

**"India is engrossed with the anti-CAA, anti-NPR protests. If unemployment rises and incomes decline, there is the danger of youth, students exploding in anger"**

P CHIDAMBARAM


Congress leader



**"Apologies to those who found my quote about 'power without responsibility' offensive. It's an old line from British politics, going back to Kipling & Stanley Baldwin, & by Tom Stoppard. Its use today was inappropriate"**

SHASHI THAROOR

Senior Congress leader




**"How literate need to be educated! Perfect example. Precise reason for CAA is to grant opportunities to persecuted minorities from Bangladesh, Pak, & Afghanistan. How about granting these to Syrian Muslims instead of Yazidis in US?"**

MEENAKSHI LEKHI

BJP MP, on Microsoft CEO Satya Nadella's remarks

IN BRIEF

## India's annual power demand grows at slowest pace in 6 yrs



India's annual electricity demand in 2019 grew at its slowest pace in six years, with December marking a fifth straight month of decline, the government data showed, amid a broader slowdown that led to a drop in sales of everything from cars to cookies and factories cutting jobs.

Electricity demand fell for the fifth straight month, the data from the Central Electricity Authority showed. However, monthly demand picked up in Maharashtra and Gujarat, two of India's most industrialised provinces. Power demand fell 0.5 per cent in December from the year-ago period, representing the fifth straight month of decline, but it was better than the 4.3 per cent fall in November. Power demand is seen as an important indicator of industrial output, and a sustained decline could mean a further slowdown. India's demand grew at 1.1 per cent in 2019, the slowest pace of growth since the 1-per cent uptick seen in 2013. The power demand growth slowdown in 2013 was preceded by three strong years of consumption growth of 8 per cent or more.

REUTERS

### SBI cuts rates on some retail term deposits by 15 bps

SBI has reduced interest rates on retail term deposits by 15 basis points on certain tenures, effective January 10. The reduction in interest rates are for long-term fixed deposits (FDs) below ₹2 crore. The lender has cut interest rates on FDs maturing in one-year to 10 years to 6.10 per cent.

PTI

### RBI lifts restriction on CSB Bank on opening branches

The Reserve Bank of India (RBI) has lifted a restriction it has imposed on Fairfax-backed CSB Bank on opening new branches, in view of the delayed initial public offering. The bank said the regulatory restrictions by the RBI on opening new branches, through their letter in January 30, 2015, was lifted with effect from January 10.

BS REPORTER

### SAT upholds Sebi's order levying fine of ₹2,423 cr on PACL

The Securities Appellate Tribunal on Tuesday upheld the fine of over ₹2,423 crore levied by Securities and Exchange Board of India on four directors of PACL for illegal fund mobilisation through various schemes from public.

PTI

### Hallmarking of jewellery to be notified today

Consumer Affairs Minister Ram Vilas Paswan on Tuesday said the Centre would issue a notification on Wednesday to make hallmarking of gold jewellery and artifacts mandatory. The announcement was made a month ago, but the industry was awaiting notification.

PTI

### Iranian foreign minister arrives on 3-day India visit

Iranian Foreign Minister Javad Zarif arrived in New Delhi on Tuesday on a three-day visit to India in the midst of spiralling tension between his country and the US. On Wednesday, he will meet Prime Minister Narendra Modi and also deliver a lecture at the Raisina Dialogue.

PTI

### Cholamandalam gets shareholders' nod to raise ₹1K cr

Cholamandalam Investment and Finance Company, the financial services arm of Murugappa Group, has got nod from shareholders to raise up to ₹1,000 crore by way of qualified institutional placement.

BS REPORTER

### Punjab National Bank appoints EY consultant for merger of PSBs

Punjab National Bank, the anchor bank for the merger with Oriental Bank of Commerce and United Bank of India, has appointed EY consultant for the process. Thirty-four committees have been formed, with each having representatives of three banks, to formulate policies related to human resources, information technology, and products, among other verticals. The banks have submitted their recommendations. Meanwhile, a steering committee of chief executives of the three banks is also likely to give its suggestion by the end of this month. "The anchor bank has appointed EY as consultant. They will study the suggestions of each of the banks. If there are certain areas which need to be harmonised in tune with the industry, they will suggest that," said Ashok Kumar Pradhan, managing director and chief executive officer, United Bank of India.

NAMRATA ACHARYA & ISHITA AYAN DUTT

# Monetary policy specialist Patra named RBI dy guv

ANUP ROY  
Mumbai, 14 January

Michael Debabrata Patra, 59, has been appointed Reserve Bank of India (RBI) deputy governor for three years. The post fell vacant after Viral Acharya resigned on July 23 last year.


Patra, as executive director of the central bank, was principal advisor to the monetary policy department since July 2012. He was also an internal member of the monetary policy committee (MPC). He was on deputation at the International Monetary Fund (IMF) as senior advisor to executive director (India) from December 2008 to June 30, 2012. During the period, Patra was advising the executive board of the IMF in dealing with the financial crisis and the Euro area sovereign debt crisis.

"A practising central banker from inside the system and remarkably familiar with Indian financial markets, Dr Patra is *sine qua non* for monetary

polycymaking," said Soumya Kanti Ghosh, group chief economic advisor to State Bank of India. "Dr Patra has also pioneered research in the Indian context on monetary conditions index, exchange rate pass-through, market microstructure, and monetary policy without money," Ghosh said.

While Patra was seen as a favourite for the post, other high-profile names were in contention and that may explain why the government took six months to fill the vacancy. With Patra's appointment, the RBI has four deputy governors. Patra is likely to get the monetary policy department, headed by Deputy Governor B P Kanungo. The RBI members of the MPC will have to be reshuffled as the executive director succeeding Patra in the RBI should be the new inductee in the committee.

Patra is much loved among his colleagues in the department. "Patra listens attentively to even the junior-most officer and is open to ideas," one



**MICHAEL PATRA IS KNOWN FOR HIS HAWKISH STANCE, PREFERRING RATE HIKES AT ANY HINT OF INFLATION FIRING UP. HE, HOWEVER, ADVOCATED RATE CUTS AFTER SHAKTIKANTA DAS BECAME THE GOVERNOR, ANTICIPATING A SLOWDOWN IN GROWTH**

of his colleagues said.

Like Governor Shaktikanta Das, Patra can be expected to adopt a consultative approach with stakeholders in policymaking. Sitting next to the governor in policy meetings, Patra can be seen answering critical technical questions in a lucid manner. He prefers

staying off the limelight, but when it comes to media workshops on policy, he is there to communicate the complex work in a simple manner.

Soft-spoken, articulate, and celebrated for his research, Patra was known for a hawkish stance, preferring rate hikes at any hint of inflation firm-

ing up. However, he advocated rate cuts after Das became the governor, anticipating a slowdown in growth. His penchant for checking inflation was obvious because Patra was a key architect of the policy framework that aimed for flexible inflation targeting.

According to the mandate, the RBI will try to keep CPI inflation at 4 per cent, with a band of 2 percentage points on either side. If the inflation moves outside 2-6 per cent for three successive quarters, the RBI will have to give a written explanation to the Centre why it failed to contain. While that is unlikely now, even as inflation has hit a 65-month high of 7.35 per cent in December, Patra's expertise in handling inflation would be required at a time when the RBI is also grappling with slowdown.

To revive growth, the RBI would be required to cut rates and pump up liquidity support. But that threatens to push up inflation even further.

# Vegetables drive Dec WPI inflation to 7-mth high...

Surges to 2.59%; core deflation indicates sluggish manufacturing growth

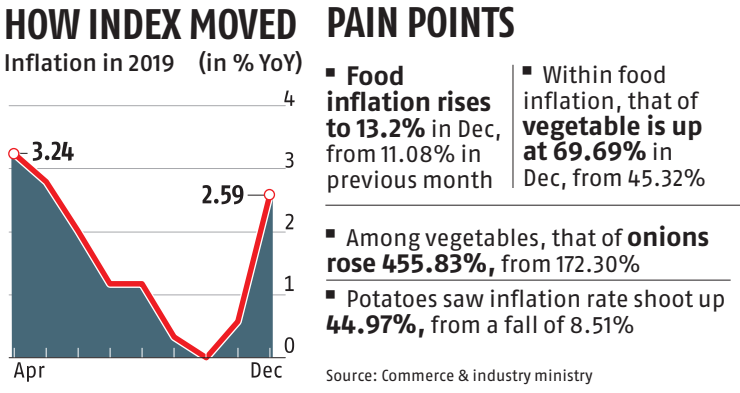
INDIVIAL DHASMANA  
New Delhi, 14 January

The wholesale price-based inflation rate rose to a seven-month high of 2.59 per cent after prices remained almost flat for the previous three months.

Like its retail counterpart, inflation in food items drove up the inflation rate that had stood at 0.58 per cent in the previous month, 0 per cent in October, and 0.33 per cent in September. The inflation had stood bit higher at 3.46 per cent in December 2018.

Since food items have a low weighting at 15 per cent in the wholesale price index (WPI), compared to 45 per cent in the consumer price index (CPI), the inflation rate in the former still seemed moderate in December, compared to over five-year high of 7.35 per cent in the latter. The biggest pain points were vegetables, be it onions or potatoes.

"The double-digit primary food inflation of 13.2 per cent in December 2019, driven by 70 per cent inflation for vegetables, remains a source of concern," Aditi Nayar, principal economist at ICRA, said.



### Centre fears imported onion stock may rot

Forced to import onions to check spike in prices, the Centre now fears that the kitchen staple may rot in godowns as states have shown little interest in buying them despite its offer to bear transportation cost. Consumer Affairs Minister Ram Vilas Paswan said the Centre was offering onions to states at ₹55 per kg landed cost and is ready to bear the cost of transporting the commodity. While the Centre alone can import onions, it depends on states for retailing them to consumers.

AGENCIES

Core deflation indicates slowing growth in the manufacturing category.

"Slowdown in the economy has

left the manufacturing sector with very little pricing power," Sunil Kumar Sinha, principal economist at India Ratings and Research, said.

# FMCG companies may hike prices by 5-10%

The last of a two-part series looks at how commodity price inflation is prompting firms to increase prices

**ARNAB DUTTA & SANJEEB MUKHERJEE**

New Delhi, 14 January

A few months ago, Suresh Narayanan, chairman and managing director of Nestlé India, told *Business Standard* he was worried about the rising prices of agri-commodities, such as milk and sugar, which indicated there were inflationary pressures on the horizon. Commodity prices needed to cool down in 2020 to revive growth in the already struggling fast-moving consumer goods (FMCG) market, he said.

However, with commodity price inflation showing no signs of heading down, price hikes on a host of FMCG products are on the cards. And this may stymie the chances of a revival in the sector any time soon.

Poor economic growth and job cuts have led rural and urban households to cut on expenditures. As prices of key raw



**KITCHEN BLUES**

materials such as milk, sugar, wheat, palm oil and potato rise, consumers of dairy products, value-added dairy products, biscuits and confectionery items and potato chips are likely to cut back on their purchases further.

Sources say that depending on the products, manufacturers are now contemplating a direct price hike in the range of 5-10 per cent, or a reduction in the weight of packed products by about 3-8 per cent.

According to Krishnan Sambamoorthy, senior vice-president at Motilal Oswal, companies like Nestlé India and Britannia may consider revising prices of products such as baby food and biscuits.

"Given their broader margins, Nestlé India has the headroom to absorb the rising cost of raw materials to some extent. However, they also have pricing power in markets like baby food, where they are the market leader,"



Sambamoorthy said. Narayanan of Nestlé said that the cut in corporate tax rate would help the company absorb some of the future cost burden. However, it may still go for selective price hikes.

While milk is a smaller component in Britannia's portfolio, the inflation in the prices of other commodities may lead the company to revise the prices of several of its products.

### THE FALLOUT

- Growing agri-commodity prices is pushing FMCG manufacturers towards price hikes
- Cola and juices, however, set to remain immune to inflation as long-term contracts may

- act as saviour
- Rising prices of commodities may in turn improve income of rural households
- Better household income in rural areas has potential to improve growth in FMCG market

20% By which the prices of dairy and value-added dairy products may go up

10% By which the packs of biscuits and confectionery items may become lighter

Sanjiv Puri, chairman and managing director, ITC, which is one of the largest FMCG firms in the country, too, said recently that the company may have to raise prices as a result of commodity price inflation. ITC is the largest player in the branded wheat flour market and has a diverse FMCG food portfolio, including brands like Bingo! and Sunfeast.

An ITC spokesperson said: "While the

increase in commodity prices is a challenge, we evaluate price revisions based on multiple factors." He added that the manufacturer would continue to focus on "enhancing internal efficiencies and portfolio optimisation".

Though PepsiCo, the largest player in the branded potato chips market, did not respond to a questionnaire, sources say that it may consider reducing the weights of its packs. Instead of raising prices, which are set at key price points, reduction of pack sizes is a tried-and-tested formula in the packaged snacks industry. Soapmakers are also jittery, thanks to the uptick in palm oil prices. Leading players such as Godrej Consumer and Wipro Consumer are taking a relook at their pricing.

However, the prices of cola drinks and juices may remain stable. Though sugar prices have surged in the past, market leaders Coca-Cola and PepsiCo have shied away from increasing prices. According to a senior executive at one of the cola manufacturers, long-term supply contracts and operational efficiency will help them mitigate the additional cost, if any.

"The trend indicates significant pressure on the margins of FMCG manufacturers and the next two months

will be crucial as any further increase in the prices of commodities will aggravate the situation," said Abneesh Roy, senior vice-president at Edelweiss Securities.

However, the inflation does have one positive impact. While consumers may have to bear the additional cost burden, better realisation on farm yields may help the struggling rural economy.

"It has the potential to increase the incomes of rural households, which in turn may improve demand in rural areas — a key concern for most FMCG players," said Roy.

During the September 2019 quarter, the volume uptake of packaged food products in the rural market fell by 2 per cent, compared to a 19 per cent jump in the same quarter in 2018. The data from market analysis firm Nielsen shows that the extent of de-growth was the same for the non-food packaged FMCG category in July-September 2019, compared to a 16 per cent growth during the same period last year.

Moreover, while the rural market comprises some 40 per cent of the sales for the FMCG sector, it contributed a whopping 60 per cent towards the current slowdown. Most market analysts, including Roy, now expects the volume growth in the FMCG sector to revive only towards the end of the April-June quarter of 2020.

Series concludes