TUESDAY, 14 JANUARY 2020
16 pages in 1 section
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Business Standard

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: IBJA

WORLD P15

THE IRISHMAN, *JOKER* TOP NOMINEES FOR THE OSCARS

COMPANIES P2

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

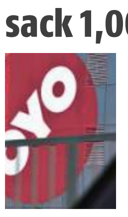
PUBLISHED SIMULTANEOUSLY FROM AHMEDABAD, BENGALURU, BHUBANESWAR, CHANDIGARH, CHENNAI, HYDERABAD, KOCHI, KOLKATA, LUCKNOW, MUMBAI (ALSO PRINTED IN BHOPAL), NEW DELHI AND PUNE

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. 3

PINK SLIPS PAGE 2

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.

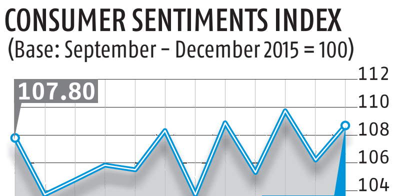
BACK PAGE P16

Trai refuses to budge on new tariff order

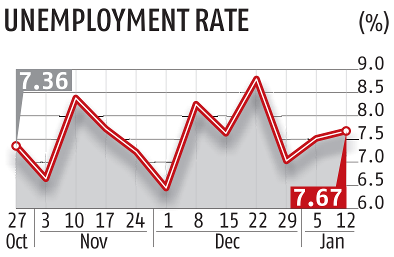
The Telecom Regulatory Authority of India (Trai) on Monday said it would implement amendments to its February 2019 tariff order even as broadcasters have united against it. On Monday, companies such as Sony Pictures Networks India and Disney India moved the Bombay high court.

THE CMIE TRACKER

CONSUMER SENTIMENTS INDEX
(Base: September - December 2015 = 100)



UNEMPLOYMENT RATE (%)



Source: CMIE

AN OMINOUS CONFLUENCE 8

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. Turn to Page 13

RAJIV BAJAJ,
MD, Bajaj Auto

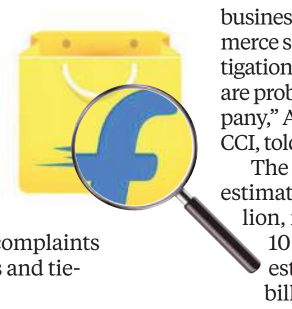
SPLITTING THESE ROLES BETTER SECURES THE BEST INTERESTS OF THE FIRM, ITS SHAREHOLDERS AND THE CHAIRMAN AND MD THEMSELVES

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 marketplaces. 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. Turn to Page 13

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.

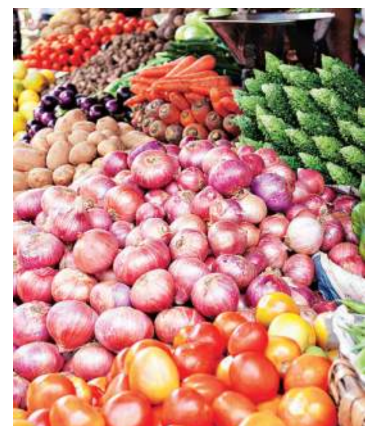
"Though we expect headline CPI inflation to correct sharply in January and further in February, from the unpalatably high 7.35 per cent recorded in December 2019, it is expected to remain sticky above 4.3 per cent in the next few quarters," said Aditi Nayar, principal economist, ICRA.

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.

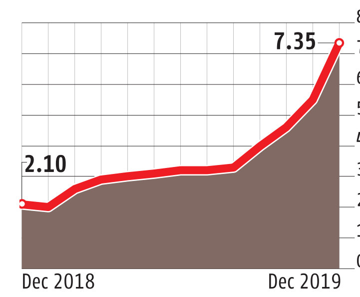
Inflation in garlic inched up to 153 per cent from 144 per cent in November. Vegetable inflation in urban areas touched 75 per cent, while it was 53 per cent in the country-side. Price rise in pulses stood at 15.4 per cent.

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. Turn to Page 13



RBI'S UPPER TOLERANCE LIMIT OF 6% BREACHED
CPI inflation in percentage



Source: MoSPI

ECONOMY & PUBLIC AFFAIRS P4

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

Fiscal deficit may be 3.5% of GDP

ARUP ROYCHOUDHURY
New Delhi, 13 January

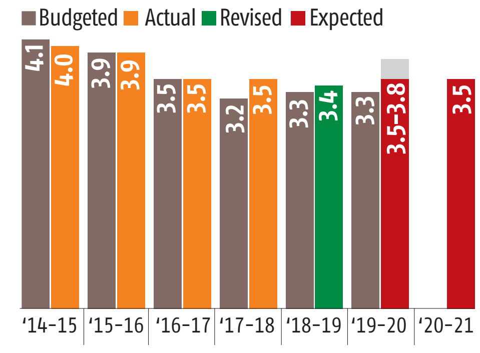
Union Finance Minister Nirmala Sitharaman could target a fiscal deficit of around 3.5 per cent of gross domestic product (GDP) for 2020-21 (FY21) in the upcoming Union Budget, *Business Standard* has learnt.

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. Turn to Page 13

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 P9

ECONOMIC RECOVERY MAY BE MARRED BY EXPENDITURE CUTS P14

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

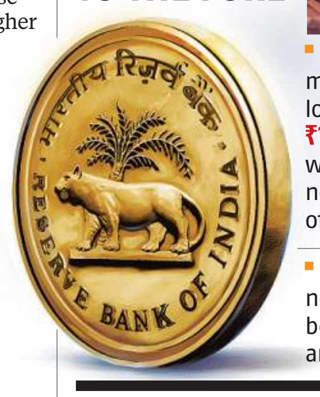
RAGHU MOHAN
New Delhi, 13 January

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



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

- Number of frauds of ₹50 cr and above in H1 FY20 rose to 398 involving ₹1.056 trn, up from 322 cases and ₹61,759 cr in FY19
- RBI review of June 7 circular notes ICA (of 13 banks) yet to be signed for exposures amounting to ₹33,610 cr
- 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

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; 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. Turn to Page 13

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, that 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.

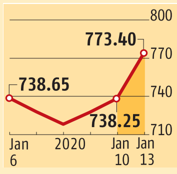
This ends the three-year dispute between two of India's oldest business houses. Wadia had moved the SC to challenge the decision of the Bombay high court to quash his defamation complaint against Tata. Wadia had sought damages worth ₹3,000 crore from Tata. The SC said it appreciated Wadia's gesture of 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.

Nusli Wadia, chairman, Wadia group

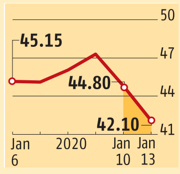
STOCKS IN THE NEWS

Infosys



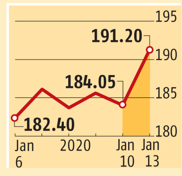
Guidance upgrade; clean chit on whistleblower allegations
₹773.40 CLOSE
▲ 4.76 UP*

YES Bank



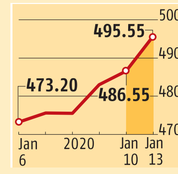
Rejects $1.2-bn offer by Erwin Braich and SPGP Holdings
₹42.10 CLOSE
▼ 6.03% DOWN*

Balrampur Chini Mills



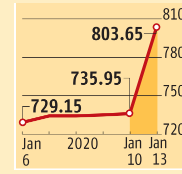
Total capacity at 520 KLPD on commissioning 160-KLPD distillery unit
₹191.20 CLOSE
▲ 3.88% UP*

Tata Steel



Successful refinancing of €1.75 billion of European debt
₹495.55 CLOSE
▲ 1.85% UP*

Hindustan Aeronautics



To benefit from its strategic importance to the defence forces
₹803.65 CLOSE
▲ 9.20% UP*

* OVER PREVIOUS CLOSE

IN BRIEF

Blackstone to invest ₹380 cr in Allcargo's logistics park vertical

In a bid to lower its debt burden, Allcargo Logistics, part of Avvashya Group, has partnered Blackstone Group, to become a minority stake holder in the company's logistics park vertical. Blackstone Group, the global private equity investor, will be investing up to ₹380 crore in the logistics park vertical to develop industrial and logistics parks across India, said Allcargo on Monday. "We plan to dilute our stake and become a minority shareholder in the five-logistics park section, which will reduce our debt by 90 per cent. We should be making an announcement on logistics park stake sale in the next 2-3 weeks," Shashi Kiran Shetty, chairman, Allcargo Logistics. Existing debt along with ongoing organic expansions and Gati stake buy put together Allcargo Logistics has a debt of ₹1,200 crore. ADITI DIVEKAR

Airbus inks deal with start-up for talent acquisition

Airbus has signed a deal with Bengaluru-based start-up TraxofTechnologies to automate the talent acquisition process for Airbus information management organisations in India and Europe. Traxof was a part of Airbus BizLabs start-up acceleration programme Season 4. The start-up was chosen after a rigorous boot camp and jury election, Airbus has said. PTI

Tata Power Solar System bags ₹1,505-cr order

Tata Power on Monday said its wholly-owned arm has received Letter of award from NTPC for a 250 Mw solar project worth ₹1,505 crore. The order book of Tata Power Solar stands at ₹7,600 crore, including external and internal orders. "Tata Power Solar has received letter of award from NTPC for a 250 mw solar project under the CPSU scheme," the power firm said in a filing to BSE. BS REPORTER

Alembic gets USFDA nod for Vilazodone Hydrochloride pills

Drug firm Alembic Pharmaceuticals on Monday said it has received a final nod from US health regulator for Vilazodone Hydrochloride tablets used for treatment of depression. "The company has received final approval from the US Food and Drug Administration (USFDA) for its abbreviated new drug application (ANDA) Vilazodone Hydrochloride tablets, 10 mg, 20 mg, and 40 mg," Alembic said in a filing to BSE. PTI

Tata Motors starts bookings of BS-VI compliant PV range

Tata Motors on Monday said it has commenced bookings of the BS-VI compliant versions of the Tiago, Tigor and Nexon. The range would be launched later this month and customers could book the vehicles for ₹11,000 at any of the dealerships or websites, Tata Motors said. "We have been working towards a seamless transition to BS-VI," Tata Motors President, Passenger Vehicles Business Unit Mayank Pareek said. PTI

It's official: Oyo sacks 1,000 staff

NEHA ALAWADHI
New Delhi, 13 January

Oyo Group Chief Executive Officer (CEO) Ritesh Agarwal has sent an email to employees stating the company will be trimming staff over the next two weeks.

In the email sent to employees on Monday, the group CEO said, "One of the implications of the new strategic objectives for 2020, is that, like the leadership team, we will reorganise more teams across businesses and functions. And this means that, unfortunately, some roles at Oyo will become redundant as we further drive tech-enabled synergy, enhanced efficiency and remove duplication of effort across businesses or geographies. As a result, we are asking some of our impacted colleagues to move to a new career outside of Oyo."

TROUBLED TIMES?

- Allegations of breaching code of conduct in hotel operations
- Focusing on China and US markets
- Softbank has invested $1.5 billion in the start-up so far
- In July, Agarwal brought back stake from early investors
- Earlier in October, there were reports about hotel owners being unhappy with Oyo's fee hikes

According to sources, the number of these employees is 1,000, and the process is under way in most hubs and offices in India.

The exercise will go on through this week and part of next week, the person added. The hotel room booking firm, backed by Softbank, has been on an expansion spree, but has come under fire for its business practices.

An American publication had covered a harassment case, involving an Oyo guest.

Addressing the issue in his letter, Agarwal said the article, "We take all the allegations very seriously and are looking into each and every one of them. We, of course, continue to be subject to regular external audits and have reached a stage as a company where we are making significant investments in compliance, training, and governance that ensure operational consistency and accountability." It was reported last week that Oyo had let go of about 1,200 people from its China business, and an equal number are likely to be asked to leave in India.

The sources quoted above said the overall number of layoffs, including India and international markets (excluding China), would stand at over 1,300.

Agarwal, in his letter, said the company would focus on sustainable growth, operational and customer excellence, profitability and training and governance in 2020 to "optimise and strengthen" business. He also apologised to the ones being asked to leave for the "impact this is causing."

In December, Oyo's India and South Asia head of a little over a year, stepped down from his role and joined its board of directors.

Earlier, in October, there were also reports about hotel owners being unhappy with Oyo's fee increases. Among all this, there is also pressure from investors to turn profitable.

SoftBank's Vision Fund has so far invested about $1.5 billion in Oyo, which is now believed to be valued at $10 billion. Among Oyo's other investors are Airbnb Inc, Sequoia Capital and Lightspeed Venture Partners.

Walmart India fires 56 employees as part of restructuring exercise

VIVEAT SUSAN PINTO
Mumbai, 13 January

The world's largest retailer 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. The employees laid off included eight senior executives and 48 mid and junior executives, Walmart India's President and Chief Executive Officer Krish Iyer said, representing 1 per cent of its total workforce of 5,391 people in the country.

"We are committed to growing our B2B cash and carry business in India. We opened six stores and one fulfilment centre in 2019 and our sales grew 22 per cent during the year. We are also looking for ways to operate more efficiently, which requires us to review our corporate structure from time to time. As part of this, we have let go of 56 associates across levels," he said.

Only eight were senior executives, says CEO Krish Iyer

The employees laid off include those in real estate and sourcing, industry sources said, as Walmart increasingly focuses on its online operations in India. In 2018, Bentonville, Arkansas-based company had acquired a 77 per cent stake in Flipkart for $16 billion, making it the largest purchase of an e-commerce firm in the world by a player.

Since then, Walmart has been consolidating Flipkart's operations and getting into newer areas such as grocery and food retail in a bid to go beyond electronics, fashion and lifestyle for which the Bengaluru-based e-tailer is largely known. The move is also intended to help Flipkart fight rival Amazon, which has been investing heavily across segments in the country.

Iyer clarified on Monday that there were no further lay-offs on the cards at the company and that it would add stores in the current calendar year, starting with Tirupati in Andhra Pradesh.

Walmart, which began its cash and carry operations in 2007 under a joint venture with Bharti Enterprises, has a total of 28 stores under the 'Best Price' brand and three fulfilment centres in Hyderabad, Mumbai and Lucknow. The JV was dissolved in 2013 after Walmart bought Bharti's stake in the firm.

Iyer said no store or fulfilment centre would shut down in the future and that the company remained committed to expanding its footprint beyond the nine states it currently operated in.

"We have recently made investments in India and will continue to do so. This includes investments in our brick-and-mortar stores as well as e-commerce. We are investing heavily in technology and have a healthy pipeline of Best Price stores," he said.

Kia grabs 6% share of UV mkt in just four months of launch

MG Motors, too, gains strong foothold in launch year

T E NARASIMHAN
Chennai, 13 January

The past year has been bleak for India's automobile industry with carmakers voicing concerns over their future, jobs being hit, and dealers shutting shops.

Two foreign manufacturers still decided to try their luck.

South Korea's Kia Motors entered the country towards the end of the year in August with its sports utility vehicle (SUV) Seltos while British brand Morris Garages (MG) Motors started selling the Hector, another SUV, in June.

And, their gamble paid off. According to the latest data from the Society of Indian Automobile Manufacturers (Siam), Kia captured 6.23 per cent of the utility vehicle (UV) segment in four months and MG managed to gain 2.20 per cent of the market since it's June launch.

Kookhyun Shim, managing director and chief executive, Kia Motors India, said: "We have witnessed a huge demand for Seltos in India and the love for brand Kia grows continuously." He expects the company's India story to get better with the launch of the Carnival this year.

Rakesh Sidana, director (sales), MG Motor India, said the sales momentum of Hector in India has been very encouraging as a new entrant.

"We are working closely with our global and local suppliers to increase the production of the Hector in 2020 to support the booking backlog. We are setting up more service centres closer to our prospective customers to elevate their ownership experience with MG."

MARKET SHARE FOR UTILITY VEHICLES

	Domestic sales (no.) 2018	Domestic sales (no.) 2019	Market share (%) 2018	Market share (%) 2019	Difference (%)
Kia Motors	**0**	**45,226**	**0**	**6.23**	6.23
Hyundai Motor	93,562	139,165	13.71	19.18	5.47
Renault India	11,163	31,853	1.64	4.39	2.75
MG Motor	**0**	**15,930**	**0**	**2.2**	2.20
Ford India	38,767	33,449	5.68	4.61	-1.07
Tata Motors	55,196	47,269	8.09	6.51	-1.58
Maruti Suzuki	194,370	184,330	28.49	25.41	-3.08
Toyota Kirloskar	73,920	52,093	10.83	7.18	-3.65
Mahindra	162,949	146,164	23.88	20.14	-3.74

Source: Siam

Passenger car sales declined by 23.59 per cent in the first nine months of 2019-20, however, the UV segment saw a growth of 6.35 per cent, according to the Siam data. In the overall passenger vehicle segment, Kia managed to grab 2.14 per cent and MG grabbed 0.75 per cent of the market.

All other auto companies in the UV segment saw their market share and sales drop — except for Hyundai and Renault, who bucked the trend on the back of some launches.

According to estimates, the UV segment is expected to touch 1.5 million units by 2023. Total domestic UV sales during April to December rose to 725,563 from 682,257 a year ago. Exports rose to 133,511 from 120,134 units.

Renault grew its market share in the UV segment to 4.39 per cent in 2019-20 from 1.64 per cent last year, with 186 per cent growth in terms of volume to 31,853 units from 11,163 units during the period. The volumes were driven by the new Triber, Kwid and Duster.

Venkatram Mamillapalle, country CEO and MD, Renault India, said the company plans to accelerate production to enable faster deliveries.

"The company has seen acceptance in rural markets and plans are to expand across these markets."

IOC weighing options to bid for BPCL stake

ISHITA AYAN DUTT
Kolkata, 13 January

Indian Oil Corporation (IOC) will take a call on bidding for the government's stake in Bharat Petroleum Corporation (BPCL) once it comes to the market, said IOC Chairman Sanjiv Singh.

Singh said it was still not clearly stated what was being offered. "There are media reports that Numaligarh Refinery may be carved out. Let it come and then we will see." He was speaking on the sidelines of the launch of Purvodaya, an integrated steel hub.

He added it was internally discussed and there were advantages either way. If IOC bags it, there are advantages. In the event it doesn't, there would still be advantages and its capital expenditure (capex) would not get saturated. IOC had its own capex plan, which it would then be free to pursue.

In November, the Cabinet Committee on Economic Affairs (CCEA) approved the sale of government stake in five major public sector undertakings (PSUs): BPCL, Shipping Corporation of India, Container Corporation of India, THDC India (formerly Tehri Hydro Development Corporation), and North Eastern Electric Power Corporation. The government would be handing over management control in each of these divestments to a strategic buyer.

BPCL, however, is the most lucrative on the government's disinvestment list. At the current trading price, the government's 53.29 per cent stake in BPCL is valued at close to ₹54,400 crore. The government proposes to raise ₹1.05 trillion from disinvestment in the current financial year and BPCL would be crucial to achieving the target.

Dharmendra Pradhan, Minister of Petroleum and Natural Gas, had said after the CCEA decision that there was a clear vision since 2014 that the government had no business to be in business, in response to questions on whether PSUs would be allowed to bid for the government's stake in BPCL.

IOC, however, has precedence over bidding aggressively in the past.

In 2002, IOC had bagged the government's 33 per cent stake in IBP. IOC's bid was ₹1,153.68 crore, which translated into ₹1,551 a share. The other bidders for IBP were Reliance Industries, Reliance Petroleum, Royal Dutch Shell, Kuwait Petroleum Corporation, BPCL, and Hindustan Petroleum Corporation. The reserve price for IBP was ₹337 crore.

Start-up founders driving up sales of Lamborghini India

SAMREEN AHMAD
Bengaluru, 13 January

At a time when the automotive segment is going through a tumultuous time, super luxury carmaker Lamborghini says that it has not encountered any slowness in demand. Instead, the Italian automaker says, almost a quarter of its sales in the country are driven by non-metros, including smaller cities such as Hubli, Vijayawada, Madurai and Kanpur.

A lot of the demand is coming from e-commerce entrepreneurs, start-up founders, first-generation businesspersons and stock market investors, says Lamborghini India Head Sharad Agarwal. In the country, the five states in South India — Andhra Pradesh, Karnataka, Kerala, Telangana and Tamil Nadu — now contribute about 50 per cent of its business. The only Indian to buy one of the 63 cars of the limited edition Lamborghini Aventador SVJ 63 is from Bengaluru.

> *"First-gen entrepreneurs and people who invest in stock markets contribute to about 20 per cent of our sales volume"*
>
> SHARAD AGARWAL
> Head, Lamborghini India

"As India is unleashing entrepreneurship and the way people are coming up in the tech world and financial industries, it is an important market for us. First generation entrepreneurs, e-commerce and start-up founders and people who invest in stock markets contribute to about 20 per cent of our sales volume," Agarwal says.

In 2019, when the ultra-luxury car segment was down 20 per cent in the country, Lamborghini continued with its growth momentum and sold 50 Urus models. In 2018, the company had sold 45 cars in the country. The company is now gearing up to launch the racing and hybrid editions of the Urus SUV this year.

Even though India accounts for less than 1 per cent of its global sales, Lamborghini has established a five-member team in the country. Matteo Ortenzi, Lamborghini's chief executive officer for APAC region, says the aim is to assist Indian buyers and give them the same international experience. "India is a strategic market for us and as a lot of ultra-rich people are coming up; it shows there is room for growth."

While the Lamborghini's flagship Huracan Evo is priced at ₹3.73 crore and Huracan Evo Spyder at ₹4.1 crore, the company is going to add a new model to the Huracan family in 2020 to amplify the buzz among potential customers.

Microsoft goes on hunt for unicorns in tier-II cities

The tech giant's 'Highway to a Hundred Unicorns' start-up programme has selected 54 start-ups from tier-II cities that would get access to a host of biz and tech benefits

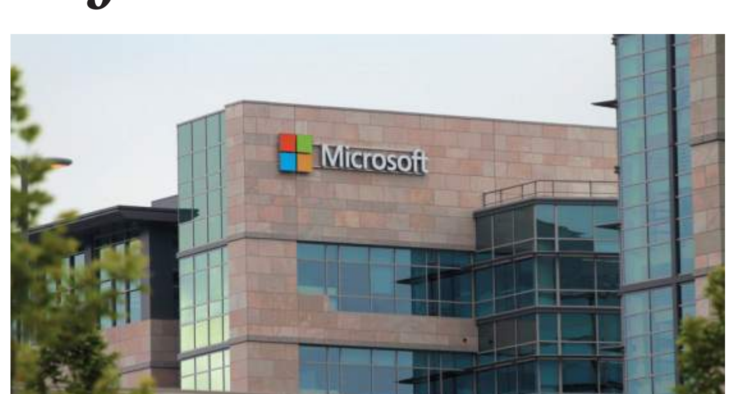
PEERZADA ABRAR
Bengaluru, 13 January

Microsoft, the world's biggest software maker, is increasing its efforts to empower the start-up ecosystem in tier-II cities across the country. As part of this initiative, the Redmond, Washington-based firm's 'Highway to a Hundred Unicorns' programme has selected 54 start-ups from Gujarat, Maharashtra, Rajasthan, Kerala and Telangana. Some of them are Spider G, NeuroTags, Genrobotic Innovations, AI Aeronautics, Synersense, Dealshare and NanoHealth.

The top tech start-ups selected through 'Emerge-X', a competition for start-ups, win credits to access Microsoft's cloud computing platform Azure and get a host of business and tech benefits.

The competition has received over 530 applications. The top-three start-ups from each state gain access to a year-long mentorship program and a two-day founder boot camp. 'Highway to a Hundred Unicorns,' the Microsoft for start-ups initiative, works closely with local governments to strengthen the start-up ecosystem in each state.

"The entrepreneurial energy of start-ups is rising well beyond the known metropolitan hubs and is remarkably high in tier-II cities, despite the obvious challenges. Through 'Highway to a Hundred Unicorns,' we've been able to reach some highly promising innovators from each of the five states," said Lathika Pai, country head, Microsoft for start-ups-MENA and SAARC. "In the next phase of our journey, we look forward to engaging with more start-ups and accelerating their growth and providing them with Microsoft's platform to go global."



The contest has received 530 applications. The top-three start-ups gain access to a mentorship programme and a two-day founder boot camp

The fifth edition of the Microsoft's outreach programme was hosted at Hyderabad in association with the Telangana government. More than 150 innovators and entrepreneurs engaged with Microsoft experts, industry stalwarts and ecosystem stakeholders, including members of the state government.

More than 650 start-ups that have participated in the five events have benefited from the mentorship and guidance through technology workshops on Azure, artificial intelligence and machine learning. Microsoft said over 75 ecosystem players, including the Global Entrepreneurship Network, TiE, Headstart, Nasscom, and Startup Grind as well as prominent investors, entrepreneurs and executives in the national start-up ecosystem have actively engaged with the innovators at each of the locations. Microsoft said firms such as Wholesalebox and Rapidor are among the participating start-ups in the programme that have received recent fresh funding from one of the participating investors.

AMRAPALI CASE

ED to attach corporate properties of JPMorgan for FEMA violation

SC constitutes four-member committee for speedy auction of the builder's properties

PRESS TRUST OF INDIA
New Delhi, 13 January

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

The top court also asked NBCC (India) to expeditiously start working on the seven stalled projects

The Supreme Court (SC) also allowed the ED to take into custody the defunct group's CMD Anil Kumar Sharma, and two other directors, Shiv Priya and Ajay Kumar, who are behind bars on the top court's order, for interrogation as regards alleged money-laundering offences. The apex court also formed a four-member panel, including two of its forensic auditors, for speedy disposal of assets in auction of the now-defunct Amrapali Group to raise funds for several stalled projects.

It said the central agency could take them into custody immediately and once their interrogation was over, they could be sent back to a prison here. The top court also asked NBCC (India) to expeditiously start work on seven stalled projects of Amrapali Group.

According to the share subscription agreement between JPMorgan and Amrapali Group, the US-based firm had invested ₹85 crore on October 20, 2010, to have a preferential claim on profits in the ratio of 75 per cent to JPMorgan and 25 per cent to the promoters of Amrapali Homes Project and Ultra Homes.

Later, the same number of shares was bought back from JPMorgan for ₹140 crore by two companies — M/s Neelkanth and M/s Rudraksha — owned by a peon and an office boy of Amrapali's statutory auditor Anil Mittal.

A Bench of Justices Arun Mishra and U U Lalit was told by ED Joint Director Rajeshwar Singh, who is supervising the probe against JPMorgan, that the MNC remitted the money back to the US.

"They (JPMorgan) have a lot of properties in India. We want you to attach their office or corporate properties of a like amount. Then they will come running to us and we will see to it," the Bench said.

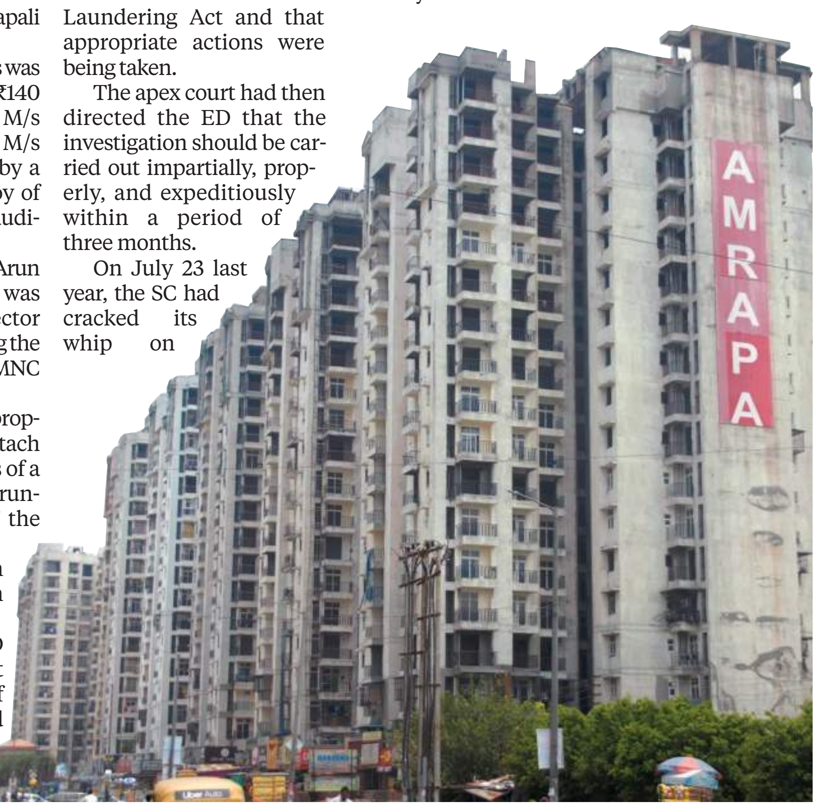
Singh said the adjudication process against the firm had begun in accordance with law.

On December 2 last year, the ED had informed the top court that it had *prima facie* found evidence of violation of FEMA by the MNC and recorded the statements of the country head of the company with regard to dealings with the Amrapali Group.

It had said though the investigation was underway, *prima facie* it appeared that there were also violations of the provisions of the Prevention of Money Laundering Act and that appropriate actions were being taken.

The apex court had then directed the ED that the investigation should be carried out impartially, properly, and expeditiously within a period of three months.

On July 23 last year, the SC had cracked its whip on errant builders for breaching the trust of homebuyers, ordered cancellation of Amrapali Group's registration under real estate law RERA and ousted it from its prime properties in the NCR by nixing the land leases.



'Mona Lisa of Mustangs,' raced in 'Bullitt,' sets auction record

Steve McQueen's hero car from a renowned Hollywood chase scene breaks expectations in a sale for $3.74 mn

JERRY GARRETT
13 January

The 1968 Ford Mustang GT driven by Steve McQueen in the legendary chase scene in the movie "Bullitt" sold on Friday for $3.74 million.

"It's a record auction price for any Mustang ever sold," said Dana Mecum, the principal of the auction house, Mecum Auctions, that sold the car. "It is the Mona Lisa of Mustangs." The price was about 25 percent higher than even his pre-sale estimate, Mr. Mecum said, which he had considered somewhat optimistic.

The reply from the seller, Sean Kiernan, a Kentucky horse farmer, was even more succinct: "Holy smokes!"

His family bought the car in 1974 for $3,500 in response to a classified ad in Road & Track magazine. "This has been in my family for 45 years. It's only been sold twice before — for $3,500 each time it's sold. That's what my dad bought it for, so that's what we started the auction off at. And it went from there."

At the auction event, in Kissimmee, Fla., Mr. Kiernan was offering the all original, rusty, banged-up Highland Green fastback for sale with no reserve. If that seemed like a gamble, the concerns were soon dispelled. Bidding quickly climbed to $2.5 million, then slowly after that to its final "hammer" price of $3.4 million. Sales commissions and other fees brought the final total to $3.74 million — the official sale price, Mr. Mecum said.

Three telephone bidders slugged it out for the right to own arguably the most iconic Mustang of all time. The winner's identity was not disclosed — typical of such auctions. Mr. Mecum said he had no idea what the new owner intended to do with the car. Mr. Kiernan said he was unconcerned with what happens next to his family's beloved grocery-getter.

"I feel really good," he added. "It topped every expectation I had for it. That will be a number that will be in the record books for a long time."

McQueen himself, along with three professional stuntmen, had piloted the car in the 10-minute chase sequence through the hilly streets of San Francisco. McQueen crunched the left front fender when he plowed, unscripted, into a parked car during filming. The fender still bears the scars.

Mr. Kiernan's father, Bob, happily bought the car with all its dings and dents after the movie wrapped. "He just wanted a '68 fastback," Mr. Kiernan said.

It still featured a spate of performance modifications that McQueen had commissioned, to help its 390-cubic-inch V8 keep up with a more powerful 1968 Dodge Charger R/T 440 that it dueled with in the chase. McQueen, who died of cancer in 1980, tried to buy back the car in 1977, when he tracked down Mr. Kiernan's father. Despite a pleading personal letter from McQueen, the family retained it and used it as an around-town errand-runner until its clutch gave out a few years later. It had mostly been in storage, and out of public view, since then.

Its recent "discovery" had set off a groundswell of interest in the collecting car world. Ford Motor Company had proudly put the car on display the past year or so, alongside modern "Bullitt Mustang" homage models it had produced, that were inspired by the original.

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IndiGo gets four more months to replace A320neo engines

IndiGo operates over 257 aircraft, including 106 Airbus A320/321neos

ANEESH PHADNIS
Mumbai, 13 January

The Directorate General of Civil Aviation (DGCA) has given IndiGo time till May 31 to replace unmodified Pratt & Whitney (P&W) engines on its Airbus A320neo aircraft. It has also permitted the airline to deploy newly-inducted planes for capacity expansion.

In November, the regulator had set January end as the deadline for replacing the unmodified engines following repeated incidents of mid air engine shutdowns and aircraft returning to the departing airport.

The deadline has now been relaxed and restrictions on use of new planes for new routes or additional frequencies has been eased.

The airline had cut down its capacity expansion outlook in the fourth quarter as well as the full year following the earlier directive.

IndiGo operates over 257 aircraft, including 106 Airbus A320/321neos.

While latest batches of the aircraft have modified engines, the older ones in the fleet require changes to address failure of low pressure turbine blades.

Initially, the number of engines requiring replacement was estimated at 120 but now that has increased to 135, following additional inspections and inquiry to find the cause of failure.

"The process of placement of at least one modified engine on the entire fleet has been accomplished by IndiGo well before the timeline of March 31, given by European Aviation Safety Agency Airworthiness Directive. Moreover, about 70 per cent of the total neo engines of the IndiGo fleet is likely to be modified by January 31," the DGCA said in its update on Monday.

It added that procurement of modified engines was impacted due to Christmas and New Year holidays.

In their action plan, Airbus and P&W submitted that the replacement of all 135 engines will be completed by June.

DGCA has, however, asked them to complete the task by May end. No aircraft with unmodified engine in the IndiGo fleet will be allowed to fly after that date, it said.

"Mitigation measures put in place such as introduction of inspections of mid turbine frame (MTF) piston seal in addition to existing inspections and aircraft climb procedures, will help in containing engine failure on the wing," said the DGCA.

P&W had identified fracture of the MTF piston seal as the cause of 50 per cent of engine failures.

The DGCA order is likely to have an impact on future capacity, IndiGo said last month. It expects a year-on-year capacity increase of 15-20 per cent in Q4FY20 and 22-23 per cent in FY20.

The previous forecast was 22 per cent for the third quarter of FY20 and 25 per cent for FY20. However, that will not harm the airline's profitability, it said, while retaining its profit forecast.

BSE, NSE to suspend trading in Coffee DayEnterprises, CG Power

Stock exchanges BSE and NSE will suspend trading in shares of café chain operator Coffee Day Enterprises and fraud-hit CG Power and Industrial Solutions from February 3 for not complying with listing norms pertaining to submission of quarterly financial results.

However, if firms comply with the provisions of listing norms on or before January 29, trading in its securities will not be suspended, BSE and NSE said in separate circulars. The exchanges said these firms have not submitted the financial results for June 2019 and September 2019 quarter and/or not paid the fine amount levied for non-compliance, as required under the listing norms of Sebi. PTI

Companies likely to extensively use AI to deal with cyberattacks, says study

Artificial intelligence (AI) and machine learning (ML) will be powering the 'cyber war rooms' in organisations to help them protect from increasing cyberattacks, as well as detect, predict and respond to the same, a PwC India and Data Security Council of India (DSCI) study said.

The study titled 'Cyber Security India Market: What lies beneath' also notes that the regulatory landscape for privacy and data protection is expected to reach a tipping point in 2020, forcing Indian organisations to comply with not only global regulations but also with the proposed law on personal data protection, the Aadhaar Act.

"On the flip side, cyber attackers too would be weaponising AI/ML to initiate attacks with record speeds and precision," it said, adding that businesses are expected to adopt tools and solutions embedded with AI/ML capabilities to keep threats and attacks at bay. PTI

"It's a matter of concern that the Centre plans to seek interim dividend from the RBI again to meet its expenditure commitments. It is ruining the economy"

ASHOK GEHLOT
Rajasthan chief minister

"Didi's (West Bengal CM Mamata Banerjee's) police didn't take action against those who destroyed public property as they are her voters. Our governments in Uttar Pradesh, Assam, and Karnataka shot these people like dogs"

DILIP GHOSH
West Bengal BJP president

"A BJP leader has written the book titled 'Aaj Ke Shivaji: Narendra Modi', which we find insulting. The party should clarify whether it considers the PM as great as Shivaji. It seems to be the handiwork of some bootlickers to appease the PM"

SANJAY RAUT
Shiv Sena leader

IN BRIEF

Modi, Macron talk Kashmir situation over phone

France is closely following the situation in Kashmir, the French government said on Monday and noted that the issue was discussed during a telephonic conversation between Prime Minister Narendra Modi and French President Emmanuel Macron three days ago. A statement issued by Elysée Palace said the two leaders discussed the situation in the region of Kashmir in the "spirit of trust and frankness" that characterises bilateral ties. "In the spirit of trust and frankness that characterises their relations, the French President and the Indian Prime Minister discussed the situation in the region of Kashmir, which France continues to follow closely," the statement released here by French embassy said. A statement issued by the Indian government on Friday after talks between Modi and Macron did not mention Kashmir. "The two leaders exchanged views on a range of issues of mutual interest in bilateral relations as well as regional and global situations," the statement by PMO said. PTI

Register drones by Jan 31 or face action: Aviation ministry

The Aviation Ministry on Monday announced a scheme providing a window up to January 31 for voluntary registration of all drones and their operators, days after top Iranian General Qasem Soleimani was killed in a US drone attack. Those who fail to register will face action under the Indian Penal Code and the Aircraft Act. In a notice, the ministry said, "The presence of such drones as well as drone operators has come to the notice of the government which do not comply with the CAR (civil aviation requirements)." PTI

Book of Jaitley's selected writings to hit stands in Feb

A new book, compilation of selected writings by former finance minister Arun Jaitley, offers readers with the late politician's sharp insight on topics, including GST, demonetisation and Kashmir, publishing house Juggernaut Books announced. The book is an authoritative account of the policies and decisions made by the Modi government during its first stint. It will hit the stands in February. PTI

Central Railway nets ₹155-crore fine from ticketless passengers

Central Railway has earned ₹155.14 crore in fines from ticketless and irregular travellers between April and December, 2019, an official said on Monday. PTI

931 GST fraud cases identified through data analytics

The Department of Revenue has identified 931 cases of fraudulent GST refund claims through data analytics and has now tasked the GST data analytics wing to scrutinise all past and pending refund claims filed all over the country for inverted duty structure, sources said. PTI

CBI arrests IRP professional appointed by NCLT

The CBI has arrested an insolvency resolution professional (IRP) appointed by the NCLT and another person for allegedly receiving a bribe of ₹3.5 lakh from a consultant by threatening him with a criminal case, officials said on Monday. In what is likely to be the first corruption case by the CBI against an NCLT-appointed IRP, the agency has taken into custody Arun Mohan, the IRP, and his friend Paresh Kumar, CEO of Multimax Asset Reconstruction for allegedly receiving a bribe of ₹3.5 lakh against a demand of ₹5 lakh. PTI

IOC launches special NATO-grade diesel for Indian Navy

State-owned Indian Oil Corp (IOC) has developed a special class diesel conforming to NATO grade for use in ships and vessels of Indian Navy. Vice Admiral G S Pabby launched the Upgraded High Flash High-Speed Diesel (HFHSD – IN 512) in presence of IOC Director (R&D) SSV Ramakumar and IOC Director (Refineries) S M Vaidya, a company statement said. PTI

Slump adversely hit jobs sector: SBI report

PRESS TRUST OF INDIA
Mumbai, 13 January

The economic slowdown has adversely impacted employment generation in the country as nearly 1.6 million less jobs are projected to be created in FY20 compared to 8.97 million fresh jobs in FY19, an SBI report said.

According to the SBI research report called Ecowrap, there is a decline in remittances in a few states like Assam and Rajasthan, reflecting downsizing of contractual labourers.

"In FY19, India had created 8.97 million new payrolls as per the EPFO data. In FY20, as per current projected this number could be at least 1.58 million lower," the report said.

The EPFO data primarily covers low paid jobs as the salary is capped at ₹15,000 per month. According to the calculation done by the report, during April-October 2019, the actual net new payroll was 4.31 million which annualised comes out to be 7.39 million for FY20. The EPFO data does not cover government jobs, state government jobs and private jobs as such data have moved to National Pension Scheme (NPS), beginning 2004.

"Interestingly, even in the NPS category, state and central government are supposed to create close to 39,000 jobs less in FY20 as per current trends," the report said.

It said a sample of data on remittances by migrant labourers to selected states in the last one year showed that there is a decline in remittances in states like Assam, Bihar, Rajasthan, Odisha and UP.

"The delay in resolution of cases under bankruptcy proceedings may have prompted companies to downsize their contractual labourers," it said.

IN NUMBERS

8.97 million New payrolls India created in FY19, according to the EPFO data

7.39 million Jobs projected to be created in FY20

4.31 million Was the actual net new payroll during Apr-Oct 2019

Over the years, migration has been an important livelihood option for both the poor and the non-poor in the country.

As a result of unequal growth, people from agriculturally and industrially less-developed states migrate to more developed states in search of job opportunities - for example from Uttar Pradesh, Bihar, the southern part of Madhya Pradesh, Odisha, and Rajasthan to states like Punjab, Gujarat, and Maharashtra.

For a large number of migrants, New Delhi is a much-favoured destination due to the abundance of job opportunities, the report said.

"These migrants have been making significant financial contributions to their families in their places of origin," it said.

The report further said in the last five years, the overall productivity growth has remained relatively stagnant between 9.4 per cent to 9.9 per cent. This slow growth in productivity manifests in low wage growth, it said.

The report also cautioned the policymakers of such slower productivity growth as it could encourage over-borrowing by corporations and households, which can create a big risk to economies and fiscal systems.

Market sees a long pause from RBI as CPI hits 7.35%

Experts rule out rate cut till April, saying it'll take time for vegetable prices to fall

ANUP ROY
Mumbai, 13 January

It's a long hiatus in rate cut for the monetary policy committee (MPC) of the Reserve Bank of India (RBI) after the surprise headline inflation print at 7.35 per cent, way above the central bank's target of keeping the number limited between 2 and 6 per cent.

The Monetary Policy Committee (MPC) under RBI Governor Shahtikanta Das cut policy rate by 135 basis points since February before it decided to take a pause in December. Now, economists and the bond market participants say such pause would be extended for sure in February, as well as in April policy, as it will take some more time for the vegetable prices to cool down. And even if onion prices fall sharply due to import and fresh crops, the base effect will keep the print on the higher side.

But economists are not unduly worried about the spike in inflation.

"Half of the headline number is vegetable prices, led by onion. Everything else is following largely their long-term seasonal pattern. The issue, though, is that even as the month-on-month momentum in vegetable prices moderates going forward, the base effect will keep the headline print high. In January, the CPI inflation will likely cross 8 per cent," said Gaurav Kapur, chief economist of IndusInd Bank.

He said the MPC would have to look through it considering the core inflation remains stable at 3.7 per cent.

For the bond market, it is a new trouble. The market was expecting inflation to rise, but not this much.

"Bond yields will be under pressure. The 10-year bond yields can go up by 10 basis points in the opening trade, but will trace back, and go up again. Much depends upon how the RBI manages the situation through new instruments," said Jayesh Mehta, head of treasury at Bank of America.

According to bond dealers, it is certain that the RBI will have to conduct more open market operations (OMOs), in which it buys and sells bonds from the market. But at the same time, RBI's ability to support economy, growth, and liquidity is somewhat restricted after the MPC.

The central bank on Monday said the government converted bonds worth ₹41,920.230 crore. The transaction involved buying back securities maturing in FY21 from the RBI and issuing fresh securities for equivalent market value, to make the transaction cash neutral. This will help the central bank do more operation twist kind of operation where it sold short term securities and bought long-term securities to correct the yield difference between the two maturities.

The market doesn't expect the policy stance to change from accommodative to neutral, as the stance would be dependent upon a pickup in growth from its current 5 per cent level.

But the central bank can still cut rates, while giving a signal that it is cautious about the inflation, and thus change the stance anyway, some say.

"Should we read this steep rise in inflation print was preempted by the long bond yield spread, then inflation expectations and high bond spread was warranted. To anchor the spillover risk to general basket, the RBI could change its stance to neutral," said Soumyajit Niyogi, associate director at India Ratings and Research.

But it is a difficult situation to maneuver for the RBI nevertheless.

"The RBI is now faced with most daunting task of solving "impossible trinity" — high fiscal deficit, higher inflation, and lower for longer rates conundrum," said Kunal Valia, an independent bond market expert.

"Just like any central bank around the globe, the RBI may tread the path of lower rates to support a slowing economy and may live with higher inflation for few months," Valia said.

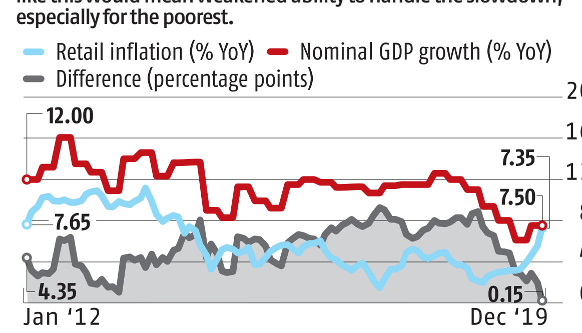
INFLATION
AN INFLECTION POINT?

Retail inflation based on the consumer price index climbed to its highest since July 2014. But a deeper look at the data shows two rare situations in the economy right now.

COMPILED BY ABHISHEK WAGHMARE

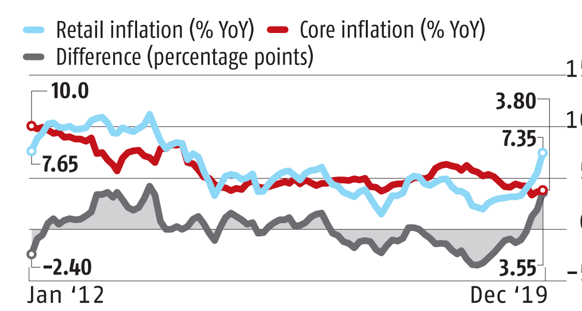
For the first time in 8 years, retail inflation becomes equal to nominal growth

The first chart shows since 2012, while inflation has spiked many times, it has never been higher than the nominal rate of growth in the economy. In December 2019, if we assume that the economy grew at 7.5 per cent in nominal terms, as the advance estimates show, then it means that consumer prices are rising at a pace equal to economic growth. Though this is temporary, a sustained situation like this would mean weakened ability to handle the slowdown, especially for the poorest.



Retail inflation surpasses core inflation by widest margin since May 2013

The second chart shows that the difference between consumer inflation and core inflation in December was the highest since May 2013. If this sustains, it would mean that companies are unable to price their goods and services due to weak demand, and at the same time, basic necessities of life would eat up a substantial chunk of the incomes of the weakest, whose incomes are already growing slowest in many decades.



Source: National Statistical Office, Reserve Bank of India, CRISIL
Note: Old CPI series has been used for inflation data prior to December 2013

Spike in agri-commodity prices set to impact FMCG market

The first of a two-part series reports on how the rise in key food prices is impacting your daily budget

SANJEEB MUKHERJEE & ARNAB DUTTA
New Delhi, 13 January

Every morning, 45-year-old Savita Devi goes to the nearest grocery store to fetch a packet of milk, a routine she has been following for years. Now she wonders if she can afford to buy the same quantity of milk anymore. In the last few days, the cost of the packet of milk she buys daily has gone up. Most popular brands have raised the price of liquid milk by up to ₹3 per litre.

The increase is unusual as it has come in the middle of the flush season, when milk supplies are abundant. In the last few months, milk procurement prices in the country have moved up by 20 to 35 per cent. Industry experts say this, together with the rise in the prices of sugar and wheat, could impact prices in the FMCG market.

Needless to say, the rise in the price of milk has been a boon for millions of milk suppliers across the country. It signals a much-desired reversal of trend after three-years of low price realisation and could mark a turnaround in India's rural sector, depending on the level of transmission — from end consumers to farmers.

When it comes to milk, a delayed onset of the flush season, coupled with the anticipated shortage in milk production, has pushed prices northwards.

"As per our estimates and going by the arrivals so far, India's milk production in 2019-20 could be 8-9 per cent less than the 186 million tonnes produced in 2018-19," said Rahul Kumar, managing director of French-Dairy major Lactalis India, which owns Tirumala Milk Products, Anik Industries and Maharashtra-based and BSE-listed Prabhat Dairy in India.

To tide over the milk demand during the lean season from April-May to August, India needs to have 150,000 tonnes of skimmed milk powder (SMP) in stock. However, currently, the country's SMP stock has dropped to just around 30,000-40,000 tonnes.

KITCHEN BLUES
I

SMP prices in the open market have more than doubled in the last one year — from around ₹150-160 per kg to almost ₹300 per kg. Market watchers predict that prices may go higher this summer.

Kumar feels that the milk market should not have come to such a pass since many of the players said abundant milk supplies was one of the reasons for India not joining the Regional Comprehensive Economic Partnership (RCEP). The country exported almost 64,000 tonnes of SMP in 2019 with a ₹50 per kg subsidy, offered by the governments of Gujarat and Maharashtra, and an added incentive of 10 per cent from the Centre.

"The panic exports should have been avoided and there should have been proper planning and foresight by the government to estimate the availability of milk in the country and what could be the supply-demand scenario," Kumar said.

He said the government could meet the supply shortage by launching a one-time import of 80,000-90,000 tonnes of SMP in the next 6-8 weeks.

However, larger players such as Amul are opposed to this idea. They feel that imports at this juncture will dampen procurement prices and hurt the average dairy farmer.

"There is absolutely no shortage of milk and whosoever is saying this is anti-farmer," asserted RS Sodhi, managing director, Amul. He said last year's low price of SMP was due to distress sales and should not be seen as a healthy sign.

"The lean season for milk starts after April and the flush season has just begun. If we import any milk at this juncture, it will needlessly dampen prices. If at all any import is needed, we should wait till April," Sodhi said. If the milk sector faces a dilemma over whether or not to import in order to cool prices down, there is no such confusion in the case of sugar and wheat.

Ex-mill prices of sugar have stayed in the range of ₹31-34.5 per kg for the last few months, which is marginally more than the ₹29-30 per kg rate during the same period last year, according to senior industry officials. But experts feel that going forward, there won't be any big surprises from sugar in terms of prices.

"My understanding is that the market has factored in that sugar production in 2019-20 would be around 26-27 million tonnes, which is almost 22 per cent less than the last sugar season, and ex-mill prices would remain range-bound within the ₹31-34.5 per kg across India," said Abinash Verma, director general of Indian Sugar Mills Association (ISMA). The sugar season runs from October to September. Verma strongly denied that subsidised exports had contributed to keeping prices above last year's level.

"We started the 2019-20 sugar season with an all-time high opening stock of 14.5 million tonnes. If we manage to export all the allocated 6 million tonnes, we will still be left with a closing stock of 8.5 million tonnes, which is double the requirement. So, where is the question of exports contributing to any firming up of prices," he asked.

In case of wheat, the third commodity which has a direct bearing on final prices of FMCG goods, market players feel that just like sugar, its prices would cool down as soon as the government releases more stocks into the market or when the new crop arrives. Wheat is projected to have a bumper harvest this year.

"At present, wheat prices in Delhi's mandis are quoting at around ₹2,300 a quintal, which is 12-15 per cent more than prices during the same period last year. However, this is largely due to slow inventory liquidation from state granaries. I don't think this price is sustainable as the coming wheat crop is projected to be huge. Besides, the government's own grain inventories are brimming," said a senior executive at a multinational grain trading firm.

He said, moreover, that end-use industry should not expect the same price to prevail at all times.

AVERAGE PRICE IN WHOLESALE MARKETS

● Jan 31, 2019 ● Jan 10, 2020

	Jan 31, 2019	Jan 10, 2020
Milk (Mumbai) In ₹/100 litres	3,900	4,000
SUGAR (Mumbai) In ₹/100 kg	3,121	3,375
WHEAT (Delhi) In ₹/100 kg	2,097	2,370

Source: Department of Consumer Affairs

The end of the bonus culture is coming to Wall Street

BLOOMBERG
13 January

Wall Street's average bonus fell for the first time in three years in 2018 to $153,700, according to the most-recent estimates by the New York State Comptroller

Chris Purves has been at the cutting edge of markets for more than a decade – from algorithmic trading to machine learning.

Now the head of UBS Group AG's Strategic Development Lab is turning his focus to the human survivors of the tech invasion, persuading them to understand things will never be the same. They're going to have to -- in the jargon of Silicon Valley's missionaries — "unlearn" how they've always operated.

It's not just that their software may know their next move before they do. The extinction of an entire way of life is looming, as Purves sees it: the end of the bonus culture. Compensation will be a last frontier in the onslaught of technology on finance.

He's moving traders toward electronic systems as the era of legendary gamblers stalking the markets in search of the $100 million payday becomes a distant memory. What's coming is increased bureaucratization, an evolution that renders individuals' judgment less important -- and with it the need to reward them as they might have once expected.

"We want to hire people who are less driven by their own bonus and P&L and more by the long-term goal of what the market will look like in say 10 years," said London-based Purves. "The idea that you are responsible for your own destiny has gone. It's a team sport now."

The moves in that direction are only accelerating. Coders have been handed licenses to trade equities at JPMorgan Chase & Co. while they're the focus of the biggest hiring spree in years for Goldman Sachs Group Inc.'s trading division. Citigroup Inc. plans to recruit 2,500 programmers this year.

The competition for talent with companies like Google and Facebook Inc. hasn't caused a surge in banker bonuses. And while tech skills are still in high demand, that doesn't always translate to more compensation. Most trader payouts are forecast to remain steady or decline, according to an analysis by recruiting firm Options Group.

Even as demand for quantitative skills "showed no sign of letting up" last year, pay for these roles will probably stay flat, Options Group projected. For example, an equities managing director in a financial engineering role can expect to earn $570,000 to $775,000 a year, while associates are forecast to earn about $140,000 to $190,000.

To be sure, post-crisis culture and weaker trading revenues have already put a dent in bonuses. Wall Street's average bonus fell for the first time in three years in 2018 to $153,700, according to the most-recent estimates by the New York State Comptroller.

But it's not just about the amount of compensation reducing. Bonus culture is now at stake -- with tech platforms center stage, traders may no longer be paid on an "eat what you kill" model, but will have their bonuses determined more by the strength of a broader desk or unit.

"Good traders used to be easily identifiable," said Tim Hall, who spent more than 20 years in banking including at Credit Agricole SA and ING Groep NV. "Now trading is very commoditized and you're being replaced by platforms and robots and people with different skillsets."

The mismatch between skills and demands is putting even the industry's highest-paying jobs at risk, says Marcos Lopez de Prado, the former head of machine learning at the hedge fund AQR Capital Management LLC and now a Cornell University professor. Many of the 6.1 million people employed in finance and insurance will lose their jobs "not necessarily because they are replaced by machines, but because they are not trained to work alongside algorithms," he told the U.S. House Committee on Financial Services in December.

Traders have no choice but to adapt to the new environment. Automation could cut headcount for Wall Street and the banking industry by 200,000 in the next decade, estimates Mike Mayo, senior bank analyst at Wells Fargo Securities. Almost one-third of financial-services jobs could be displaced by the mid-2030s, according to a report by PricewaterhouseCoopers LLP in 2018.

"Some of the changes coming in with tech can make people feel uncomfortable, like it's moving too fast and they're falling behind," said Niall Cameron, London-based head of corporate and institutional digital at HSBC Holdings Plc which has designed bots to help salespeople respond to clients. "That is unfortunately here to stay because these trends are only getting stronger."

Investment firms are also turning to machines to cut costs amid the boom in passive investing. Janus Henderson Group Plc replaced two fund managers with more than a decade of markets experience with a new quantitative team of four in May. New York-based PineBridge Investments, with almost $100 billion of assets, is also focusing on quant skills, leading its existing traders to be nimble.

Chris Perryman, senior vice president of fixed-income trading at PineBridge in London, adapted to survive. Four years ago he moved to a management role and helped hire two university graduates in their 20s to apply a quant approach to trading.

"Ten years ago I could be a good trader, now I couldn't," said Perryman. "I don't have a quant background and that's 50% of the job now. You need quant skills to handle, organize and rationalize the amount of data that's available."

Roosevelt Bowman, who traded bonds at Lehman Brothers back in 2008, learned to code as the firm collapsed. More than a decade later and now senior investment strategist at AllianceBernstein Holdings LP's private wealth-management division, he uses programming languages such as R and Python regularly in his job in New York.

At UBS, Purves is spearheading an effort to digitize the investment bank's trading of fixed income and equities and as part of that he went on a course with Silicon Valley's Singularity University to learn how experienced bankers can evolve and stay relevant. When it comes to new hires, Purves says, the best candidates are those that have the least to "unlearn." They are team players with computer science skills who are often new to banking, he said.

Jack Miller, head of trading for Robert W. Baird & Co. in Milwaukee, agrees. For the first time last year, he included proficiency in coding as a requirement for a junior trader job, but hasn't found anyone yet with the right mix of technical and people skills.

As investors increasingly track indexes rather than actively managing their investments, it's another example of how machines are curbing the amount of money that individuals can make. The shift to passive investing means that individuals and institutions have low-cost alternatives to traditional asset managers, who've responded by cutting expenses, Miller said.

"There is a trickle-down effect that puts pressure on the overall pool of comp available to the sell side," Miller said. That's "driven by the buy side being much more cost sensitive."

Iran's only female olympic medalist defects over 'lies' and 'injustice'

MEGAN SPECIA
13 January

The only female athlete to win an Olympic medal for Iran announced this weekend that she had defected from the nation because of "hypocrisy, lies, injustice and flattery" and said she had been used as a "tool."

The Olympian, Kimia Alizadeh *(pictured)*, 21, announced her decision in an Instagram post accompanied by a photo from the 2016 Summer Games in Rio de Janeiro, where she won a bronze medal in taekwondo. "They took me wherever they wanted," she wrote. "Whatever they said, I wore. Every sentence they ordered, I repeated."

Her comments came during a time of especially heightened tensions in the country after the Iranian authorities announced this weekend that the country's forces had unintentionally downed a passenger plane last week near Tehran, killing all 176 people on board. The admission prompted outrage in the country and set off a series of protests over the weekend.

Iran has also been embroiled in a simmering conflict with the United States after an American drone strike killed Maj. Gen. Qassim Suleimani, a powerful Iranian commander, and Tehran retaliated with missile strikes on bases in Iraq that house American troops.

While Ms. Alizadeh's statement did not refer to her country's geopolitical troubles, she did address the "oppressed people of Iran" and pointed to restrictive policies on women's public conduct and appearance, including the "obligatory veil."

"My troubled spirit does not fit into your dirty economic channels and tight political lobbies," she wrote. "I have no other wish except for taekwondo, security and a happy and healthy life."

Ms. Alizadeh did not say where she was seeking asylum. But Iran's semiofficial ISNA news agency reported that Ms. Alizadeh had moved to the Netherlands and noted that she had been absent from training for several days before releasing her statement.

'Techlash' hits college campuses

Claire Stapleton worked at Google and YouTube for 12 years. "There was this ambient glow of being part of a company that was changing the world," she said PHOTO NYT

EMMA GOLDBERG
13 January

In 2006, Google bought YouTube for more than $1 billion, Apple was preparing to announce the first iPhone, and the American housing bubble began to deflate. Claire Stapleton, then a senior at the University of Pennsylvania, faced the same question over and over: What did she plan to do with that English degree? She flirted, noncommittally, with Teach for America.

Then, a Google recruiter came to campus and, Ms. Stapleton said, she "won 'American Idol.'" The company flew her out to Mountain View, Calif., which felt to her "like the promised land" — 15 cafeterias, beach volleyball courts, Zumba classes, haircuts and laundry on-site.

But for Ms. Stapleton, now 34, the real appeal in a job at Google was what seemed to be a perfect balance of working for income and according to one's conscience. Naturally, she said yes to an offer in the corporate communications department.

"There was this ambient glow of being part of a company that was changing the world," Stapleton said. "I was totally googly-eyed about it."

Than a decade later, college seniors and recent graduates looking for jobs that are both principled and high-paying are doing so in a world that has soured on Big Tech. The positive perceptions of Google, Facebook and other large tech firms are crumbling.

Many students still see employment in tech as a ticket to prosperity, but for job seekers who can afford to be choosy, there is a growing sentiment that Silicon Valley's most lucrative positions aren't worth the ethical quandaries.

"Working at Google or Facebook seemed like the coolest thing ever my freshman year, because you'd get paid a ton of money but it was socially responsible," said Chand Rajendra-Nicolucci, 21, a senior at the University of Michigan. "It was like a utopian workplace."

Now, he said, "there's more hesitation about the moral qualities of these jobs. It's like how people look at Wall Street."

Investment Banking, but Worse The growing skepticism of Silicon Valley, sometimes referred to as the "techlash," has spared few of technology's major players.

In 2019, Facebook was fined nearly $5 billion by the Federal Trade Commission for mishandling user data. Amazon canceled its plans for a New York City headquarters after residents, union leaders and local legislators contested the idea that the behemoth should receive $3 billion from the state to set up shop.

UP identifies 32K refugees for CAA

BIHAR CM NITISH KUMAR SAYS NO JUSTIFICATION FOR COUNTRY–WIDE IMPLEMENTATION OF NRC

JAMIA VC SAYS WILL EXPLORE MOVING COURT FOR REGISTRATION OF FIR AGAINST 'POLICE BRUTALITY'

ARCHIS MOHAN
New Delhi, 13 January

The Congress and 19 other opposition parties on Monday met in the national capital and sought to strike a balance between supporting the anti-Citizenship Amendment Act (CAA) protests and asking the Narendra Modi government tough questions about the "economic crisis" facing the country.

In a resolution passed at the meeting, the Opposition asked the Centre to withdraw the CAA and told all non-Bharatiya Janata Party (BJP) governments to not implement the National Population Register (NPR) in their respective states.

Some of the key opposition parties — the Samajwadi Party, Bahujan Samaj Party, Shiv Sena, Trinamool Congress, DMK, and Aam Aadmi Party — skipped the meeting. The DMK did not attend because of its disagreements with the local unit of the Congress in Tamil Nadu, while the AAP was not invited. CPI(M) leader Sitaram Yechury said nearly all parties that did not attend supported the struggle to protect the Constitution, and do not want NPR to be implemented.

Congress leader Rahul Gandhi wanted the meeting to focus on the Modi government's failures on the economy, but the Left and some of the other parties said the Opposition should continue to stand with those fighting for their constitutional rights. Later, Gandhi challenged the PM to explain the state of the economy to the protesting students and said India was on the road to become an economic "basket case".

Opposition sources agreed that constitutionally the states would need to follow the Centre's notification to carry out the Census and NPR in their respective states. They said they would dare the Centre to dismiss all these state governments, or it should amend the "discriminatory" CAA. Nearly a dozen state governments or their chief ministers have expressed reservation at carrying out the NPR. Opposition sources pointed out that state government employees would be collecting the Census and NPR data. The Budget session of Parliament is set to see a faceoff between the government and the opposition on the issue.

Congress interim chief Sonia Gandhi, party leaders Rahul Gandhi and Ghulam Nabi Azad, Left leaders Sitaram Yechury and D Raja, Jharkhand CM Hemant Soren and others, in New Delhi on Monday PHOTO: DALIP KUMAR

BJP hits back

The BJP said the opposition unity stood exposed as key parties skipped the meeting. Union minister Ravi Shankar Prasad said the Opposition's resolution against the CAA must have made Pakistan happy, stating that the law was a chance to expose Islamabad's "barbaric treatment" of minorities. "The resolution is neither in national interest nor in the interest of security. It is also not in the interest of those minorities who fled neighbouring countries to escape persecution," Prasad said.

In a related development, the BJP-ruled Uttar Pradesh government has started the process to identify refugees for the implementation of the CAA, said UP minister Shrikant Sharma. He said all district magistrates in UP had been asked to collect data. In the first list, over 32,000 refugees have been identified in 21 of the 75 districts and the exercise was going on in the entire state, he said. Most such refugees are in Pilibhit.

Parl panel questions police action

In another development, the parliamentary standing committee on home affairs at its meeting on Monday questioned Delhi Police officials over the use of force against protesting students and suggested that it should have dealt with the students in a mature manner.

Jamia Millia Islamia Vice-Chancellor Najma Akhtar on Monday said the varsity administration would explore the possibility of moving court for registration of an FIR against the "police brutality" on campus last month after hundreds of angry students gheraoed her office demanding action against the police.

Nationwide NRC needless: Nitish

In Patna, Bihar Chief Minister Nitish Kumar said a country-wide implementation of National Register of Citizens (NRC) was "needless and had "no justification". Speaking in the state Assembly, Kumar said his government agreed in principle to carry out the NPR as they did likewise when such an exercise was last conducted in 2010. He said his government was ready to have a discussion in the House with regard to "extra details" being sought as part of the 2020 NPR. In its resolution, the Opposition expressed "grave concerns at the alarming deterioration in the livelihood status of the vast majority of our people due to the complete mismanagement of the Indian economy by the Modi government".

It said the economic crisis had pushed the economy to the verge of a recession, there is joblessness and increasing prices of petroleum products, cooking gas, vegetables and all essential commodities. "Modi government has created an economic disaster," it said.

Would love to see a Bangladeshi immigrant next Infy CEO: Nadella

Indian–born Microsoft Chief Executive Officer Satya Nadella has reacted to the controversial Citizenship Amendment Act (CAA), saying he would love to see a Bangladeshi immigrant create a Unicorn in India or become the next CEO of Infosys.

"I think what is happening is sad... It's just bad.... I would love to see a Bangladeshi immigrant who comes to India and creates the next Unicorn in India or becomes the next CEO of Infosys," online website *BuzzfeedNews* Editor–in–Chief Ben Smith wrote on Twitter on Monday, quoting Nadella as saying. **BS REPORTER**

Economist Bhaduri gives up JNU post

Economist Amit Bhaduri has given up emeritus professorship at Jawaharlal Nehru University, alleging mishandling of the current situation by the university administration.

In his letter to the vice–chancellor of JNU, Bhaduri expressed pain at throttling of dissent by the university administration. "It pains me but I feel it would be immoral on my part without registering my protest to remain a silent observer in this larger, sinister scheme of throttling dissent which is unfolding now at the university. ...I am giving up my emeritus professorship at JNU," he wrote in his mail.

Bhaduri had joined the university as a professor in 1973. He left it in 2001. **PTI**

'Temporary or permanent transfer of intellectual property attracts 12% GST'

CHATROOM

T N C RAJAGOPALAN

We are manufacturers and exporters of agro chemicals (e.g., pesticides and weedicides). In connection with the manufacture of one of our products, we intend to import process technology to improve the yield of finished goods, with reduced process/ production time. The technology is normally imported in electronic form with an option to get a printed copy by courier. Please let us know the tax implications.

This transaction is transfer of intellectual property. As per entry no. 5(c) of Schedule II to the CGST Act, 2017, "temporary transfer or permitting the use or enjoyment of any intellectual property right" is a service. But, permanent transfer of intellectual property is taxed, inexplicably, as a service as well as goods. As per S.No. 17 of notification no. 8/2017-IT (Rate) dated June 28, 2017, temporary or permanent transfer or permitting the use or enjoyment of Intellectual Property (IP) right in respect of goods other than information technology software, under the Service Code 9973, attracts IGST of 12 per cent.

As per S.No. 1 of Table in the notification no. 10/2017-IT (Rate) dated June 28, 2017, IGST on such a service from a non-resident to a resident is payable by the recipient of the service under reverse charge mechanism. "Permanent transfer of Intellectual Property (IP) right in respect of goods other than Information Technology software", falling under any Chapter is classified as goods also and attracts the same IGST rate of 12 per cent under S.No.243 of Schedule II of the notification 1/2017-IT (Rate) dated June 28, 2017. IP finds no mention in the Customs Tariff.

Under the EPCG scheme, is it necessary that for redemption, the export proceeds should have been realised? Will exports made, for which payment has not yet come forth, be counted towards discharge of export obligation? Please give the relevant provisions.

Para 5.11 of HBP says "export proceeds shall be realised in freely convertible currency except for deemed exports supplies under Chapter 7. Exports to SEZ units /Supplies to developers/co-developers irrespective of currency of realisation would also be counted for discharge of Export Obligation. Realisation in case of supplies to SEZ units shall be from foreign currency account of the SEZ unit." Appendix-5C of the HBP also requires the chartered accountant to clearly certify that the exporter has submitted e-BRC and the same have been verified.

We had imported ethyl alcohol (ITCHS Code-22072000), which falls under the Restricted List, duty-free under Advance Authorisation, as per Para 4.18 (iv) of FTP, 2015-2020. However, after import, the overseas buyer has cancelled the export orders. The entire imported quantity is lying with us and we do not have any export order. Can we use this imported raw material to manufacture the finished product and sell in the domestic market, after paying Customs Duty, interest and 3 per cent of CIF Value (as per Para 4.49 (ii) of HBP, 2015-2020)?

Yes. Para 4.49 of HBP clearly allows regulation of *bona fide* defaults even in cases where restricted items were imported under advance authorisation and remain unutilised in export production.

Business Standard invites readers' SME queries related to excise, VAT and exim policy. You can write to us at smechat@bsmail.in

MUMBAI | TUESDAY 14 JANUARY 2020 Business Standard

Reimagining the humble spud

A lot of work is happening around the globe to improve the "profile" of potato

FARM VIEW

SURINDER SUD

Potato scientists are reworking the nutritional profile of this third largest consumed food, next to rice and wheat, to place it in the "health foods" category. For this, they are trying to enhance potato's innate content of antioxidants (anti-cancerous) and anti-diabetic ingredients. Efforts are also on to promote the hi-tech systems of seed production through aeroponic (soil-less) and tissue culture (test tube) techniques. This would help save time and cost of producing disease-free and good quality seeding material to mitigate the shortage of certified potato seeds.

Potato pundits, in any case, do not view it as an unhealthy food. Shimla-based Central Potato Research Institute (CPRI) director S K.Chakrabarti dismisses the notion that potato intake heightens the risk of weight gain. For, potato is very low in fat content, just 0.1 per cent. It also contains enzymes and other ingredients which improve insulin secretion in human beings to take care of its high carbohydrates content. The protein in potato, even if merely around 2.5 per cent on fresh weight basis, has a very high biological value. All amino acids are present in right proportion with a relatively higher share of vital lysine.

In this respect, potato protein is rated higher than the proteins in products of animal origin, such as milk and meat. Moreover, potato is rich in vitamins C and B and several useful minerals. In fact, the seafarers of olden days ate potato to avoid scurvy, a Vitamin C-deficiency disease that caused swelling and bleeding of gums and reopened previously healed wounds.

The anti-diabetic compounds and antioxidants found in potato, which are now sought to be augmented through bio-fortification, are believed to play a role in slowing down or preventing diseases ascribed to ageing. An increase in the anti-diabetics ingredients of potato, such as biguanide and metformin, is expected to improve the insulin production to combat type-II diabetes. In laboratory studies, diets containing powder of potatoes of Kufri Surya variety have been found to lower the blood sugar levels of diabetic rats.

Antioxidants, on the other hand, are the chemicals which subdue cell-damaging "free radicals" to impede and possibly thwart the development of many dreaded maladies, including cancer. Main anti-oxidants found in potato are phenolics, anthocyanins, flavonoids and carotenoids. The CPRI is endeavouring to develop potato strains having higher content of anti-oxidants like anthocyanins and carotenoids. These potatoes would have coloured tubers. In fact one such anti-oxidant-rich dark purple-coloured potato variety, Kufri Neelkanth, has already been released about a year ago for cultivation in the northern plains. It yields, on an average, about 38 to 40 tonnes of potato tubers per hectare, against the present national average of 23 to 24 tonnes. More such anti-oxidants-dense coloured varieties of potato having cancer-inhibiting traits are likely to be released in the next few years.

The technology for producing healthy potato seeding material through aeroponic system, which has already been passed on by the CPRI to about 18 entrepreneurs, would expedite multiplication of seeds of potato, including those of the specialty potatoes, to promote their cultivation. In fact, the seeds multiplied through vegetative route (read clones) with the help of these techniques would facilitate raising the country's overall potato production to meet the rapidly growing demand.

These and other scientific breakthroughs in potato cultivation achieved by potato researchers in India and abroad are slated to be highlighted in the forthcoming Global Potato Conclave 2020 scheduled to be held at Gandhinagar, Gujarat, from January 28 to 31. This conclave is being organised by the Indian Potato Association in collaboration with the Indian Council of Agricultural Research, the CPRI and the Lima (Peru)-based International Potato Center. The Netherlands will be the exclusive country partner. The three major components of this mega event —Potato Conference, Agri-Expo and Potato Field Day — will enable the scientists, traders, processors, value-chain managers and potato growers to interact with each other. Apart from learning about the latest developments in the potato sector, these stakeholders would get an opportunity to strike business deals as well.

surinder.sud@gmail.com

CHINESE WHISPERS

Thoughts on policing

On the day Uttar Pradesh Chief Minister Adityanath (*pictured*) gleefully announced that the state cabinet had approved the proposal to introduce the office of police commissioner in Lucknow and Noida, Bahujan Samaj Party (BSP) President Mayawati lost no time in taking a potshot at the government. In a Twitter post, she observed merely making changes in the police hierarchy at a few places would not improve law and order, but tough action was needed against criminal elements by rising above the political divide. In his press interaction after chairing the state cabinet meeting on Monday, Adityanath had blamed the previous regimes in UP for failing to adopt the police commissioner model owing to the lack of "political will".

Set to get rewards!

Some senior leaders of the Madhya Pradesh Congress may soon get a new year gift. The party is set to appoint new chairpersons to boards and corporations in the state. Sources say those who got the ticket to contest in the Lok Sabha and Assembly elections will have to wait this time because the party will not consider them for these appointments. Instead, it will give preference to those who "struggled for it for a decade and a half when it was exiled from the corridors of power". Those to be rewarded may include K K Mishra, Shobha Oza, Pankaj Chaturvedi, and Kavita Pandey. However, the state and central leaderships are wary of factionalism, which may worsen after the appointments. Party General Secretary Dipak Babaria recently met Chief Minister Kamal Nath and asked him to maintain a better balance between the All India Congress Committee and the Pradesh Congress Committee

A bureaucrat's last laugh

Bureaucrats joining private companies is not new. But tainted ones joining a debt-ridden firm and turning it around is surprising and, if one may add, a quasi-vindication of the gamble. An IAS officer who had graft and fraud charges against him resigned with the regime change in the state to whose cadre he belonged. He soon joined an infrastructure company before the new government opened any cases to implicate him. The company also concluded its two-year-long efforts to find a suitor for its troubled projects at the same time and took him on board despite the taint. Maybe here it was a bit of "prior experience and contacts" that counted. No one's judging, said a competitor, but clearly the company and the ex-bureaucrat had the last laugh.

Missing the gas for the coal

Relaxing market norms for private mining is unlikely to attract investment; the government would do better to create a market for natural gas

SUBHOMOY BHATTACHARJEE

The government decision to open up coal for commercial mining is an excellent decision — only, it has just missed the bus. It has finally set up a market for the fuel when global mining investors are unlikely to underwrite coal mining. India, meanwhile, is delaying the creation of a market for natural gas, which is the obvious switchover fuel on the road to renewable energy. The big news flow from the global energy economy is about investments in gas and in hydrogen but we are missing those.

These are the reasons why India's plan to allow commercial coal mining has not created any major ripples. The government last week allowed any India-registered company to bid and develop coal blocks. The Minerals Law (Amendment) Ordinance 2020 amends three Acts; Mines and Minerals (Development and Regulation) Act, 1957, the Coal Mines (Special Provisions) Act or CMSP Act, 2015, and Mines and Minerals Development Act, 1957. The CMSP Act will also allow any company to sell the coal it produces as a commercial product in the market rather than to specified end-users.

TAKE TWO
ANALYSIS BEHIND THE HEADLINES

The cabinet decision wipes off all the impact of the Coal Mines (Nationalisation) Act of 1972. In the 47 years since then, there has been abortive attempts to overturn this restrictive regime. The most famous of those was the one by Narasimha Rao government which instead settled for captive use-based coal mining to begin India's coal rush. The walk back has finally happened.

The economy has imported 235.24 million tonnes of coal in FY19, up 24 per cent in two years. Domestic coal production in FY20 will most certainly fall short of the level of 730.35 million tonnes recorded in FY19 (it is 498.5 million tonnes in nine months till December). Despite India's growth slowdown, domestic coal supply is short. It still has to meet about 60 per cent of India's electricity demand through this decade.

This means India will mine even more coal in this decade. The estimates for 2030 paint a generous range of 1.3 to 1.9 billion tonnes. The problem is this cannot be met solely through current production lines. CIL's production plans show it will mine about 925 million tonnes by then. Singareni Collieries Company Limited (SCCL) and the captive miners can produce another 500 million tonnes. Import of coking coal to feed steel plants will continue since India's reserves are almost exhausted.

So even though India could do with more coal mining, the room for commercial coal miners is restricted — unless they take over CIL mines or those of captive coal miners. Both are possible. The cost of mining coal for CIL has risen sharply. Its two largest subsidiaries, Mahanadi Coalfields and South Eastern Coalfields, are producing less coal for each tonne of waste they dig up. "With increasing cost of production and lowering of grade, the competitiveness of coal would get increasingly constrained. This does not take into account the increase in capital cost due to revised land acquisition policy and overall inflation. Compared to alternative sources, particularly solar, coal could be increasingly disadvantaged," CIL's Coal Vision document notes.

India will mine even more coal in this decade. The estimates for 2030 paint a generous range of 1.3 to 1.9 billion tonnes. The problem is this cannot be met solely through current production lines

Although commercial coal miners could well improve the productivity of the mines, the cost of coal extracted will still rise. Due to generous government policies over decades and the sunk depreciation costs, CIL and SCCL are able to mine coal at an average cost of ₹1,000 per tonne. New companies to generate any level of efficiency will have to make capital investments and this would raise the cost of coal. They will also need to raise costs because the auction formula for coal mines — the ascending forward method — means there shall be a floor price and companies will have to bid above this price. It shoots up the price of the coal block, which is why most coal blocks beyond the first 75 that were auctioned have not got any response. So the best option for commercial coal miners will be to buy the existing stock of mines from the original owners.

Except, even for this route there are few takers globally. Of the top ten largest coal miners by market cap, three are Chinese companies — China Shenhua Energy Company, Shaanxi Coal and China Coal Energy. The Indian government will be leery about letting them in. Among the rest, Wesfarmers of Australia exited coal mining in 2018. The coal business of Peabody, BHP Group and others is increasingly looking fraught.

Few banks abroad are willing to lend money to mine new coal projects. The league of insurance companies willing to underwrite fresh projects is also thinning sharply. The Adani group, for instance, had to use its own money to finance the Carmichael mines in Australia and the insurance cover is still being negotiated, thanks to pressure from environmental groups. CIL and even private miners had the luxury of Indian banks and insurance companies to finance them. Where will the miners abroad get the financial space?

Among the rare ones that could take the plunge is Vedanta. Company chairman Anil Agarwal has often chafed at the slow pace at which India has opened up its mining sector. But when bidders are so few, the government runs the risk of having to offer sweeteners, which is a dangerous path to follow — after all, it created the coal scam in the early 2000s.

Given the financial risks of such a policy, the Union cabinet would have done better to have take a more sympathetic view of expansion of natural gas business in India. We are still debating the details of an Indian spot market for natural gas, which could soften the impact of high costs of imported gas, though the benefits are clear. The International Energy Agency correctly says India's natural gas pricing policy has reduced incentives for producers to raise supplies. Linking it to goods and services tax en route to setting up a national-level market helps India's quest to make its climate bill lower. India's gas market can serve neighbours in South Asia too all of whom have massive demands for energy for their rising populations. Most important, a liquid market for natural gas will keep prices under check, saving India's forex reserves and building up energy security.

ON THE JOB

An ominous confluence

The sharp fall in net fixed assets growth is bound to have an impact on the ability of the corporate sector to increase employment

MAHESH VYAS

Medium and large companies did not announce layoffs in the aftermath of demonetisation. The huge liquidity shock, the breaking down of supply chain in some sectors — particularly agriculture — the disruption of business in other sectors — particularly construction — the confusion caused by changing rules of conversion and the myriad uncertainties, none transmitted into announcements of laying off of labour by the relatively larger enterprises.

Most considered demonetisation to be a temporary shock of a couple of quarters. And that business would return to normal soon.

The shock of demonetisation was felt largely in the informal sectors, which have mostly been beyond the pale of mainstream commentators. The impact of demonetisation, measured by comparing labour statistics four months before and four months since the November 2016, was a big fall in labour's participation in the labour markets. This was essentially a fall among young men and women, particularly young women. But its immediate impact on employment was relatively small. While the labour force is estimated to have fallen by 15 million, from 447 million to 432 million; employment is estimated to have fallen by a much smaller number, 4 million, from 410 million to 406 million.

This fall in labour force and employment is seen in the Consumer Pyramids Household Survey in the monthly estimates just before and after the November 2016 demonetisation. But the nearly one per cent fall in employment is not reflected in the Annual Reports of listed companies. These showed a 2.56 per cent increase in employment in 2016-17. Large- and medium-sized companies did not suffer a contraction in employment when the economy as a whole did witness this contraction, implying that the contraction in employment was entirely in the unorganised sectors.

The unorganised sectors suffered again with the introduction of the goods and services tax (GST) that came quick on the heels of demonetisation and made smaller business enterprises that survived almost entirely on tax evasion, unviable. It made the business of those who could not afford the compliance cost of GST unviable as well. Their loss was the gain of the large companies and so while the introduction of GST did lead to job losses, it was no reason for the larger business enterprises to announce layoffs.

The calendar year 2018 bore the combined brunt of demonetisation and GST. Employment fell by a further 5 million — from 406 million in 2017 to 401 million in 2018. However, the larger, listed companies reported a 4.73 per cent increase in employment. This was expected because the GST helped the larger and more compliant companies takeover the market shares vacated by the small enterprises.

It is therefore quite likely that the brunt of the shocks of demonetisation and GST and the consequent economic slowdown thus far since 2017 has been borne by the unorganised sectors.

But, the organised sector is now facing its own challenges. At a macro-level, the Indian corporate sector has stopped investing into new capacities for all practical purposes. In the year ended March 2019, net fixed assets of the Indian corporate sector grew by a meagre 5.3 per cent. In better times, net fixed assets grew by 16-17 per cent in a year and even peaked at 23 per cent in 2008-09. The sharp fall in net fixed assets growth is bound to have an impact on the ability of the corporate sector to increase employment.

It is not just the lack of investments that is at play here. Sector after sector has been besieged by a semi-crisis.

Several telecom companies faced an existential crisis after the Supreme Court ruling on AGR and simultaneously, BSNL has shed over 78,000 employees while MTNL has shed over 40,000. These are big layoffs amidst big crisis. IT companies were reported to be laying off mid-to senior-level executives to deal with skill challenges. 35,000 were reported to be laid off in the sector and the count was expected to go up to 50,000. The automobile sector faces its biggest slowdown of recent times. Bosch announced that it would reduce headcount in India by over 10 per cent. Hero MotorCorp is also shedding manpower. And, new-age enterprise Ola is reducing its workforce by 5-8 per cent. Even food delivery enterprises like Zomato, Swiggy and UberEats are facing new challenges as growth has slowed down. Uber has reportedly cut staff by 10-15 per cent. Future Group was reported to be shutting down 140 grocery stores after having grown rapidly till recently. Oyo plans to fire 1,200 in India. NBFCs, brokerage companies face their own challenges.

Public sector banks are being merged, Air India and more are to be privatised. More jobs may be lost.

Employment contraction that so far was limited to the unorganised sectors has started to hit the organised sectors.

Contraction of employment in the unorganised sectors does not stir the conscience of India's chatterati or the mainstream media; it does not directly impact the middle classes or the aspirational Indian and it has not moved policy makers or politicians sufficiently. But, a contraction in employment in the organised sectors will hurt India's middle classes and its much raved about aspirational Indian.

The angst against the new citizenship law and against the growing perception of a government machinery being pitched against young students in campuses is headed to soon meet a severe lack of jobs in the organised sector. This confluence of anger in the youth, an anger that has been vitiated as they seem to be pitched one against another, with a corporate sector that closes its doors to them will give us the first screenplay of the demographic disaster that India may have just created for itself.

The author is managing director & CEO, CMIE

LETTERS

Half-hearted measures

This refers to "Accept or not, privatisation is on" (January 13). There is no doubt that the total market share of the banking business, deposits, advances etc of the public sector banks (PSBs) have fallen steeply in recent years and private banks are the major beneficiaries of this phenomenon. But the moot question is whether the private banks have the wherewithal to offer banking services to the millions of lower middle class and poor people in metros, cities, smaller towns and villages at affordable prices? Will the private banks be able to open branches in interiors of states like Uttar Pradesh, Orissa, Assam etc, for those who have come into the financial system as a result of financial inclusion efforts. The answer is likely to be "no". It is for the government to ensure that PSBs and regional rural banks become more efficient and cost-effective intermediaries. It is time half-hearted measures to improve the functioning of the urban co-operative banks (UCBs) end and more comprehensive steps to bring efficiency and transparency in the functioning of the UCBs are introduced.

Arun Pasricha New Delhi

Avoid reckless caution

Drones with multiple potential benefits — ranging from enabling food-delivering companies to service people living in high-rise apartments in urban areas cost-effectively and delivering medicines to people living in remote hill areas to delivering seeds to reforest such areas — has now evoked concerns among security agencies across the globe. That drones have been used by terrorists and state security agencies alike to target their enemies — the latest being the drone attack by the US to kill Iranian military general Soleimani — is now leading many countries, including India, to tighten the regulatory oversight over this infant sector. While acknowledging and appreciating the move by the Indian government to usher in stringent requirements for drone manufacturers and operators through its new registration portal called Digital Sky Platform, we should not be oblivious to the significance of exercising caution to ensure that the so-called stringent regulatory oversight does not morph itself into an arbitrary one, thus stalling its growth. As a technology that has the potential to open up multiple markets, the government should desist from exercising reckless caution.

M Jeyaram Tamil Nadu

Letters can be mailed, faxed or e-mailed to:
The Editor, Business Standard
Nehru House, 4 Bahadur Shah Zafar Marg
New Delhi 110 002
Fax: (011) 23720201 ·
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HAMBONE

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Moral hazard

Instead of immunity, India needs simpler tax laws

The government is reportedly planning to come up with an immunity scheme for direct tax assessees in the upcoming Budget. The scheme will allow them to declare any additional income in the past five-six years without facing penalty or prosecution. The idea has been proposed by the direct tax task force. The government expects that the scheme will help generate revenues of about ₹50,000 crore in the first year of implementation, aside from improving compliance. The motivation for the government is not very difficult to understand. It is facing a significant shortfall in revenue collection in the current fiscal year and is likely to overshoot the fiscal deficit target of 3.3 per cent of gross domestic product. For instance, net of refunds, direct tax collection witnessed a growth rate of 0.7 per cent till December 15, compared with the target of 17.3 per cent. Given the state of the economy, managing government finances is likely to remain a formidable challenge even in the next fiscal year. Therefore, the government would welcome revenue inflow by any means. Besides, the government expects the scheme to help reduce litigation. About 500,000 cases are said to be pending at different levels with the disputed amount worth ₹7-8 trillion.

However, such immunity schemes are better avoided for at least two strong reasons. First, it affects the firmness of tax laws and would discourage taxpayers from filing their dues accurately. What is the need to take tax laws seriously when the government comes up with some immunity or amnesty scheme at regular intervals? It is also unfair to honest taxpayers. The moral hazard comes from the negative impact it has on behaviour. For a tax evader, the thought that there will be a window of forgiveness in future is bound to encourage deviant behaviour. Second, the history of such schemes, starting from the 1950s, shows that they don't yield the desired results, and it is highly unlikely that the government will get anything close to the quoted amount of ₹50,000 crore in the first year of implementation. For instance, the ongoing Sabka Vishwas Scheme for legacy dispute resolution in the area of indirect taxes is said to have raised ₹30,000-35,000 crore, against the estimates of about ₹1.5 trillion, prompting the government to extend the deadline to January 15. Schemes for direct tax assessees, launched after the National Democratic Alliance government came to power, have also shown underwhelming results.

Therefore, instead of immunity and amnesty schemes, the government needs to work on two areas to improve its finances, and the Budget for 2020-21 will be a good starting point. First, the expenditure should be aligned with a realistic expectation of revenues. The government tends to overestimate revenues and underestimate expenditure, which creates a problem. Second, work on simplifying tax laws, along with rationalising rates, should be expedited. This will not only help increase compliance and revenues but will also reduce litigation. The government has done well to introduce faceless scrutiny of income tax cases. This will help check harassment and augment compliance. Further, the government needs to build capacity in the tax administration to be able to identify tax evaders. Regular use of immunity and other such schemes reflect capacity constraint and misallocation of resources in the tax administration.

China's Taiwan tangle

More doubts on 'one-country-two systems' principle

The landslide re-election of pro-independence Taiwanese President Tsai Ing-wen raises a fresh challenge for China's "one-country-two systems" principle on its south-east and southern peripheries. Taiwan's election results are significant because they come soon after Beijing's unsuccessful efforts to quell pro-democracy protests in Hong Kong, which resulted in a resounding defeat for pro-Chinese candidates in local elections there. Ms Tsai, who came to power in 2016, had explicitly rejected the ambiguous 1992 consensus between the Kuomintang, then the ruling party, and China, binding the two more closely on the "One Country-Two Systems" principle, including multiple trade and economic cooperation agreements. Even in a society as efficiently repressive as China, the possibility of pro-democracy blowback on the mainland represents a danger to Xi Jinping, appointed president for life in 2018, and the seven-decade dictatorship of the Communist Party. So Beijing's response to these geographically peripheral but politically significant threats to its authority remains the big question.

Thus far, Beijing has followed the familiar path of upping the ante in both territories. The head of the Taiwan Affairs Office has intoned the party line that China would oppose any acts for the independence of Taiwan. In Hong Kong, Beijing replaced its top representative last week, signalling a doubling down of action against protestors there. How far these muscular moves are likely to bind one *de facto* independent nation and one semi-autonomous territory to the authoritarian regime in Zhongnanhai, seat of China's party and government, is an open question. The mushrooming of anti-government posters in Hong Kong following the Taiwan election results tells its own story.

Inconveniently for Mr Xi, the test for this notion of "one country-two systems" lies in the economy, specifically, the outcome of the debilitating trade war with the US and its heavy dependence on Hong Kong for inward investment in mainland trade and industry. China's economy has been slowing steadily —its 6 per cent third-quarter print marked the lowest in 27 years — and the seven-month long protest saw Hong Kong's economy shrink 3.2 per cent in the third quarter, leaving jittery global financial institutions to eye alternative locations in South-east Asia. Ironically, however, the trade war with the US saw Taiwan's economy grow 2.6 per cent — faster than Singapore or Korea. This growth has been the result of a surge in Taiwanese firms investing at home, principally by on-shoring investments from mainland China. Intellectual property disputes have been at the heart of the US-China trade war and Taiwanese business responded by relocating their ICT platforms from China to Taiwan, despite higher costs. The result has been healthy 16 per cent growth in US-Taiwan trade (most of it in ICT).

Ms Tsai's rise to power in 2016 — she won 56 per cent of the vote then and 57 per cent in 2020 — was an expression of young Taiwanese' disaffection with the Kuomintang's close economic ties with the People's Republic of China, making China Taiwan's largest trading partner. Going forward, the economic differentials between a slowing dictatorship and a fast-growing democracy may well undermine the legitimacy of China's regime far more insidiously than the 1989 students' protest in Tiananmen Square. And even if Beijing cracks down with greater viciousness on Hong Kong's protestors, Taiwan will remain the bigger democratic thorn in Beijing's side for some time to come.

ILLUSTRATION: AJAY MOHANTY

The inequality debate we need

Rich countries need to start thinking about how to deal with global energy inequality before it's too late

While denizens of the world's wealthiest economies debate the fate and fortune of the middle class, over 800 million people worldwide have no access to electricity. And more than two billion have no clean cooking facilities, forcing them to use toxic alternatives such as animal waste as their main cooking fuel. Furthermore, per capita carbon dioxide emissions in Europe and the United States are still vastly higher than in China and India. What right do Americans, in particular, have to complain as China increases production in smokestack industries to counter the economic slowdown caused by its trade war with the US? To many in Asia, the inward-looking debate in the West often seems both tone deaf and beside the point.

KENNETH ROGOFF

Even if Europe and the US deliberately stall their capitalist growth engines — as some of the more radical policy proposals might do if implemented — it would not be nearly enough to contain global warming if emerging economies stay on their current consumption growth trajectory.

The most recent United Nations data suggest that the world has already reached a tipping point where there is little chance of limiting the increase in global temperature to what climate scientists consider the safe threshold of 1.5°C above pre-industrial levels. In fact, a significantly larger rise is likely. According to a recent International Monetary Fund report, limiting global warming even to 2°C would require a global carbon price of at least $75-100 per tonne of CO2 — more than double its current level — by 2030.

Any solution to the problem requires two interconnected parts. The first and more important is a global tax on CO2 emissions, which would discourage activities that exacerbate global warming and encourage innovation. Equating the price of CO2 emissions globally would eliminate distortions whereby, say, a US-based firm might choose to relocate its most carbon-intensive production to China. Moreover, a worldwide carbon tax would achieve in one fell swoop what myriad command-and-control measures cannot easily replicate.

The second critical component is a mechanism that impels emerging and less-developed economies to buy in to emissions reduction, which can be very costly in terms of foregone growth. In recent years, the biggest contributor to the global increase in CO2 emissions has been fast-growing Asia, where roughly one new coal plant is being built every week. For advanced economies, where the average coal plant is 45 years old, phasing out such facilities is low-hanging fruit in terms of reducing CO2 emissions. But in Asia, where the average age of coal plants is only 12 years, the cost of taxing plants into oblivion makes doing so virtually impossible without outside aid.

Yes, Europe and the US can impose carbon border taxes on developing countries that do not comply with their standards. But, beyond the associated technical challenges, this would raise issues of fairness, given profound global energy inequality. One promising idea, which I have suggested previously, would be to establish a World Carbon Bank that would specialise in energy-transition issues and provide technical and financial assistance to poor and middle-income countries.

In principle, either a carbon tax or a quota system, such as the one Europe has instituted, can work. But, as the late economist Martin Weitzman showed in pathbreaking work in the early 1970s, there are important subtleties depending on the nature of uncertainty. For example (and greatly oversimplifying), if scientists have a fairly precise idea of the amount of cumulative CO2 emissions that the planet can handle between now and 2100, and if economists are not so sure what price trajectory would induce countries and firms to adhere to those limits, then the case for (tradable) quotas is strong. Under other assumptions about the nature of cost and benefit uncertainties, a carbon tax is preferable.

One issue Weitzman did not consider is that carbon tax agreements are likely to be more transparent and easier to monitor than quotas; this is particularly important in international trade. There are good reasons why a succession of multi-country tariff-reduction agreements after World War II sought to strip away regulatory and quantity constraints, and replace them with relatively simple tariff schedules. In addition, carbon taxes could generate significant revenues to support green research, compensate low-income households within countries for transition costs (for example, by giving car owners incentives to trade in old "clunkers" and buy more fuel-efficient vehicles), and fund transfers from rich to poor countries through a mechanism like the World Carbon Bank. Quotas could, in principle, be auctioned to achieve the same goal; but they are often given away.

In practice, almost all of the 40 countries that have established national carbon prices have done so indirectly, via quotas. European policymakers are particularly enthusiastic about this approach, arguing that it is much more politically palatable than introducing a carbon tax. But it is not at all clear that the same is true for a global system, where transparency carries a premium. As the cost of distorting taxes and quotas increases, it makes sense to align across the most efficient possible system.

The scientific evidence increasingly indicates that the world may soon reach a point of no return regarding climate change. So, rather than worrying almost exclusively about economic and political inequality, rich-country citizens need to start thinking about how to deal with global energy inequality before it's too late.

The writer is a former chief economist of the IMF, is Professor of Economics and Public Policy at Harvard University. ©Project Syndicate, 2020

Quo vadis, Modi 2.0?

"A week is a long time in politics," Harold Wilson is supposed to have quipped on his way to victory in the 1965 British Parliamentary election, the first Labour triumph in 14 years. If seven days are too long, seven months must surely be an aeon, or so it would seem to the rather beleaguered Narendra Modi government at the start of 2020, after its famous victory last May (a Joseph Lee 1974 cartoon titled 'Victory ...with strings' showing Mr Wilson as Julius Caesar and fettered with ropes labelled unemployment, business confidence, opposition politics, Scots-Welsh nationalism, among others, would seem especially apropos for Mr Modi now).

Opposition parties, the media (both local and especially the global) and the commentariat have declared open season on the government and rightly so. Its inept handling of the vexing issues of the day — Kashmir, citizenship Act and registrations, seemingly spontaneous protests by not just young students but also by older citizens — is the least of the grounds for the opprobrium. More fundamental concerns with basic values and observing democratic norms not just in letter but in spirit as well should trouble even otherwise thinking supporters of the present dispensation — and they have.

Some of the criticism is sheer hyperbole, calling the present turmoil India's second struggle for Independence. That was supposed to be in 1975-77, against the Emergency. But even those who believe politics is the art of the possible and not a Sunday school lesson in morality cannot ignore the fact that the government's management of the economy is less than satisfactory. The sounds of economic thunder may have appeared distant when first heard a year or so ago, but now they are within the audible range of even those wearing ideological ear buds.

Some obfuscation prevails even in current economic commentary. A recent column by William Pesek headlining India as having the worst economy in 42 years has gained much traction. The writer rightly says that the nominal rate of growth of 7.5 per cent is the lowest since 1978. Another pundit avers that the 14.5 per cent rate of growth needed to reach a $5 trillion economy (reckoned in real terms), is impossible to achieve. But surely the correct concern should be with the real rate of growth for the current year (which at 5 per cent is nothing to write home about) or the real rate of growth needed to reach the $5 trillion goal in five years (which is still a near-impossible 9-plus per cent).

ET CETERA

SHREEKANT SAMBRANI

But let us concede that issues such as rates of growth and budgetary deficit are too arcane for the *aam aurat*, and her perception is really what matters at the ballot box. Mr Modi might think that just as he successfully rode the demonetisation storm to unprecedented electoral success not just in Uttar Pradesh but all over India as well, he might overcome the current disquiet by appealing to nationalistic and xenophobic sentiments. This is evident from the twin thrust he and his second-in-command Amit Shah appear to be following. One takes the high road of persuasion while the other takes the low one of threats.

But surely the otherwise astute duo must realise that just as armies cannot be expected to march on empty stomachs, voters cannot be expected to re-elect regimes that hurt their pocketbooks. The unintended collateral effect of *notebandi* was a long spell of low prices of essentials, especially food, which greatly cushioned the blow. Now we have a lurking iceberg only the tip of which is beginning to surface. In the last two months, prices of some necessities have gone up alarmingly, as confirmed by the recent retail inflation data. Arhar dal has gone from ₹70 to ₹85 or more a kilo, sugar from ₹33 to ₹39 and the cheapest edible oil from ₹80 to over ₹90. But we talk of only the onion prices and breathe a sigh of relief that they are coming down sharply.

We have not really understood what caused the onion inflation. This column had pointed out that while onions typically follow a seasonal cycle of low and high prices, "a breakdown of competitive markets is the root cause of vegflation" ("The onion enigma," October 8, 2019). This current spike was both much higher (up to ₹110 per kg) and of a longer duration (September to December). To understand how that came about, plot political events (elections in Maharashtra, poaching of opposition leading lights, Enforcement Directorate enquiries against opposition leaders, among others) against prevailing onion prices. It should not be too difficult to join the dots and come to the conclusion that otherwise vanquished political formations are still capable of erecting significant economic roadblocks.

Mukul Kesavan has observed perceptively "Narendra Modi is not a time server... [H]e serves a cause larger than himself... to successfully redefine citizenship ... [and] approach the election of 2024 at the head of a putatively Hindu nation" ("The foundation is laid," *Business Standard*, December 29, 2019). But he cannot get there if his government ignores *atte dal ka bhav*. Their road map cannot forget the fact that the Nav Nirman movement which was the spark that brought down the Emergency regime sprung from students agitated about their mess bills.

The writer is an economist

Reading the CEOs

KITABKHANA

T C A SRINIVASA-RAGHAVAN

Thanks to the Left, whose conscience substitutes as its brain, the mythology has been fostered that businessmen, businesswomen and mangers are incapable of thinking about the four most important things in society: Ethics, equity, justice and an altar other than political and religious texts to hang our moral coats on.

The truth, however, is absolutely the opposite. So it's good to see some highly successful managers prove it.

I refer here to only four such men. But doubtless there are more, perhaps even women, of whom I am as yet unaware.

The four are Gurcharan Das, Arun Maira, R Gopalakrishnan and Jaitirth Rao. In the last few years, all four have written books that show two things quite conclusively. All have been CEOs.

One, that it is possible to discuss concepts from philosophy without the accompanying jargon-doused salad dressing that academics serve up. And, two, eruditely talking sense is inversely related to verbal pomposity that is thrown like a collapsed tent over ignorance.

Thus, Gurcharan Das has written often about *dharma* and has been challenged and debated often. But the other three are new.

R Gopalakrishnan has written about justice amongst other things; more recently, Arun Maira has written about ethics; and, most recently, Jaitirth Rao has written about conservative thought in India. All ask questions that need asking, namely, how do we make Indian society better and replete with the characteristics mentioned above.

The Right also thinks so, which is why I despise intellectuals from both sides. They think smugness is the perfect substitute for wisdom and the State is the panacea for all ills

Two of these books, by Messrs Maira and Rao, are new. All four books are available online and can be bought for less than ₹2,500.

It's money well spent because the Left, in its eagerness to give the State preeminence, has simply never grappled with these things as it believes that the State is the embodiment of all virtue. In Latin this method is called *ipsi dixit*, ie because I say so.

Oddly enough, the Right also thinks so, which is why I despise intellectuals from both sides. They think smugness is the perfect substitute for wisdom and the State is the panacea for all ills.

Jaitirth Rao has dealt with a subject that India has never really bothered with much: conservative thought. He provides a very loose definition of it, as a preference for tradition and gradualism — or something thereabouts.

As such it's not a complete definition but it will do to begin with for a very important reason: It reduces the emotional content of recent Indian thinking on social issues by injecting some cerebral dye into it.

The need for this cannot be underemphasised. It's the brain that should do the thinking, not the heart.

That said there are two other themes the book should attempt. They can only extend the boundaries of conservative thought in India.

One is to discuss how conservative thought approaches the problem of using tradition to justify coercion within families and communities. The other is the problem of balancing what I call the Impossible Social Trilemma: Equity between groups, justice for individuals and efficiency for the economy.

I should point out here that the Chanakya/Kautilya type of reasoning is not very helpful when the State is up for grabs in democratic competition because at that time sovereignty didn't reside in the people but in the King or Queen.

Marx said the State would do it. But since he didn't spell out the details, Stalin ran off with the ball after silencing his rivals. His rule cost the Russians around 2.5 million lives.

Arun Maira has written an equally thoughtful book about an ethical toolkit for the world. Of particular philosophical interest is his question about how we will deal with society when it is going to be dominated by artificial intelligence (AI), and to lesser extent by social media. How do you programme a machine so that it can differentiate between right and wrong?

The book is rich in questions of this sort. His basic point is crystal clear: How do you arrive at an optimal trade-off between two good social choices? By regulation or trial and error? Despite a few thousand years of trying we are no closer to a universally acceptable answer.

This leads straight to the question of justice which Gopalakrishnan has discussed in his book. He asks a simple question: Why is justice not a fundamental right? I can't recall a single jurist or political science professor asking this question.

Let me end by asking if any B-Schools offer courses in philosophy. If they don't because they don't know who will teach it, they can start with any or all of the four former CEOs above.

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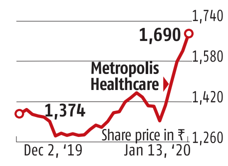
The Smart Investor
MUMBAI | TUESDAY, 14 JANUARY 2020
WWW.SMARTINVESTOR.IN FOR INFORMED DECISION MAKING

QUICK TAKE: MORE GAINS AHEAD FOR METROPOLIS



Metropolis Healthcare gained 4% and hit a fresh 52-week high on Monday, led by brokerage upgrades. Analysts expect further market share gains for Metropolis. A sixfold jump in network, growth in consumer segment, and lower incremental spend on laboratory infrastructure will boost earnings

"Almost 40 per cent of the companies that trade on US exchanges have lost money in the past year – the highest since the dotcom bubble. Polarisation amid m-cap is just not an Indian phenomenon."

AMIT KUMAR GUPTA,
Portfolio manager, Adroit PMS

Officers' complaint a fresh trouble for UTI AMC IPO

Association approaches Sebi over salary deadlock; says draft red herring prospectus does not highlight contingent liabilities

ASHLEY COUTINHO
Mumbai, 13 January

The All India UTI AMC Officers' Association has shot off a letter to the Securities and Exchange Board of India (Sebi) alleging that the draft prospectus of the asset manager's initial public offering (IPO) fails to adequately highlight the contingent liabilities arising out of employee-related dues.

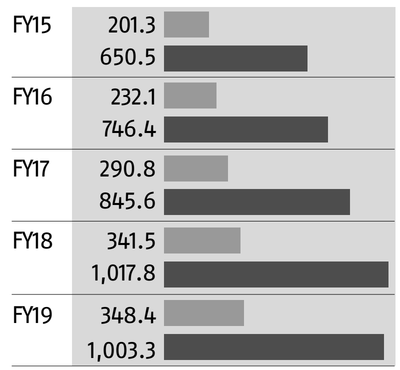
The letter states that UTI's draft prospectus is silent on the liability that may arise on account of the direction given by the Bombay High Court asking the government to consider the grievances of officers of UTI AMC. In January 2019, the ministry of finance, through the DIPAM (Department of Investment and Public Asset Management), had filed a report on the issue, asking UTI AMC to address all pending grievances and ensure that the entitlements of officers of erstwhile UTI are protected under Section 6 (1) of the UTI Repeal Act 2002.

"This report and its decision finds no mention in the DRHP (draft red herring prospectus)," states the letter to Sebi, adding, settling pay and allowance of officers, making adequate provisions for retirement benefits, increased pension and family pension, providing a third party pension option, and re-allotting past ESOPs (employee stock ownership plans) under the UTI ESOP Scheme 2007 could have considerable financial implication.

An e-mail sent to UTI AMC did not immediately get a response.

"The management of UTI AMC has delayed the implementation of the decisions of this critical report, to suppress the huge liability arising out of the settlement of long-pending issues and to camouflage and present a better financial statement before the IPO to prospective investors, which is unfair and misleading... the management and the board of UTI AMC are in a hurry to push the IPO at a high price, suppressing large liabilities," the letter observes.

KEY FINANCIALS (in ₹crore)



Compiled by BS Research Bureau Source:Capitaline

The association has also filed a writ petition in the Bombay High Court to restore the retirement age of officers to 60 years, in line with that of workmen staff and employees in the RBI/IDBI and public sector banks. This fact has not been disclosed in the DRHP, the letter claims. The association has filed another writ petition for restoration of sick leaves and other leave facilities.

The letter observed that UTI AMC had thus far enjoyed exemptions from various labour legislations, such as the Shops and Establishment Act, which resulted in large financial savings. "The proposed dilution of stakes will alter this position, a fact which has not been disclosed in the DRHP."

"The association has been asking for a structured revision in pay scales and allowances of officers since 2003. Officers have also been fighting for a graded salary, which was altered and/or discontinued after 2008. The AMC is yet to work out the exact figure for the liabilities but it could run into a few hundred crores," said a person familiar with the matter.

The asset manager is also yet to resolve the impasse surrounding the payment of pension to its erstwhile employees who had opted for voluntary retirement in 2003.

The pension payout to the 1,200-odd employees could amount to sizeable figure; a letter by the erstwhile MD, Leo Puri, to the finance ministry in 2015 had pegged the pension-related liabilities at ₹722 crore.

It is not clear if this amount will be paid out of UTI MF's books or whether the Specified Undertaking of the Unit Trust of India — formed by the restructuring of the erstwhile UTI in 2003 — will step in to foot the bill.

The UTI Retired and VSS Employees' Social Association has filed two writ petitions before the Bombay High Court, demanding the opportunity to exercise options to avail of pension.

UTI AMC will be the third fund house to get listed after the IPO was put on the back burner for several years amid disagreement between shareholders.

THE COMPASS

Dec updates indicate good health of life insurers

Increase in premium income & new offers key to growth

SHREEPAD S AUTE

Business updates of listed life insurance companies for December once again point to healthy growth prospects, a key reason for the rally in their stocks. Barring HDFC Life Insurance, the share price of other three life insurers, ICICI Prudential Life Insurance, SBI Life Insurance and Max Financial Services (holding company of Max Life Insurance) is up 13-24 per cent in the last three months versus about 10 per cent rise in the BSE Sensex.

HDFC Life may have underperformed peers with 6 per cent rise in its stock price during the said period (possibly due to sharper gains in earlier part of the year), but at 22 per cent its annual premium equivalent (APE) is the highest among the four players for the December quarter of FY20.

Compiled by BS Research Bureau

Though ICICI prudential Life and SBI Life has witnessed some moderation in year-on-year APE (a common revenue measure for life insurers) growth in the month of December, most listed players reported double-digit growth even despite the higher base of last year. The year-on-year APE growth of listed players for Q3 and for April-December 2019 period stands at 11-22 per cent and at 10-31 per cent, respectively, driven by retail or individual segment.

Rising awareness about life insurance, new product launches and a supportive industry dynamics for distributors are helping the sector fare better. Higher distribution commissions paid by life insurance companies (vis-à-vis mutual fund distributors) is giving them an edge.

The trend of strong business growth is expected continue even in the final quarter of FY20. According to Neeraj Toshniwal, analyst at Emkay Research, "The March quarter is a seasonally strong quarter, accounting for 35 per cent annual policy volumes." Even on a medium to long term basis, new product launches, push towards protection products and scaling up of non-par savings business like annuities should lead to strong APE growth, he adds.

Apart from rising awareness about life insurance as a protection product rather than a savings asset, the good solvency position of listed players should lead to faster growth in high-margin protection products such as term policies. Even in December 2019 quarter, the listed players are likely to see up to 410 basis point year-on-year expansion in VNB (value of new business) margin, according to Emkay Research.

On the whole, life insurers offer good investment option for investors. However, awaiting for some correction to enter these stocks is advisable given the rally in recent months.

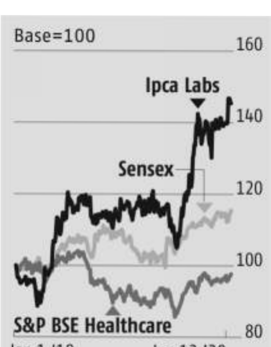
India biz growth continues to drive Ipca

Further rerating of stock will hinge on USFDA resolution

RAM PRASAD SAHU

The stock of Ipca Laboratories has been one of the biggest outperformers among Indian pharma companies over the past year. It has gained 52 per cent, compared to the 4 per cent decline for BSE Healthcare — its peer index.

The key trigger for the company has been the uptick in its domestic segment and its ability to grow this business at a rate that is one and a half times that of the industry's.



Compiled by BS Research Bureau

In the December quarter, too, the company is expected to post a strong 16 per cent growth in revenue, led by robust domestic and institutional sales. Among the key segments which have helped the company deliver superior growth is pain management. The therapy segment accounts for about half of the company's domestic sales and is growing at over 20 per cent. In fact, its painkiller brand, Zerodol SP, recently crossed the ₹200-crore mark, growing at 26 per cent year-on-year. Its top two brands are in pain management, which, coupled with anti-malarials, dominate its portfolio.

While prospects for the India business remain strong, analysts believe the company will post robust revenue growth for the exports business at 15-20 per cent. Export formulations, which account for 28 per cent of sales, are led by growth in branded business and generic sales across geographies. The institutional sales, too, have revived, given the onset of orders from the global fund. Growth in active pharmaceutical ingredient (API) business (26 per cent of sales) is led by both domestic and export APIs.

Driven by operating leverage, analysts at IIFL Securities expect the operating profit margins of the company to improve by 150 basis points every year during the 2018-19 to 2021-22 period. This should enable net profit growth in this period to improve by 28 per cent on an annual basis.

While the steady India business and resumption of institutional tender business are positives, resolution of compliance issues with the US drug regulator Food and Drug Administration would further boost its operating efficiencies and lead to rerating. At the current price, the stock is trading at 21x its 2020-21 earnings estimates. Investors with a long-term horizon can look at the stock on dips.

Nomura reduces stance on India equities to 'neutral'

Says there are few signs of meaningful economic recovery

HOW THEY ARE RATED

The brokerage's stance on Asian markets

OVERWEIGHT

JAPAN
■ Receding US-China trade tensions a positive, Japanese equities also benefit from an uptick in global recovery

CHINA
■ Markets different from economy, policy support, strong dividends/ buybacks/ balance sheets, earnings resilience, inexpensive valuations

SOUTH KOREA
■ Earnings bottom likely by Q1FY20 as memory market bottoms out. Beneficiary of global EV cycle

THE PHILIPPINES
■ Infra push, reform prospects, monetary easing, inexpensive valuations with relatively better earnings growth prospects

NEUTRAL

INDIA
■ Market is pricing recovery which may take time to realise, earnings risk, less room for policy support especially on the fiscal front, opportunities in the non-index/mid-cap space

SINGAPORE
■ Inexpensive valuations, home to some good sustainable dividend yield plays

INDONESIA
■ Macro indicators not showing much strength, while credit growth is slowing, weak tax collections could create less room for fiscal, with nominal GDP growth is at multi-year lows

UNDERWEIGHT

THAILAND
■ Extended valuations amid lacklustre earnings growth prospects, earnings continue to be cut Ageing/demographics and high household debt structural issues

HONG KONG
■ Political unrest continue to hurt key pillars of the economy (property prices, tourism, and retail sales), and thus corporate earnings

Source: Nomura Equity Strategy Research

SAMIE MODAK
Mumbai, 13 January

Nomura has downgraded its stance on domestic equities from "overweight" to "neutral", citing slower-than-expected economic recovery and fears of fiscal slippages. The change in stance comes even as the benchmark indices continue to scale new lifetime highs.

In the past month, the Sensex has closed at new all-time highs on five occasions, and also on Monday.

"With the domestic benchmark index rallying but still little signs of a meaningful recovery in growth, we believe the scope for outperformance of India equities is limited. Thus, we downgrade our tactical relative stance on Indian equities to neutral. We would look to turn more constructive on India once the domestic economy recovers much more strongly than currently expected," the brokerage said in a note.

Nomura had upgraded the Indian markets to "overweight" less than five months ago, hoping that the government will take a series of measures to arrest the decline in economic growth. In the meantime, the markets have rallied sharply, even as a sustained economic recovery remained elusive.

"As we stand currently, we find our overweight on India did not work as expected, given that the north Asian markets have rallied much harder, because of a better external environment on the easing US-China trade tensions (which was not part of our baseline view back then)," it said.

On an overall basis, Nomura believes the economic conditions are suited for equity markets. The brokerage is predicting the market performance will be better in the first half of 2020 and "somewhat weaker" in the second half.

The brokerage is overweight on export-oriented economies, such as Japan, China, and South Korea.

"We believe with the external backdrop expected to improve marginally and tech cycle expected to recover, a domestic-oriented market like India may have a hard time outperforming the more cyclical north Asia markets geared to the tech/growth cycle as well as global growth," says Nomura.

The brokerage says the Union Budget on February 1 will be a key event from the market perspective. "... The general consensus view is that some more 'soothing measures' are likely. It is unclear how far these measures will go to boost the Indian economy and may only boost sentiment on the margin this time."

The brokerage says the fiscal situation continues to remain tight. "There is also a risk on fiscal should oil prices remain high."

Nomura says as the valuations of the benchmark indices are "not inexpensive" investors, the gains could be capped and investors might have to look for opportunities outside the blue-chip index. "Non-index and non-mainstream stocks hold much more promise."

Indices end at record highs on US-China deal, Infosys results

REUTERS
Mumbai, 13 January

India's main stock indices closed at record highs on Monday as the expected signing of a Phase 1 China-US trade deal and strong results from IT bellwether Infosys helped boost sentiment.

"Rising inflation after December has been priced in by the market because toward the end of the year (2019) we had seen upticks in inflation," said Anand James, chief market strategist at Geojit Financial Services.

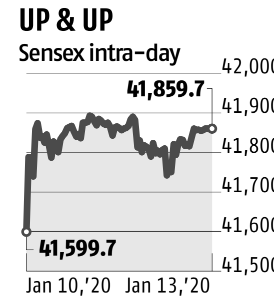
The Nifty ended 0.59 per cent higher at 12,329, while the benchmark S&P BSE Sensex index jumped 0.62 per cent to 41,859. Both touched intraday all-time peaks at 12,337 and 41,889, respectively.

Infosys' shares ended 4.8 per cent higher, making it the biggest gainer on the Nifty after the IT bellwether beat quarterly profit estimates and cleared its top executives of financial misconduct allegations. The Nifty IT index closed 1.67 per cent higher.

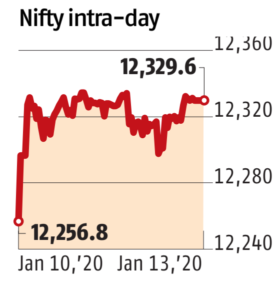
YES Bank ended 5.92 per cent lower and led the losses on the Nifty.

UP & UP

Sensex intra-day



Nifty intra-day



Source: Bloomberg

'Green is good.' Is Wall Street's new motto sustainable?

REUTERS
New York, 13 January

If you have gone to Goldman Sachs Group Inc's internet home page since mid-December, it would be reasonable to wonder if you had stumbled into some kind of parallel universe.

Visitors are met with a background of lush greenery, along with a banner headline: "Our Commitment to Sustainable Finance." The company recently announced a $750 billion, 10-year initiative in nine different areas such as clean energy, affordable education and accessible healthcare, and overhauled lending policies to exclude ventures like new Arctic drilling.

At first glance, it might seem like the famously hard-charging Wall Street investment bank was feeling, well, not quite itself. After all, Goldman Sachs has not always endeared itself to critics of Wall Street. One journalist, Matt Taibbi, famously called it the "Vampire Squid," with its arms "wrapped around the face of humanity, relentlessly jamming its blood funnel into anything that smells like money."

So what is going on, if even Goldman Sachs is going green? The $750 billion commitment is earmarked for investing in, financing, and advising companies that are pursuing sustainable goals — for instance, taking steps to reduce carbon emissions. Behind Goldman Sachs' efforts is essentially one guy, John Goldstein — known as the "Forrest Gump" of the field, since he keeps popping up at key moments — who sold his firm, Impact Capital Advisors, to Goldman in 2015.

"Large companies are pushing sustainability up and down their supply chains. Governments are getting more active and engaged," said Goldstein, now head of the firm's Sustainable Finance Group. "You can see and feel the acceleration going on."

Tipping point

Goldman Sachs is hardly alone when it comes to big financial institutions buying into sustainability in a serious way. Up until recently, ESG investing - managing money according to environmental, social, and governance factors — has been seen as a niche interest of investors. It is still challenging, for instance, to find ESG options within many US employers' 401(k) plans.

Goldman Sachs recently announced a $750 billion, 10-year initiative in nine different areas such as clean energy, affordable education and accessible health care PHOTO: REUTERS

But big financial players are starting to move the needle on sustainability issues. Investment giant BlackRock and its $7 trillion in assets just joined the Climate Action 100+ initiative, pressuring companies to act on climate issues. Citigroup Inc is another leader in the field, as a longtime and vocal supporter of the Paris Agreement, the landmark environmental accord of 2016. The firm created its Environmental Finance Goal back in 2015, devoting $100 billion to climate change solutions in areas like clean energy, infrastructure and technology.

"The climate issue is not going away, and it's only going to get worse," said Lauren Compere, managing director at Boston Common Asset Management, who authored a recent report on how the world's biggest financial firms are handling environmental issues.

As big institutions go green, it can make for strange bedfellows, like some of Goldstein's clients who were carried into the Goldman Sachs fold. Among them, a group of Midwestern nuns known as the Franciscan Sisters of Mary, a Roman Catholic group out of St. Louis.

They divested from fossil fuels before most other investors had even thought about doing so. But the nuns seem to have found a home at Goldman Sachs, just as Goldstein did, poring over reports they are sent about the impact they are having around the world. Among their investments: A number of ESG-oriented funds, such as a direct private investments, such as a solar energy provider for low-income households in Kenya.

Of course, Goldman Sachs' interest in sustainability is not altruistic: It is a reflection of the fact that this is where business is headed — investing for return while not destroying our collective home.

Just witness the growth in managed assets for Goldstein and his group — from $550 million when they were acquired, to $6 billion in 2016, $11 billion in 2017, $17 billion in 2018, and north of $55 billion in 2019.

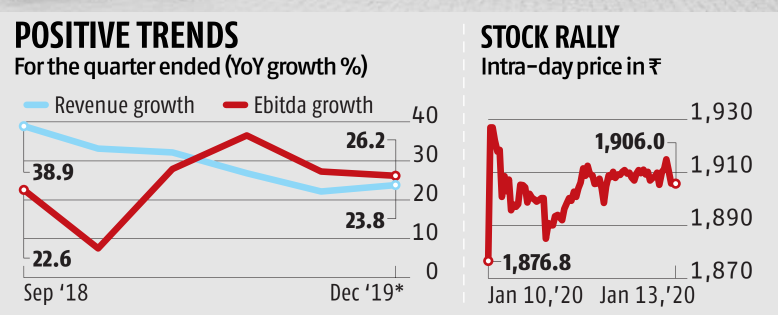
Limit expectations from DMart

The company reported strong revenue, Ebitda growth in Q3, but analysts sceptical of this trend sustaining

SHREEPAD S AUTE
Mumbai, 13 January

The stock of Avenue Supermarts (Avenue) surged over 3 per cent in intraday trade on Monday before closing with a 1.6 per cent gain at ₹1,905.95 apiece, on a day the BSE Sensex was up 0.62 per cent. Strong growth in top line in the December 2019 quarter (Q3) and an even higher increase in operating profit amid a challenging consumption scenario enthused the Street.

The company, which operates the DMart retail chain of supermarkets in India, announced its Q3 numbers on Saturday. Some analysts, however, now also believe that the pace of growth in top-line may decline further, and margins and return ratios may have peaked. And, this could have implications for the stock.



Ebitda: Earnings before interest, tax, depreciation and amortisation; *Ebitda growth on a comparable basis i.e. excluding IND-AS 116 impact
Source: Company and HSBC

Good showing in Q3

Despite some moderation in same-store-sales growth (according to analysts estimates as the company does not disclose this parameter) amid slowing consumption in the country, Avenue's net sales grew about 24 per cent year-on-year (YoY) to ₹6,752 crore, better than the growth clocked in the September quarter. Profit before tax was up 25.9 per cent YoY to ₹497.3 crore in Q3. These two figures were ahead of estimates of ₹6,651 crore and ₹478 crore, respectively, according to Bloomberg's poll of analysts. Same-store-sales growth indicates the increase in sales from stores in operation in the comparable period.

Strong top-line growth, along with a 31 basis point increase in gross profit margin (thanks to better product mix and repricing), helped the company post an over 30 per cent rise in Ebitda or earnings before interest, tax, depreciation and amortisation. Q3 was the third consecutive quarter of Ebitda outpacing top-line growth. The Ebitda margin, excluding IND-AS 116 impact (new lease accounting norms), expanded by 16 basis points YoY, to 8.5 per cent (8.8 per cent on a reported basis), mainly driven by the improvement in the gross profit margin.

Net profit growth of 53.3 per cent YoY to ₹394.3 crore was largely on account on lower corporation tax rates announced in September last year, and hence may not be truly comparable.

Bumps ahead

Some analysts are sceptical of the company being able to sustain its growth and margins amid the rising competitive intensity from players like Amazon. For instance, analysts at JM Financial say: "The current level of profitability can possibly be taken to be at steady-state unless competitive dynamics change for the worse here onwards."

However, that may not be the case. DMart's operating margin expansion (excluding accounting impact) of 16 basis point YoY was driven by the expansion in the gross margin, while selling, general and administration expenses grew 26.8 per cent, about 300 basis point higher than the growth in revenue. Those at Edelweiss Securities say: "Increased competition in the retail space is likely to make incremental margin expansion a challenge."

Jay Gandhi and Rutvi Chokshi of HDFC Securities, too, are sceptical on Avenue's prospects. "We remain sellers on the counter as we believe 1) DMart's throughput, cost and working capital efficiencies are near peak; 2) cost of retailing is inching up; 3) well-capitalised e-grocers/online biggies (Amazon /Flipkart) are getting price-war-ready as can be seen from the significant bump up in their authorised capital," they note.

What though plays in favour of the company is its everyday-low-cost strategy, which aims at procuring goods at competitive prices, and Avenue's price leadership position in the market. Moreover, the company has been consistently adding new stores. After adding 20 stores during April-December 2019 (versus just 9 in the comparable year-ago period), Avenue's total store count stands at 196 as of December 2019. The average size of the recently added stores is also larger at 55,000 - 65,000 sq ft versus around 35,000 sq ft earlier. This could also be a reason for the limited gain in the Ebitda margin as the increased store area may not be garnering revenue in the initial phase, even as costs like electricity may have been incurred on it. So, as the space utilisation improves, it could add to Avenue's growth in the medium-term.

Therefore, Avenue mustn't miss either on growth or margin expectations of analysts, as the same could impact its return profile, as well as the stock's performance, given its pricey valuations of 67 times FY21 estimated earnings. Some analysts, such as those at HSBC, though believe that DMart's optically expensive valuation builds in long-term annualised earnings growth of around 18 per cent, which they say is fairly achievable.

Measures to stave off default on home loans

Don't be afraid to approach the lender for loan restructuring

SARBAJEET K SEN

Sandeep Sethi, a financial analyst, was rather happy that he could buy a house at the age of 25. However, three years later, things started going horribly wrong when his parents retired. Suddenly, the ₹20,000 equated monthly instalment (EMI) started hurting because he had to provide for his parents as well.

"Since I had to look after the overall household expenses since last year, my planning started going haywire," admits Sethi. He took several steps to overcome this situation and somehow managed to stave off default for an extended period. However, everyone is not able to handle the financial crunch. In such circumstances, there are some things you can do.

Insure your loan

If you are taking a home loan at a young age, insuring it makes sense because it is unlikely that you will have a significant corpus to fall back on. There various loan insurance plans are available in the market that can cover your EMIs for a short period. In case you lose your job, the insurance plan can work as a short-term measure, similar to that of an emergency fund. "Insurance can be taken to cover EMIs for situations that arise due to job/income loss, but for very short periods," says Santosh Joseph, founder and managing partner, Germinate Wealth Solutions.

Seek easier repayment terms

Instead of avoiding your lender, it is better to meet and explain the situation. They can help you find ways to reduce your EMI burden by providing options. "No lender would want the borrower to become a defaulter and in the process, lose their money. If the cause of default is genuine, the lender will come out with a suitable solution," says Rachit Chawla, founder & chief executive officer, Finway. Some of the solutions include a reworking of EMI terms and longer loan tenure to reduce EMIs.

"Lastly, you can also refinance the loan (asset), depending on the residual tenure of the loan, the value of the asset, and, of course, the EMI repayment track record you can offer a different product like mortgage or overdraft," says Joseph.

Ask for grace period

If you are not able to pay EMIs for any genuine reason, such as loss of employment or medical emergency, try to persuade your lender for a grace period. "It's essential to explain the situation under which one is unable to pay, and what can be managed under the new circumstances. "The lender may offer a few possible options like moratorium (EMI holiday), wait time or grace period for a short period till your cash flows or situation normalises," says Joseph.

Consider selling financial assets

If you have exhausted your savings, raise some cash by disposing of your financial assets such as fixed deposits, Public Provident Fund (if matured), post office schemes, etc. This money can provide some relief. But this may not be a long-term situation.

'Lender agreed to renegotiate the home loan'

When did you purchase the property?
I purchased a 2BHK flat in Noida four years ago. I took a loan of ₹20 lakh at an interest rate of 10.5 per cent for 20 years, with an EMI of around ₹20,000.

When it became evident that servicing the loan would be a problem, what did you do?
Initially, I took the help of my financial advisor after defaulting on two consecutive EMIs. He helped me in restructuring my overall budget and asked me to talk to the lender and restructure the loan.

Q&A
Name: Sandeep Sethi
Age: 29
Profession: Financial analyst at an MNC

How did the lender react?
The lender agreed to renegotiate the home loan. It gave me a loan at 10 per cent — a better rate. Even the tenure was extended to 30 years. On the outstanding balance of around ₹17 lakh, my EMIs became ₹15,000 (approximately). I had also asked for a moratorium of six months. However, it did not agree, but waived the prepayment charges.

BSE introduces cross-margining facility today

Leading stock exchange BSE has said it will introduce cross-margining facility to offset positions in correlated equity indices from Wednesday, a move that will increase liquidity and trading volumes in the stock market.

Cross-margining allows traders to transfer excess margin from one account to another account to satisfy margin maintenance requirements to offset positions. It allows market participants to reduce the total margin payment required, if they are taking two mutually offsetting positions.

Clearing corporations give this margin benefit on positions, which show a high degree of dependence or correlation. PTI

MF agents eye growth in AIFs, insurance

JASH KRIPLANI
Mumbai, 13 January

The mutual fund (MF) registrar and transfer agents (RTAs) are eyeing newer avenues for growth in the insurance industry and alternative investment funds (AIFs), with fee cuts in the MF industry likely to have 4-5 per cent impact on pricing. Experts say MF RTAs have the capability to service AIFs, and take care of their operational requirements.

"Unlike MFs, AIFs need customised services, as this is a private placement model. But MF RTAs can cater to these requirements," said Vaibhav Sanghavi, co-chief executive officer at Avendus Capital Alternate Strategies. For RTAs, the costs of serving AIFs are likely to be lower, as the regulatory requirements are limited.

"AIFs are not that heavily regulated by the Securities and Exchange Board of India (Sebi). Also, RTAs already have the capability to serve AIFs. In effect, serving AIFs would involve less complexity for RTAs without requiring fresh investments," said an RTA official. At present, RTAs are servicing AIFs for various activities estimated to be ₹100 crore.

Industry players say tying up with RTAs makes sense for larger-sized AIFs. "While RTAs' services can help improve operational efficiency, the RTA fees can be justified if the fund is large-sized," said an MF manager, who has recently set up his own AIF.

Between March 31, 2016, and March 31, 2019, AIF investments have grown at 82 per cent annually, rising from ₹18,200 crore to ₹1.09 trillion. RTA players say they see bigger scope for growth in the insurance business.

Between March 31, 2016, and March 31, 2019, AIF investments have grown at 82 per cent annually, rising from ₹18,200 cr to ₹1.09 trillion

"There are more asset-linked insurance policies today like ULIPs. Insurance is a great opportunity, given that India is still under-insured. Insurers are also increasingly realising that if they adopt for a transfer agency-type of model, they will benefit in terms of scale, technology, and costs," said V Ganesh, MD and CEO, KFin Technologies.

The mandatory requirement for issuing electronic insurance policies is also likely to benefit RTA companies.

"Barring Life Insurance Corporation of India, which has not tied up with any insurance repository as it provides its own electronic policy document, private players will have to tie up with insurance repositories. The services of RTAs as share of electronic policies picks up," said an RTA executive.

So far, only 1.25 million electronic policies have been issued by various insurance repositories, which experts say is significantly lower than the total number of insurance policies in force, indicating huge growth potential.

"We will have to wait and watch to see how growth of electronic policies shapes up," said Prashant Tripathy, MD & CEO of Max Life Insurance.

In June, 2016, the Insurance Regulatory and Development Authority of India issued a regulation requiring life insurance firms to issue policies in electronic format if the sum assured was ₹10 lakh or more, besides annual premium of ₹10,000 or more.

COMMODITIES

PRICE CARD

As on Jan 13	International Price	International %Chg#	Domestic Price	Domestic %Chg#
METALS ($/tonne)				
Aluminium	1,771.5	2.9	2,046.3	4.6
Copper	6,157.0	6.8	6,590.5	8.3
Zinc	2,382.0	-2.4	2,610.8	-0.3
Gold ($/ounce)	1,553.4*	4.3	1,738.1	4.1
Silver ($/ounce)	18.0*	2.6	20.3	2.4
ENERGY				
Crude Oil ($/bbl)	65.1*	7.6	66.3	9.0
Natural Gas ($/mmBtu)	2.2*	0.5	2.2	-0.3
AGRI COMMODITIES ($/tonne)				
Wheat	191.4	11.5	318.9	8.2
Maize	191.9*	5.2	336.4	10.5
Sugar	380.0*	11.8	494.2	0.2
Palm oil	797.5	49.8	1,263.1	47.8
Cotton	1,580.7	12.2	1,666.9	2.4

* As on Jan 13, 20 1800 hrs IST, # Change Over 3 Months
Conversion rate 1 USD = 70.9 & 1 Ounce = 31.1032316 grams.

Notes:
1) International metals, Indian basket crude, Malaysia Palm oil, Wheat LIFFE and Coffee Karnataka robusta pertains to previous days price.
2) International metal are LME Spot prices and domestic metal are Mumbai local spot prices except for Steel.
3) International Crude oil is Brent crude and Domestic Crude oil is Indian basket.
4) International Natural gas is Nymex near month future & domestic natural gas is MCX near month futures.
5) International Wheat, White sugar & Coffee Robusta are LIFF E future prices of near month contract.
6) International Maize is MATIF near month future, Rubber is Tokyo-TOCOM near month future and Palm oil is Malaysia FOB spot price.
7) Domestic Wheat & Maize are NCDEX future prices of near month contract, Palm oil & Rubber are NCDEX spot prices.
8) Domestic Coffee is Karnataka robusta and Sugar is M30 Mumbai local spot price.
9) International cotton is Cotton no.2-NYBOT near month future & domestic cotton is MCX Future prices near month futures.

Source: Bloomberg Compiled by BS Research Bureau

Commerce min for gold tariff cut

Gross export of gems and jewellery declined by 5.3% to $27.7 bn for the first nine months of this FY

DILIP KUMAR JHA & PTI
New Delhi/ Mumbai, 13 January

The Union commerce ministry has sought a reduction in the import duty on gold in the coming Union Budget, with a view to pushing manufacturing and export of the gems and jewellery sector, a source said.

In last year's Budget, the government raised the tariff on gold to 12.5 per cent. Since then, the global price of gold has risen nearly 20 per cent, magnifying the rise in customs duty. These, the gems and jewellery sector has pleaded, are choking the high-jobs generating sector.

BUDGET INSIGHT OUT 2020-21

Jewellery retailers and exporters have urged the tariff be cut and also the goods and services tax (GST) on jewellery certification.

"In the past 12-18 months, at least 20 per cent of a skilled workforce of an estimated million has migrated to other services, including food delivery chains like Swiggy and public car transportation services like Ola and Uber. Migrated skilled workers, according to them, earn around ₹45,000 a month, which the jewellery industry cannot match due to a slowdown in domestic sales," said Anantha Padmanabhan, managing director at Chennai-based NAC Jewellers.

There has been a steep decline in jewellery sales over 12 months, because of both the sharp increase in gold prices and a slowing of the overall economy. At ₹39,670 for 10g, gold prices in India have risen 25 per cent in a year.

"The scenario is very bad for the domestic industry. Another 5 per cent increase in gold prices from here would finish it," said Padmanabhan.

With falling farm output and rural consumers in stress, that part of the demand is also hit. As a consequence, many small and medium sized retailers have cut their size of operations, says the trade, renting out a part of their showrooms for other business.

"There is an immediate need for a cut in customs duty to five per cent. With the current account deficit situation under control at 1.5 per cent (of gross domestic product) for April-September 2019, we appeal to the government for this. The import duty on rough diamonds should also be brought down to 2.5 per cent, from the existing 7.5 per cent. And, the GST on diamond certification must be cut to 5 per cent, from 18 per cent," said Colin Shah, vice-chairman, Gems and Jewellery Export Promotion Council.

Gross export of gems and jewellery declined by 5.3 per cent to $27.7 billion for the first nine months of this financial year, from $29.2 bn for the corresponding period last year.

HEAVY LEVY
- Gold import was attracting 10% duty before July 2019
- It was then increased to 12.5%
- Now, jewellers want it to be reduced to 5 %
- After the duty hike, gold price is up nearly 20 %
- Jewellers are facing adverse impact of the slowdown
- 20 % skilled workers have migrated to other sectors

Steel firms want zero duty on pet coke, coking coal

JAYAJIT DASH
Bhubaneswar, 13 January

In the run-up to the Budget for FY21, steel producers have pitched for slashing import duties on critical ingredients, such as pet coke, coking coal, anthracite coal, and metallurgical coke. The country's steelmakers have substantive dependence on imports of these raw materials.

According to the existing duty structure, both coking coal and anthracite coal attract 2.5 import duty. The Indian government levies 10 per cent duty on pet coke imports, whereas anthracite coal imports are taxed at 2.5 per cent.

"Anthracite coal, coking coal, coke, and pet coke are vital ingredients in steel making. Slashing import duties on these imported raw materials will help the steel industry achieve and sustain cost competitiveness. Non-availability of these inputs both in quantity and quality is impeding growth of the domestic steel industry," said an official with a leading steel producer.

As much as 50 per cent to 80 per cent of all low-ash metallurgical coal is imported into India.

In its pre-Budget submission, Federation of Indian Mineral Industries (Fimi) has suggested that the import duty on low ash metallurgical coal mentioned above should be brought down to 2.5 per cent, from the existing 10 per cent to provide incentive to the domestic industry especially when its import does not hurt the domestic producers of such minerals.

Among key inputs, pet coke is gaining currency as one of the important carbon-bearing inerts used by the steel industry. It has partially replaced costlier and scarce coking coal, adding value to the end product (metallurgical coke) by increasing the carbon content and yield of coke, leading to less dependence on imports. "Pet coke (2 per cent sulphur grade) is a cheaper substitute of met coke and should, therefore, be encouraged in the domestic industry to help save foreign reserves and make domestic steel mills more competitive by lowering their cost of production," Fimi noted.

Kharif output likely to fall, says study

SANJEEB MUKHERJEE
New Delhi, 13 January

The country's kharif food production could be much lower than the Centre's first advance estimate of a marginal fall. Heavy post-monsoon showers are a key reason.

According to National Bulk Handling Corporation, one of India's leading providers of integrated commodity and collateral management services, post-monsoon rains was in excess by 32 per cent. In the northwest, 121 per cent so; in central India, 64 per cent excess.

Because of this, it revised its own estimate of October 2019. Now, rice output in 2019-20 is expected to decline by 8.2 per cent over last year and maize by 11.9 per cent. Pulses are projected to fall significantly — moong (green gram) by 27.4 per cent, urad (black gram) by 18.4 per cent and toor (red gram) by 10.5 per cent.

Total oilseed production is estimated to be 23.8 per cent less than last year.

POOR FORECAST
Production of kharif crops in 2019-20 (million tonnes)

CROPS	2018-19	2019-20	% Change
Rice	102.13	9.68	-8.21
Maize	19.04	16.78	-11.86
Jowar	1.74	1.73	-0.43
Bajra	8.61	7.85	-8.77
Toor	3.59	3.21	-10.47
Moong	1.84	1.33	-27.38
Soybean	13.78	9.33	-32.27
Sugarcane	400.15	312.18	-21.98

Source: NBHC's final kharif crop estimates for 2019-20

Funskool resets the playground

The MRF-owned toy company is targeting millennial parents with new international brands and a fresh retail and marketing thrust

T E NARASIMHAN
Chennai, 13 January

With a keen eye on the behavioural and consumption patterns of parents' of new-borns and millennial toy buyers, Funskool is expanding its portfolio of labels for early learners. Its aim is to keep the brand relevant amidst an overall slowdown in the business and at the same time, with a greater push towards online marketing and retail, keep the cost of launches under control.

The $1.4 billion Indian toy industry is under pressure. And for Funskool, a traditional toy brand that has spent the past 30-plus years building its retail network offline, these are challenging times. Hence the need to find markets resilient against economic slowdown and keep costs down. "Funskool has had a decent run as a brand. The products have good consumer connect and consistently good quality. The challenge for them is to continue to innovate as streaming content and toons dislodge toys for kids and parents, for share of attention, entertainment and pocket," says Sandeep Goyal, founder of Mogae Media.

The retail and marketing digital focus is driven partly out of the need to keep costs down but also because it helps take the brand into hitherto uncharted geographies. At present, Funskool said, 15-20 per cent of its business is generated online, especially in the small towns. The company has also been using digital channels to market its new toys to young parents.

> **"The way forward is through new launches and concepts"**
> JOHN BABY
> CEO, Funskool

Funskool recently acquired the licensing rights for VTech, a Hong Kong-based electronic toy manufacturer, Japanese brand Sylvanian Families that makes toy collectibles, Bunchems brand from Canadian firm Spin Master and Thailand-based PlanToys–all aimed at the infant to pre-school kids segment.

Urban Indian parents want safe toys that also tick the boxes on sustainability and age-appropriate learning abilities for their infants and toddlers. John Baby, CEO, Funskool India says that by bringing new brands for this segment into the country, the company is tapping into the opportunities in the market. However, he says, "Funskool is constantly investing and working on new products from its own stable and the share of its own products in its toy business will touch 50 per cent by 2021." It used to be 20-odd per cent of the total pie four years back.

The international line-up is aimed at well-travelled young Indians while a stronger digital presence is meant to unlock the potential for all brands in the Funskool stable. Baby expects the present market share of 10 per cent to go up to 15 per cent but does not pin a timeline to his projections. Funskool's revenue has stayed nearly flat at ₹225 crore in FY2019 and new products and launches are expected to spike the curve. Through sustained digital campaigns, the brand also expects to emphasise its brand values and present a credible alternative to cheap toys made in China. "Funskool is a nifty brand. It has the ability to leverage the best partnerships to produce affordable toys. Its success is its price," says Harish Bijoor, founder Bijoor Consults.

Baby says, "The way forward is through new launches and concepts." He believes that Funskool as a brand can entrench itself deeper into the marketplace by offering a good mix of global and local labels.

"For example, for VTech, there is no competition in the electronic toys segment. To build a similar product it will take a decade of struggle and investment," Baby says. The infant to pre-school segment (new born to 36 months old) is the biggest category and is globally around 30 per cent of the toy market. In India, it is around 33 per cent of the market and this is where Funskool wants to stamp its dominance. It has its own label Giggles with around 130 products that serves this market but Baby believes the category can hold up to 3000-5000 products.

While the focus is on building an arsenal of labels for the early-learning category, the company is also keen to explore emerging trends of play with unique products and concepts. Funskool has teams working on design and packaging of new games for all ages, even for low-volume segments such as the emerging opportunity for board game cafes. The company has also begun working with influencers to build an identity for the brand online and is engaging with numerous on-ground promotional efforts.

According to market research firm IMARC Services, the Indian toy market was worth $1.5 billion in 2018, registering a compound annual growth rate (CAGR) of 15.9 per cent during 2011-2018. The market is further projected to cross $3.3 billion by 2024, growing at a CAGR of 13.3 per cent during 2019-2024. All these projections may well crumble under the onslaught of a prolonged slowdown, hence the hunt for resilient markets by brands of all shades and hues.

FROM PAGE 1

Sebi blinks, gives...

"Splitting these roles better secures the best interests not just of the company and it's shareholders but also of the CMD themselves as it embeds clarity of responsibility and accountability across the organisation," Rajiv Bajaj, managing director, Bajaj Auto told *Business Standard*. He, however, said the choice of the individuals should be dictated by merit and that ought not to be sacrificed at the altar of lesser considerations such as the relationship between them. "Had Sebi not over reached with the latter requirement perhaps industry would have implemented the former on schedule," said Bajaj

Experts say the requirement is imperative in India, where many companies are promoter-driven. Haldea said many listed firms were treated as proprietary firms by promoters, with all powers concentrated in the family. However, some say that irrespective of deferment, serious companies will abide by the norm. Amit Tandon, MD of Institutional Investor Advisory Services (IiAS), said, "Though the regulator has deferred the deadline, I expect forward-looking companies to separate the roles, enabling more effective supervision."

According to the NSEinfobase.com data, more than 200 companies are required to make changes to their board structure.

Retail inflation...

If food inflation returns to its trend level of over 5 per cent, maintaining the 4 per cent headline target will be challenging once the economy and core inflation rebound, Joshi said. Inflation in health fell to 3.80 per cent in December from 5.49 per cent in the previous month and in education to 3.73 per cent from 5.21 per cent.

Inflation in fuel was a mere 0.7 per cent. Inflationary risks on global crude oil increased on account of tensions in West Asia. The RBI monetary policy committee (MPC) had kept interest rates unchanged in December citing "much higher than expected" inflation. It followed five cuts of 135 basis points earlier in the year. The MPC will decide on the policy rate on February 6, days after Budget 2020-21.

"The job of RBI has become more complicated due to growth slowdown, very little window to play around with the policy rate on the down side and retail inflation now higher than the targeted level. Under such circumstances, all eyes are now on the forthcoming Budget," said Devendra Pant, chief economist, India Ratings.

Fiscal deficit...

Business Standard has learnt that policymakers have debated on whether to go on a spending spree or stick to a fiscal consolidation road map. While a number of bureaucrats have advised on leaving aside budgetary concerns, the political leadership is of the view that fiscal discipline has to be maintained. "The political leadership's view hasn't changed from the first term of this government. There has to be some discipline, even if the advice from others has been to go for substantial slippage," said a senior official aware of these deliberations.

A second official said that a fiscal slippage next year does not mean the government will risk deviating heavily from the Fiscal Responsibility and Budget Management Act.

"The aim is to always stay on a fiscal glidepath, with a 3 per cent medium-term target," a second official said. This, of course, means that like every time since the FRBM Act came into force in 2003, the 3-per cent medium-target will be further pushed down the road and could be delayed by two years or so. The Centre is expected to have heavy expenditure commitments next year.

Banks...

The RBI's move to impose penalties and higher provisioning is the follow-on impact of the June 7 circular though it had not mentioned this will form part of a new compliance regime following a review. The RBI had stated "any action by lenders with intent to conceal the actual status of accounts or evergreen the stressed accounts will be subjected to stringent supervisory and enforcement actions, including, but not limited to, higher provisioning and penalties." A footnote on penalties, added: "This may be in addition to direction to banks to file insolvency application under the Insolvency and Bankruptcy Code."

The RBI's internal review of 13 banks' stressed assets initially assigned under its June 7 circular — of ₹2,000 crore and above — notes that an ICA is yet to be signed for exposures amounting to ₹33,610 crore while the same has been signed with respect to aggregate exposures of ₹6,075 crore. And resolution plans (RP) have been implemented only with respect to one borrower with a reported exposure of ₹1,617 crore.

The move to draw in the senior management as part of a stricter compliance regime follows from the RBI's stance that lenders must put in place board-approved policies for resolution of stressed assets, including the timelines for resolution. Since default with any lender is a lagging indicator of financial stress faced by the borrower, it is expected that the lenders initiate the process of implementing a RP even before a default.

Amazon, Flipkart...

The CCI investigation is based on a complaint by traders' body Delhi Vyapar Mahasangh regarding online sale of smartphones. The CCI is looking into allegations whether the preferred sellers are an extension of the online marketplaces, operating through different 'proxy' entities.

An Amazon India spokesperson said, "We welcome the opportunity to address allegations made about Amazon; we are confident in our compliance, and will cooperate fully with CCI." Flipkart was reviewing the document, a spokesperson said, adding that the company was fully compliant with all applicable laws and FDI regulations. "We take pride in democratising e-commerce in India and giving market access to lakhs of MSMEs, sellers, artisans and small businesses, making quality and affordable goods available to consumers through our transparent and efficient marketplace while creating lakhs of jobs," the executive said.

The CCI said it has studied the original and discounted prices for smartphone brands sold on Flipkart and Amazon and has found that certain brands/models are available at significantly discounted prices and sold largely through 'preferred sellers'.

"Whether the funding of discounts is an element of exclusive tie-ups is a matter that merits investigation," the CCI said.

The offline retailers' body has provided CCI evidence in the form of communication from Flipkart to its sellers, stating it would incur a part of the cost during the Big Billion Days sale or Diwali sales. "No such opportunity is available to other sellers who are, thus, unable to compete," the Delhi Vyapar Mahasangh has alleged in its complaint.

A similar allegation has been levelled against Amazon about its preferred seller Cloudtail India. "Amazon has own private label brands, which are sold only through these preferred sellers," the complaint said.

The CCI order said it needs to be investigated whether the alleged exclusive arrangements, deep discounting, and preferential listing by the online platforms are being used as an exclusionary tactic to foreclose competition and resulting in an appreciable adverse effect on competition contravening the provisions of Section 3(1) read with Section 3(4) of the Competition Act.

BS SUDOKU # 2946

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SOLUTION TO #2945

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Very Hard: ★

Solution tomorrow

HOW TO PLAY

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

ICICI Bank takes Kochhar to HC, demands return of bonuses

Chanda contests that the bank should have got RBI nod before terminating her services

SUBRATA PANDA
Mumbai, 13 January

Private lender ICICI Bank has filed a civil suit against its erstwhile managing director (MD) and chief executive officer (CEO) 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 her termination of services by the bank.

On the other hand, Kochhar is contesting that ICICI Bank should have secured the Reserve Bank of India (RBI) permission first before terminating her services. Kochhar has also challenged the RBI's approval in terminating her services. She has said the move was illegal and had no legal base. The central bank on March 13 gave its consent to the bank management on Kochhar's termination, after the bank fired her on January 31, 2019.

The bank has given a composite reply to the court on all the objections that Kochhar has raised. The bank has said that Section 35B of the Banking Regulation Act of 1949, under which Kochhar is seeking nullification of her termination of her services, is a "regulatory provision".

The bank further said that Kochhar was aware that Section 35B is a part of the RBI's regulatory and supervisory powers and the Section does not confer any right or protection on her part. Also, the Section does not cast a duty on the bank, but is just a form of regulatory oversight by the RBI for the protection of the banking company and its depositors.

BANK'S ARGUMENT

- **The bank claims Section 35B of the Banking Regulation Act of 1949,** under which Chanda Kochhar is seeking nullification of her termination of her services, is a "regulatory provision"
- **It says Kochhar's writ petition is not maintainable,** that "it is a private banking firm and the writ petition seeks to contest what are purely private contractual terms"
- **It says none of the reliefs sought by Kochhar** seeks compliance with any statutory provisions

The bank also said, "The said Section does not govern or regulate the petitioner's (Kochhar's) contract of services with the respondent (ICICI Bank)". Therefore, the petitioner has no locus to make a claim in respect of the alleged violation of the said Section.

The bank has raised the objection that Kochhar's writ petition is not maintainable, that "it is a private banking company and the writ petition seeks to contest what are purely private contractual terms". Hence, the bank argued that Kochhar's writ petition did not have legal basis.

Moreover, it has said that none of the reliefs sought by Kochhar — declare termination illegal, refrain from recovering and cancelling early retirement benefits and remuneration, permit exercising stock options — seeks compliance with any statutory provisions whatsoever.

Also, the reliefs sought by Kochhar, the bank alleged, are of a purely private character and seek to secure performance of contractual obligations allegedly owed by an employer to an employee.

The bank has also said that the appointment of Kochhar happened in 1984 and the appointment letter specifically says that Kochhar would be bound by the rules and regulations of the bank. After which, Kochhar's elevation to various positions from 1985-1998 was communicated to her through promotion letters. Further, no fresh appointment letter was issued to her when she was elevated to the post of executive director in 2001 and MD & CEO in 2009.

"Therefore, the petitioner's (Kochhar) employment with the respondent (ICICI Bank) continued on such terms and conditions as were decided by the board subject to provisions, which were signed by the petitioner from time to time".

Senior counsels Vikram Nankani and Sujay Kantawala are representing Kochhar in the case, while ICICI Bank is being represented by senior counsel Darius Khambata and law firm Veritas Legal.

The bank has also said, "It is only upon the board approving appointment/reappointment/termination that an approval from the RBI is sought".

When Kochhar was appointed the executive director of the bank with effect from April 1, 2001, to March 31, 2006, the RBI did not grant prior approval to the appointment before April 1, 2001, but granted its approval subsequently by a letter dated May 29, 2001.

"If the petitioner's contention is accepted that the prior approval under Section 35B does not include a post-facto approval, the appointment of the petitioner as an executive director of the said respondent is itself invalid. The same principle must necessarily apply to the appointment, as the said Section deals evenly with both appointment and termination," the bank has said in its reply.

Meanwhile, the Enforcement Directorate has attached assets and cash belonging to Kochhar and her husband Deepak in connection with the Videocon loan case.

The matter will be next heard on January 20.

Expenditure cuts may mar economic recovery: Experts

INDIVJAL DHASMANA
New Delhi, 13 January

Early signs from lead indicators are showing some recovery in economic growth. However, drastic expenditure cuts by the Centre and state governments may drag down the expansion to even below 5 per cent, which has been pegged by the Advance Estimates for 2019-20 (FY20). If the Centre cuts expenditure by ₹2 trillion, coupled with outlay compression by states, the growth rate would be severely hit, warn economists.

"While some lead indicators have offered encouraging signs, the growing likelihood of expenditure cuts by the central and state governments pose key downside risk to achieving the targeted growth rate," said Aditi Nayar, principal economist at ICRA.

For instance, production by Coal India rose 7.2 per cent in December of the current fiscal year after five straight months of contraction.

Devendra Pant, chief economist at India Ratings, said lead indicators show some uptick in the economy.

However, if the Centre and states resorted to heavy expenditure cuts, economic growth would be hit for the current financial year.

YES Bank Chief Economist Shubhada Rao said, "We continue to stick to our forecast of 4.9 per cent GDP growth in FY20 as we believe government spending may see some pruning due to substantial shortfall in tax revenue collection."

LEAD INDICATORS FOR H2FY20

- Production by Coal India up **7.2%** in December after five months of straight contraction
- Port traffic rises by **6.1%** in December after three months of contraction in a row
- Petroleum consumption stands at **18.78 mt** in December. Though moderately low from **18.79 mt** in November, it is higher than consumption in the range of 16.12–17.60 mt a month from June–October period
- Domestic air passenger traffic growth rate surges by over **11%** in November, against a rise of **3.6%** in October
- Prospects for the rabi crops look bright. Area sown under the crops is **62.5 mn hectare** as of January 10, against **57.8 mn hectares** a year ago

SBI Group Chief Economic Advisor Soumya Kanti Ghosh said factors like government expenditure are the key determinants for overall growth outlook for FY20. Variations in this spending have a spillover effect on other sectors.

He said government spending alone accounted for 40 per cent of the entire second quarter's growth. Growth in the second quarter printed at 4.5 per cent, of which 1.9 per cent was accounted for by government spending, he said.

He pegged economic growth at 4.6 per cent for FY20, based on the current available trends.

The economy is required to grow by 5.2 per cent in the second half, compared to 4.8 per cent in the first half to enable it to clock 5 per cent in the entire FY20.

However, Nayar stuck to her projections of economic growth at 5.3 per cent for the current fiscal year if the government does not take sharp revenue cuts.

Nayar said there remains considerable headroom for spending by the Union government in the last four months of the current fiscal year. It is to the tune of almost ₹10 trillion, relative to the budgeted level for FY20.

"However, revenue considerations would dictate some expenditure cut... Sharper than the expected expenditure squeeze by governments remains the key downside risk to our growth forecast," she said.

The government spent almost ₹18 trillion till November in the current fiscal year, which constituted 65.3 per cent of the ₹27.86 trillion Budget Estimates (BE).

The proportion of the amount spent was almost same at 66.1 per cent of the BE at this point in time in 2018-19.

The finance ministry is looking to compress around ₹2.2 trillion, even as gross tax revenue could see a shortfall of much more than ₹2 trillion. There are now doubts regarding divestment targets as well.

Most of the compression is expected to come from ministries and departments that have under-spent so far. These include the ministries of agriculture, civil aviation, roadways, shipping, electronics, information technology, tourism, and social sector, among others.

However, the government can resort to off-Budget borrowings, particularly in the case of Food Corporation of India (FCI).

Loan to the tune of ₹97,000 crore was provided to the FCI in the previous year. If that is restored, the government would save that much expenditure which could be used to spur economic growth, but would spoil the fiscal math in later years.

PREPPING UP FOR ARMY DAY

Jawans perform full-dress rehearsal ahead of Army Day celebrations, at Delhi Cantt in New Delhi on Monday. Indian Army Day is observed on January 15 PHOTO: PTI

BOT contract changes may not jumpstart private investment

MEGHA MANCHANDA
New Delhi, 13 January

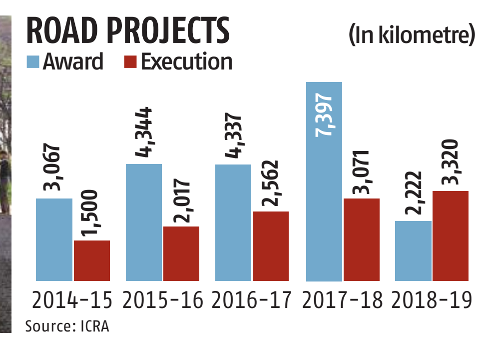
Changed bidding and contractual guidelines for build-operate-transfer (BOT) road contracts are being finalised but big construction companies might, it is believed by observers, not be in a hurry to return to this segment.

As for smaller players, they are occupied with hybrid annuity projects.

The decisive factors in attracting private investment will be the stretches offered for bidding and projected traffic density. The new draft norms have been brought in to encourage private participation in BOT. Large highway developers (L&T, Hindustan Construction) had started avoiding these contracts, over delayed return on investment, rigid concessionaire agreements and legal disputes with governments.

According to the draft model concessionaire agreement, the National Highways Authority of India (NHAI) and the concessionaire would agree that in a financial default, the lender or banks can invite, negotiate and procure offers, either by private negotiations or public auction or tenders, for takeover and transfer of the project highway.

"These are prospective guidelines, not retrospective — the bigger issue is their application. It will encourage private participation but the larger issue is overall scepticism in the market in the short term," says Kushal Singh, partner at consultancy Deloitte India. There is also market risk and a healthy traffic forecast. Such factors will outweigh the benefits of new BOT guidelines for big-size private players, he feels.



According to a report from ratings agency ICRA earlier this month, risk averseness at road developers has increased over recent years. "Even today, many developers' balance sheets cannot support huge equity investments towards BOT projects. Further, the transportation sector is undergoing transformational change, with alternate modes, viz., dedicated (rail) freight corridor and inland waterways, which would result in a modal shift from road to these modes over the medium to long term," it said.

The road network itself, it adds, is changing significantly, with some of the economic corridors under the Bharatmala project competing with existing stretches. "Overall, these factors would make traffic forecasting extremely challenging... This year is likely to be one of muted awards, due to changes in the award mix, resultant procedural delays and weak private sector interest," it added. ICRA expects awards in 2020 to remain in the range of 3,700-4,000 km.

The new guidelines from NHAI offer a 'harmonious exit' clause, essentially to allow lenders to transfer a stuck project to another construction company if the first one is unable to deliver on time. If the authority has an objection, it will within 15 days from the date of proposal made by the lenders' representative give a reasoned order, goes the draft BOT agreement.

The amendments have been proposed after deliberations with the Ministry of Road Transport and Highways, Department of Economic Affairs, Ministry of Finance, and NITI Aayog. Other changes proposed in the model concessionaire agreement are on capping of liabilities of either party through the term of the agreement, tightening of conditions precedent prior to declaration of appointed date and in the dispute resolution mechanism.

Also, changes incorporated from recent updates on model agreements in other types of contract, such as hybrid annuity and engineering-procurement-construction. Another factor that could impact private participation is the high interest outgo due to leveraged balance sheets, which will continue to exert pressure on net profit.

Budget: India Inc pitches for job creation

PRESS TRUST OF INDIA
New Delhi, 13 January

Corporate leaders on Monday sought initiatives to support job creation besides enhanced spending on infrastructure and policies for agricultural sector as part of their Budget wish list.

While participating in a debate during a book launch, TVS Group Chairman Venu Srinivasan sought more focus on job creation in the Budget next month. Similarly, DCM Shriram's Chairman and Senior Managing Director Ajay S Shriram urged the government to focus on agriculture sector, while Hero Enterprise Chairman Sunil Kant Munjal stressed enhancing spending on infrastructure.

The three business leaders were part of a discussion at the launch of the book *The Making of HERO* written by Sunil Kant Munjal. The book was unveiled by former prime minister Manmohan Singh.

"One of the most important issues is job creation...the most fundamental thing has to be growth with jobs," Srinivasan said.

Shriram urged the government to focus on agriculture sector.

PHOTO: PTI

Former PM Manmohan Singh, Hero Enterprise Chairman Sunil Kant Munjal and his mother Santosh Munjal, and Sangeeta Jaitley during the launch of *The Making of Hero*, on Monday

"I hope in this Budget there should be a focus towards taking care of agriculture sector...which is suffering a lot somehow the policies are not moving in terms of governance in terms of coordinating with the states. I think a GST kind of a body is required to get all agri ministers involved to take joint decisions for implementation...," Shriram said. Munjal said he would like the government to spend more on the infrastructure sector. "I would like to see slippage in fisc (fiscal deficit) and that slippage going towards seriously benefiting infrastructure sector," he said.

Insurers to pay penal interest for delay in settling health claims

SUBRATA PANDA
Mumbai, 13 January

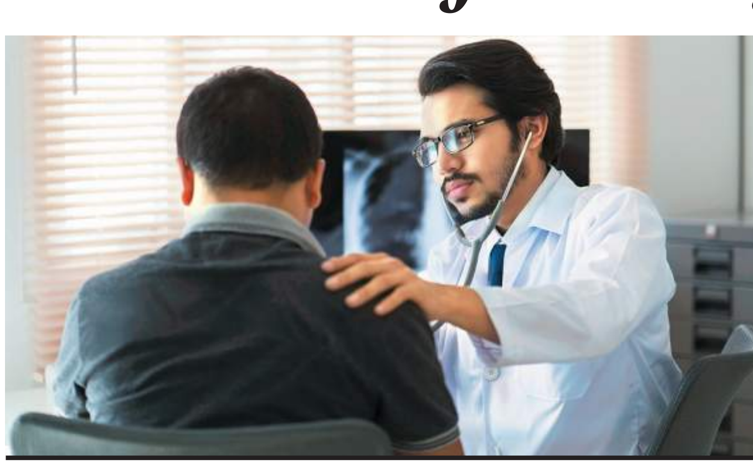
Insurers will have to pay penal interest to the insured person in case they do not settle claims within 30 days from the date of receipt of the last necessary document for settlement.

In the case of delay in the payment of a claim, the company shall be liable to pay interest from the date of receipt of last necessary document to the date of payment of claim. The insurer will pay at 2 per cent above the bank rate, the Insurance Regulatory and Development Authority of India (Irdai) said. Bank rate is the rate at which the Reserve Bank of India lends money to commercial banks without collateral.

However, if the insurer thinks that the claim warrants an investigation, it has to initiate and complete an investigation at the earliest. The insurer has 45 days to settle such claims where an investigation is warranted.

"In case of delay beyond 45 days, the company shall be liable to pay interest at a rate 2 per cent above the bank rate from the date of receipt of last necessary document to the date of payment of claim," Irdai said.

The regulator on Monday issued an exposure draft on guidelines on standardisation of general clauses in health insurance policies contracts. This comes after the Irdai unveiled a standardised health insurance product, 'Arogya Sanjeevani Policy', which will be offered by health and general insurance companies.



GUIDELINES FOR INSURERS

- **Will pay penal interest** at 2% above bank rate
- **Have to settle health claims in 30 days** of receiving all the documents
- **Insurers can take up to 45 days** in case of any investigation
- **Policies can be cancelled** with a 15-day notice

"These guidelines have been issued to standardise the common general clauses incorporated in indemnity-based health insurance products covering hospitalisation, domiciliary hospitalisation, and day care treatment. They are also meant to simplify the wordings of general clauses in the policy contracts and ensure uniformity and greater transparency," it said.

"Irdai's proposal to grant penal interest in the event of inordinate delay in claim settlement will help in establishing fair practices in health claims and will help in improving customer's confidence while ensuring betterment of turn-around times for settlement," said Pankaj Verma, head of market underwriting operations, SBI General Insurance.

The Irdai has also said if an insured person holds multiple policies during a period from one or more insurers to indemnify treatment costs, the insured person shall have the right to settlement of claim based on terms of policies. In such cases, the insurer is obliged to settle the claim as long as the claim is within the limits and according to the terms of the policy. "Insured person with multiple policies shall also have the right to prefer claims under policy for the amounts disallowed under any other policy/policies even if the sum insured is not exhausted. Then the insurer(s) shall independently settle the claim subject to the terms and conditions of the policy. When the amount to be claimed exceeds the sum insured under a single policy, the insured person shall have the right to choose insurer from whom he/she wants to claim the balance amount," Irdai said.

Also, where an insured person has policies from more than one insurer to cover the same risk on indemnity basis, the insured person shall only be indemnified the hospitalisation costs in accordance with the terms and conditions of the chosen policy. The Irdai has also standardised wordings for provisions such as claim settlement within 30 days and cancellation of policies with a 15-day notice.

Pak court revokes Musharraf's death sentence, guilty verdict

Declares special tribunal's ruling 'unconstitutional'

PRESS TRUST OF INDIA
Lahore, 13 January

In a huge relief for Pakistan's self-exiled former dictator, a top court here on Monday declared Pervez Musharraf's trial in the high treason case as "unconstitutional", leading to the annulment of the death sentence against the ex-Army chief by a special tribunal.

The special court in Islamabad on December 17 last handed down the death penalty to the 74-year-old retired general, now based in Dubai, after six years of hearing the high-profile treason case against him. The case was filed by the Pakistan Muslim League-Nawaz government headed by former prime minister Nawaz Sharif in 2013.

A three-member full Bench of the Lahore High Court comprising Justices Syed Mazahar Ali Akbar Naqvi, Mohammad Ameer Bhatti and Chaudhry Masood Jahangir unanimously declared the formation of the special court against Musharraf as "unconstitutional".

The court also ruled that the treason case against Musharraf was not prepared in accordance with the law. The current government of Prime Minister Imran Khan had backed Musharraf in challenging the death penalty.

"The Lahore High Court has declared unconstitutional all actions right from initiation of complaint and its conclusion against General (retd.) Musharraf by the special court," Additional Attorney General of Pakistan Ishtiaq A Khan told *PTI*.

"Gen Musharraf is a freeman now," he added.

The court also ruled that the treason case against Musharraf was not prepared in accordance with the law. The current govt of Prime Minister Imran Khan had backed Musharraf in challenging the death penalty

Reacting to the verdict, Musharraf, the former Pakistan Army chief, lauded the verdict of the Lahore High Court, saying that the court made the decision according to the law and Constitution.

In an audio statement, he said, "I cannot comment on it but the decision is really good, I am very happy that the judgement is as per the law and Constitution." He said his condition was gradually improving.

"I am grateful to all those who prayed for my health," Geo News quoted Musharraf as saying in Dubai.

The special court found that the ex-president, now living in Dubai on self-exile, guilty of high treason by abrogating the Constitution and imposing extra-constitutional emergency in Pakistan in November 2007 and handed him the death sentence.

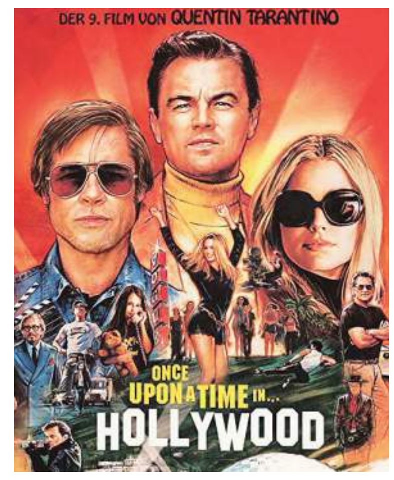
Additional Attorney General Khan earlier told the Lahore High Court that the special court was constituted without the formal approval of the Cabinet.

OSCAR NOMINATIONS 2020

Joker and *Irishman* lead the nominees

St Louis Superman, a film by 2 Indian American filmmakers Smriti Mudhra & Sami Khan, shortlisted for best docu

BROOKS BARNES & NICOLE SPERLING
Los Angeles, 13 January



Joker **led the Academy Award contenders with 11 nominations, including best picture. Once Upon a Time ... in Hollywood also scored several nominations, including a nod for best picture**

PICTURES: IMDB

Netflix's poor showing at the recent Golden Globes prompted madcap delight in Hollywood's more conventional quarters. Too bad, so sad: Perhaps try releasing your films in more than a handful of theaters next year, Big Tech.

But the hard-campaigning streaming giant resumed its awards-season onslaught on Monday.

Netflix was rewarded with more than 20 nominations, with some categories (like supporting actor) stacked three deep with contenders. *The Irishman*, Martin Scorsese's latest gangster opus, and *Marriage Story*, Noah Baumbach's navel-gazing portrait of divorce, both of which belong to Netflix, received nominations for best picture. Netflix also landed nominations for two animated films, a documentary and the Vatican succession drama *The Two Popes*. Like the Globes, however, the 92nd Academy Awards will be a showdown between old and new Hollywood.

Oscar voters showered nominations on traditional films. *Joker* led the field with 11 nominations, including ones for best picture, director, actor and score. "1917" and "Once Upon a Time ... in Hollywood each received 10. The best-picture category can have as many as 10 or as few as five nominees, depending on how the Academy of Motion Picture Arts and Sciences spreads its support; this year there were nine: *1917*, *Ford v Ferrari*, *The Irishman*, *Jojo Rabbit*, *Joker*, *Little Women*, *Marriage Story*, *Once Upon a Time ... in Hollywood*, and *Parasite*. The other takeaway may involve representation. Once again, the academy excluded women from the directing race.

Black actors and actresses were also largely overlooked, with the British-Nigerian actress Cynthia Erivo ("Harriet") as the sole nominee.

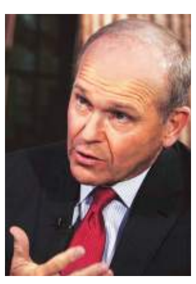
The academy has mounted an effort to double female and minority membership, in large part by inviting in more film professionals from overseas. But even after four years of the initiative, the organisation remains 68 percent male and 84 percent white.

Last week, the British Academy of Film and Television Arts put forward an all-white field of acting nominees for its awards gala, snubbing widely praised performers like Erivo, Eddie Murphy ("Dolemite Is My Name") and Lupita Nyong'o ("Us"). "It's time for change," Erivo said afterward, declining an invitation to perform a song at the BAFTA banquet. "We can't overlook it anymore."

Over the last decade, the Academy Awards have become a bit superfluous, with a torrent of precursor ceremonies leaving fans (and honorees) exhausted and the contents of the envelopes unsurprising. The academy's board of governors, alarmed by sharp declines in television ratings, decided in 2018 to move up this year's ceremony. It will be held on Feb 9, two weeks earlier than the last go-round, a seemingly small truncation that nonetheless has the movie capital in a tizzy.

New CEO tells staff Boeing must be 'transparent'

New Boeing Chief Executive David Calhoun told employees on Monday the company must strengthen its culture, focus on "integrity" and be "transparent," according to an email sent to staff.



Calhoun, a longtime Boeing board member, officially took over on Monday as chief executive, replacing Dennis Muilenburg, who was ousted in December as the company faces a drawn-out crisis following deadly crashes of a top-selling jet.

Calhoun said returning the MAX to service safely "must be our primary focus," and that includes "following the lead of our regulators and working with them to ensure they're satisfied completely with the airplane and our work, so that we can continue to meet our customer commitments."

AFP

RUMBLING VOLCANO SHUTS DOWN MANILA

Lava and broad columns of ash illuminated by lightning spewed from a volcano south of the Philippines capital on Monday, grounding hundreds of flights as authorities warned of a possible "explosive eruption". Fine grit weighed down trees and turned roads into muddy messes across the region surrounding the Taal volcano, which burst to life on Sunday and has forced over 20,000 people to seek refuge in evacuation centres PHOTO: AP/PTI

Activists protest against Iranian government in front of German Federal Foreign Office PHOTO: REUTERS

'Clerics, get lost!': Iran protests rage on over jet crash

REUTERS
Dubai, 13 January

Protesters denouncing Iran's clerical rulers took to the streets and riot police deployed to face them on Monday, in a third day of demonstrations after authorities acknowledged shooting down a passenger plane by accident. Demonstrations in Iran, some met by a violent crackdown, are the latest twist in one of the most serious escalations between Washington and Tehran since Iran's 1979 Islamic Revolution.

Video showed students on Monday chanting slogans including "Clerics get lost!" outside universities in the city of Isfahan and in Tehran, where riot police were filmed taking positions on the streets.

Images from the previous two days of protests showed wounded people being carried and pools of blood on the ground. Gunshots could be heard, although the police denied opening fire.

US President Donald Trump, who raised the stakes last week by ordering a drone strike that killed Iran's most powerful military commander, tweeted to Iran's leaders: "don't kill your protesters."

Tehran has acknowledged shooting down the Ukrainian jetliner by mistake on Wednesday, killing all 176 people aboard, hours after firing at US targets in Iraq to retaliate for the killing on January 3 of General Qassem Soleimani in Baghdad.

'Grieving nations' to discuss legal action against Iran, says Ukraine

Five nations whose citizens died when an airliner was shot down by Iran last week will meet in London on Thursday to discuss possible legal action, Ukraine's foreign minister told *Reuters*. Speaking at the sidelines of an official visit to Singapore on Monday, Vadym Prystaiko said the countries would also discuss compensation and the investigation into the incident.

Prystaiko said suggestions from Iran that the Ukrainian International Airlines plane was downed as it flew near a sensitive military base during a time of heightened tensions were "nonsense". He said Tehran had agreed to hand over the plane's black boxes to Kiev for investigation.

REUTERS

Phase-I trade deal includes China buying $200 bn American products over 2 yrs: US

PRESS TRUST OF INDIA
Washington, 13 January

China's purchase of $200 billion worth of American products over a period of two years is part of the phase one trade deal with Beijing, the US has said, as the world's two top economic powers look forward to end their bitter two-year tariff war this week.

US President Donald Trump has announced last week that the US will sign the first phase of a pending trade deal with China "probably" on January 15.

"We're signing, as you know, a very big deal among many other things with China...probably on January 15," Trump told reporters at a White House event.

China's commerce ministry on Thursday last confirmed that Vice Premier Liu will be in the US capital from Monday to Wednesday to sign the "Phase One" trade deal with the US.

The phase one deal signals a de-escalation in a trade war pitting the two most powerful economic giants against each other for nearly two years.

The phase one of the trade deal with China includes the country buying $200 billion worth of additional American products, US Treasury Secretary Steven Mnuchin said on Sunday.

In an interview to ABC News, he said, "It is $200 billion of additional products across the board over the next two years, and, specifically, in agriculture, $40 billion to $50 billion." "This is a big opportunity for our farmers. I think some people have questioned whether they can produce it. The president said they are going to go out and buy more land and produce plenty of agriculture (products)," he said in response to a question. Describing it as a "historic transaction", Mnuchin said further talks would be held for the remaining phases.

US markets hit record high

US stock indices hit fresh record highs on Monday on optimism about the imminent signing of a preliminary US-China trade deal as well as the start of the fourth-quarter corporate earnings season.

The S&P 500 gained 0.5 per cent to hit a record high. Google-owner Alphabet Inc rose 0.6 per cent and was set to cross $1 trillion in market capitalisation to join Apple and Microsoft. Dow rose 0.28 per cent in intra-day trade, Nasdaq 0.80 per cent.

US plans to lift China's currency manipulator designation

The United States is planning to lift its designation of China as a currency manipulator, *Bloomberg* reported on Monday, citing people familiar with the matter, as leaders of the two economies are set to sign a phase one trade deal this week. The US Treasury Department will take the step in a semi-annual report that will release soon, according to *Bloomberg*.

REUTERS

Pelosi sees 'enough testimony' against Trump to convict

Top US Democrat Nancy Pelosi has said that she believes the impeachment hearings against Donald Trump produced "enough testimony to remove him from office" when the case moves to the Senate.

Speaker Pelosi will meet with the House Democratic caucus early Tuesday to prepare for the formal vote required to send the two articles of impeachment passed by the House on to the Senate, as early as this week.

The Senate trial is expected to be held quickly, with Republicans holding enough votes to easily dismiss the charges of abuse of power and obstruction of Congress.

Pelosi has withheld the articles since the House impeached Trump on December 18 over allegations that he improperly pressured Ukraine to investigate his potential 2020 election rival Joe Biden, and obstructed the subsequent congressional probe.

Pelosi had hoped to pressure Senate Republican leader Mitch McConnell to agree to allow witnesses and new evidence in the trial. He has not budged, however. Still, she said Sunday that the delay had accomplished important things. "We wanted the public to see the need for witnesses," she told ABC.

"Now the ball is in their court, to either do that or pay a price for not doing it." During the interim, she added, new emails supporting the charges against Trump had emerged, and former national security adviser John Bolton had announced his willingness to testify if subpoenaed.

AFP/ PTI

Queen agrees to 'period of transition' for Harry and Meghan

Queen and family held talks with Prince Harry at rural estate

REUTERS
England, 13 January

Queen Elizabeth has given her blessing to her grandson Prince Harry and his wife Meghan's wish for a more independent future after an urgent meeting on Monday to resolve the rift in the British royal family.

Harry and his American actress wife Meghan triggered the crisis by announcing last week that they wished to step back from royal duties and spend more time in North America.

After a meeting at the queen's rural Sandringham estate in eastern England also attended by Harry's father and heir to the throne, Prince Charles, and his elder brother, Prince William, the 93-year-old Elizabeth said the family supported the couple's plans.

"Although we would have preferred them to remain full-time working Members of the Royal Family, we respect and understand their wish to live a more independent life as a family while remaining a valued part of my family," the monarch said in a statement.

"Harry and Meghan have made clear that they do not want to be reliant on public funds in their new lives. It has therefore been agreed that there will be a period of transition in which the Sussexes will spend time in Canada and the UK." Last week's shock announcement by Harry, 35, and Meghan, 38, the Duke and Duchess of Sussex, exposed divisions in the Windsor family and prompted soul-searching over what it means to be royal in the 21st century.

The couple consulted neither the queen nor Charles before their announcement, made on Instagram and their own website, a step seen as impertinent and premature by a family whose roots go back through a thousand years of European history.

Meghan is currently in Canada with their infant son Archie.

Harry and William deny 'offensive' bullying talk

Britain's Princes William and Harry on Monday issued their first joint statement since the royal crisis, dismissing as "false" a media report alleging bullying by the elder brother as one of the reasons behind the bombshell announcement by Harry and Meghan Markle to "step back" from the royal frontline.

The Duke and Duchess of Sussex made the announcement on Wednesday that they intend to "step back" from being frontline royals, split their time between the UK and North America, and work towards becoming "financially independent". The brothers spoke out to deny a "false" media report, which had alleged "bullying" by William, the Duke of Cambridge, to be among the factors behind the royal split.

PTI

Trai stands its ground as broadcasters go to court

We are against any price distortion to the customer, says Trai chairman

MEGHA MANCHANDA & SOHINI DAS
New Delhi/Mumbai, 13 January

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 (SPN) and Disney India moved Bombay High Court challenging amendments to the new tariff order (NTO).

It limits discounting of channel bouquets and brings down the price of individual channels.

Reiterating its position, Trai, which oversees both the telecom and television sectors in the country, said the amendments suggested on January 1 had been done to correct "distortions" in the market and address pricing issues.

"We are against any price distortion to the customer," Trai chairman R S Sharma said, adding that the body was open to a discussion with stakeholders. "Anyone is free to approach the court. NTO 2.0 is about fine-tuning the first order and is targeted at helping consumers. Trai is not against channel bouquets. The entire exercise of NTO 2.0 is to ease the consumer's pain," said Sharma, in response to concerns raised by broadcasters.

On Friday, the country's top broadcasters, including Star, Sony, Zee, Viacom18, and Discovery had come together in a rare show of solidarity to express their displeasure over the pricing amendments.

"There have been two tariff exercises in less than a year. What was the need to have a second one so soon? It only means that the previous exercise was not thought through, which is why it needed to be tweaked so soon," said Uday Shankar, chairman of Star and Disney in India.

"We had already shared our points of view with the regulator during consultations that happened after the earlier NTO. Trai has chosen to ignore them mostly. We have not had any detailed discussions with the regulator after the January 1 amendments," said N P Singh, managing director (MD) and chief executive officer (CEO), SPN. He is also president of the Indian Broadcasting Federation.

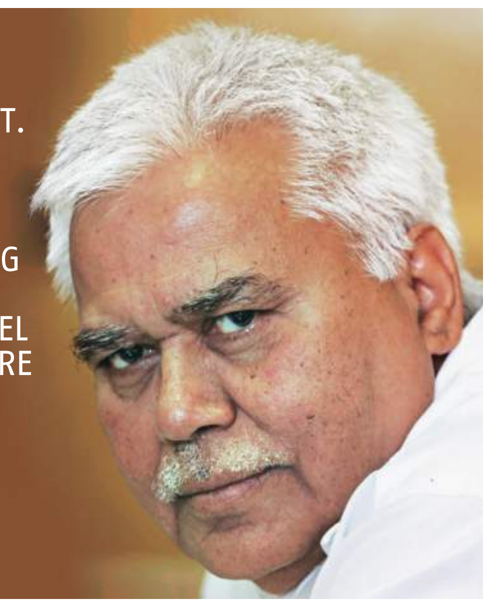
Broadcasters that *Business Standard* spoke to had said they would not publish their new channel prices in line with the sector regulator's deadline of January 15.

Distribution platform operators (DPOs) have been given time till January 30 to come out with their pricing options.

In its defence, Trai said that broadcasters continued to have full flexibility to price their channel as the maximum retail price of any channel remained in forbearance.

The concern of broadcasters, Trai said, regarding placement fee and misuse by a few DPOs manipulating the electronic programme guide had also been addressed.

"ANYONE IS FREE TO APPROACH THE COURT. NTO 2.0 IS ABOUT FINE-TUNING THE FIRST ORDER AND IS TARGETED AT HELPING CONSUMERS. TRAI IS NOT AGAINST CHANNEL BOUQUETS. THE ENTIRE EXERCISE OF NTO 2.0 IS TO EASE THE CONSUMER'S PAIN"
R S Sharma
Chairman, Telecom Regulatory Authority of India



Middle age misery peaks at age of 47.2, says economist

Reaches lowest in developing nations at 48.2

BLOOMBERG
13 January

Middle age is miserable, according to a new economic study which pinpoints 47.2 years old as the moment of peak unhappiness in the developed world.

Dartmouth College Professor David Blanchflower, a former Bank of England policymaker, studied the data across 132 countries to measure the relationship between wellbeing and age.

He concluded that in every country, there is a "happiness curve", which is U-shaped over lifetimes. It reaches its lowest in the developing nations at 48.2. "The curve's trajectory holds true in countries where the median wage is high and where it is not and where people tend to live longer and where they don't," Blanchflower wrote in a study which was distributed on Monday by the National Bureau of Economic Research.

The research has increasing relevance at a time when there is mounting awareness within societies of the importance of safeguarding mental health, especially in the wake of the financial crisis and amid the rise of globalisation. "The resiliency of communities left behind by globalisation was diminished by the Great Recession which made it especially hard for the vulnerable undergoing a midlife crisis with few resources, to withstand the shock," Blanchflower wrote in a separate study, also released by the NBER on Monday.

Dartmouth College Professor David Blanchflower studied data across 132 countries to measure the relationship between wellbeing and age

₹1 for water, power supply if elected in Del, says BJP

PRESS TRUST OF INDIA
New Delhi, 13 January

BJP MP Parvesh Verma on Monday said his party will levy a token charge of ₹1 for water and power supply to the poor people in the city if it wins the upcoming Assembly polls. Slamming the Arvind Kejriwal government's free water and power supply scheme, the West Delhi MP said the token charge will be to honour the "self respect" of the residents of the national Capital.

Verma said he has conveyed his suggestion to the party's manifesto committee and it could be one of the poll promises of the BJP for the Assembly elections slated to be held on February 8.

"People feel they have given back to the government if some token charge is taken. When our government will come, we will not go for zero(bill), we will take a token charge of ₹1 so that the self-respect of people is maintained," he said in reply to a question. sVerma also accused the Delhi government of "betraying" the people of the city on its promise of infrastructure development.

He cited 70 promises of the Aam Aadmi Party before coming to power in 2015, saying the party failed to fulfill its promises of coming up with a power plant, constructing 500 schools and 20 colleges, building primary health centres and water augmentation measures, among others.

Verma said he has conveyed his suggestion to the party's manifesto committee and it could be a poll promise for the BJP

J&K cop who allegedly sheltered terrorists suspended

PRESS TRUST OF INDIA
Srinagar, 13 January

Senior Jammu and Kashmir police officer Davinder Singh was suspended on Monday, even as it emerged that he had sheltered three terrorists, arrested along with him, at his residence here right next to the Army's XV corps headquarters at Badami Bagh cantonment, officials said.

Singh, who was decorated with the President Police Medal about four months ago, continued to be grilled by a team of police and intelligence investigators. His office at Srinagar airport, where he was posted as deputy superintendent of police in the anti-hijacking squad, was sealed, they said. Piecing together the chain of events, the officials said the two terrorists — self-styled district commander of banned Hizbul Mujahideen, Naveed Baba, and Altaf — were taken to the officer's home on Friday by a lawyer Irfan, who the police said was an overground worker for terror groups.

Singh reported absent from duty on Saturday, the day he was apprehended by a team of policemen along with the other three at Mir Bazar on the national highway.

The DySP had applied for leave from Sunday till Thursday, they said. Police had carried out searches at his residence here and seized two pistols and an AK rifle beside a large quantity of ammunition.

Singh, whose name had been cleared for promotion as superintendent of police, is also likely to lose the gallantry medal that was awarded to him last year, the officials said.

The DySP is deemed to have been suspended after having completed 48 hours in police custody, they said.

Thackeray orders safety audit of Maharashtra industrial units

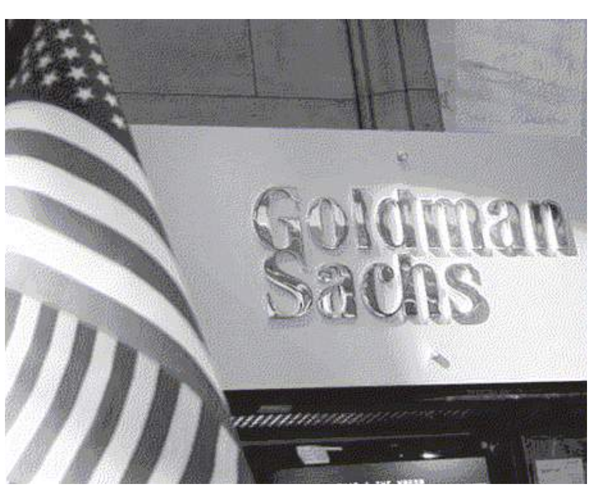
Maharashtra Chief Minister Uddhav Thackeray on Monday ordered a safety audit of all industrial units falling in danger zone in the backdrop of a powerful blast at a chemical factory in adjoining Palghar district that killed eight people.

The blast took place on Saturday evening during the testing of some chemicals at the under-construction plant of Ank Pharma in a Maharashtra Industrial Development Corporation area of Boisar. Seven others, including the unit owner, were injured.

In an official statement issued in the evening, Thackeray ordered the safety audit of all plants across the state that are categorised as danger. PTI

Goldman readies for a hiring spree in China

BLOOMBERG
Hong Kong, 13 January



The news swept through Goldman's offices around China, changing everything.

On a Friday afternoon in late 2017, an official in Beijing announced that the world's most populous nation would let Wall Street banks expand across its markets. Goldman had spent more than a decade waiting in frustration for that chance. Regional bosses including James Paradise and Todd Leland urgently worked the phones, pinning down details to inform headquarters in New York.

Since then, Goldman Sachs Group has spoken publicly only in broad strokes about its strategy for China as the gates come down this year. But inside the firm, a massive effort is taking shape. Three months ago, a team of executives presented a five-year plan for China to the board, calling for the bank to take control of a joint venture it set up with a Chinese securities firm in 2004. Infused with hundreds of millions of dollars in new capital, the unit would embark on a hiring spree to double its workforce to 600 and ramp up a wide variety of businesses.

The strategy—described by senior Goldman executives and others familiar with the plan—shows how Chief Executive Officer David Solomon and President John Waldron are taking up the mantle once carried by former CEO Hank Paulson, betting China will finally make the world's second-largest economy a more level playing field for foreign investment banks. Last year, they traveled to China seven times to meet senior officials, laying the groundwork. Another round of visits is set for 2020.

"We're increasingly optimistic that we're going to have the opportunity to actually move more in the right direction, maybe even faster than we thought," Waldron said in an interview last week. "If you're going to have a successful business in China, you need to have an appropriate relationship with the government because so much happening in China relates to the government."

Revenue Pressure

Global investment banks have been stymied from expanding in China amid its economic rise this century. Its laws required foreign firms do local securities business through joint ventures with Chinese partners, who kept controlling stakes. That put US and European firms in the uncomfortable position of risking their capital without the final say on strategy or deals.

Now, a growing number of banks are seeking permission to take over those entities. Goldman applied in August to increase its stake in Goldman Sachs Gao Hua Securities Co. to 51 per cent from 33 per cent. Internally, executives talk about owning the entire business as soon as possible.

China is opening at a key moment for Goldman, offering the bank another frontier as it faces mounting pressure to find ways to boost revenue. Analysts estimate the bank will confirm this week that revenue fell in 2019. It's expected to brief investors on its broader strategy in coming weeks. Still, its plan to ambitiously ramp up the venture is striking after a decade in which top executives said they didn't want to "overinvest" in winning investment banking mandates from China amid its restrictions. In that time, JPMorgan Chase & Co. and UBS Group Inc. both established a larger presence than Goldman inside the country.

Goldman intends to add to its advisory, markets and merchant banking operations on the mainland. And in a twist, its executives are especially excited about what Waldron calls the potential for "gigantic" growth in its nascent business of tending wealth there. "The biggest opportunity in China is actually not in investment banking," he said. "The biggest opportunity in China is to be an asset manager for all the savings."

Long Wait

It would be understandable if the bank were less enthusiastic about expanding in China, given how long it's waited.

As the country's economy took off in the 1990s, Goldman was among global banks that seized the opportunity, reaping fees by advising government-backed entities on billions of dollars of stock listings. A decade later, the bank made another bundle as China desperately sought to recapitalize its lenders. By 2006, Paulson arranged what was then Goldman's biggest-ever principal bet — a $2.58 billion investment in Industrial & Commercial Bank of China Ltd. that produced an estimated $12 billion in dividends and proceeds by the time the firm unloaded it in 2013.

But hopes of running a wholly owned securities division inside China kept getting thwarted. Paulson made at least 70 trips to China as the firm's leader, for a time becoming the most famous foreigner there who wasn't either a head of state or pop star. When he set up the bank's joint venture with Beijing Gao Hua Securities in 2004, he declared the company was entering "an exciting new chapter." But not too long after Paulson stepped down in 2006, cracks started forming in markets that led to a global credit crisis in 2008. Goldman's star in China faded and officials became highly skeptical of all foreign banks' practices, products and advice, people familiar with their thinking said.

Paulson's successor, Lloyd Blankfein, didn't travel to China as often. Instead, he spent much of his tenure guiding the firm through the fallout of the crisis, adjusting strategy for an era of stiffer regulation and capital requirements. While Blankfein publicly proclaimed this as China's century, he and other bank chiefs struggled to persuade reluctant Beijing officials to open their market. After the government took some steps, its suspicions of banks such as Goldman flared anew in 2015 when the nation's stock market swooned. The expansion Paulson sought to set up for Blankfein never materialized.

The result is that Goldman has booked relatively paltry profits onshore, instead focusing mainly on helping Chinese clients tap markets abroad. Inside China, the bank's best year was 2015, when it generated roughly $120 million in revenue from investment banking, asset management and brokerage operations with its Chinese partner, according to filings by Gao Hua Securities Co. Its onshore revenue in 2018 equates to far less than 1 per cent of what the country's entire securities industry generated that year.

China's Surprise

Blankfein happened to be in Beijing with President Donald Trump in November 2017 as China prepared to make its surprise declaration about opening its market for financial firms. Somewhat famously, Trump didn't know it was coming. Blankfein boarded a plane before the announcement, and if he knew about it, he didn't let on. Inside Goldman, executives who had worked directly with the government and suspected something was afoot were caught off guard. "There was an instant reaction internally," Paradise recalled in an interview, snapping his fingers. He and Leland oversee Goldman's businesses in the Asia-Pacific region except for Japan. "And the first people to see and read that news were people in this time zone."