOYMENT RATE (%)



Source: CMIE

AN OMINOUS CONFLUENCE

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WORLD P15

THE IRISHMAN, JOKER TOP NOMINEES FOR THE OSCARS

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

COMPANIES P2

KIA GRABS 6% SHARE OF UV MKT IN 3 MONTHS OF LAUNCH



Sebi blinks, gives two more years to split CMD post

Move follows hectic lobbying by industry groups

SHRIMI CHOUDHARY

New Delhi, 13 January

The Securities and Exchange Board of India (Sebi) has given India Inc another two years to separate the positions of chairman and managing director (MD) in companies, giving a breather to many top guns of industry. The move follows resistance by big companies and industry bodies, which cited a compliance burden amid a downturn in the economy. The regulator had mandated the top 500 listed companies by market value to separate the chairman and MD posts by April 1 this year.

Through a gazette notification dated January 10, the date of compliance has been postponed to April 2022. Sebi hasn't given any reasons for the deferment. Despite Sebi giving ample time to India Inc to meet the requirement, many companies were yet to comply with this, with less than three months left for the deadline. It is learnt that many companies had approached the ministries concerned and the Prime Minister's Office (PMO), seeking a review of the regulation, while some of them also pitched for doing away with the requirement altogether. Sources said the government and Sebi had consulted the matter.

Governance experts termed the postponement a regressive step and said the move eroded the credibility of regulatory bodies. They said the provisions were made after an exhaustive consultation with stakeholders. "Companies had enough time to implement the decision. If they had gone about it seriously, there would have been no difficulty," said M Damodaran, chairperson, Excellence Enablers.

Prithvi Haldea, founder chairman, Prime Database, said: "This regulation was well-intentioned and Sebi had enough good reasons to mandate it. Though not relevant, a downturn in the economy has apparently been used as an excuse. Two years effectively means a toned-down regulation."

Keeping the two offices apart is seen as a key corporate governance requirement globally because the chairman of a company is the head of the board, while the MD is in charge of daily operations and has to report to the board.

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RAJIV BAJAJ, MD, Bajaj Auto

SPLITTING THESE ROLES BETTER SECURES THE BEST INTERESTS OF THE FIRM, ITS SHAREHOLDERS AND THE CHAIRMAN AND MD THEMSELVES



M DAMODARAN, chairperson, Excellence Enablers

COMPANIES HAD ENOUGH TIME. IF THEY HAD GONE ABOUT IT SERIOUSLY, THERE WOULD HAVE BEEN NO DIFFICULTY

Amazon, Flipkart under CCI scanner for 'deep discounts'

RUCHIKA CHITRAVANSHI

New Delhi, 13 January

Ahead of Amazon founder and CEO Jeff Bezos' visit, the Competition Commission of India (CCI) has ordered investigation against Amazon and Walmart-owned Flipkart on complaints of deep discounting practices and tie-ups with preferred sellers.

The anti-trust watchdog said it had found prima facie evidence necessitating a probe by the director general (DG)-investigation to look into alleged anti-competition discounts by the two online market-places. The CCI has directed the DG office to complete the probe within 60 days.

"We will get to understand the entire

business model of the e-commerce sector through this investigation. This is the first time we are probing an e-commerce company," Ashok Gupta, chairman, CCI, told *Business Standard*.

The country's e-commerce, estimated at around \$40-billion, makes up for less than 10 per cent of the retail pie, estimated at close to \$700 billion. In the past, the CCI, after studying the e-commerce deep discounting matter, had said it was not a competition issue.

While Amazon and Flipkart have close to 90 per cent e-commerce business (without travel) in India, their share is insignificant in the overall retail universe.

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Retail inflation surges to 7.35% in Dec, a 5.5-yr high

DILASHA SETH

New Delhi, 13 January

Retail inflation surged to an over five-year high in December on the back of rising food prices, breaching the Reserve Bank of India's (RBI) upper tolerance limit of 6 per cent at the time of economic growth slowdown. Inflation based on the consumer price index (CPI) rose to 7.35 per cent in December, against 5.54 per cent in the previous month and 2.18 per cent in December 2018, data released by the Ministry of Statistics & Programme Implementation (MoSPI) showed on Monday. December inflation was the highest since July 2014, when it stood at 7.39 per cent. The CPI last breached RBI's upper band of inflation target in July 2016.

Food inflation shot up to 14.12 per cent in December from 10.01 per cent in November on account of rising prices of vegetables and pulses. In December 2018, food inflation was a negative 2.65 per cent. Cities witnessed higher inflation of 16.12 per cent, while rural areas saw 12.97 per cent inflation in food.

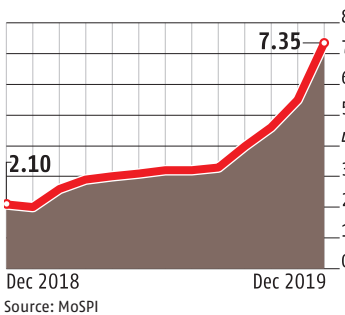
Economists say now it is up to the Budget to address the issues in agriculture to bring down high food inflation which keeps recurring.

"Though we expect headline CPI inflation to correct sharply in January and further in February, from the unpalatably high 7.35 per cent recorded in December 2019, it is expected to remain sticky above 4.3 per cent in the next few quarters," said Aditi Nayar,



RBI'S UPPER TOLERANCE LIMIT OF 6% BREACHED

CPI inflation in percentage



Source: MoSPI

ECONOMY & PUBLIC AFFAIRS

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MARKET EXPECTS A LONG PAUSE FROM RBI

INFLATION: AN INFLECTION POINT?

SPIKE IN AGRI-COMMODITY PRICES TO HIT FMCG SECTOR



The first of a two-part series reports how the rise in key food prices is impacting your daily budget. **SANJEEB MUKHERJEE & ARNAB DUTTA** write

principal economist, ICRA.

The rate of price rise in vegetables surged to 60.5 per cent as against 36 per cent, mainly on account of triple-digit inflation in onion and garlic. Onion inflation doubled to 328 per cent in December from 128 per cent in the previous month.

Inflation in garlic inched up to 153 per cent from 144 per cent in November. Vegetable inflation in urban areas touched 75 per cent, while it was 53 per cent in the country-side. Price rise in pulses stood at 15.4 per cent.

Core inflation picked up marginally to 3.7 per cent in December, up 0.2 per cent from November. Tariff hike in December also pushed up inflation in telecom to 10.01 per cent against 2.83 per cent in the previous month.

CRISIL chief economist D K Joshi said a closer look shows that the current spike in inflation comes from transitory or idiosyncratic factors which typically don't last long. "RBI targets headline inflation so it needs to contain that even if the rise is on account of transitory factors," he said.

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Fiscal deficit may be 3.5% of GDP

ARUP ROYCHOUDHURY

New Delhi, 13 January

Union Finance Minister Nirmala Sitharaman could target a fiscal deficit of around 3.5 per cent of gross domestic product (GDP) for 2020-21 (FY21) in the upcoming Union Budget, *Business Standard* has learnt.

According to the existing medium-term fiscal framework, the Centre is targeting a fiscal deficit of 3 per cent of GDP for the coming year. Going by the projected nominal GDP for FY21 of ₹227 trillion in the recently released National Infrastructure Pipeline (NIP) report, a slippage from that to 3.5 per cent could lead to an extra spending room of around ₹1.13 trillion.

For 2019-20 (FY20), Sitharaman had budgeted a fiscal deficit target of 3.3 per cent of GDP. It is now clear that the target will not be met, with slowdown in real and nominal GDP, the gross tax revenue shortfall expected to be much higher than ₹2 trillion, and doubts being cast on the Centre meeting its ₹1-trillion divestment target, even as the finance ministry has mandated the

central departments to rationalise expenditure by around ₹2 trillion.

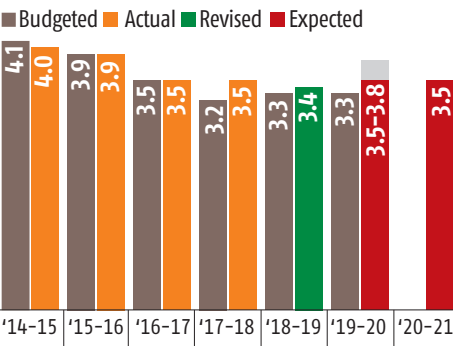
As reported earlier, fiscal deficit for the current year could be between 3.5 per cent and 3.8 per cent of GDP. Compared to the current medium-term targets, a fiscal deficit forecast of around 3.5 per cent will be an expansion. However, compared to what the Centre actually achieves this fiscal year, it could be a fiscal contraction. In the pre-Budget meetings, economists and experts have been advising Sitharaman and Prime Minister Narendra Modi to leave aside fiscal concerns and embark on an expanded expenditure programme to revive the economy.

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HOW MODI GOVT FARED ON THE FISCAL FRONT

Fiscal Deficit (FD) (as percentage of GDP)



Source: indiabudget.nic.in, official sources

- Govt advised on fiscal relaxation, focus on spending to boost growth
- Political leadership of the view that some fiscal discipline has to be maintained
- Existing roadmap sees FY21 FD at 3%
- The 3% medium-term target could be postponed by few more years
- For FY20, FD could be as high as 3.8%

EDIT: MORAL HAZARD

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ECONOMIC RECOVERY MAY BE MARRED BY EXPENDITURE CUTS

P14

Banks, bankers may face fines for poor progress over June 7 circular

RAGHU MOHAN

New Delhi, 13 January

The Reserve Bank of India (RBI) may impose heavy penalties on banks, and stipulate higher provisioning for stressed loans following a supervisory review of its June 7 circular. And, in a first-of-its-kind move, chief executive officers (CEOs) and senior management of banks could also be held liable for lack of progress.

The RBI has also indicated that banks can start resolution of stressed loans less than ₹1,500 crore without waiting for a formal notification. The June 7, 2019, circular was only applicable for stressed accounts in excess ₹2,000 crore. From January, it was also applicable for stressed accounts ranging between ₹1,500 crore and ₹2,000 crore.

The fresh set of guidelines, which will usher in a stricter compliance regime, is in the works and could be in the public domain by the end of March. "The less-than-satisfactory progress under the June 7 circular has been under scrutiny. And then you have divergences and frauds recognition. All this is being looked into," said a source.

COMPLIANCE TO THE FORE



The penalties and provisioning will be over and above the additional provisioning banks have to make under the June 7 circular — 20 per cent after 180 days from the end of the review period; and 15 per cent after a year; or a total additional provisioning of 35 per cent.

The central bank is, in particular, concerned about the huge increase in frauds;



Banks have to get moving on stressed loans less than ₹1,500 cr; not wait for formal notification on date of implementation

RBI review of June 7 circular notes ICA (of 13 banks) yet to be signed for exposures amounting to ₹33,610 cr

Embedded frauds to be looked into; it may be holding up stressed loan resolution



Outlier frauds — defined as those in excess of ₹1,000 cr — shot up to 21 cases and ₹44,951 cr, up from four cases and ₹6,505 cr in FY19

ICA has been signed for aggregate exposures of only ₹6,075 cr. Resolution plan implemented only with respect to one borrower of ₹1,617 cr

and whether a cover-up may be the reason for the lack of movement under the June 7 circular, as also the collapse of inter-creditor agreements (ICA). "We have to see whether this lack of progress is merely a case of banks not being able to come to a decision on stressed assets, or if there is something deeper," the source said.

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Wadia withdraws defamation suit against Ratan Tata

DEV CHATTERJEE

Mumbai, 13 January

Nusli Wadia, chairman of the Wadia group of companies, formally withdrew a defamation suit against Tata group patriarch Ratan Tata, after the latter informed the Supreme Court that he had no intention to defame Wadia.

After the court recorded Tata's statement, Wadia withdrew the petition, as suggested by the SC last Tuesday, as the two settle the issue amicably. There was no face-to-face meeting between the two and the settlement took place in court, said a source.

This ends the three-year dispute between two of India's oldest business houses. Wadia had moved the SC to challenge the decision of the Bombay high court to quash his



Nusli Wadia, chairman, Wadia group

defamation complaint against Tata. Wadia had sought damages worth ₹3,000 crore from Tata. The SC said it appreciated Wadia's gesture of honouring the SC's suggestion.

Wadia had filed the case against Tata and others in 2016. This was after he was voted out of three Tata companies — Tata Chemicals, Tata Motors and Tata Steel.