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Business Standard

ECONOMY & PUBLIC AFFAIRS P5

INDIA PRISONER OF PAST IMAGE, MUST GET OVER IT: JAISHANKAR

ECONOMY & PUBLIC AFFAIRS P5

SCRAPPING 370 DISRUPTED PLANS OF 'WESTERN NEIGHBOUR': ARMY CHIEF

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

THE MARKETS ON WEDNESDAY		Chg#
Sensex	41,872.7▼	79.9
Nifty	12,343.3▼	19.0
Nifty futures*	12,378.0▲	34.8
Dollar	₹70.8	₹70.9**
Euro	₹79.0	₹78.9**
Brent crude ($/bbl)##	64.4##	64.9**
Gold (10 gm)###	₹39,654.0▲	₹179.0

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

US, CHINA RESET TRADE RELATIONSHIP WITH PHASE 1 AGREEMENT

The US and China announced an initial trade deal on Wednesday that will roll back some tariffs and boost Chinese purchases of US goods and services, defusing an 18-month conflict between the two economies. The centerpiece of the deal is a pledge by China to purchase at least an additional $200 billion worth of US farm products and other goods and services over two years. 13▸

BACK PAGE P24

Now, switch on/off your card for online payment

The RBI on Wednesday told banks that any fresh card issued should be only for physical use within India, such as in ATMs and PoS devices. Internet and other facilities can be activated only when the customer specifically requests for the same. Customers will also have the option to cap the amount in any kind of transaction, for both physical and internet use, the central bank said.

COMPANIES P2

Huawei likely to conduct 5G trials for Airtel, Voda

Chinese telecommunications equipment maker Huawei is expected to conduct 5G trials for Bharti Airtel and Vodafone Idea, sources said, as the central government finalises trial runs before the spectrum auctions. It is learnt that the two telecom operators have also chosen ZTE, Nokia and Ericsson for conducting the 5G trials.

ECONOMY & PUBLIC AFFAIRS P23

New Parliament, PM house before 2024

If you are troubled by traffic restrictions around 7, Lok Kalyan Marg — the Prime Minister's residence — when the PM moves out for his daily visit to South Block, you may get some respite soon. Vacating the decades-old official residence that has been the home of nine prime ministers, the PM may move to a new home by 2024.

BACK PAGE P24

Corporate affairs ministry proposes Unitech takeover

The Ministry of Corporate Affairs on Wednesday submitted a proposal to the Supreme Court for taking over the management of the troubled real estate company Unitech, in a move that could bring relief to homebuyers. Two senior government officials confirmed the development, saying a note has been given through the Attorney General, based on the suggestions of the apex court.

BS SPECIAL ON THURSDAY

PERSONAL FINANCE: Video KYC will make life simpler 22▸

While it will be consent-based, banks will need to put in strict security to protect data, writes BINDISHA SARANG

Bezos bets on 'Indian century', gives MSMEs $1-billion push

Commits to exporting $10 bn India-made goods by 2025

NEHA ALAWADHI & SUBHAYAN CHAKRABORTY
New Delhi, 15 January

Amazon.com Inc Founder and Chief Executive Officer Jeff Bezos said on Wednesday that his company would invest an additional $1 billion (about ₹7,000 crore) to help bring small businesses online in India, and also committed to using the retail giant's "size, scope and scale" to export $10 billion of made-in-India goods by 2025.

Bezos' India visit — for the maiden edition of his firm's micro, small and medium enterprises (MSME)-focussed event, Amazon Smbhav — comes at a time when the Competition Commission of India (CCI) is probing his company, as well as Walmart-owned Flipkart, on complaints of deep discounting practices and tie-ups with preferred sellers.

Seeking to reach out to critics, Bezos, donning traditional Indian attire, said his company was committed to being a long-term partner of India.

"Actions speak louder than words," he added, addressing a packed house here.

"We're making this announcement now because it's working...When something works, you should double down on it. I want to make a prediction for you. I predict that the 21st century is going to be the Indian century. The dynamism, the energy... everywhere I go here, I meet people who are working in self-improvement and growth. This country has something special, democracy," he said. Turn to Page 21▸

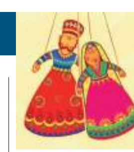
Amazon CEO Jeff Bezos with Amit Agarwal, senior VP & country head, Amazon India, during the Amazon Smbhav event at the Jawahar Lal Nehru stadium in New Delhi PHOTO:DALIP KUMAR

IN NUMBERS

550,000 Sellers on Amazon marketplace in India

1.8 mn Amazon Pay merchants

100 Digital *haats* it plans to set up, expanding the existing neighbourhood/*kirana* shop programme



800,000 Artisans, weavers enabled through Amazon Kaarigar programme

BIYANI-BEZOS MEETING SLATED FOR TOMORROW P3

Amazon boss charms sellers as Murthy cuts speech to 5 min

SUBHAYAN CHAKRABORTY & NEHA ALAWADHI
New Delhi, 15 January

After weeks of riot control duty in one of the coldest winters, Shalander Kumar was at peace on Wednesday morning. The Delhi Police constable patiently guided a large gathering at the Jawaharlal Nehru Stadium (JNS), but not for a concert or a sporting event. "The richest man in the world is coming today," Kumar said, explaining the extraordinarily long queues.

Amazon CEO Jeff Bezos, at $117-billion net worth, didn't disappoint the crowd. "The goal is to ensure more people can participate in the prosperity of India. This jacket that I'm wearing was given to me by one of the SMBs (small and medium businesses) that I visited outside," Bezos said amidst much cheer. The Nehru or maybe the Modi jacket that he wore added to the charged atmosphere. The enchanted gathering didn't care that Bezos arrived fashionably late.

But keynote speaker Infosys cofounder NR Narayana Murthy, who has business relations with Amazon, was clearly upset with the event starting late. "We are delayed by an hour and a half. I was supposed to speak for 20 minutes, but I will finish it in five minutes because I'm not used to delays," Murthy said from the podium without mincing words. Turn to Page 21▸

AMRAPALI-JPMORGAN CASE

ED investigates 'ultimate beneficiaries'

SHRIMI CHOUDHARY
New Delhi, 15 January

The Enforcement Directorate (ED) is probing the "ultimate beneficiaries" of the Amrapali group's homebuyers' money, allegedly diverted abroad through shell firms in collusion with investment banking firm JPMorgan India, according to an official at the federal agency.

Even though the ED is evaluating the Indian assets of JPMorgan India to make provisional attachment as directed by the Supreme Court, it has also found violations of provisions in relation to anti-money laundering laws.

This follows an investigation into violation of forex rules involving foreign direct investment of ₹85 crore and ₹140 crore by JPMorgan and Amrapali group firms (Amrapali Zodiac Developers, Amrapali Silicon City), respectively, between 2010 and 2012. During the FEMA proceedings, 19 persons/entities were examined. The total foreign exchange transaction in these entities is pegged at ₹1,100 crore, according to the ED investigation report.

The ED report revealed that Amrapali Group and its directors created a web of shell companies and dummy directors in collusion with the foreign investor (JPMorgan) and had diverted ₹140 crore of homebuyers' money. The funds were routed to shell companies using sham transaction by re-purchasing the shares at a steep price.

Explaining the transactions, the ED report said equity shares of Amrapali Zodiac Developers were allotted to promoters of the company at a premium of ₹180 per share in September 2010 and to the foreign investor — JPMorgan India Property Mauritius Company II, at the premium of ₹1,070 per share within a gap of just 10 days.

This was done without any change in the business model of the company or any significant or sudden gains during the period, it noted. Later, the promoters of developers re-purchased the share of the foreign bank at an exorbitantly high premium of ₹2,280, ₹2,560 and ₹3,000 per share.

The face value of the share was ₹10 per piece in 2009 when Amrapali Zodiac was incorporated with authorised share capital of 10,000 shares worth ₹100,000. Turn to Page 21▸

ED'S FINDINGS

- Amrapali group's assured returns to JPMorgan under foreign direct investment (FDI) were unauthorised in nature
- ECB borrowing made in the guise of FDI
- Shares of Amrapali Zodiac wrongly transferred by JPMorgan to two Indian developers
- Unauthorised place of business in India by the foreign investor group company without RBI approval
- Developer diverted homebuyers' money through dummy companies, obtained investment from JPMorgan

Jet gets two suitors, Hindujas back out

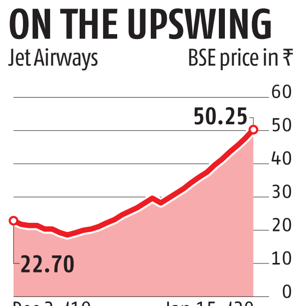
Deadline for EoI submission ends

ANEESH PHADNIS & SUBRATA PANDA
Mumbai, 15 January

South America-based Synergy Group and Delhi-based Prudent ARC have submitted expressions of interest (EoIs) for the revival of Jet Airways. The deadline for the submission of EoIs ended on Wednesday.

Sources said the Hinduja Group had explored investing in the beleaguered airline, but backed out later because it found no value. A Dubai-based fund, too, had evinced interest in investing in the grounded airline, but did not submit an offer.

ON THE UPSWING



Source: BSE

This is the second time that the lenders to Jet called for EoIs. The first round of bidding did not result in any resolution plan for the revival of the airline. The lenders gave ample time to prospective suitors by extending the deadline time and again.

Shares of Jet were locked in the 5-per cent upper circuit for a twelfth straight day, at ₹50.25 on the BSE, on Wednesday. The stock was trading at its highest level since July 18, 2019. With Wednesday's gain, the stock price of Jet has jumped three-fold, up 233 per cent in less than three months, from its record low level of ₹15.10 hit on October 22, 2019.

Synergy Group, one of the suitors, has sold slots at London's Heathrow airport are critical to the airline's operations and will decide on participating in the resolution only if it gets clarity. The group has also set other riders to revive the airline. It wants to form a new company with its assets, employees, and operating permit but minus all liabilities. As of now, Synergy Group has not found an Indian partner who will take majority control of the airline. Central government norms cap foreign investment in the airline at 49 per cent. Turn to Page 21▸

BlackRock's clean-up may hit Indian firms

JYOTI MUKUL & SHREYA JAI
New Delhi, 15 January

The world's largest asset manager BlackRock's announcement that it will pull out its investments in companies that get 25 per cent of their revenues from thermal coal production, besides making no future direct investment in such firms, could shrink the bouquet of investors for players like NTPC, the Adani group and Coal India (CIL).

"We are in the process of removing from our discretionary active investment portfolios the public securities (both debt and equity) of companies that generate more than 25 per cent of their revenues from thermal coal production, which we aim to accomplish by the middle of 2020," BlackRock's 19-member Global Executive Committee said in a letter to clients.

As part of evaluating sectors with high environment, social and governance (ESG) risk, the asset manager with a $7 trillion investment portfolio said it would "closely scrutinise other businesses that are heavily reliant on thermal coal as an input, in order to understand whether they are effectively transitioning away from this reliance". Turn to Page 21▸

EXPOSURE TO INDIAN COAL & COAL-BASED FIRMS

(Holding in $ million)

Company	Holding
NTPC	50
Adani Transmission	26
Adani Ports & SEZ	19
Coal India	2

Source: BlackRock annual report and audited financial statements (Aug 2019)

Larry Fink, chairman and CEO, BlackRock

EXPORTS CONTRACT FOR 5TH MONTH IN DEC

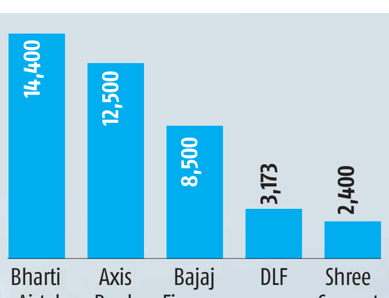
Exports contracted for a fifth straight month in December, as processed petroleum exports saw lower receipts and a broad-based decline continued to plague all major foreign exchange earning sectors, according to data released on Wednesday by the commerce and industry ministry. The decline in exports stood at 1.8 per cent in December, higher than the 0.3 per cent fall in November. Outbound trade contracted for the sixth month out of the first nine months of financial year 2019-20 (FY20). 4▸

Bharti Airtel's mega issuance buoys outlook for fundraising

ISSUANCES PICK UP

Large QIP transactions in the past one year

(In ₹ crore)



Source: Prime Database

Investment bankers expect QIP issuances to jump significantly this year

SAMIE MODAK
Mumbai, 15 January

Telecom major Bharti Airtel's $2-billion fundraising has boosted the prospects for the new year, particularly through the qualified institutional placement (QIP) route. Underpinned by a broad rally in the secondary market, corporate India will raise a significantly higher amount than it did last year through fundraising instruments such as QIPs and block deals, according to market experts.

In the last calendar year, around ₹35,000 crore was raised – more than double what was mopped up in 2018 — by about a dozen companies to fund their business requirements.

This year, Bharti has already closed its ₹14,400-crore QIP, while others including Avenue Supermarts and some financial firms intend to close their share sales before the end of the fiscal year. Encouraging performance of recent QIPs and momentum in the stock market are giving issuers and bankers the confidence to launch mega deals, say industry players. On the other hand, several large investors — both domestic as well as global — are showing appetite to invest large sums in companies with good track record, they add.

"This year will definitely be a good year for capital raising. Already, we have seen an uptick in the past few months. We believe QIP could be the preferred mode of fundraising for corporate houses, given its quick turnaround time. In large-caps and select mid-caps, there will be good demand. As the rally gets more broad-based, we will see further improvement in appetite for new papers," said Sudhir Bassi, executive director at Khaitan & Co.

Global risk appetite has been favourable this year with most world markets, including the US and India, logging new record highs. More importantly, the economic environment is seen supportive for equities for the rest of the year. Unlike last year, the rally in the market hasn't been restricted to large-caps. So far this year, the NSE Midcap and NSE Smallcap indices have gained 4.3 per cent and 6.8 per cent, respectively. In comparison, the benchmark Nifty has gained just 1.4 per cent.

AIRTEL MOPS UP $2 BN AT ISSUE PRICE OF ₹445/SHARE PAGE 2

V Jayasankar, head of equity capital markets, Kotak Investment Banking, forecasts that equity fund mobilisation, including QIPs, IPOs and block deals, would be 30 per cent higher in 2020 compared to last year. "For institutional investors QIPs and block deals present an opportunity to acquire a large quantity of shares in a company. Normally, it is difficult to pick such large quantity from the secondary market without moving the price," he said during a recent media interaction to discuss fundraising outlook.

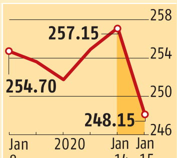
Fresh fundraising is also seen as a good sign from the broader economic point of view.

"Buoyant primary markets are generally precursors of strong underlying economic growth as they help channelise household savings. Much like 2019, appetite for high-quality companies targeting QIPs will generate strong interest this year as well. Last year marked the re-emergence of QIP with investors giving a thumbs-up to high-quality large issuances from companies such as Axis Bank, Bajaj Finance, Shree Cement and PVR," says a note by Edelweiss titled 'a zestful year on the anvil'.

Market players say access to equity capital will give companies the confidence to chalk expansion plans to benefit from an upturn in the economy.

STOCKS IN THE NEWS

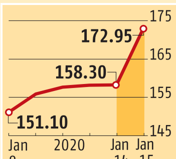
Wipro



Q4 revenue guidance lower–than–expected at 0.0% to 2.0%

₹248.15 CLOSE ▼ 3.50% DOWN*

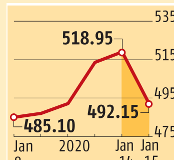
Chambal Ferilisers & Chemicals



Ministry discussing revamping fertiliser subsidy system

₹172.95 CLOSE ▲ 9.25% UP*

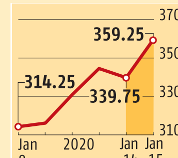
Bandhan Bank



Q3 profit missed estimates as it made additional provisions of ₹200 crore

₹492.15 CLOSE ▼ 5.16% DOWN*

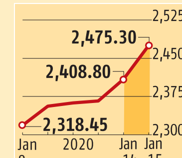
Prestige Estates Projects



Top gainer among Nifty Realty index stocks

₹359.25 CLOSE ▲ 5.74% UP*

Hero MotoCorp



Top gainer among the S&P BSE Sensex stocks

₹2,475.30 CLOSE ▲ 2.76% UP*

* OVER PREVIOUS CLOSE

IN BRIEF

Fresh round of layoffs at Oyo, 150 staff likely to be impacted

Oyo is likely to ask more employees to leave in the coming weeks, as the hotel and hospitality aggregator looks to streamline its operations and focus on profitability. Employees between 100 and 150 are likely to be affected in this round of job cuts. The bulk of this fresh round of layoffs will be from its cloud kitchen business, which has about 200–300 employees in India. Last year, Oyo had dabbled cloud kitchens, or cooking only to fulfil orders placed through food ordering portals like Swiggy and Zomato. It launched four cloud kitchen brands — Adraq, O Biriyani, Paratha Pandit and Master of Momos. "The company had started these kitchen on an experimental business, and as the focus shifts to showing profitability under pressure from investors, about 50 per cent of the people from the cloud business will be asked to leave," said a person aware of the issue, who did not wish to be named. Of the four, the Biriyani business is the one the hospitality firm will most likely keep, given they receive higher orders, this person said. In the beginning of this week, Oyo was learnt to be letting go of about 1,000 people in India as it looks to streamline its operations across job roles and locations in India. **NEHA ALAWADHI**

KKR to infuse $150 mn into Indian NBFC arm

Amid liquidity squeeze faced by non–bank lenders, global buy–out major KKR on Wednesday said it will infuse $150 million into its Indian non–banking financing company. The capital commitment will enhance the KKR India Financial Services' ability to provide loans to local companies by bolstering the financial position, an official statement said. The NBFC sector has been in troubles for over a year now, starting with the collapse of infra–focused IL&FS, triggering a liquidity crisis. **PTI**

Startek appoints Aparup Sengupta global CEO

Former Aegis Chairman Aparup Sengupta has been appointed executive chairman and global CEO of Startek, an NYSE–listed business process outsourcing company. He replaces Lance Rosenzweig, who is stepping down from his role to pursue other opportunities. With over 20 years of executive experience in the BPO and telecommunications industry, Sengupta has served as Startek's chairman of the board of directors since the business combination with Aegis in 2018. **BS REPORTER**

Sops to woo Apple, Samsung suppliers on table

The proposals floated by MeitY include offering of interest subsidy on local borrowing by manufacturers

BLOOMBERG
15 January

The government is considering a plan to offer subsidised loans to mobile handset manufacturers in a bid to attract Apple and Samsung Electronics's suppliers to open factories in the nation, said a government official.

BUDGET INSIGHT OUT 2020-21

The proposals by the Ministry of Electronics and Information Technology includes offering interest subsidy on local borrowing by manufacturers, may form part of the federal budget to be unveiled on February 1, the official said, asking not to be identified citing rules on speaking to the media. It also includes setting up of industrial zones equipped with taxation and customs clearance, along with infrastructure such as roads, power and water supply, the official said.

India plans to make $190 billion worth of mobile phones by 2025 from $24 billion now, the official said. Two calls made to the spokesman of the ministry remained unanswered.

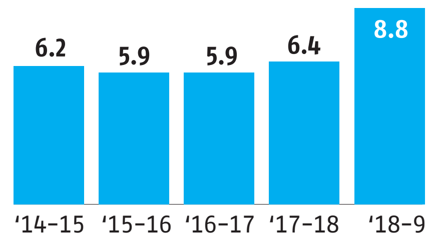
Prime Minister Narendra Modi's government, which is under pressure to bring down a jobless rate that's the highest in 45 years, wants to attract overseas component makers and help boost the share of manufacturing in Asia's third-largest economy to a quarter of the nation's gross domestic product. Modi's flagship "Make in India" programme has been foundering as poor road and port facilities deter investors.

There has been some success. Foxconn Technology Group, the largest assembler of Apple handsets, is ramping up manufacturing of iPhones in India. It already has two factories in the southern Indian states of Andhra Pradesh and Tamil Nadu, where it makes devices for Xiaomi and Nokia. Adding more production in India would help Apple and Foxconn diversify from China amid ongoing trade tensions with the US.

The proposals have been forwarded to the finance ministry but no decision has been taken, the official said. With the manufacturing of high-end mobile handsets for Apple and Samsung, India plans to shift its export focus to Europe and the US, the official said.

NORTHWARD BOUND

India's electronic exports have been touching a new high every year (in $ billion)



Airtel mops up $2 billion at issue price of ₹445 per share

Issue price is at a discount of 1.57% to the stated floor price of ₹452.09 per equity share

MEGHA MANCHANDA
New Delhi, 15 January

Bharti Airtel on Wednesday announced allotment of 323.5 million equity shares to eligible institutional buyers at an issue price of ₹445 per share as part of its $ 2-billion (around ₹14,000 crore) qualified institutional placement (QIP) that closed on Tuesday.

The issue price was at a discount of 1.57 per cent to the stated floor price of ₹452.09 per share.

Airtel announced the closure of this issue period for the qualified institutional placement (QIP) and fixed the issue price at "₹445 per equity share, which is at a discount of 1.57 per cent to the floor price of ₹452.09 per equity share".

The firm is raising funds to make payments towards its adjusted gross revenue (AGR) liability.

The net proceeds of the funds raised will primarily be used to augment the company's long-term resources and strengthen balance sheet, servicing and/or repayment of short-term and long-term debts, capital expenditures, statutory dues, long-term working capital requirements, and general corporate purposes as permitted under applicable laws, the company said.

"Despite a volatile market environment and challenging global macroeconomic conditions, the offering witnessed a strong response from global and domestic investors. This underlines Airtel's growth oriented financial performance and future growth potential of our business and the sector," Harjeet Kohli, group director, Bharti Enterprises, said. Bharti Airtel has to pay about ₹35,586 crore in additional statutory dues, as a result of a Supreme Court ruling in October on AGR liabilities of telecom companies.

Earlier this month, the firm's shareholders approved proposals to raise $2 billion in equity and another $1 billion in debt.

Airtel announced the closure of this issue period for the QIP and fixed the issue price at "₹445 per equity share, which is at a discount of 1.57 per cent to the floor price of ₹452.09 per equity share".

The equity shares are being allotted to eligible qualified institutional buyers, the company said in a regulatory filing. The special committee of directors for the fundraising exercise also cleared the terms of foreign currency convertible bonds (FCCBs), including the issue price.

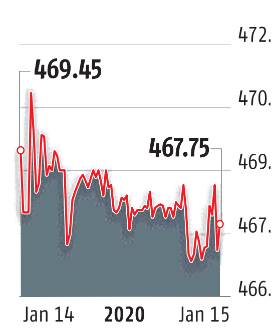
"FCCBs due in 2025, convertible into fully paid-up equity shares of face value of ₹5 each of the company at a price of ₹534 per conversion to equity share to the initial purchasers subject to receipt of funds, satisfaction of other conditions precedent and settlement as per applicable laws and procedures and relevant agreements," the filing said.

Axis Capital, Citigroup Global Markets India, and JP Morgan India acted as global coordinators and bookrunning lead managers, and, Goldman Sachs (India) Securities, BNP Paribas, DSP Merrill Lynch, HDFC Bank and HSBC Securities and Capital Markets (India) were the bookrunning lead managers for the QIP issue and Goldman Sachs (Asia) L.L.C., Barclays Bank PLC.

The FCCB offering re-opened the Indian market after a 3-year absence of such issuances, the company said.

TRACKING SHARES

Bharti Airtel Price in ₹



FUNDRAISING EXERCISES

Announced date	Offer price	Offer size ₹ cr	Offer type
Jul 4, '01	45	834	IPO, Primary Share Offering
Feb 1, '05	216	1,355	ADDL, Secondary Share Offering, Accelerated Bookbuild
Mar 14, '05	218	2,442	ADDL, Secondary Share Offering, Block
Jul 19, '07	920	184	ADDL, Secondary Share Offering, Block
Nov 7, '17	480	9,594	ADDL, Secondary Share Offering, Accelerated Bookbuild, REG S, Rule 144A
Feb 28, '19	220	25,000	RIGHTS, Spot Secondary
Jan 15, '20	445	-	ADDL, Primary Share Offering, QIP, REG S, Rule 144A

Note: The company is yet to disclose January 15's offer size; source: Bloomberg, compiled by *BS* Research Bureau

Administrator of DHFL meets lenders today to take stock of their claims

HAMSINI KARTHIK
Mumbai, 15 January

The Reserve Bank of India-appointed administrator is set to meet lenders to Dewan Housing Finance Corporation (DHFL) on Thursday to take stock of claims made by them. The administrator, R Subramaniakumar, had set a deadline of December 17, 2019 for creditors to submit their claims. Lenders comprising banks, bondholders, including retail bondholders, and employees are said to have submitted claims totalling ₹87,905 crore.

The meeting will also discuss the resolution plan and evaluate the possibility of restarting lending operations. A few bankers said while some of their claims may be approved in the meeting, the dissent among lenders to ratify the resolution plan too is rising.

"After IndusInd Bank classifying its exposure to DHFL as fraud and providing for it accordingly, more lenders could do so," said a senior bank executive under conditions of anonymity. IndusInd Bank had lent ₹240 crore to DHFL by way of non-convertible debentures. Even as the final forensic report from KPMG is pending, IndusInd Bank is said to have made this provision on prudential basis.

The DHFL spokesperson, however, clarified that one bank's move may not have a bearing on other banks.

Under the proposed resolution plan put forward by former DHFL management, banks would restart lending to DHFL and extend the tenure of loans upwards of eight years. "Once there are charges of fraud, banks would be hesitant to provide additional loans to a borrower," said a top executive of a public sector bank.

As part of the resolution plan, DHFL also needs to find an investor bringing fresh capital. While a few investors were interested earlier, bankers say that may not be the case if support from lenders does not come through as proposed.

L&T Infotech posts marginal rise in net profit at ₹377 crore

DEBASIS MOHAPATRA
Bengaluru, 15 January

Mid-tier information technology (IT) services firm Larsen & Toubro (L&T) Infotech posted double-digit growth in revenue on the back of ramping up large deals. However, net profit rose marginally in the third quarter (Q3) of the current financial year. The IT firm posted a net profit of ₹376.7 crore during the quarter, which was a marginal rise over the same period last year, when the company reported ₹375.5 crore.

Revenues of the firm rose 13.7 per cent year-on-year (YoY) to ₹2,811 crore during the October-December period. Sequentially, growth was 9.4 per cent. In dollar terms, revenue stood at $394.4 million, which was 14.2 per cent higher YoY, and 8.3 per cent sequentially on constant currency basis. During the quarter, operating margin of the L&T Group company improved 70 basis points to 16.2 per cent, owing to favourable cross-currency movement.

"Our revenue growth was largely attributed to ramping up of large engagements. Our performance was broad-based, cutting across verticals and service offerings," said Sanjay Jalona, chief executive officer and managing director, L&T Infotech.

The IT firm said it continued to witness momentum in the large deals space and won two such engagements in Q3, with a cumulative net new total contract value of more than $75 million.

"The new deals in our kitty will be ramped up in the coming quarters. It will supplement our revenue growth," said Jalona.

IN NUMBERS

L&T Infotech Q3FY20 financials

Revenue (₹ cr)	2,811
YoY growth (in %)	13.7
QoQ growth (in %)	9.4
Net profit (₹ cr)	376.7
YoY growth (in %)	0.3
QoQ growth (in %)	4.6
Operating margin (in %)	16.2
YoY growth (in basis points)	–290bps
QoQ growth (In basis points)	70bps

Birla group firms to raise $3.1 billion

DEV CHATTERJEE
Mumbai, 15 January

Birla group firms Novelis — a subsidiary of Hindalco — and SKI Carbon Black Mauritius are tapping international markets to raise $3.6 billion debt.

While Novelis raised $1.6 billion at a lower rate than the previous loan, SKI Carbon Black has hired 16 banks to raise $1.5 billion by selling bonds.

SKI Carbon Black is owned by the promoters and in June last year invested in Vodafone Idea rights issue. The company plans to use the funds for refinancing and general corporate purposes, bankers said.

Novelis, which is on the verge of acquiring another US-based company, Aleris Corp for $3 billion, will be getting at least 200 basis points lower rates than the previous loan — saving a sizeable finance cost for the company, bankers said. Bankers said if, by any chance, the Aleris acquisition agreement by Novelis is terminated, for a period of 12 months from the date of issuance, Novelis may redeem up to $400 million of bonds at the issue price.

The acquisition of Aleris is currently awaiting clearance from the United States government even as the European Commission and the Chinese government have cleared the deal. The European approval is subject to the sale of Aleris' plant at Duffel in Belgium, which produces aluminium for the automotive and specialties markets.

If the company misses the transaction deadline of January 21, the closing date under the merger deal may be extended, bankers said.

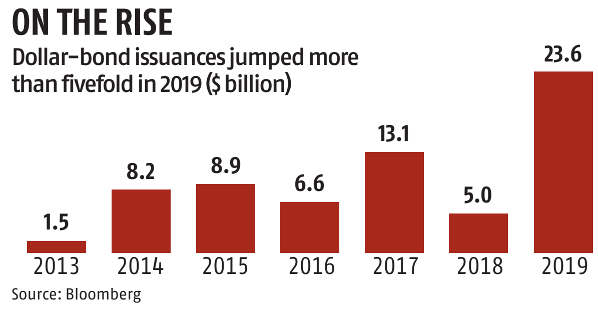
The Birla group fundraising comes within days of Bharti Airtel raises close to $3 billion from overseas investors by selling bonds and shares.

Bankers said in spite of a slowing economy, foreign investors are evidently still bullish about India — looking at the response to the debt and share sale issues by well-rated companies. "However, whether this enthusiasm extends into the near future will depend on both domestic and global volatility as well as government reforms in the coming Budget," said a banker. In 2019 calendar year, Indian companies raised $23.6 billion as dollar bonds, a fivefold rise over 2018 (see chart).

With inputs from Bloomberg

ON THE RISE

Dollar–bond issuances jumped more than fivefold in 2019 ($ billion)



Source: Bloomberg

Huawei likely to conduct trial runs of 5G waves for Airtel, Vodafone

Airtel and Vodafone have also joined ZTE, Nokia and Ericsson, apart from Huawei, for conducting the 5G trials. Jio will rope in South Korean equipment maker Samsung

MEGHA MANCHANDA & PTI
New Delhi, 15 January

Chinese telecommunications equipment maker Huawei is expected to conduct 5G trials for Bharti Airtel and Vodafone Idea, sources said, as the central government finalises the trial runs before the spectrum auctions.

Sources said both Airtel and Vodafone have also joined ZTE, Nokia and Ericsson, apart from Huawei, for conducting the 5G trials. Reliance Jio will rope in South Korean equipment maker Samsung.

State-owned BSNL is also likely to go with ZTE. The firms have submitted applications for 5G trials, industry sources said.

The Chinese firm had had come under a cloud after there were allegations that its electronic and telecom devices helped China to spy on US corporations and agencies. The firm has been barred in Australia and Japan, but welcomed in Russia, Turkey and Saudi Arabia.

The central government had even constituted a committee headed by its principal scientific advisor to decide on Huawei's participation in the 5G trials. The trials would establish use cases in the country as a precursor to the full-fledged launch of 5G services.

However, last month, Telecom Minister Ravi Shankar Prasad had said the government will allocate airwaves to all telecom service providers for conducting trials of super-fast 5G network, and will not bar any equipment suppliers in the trials. The stance had spelt relief for Chinese telecom gear maker Huawei, which rivals western equipment makers such as Ericsson and is facing curbs in the US.

Huawei India CEO Jay Chen had earlier stated the company firmly believes that only technology innovations and high-quality networks will be the key to rejuvenating the Indian telecom industry.

"We have our full confidence in the [Prime Minister Narendra] Modi government to drive 5G in India. We have our full confidence in Indian government and industry to partner with best technology for India's own long-term benefit and also for cross-industry development," Chen had recently said.

When contacted, Rajan Mathews, director general of industry body Cellular Operators' Association of India (COAI), said, "We are pleased that Department of Telecom (DoT) is progressing with the 5G trials to ensure the implementation of National Digital Communications Policy."

Improving data speed

The Union government has begun the process of auctioning 5G spectrum with the aim of improving data speed and bringing in Internet of Things (IoT), which will further enable robotic surgeries, driverless cars, among other things.

On December 20, the Digital Communications Commission (DCC) — the apex decision-making body — at the telecom department approved the auctions across 22 circles.

A lion's share of 6050 MHz has been set aside for 5G spectrum, trials for which are widely-expected to begin between January and March.

CCI to probe Asian Paints for stopping JSW's entry

JSW had moved competition watchdog alleging Asian Paints threatened various dealers from dealing with the company

ARINDAM MAJUMDER
New Delhi, 15 January

The Competition Commission of India (CCI) has ordered a probe against Asian Paints for allegedly using its domination of the market to hinder the entry of JSW Paints.

The latter company had alleged Asian Paints warned dealers in Karnataka, Telangana and Tamil Nadu from any dealing with JSW. The office of the director-general at CCI will investigate. "The Commission is of the view that evidence provided by JSW Paints is prima facie sufficient to indicate that Asian Paints denied (it) access to the distribution channels in the relevant market by threatening and coercing such dealers through various means," goes the CCI order.

JSW is the first local player in years to enter the ₹50,000-crore overall paints market. Part of the Sajjan Jindal-led group, it had announced its foray into this market last year with a portfolio of 1,808 shades, all priced at ₹477 a litre.

NUMBER OF DEALERS

60,000 Asian Paints
28,000 Berger Paints
18,000 Kansai Nerolac
10,000 Akzo Nobel

Source: Industry

JSW has said it aims at a paints turnover of ₹600 crore this financial year and of about ₹2,000 crore annually in two to three years.

Supplying to JSW Steel alone is expected to give it around half the latter target.

"The order is self-explamatory," said a JSW spokesperson. An Asian Paints spokesperson said: "We will take appropriate legal recourse and extend full cooperation to CCI regarding the matter."

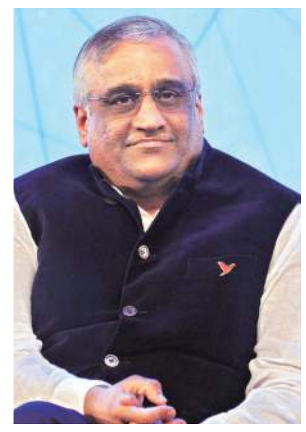
JSW Paints says Asian Paints threatened dealers with stoppage of supplies and an end to discretionary discounts, among others. These restraints appear to be in the nature of exclusive supply agreements and refusal to deal, it alleged. Its complaint also snotes Asian Paints has the highest market share and there have been no new players in this segment for 10 years.

A strong dealer network is the backbone of the paints business. "For new entrants, building a dealer network would be a challenge. Dealers could be reluctant to hold their stock, as product offtake could be limited, despite higher margins," observes Abneesh Roy, senior vice-president at brokerage Edelweiss.

Biyani-Bezos meet slated for tomorrow amid protests

Amazon has an indirect stake of 3.5 per cent in Future Retail

VIVEAT SUSAN PINTO
Mumbai, 15 January



Firms of Kishore Biyani (*left*) and Jeff Bezos already operate their own e-wallets and may look at synergies in the area

Future Group Chief Executive Officer (CEO) Kishore Biyani and Amazon founder Jeff Bezos will have a one-on-one meeting in Mumbai on Friday amid protests from traders against e-tailers. While Biyani will be the keynote speaker at Amazon's SMBhav event on Thursday, the Friday meet is expected to be important as the two chalk out future partnership plans, top sources said.

On the cards is a tie-up in online payments, something the two companies have been contemplating as part of the second phase of their partnership. In the first phase, Amazon becomes the online sales partner for Future Retail, Future Consumer and Future Lifestyle Fashion, respectively. Big Bazaar, on the other hand, is the delivery partner for Amazon Prime customers.

Both firms already operate their own digital wallets, including Amazon Pay and Future Pay, respectively, and may look at synergies in the area, persons in the know said.

On Wednesday, the US retailer infused ₹1,751 crore into its digital payments arm as well as Amazon Wholesale in a bid to strengthen their operations, as rivals such as PhonePe, Google Pay and Paytm get aggressive in India.

According to sources, Bezos may not make an announcement in terms of increasing stake in Future Retail as foreign direct investment rules do not permit more than 10 per cent in an Indian entity as a single firm by a foreign portfolio investor (FPI). Amazon has an indirect stake of 3.5 per cent in Future Retail, which it picked up via its acquisition of 49 per cent stake in promoter entity Future Coupons for ₹1,500 crore.

The acquisition was made by Amazon.com NV Investment Holdings LLC, a registered FPI, and approval for the same by the Competition Commission of India was granted at the end of November after an intense scrutiny.

Traders had requested Biyani to boycott the SMBhav event, currently on in Delhi. Biyani's keynote address will begin at 10 AM on Thursday, where he is expected to enumerate the benefits of online-offline partnerships.

In a recent interaction with *Business Standard*, Biyani had said online and offline retail could co-exist and work together since bricks-and-mortar stores had limited space in terms of stocking inventory versus an e-commerce platform whose ability to provide a range of products was greater.

"The corner shop will not vanish because convenience and contingency buying will always be there," he said, adding predatory pricing and exclusive online launches were challenges faced by offline retailers.

Moped sales skid 25% in April-Dec

T E NARASIMHAN
Chennai, 15 January

Sales of mopeds saw the largest fall in the general decline of segment sales during the April to December 2019 period, the first nine months of this financial year.

While India sales of scooters and motorcycles dropped 16.2 and 15 per cent, respectively, in the period, those of mopeds fell by 25.1 per cent. In the financial year's second quarter (July-September), the decline was 30 per cent.

TVS Motor, the country's third-largest maker of two-wheelers, is the sole manufacturer of mopeds. The company recently said sales would recover.

According to industry data, moped sales dropped to 495,805 units during April to December, from 661,923 units in the same period a year ago. From the usual four per cent of all two-wheeler sales, it was close to 3.6 per cent (total two-wheeler sales in the period were 13,914,974 units).

Earlier talking to analysts, K N Radhakrishnan, CEO, TVS Motor, said weak sentiment in the rural market was one of the main reasons, since there was always a worry about a delayed monsoon. Also, a cost increase due to a sudden rise of 12 per cent in insurance premium. "And, there is huge discounting from many of our motorcycle players," he said.

BS-VI switch will impact 2-wheeler sales until Diwali, says Honda CEO

Minoru Kato (*third from the left*), president & CEO Honda Motorcycle & Scooter India, at the launch of BS-VI Activa 6G in Mumbai on Wednesday PHOTO: KAMLESH D PEDNEKAR

SHALLY SETH MOHILE
Mumbai, 15 January

Honda Motorcycle and Scooter India (HMSI) does not expect a pick-up in sales of two-wheelers before Diwali. On Wednesday, it launched the latest generation, 6G, of its flagship scooter brand, the Activa. Delivery will commence next month.

With ex-showroom prices starting ₹63,912, it is 12-13 per cent costlier than the current model. With a 110cc, single cylinder engine, it comes with a fuel injection system, the technology that has led to higher product prices under BS-VI emission norms.

HMSI is the country's second-largest maker of two-wheelers and scooters are about two-third of its volumes.

Minoru Kato, its president and chief executive, explained their cautious outlook on sales pick-up to the disruption that is expected from the BS-VI implementation, madatory for all vehicles from April 1. "We believe the market will grow again. But, the next financial year (2020-21) will be difficult because of the price points. We expect things to improve five to six months after the new prices are accepted by customers. Sales are likely to pick up in Diwali. We hope it to be the same as last year," said Kato.

The BS-VI norms are expected to increase the price of two-wheelers by 10-14 per cent. It comes when the overall market has been seeing one of the longest slowdowns in two decades. HMSI sales in the first nine months of the current financial year were down 16 per cent from the same period a year before, to 3.7 million units.

Yadvinder Singh Guleria, senior vice-president for sales and marketing, said: "The change in price points in double-digit percentage terms will have an impact because it comes amid an overall weak economic scenario. We don't see the market reviving in the near future."

The 6G is Honda's third BS-VI compliant model, after the Activa 125 scooter and Shine 125 motorcycle last September. It has sold 75,000 units of these BS-VI models, claiming first-mover advantage in the two-wheeler market.

HMSI says it has invested close to ₹1,800 crore in 2019-20, in BS-VI technology, plant augmentation and like areas.

Guleria says demand will start looking up in due course, given under-served public infrastructure and low two-wheeler penetration. Being a price-conscious market, any reduction in goods and services tax (28 per cent now on all two-wheelers) will definitely help, he added.

To make its products more affordable, Honda has attractive finance schemes and been working closely with dealers, said Guleria.

Tata Altroz gets five-star adult safety rating in Global NCAP test

Tata Motors on Wednesday said its upcoming premium hatchback Altroz has received the highest 5-star adult safety rating by Global NCAP, an internationally renowned safety accreditation body. Altroz has become the second passenger vehicle brand after Nexon to get the 5-star adult safety rating from the Global NCAP. Nexon had received the distinction in December 2018. The company said the Altroz has also achieved a 3-star rating for child occupant safety. "The Nexon was the proverbial guiding light for us in this aspect, and the Altroz has followed its footsteps, setting a new benchmark across the industry safety standards," Tata Motors Passenger Vehicles Business Unit (PVBU) President Mayank Pareek said. PTI

Sterlite Technologies Q3 net at ₹91 crore

Sterlite Technologies on Wednesday reported a net profit of ₹91 crore (excluding exception items) during December 2019 quarter.

The company had registered a net profit of ₹146 crore in October-December quarter a year ago, Sterlite Technologies Limited (STL) said in a regulatory filing. Its consolidated revenue stood at ₹1,203 crore during December quarter as against ₹1,335 crore in the corresponding quarter of 2018-19.

The company's exceptional items stood at ₹51 crore in the third quarter of 2019-20.

During the quarter, the company made an application under Sabka Vishwas (Legacy Dispute Resolution) Scheme, 2019 (SVLDRS) for settlement of disputed excise matter of ₹188 crore demanded by CESTAT in 2005-06, which the company was contesting in Supreme Court, and also some other litigations which were pending as of June 30, 2019, it said. Based on the provisions of SVLDRS, the management has determined the duty payable in respect of all matters offered for settlement under the scheme and accordingly, made an additional provision ₹50.71 crore in the current quarter, it added. The company is awaiting acceptance of the application by the department as of date, it added.

"We delivered a revenue of ₹1,203 crore and a net profit of ₹91 crore after adjusting provision of exceptional item and correspondingly tax gain. We are confident of higher profits starting from Q4 this year on the back of new orders and expansion in new geographies," the company said.

The market environment in 2019 witnessed uncertainty and sluggish growth on account of the economic downturn, STL Group CEO Anand Agarwal said. PTI

Alembic gets USFDA nod for Tizanidine hydrochloride capsules

Drug firm Alembic Pharmaceuticals on Wednesday said it has received final nod from the US health regulator for Tizanidine hydrochloride capsules, used to treat spasticity. "The company has received final approval from the US Food & Drug Administration (USFDA) for its Abbreviated New Drug Application (ANDA) Tizanidine Hydrochloride Capsules, 2 mg, 4 mg, and 6 mg," the drug firm said in a regulatory filing. Tizanidine hydrochloride is a central alpha-2-adrenergic agonist indicated for the management of spasticity. Because of the short duration of therapeutic effect, treatment with tizanidine hydrochloride capsules should be reserved for those daily activities and times when relief of spasticity is most important. PTI

"I am in favour of inscribing the image of Goddess Lakshmi on banknotes. This could improve the condition of the Indian currency. Nobody should feel bad about this"

SUBRAMANIAN SWAMY
BJP leader and Rajya Sabha member

"When Haji Mastan used to come to 'Mantralaya', the entire 'Mantralaya' would come down to see him. Indira Gandhi used to come to meet Karim Lala in Pydhonie (in south Mumbai)"

SANJAY RAUT
Senior Shiv Sena leader

"Our party considers the BJP and the Congress as two sides of the same coin. The Centre should reconsider the CAA, withdraw it, and bring a new law after consensus"

MAYAWATI
BSP chief

IN BRIEF

Bank unions call two-day strike from January 31

Bank unions on Wednesday called for a two-day nationwide strike on January 31 and February 1 after talks over wage revision failed to make headway with the Indian Banks' Association (IBA). The United Forum of Bank Unions (UFBU), which represents nine trade unions, said they will also hold a three-day strike from March 11–13. "From April 1, we have decided to go on an indefinite strike," UFBU state convenor Siddartha Khan told PTI. UFBU is seeking at least a 15-per cent hike, but the IBA has capped the raise at 12.25 per cent, he said. "This is not acceptable," Khan said. The last wage revision meeting was held on January 13. PTI

PMC Bank scam: HC sets up panel for sale of HDIL assets

The Bombay High Court set up a three-member committee on Wednesday for valuation and sale of encumbered assets of Housing Development and Infrastructure (HDIL) to expeditiously recover dues payable by the firm to crisis-hit Punjab & Maharashtra Cooperative (PMC) Bank. PTI

Nirbhaya convicts may not hang on Jan 22, HC told

The four death row convicts in the Nirbhaya gangrape-murder case will not be hanged on January 22 as scheduled with the Delhi government on Wednesday telling the High Court that the execution has to be postponed in view of the pendency of a mercy petition by one of them. PTI

Trouble in paddy sale? Call police in Chhattisgarh

The police in Chhattisgarh have a new assignment — jotting the grievances of farmers unable to sell paddy at government entities. After crop damage because of unseasonal rain and other alleged hardships in selling it, Chief Minister Bhupesh Baghel told rice farmers to register their grievances at the emergency service number, 112. This is managed by the state police, of all emergency services in a single number. R KRISHNA DAS

Making efforts to strengthen bank further: YES Bank

Allaying concerns over reports of its weakening financial health, YES Bank on Wednesday said the lender's capital adequacy is at a comfortable level and efforts are being made to strengthen it. It asked its customers not to pay heed to rumours about its financial health. PTI

Sundaram Finance sells entire 10% stake in Equifax

Sundaram Finance (SFL) has sold its entire equity stake of 10 per cent in Equifax Credit Information Services. The company, in a regulatory filing on Wednesday, said it has executed a share purchase agreement for the sale of 135 million shares at a price of ₹67.43 per equity share, increased by 2.2 per cent per annum for the period from October 1, 2019, till the date of closing. PTI

FY20 real fiscal deficit around 4.5%: S C Garg

India's real fiscal deficit for 2019-20 may be 4.5 per cent of GDP, ex-finance secretary Subhash Garg wrote in a blog on Tuesday. He reiterated the point in another blog on Wednesday. BS REPORTER

Exports contract for fifth consecutive month in Dec

Policymakers worried over dwindling imports, which contracted for 7th month

SUBHAYAN CHAKRBORTY
New Delhi, 15 January

Exports contracted for the fifth straight month in December, as processed petroleum exports saw lower receipts and broad-based decline continued to plague all major foreign exchange earning sectors, according to data released on Wednesday by the commerce and industry ministry.

The decline in exports stood at 1.8 per cent in December, higher than the 0.3 per cent fall in November. Outbound trade contracted for the sixth month out of the first nine months of the financial year 2019-20 (FY20). Till December, cumulative exports stood at $239 billion, 2 per cent lower than the corresponding period in the previous financial year.

However, officials remain worried about falling imports, which contracted in December by 8.8 per cent. As inbound goods reduced for the seventh time in FY20, economists said this shows low demand for both consumer and industrial items — the hallmark of a slowdown. But the rate of import fall had reduced since October, when it crashed by 16.4 per cent. India imported $306 billion worth of goods during the April-October period, 8.37 per cent lower than the previous year.

As a result, merchandise trade deficit remained relatively low at $11.2 billion, slightly lower than November's $12.1 billion. Cumulative trade deficit reached $118 billion till December. "The decline in the merchandise trade deficit in December 2019 relative to December 2018 was driven by the relatively broad-based contraction in imports, led by industrial inputs such as coal, chemicals, iron and steel, and non-ferrous metals, transport equipment, and consumer items such as precious and semi-precious stones," said Aditi Nayar, principal economist at ICRA.

Bleak exports

Government data showed that exports stood at $27.36 billion in December, and 19 of the 30 major export sectors saw contraction. Critically, processed petroleum outflows continued to take a beating, with receipts falling by 4.2 per cent in December to $3.8 billion. But the pace of contraction was lower than November's 13 per cent.

For gems and jewellery, exports reduced by 8 per cent to just $2.8 billion in December. The sector has faced a slowdown since last year but saw growth in October, when exports rose 6 per cent.

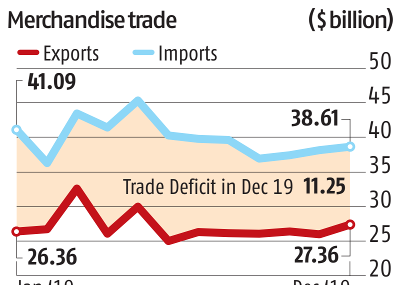
Meanwhile, engineering exports saw a contraction of 1.2 per cent in December, after a 6 per cent rise in November. The sector, which accounts for 25 per cent of the forex earned, has broken a long spell of contraction in October. "Rising domestic inflation is bringing additional pressure and affecting our global competitive strength," Ravi Sehgal, chairman of Engineering Export Promotion Council, said.

Elsewhere, apparel exports saw nominal growth of 2.4 per cent, while electronics (30 per cent) and pharmaceuticals (13 per cent) also posted growth. Despite this, exports of non-oil and non-gems and jewellery products contracted by 0.5 per cent in December, after the modest growth seen in the previous two month.

"Domestic issues, including uncertainty over the Merchandise Exports from India Scheme (MEIS), were a major cause of concern as exporters' claims are pending for over five months, which has completely wiped out their liquidity and has kept them in doldrums with regard to finalising new contracts," said Sharad Kumar Saraf, president of the Federation of Indian Export Organisations. Service exports, however, continued to grow, rising 8 per cent in November to earn $17.9 billion in November and taking total earnings in the current fiscal to over $150 billion.

OVER A YEAR

Merchandise trade ($ billion)



Source: Ministry of Commerce & Industry

Import slide

The largest component of the import bill – crude oil – saw the cost of inbound shipments fall by 0.3 per cent to $10.6 billion, as compared to $11 billion in November. Crude oil imports had shown significant reduction in value terms throughout FY20 with global prices tanking.

However, gold, the second-largest item in the import bill, continued to fall. Incoming gold shipments narrowed by a moderate 4 per cent after massive drops of 50 per cent, 62 per cent, and 42 per cent in previous months, respectively. Non-oil and non-gold imports – a sign of domestic industrial demand – fell for the fourteenth month, contracting 12.2 per cent. Experts said they expect the current account deficit to dive to $3-5 billion in the quarter, compared to US$18 billion in FY19.

The rise in gold prices is expected to continue to constrain demand in the ongoing quarter, despite the favourable outlook for rabi harvest, which would continue to curtail the size of the current account deficit, Nayar said.

Govt plans curbs on imports under 'others' category

PTI & INDIVJAL DHASMANA
New Delhi, 15 January

Concerned over the rise in imports in the 'others' category, Commerce and Industry Minister Piyush Goyal (*pictured*) on Wednesday asked those importers to seek HSN or tariff code within 30 days from the foreign trade office, failing which the government would impose strong restrictions on their inbound shipments.

In trade parlance, every product is categorised under an HSN code (Harmonised System of Nomenclature). It helps in systematic classification of goods across the globe.

Goyal said India is facing "big" problem in imports of a category called "others" and in that category, all sorts of stuff is being imported into the country. Citing an analysis, he said one out of the four products being imported in India is under this category.

Of over $500 billion worth of imports in 2018-19, the 'others' category accounted for over $100 billion. "I will follow the German model," he said, adding he would wait for response from importers for next 30 days and thereafter, "I will restrict the import of any product which goes in the others category".

At the CII's National Standards Conclave, he said that importers will have to approach the ministry to take a special licence for that import without which "you cannot import any product in the others category". "Today, I would like to give a final announcement that I appeal to everybody who is importing any product or services into the country, please categorise your product into a respective HSN code under which it falls," he said.

Goyal asked the importers to approach their nearest DGFT (Directorate General of Foreign Trade) immediately.

"We will start the process to create a separate HSN code if it is not fitting into any existing code or amend the existing code... Very soon, I shall be coming out with serious consequences. The consequences could be a higher duty on products which come under others category," he added.

He also asked the DGFT to bring a trade notice immediately and "make it an absolute ultimatum either the import duty will be increased exorbitantly or a special duty imposed". This measure, he said, will help the government assess what is being imported into the country.

The minister added that no imports will be allowed without the HSN code into the country. On free-trade agreements, he said it is an unfortunate reality for India that the FTAs entered into with other nations have not led to the growth of trade and businesses.

Ranjeet Mahtani, partner Dhruva Advisors, said: "This proposal will impact India's trade patterns, when it has been concerned with bulging import bill, and there have been discussions on levy of a broader adjustment tax on imports to adjust for non-creditable local levies to support Indian manufacturing."

Sandeep Shah, partner, NA Shah Associates, said: "The government should release the draft code before implementing the higher tariff to avoid unintended consequences."

RASHESH SHAH GRILLED BY ED

Edelweiss Chairman Rashesh Shah at the Enforcement Directorate office in Mumbai on Wednesday. He was questioned for five hours in a Foreign Exchange Management Act violation case PHOTO: KAMLESH PEDNEKAR

Govt plans law to protect foreign investment

ADITI SHAH & AFTAB AHMED
New Delhi, 15 January

ON TABLE & ISSUES

- Govt may set up fast-track courts for dispute resolution
- Investors most concerned about contract enforcement
- Several rounds of inter-ministry discussions held

The government is planning a new law to safeguard foreign investment by speeding up dispute resolution, aiming to attract more capital from overseas to boost stuttering domestic growth, two officials with direct knowledge of the matter told *Reuters*.

In a 40-page initial draft, the finance ministry has proposed appointing a mediator and setting up fast-track courts to settle disputes between investors and the government, one of the sources said.

"The idea is to attract and promote foreign investment, but a major issue for investors is enforcement of contracts and speedy dispute resolution," said the official.

The draft proposal is aimed at diffusing investor mistrust around the sanctity of agreements, which has worsened recently after some state governments decided to review approved projects, or threatened to cancel contracts.

Both officials declined to be named as the proposal is not public, and is still being assessed by different ministries and regulators. A spokesman for the finance ministry did not respond to a request for comment.

Foreign investors have highlighted the enforcement of contracts as one of their biggest concerns, said the second official, adding that improving on this front would also reduce litigation for the government.

While investors can still rely on the existing legal system to settle disputes, it often takes several years for cases to be decided or settled.

Investors previously had an option to take India to international arbitration courts under bilateral investment treaties (BITs) the government had agreed with dozens of nations. But, after suffering setbacks in overseas arbitration matters, India has allowed most of its treaties to lapse, giving investors little to fall back on in case of major disputes.

BITs are agreements between two countries that give foreign investors protections, and among other things, legal recourse via international arbitration in disputes with a government.

India is entangled in more than 20 such overseas arbitration cases — the most against any country — brought by companies including Vodafone, Deutsche Telekom and Nissan Motor for disputes over retrospective tax claims and breach of contracts.

If India loses these cases, brought before most of its BITs lapsed, it could end up paying billions of dollars in damages.

The government's thinking is that India may not need to sign investment treaties with other nations if the new law, which is modelled on a BIT, can give confidence to investors, said the first source.

A domestic law, however, cannot be a substitute for a BIT as its scope cannot allow investors to take their case to international arbitration, the sources said.

Contract Wrangles

Though India's overall ranking in the World Bank's ease of doing business report has improved to 63 from 142 in 2014, it still ranks poorly — 163 out of 190 — when it comes to enforcement of contracts.

The latest example of a contract wrangle is a dispute between the Andhra Pradesh state government in southern India and renewable energy companies. REUTERS

NHAI kicks off arbitration claim settlement via reconciliation

MEGHA MANCHANDA
New Delhi, 15 January

"Financial audit is important but more important is performance audit. Decision-making should be fast, but there are officials who keep sitting on files"

NITIN GADKARI
Road Transport and Highways Minister, warning "non-performing" officials or "dead assets" in his ministry

The National Highways Authority of India (NHAI) has settled an arbitration claim worth about ₹650 crore with Infrastructure Leasing & Financial Services (IL&FS) for nearly ₹200 crore through a conciliation process.

The NHAI decided to settle the claim for less than 70 per cent of the ₹800-crore demanded by the company through an arbitration process, said an official. The NHAI had, in turn, asked for ₹150 crore from the company, which worked out to a net outgo of ₹650 crore.

This comes amid reports of the NHAI deciding to settle stuck projects through conciliation instead of taking the long road of arbitration. This would reduce the agency's debt burden, which may reach ₹2.5 trillion by the end of the financial year.

The settlement with IL&FS for four laning of Jorabat-Shillong (Barapani) section of NH-40 in Assam and Meghalaya on the design, build, operate and transfer (DBFOT) pattern under BOT (Annuity) was awarded to the concessionaire, IL&FS Transportation Networks.

The project commenced on January 12, 2011, with the scheduled completion date of January 10, 2014. Owing to various reasons, work was delayed and a final commercial operational date was issued on January 30, 2019, the official said.

The agency had gone for arbitration before the arbitral tribunal in respect of certain disputes related to this project, such as loss on account of interest during construction, additional costs toward maintenance, loss of escalation, loss of revenue/annuities on account of delayed commercial operation, and certain additional work executed on ground to the tune of ₹803.23 crore.

The NHAI also raised claims of ₹145.33 crore, excluding interest, against the concessionaire on account of delays and other issues.

"Now the NHAI and the concessionaire through conciliation agreed to settle all the claims for an amount of ₹197.62 crore," the official added.

There would be an interest payment to the tune of ₹54.53 crore equivalent for the settlement, which will take the final amount to ₹252.13 crore payment to the concessionaire.

The conciliation exercise is being conducted by the NHAI to deleverage its balance sheet.

There are three committees on reconciliation set up by the NHAI to look into these claims. These comprise retired judges.

The road ministry issued a set of guidelines in March for reviving stuck national highway projects. According to the guidelines, a mutually agreed and executed agreement between the parties for projects awarded under the engineering, procurement, construction (EPC) mode that qualify as stuck could be reached in order to foreclose the disputes.

The NHAI has lined up a portfolio of projects worth ₹18,000 crore to be bid out in the next few months, which includes five hybrid-annuity packages on the Vadodara-Mumbai Expressway, four EPC packages on the Delhi-Vadodara expressway, and projects in Uttar Pradesh and Bihar.

For the current financial year, the NHAI has the approval to raise ₹75,000 crore in borrowings during the current year, while the government support is ₹36,691 crore. In 2018-19 (FY19), a mix of debt raised from banks, toll revenue, and a road monetisation scheme was to yield ₹62,000 crore to the NHAI. This financial year, allocation has been made to the NHAI for major works under the Bharatmala Pariyojana.

The money will come from the Central Road Infrastructure Fund, the Permanent Bridges Fee Fund, and Monetisation of National Highways Fund.

The Bharatmala programme envisages construction of 20,000 km of roads at an estimated investment of ₹7 trillion.

While the overall allocation for NHAI has seen a rise in the past couple of years, the authority's Internal and Extra Budgetary Resources (IEBR) has increased.

In 2017-18, the NHAI's IEBR was ₹50,532.41 crore. It went up to ₹62,000 crore in FY19 and further to ₹75,000 crore in 2019-20.

The highways ministry is hopeful of receiving close to ₹47,000 crore budgetary support in the upcoming Budget. This would be ₹10,000 crore higher than the ₹37,000 crore support that the ministry received last year. Besides the fiscal support, the NHAI has the mandate to raise ₹75,000 crore during the current financial year.

FASTag: Norms for 65 plazas relaxed

FASTag norms for 65 toll plazas with high-cash transactions have been relaxed to allow them to convert up to 25 per cent of "FASTag lane of Fee Plaza" into hybrid lanes for 30 days, the government said on Wednesday. Meanwhile, the NHAI recorded highest ₹86.2 crore daily toll collection on Sunday, its Chairman Sukhbir Singh Sandhu said. The highest daily collection via FASTags has also been recorded at ₹50 crore (single-day collection) in January 2020 compared to ₹23 crore in November 2019. PTI

UNSC may take up Kashmir issue

China makes fresh bid for the issue to be discussed in closed-door meet, but France says it'll oppose

PRESS TRUST OF INDIA
New Delhi, 15 January

China has made a fresh pitch to raise the Kashmir issue in a closed-door meeting of the UN Security Council (UNSC) in New York on Wednesday, but the attempt is likely to fail as all other member countries of the body are set to oppose it.

French diplomatic sources said France has noted the request of a UNSC member to raise the Kashmir issue once again in the powerful body and it is going to oppose it like it did on a previous occasion. The closed-door meeting of the UNSC has been called to discuss an issue relating to an African country. China has made a request to deliberate on the Kashmir issue under the agenda of "Any Other Business Points".

The sources said France's position has not changed.

Union ministers to visit Kashmir

Following an initiative taken by Union Home Minister Amit Shah, a group of central ministers will visit Jammu and Kashmir starting from January 18 including sensitive areas in the valley to spread awareness about the positive impact of abrogation of Article 370 provisions and the development measures taken by the government for the region, sources said. Thirty-six ministers will visit different districts in both the divisions of the Union Territory starting from January 18 to January 24 . Meanwhile, the J&K administration has cited possible misuse of the internet by anti-national elements and terrorists as a reason for not restoring these services for the general public and media in the Kashmir Valley. PTI

Scrapping Art 370 historic step, disrupted plans of 'western neighbour': Army chief

PRESS TRUST OF INDIA
New Delhi, 15 January

Army chief General M M Naravane on Wednesday hailed the abrogation of provisions of Article 370 as a "historic step" and said the move has disrupted plans of the "western neighbour and its proxies".

The armed forces have "zero tolerance against terrorism", he said at the 72nd Army Day function in the Cariappa Parade Ground in the national capital.

"We have many options to counter those who promote terrorism and we will not hesitate to use them," he said.

On August 5 last year, the Centre abrogated provisions of Article 370 that gave special powers to Jammu and Kashmir (J&K) and bifurcated the state into two union territories.

The Army chief said, "Abrogation of Article 370 is a historic step. It will prove to be important in integrating J&K in the national mainstream. This decision has disrupted the plans of our western neighbour and its proxies".

Gen Naravane said the country had to face some security challenges last year.

"Not only it countered proxy war but other situations. Whether it is LoC (Line of Control) or LAC (Line of Actual Control), we have ensured security with activeness and strength," he said, adding the situation at northern borders (China border) is relatively peaceful.

The Army chief said the situation along the LoC is linked with situation in J&K. "Today, we remember those who have made ultimate sacrifice for the country. It will keep inspiring the coming generations," he said. Mentioning his visit to Siachen last week, he said he was extremely happy to see all the ranks brimming with confidence at the post. "In last few days, some of our soldiers achieved martyrdom due to avalanche. We will always remember their sacrifice." Dhanush and K-Vajra gun systems were showcased for the first time in the Army parade.


Armed forces have zero tolerance against terrorism, Naravane said on the 72nd Army Day PHOTO: PTI

EXPERT ADVISES AGAINST INDUCTING FOREIGN CHOPPER P23

Army is pride of India, tweets PM

Prime Minister Narendra Modi on Wednesday greeted army personnel on the Army Day, saying they are the pride of India. "The Indian Army is the pride of Mother India. On the occasion of Army Day, I salute the indomitable courage, valour of all the soldiers of the country," he wrote on Twitter.

The Army Day is celebrated on January 15 every year to mark the taking over as commander-in-chief of the Indian Army by then Lt Gen K M Carriappa in 1949 from General Francis Butcher, the last British Commander-in-Chief of India.

Carriappa later became a Field Marshal.

Modi hailed the valour and professionalism of the Chinar Corps personnel who escorted a pregnant woman to a hospital through heavy snowfall in the Kashmir Valley. "Our Army is known for its valour and professionalism. It is also respected for its humanitarian spirit," the PM said. PTI

RAISINA DIALOGUE

India prisoner of past image, and must get over this: Jaishankar

'We will evaluate RCEP on its economic and trade merit'

PRESS TRUST OF INDIA
New Delhi, 15 January

India's way is not to be disruptive and it is more of a decider than an abstainer, External Affairs Minister S Jaishankar said on Wednesday.

In remarks that come at a time several countries have called for a greater Indian role in the Indo-Pacific, the minister also said it is not the India way to be mercantilist.

Addressing a gathering at the Raisina Dialogue in the national capital, Jaishankar referred to tensions between the US and Iran and said they are two individualistic countries and what finally happens will depend on the players involved.

Discussing ties with China, he said it is vital for neighbours to reach understanding on crucial issues. "Neither India nor China can get India-China relations wrong. Our relationship is unique. Each country has gone up in the world simultaneously. It is necessary that the two countries find equilibrium," Jaishankar said.

India, he said, is a "prisoner of its past image" and must get over it. "It is not the India way to be disruptive. It is not the India way to be mercantilist. It is the India way to be more of a decider and not an abstainer. I would pick on climate change. India owes it to itself and to the world to be a just power," he said during the session titled "The India Way: Preparing for a Century of Growth and Contest".

India is firmly dealing with terrorism, he added.

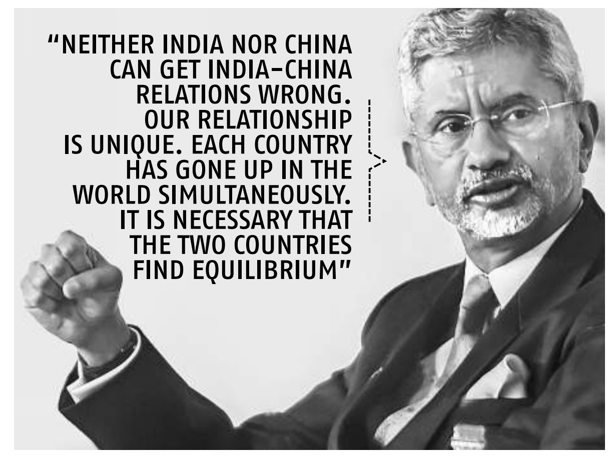
"There was a time when we spoke more than what we did. It is changing now," the minister said.

On India pulling out of the Regional Comprehensive Economic Partnership (RCEP), he said the onus was on countries which were part of it.

"Where RCEP is concerned, we have to look at cost and benefit. We will evaluate RCEP on its economic and trade merit. We have not closed our mind to it," Jaishankar said.

He also asserted that "we are not under-delivering on India-US relationship".

There is no area of activity where India and the US are not working together, he said.



India can play a role in easing Gulf woes: Iran's foreign min

India can play a role in de-escalating tensions in the Gulf region as New Delhi is an important player, Iranian Foreign Minister Javad Zarif said on Wednesday.

His remarks come amid tensions between the US and Iran over the killing of Iranian Revolutionary Guard Corps commander Major General Qassem Soleimani.

India has been maintaining that it would like the situation to de-escalate as soon as possible and the country has been in touch with key players, including Iran, United Arab Emirates, Oman and Qatar, as it has important interests in the region. "India can play a role in de-escalating tensions in the Gulf region as New Delhi is an important player," he told PTI.

Prime Minister Narendra Modi told Zarif that India has strong interest in peace, security and stability in the region.

"The Foreign Minister shared his perspectives on the recent developments in the region. The Prime Minister mentioned India's strong interest in peace, security and stability in the region," a statement from the Prime Minister's Office said. PTI

Are Indian boards truly effective?

Our approach to board governance has resulted in a sharp focus on structure, that is, form, without commensurate focus on substance, that is, effectiveness

WITHOUT CONTEMPT

SOMASEKHAR SUNDARESAN

If there is one theme for regulatory reform that is crying to be addressed in 2020 for Indian businesses, it is to build a framework for effectiveness of boards of directors. Are Indian boards truly effective, is a question we need to ask ourselves.

The year has begun with a cop-out in the area of board regulation. The introduction of the regulatory requirement to segregate the position of chairman and managing director has been postponed by two years by the Securities and Exchange Board of India (Sebi). This is yet another measure related to the plumbing architecture of the board. While our regulatory framework is very detailed about what a board should look like and who it must consist of, the effectiveness of oversight and superintendence by corporate boards is hardly tested in the law.

Most of the measures being taken are those that regulators would typically take in a controlled economy. The regulatory race in the last decade between the Sebi and the Ministry of Corporate Affairs (MCA) has resulted in detailed requirements (often overlapping in substance and also conflicting in detail) getting imposed across the listing regulations (for listed companies) and company law (for listed and unlisted companies). This framework largely revolves around board composition, the concept of independent directors, qualifications and disqualification for directorship (independent and otherwise), and even addressing social representation objectives that are not directly related to the quality of governance.

This approach to board governance has resulted in a sharp focus on board structure, that is, form, without commensurate focus on substance, that is, effectiveness. Across companies, never before has the office of the chief executive officer (CEO) been under such close scrutiny and regulatory attack. While the media narrative and the consequent regulatory attention is on individual CEOs, at the heart of the problem is the ineffectiveness of boards and their performance as a forum of collective superintendence and oversight.

As a people, we Indians love heroic leadership by one powerful CEO, who is then deified as the presiding deity — a Caesar. The Caesar is demigod when the going is good and demonised when the going is bad. The Caesar being overseen by the board of directors, a collective Parliament-like body that would act as a check and balance, and also a guiding sounding board, is not something that is acceptable easily to a society that craves for singular heroes.

Those occupying the role of the CEO, too, have to introspect. Typically board members are those with whom the CEO is comfortable. In the Indian scenario where substantial ownership and the CEO can largely be with the same person, it is more pronounced. But even where the CEO is not a substantial owner of the business, the candidates for directorship brought to the shareholders are those with whom the management has comfort. The statutory imposition of a requirement of a Nomination and Remuneration Committee — the collegium that selects who is clubbable — can further underline the syndrome of self-selection.

One abiding theme across failed or disgraced CEOs, regardless of whether the failure and disgrace is deserved, is that the CEO grows into an all-powerful force, with the board of directors not being an effective check and balance. Yet, when the CEO is in trouble, it is tough for boards to stand behind the incumbent — particularly when the adversary is a regulator.

A board that is not strong enough to hold the CEO to account is also a board that is inherently not strong enough to defend a CEO under siege. In neither case does the board have an incentive and disincentive structure to nudge better outcomes. Boards have not felt the pain either of totally arbitrary and bad decisions and have been happy to lend their endorsements to the management or the owner, or both.

Sadly, the regulatory response is taking the form of prescribing exams on governance for directors to pass. One must rest assured that every single director of every company that has had serious repercussions in recent times for not handling a CEO appropriately would pass such exams with flying colours.

The 2013 company law introduced a quasi-judicial forum for class action suits against companies and their governors. Half a decade down, this jurisdiction does not even qualify as "fledgling" — it is non-existent. Worse, knowledge of and expectations from company law in the society is so low that many are happy to put the check and balance to severe test and raise the bar for accountability to be enforced. It is only litigation and attendant jurisprudence that can resolve effectiveness of boards. Until then, we can keep tweaking the law with little effect.

The author is an advocate and independent counsel. Tweets @SomasekharS

CHINESE WHISPERS

Principal's problems

A Madhya Pradesh government school principal has come under fire after notebooks carrying pictures of Veer Savarkar were distributed for free among students of his school. These notebooks were distributed in November last year by an NGO and had pictures of Savarkar along with those of the NGO's office-bearers. All would have been fine if the volunteer organisation had not uploaded photographs of the event on social media, after which a "fan group" of the ruling party intimated its IT cell in Bhopal following which a complaint was lodged against the principal. Many employees' unions have come out in support of the principal, an awardee of the President's Medal, and said his suspension would only create fear among teachers.

Fading Chouhan

The Bharatiya Janata Party (BJP) is searching for a new state party president for its Madhya Pradesh unit despite the incumbent Rakesh Singh trying hard to retain the post for a second term. A closed-door meeting was held recently between Singh, Union minister Narendra Singh Tomar and state organisational general secretary Suhas Bhagat. Later, another meeting took place among these three at Tomar's residence. The point to be noted here is that former chief minister Shivraj Singh Chouhan (*pictured*) was not present in any of these meetings. While Chouhan said he was busy attending national election committee meetings in New Delhi, there are rumblings that he is fast losing relevance in state politics.

Connectivity issues

The main auditorium at the Jawaharlal Nehru Stadium in New Delhi was packed by the time Amazon.com Inc chief Jeff Bezos started speaking at a company conclave on Wednesday. But for many in the audience — which comprised retailers and Amazon partners among others — there was a problem. And this problem related to a telecom company. The signal reception for the subscribers among the audience ranged between severely poor and nil. So all the pictures they excitedly clicked or the updates they wanted to send to the outside world via social media remained stuck in the devices. Since a rival mobile service provider was a business partner of the event, it didn't take long before some of them began to float conspiracy theories.

Recasting Indian steel

Burdened by high logistics cost and taxes that limit its export potential, the domestic industry hopes the Budget will provide relief

KUNAL BOSE

The recent years have seen India alternating between a net exporter and net importer of steel. There was much discomfort in the government with the industry raising demand for stricter duty barriers when India's imports of 7.83 million tonnes (mt) in 2018-19 exceeded exports by 1.47 mt.

The introduction of steel import monitoring system (SIMS) is with the objective of incontrovertibly establishing what is already within the capacity of the local industry. In the last few years, primary steel industry leaders on their own and with the help of foreign partners such as Nippon Steel and Sumitomo and JFE are making auto and electrical grades steel boosting self-reliance. At the same time, the admission is to be made that generally the Indian steel industry will have to make a lot of leeway in economising on raw materials use and improving machine and labour productivity to match the global benchmark.

But as consultancy PwC India says in a recent report: "There are certain non-creditable taxes, duties and cesses, specifically paid by the steel sector, which reduce the competitiveness of Indian steel products in the global market." The report observes that unless these levies are removed or made creditable, Indian steel will not become globally competitive. Instead, the overhang of cheap imports will keep the local industry worried. The report says, quoting Niti Aayog, that the additional burden on steel is $80 to $100 a tonne that the government alone can remove.

Despite the limited elbow room that the present economic scene — low gross domestic product (GDP) growth and muted tax collection — offers to Finance Minister Nirmala Sitharaman to provide relief, the steel industry is pitching hope on two grounds. First, the industry with over 2 per cent share of GDP leaves an output impact of 1.4x on the economy. This besides, as the World Steel Association points out, anywhere in the world two new jobs created in steelmaking will open up 13 employment opportunities across the supply chain. Downstream industries from construction to machine building will be relieved to use globally competitive locally made steel.

Second, an industry leader says: "Since taking charge of steel portfolio in May 2019, Dharmendra Pradhan has taken steps to bring down logistics cost, create steel hubs, boost steel demand, which is way below the global average and reduce India's over-dependence on Australia, which is periodically visited by natural disasters, for metallurgical coal. We are hopeful of the minister pleading our case for legitimate relief in the 2020-21 Budget." Last year, India made 110.92 mt of crude steel in which the share of blast furnace-basic oxygen furnace (BF-BOF) route had a share of 49.91 per cent. To make steel through BF-BOF route, coke, which is made from metallurgical coal, acts as a reactant in BF.

SKY HIGH

Additional costs in $/tonne

Logistics and infrastructure	25–30
Power	8–12
Import duty on coal	5–7
Clean energy cess	2–4
Taxes and duties on iron ore	8–12
Finance	30–45
TOTAL COST DISADVANTAGE	**80–100**

As it will happen, the country being endowed with very poor quality coking coal with an ash content much above required for making coke, we have remained nearly 90 per cent dependent on coal imports. Our imports in 2018-19 were 52 mt and these are set to rise yearly in line with increase in BF-BOF route steel output. The 2017 steel policy pronouncement of scaling down the industry's coal import reliance to 65 per cent by 2030-31 will remain elusive going by the past record in extraction of prime coking coal and setting up washeries for removing ash in coal.

Citing this unavoidable perennial high import dependence, industry officials want Sitharaman to dispense with the 2.5 per cent customs duty on metallurgical coal, a highly volatile commodity with its prices in recent years fluctuating between $150 and $300 a tonne. Import duty apart, steelmakers are required to pay ₹400 a tonne as GST compensation cess for use of coking coal. Import duty and GST cess on coal makes locally made steel costlier by over ₹650 a tonne. Niti Aayog says the steel industry's cost disadvantage of up to $100 a tonne is also on account of logistics and infrastructure deficiencies, taxes and duties on iron ore, high power and finance cost and clean energy cess.

Whether it is steel or non-ferrous metals such as aluminium and copper, many Indian groups match the best in the world in efficiency in conversion of raw materials to metals. Where they lose out in price competitiveness is because of the raft of import levies on raw materials not locally available and some local costs over which producers have no control. Tata Steel Managing Director T V Narendran famously says which is corroborated by JSW Steel Joint Managing director Seshagiri Rao that much of world class efficiency within mills is compromised in terms of cost by poor logistics involved in ingress of raw materials and egress of finished steel products. Therefore, beyond whatever comes as Budget relief, New Delhi will have to look holistically at what all needs to be done to make India made ferrous and non-ferrous metals globally competitive.

In the meantime, hopes are running high in the aluminium industry that the finance minister will finally end the inverted duty regime, which means customs duties on not locally available raw materials are higher than on primary aluminium, when she presents the Budget on February 1. Let's consider non-fuel grade calcined petroleum coke (CPC), which along with coal tar pitch (CTP) are used for making carbon anodes used in aluminium smelters. Even though CPC with maximum sulphur content of 3.5 per cent used for aluminium making is scarcely available in the country making imports imperative, the customs duty on the raw material was ill-advisedly raised to 10 per cent from 2.5 per cent in December 2017. Bizarrely, however, the import duty on primary aluminium is at 7.5 per cent.

The silvery white metal is smelted from powdery alumina extracted from bauxite. As it will happen even while the country owns the world's fifth largest bauxite reserve and much of that high grade, the country's import reliance on this intermediate chemical is close to 35 per cent. This would not have been the case had the government proactively created condition for opening of new large bauxite mines. In any case, the customs duty of 5 per cent on calcined alumina raises manufacturing cost of the metal giving an advantage to foreign aluminium suppliers, including China. Alumina alone has a share of 40 per cent of the cost of making the metal.

India is a net importer of caustic soda, the principal raw material for making alumina. Here also, imports raise the issue of inverted duty structure. Caustic soda invites import duty of 7.5 per cent while the finished product alumina has an impost of 5 per cent. An industry official says that in the last five years, aluminium production cost is up around $420 a tonne while LME aluminium is down from $2,290 a tonne to $1,800 a tonne. In its plea for relief in the Budget, the industry urges the government to do a review of China's stand on raw materials imports.

INSIGHT

Ease regulation imbalance

Why Trai–broadcaster alignment is crucial for industry growth

T V RAMACHANDRAN

"36 tariff orders on broadcasters in just 15 years". "Broadcasters take TRAI to court". Recent news indicates a steep escalation in the tension between the telecom regulator (Trai or Telecom Regulatory Authority of India) and TV broadcasters. If this situation continues, it will result in an economic bloodbath and the ultimate loser will be the Indian consumer. Why this *kolaveri*?

The Trai recently released a string of tariff orders. The latest mandate caps individual TV channel prices at just ₹12, a number derived by erroneously extrapolating and applying group discount pricing for each channel. The intent seems to be to provide consumers with cost-effective solutions and better choices in channel selection. This and other regulations have stirred up strong views and controversy. The entertainment segment is now consumed by turf wars and court battles instead of a collaborative focus to realise the high growth potential of the sector.

Entertainment is not a fundamental human right, and content is extremely expensive to produce. Apart from regulation, traditional TV is actively competing with an explosion of digital streaming services. In an attempt to stay afloat, broadcasters will be forced to lower the number of channels offered, implement severe cost-cutting measures including inferior content quality, and reduced headcount to survive with the proposed unrealistic prices. The industry employs over four million people. Surely we cannot afford this during an economic downturn!

The Trai probably anticipates that lower prices will increase the number of TV channel subscriptions. TV broadcasters aim to stay competitive with high-quality content, attractive pricing and packages, and draw more advertising and subscription revenue. When both parties clearly benefit from providing Indian consumers with top-notch content, isn't it time to remove the handcuffs on broadcasters for the greater good?

The Trai website states the regulator's mission as, "for growth of telecommunications" to "enable India to play a leading role in emerging global information society... Trai is to provide a fair and transparent policy environment which promotes a level playing field and facilitates fair competition".

For decades, the media and entertainment (M&E) industry has had a level playing field with multiple players and numerous options for consumers. The market grew to a staggering ₹1,631 billion in 2019 at a growth rate of 13 per cent (KPMG). The global average is only 4 per cent. A fantastic achievement particularly during the time of a economic downturn with the economy projected to grow at only 4.6 per cent (State Bank of India) or 5 per cent (World Bank) in 2020. Promoting natural competition among players will enable more attractive prices and options for consumers, increase subscription, and draw more revenue. This will help the Trai succeed in its goal to "create and nurture conditions for growth of telecommunications".

The Trai also aims to "provide a fair and transparent policy environment".

The pricing mandates, unfortunately, seem to create an imbalance between broadcasters and their partners, the DPOs or distribution platform operators. Broadcasters generate content for their channels and partner with DPOs to deliver the channels to the end user. In any business, the company that creates a product sets the MRP or maximum retail price, often factoring in distribution costs. However, with the New Tariff Order (NTO) released in 2019 and its amendment in January 2020, distributors gain greater leverage while broadcasters are boxed in. This is patently unfair.

Individual channels cannot be priced higher than ₹12 and broadcasters have brakes on the number of grouped channel packages or bouquets they can offer. Additionally, individual channels cannot be offered at an MRP greater than three times the average price of any other channel in the bouquet. DPOs, however, can collect an increased service fee from subscribers known as NCF or network capacity fee of up to ₹130 (excluding taxes). The regulator also wants to allow consumers to create custom channel packages. However, technology limitations on the DPO do not allow for this level of flexibility resulting in channel blackouts last year. The increased NCF and channel blackouts drove subscribers to streaming services.

Under the current regulations, DPOs have the right to refuse to carry specific broadcaster channels on their platforms, citing bandwidth issues however non-existent. Broadcasters are required to offer their channels without discrimination to all DPOs. This means broadcasters have to pay each DPO a carriage fee per subscriber to deliver their channels. The gains of the DPOs from collecting subscription fees are not shared with broadcasters.

It is good to remember "Where there is anger, there is always pain underneath" (Eckhart Tolle). For the first time, 10 broadcasters — regional, national, Indian and foreign — stood united to voice their agony and suffering. If the Trai could just look past the sound and fury and tune into broadcasters' genuine pain, there is much opportunity to join forces and work out a real win-win. The partnership must prioritise the benefits to consumers and "enable India to play a leading role in emerging global information society".

(Research inputs by Chandana Bala)

The author is president, Broadband India Forum, and founder & CEO, Advisory@TVR Views are personal.

LETTERS

Need of the hour

The Annual Status Education Report (ASER) of NGO Pratham for the year 2019 has once again strongly underlined the existing and yet unaddressed inadequacies in our school education system. While linking India's learning crisis to the weakness of pre-primary system, ASER has pointed out the fact that more than 20 per cent of students in Class I are less than six-year-old and children's performance vis-à-vis language and numeracy or other cognitive, social and emotional learning tasks are strongly related to their age with older children doing better on all tasks.

Debate on ideal entry-level age to primary school needs to be taken to its logical conclusion. As emphasised by ASER, children between four and eight should be taught basic cognitive skills through play-based activities with a thrust on developing problem-solving faculties and by building memories of children. Addressing the ills plaguing the pre-school and primary school education system is the need of hour.

M Jeyaram
Tamil Nadu

AAP's strategy

This refers to "Delhi polls: AAP announces candidates for all seats, drops 15 sitting MLAs" (January 15) by Archis Mohan. The ruling Aam Aadmi Party (AAP), which has been first off the blocks in releasing the list of all 70 candidates for the Delhi Assembly elections slated to take place on February 8, seems to be in hurry to reach out to the voters with its all-impressive "report card".

However, as revealed in the report, the party high command has retained all its incumbent ministers while dropping 15 of its sitting legislators. It may be highly pertinent to observe that this "prized" list also includes the names of five "migratory birds" from the Congress, who might have crossed over to the AAP with the hope of getting elected by riding on its popularity wave. This wave was visualised by the survey which was recently conducted by the a TV news channel. For sure, such an electoral scenario must serve as a wake-up call for the Bharatiya Janata Party which appears to be over-anxious to grab the seat of power after gap of 21 long years. Let us hope the voters of the national capital vote wisely and maturely in favour of party which truly deserves their mandate to rule.

Anjana Gupta
New Delhi

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HAMBONE

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Learning from the classroom

Govt schools need to focus on quality

Over the past decade, successive governments have taken pride in the fact that growing numbers of children in rural India are being enrolled in schools and, what is more, staying there for longer periods of time. In a country as large and geographically varied as India, this is no mean achievement. The disheartening factor is that no government has chosen to build on this initiative in a meaningful manner. The unintended consequence of this "quantitative" focus has been to downplay the "qualitative" element, as the latest Annual State of Education (Rural) or ASER report shows. ASER surveyors visited some 37,000 children between the ages of four and eight in 26 rural districts in 24 states. The results suggested that government schools fared considerably worse in terms of the quality of education. For instance, less than half (46.8 per cent) of students in government primary schools can read letters of the alphabet compared with 77 per cent in private schools. Worse, for a country that prides itself on its information technology talent, only 54.4 per cent of children in government schools can recognise number one through nine compared with 82.7 per cent in private schools.

The picture of early stage learning (at age five) — a critical stepping stone to learning abilities at a later age — was no less dismal. ASER surveyors discovered that children in government schools fared worse than those in private schools on this count too. In cognitive tasks and picture description, the variation between government institutions (including *anganwadis*) and private schools was between six and 13 percentage points. In slightly more advanced skills, such as listening comprehension and counting objects, the gap widened to 17 and 21 percentage points, respectively. The lesson is not just that government schools deliver poor quality education but that the approach to early stage learning may be flawed. As the report points out, "focusing on play-based activities that build memory, reasoning and problem-solving abilities is more productive than an early focus on content knowledge". At least part of the problem is that the government's drive to get children into school has resulted in many children being too young for their class. The report found that more than a quarter of Class 1 students were four or five years, two to three years younger than the recommended age. Permitting nursery school-age children into primary grades, the report points out, "puts them at a learning disadvantage that is difficult to overcome". No less worrying in this qualitative differentiation between government and primary schools is that it is widening the gender gap. The survey found that more boys are being enrolled in private schools and more girls in the relatively inferior government schools. This discrimination persists through all age groups.

The big picture, then, is that the government is neglecting its role in basic education. This is a perilous path to follow. The "miracle" growth trajectories of the Asian Tigers (and China) were underpinned by the state's delivery of quality primary and secondary education. If the trends highlighted by ASER persist, India, an aspiring power, may find itself firmly in the realm of the world's largest sub-Saharan country.

Promote oilseed production

Curbs on Malaysian palm oil import present a good opportunity

Restrictions imposed by India on the import of refined and processed palm oil, coupled with the European Union's (EU's) proposal to phase out the use of palm oil as transport fuel, are likely to prove game-changers for the global palm oil sector. India and the EU are the largest importers of this oil from Indonesia and Malaysia, which together account for 85 per cent of the world production. New Delhi's decision on imports has been sparked by Malaysian Prime Minister Mahathir Mohamad's anti-India diatribe on Jammu and Kashmir and the new citizenship law, though the need for it has been felt for long to protect the domestic edible oil industry. The EU's move emanates from the perceived adverse impact of expansion in oil palm cultivation on the environment, owing to deforestation and habitat destruction. No doubt, this plan is set to be challenged at the World Trade Organization (WTO) by palm oil suppliers, but that may be inconsequential as the issue relates more to environment than trade.

Whether the Indian decision is also dragged to the WTO is not clear as yet. Prima facie, it does not seem to abuse any established international trade practice. It is neither country-specific nor does it amount to banning the imports. It only makes prior permission necessary for importing refined palm oil. The Malaysian economy, however, is bound to take a hit regardless of whether this move is used selectively to undermine imports from this country or not. Palm oil is Malaysia's biggest agricultural export and accounts for 2.8 per cent of its gross domestic product (GDP). Unsurprisingly, therefore, Malaysia is already considering price discounts and barter deals involving import of Indian sugar and buffalo meat in exchange for palm oil. Indonesia may, in fact, stand to gain by getting more business.

For India, this could be a good opportunity to restrain unabated growth of refined palm oil shipments from abroad. Malaysia frequently rejigs its palm oil duty structure to promote the export of refined oil vis-à-vis unprocessed oil. This hurts the Indian edible oil industry, which has invested heavily in creating vegetable oils refining capacity, much of which is currently lying idle or underutilised. Going by the industry's reckoning, the average capacity utilisation has plummeted to merely 46 per cent. Many small and medium scale refineries have shut down, rendering thousands of workers jobless. Cheaper imports have also kept domestic edible oil prices down to the detriment of the local oilseed growers. This has been one of the significant reasons for the failure of the domestic oilseed output to keep pace with growing demand.

Oil palm farming has failed to make much headway in India despite liberal incentives from the government because of land constraints and long gestation period of the plantations. India, however, has huge potential to raise the output of other crop and tree-based oilseeds to meet the demand for cooking and use in industries such as food processing, cosmetics and pharmaceuticals. But assured marketing at remunerative prices is a prerequisite for farmers to invest in boosting the productivity of oilseed crops. Checking the inflow of cheaper edible oils through measures like the new curbs on import of refined palm oil can prove a step in that direction.

ILLUSTRATION: BINAY SINHA

Some stability, but risks remain

With destocking over, growth is stabilising but its revival faces several pro-cyclical headwinds

TESSELLATUM

NEELKANTH MISHRA

The (only) good feature of destocking-led economic slowdowns is that they end. After all, you cannot keep cutting inventories indefinitely. A significant part of the worryingly precipitous decline in gross domestic product (GDP) growth over the past six quarters was a drop in inventory: As GDP measures activity, inventory build-up adds to growth, and lower inventories take away from it. This is evidenced by the sharp divergence between growth rates in services and industry over the past six quarters, and the drop in the goods and services tax (GST) collections. There may be measurement-related issues in quarterly services growth (only a few comprehensive proxies exist) but for what it's worth, it has not fallen as much as industry has, most likely because there cannot be much inventory in services.

We last saw this in the quarter before GST was rolled out, when growth of industry and services had similarly diverged: Goods supply chains shed inventory to make a clean start with GST. In the last five quarters, however, this has been caused by tightening financial conditions, which restricted credit availability for distributors, wholesalers and retailers across supply chains. The apparent demand visible to manufacturers was thus much weaker than real underlying demand.

There are clear signs that the phase of steep destocking is now over. Power demand growth, which had fallen by double-digits in October and November (likely as industries cut production to adjust for weak festive season sales), was only down 2 per cent in December, and was marginally up in the first week of January. GST collections and rail freight tonnage are also back in the positive growth territory. These are still weak numbers, but better than the sharp declines seen earlier.

If all else were normal, the end of destocking would be followed by restocking, and just as inventory depletion hurts GDP growth, replenishment would help growth.

But financial conditions remain tight; and even financial firms that have the capital, products and processes and access to funds, are slowing down credit in response to the sharp drop in growth. With nominal GDP growth having halved, it would not be surprising if they undertook a broad-based reassessment of credit quality for existing borrowers.

Another headwind to growth would be expenditure cuts by state and central governments, as they try to meet their fiscal deficit targets in a year where tax collections so far have been well below expectations. Central government spending has grown 13 per cent over the prior year in the first eight months, but given the shortfall in receipts, if it sticks to its fiscal deficit target, expenditure in the last four months would be 1 per cent lower than last year. If disinvestment proceeds are lower than budgeted, the fall would be greater. State governments, for whom borrowing targets are frozen by the middle of the financial year, cannot expand their deficits now, and must curtail spending. They already appear to be delaying payments, for example, for crop-insurance, and towards the end of the financial year, even salaries to state government employees could start getting delayed. Such steps may compound the weak consumer sentiment, and further push out investment plans of companies.

Several of the natural stabilisers are not working currently. Generally weak economic growth drives down interest rates, but as documented frequently in this column and elsewhere, interest rates that borrowers see have been unchanged despite weak growth and low core inflation.

On another front, India's foreign currency reserves have increased by more than 2 per cent of GDP over the past year. This is because capital inflows and exports have continued even as imports have fallen with weakening domestic demand. If foreign savers are willing to give more money than the country needs, either the currency would appreciate, or the cost of funds would come down. Neither has happened. The central bank's purchases of dollars to keep the rupee from appreciation have been prudent, but these surplus funds have not led to any drop in the cost of capital in local markets too. Apparently targeting a steady growth in money supply, the central bank eschewed open market purchases of government bonds as its currency market interventions were sufficient for meeting its target money supply growth. One of the risks of a central bank buying government bonds is a weak currency, but such a large balance of payments surplus, that too triggered by weak domestic demand, shows that such risks are muted currently.

In popular commentary, over the past few months the number of problem balance sheets in India has risen from two to three and even four. While that may be true, we must remember that balance sheets can get stressed due to weak growth, and are not always due to theft or corruption. For example, a central government debt-to-GDP ratio at 45 per cent looked sustainable and was steadily falling due to high nominal GDP growth. But as growth slowed (initially only due to lower inflation), and the cost of debt stayed at 7 per cent, interest costs at more than 3 per cent of GDP suddenly looked daunting; last year they were nearly a third of incremental spending. If taxes grow at 8 per cent, in line with nominal GDP, and non-discretionary expenditure such as interest and salaries grow at the same pace, how can there be any fiscal consolidation, let alone space for additional spending? If slowing nominal GDP growth drives a new wave of stressed loans, the right solution would be growth revival, not another attempt to repair balance sheets.

Economic forces, though, tend to play out over time, even if more slowly than desirable. Let us consider the lower interest rates, which are necessary (though perhaps not sufficient now) for growth revival. Bank deposit rates have begun to fall, and should flow through to lending rates over time. Mortgage rates are down nearly 50 basis points in the last five months. Presentation of the Budget should reduce some uncertainty on fiscal deficits and spending, and April onwards state and central governments should be able to resume healthy spending. By then, absent more weather disruptions, headline inflation should also have corrected meaningfully. If there are no further accidents in the financial system, credit spreads should also start to fall, however slowly. The economy may then settle into a new slower rhythm, with growth a bit better than seen currently, though far from what the country has set its sights on.

The writer is co-head of Asia Pacific Strategy and India Strategist for Credit Suisse

There's no emerging market debt threat

FINGER ON THE PULSE

T T RAM MOHAN

The World Bank warns us of a large wave of debt that has been building up since 2010. (*Global Economic Prospects, 2020).* It's driven by a rise in debt in emerging market and developing economies (EMDEs). The build-up has been faster and broader than in the three waves of debt in EMDEs that happened before in the past 50 years.

Every one of the earlier three waves ended in a financial crisis. The report spells out the impact of these crises. It suggests ways in which EMDEs might reduce the probability of a debt-induced crisis and its impact.

It's good to be warned and to be prudent in managing debt. But are EMDEs really going on a debt binge that could hurt the global economy? Should we in the EMDEs be having sleepless nights? Not really, if you look closely at the facts presented in the report. The debt problem, it turns out, lies elsewhere — in the advanced economies.

Global debt, government and private, was at an all-time high of 230 per cent of gross domestic product (GDP) in 2018. EMDE debt was 170 per cent of GDP in 2018, an increase of 55 basis points over the level in 2010. But the bulk of the increase happened because of China. Excluding China, EMDE debt is 107 per cent of GDP, by no means a high figure given that it includes both government and private debt. A Chinese debt crash has been forecast for so long that it's now boring to read about it.

Advanced economy total debt was 264 per cent of GDP in 2018. True, this is the same level as in 2010, there has been no increase. But the fact remains that the high level of debt in the world today is primarily on account of advanced economies. EMDEs barring China are not central to the problem.

High levels of debt are a precursor to a financial crisis. That's the lesson from the financial crises of the past, including the global crisis of 2007. However, as the report notes, there are numerous mitigating factors in today's situation. Persistently low interest rates is one of them. A rise in interest rates is sure to create problems. But a sharp increase in rates doesn't seem likely in the near future.

The current build-up of debt in EMDEs is on account of a mix of government and private debt. That's good news. Government debt has a bigger chance of being spent on consumption, so the rise in debt would have been more of a problem had it been driven overwhelmingly by government debt.

At 50 per cent of GDP, government debt in EMDEs is not a huge problem. Moreover, the domestic component of government debt is relatively manageable — governments can inflate their way out of trouble. External debt is the issue. Total external debt, government and private, in EMDEs was 26 per cent of GDP in 2018, not alarming by any reckoning.

There are other positives in the current situation. The international financial system has become more resilient, thanks to higher capital at banks than in 2007. More global safety nets are available. Many EMDEs have moved towards better macro-economic policies. These include flexible exchange rates, targeting of low levels of inflation and higher foreign exchange reserves.

Since 1970, there have been 520 episodes of rapid accumulation of debt in 100 EMDEs. About half of these resulted in financial crisis. That gives us a probability of 50 per cent in worse times. In today's situation, the probability of a financial crisis erupting in EMDEs would be considerably lower. The challenge is not a financial crisis originating in EMDEs but one that might originate independently of them. That is what the World Bank should be highlighting.

Which brings us back to the nub of the problem today, namely, the high level of advanced economy debt. It was advanced economies that created the 2007 crisis. The Eurozone crisis of 2011 was an extension of that crisis and it dealt a further blow to the global economy. High debt and tardy growth in advanced economies are impacting the world economy adversely. So is the upsetting of the international trade system by the leading advanced economy, the US. For a change, the World Bank might want to read its sermons to the advanced world instead of to EMDEs.

Political stability and investor confidence

Several commentators have been saying that the protests in recent months pose a threat to political stability and have damaged investor confidence. Political stability, they tell us gravely, is just not a matter of having a parliamentary majority. It is also about the absence of political turmoil. The controversial political initiatives of the present government and the protests they have evoked, the pundits warn, are bound to reflect in investor confidence.

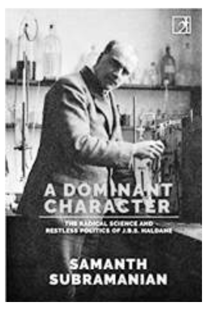
Well, if investor confidence has been damaged, it certainly doesn't show up in foreign inflows. Foreign institutional investor inflows totalled $19 billion in the calendar year up to December 2019, up from minus $11.3 billion in the year up to December 2018. Gross foreign direct investment into India was $40.1 billion in the period April-October 2019 compared to $37.3 billion in April-October 2018. Foreign investor confidence is alive and kicking. The government's critics need to think up a different spiel.

The writer is a professor at IIM Ahmedabad; ttr@iima.ac.in

A man who knew too much

BOOK REVIEW

DEVANGSHU DUTTA



A DOMINANT CHARACTER: The Radical Science And Restless Politics Of JBS Haldane
Author: Samanth Subramanian
Publisher: Simon & Schuster
Price: ₹799

John Burdon Sanderson Haldane (1892-1964) was often referred to as "the last man who knew everything there was to be known". The bare details of his utterly unconventional life are stunning. This solidly researched biography connects the disparate strands of his political convictions, his irreverent attitude to everything including his own death, his complicated personal life, and his enormous contributions to science and the popularisation of science.

Haldane was the scion of an aristocratic family that traces its origins back to the 12th century — the name is a version of Half Dane implying Viking ancestry. He was, however, a socialist and communist. He wrote prolifically for the *Daily Worker*, (published by the Communist Party of Great Britain) and headed its editorial board. Indeed, the *DW* archive is worth raiding purely for his column on popular science.

He was an atheist who casually quoted the *Bible* (in multiple languages), or the *Gita* in Sanskrit, or Tagore's hymns in Bengali. He wrote a sequence of mathematically driven papers, which transformed the biosciences and the understanding of genetics, despite never having formally received a degree in the sciences. He was utterly fearless in running experiments involving poison gases, drugs and explosives, often endangering his own life along with those of his assistants.

Haldane used his mathematical skills to analyse data from multiple sources, and thus, put a firm foundation to Darwin's theories and Mendel's genetic experiments. He was thorough in working out possible scenarios for evolution, and prescient in suggesting ways in which life could arise from the primordial "soup" of the early Earth without a nudge from a creator.

He also made a series of conjectures about genetic linkages, and the whys of mutation, which have since proved to be astonishingly close to the mark. Remember, the structure of DNA was discovered only when he was in his 60s. He designed gas masks for battlefields and contributed to safety in mines and submarines through investigations of toxic atmospheres. He almost killed himself multiple times figuring out how carbon monoxide and carbon dioxide affected human beings. This followed up on his father John Scott Haldane's pioneering work in these areas.

He wrote an incredibly wide-ranging set of pieces where he explained science in popular terms. He also wrote science fiction fantasy, which was always polemical, and ranged from the boring to the brilliant. He was known for his brutally honest adherence to the truth in his scientific work. Yet, he was an apologist for Stalin and the Soviet regime, eliding Lysenko's pseudoscience, and overlooking Stalin's genocidal *modus operandi*, even though he lost friends and academic colleagues to Stalin's purges. He was also somewhat ambivalent about eugenics.

He was a pacifist who worked for world peace. But he enjoyed a good physical scrap, using his fists with the same relish, as he deployed his tongue in an intellectual argument. He fought in the trenches in the World War-I where, upon his own admission, he enjoyed killing people and was once described as "The bravest and dirtiest officer in the British army". He was wounded twice in France, and in Iraq and nicknamed "Bomber" for his facility with handling explosives. He also advocated the use of poison gas rather than high explosives, since gas killed fewer people and caused less damage.

He actively participated in the Spanish Civil War and during World War-II, contributed critical research, aiding in submarine design, and sitting on half a dozen secret scientific committees. This was while being under constant surveillance from MI5 as a committed communist, and fighting a running, public battle with Winston Churchill who shut down the *Daily Worker* in exasperation after being unable to endure its tirades against Britain's conduct of the war.

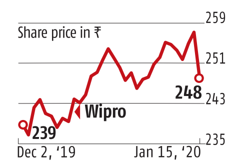
Both his marriages were unconventional. His first union involved a farcical divorce case. He persuaded his mistress' husband to sue him and invited a private detective to deliver newspapers to his hotel room to prove his adulterous affair with feminist author Charlotte Franken Burghes. He nearly lost his Cambridge readership as a result of the ensuing scandal. His second wife, Helen Spurway, was one of his students and 22 years younger. Marrying her required another complicated divorce and payment of substantial alimony.

In his old age, he relocated to India, first to the Indian Statistical Institute and then to Bhubaneswar, after a spat with PC Mahalanobis. He took Indian citizenship, wore a *dhoti* and turned vegetarian. He died in Odisha of cancer. When his cancer was first diagnosed he wrote "I wish I had the voice of Homer / To sing of rectal carcinoma".

Samanth Subramanian does a pretty good job of chronicling the science and the insanity.

Business Standard
The Smart Investor
MUMBAI | THURSDAY, 16 JANUARY 2020
WWW.SMARTINVESTOR.IN FOR INFORMED DECISION MAKING

QUICK TAKE: SENTIMENT TURNS SOUR FOR WIPRO



Wipro shares fell 3.5%, reacting to its December quarter results declared the previous day. Besides continued headwinds in key verticals such as financial services and in large accounts, lower-than-expected revenue guidance for the seasonally strong Q4 also hurt sentiment

"Mexico, a large exporter of oil, regularly buys put option on oil costing more than a billion dollar annually to protect itself against lower oil prices. Should India be hedging its oil exposure?"

NILESH SHAH,
Managing Director, Kotak Mutual Fund

Multi-caps may miss broader market recovery

JASH KRIPLANI
Mumbai, 15 January

Multi-cap funds — which are expected to shuffle between companies across market caps to optimise investor returns — run the risk of missing out on a broader market recovery, with such funds showing heavy bias towards large-cap stocks in their portfolios.

According to the data from Value Research, average allocation of multi-cap funds to large-cap stocks was 71.8 per cent as of December 31, 2019. Mid-cap stocks accounted for 20.2 per cent of the funds' investment, while the average allocation to small-cap stocks was a measly 8 per cent. "If the broader market rally starts to play out at a rapid pace, the multi-cap funds might find it difficult to realign their portfolio in time to take advantage of a sharp recovery," said Amol Joshi, founder, PlanRupee Investment Services.

Fund managers expect front line indices to yield modest returns due to steep valuations. Large-cap stocks within these indices had seen sharp rerating, as investors looked for pockets of safety. Fund managers expect a reversal of fortunes in the broader markets — mid- and small-cap stocks — where earnings visibility had waned.

"Mid- and small-cap earnings had got downgraded. However, as the economy recovers, earnings growth of mid- and small-cap companies should also pick up, as they have a higher linkage to the domestic economy," said Mahesh Patil, chief investment officer, Aditya Birla Sun Life Mutual Fund (MF).

"The prevailing risk on sentiment globally should also lead to continuing foreign institutional flows — a part of which should go into mid- and small-caps," added Patil. Experts say funds will need to realign their portfolios to take advantage of a pick-up in broader markets.

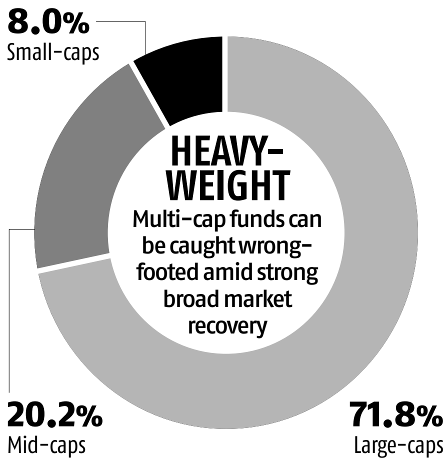
"If the market broad-bases gradually as and when economic recovery plays out, clearly funds will have to decide what kind of mid-caps they need to buy and at what pace. At our asset management company, we are taking a bottom-up approach to spot mid-caps with strong investment case," said Rahul Singh, chief investment officer-equities, Tata MF.

The return scorecard in recent months shows that mid- and small-caps are showing early signs of outperformance. The BSE MidCap has yielded returns of 5 per cent in the last three months, while the BSE SmallCap has delivered returns of close to 9 per cent in the same period. Meanwhile, the Sensex has posted gains of 4 per cent.

Experts say investors in a few multi-caps may see wider underperformance, as these are virtually being run like large-cap funds. "There are some multi-cap funds in the industry, where almost 100 per cent of investments are in large-cap stocks," said a fund manager.

As the economy recovers, earnings growth of mid- and small-cap firms should pick up as they have higher linkage to the domestic economy

MAHESH PATIL
Chief Investment Officer, Aditya Birla Sun Life MF



Source: Value Research, data as on December 31, 2019

Karvy case: Axis Bank gets relief from SAT

JASH KRIPLANI
Mumbai, 15 January

The Securities Appellate Tribunal (SAT) on Wednesday granted interim relief to Axis Bank in the appeal filed by the latter against the order passed by the Securities and Exchange Board of India (Sebi) in the Karvy case.

Axis Bank had moved SAT seeking status quo on the order which stated that pledging of shares by Karvy Stock Broking — where clients had "fully-paid" — was legally invalid.

The tribunal granted interim relief in light of the fact that the National Securities Depository had earlier reversed securities to clients on the basis of Sebi's November 2019 order.

Confirming the development, an official spokesperson for Axis Bank said, "The bank has filed an appeal before SAT against the Sebi order. The SAT on Wednesday granted interim relief to Axis Bank by directing status quo to be maintained on the Sebi order till further hearing on the matter."

Sebi, in its order, had identified ₹171.74 crore worth of shares where clients had fully-paid the dues. The spokesperson for Axis Bank said, "Our submission is that even in these shares, there is indebtedness, and the data needs to be re-examined."

In its order, Sebi said the transfer of unpaid client shares worth ₹13.69 crore, which were pledged in favour of Axis Bank by Karvy, can be allowed if the bank is able to furnish proof of authorisation by each client.

"If the representor (Axis Bank) is able to show proof of authorisation in respect of securities having value of ₹13.69 crore belonging to unpaid clients, such securities can be released to the representor after following the above procedure under supervision of the NSE," Sebi said in its order.

Sebi's whole-time member also observed that pledging of securities of unpaid clients required "explicit authorisation" from each client and power of attorney (PoA) given by clients was not sufficient authorisation to create such a pledge. Axis Bank in its arguments had said the PoA was sufficient authorisation, the order pointed out. Axis Bank had extended an overdraft facility to Karvy Stock Broking, against which the share pledges were created. Karvy owed ₹80.47 crore to Axis Bank. Overall, ₹185.43 crore worth of securities were pledged in favour of Axis Bank.

Axis Bank had sought that in respect of partly or unpaid clients, Karvy should be directed to issue five days' notice to clients or the bank can issue five days' notice to clients to pay dues and redeem the shares. If the clients fail to do this within the stipulated period, the bank sought permission to invoke the pledged shares.

Karvy's MF application on hold as NJ gets nod

Sebi has put Karvy Stock Broking's application for an mutual fund (MF) licence on hold. The regulator's processing status report showed that Karvy's application was "put on hold in view of pending regulatory action".

Karvy had made the application for an MF business in February last year, much before the broking firm came under regulatory glare for pledging client securities. Meanwhile, NJ India Invest — India's largest MF distributor in terms of commission — got in-principle approval to set up the MF business.

Pfizer eyes listing of GSK consumer venture in 4 yrs

MARK SCHOIFET
Mumbai, 15 January

Pfizer is planning an initial public offering (IPO) of its consumer-health joint venture with GlaxoSmithKline in 3-4 years, as the two drugmakers turn back toward the lab.

Albert Bourla, CEO of Pfizer, discussed the time frame for the IPO at the JPMorgan Healthcare Conference in San Francisco on Tuesday. The plan provides New York-based Pfizer with a clear exit strategy, he said.

The world's biggest supplier of over-the-counter medicines will be one of the industry's only standalones, facing off with companies integrated into larger entities such as Johnson & Johnson, Bayer AG and Procter & Gamble Co.

With annual sales of about $13 billion, it brings under one roof Advil painkillers, Tums stomach tablets, Sensodyne toothpaste and Nicorette gum.

Both Glaxo, the majority owner, and Pfizer, which has about a third of the business, are looking to focus on drug development.

Recent shifts in the health-care business and in the broader economy have challenged a model in which drugmakers control every corner of home medicine cabinets.

Big pharma companies are increasingly focused on developing high-priced new medicines that draw on cutting-edge research in genetics and other fields. **BLOOMBERG**

BANKING, FINANCIAL STOCKS THE CASH COWS FOR FUND HOUSES

Mutual funds (MFs) saw increased investments in banking and financial stocks ahead of the Budget, which will be presented on February 1. The value of MF holdings in ICICI Bank increased by ₹2,900 crore in December. This was followed by Kotak Mahindra Bank (up ₹1,320 crore), HDFC (₹1,290 crore) and Maruti Suzuki (₹1,200 crore). Bharti Airtel was also on MFs' radar, with the value of MF holdings rising ₹1,180 crore. Meanwhile, Reliance Industries saw the biggest cut in MF holdings, declining by ₹1,650 crore. Other firms that saw the biggest fall were ITC (₹1,050 crore), SBI (₹920 crore) and BPCL (₹610 crore). JASH KRIPLANI

RISING MF EXPOSURE	Value chg in Dec (₹ crore)
ICICI Bank	2,900
Kotak Mahindra Bank	1,320
HDFC Ltd	1,290
Maruti Suzuki	1,200
Bharti Airtel	1,180

FALLING MF EXPOSURE	Value chg in Dec (₹ crore)
RIL	–1,650
ITC	–1,050
SBI	–920
BPCL	–610
SBI Life Insurance	–600

Source: MOFSL

7 firms to list CPs on BSE for ₹8,812 crore

The BSE on Wednesday said seven firms including Grasim Industries, Reliance Jio Infocomm, and HDFC Securities have filed applications to list their commercial papers (CPs) with the bourse for a total issue size of ₹8,812 crore.

Indian Railway Finance Corporation, Reliance Jio, Julius Baer Capital (India), and Grasim Industries made applications to list their CPs for an issue size of ₹4,000 crore, ₹1,750 crore, ₹1,075 crore and ₹1,000 crore, respectively, the BSE said in a release. Besides, HDFC Securities, Shriram City Union Finance, and KEC International made applications to list their CPs for ₹490 crore, ₹477 crore and ₹20 crore, respectively, it added. After the process, the effective date of listing CPs will be January 16, it added. **PTI**

THE COMPASS

Bandhan Bank: Look beyond headline numbers

Provision coverage ratio, loan book diversification warrant attention

HAMSINI KARTHIK

The Bandhan Bank stock shed over 5 per cent on Wednesday, giving up far more than the 1 per cent it had gained following its December quarter (Q3) results, published a day earlier. The 93 per cent growth in its loan book, helped by the acquisition of Gruh Finance under current conditions, is laudable.

Asset quality appears reasonable, too. However, investors should look beyond the headline numbers, as aspects such as provision coverage, loan book diversification, and profitability do not hint at much strength.

At 1.93 per cent gross non-performing asset (NPA) ratio, bad loans have marginally risen by 17 basis points (bps) sequentially, of which 15 bps was attributed to Gruh Finance's portfolio. However, provision coverage ratio or PCR dipped to 58 per cent in Q3 (lowest since listing), suggesting that there could be more stress in the coming quarters.

Further, of the ₹6,500-crore exposure to Assam (10 per cent of total loan book), Bandhan Bank has provided for ₹200 crore on a prudential basis, which is about 3 per cent of the total exposure.

While collection efficiency improved to 93.6 per cent in December from 78 per cent during the peak of the protest, news reports don't indicate complete normalcy returning even now, which could make the lender vulnerable to further asset quality pressure from Assam.

Growth in non-microfinance (MFI) business, including Gruh Finance, also seems to be slowing, with non-MFI loan assets growing at a paltry 1.5 per cent sequentially to ₹25,356 crore in the quarter under review.

Here too, only the share of loans to micro, small and medium enterprises (MSMEs) viz-a-viz non-MFI loans has risen 300 bps sequentially to 23.32 per cent. Important segments such as retail loans, as well as lending to MFIs and other non-banking financial companies, hasn't changed much.

In short, dependence of microfinance (MFI) was static at 61 per cent of the overall loan book, indicating that its diversification strategy may take longer to play out.

The other important factor is the compression in net interest margin (NIM or profitability) to 7.9 per cent in Q3, from 8.2 per cent in Q2.

While compression in NIM was anticipated after the Gruh merger, the decline seems to be happening faster than expected.

Assets under management grew at 2 per cent sequentially, lagging the 11 per cent growth recorded in deposits, thus playing a part in NIM shrinkage.

Analysts at ICICI Securities, who remain positive on Bandhan Bank, have downgraded their earnings expectation by 3-4 per cent for FY20-22.

"The recent situation in the north-eastern state with substantial exposure and integration of Gruh Finance is seen keeping the growth trajectory moderate," they add.

Compiled by BS Research Bureau

Margin gains help Mindtree find its feet in Q3

Slow pace of new contracts remains a concern despite revenue growth

RAM PRASAD SAHU

After underperforming significantly on the growth and margin fronts in the September quarter, Mindtree put up a better-than-expected show in the December quarter.

It posted a 1.5 per cent sequential dollar revenue growth, led by a strong uptick from its top clients, and thus helped address concerns on client attrition amid a management transition.

The increase in share of revenues from project-based contracts to fixed-priced ones is another positive. The share of fixed-priced contracts increased by 280 basis points sequentially to 59 per cent, in line with the company's strategy to move towards annuity-type revenues.

In addition to revenue growth, the firm's operating profit margins, too, came in better than what the Street had estimated.

This was aided by large deals and stable contract pricing. Earnings before interest and tax (Ebit) margins, which had dipped to 6.4 per cent in the June quarter of FY20, rose 276 bps year-on-year to 12 per cent in the December quarter, driven by cost optimisation, increase in fixed-price contracts, and a falling proportion of low-margin accounts.

The company indicated that margins would continue expanding on higher utilisation, offshoring, and lower sales and general administration expenditure. The firm also stuck to its revenue guidance for the current financial year, at 8-9 per cent.

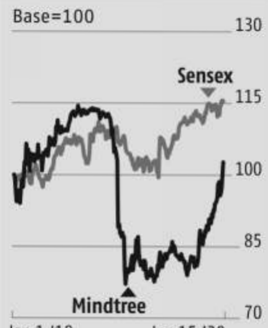
Among key concerns is the slowing pace of new contracts. These declined 19 per cent over the year-ago quarter to $207 million, as clients have been deferring decisions.

The renewal part of the order inflow has been declining over the last three quarters, which could impact revenue visibility, according to analysts at Nirmal Bang Research.

Muted revenue growth at 2 per cent in the digital segment is worrying, given that larger peers such as Infosys have posted better growth rates.

Digital revenue, which accounts for 38 per cent of overall revenues, is at similar levels to the one reported in the June 2019 quarter.

While improvements in margins were positive — helping the stock gain close to 2.8 per cent on Wednesday — further gains could be capped, keeping in mind the sharp stock price movement since the start of December.



Compiled by BS Research Bureau

High inflation may eat into food firms' pricing power

Consumer price inflation touching a six-year high indicates lower purchasing power

SHREEPAD S AUTE
Mumbai, 15 January

At a time of consumption slowdown in the country, the recent inflation print could worsen the situation for food-based players in the fast-moving consumer goods (FMCG) sector, like Britannia and Nestlé.

Firms such as Hindustan Unilever, ITC, Dabur, too, have food-based products but their share is much lower in overall revenues. Inflation data for December 2019 shows a further rise in the price of items like wheat, milk, and sugar, which are key raw materials of the food-based FMCG companies. They account for around 55 per cent of total raw material costs for such firms. Although these firms have long-term supply contracts and hedge for key inputs to protect margins, rising prices may make it difficult for firms to maintain profitability without hurting volume growth.

Moreover, with consumer price inflation at a six-year high, this means lower purchasing power of households and, hence, further impact.

According the Naveen Kulkarni, head of research at Reliance Securities, "Sagging consumption could make pricing power weak. Thus, managing volume growth and protecting margin is likely to be a tough task for food companies."

While Britannia is planning to increase prices to pass on the input cost pressure, Nestlé has already raised prices in some categories, such as baby foods and milk segment, albeit marginally. However, history shows that hikes affect volume growth.

In 2013-14, for instance, price hikes in the biscuit or similar segments had led to a reduction in volumes growth for companies, say analysts.

Companies like Britannia, which have a relatively high rural-revenue share (32-35 per cent of total revenue), are expected to be affected more compared to those with more urban exposure. Nestlé is estimated to earn 75 per cent of its revenues from urban areas.

"In the slowdown, price hikes would hurt volume growth of Britannia, given its rural market exposure and segment which it operates (mainly biscuits). However, we believe Nestlé is better placed in terms of pricing power," said Nitin Gupta, analyst at SBICAP Securities.

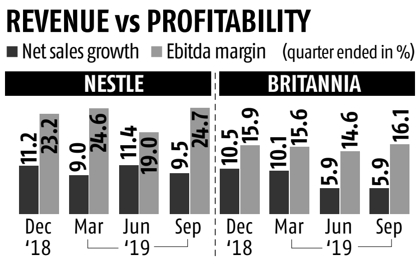
Dhaval Dama, analyst at Equirus Securities, too, echoes a similar view. He said Nestlé has better pricing power given a bigger portfolio of products and companies like Britannia could see some volume growth pressure in case of indirect price hikes in the near term.

The biscuits category, mainly in the economy segment, has been severely impacted by the slowdown. Though Britannia is benefiting from a higher share in the premium segment, it, too, felt the heat of muted consumer demand. During April-September 2019, average volume growth of the firm, on estimated basis, fell sharply to around 3 per cent from 12 per cent in the corresponding period a year ago.

Nestlé managed to report double-digit revenue growth during the period.

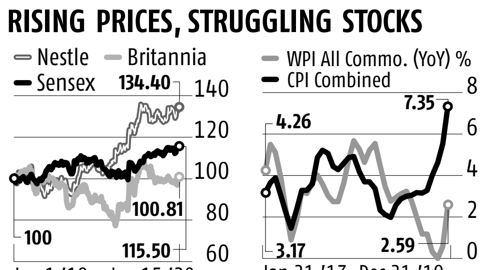
While some analysts expect rural and also the overall demand to revive owing to good rabi crop and the government's welfare schemes, the jury is out on this. Even though analysts consider Britannia and Nestlé strong long-term consumption plays, investors are recommended to await clarity on margin and volume fronts. The stocks of Britannia at 45 times its FY21 estimated earnings and Nestlé at 62 times CY20 earnings (Nestlé follows January-December accounting period), aren't cheap either.

REVENUE vs PROFITABILITY



Ebitda: Earnings before interest, tax, depreciation and amortisation
Source: Companies and *BS* Research Bureau

RISING PRICES, STRUGGLING STOCKS



Indices pause after 4-day winning run

Banking stocks slide on NPA woes, global cues

PRESS TRUST OF INDIA
Mumbai, 15 January

Benchmark indices Sensex and Nifty took a pause after a four-session record run on Wednesday, as higher bank NPAs in ongoing quarterly results weighed on banking stocks, coupled with caution ahead of the US-China trade deal.

At the closing bell, the Sensex was down 79.9 points, or 0.19 per cent, at 41,872, while the Nifty closed 19 points, or 0.15 per cent, lower at 12,343.

Both indices — Sensex and Nifty — had closed at their life-time high levels for the second day in a row on Tuesday.

IndusInd Bank was the top loser in the Sensex pack, dropping 5.44 per cent. Other major laggards were Infosys, SBI, PowerGrid, Tech Mahindra, Bharti Airtel, and HDFC Bank.

In contrast, Hero MotoCorp, Titan, Maruti, Asian Paints, M&M, TCS, Bajaj Auto, and UltraTech Cement closed on the winning side.

Sectorally, BSE bankex, finance, telecom, energy and tech indices fell up to 0.70 per cent.

On the other hand, consumer durables, realty, auto, utilities, metal and healthcare indices rose up to 1.37 per cent.

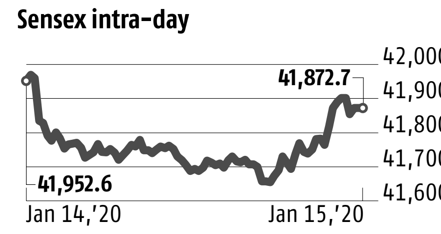
In the broader market, the BSE MidCap and SmallCap indices outperformed benchmarks, rallying up to 1.04 per cent.

Analysts are of the view that overall market sentiment was also affected by comments from a top US official that the trade truce with China, set to be signed on Wednesday, does not include a deal to roll back tariffs imposed on most Chinese goods.

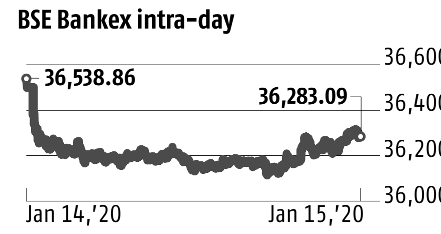
Vinod Nair, head of research, Geojit Financial Services, said, "After the solid pre-budget rally, market is getting a bit sceptical after higher-than-expected NPA numbers in the recent Q3 bank results alongside very high consumer inflation, which may stay for another month or two. The market would watch the Q3 results & actual Budget for further direction." Bourses in Shanghai, Hong Kong, Tokyo and Seoul ended on a negative note, while exchanges in Europe were off to a tepid start.

HITTING THE BRAKES

Sensex intra-day



BSE Bankex intra-day



Canada opens door for Indian start-ups

ASHLEY COUTINHO
Mumbai, 15 January

The Toronto Business Development Centre (TBDC) and the City of Brampton have signed a memorandum of understanding (MoU) with CorpGini to aid Indian start-ups that are looking to expand beyond India. The MoU will facilitate Indian start-ups to collaborate with Canadian corporates and expand their operations in Canada.

CorpGini is owned by the Pantomath Group and Z Nation Lab, and aims to connect corporates to innovative start-ups, as well as imbibe learnings from the latter. The TBDC is a start-up incubator that offers advisory support to effectively kick-start their companies through a variety of tailored programmes.

The MoU was signed in the presence of Brampton's Mayor Patrick Brown, who is interacting with more than a dozen Indian start-ups across Mumbai, Delhi, and Bangalore.

The Indian start-up ecosystem is one of the largest globally, with about 50,000 start-ups, growing at 12-15 per cent annually. India is also home to 31 unicorns (a valuation of more than $1 billion).

"The message we are trying to send is that Canada is open for business and our doors are wide open to Indian entrepreneurs. Our city has among the largest Asian communities in Canada. We met some investment fund managers and Indian start-ups, and I would love to see them succeed in Canada. We are confident that both Canadian corporates and Indian start-ups would gain with this collaboration," said Brown.

'India-dedicated money needs to wait for signs of uptick'

The emerging markets look attractive in 2020 from a valuation standpoint, says **SATISH BETADPUR**, managing director & head of investments – India, State Street Global Advisors. In an interview with **Ashley Coutinho**, on the sidelines of the CFA Society India's 10th India Investment Conference, he says polarisation in Indian equities will continue until the investment climate changes and companies get back their pricing power. Edited excerpts:

Q&A
SATISH BETADPUR
MD, State Street Global Advisors

Do you think emerging market (EM) investing could present a rewarding theme in 2020?

The emerging markets are trading at attractive valuations and expected to see a pick-up in earnings growth. A stable dollar may provide support as well. Emerging markets haven't done well for a while and part of the reason is China, which is a big part of the index. The country has seen excess capacity build-up and the trade war does not help. It's one of the large markets that saw negative returns in the past decade. This year, the expectation is that Chinese earnings growth will pick up. Overall, the US-China trade wars, elections in the US, Brexit, and the tension in the Middle East are cues to watch out for. The US Iran standoff, though, seems temporary. Both sides have pulled back and we believe that the tensions may not escalate much from here on.

How is India placed in the EM pack?

Investors are generally positive on emerging markets and India will get a portion of the money that is buying into EM indices. Dedicated money from quarter-by-quarter NAV-driven money managers may wait for visible signs of an uptick. At this point, we don't have a clear sign of an uptick although the bottom seems to have been reached. If you believe that the bottom is reached, then this may be a good time to select stocks with good fundamentals, robust balance sheets and economic moats. There are opportunities for long-term players, which is why private transactions are picking up, and private equity players are picking up sizeable stakes in companies.

What is your take on the current economic slowdown?

We are expecting India to do better this year, and expect the banking crisis to work its way through. We are going through a cathartic phase but you had to fix all the non-performing assets. The bankruptcy law is a great exercise to get the money back. As money from the big NPAs comes back to the banking system, loan growth may pick up. Right now, we are not seeing loan growth because nobody is confident of NBFCs for business. A clean-up of NBFCs may happen much more slowly. The accommodative interest rates will hopefully help kickstart the housing segment, especially if housing loan rates drop to around 7.5 per cent levels. The RBI has been cutting rates but there has been no follow through by banks. Considering we are in a major slowdown, a revival in the banking and housing sectors will benefit other sectors as well.

Any expectations from the government in the upcoming Budget...

Cutting corporate tax rates was a good move. We are now reading about a personal income tax cut of some kind. It should have happened earlier; hopefully, it will come through this time. It was a mistake last time to increase surcharge on the super-rich because it gives a signal to investors that this is a tax-and-spend government. Not too many people are in this bracket. So, the government may not get too much money from this. Only focusing on a deficit target may not be the most prudent thing to do right now. Yes, deficits need to be managed. When you have deficits with high growth, you know eventually that the debt will be paid off. When you have deficits with no growth, that's when you risk a downgrade from the rating agencies. Between a corporate and personal income tax cut at some point, the economy will shoot up. The timing is unknown – it never is known for any country.

More on business-standard.com

COMMODITIES

PRICE CARD

As on Jan 15	International Price	International %Chg#	Domestic Price	Domestic %Chg#
METALS ($/tonne)				
Aluminium	1,767.5	3.8	2,047.4	7.7
Copper	6,247.0	8.7	6,594.2	10.2
Zinc	2,364.0	−3.0	2,612.3	−1.1
Gold ($/ounce)	1,551.9*	4.8	1,741.6	4.1
Silver ($/ounce)	17.8*	2.4	20.2	1.4
ENERGY				
Crude Oil ($/bbl)	64.9*	11.1	65.3	9.4
Natural Gas ($/mmBtu)	2.2*	−7.7	2.2	−8.0
AGRI COMMODITIES ($/tonne)				
Wheat	197.3	15.5	319.7	10.5
Maize	194.0*	7.2	336.6	14.7
Sugar	390.9*	12.5	493.6	0.7
Palm oil	777.5	49.5	1,260.2	48.3
Cotton	1,553.4	10.9	1,643.8	2.4

* As on Jan 15, 20 1800 hrs IST, # Change Over 3 Months
Conversion rate 1 USD = 70.8& 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

MANDATORY HALLMARKING

Centre exempts gold jewellery below 2gm

RAJESH BHAYANI
Mumbai, 15 January

The government has exempted gold jewellery and artifacts below 2 grams from mandatory hallmarking. Through a Gazette Notification issued on Wednesday by the Union Ministry of Consumer Affairs, Food and Public Distribution, mandatory hallmarking has been made applicable pan-India from 15 January, 2021.

Silver jewellery and articles have been exempted from this requirement as of now.

All jewellers wanting to sell gold jewellery have to obtain the BIS registration. As of now, less than 28,849 jewellers have registered with the Bureau of Indian Standards (BIS). Of these, nearly 3,000 jewellers registered in the past three months, on expectations of hallmarking becoming mandatory. However, the total number of jewellers is several times higher. Jewellers with jewellery which is not hallmarked have to clear their stock within a period of one year. Only 14, 18, and 22 carat jewellery can be sold. Gold jewellery of any other purity standard cannot be put up for sale.

"Existing hallmarking centers have enough hallmarking capacity to hallmark all the jewellery manufactured in India. These centers are running only at 10-15 per cent of their capacity. 10-12 hubs in the country are making 80 per cent of jewellery where hallmarking centers are present," said Harshad Ajmera, president, Indian Association of Hallmarking Centres. The notification gives some exemptions, such as for articles meant for export that conform to any specification required by the foreign buyer, articles with weight less than two grams, articles intended to be used for medical, dental, veterinary, scientific, or industrial purposes, and articles of gold thread. Gold bullion in any shape — bar, plate, sheet, foil, rod, wire, strip, tube, or coin — have been exempted. The exemption list also includes incomplete articles and articles for exports which are not required to be hallmarked.

"The hallmarking law for 14,18, and 22 carat should only apply for selling jewellery, and not for manufacturing jewellery. Customers should be permitted to convert jewellery of any carat when they bring in their old jewellery or bullion. Forcing customers to convert new jewellery of minimum 14 carat will hit a poor person's pocket the most, who otherwise could have opted for even lower caratage by accumulating coin/bullion or old jewellery," said Surendra Mehta, national secretary, Indian Bullion Jewellers Association. Penalty for violation of the BIS Act and Notification will be as prescribed by the Act.

GOLD SPOT

- Mandatory hallmarking made applicable across India from January 15, 2021
- All jewellers wanting to sell gold jewellery have to obtain BIS registration
- Only 14, 18, and 22 carat jewellery permitted to be sold
- Exemption list includes articles for exports not required to be hallmarked

BIS notifies 'good delivery' guidelines for gold, silver

RAJESH BHAYANI
Mumbai, 15 January

The Bureau of Indian Standards (BIS) on Wednesday announced Indian standards for 32 items and procedures, including gold and silver. This means that the commodities in the list, including the bullion, will be treated according to BIS standards and be considered a 'good delivery'. Indian standards for gold and silver were applicable from December 28, 2019. They happen to be the most debated ones in the list.

India is import dependent on gold and to a great extent for silver. However, stock exchanges where gold and silver are traded in derivatives, including MCX, accept gold which meets London Bullion Market Association standards.

This is possible only in imported gold. The 30-plus good refineries in India that are refining 280 tonnes of gold per annum (refined from imported dore or unrefined gold) are not considered good delivery when sold on the stock exchanges.

Defining Indian standards for gold and silver will now make it 'good delivery'. The Securities and Exchange Board of India (Sebi) has to just permit this and it looks like just a formality now.

James Jose, secretary, Association of Gold Refineries and Mints, said, "India's 'good delivery' standards have now been announced. Now, we need an autonomous regulator to ensure proper implementation and the regulator should have teeth to get them implemented."

India's gold import is around 700-750 tonnes annually since the last couple of years. Of this, 280 tonnes or 40 per cent is unrefined dore gold. And, that part cannot be delivered on the MCX and other bourses such as the BSE and NSE. When cinders sell old jewellery that also comes for refining, that market is 200 tonnes per annum. If a jeweller is buying back this gold from refineries, he may accept the bullion that is not meeting Indian standards. However, for all these, regulations by a prospective regulator will be crucial.

A few years back, industry participants prepared details on regulations and who should regulate refineries. The Centre will have to now take a call on this.

Dual pricing policy for sugar sought

DILIP KUMAR JHA
Mumbai, 15 January

The Commission for Agricultural Costs and Prices (CACP) has recommended that the government frame a dual pricing policy for sugar trade for the benefit of farmers.

"It is high time the government considered dual pricing of sugar with a reasonable price for kitchen consumers and high prices for industrial users, depending upon the cost of production and availability," said Vijay Paul Sharma, chairman of the CACP, while speaking at the Sugar Conclave 2020.

Sugar prices have jumped marginally by ₹1-2 a kg in the wholesale markets due to lower production estimates in India and improving prospects for exports. With this increase, sugar M at the factory gate in Uttar Pradesh is quoted between ₹33-34.50 a kg, while sugar S in Maharashtra is traded at around ₹32 a kg. The government has set the minimum selling price of sugar at ₹31 a kg across the country.

According to industry sources, corporate or bulk consumers, including cold drink and sweets makers, in addition to other bulk users, account for about 60 per cent of India's sugar consumption of an estimated 26 million tonnes (mt) annually. Most importantly, industrial consumption of sugar is increasing while kitchen use is decreasing because of lower direct sugar intake.

"High prices for corporate consumers would help sugar mills increase their incomes, which would translate into fast clearance of cane dues. With this, farmers would be encouraged to grow more cane, which has yielded higher income than most other agricultural products," said Suresh Rana, sugarcane minister of Uttar Pradesh.

ICRA in a study estimated sugar mills' profitability to improve in the near term on the back of ₹2 per kg increase of average sugar prices to ₹32.5-33 a kg for the nine-month period ended December.

US, China sign the deal

DOW, NASDAQ HIT RECORD HIGHS

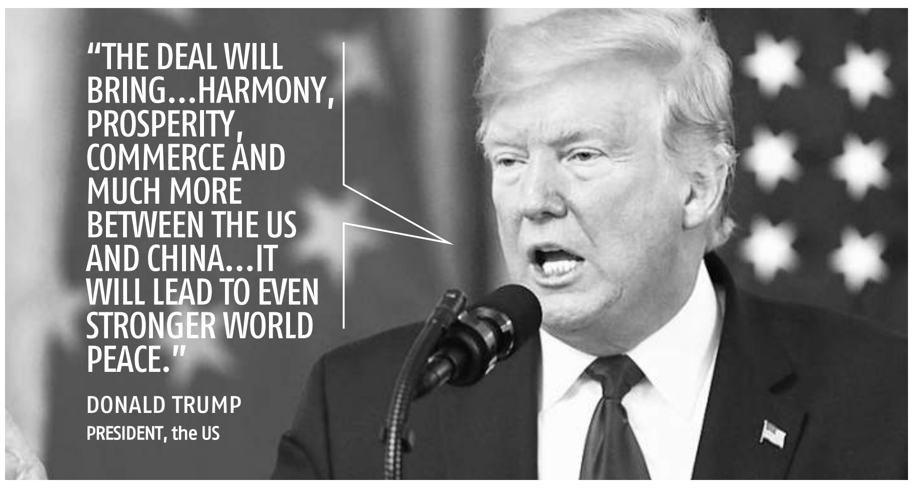
WALL STREET'S 'FEAR INDEX' AT LOWEST THIS YR

THIS IS A MOMENTUS STEP FORWARD: TRUMP

REUTERS
Washington, 15 January

The United States and China announced an initial trade deal on Wednesday that will roll back some tariffs and boost Chinese purchases of US goods and services, defusing an 18-month conflict between the world's two largest economies.

Beijing and Washington have portrayed their "Phase 1" agreement as a momentous step after months of start-stop talks punctuated by tit-for-tat tariffs that uprooted supply chains and stoked fears of a further slowdown in the global economy.US markets, including the Dow and Nasdaq, hit record highs in intra-day trade. The Wall Street's Fear Index also hit a year's low. "This is a momentus step forward," said Trump.



"Together we are righting the wrongs of the past and delivering a future of economic justice and security for American workers, farmers and families," US President Donald Trump said , as he touted the deal in rambling, partisan remarks at the White House alongside Chinese Vice Premier Liu He and other officials.

The centerpiece of the deal is a pledge by China to purchase at least an additional $200 billion worth of US farm products and other goods and services over two years, over a baseline of $186 billion in purchases in 2017.

The deal would include $50 billion in additional orders for US agricultural products, Trump said, adding he was confident that US farmers would be able to meet the greater demand. He also said China would buy $40 billion to $50 billion in additional US services, $75 billion more in manufacturing goods, and $50 billion more worth of energy supplies.

Officials from both countries have touted the deal as ushering in a new era for US-Sino relations, but it fails to address many of the structural differences that led the Trump administration to start the trade war in the first place.

They include Beijing's longstanding practice of propping up state-owned companies, and flooding international markets with low-priced goods.

Trump, who has embraced an "America First" policy aimed at rebalancing global trade in favor of US companies and workers, said China had pledged action to confront the problem of pirated or counterfeited goods, and that the deal included strong protection of intellectual property rights.

Trump said he would agree to remove the remaining tariffs once the two sides had negotiated a "Phase 2" agreement. He added that those negotiations would start soon.

Impeachment articles forwarded to Senate; trial may begin next week

Four weeks after the US House of Representatives impeached President Donald Trump, Speaker Nancy Pelosi on Wednesday named managers for the Senate trial, which is likely to begin next week.

Congressman Adam Schiff, chairman of the Permanent Select Committee on Intelligence, has been named as the lead manager.

The trial is likely to begin on January 21. **PTI**

Russian PM resigns with govt as Putin warns of a global war

Move comes after prez proposed a series of reforms

AGENCIES
Moscow, 15 January


Russian President Vladimir Putin with outgoing PM Dmitry Medvedev in Moscow PHOTO: REUTERS

Russia's government resigned in a shock announcement on Wednesday after President Vladimir Putin proposed a series of constitutional reforms.

In a televised meeting with the Russian president, Prime Minister Dmitry Medvedev said the proposals would make significant changes to the country's balance of power and so "the government in its current form has resigned".

Putin asked Medvedev, his longtime ally, to continue as head of government until a new government has been appointed.

Putin warned regional conflicts in West Asia can transform into a global war. "The regional conflicts can rapidly transform into threats to the international security. (...) There is a serious need for a conversation about the stability and security of the world order. The five nations (nuclear states) have to eliminate the reasons that can cause a war," he said.

He added that new weapons systems would protect Russia's security "for decades ahead."

Sikhs a separate ethnic group in US census

PRESS TRUST OF INDIA
Washington, 15 January

For the first time, Sikhs in the US will be counted as a separate ethnic group in the 2020 census, an organisation of the minority community said on Tuesday, describing it as a milestone moment.

"It's clear that a separate code is needed to ensure an accurate count of Sikhs in the US, recognising a unique identity"
RON JARMIN
Deputy Director, US Census

Baljeet Singh, , president of the Sikh Society of San Diego, said the Sikh community's efforts have come to fruition.

"This has paved the way forward nationally not only for the Sikh community, but also for other ethnicities in the United States," he said.

Describing this as a milestone, the United Sikhs said that this will be the first time the minority group will be counted and coded in the decennial US Census.

A delegation of the United Sikhs has held several meetings with the US Census in the recent past, with the last one being on January 6 in San Diego.

What's the price of getting your data? More data

A new California privacy law gives consumers the right to see and delete their data. But getting access often requires giving up more personal details.

KASHMIR HILL
California, 15 January

The new year ushered in a landmark California privacy law that gives residents more control over how their digital data is used. The Golden State isn't the only beneficiary, though, because many companies are extending the protections — the most important being the right to see and delete the personal data a company has — to all their customers in the United States.

In the fall, I took the right of access for a test drive, asking companies in the business of profiling and scoring consumers for their files on me. One of the companies, Sift, which assesses a user's trustworthiness, sent me a 400-page file that contained years' worth of my Airbnb messages, Yelp orders and Coinbase activity. Soon after my article was published, Sift was deluged with over 16,000 requests, forcing it to hire a vendor to deal with the crush.

That vendor, Berbix, helped verify the identity of people requesting data by asking them to upload photos of their government ID and to take a selfie. It then asked them to take a second selfie while following instructions. "Make sure you are looking happy or joyful and try again" was one such command.

Many people who read the article about my experience were alarmed by the information that Berbix asked for — and the need to smile for their secret file.

"This is a nightmare future where I can't request my data from a creepy shadow credit bureau without putting on a smile for them, and it's completely insane," Jack Phelps, a software engineer in New York City, said in an email.

"It just seems wrong that we have to give up even more personal information," wrote another reader, Barbara Clancy, a retired professor of neuroscience in Arkansas.

That's the unpleasant reality: To get your personal data, you may have to give up more personal data. It seems awful at first. Alistair Barr of Bloomberg called it "the new privacy circle of hell."

But there's a good reason for this. Companies don't want to give your data away to the wrong person, which has happened in the past. In 2018, Amazon sent 1,700 audio files of a customer talking to his Alexa to a stranger.

The right to have access to personal data is enshrined in the new California Consumer Privacy Act. The law is modeled in part on privacy regulations in Europe, known as the General Data Protection Regulation, or G.D.P.R. Soon after Europe's law went into effect, in May 2018, a hacker gained access to the Spotify account of Jean Yang, a tech executive, and successfully filed a data request to download her home address, credit card information and a history of the music she had listened to.

Since then, two groups of researchers have demonstrated that it's possible to fool the systems created to comply with G.D.P.R. to get someone else's personal information.

One of the researchers, James Pavur, 24, a doctoral student at Oxford University, filed data requests on behalf of his research partner and wife, Casey Knerr, at 150 companies using information that was easily found for her online, such as her mailing address, email address and phone number. To make the requests, he created an email address that was a variation on Ms. Knerr's name. A quarter of the companies sent him her file. "I got her Social Security number, high school grades, a good chunk of information about her credit card," Mr. Pavur said. "A threat intelligence company sent me all her user names and passwords that had been leaked." Mariano Di Martino and Pieter Robyns, computer science researchers at Hasselt University in Belgium, had the same success rate when they approached 55 financial, entertainment and news companies. They requested each other's data, using more advanced techniques than those of Mr. Pavur, such as photoshopping each other's government ID. In one case, Mr. Di Martino received the data file of a complete stranger whose name was similar to that of Mr. Robyns.

Both sets of researchers thought the new law giving the right to data was worthwhile. But they said companies needed to improve their security practices to avoid compromising customers' privacy further.

"Companies are rushing to solutions that lead to insecure practices," Mr. Robyns said. Companies employ different techniques for verifying identity. Many simply ask for a photo of a driver's license. Retail Equation, a company that decides whether a consumer can make returns at retailers like Best Buy and Victoria's Secret, asks only for a name and driver's license number.

The wide array of companies now required to hand over data, from Baskin Robbins to The New York Times, have varying levels of security expertise and experience in providing data to consumers.

Companies such as Apple, Amazon and Twitter can ask users to verify their identity by logging into their platforms. All three give a heads-up via email after data is requested, which can help warn people if a hacker got access to their account. An Apple spokesman said that after a request is made, the company uses additional methods to verify the person's identity, though the company said it couldn't disclose those methods for security reasons.

If consumers can't verify their identity by logging into an existing account, Mr. Di Martino and Mr. Robyns recommend that companies email them, call them or ask them for information that only they should know, such as the invoice number on a recent bill.

"Regulators need to think more about the unintended consequences of empowering individuals to access and delete their data," said Steve Kirkham, who worked on Airbnb's trust and safety team for five years, before founding Berbix in 2018. "We want to prevent fraudulent requests and let the good ones go through."

It is on regulators' minds. The California law requires businesses to "verify the identity of the consumer making the request to a reasonable degree of certainty" and to have a more stringent verification process for "sensitive or valuable personal information."

Mr. Kirkham said Berbix requested the first selfie to test whether a person's face matched their ID; the second selfie, with a smile or some other facial expression, ensures that someone isn't simply holding a photo up to the camera. Mr. Kirkham said Berbix ultimately deleted the data collected within seven days to a year, depending on the retention period requested by the company that hires the firm. (Sift deletes its data after two weeks.)

"It's a new threat vector companies should consider," said Blake Brannon, vice president of product at OneTrust, another company that helps businesses comply with the new data privacy laws. OneTrust offers the 4,500 organizations using its service the option to create several levels of identity verification, such as sending a token to someone's phone or verifying ownership of an email address.

"If I'm requesting something simple or lightweight, the verification is minimal, versus a deletion request," Mr. Brannon said. "That will require more levels of verification."

Mr. Kirkham of Berbix said the verification process discouraged some people from making the data request at all.

"A lot of people don't want to give more information," Mr. Kirkham said. "Their assumption is that you will do something nefarious with it."

He added: "But that's the irony here. We require additional information from people to protect them. We want to make sure you are who you say you are."

Voot follows the money on the OTT trail

Viacom 18 bets on reality shows and regional content as it switches over to a paid viewership model, but can it match the engagement power of the giants?

SOHINI DAS
MUMBAI, 15 JANUARY

Viacom18's video streaming platform Voot is slowly building a subscriber base and a robust partner ecosystem as it moves from free to paid viewership on its platform. To that end it says, the team has worked to improve the quality and production values of its shows while expanding the multi-lingual reach of its content library. However, the challenge will be to match the fare from Amazon Prime and Hotstar as also stand up to the urban pull of Netflix.

Voot's transition from an advertising-based video on demand (AVoD) to a subscription-based video on demand (SVoD) platform will happen by March 2020. It ended 2019 with 100 million monthly active users (MAUs) and over 100 billion minutes of watch-time on its platform.

MAUs are a universally upheld data point that various OTT platforms use to convey the extent of their reach and while none give out an official figure, most claim a much higher number of viewers than 100 million a month. Akash Banerji, business head–VOOT, AVoD says that MAU is a myth. "If 100 users come online on one platform, 90 per cent of them uninstall the app from the phone or, do not even open the app. What is important is the engagement or average time spent. If that is not growing or stable, the number becomes a vanity metric," he says.

Voot is banking on the huge potential for growth that the over the top (OTT) category shows in India. Overall there are 300-315 million odd video viewers across SVoD and AVoD platforms in India, slated to touch 500 million by the end of 2020. Of these, around 10-15 million are unique paid subscribers who drive 20-30 million subscriptions (one subscriber may have multiple subscriptions). It is estimated that by the end of 2020, there would be 20-25 million unique paid subscribers driving 40-50 million subscriptions.

At Voot, Banerji says they have been focussing on time spent and frequency of visits on the platform. The daily active user (DAU) versus the MAU ratio, which essentially means if 100 people come on the app every month, how many of them come every day is the Holy Grail and, he adds, "We have a 36 per cent DAU-MAU ratio at present which is the best among AVoD platforms." he says.

Analysts believe Voot has played its cards smartly. "It is a network backed OTT platform and hence has access to the network content. It started off with some original shows, however, they were quick to realise that the focal point should be to ensure consumer stickiness without burning cash. Content acquisition is an expensive business and to compete with the Netflix and Amazon Prime is not easy," says a Mumbai-based analyst

Voot has thus chosen to focus on its portfolio of regional content and reality television shows. "The strategy may ensure that Voot becomes a profitable OTT platform in a year's time as it has not been burning cash," the analyst notes.

"Close to 60 per cent of new users come on the back of reality shows, but 70 per cent of our consumption happens on the back of non-reality content," Banerji says. Big Boss's latest season, for example, has already had one billion views (in Hindi alone), the season began in October 2019.

Voot is also betting on regional content. Last year it launched Voot Telugu while Colours (a Viacom18 property) does not yet have a Telugu channel. Regional content contributes close to 25 per cent of Voot's total consumption at present and more than 60 per cent of its audience comes from tier II and III cities. Around 23 per cent of monetisation is coming from regional, Banerji says.

The reliance on reality and regional is expected to create stickiness on the platform, but does Voot eventually intend to acquire content from outside its network? Banerji is clear. "We focus on content on our platform that would increase engagement and get me audiences who I can monetise," he says. So content acquisition is an 'also' strategy for Voot, he adds.

Voot has tied up with Xiaomi's Mi TV, LG, Samsung and Sony. It has also forged partnerships with MXPlayer, Flipkart and some broadband operators and telecom operator, Airtel. Now to get viewers to pay for what they see, and then come back for more.

The platform is betting on flagship reality shows such as *Big Boss* (*Top*) and Telugu shows such as *Feet up with the stars* (*Bottom*) to make the transition to a subscription-led service

FROM PAGE 1

Bezos...

"I make one more prediction for you: In this 21st century, the most important alliance is going to be the alliance between India and the US," Bezos added. The firm aims to digitise 10 million MSMEs with the proposed investment. In addition to providing training and enrolling MSMEs into its programmes, Amazon will help them work on cloud technology through specialised Amazon Web Services offerings at low costs. It will also establish 100 "digital *haats*" in cities and villages throughout India.

Amazon has invested $5 billion in India in the past five years. The e-commerce platform also announced plans to support local neighbourhood shops and *kiranas*. It will expand its Amazon Easy programme. The *kirana* shops will be able to set up kiosks to provide assistance to customers in choosing the right product, placing an order and earning commission on sales. It also plans to expand its 'I Have Space' programme.

Murthy...

He shut off his microphone exactly 5 minutes later. The visitors, who made it to the venue early morning for Smbhav, a mega summit of small and medium businesses (most of them partners of the American e-commerce firm), couldn't be sure if Amazon CEO Jeff Bezos was going to show up. Amazon India, hosting the event, had kept Bezos' itinerary under wraps. It's a different matter that while the Seattle-headquartered e-commerce giant remained tight-lipped, Bezos broke the protocol to announce his arrival on Twitter on Tuesday. The tweeted picture of Bezos paying respect to Mahatma Gandhi at Rajghat on a "beautiful afternoon" soon after landing in India had gone viral in no time.

"True leaders are like this... Such a powerful person, but so humble," middle-aged businessman Prateek Sharma said when asked about Bezos. Sharma was not alone, his euphoric reaction was echoed by most who had paid a steep ticket price to attend the event. The idea of a start-up founder-turned-global tycoon criss-crossing industries as varied as retail, media, and space exploration had indeed struck a chord with the aspiring crowd, especially in the backdrop of an economic slowdown.

Onlookers compared the Amazon event with Google India's flagship do at the same venue last September. While the Google event was on time and had better queue management as well as WiFi for all, Amazon's Smbhav was high on theatrics even as traders' association CAIT stated there were protests against online deep discounting across 300 locations.

Almost oblivious to the traders' protest, Bezos lit the ceremonial lamp, folding his hand in obeisance, after a 25-minute fireside chat with Amazon country head Amit Agarwal. Once Bezos had spoken and realism had dawned, Rajesh, owner of a small fashion boutique in Jaipur, said, "this event gives me an opportunity to visit Delhi, nothing else. Asking more small sellers to register may not be a good idea when existing ones like us aren't getting enough business." Then there were other sellers who pointed out their products were not getting eyeballs in the large marketplace platform, and waited to speak to Amazon about it. Amazonians are not ready to admit there's a glut of sellers. They would rather repeat what Bezos said in his address: the 21st century belongs to India.

Amrapali...

The allotments were made to promoters — Ultra Homes (7,500 shares) and Amrapali Homes (2,500 shares). In less than a year, the authorised share capital was increased to 1 million equity shares and allotted to promoters at a premium of ₹180 per share.

Shares of Amrapali Zodiac from JPMorgan were ultimately purchased for ₹140 crore by Neelkanth Buildcraft and Rudraksha Intracity — shell firms owned by a peon and an office boy connected with an executive of Amrapali. In an email response to this newspaper, JPMorgan India spokesperson said, "JPMorgan is not a party to the Supreme Court proceedings, and it has received no communication or notification from the Supreme Court to date. It appears that news reports are referring to investments and exits that were made by offshore real estate funds. Compliance with applicable laws, regulations, and policies, including foreign direct investment rules is fundamental to how we do business at JPMorgan." Sources said ED had interrogated JPMorgan's former nominee directors, who were on board of two companies Amrapali Zodiac and Amrapali Silicon City. If required, the probe would reach out to more executives of the foreign firm. During the FEMA probe, developers had attributed the jump in value of premium to the terms and conditions of the share subscription agreement between JPMorgan and the Amrapali Group. The foreign investors would be entitled to dividend at the rate of 25 per cent of the distributable profit.

ED argued that the newly incorporated firm had no track record of earning substantial distributable profit in the first year of operation (2010) and that there was no earning of such profit even at the time when investment in shares by the foreign investors was made. "These have further proved that even the investor (JPMorgan) has not acted as prudent businessman and has purchased shares at steep premium for the reason other than business consideration and for oblique purpose," ED said.

Jet...

On its part, the civil aviation ministry has said it will decide on returning domestic slots to Jet on submission of a concrete business plan. Jet's Chief Strategy Officer Rajesh Prasad said investment in the airline would be attractive under the insolvency framework. "There is significant embedded value in the aircraft and the new owner will also get inventory and spares," said Prasad.

Jet shut operations on April 17 last year. It was admitted under the insolvency process in June. EoIs have been invited twice and the bid submission deadline extended, but there is no resolution plan from suitors as yet.

BlackRock...

It is in this category that thermal power generators like NTPC and Adani Power could face risk. In addition, BlackRock's alternatives business will make "no future direct investments in companies that generate more than 25 per cent of their revenues from thermal coal production".

According to a report of the Institute for Energy Economics and Financial Analysis (IEEFA), the announcement could mean firms like China Shenhua, China National Coal Group, CIL, Adani Enterprises, Peabody Energy, Arch Coal, Contura Energy, CONSOL Coal Resources LP, PT Bumi Resources, Whitehaven Coal, New Hope Corp, and Yancoal Australia are up for immediate review and likely divestment.

BlackRock will then scrutinise sectors heavily reliant on thermal coal as an input. "That will likely see divestment of a much wider range of firms, like KEPCO, TEPCO, Duke Energy, RWE, Southern, NTPC, and Adani Power, and will also include Chinese power utility majors such as China Huaneng Group, China Datang Corp, China Huadian Corp, State Power Investment Corp and China Energy Group," said IEEFA.

More on www.business-standard.com

BS SUDOKU # 2948

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SOLUTION TO #2947

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7	3	5	1	6	2	4	9	8
9	6	2	3	4	8	1	5	7
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Medium: ★★★

Solution tomorrow

HOW TO PLAY

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

Video KYC will make life simpler

While it will be consent-based, banks will need to put in strict security to protect data

BINDISHA SARANG

Soon, you may be able to open a bank account within minutes. With the Reserve Bank of India (RBI) expanding the scope of doing Know Your Customer (KYC) procedure through video (V-KYC), there is a possibility that the long process – usually three to five days working days – will be reduced to a few minutes. Says Ankush Aggarwal, founder of Avail Finance: "The RBI's announcement of video-based KYC (V-KYC) will provide a boost to the financial services industry."

And the good thing is that the central bank has decided to permit video-based Customer Identification Process (V-CIP) as a consent-based alternative method of establishing the customer's identity. So, if you are not comfortable, you can always opt out.

However, there are several reasons why financial institutions will push this form of KYC. First, it saves money. Says Rudrajeet Desai, founder and CEO, Workapps, which runs the product VideoKYC.com: "Physical KYC costs around ₹250-300 per instance. V-KYC will cost less than 10 per cent of that amount." Second, physical KYC takes anywhere between two to five working days to get done, V-KYC, only a few minutes.

Most importantly, as Aggarwal, puts it, "Previously, e-wallet players and non-banks were denied access to the Aadhaar system, restricting their ability to use e-KYC to complete customer verification, increasing their compliance burden. The decision comes as a major relief to fintech start-ups and digital non-banking financial companies (NBFCs) catering to the gig economy with the new remote customer authentication option." The service providers need not physically reach out to customers in remote locations. It will cut down costs and prove a boon to companies targeting rural customers and millennials with the use of face-matching software and artificial intelligence.

V-KYC will also prevent confusion and issues later. You will only need to fill in the online form on your lender's website or app to apply for opening an account or for a loan. You will have to mention your Aadhaar number on the form. Says Desai: "The lender will retrieve your details and photographs from the UIDAI database, in the meanwhile. On submitting the form, you will get an option to complete the video KYC. This will allow the bank's agent to contact you."

The agent will initiate a video call with you, which will be recorded live. The bank will pass the photograph and details obtained from UIDAI on the chat screen. Says Desai: "The agent will take a screenshot of the customer's face from the live video, which will be watermarked with details like date and time stamp. Also, Geotagging will be done where the live location of the customer is captured to ensure that he is physically present in India."

Other details will include customer acquisition form (CAF) number, agent name, and agent code. Says Desai: "The agent then compares the customer's photo with the photo obtained from UIDAI via face recognition software. The customer will show the camera his PAN card. The agent will take a photograph, and then validate the PAN as well. Once this is verified, the agent asks the customer to sign a blank piece of paper, take a screenshot of that, and tag it as the customer's signature." The image will also be watermarked with CAF number, GPS coordinates, agent name, agent code, and the date and time stamp. A screenshot of the customer's face and a signature will be copied in the online CAF along with the GPS coordinates, and other watermarking. In short, the complete interaction is recorded over the video, and is tagged with relevant details. The entire process takes up to five minutes.

Safety and security: Security is a concern for most. Says Desai: "All of this has to be hosted on the servers of the bank. That is very critical data, and hence it cannot be on a third-party server." Says a Pune-based cybersecurity expert: "Videos require more space on the server. Banks will need to ramp up their storage capacity dramatically." Ritesh Bhatia, another cybersecurity expert, echoes the same view: "Video KYC, while convenient for customers, will put a lot of responsibility and burden on banks and other organisations. Validating the location, the picture, and authenticating the documents will require banks and non-banks to have the latest technologies. Before the concerned entities initiate the video KYC, they should test it thoroughly, especially against risk of attacks, and run awareness campaigns."

V-KYC process is backed only by facial recognition: Says Joshi: "If banks are going to deploy photo-matching tools, it would be interesting to see if current photos and identity photos don't throw false positives." From a security point of view there are many positives. "You cannot use the same video for two different KYCs; you will anyway have to do KYC per organisation only once. The video will be tagged into the banking system for a particular purpose, and it will be straightforward for banks to recognise that this video-recording was done for this particular purpose," says Desai.

Concerns galore: Banks will face many challenges. For instance, Live Deepfake is an AI-based technology used to produce or alter video content to look and sound like the real thing. Says Bhatia: "Fraudsters will try to call customers for video KYC and could end up defrauding them, as happens currently. Also, banks now have a big responsibility to safeguard our videos because they could be misused if leaked or stolen. Encryption of data is critical." Mutual funds already have this option. To invest more than ₹50,000 in mutual funds, you have to complete KYC at a branch, or complete in-person verification through video KYC, according to the Security and Exchange Board of India guidelines.

VIDEO-RECORDED WILLS ARE ADMISSIBLE

- **In 2009, the Delhi High Court ruled** that video recording of a will is legally-admissible evidence
- **However, a physical copy of the will** has to be recorded as well
- **The video recorded** is an additional evidence
- **It is possible to make a video recording** of the entire process of execution of a Will
- **For making a will,** the Indian Succession Act has to be followed
- **The video is supposed to show that the maker was in sound mind,** and acted without any coercion, influence, or duress

Source: Makemywill.in

Will SBI's loan revive trust?

FRANKLY SPEAKING

HARSH ROONGTA

Once upon a time, when all was hunky-dory, things were simple for developers. They just needed to announce a project and buyers would line up to buy them, financed by banks willing to provide cheap loans. The developer, then, would take his sweet time in delivering the project. Buyers did not like the delay, but rising real estate prices made the delay worth their while. Even banks did not complain too much, as they earned interest income from borrowers, both during the construction period and after delivery. The developer pocketed a neat profit and went on to the next project. Everyone was happy.

The circle broke when real estate prices stopped rising. Most developers started delaying their projects inordinately. This led to buyers/borrowers defaulting on their commitments to lenders. The lenders, in turn, had to provide for rising non-performing assets. The virtuous circle turned into a vicious one where the buyer did not trust under-construction projects and insisted on completed projects. Developers started innovating. So, 20:80 schemes came into being, but borrowers soon discovered there were clauses hidden in the contract that required them to pay interest in the interim, if the developer defaulted on his obligations to the banker.

The government, finally, woke up, and the Real Estate Regulation Act (Rera) was enacted. However, its implementation has been stymied by various states which made regulations that were completely contrary to the law, and in practice, did not implement even the weaker state-level regulations. Consequently, Rera has not led to a revival of buyer's trust in under-construction properties.

State Bank of India's latest effort—the Residential Builder Finance with Buyer Guarantee scheme (RBBG)—should be studied against this backdrop. The borrower will be protected in case of delay in construction beyond the date of completion mentioned on the Rera website. The interest during the construction period is payable only by the developer (without any liability on the part of the buyer to pay even if the developer defaults). If the developer is unable to complete the project by the scheduled completion date, the buyer's down payment is returned with interest by the lender. In case the construction is completed by the developer within the scheduled time, then the loan shifts to the buyer and becomes a standard home loan. A standard product like this needs the backing of Reserve Bank of India.

In SBI's scheme, the buyer pays only the down payment. The developer pays the interest during the construction period

Such a scheme is likely to build borrower trust in under-construction property. It will also give a much-needed fillip to the construction industry with its vast employment generation capabilities and positive externalities on a host of industries such as cement, steel and others.

The writer is a Sebi-registered investment advisor

Book some profit in gold

The rally may continue for some more time due to global headwinds

SANJAY KUMAR SINGH

Investors in gold had a remarkable 2019. With returns of 23.8 per cent, the yellow metal was way ahead of any other asset class. And with global headwinds like heightened tension between the US and Iran grabbing headlines every day, gold has been the preferred haven for many.

On January 6, prices vaulted over the ₹42,000 per 10-gram barrier in the domestic market. Two days later it beat the $1,600 an ounce mark in the international market. Christopher Wood, global head of equity strategy at Hong Kong-based global investment bank Jefferies, fuelled further interest in the yellow metal further with his forecast that it would touch $4,200 an ounce in the long run (though he refrained from specifying a time frame).

The yellow metal is up about 4.9 per cent over the past month. "Geopolitical tensions are quite unpredictable. But we know there are several geopolitical hotspots around the globe today, and anyone of them could flare up periodically, affecting global financial markets and the economy adversely. An allocation to gold becomes imperative because it acts as a hedge against such risks," says Chirag Mehta, senior fund manager-alternative investments, Quantum Mutual Fund.

The environment that led to the large price spurt in 2019 remains unchanged, so the rally may continue this year too. The global economic slowdown is not going to end anytime soon. Any US-China trade deal is more likely to be a temporary truce. The US Federal Reserve (Fed) had been hiking rates but was compelled by slowing growth to change course and undertake three rate cuts in 2019. "All the major central banks have now adopted an easy monetary policy. Besides the Fed, the European Central Bank is in rate-cutting mode. Interest rates in Japan and Germany are in negative territory, while rate cuts appear imminent from the Bank of England as well," says Kishore Narne, head of commodities and currency, Motilal Oswal Financial Services. When real interest rates plummet, gold gains.

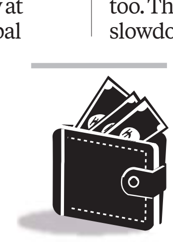
Massive purchases by central banks have been another driver of demand for the yellow metal. "With the world's two largest economies feuding, central banks are diversifying their reserves away from fiat currency and into gold," says Narne. Within India, the rupee has depreciated and may continue to do so due to weakening economic fundamentals.

A few inhibiting factors could, however, come into play that may temper the pace of price rise in future. The first is the recycling of old gold. "Indian households hold 20,000 tonnes of gold. Whenever gold's price escalates sharply, recycled gold starts finding its way into the market," says Ajay Kedia, director, Kedia Commodities. When the price of gold had fallen to around $1,050 per ounce, several mines had closed down. "With gold's price crossing the $1,500 threshold, many mines could be reopened, and supply could increase," adds Kedia.

Silver is much cheaper than gold today when compared to historical averages. A shift by investors to silver, too, could prevent a steep upside in gold.

In the current environment of a slowing global economy and geopolitical tensions, investors must maintain a 10-15 per cent allocation to gold. Someone who has become overweight on gold may book partial profit and bring his allocation back to the original level. Exiting gold entirely would, however, be a mistake. According to Kedia, most gold rallies of the past have spanned at least three-four years. The current one is only one-and-a-half years old.

New investors should enter whenever gold's price corrects, or they should build allocation systematically.



YOUR MONEY

2019: SECOND-HIGHEST RETURN OF THE DECADE

2010	23.17
2011	31.72
2012	12.27
2013	-4.50
2014	-7.91
2015	-6.65
2016	11.35
2017	5.10
2018	7.87
2019	23.79
2020*	1.35

*YTD Source: mutualfundindia.com

BUDGET: ₹1.5 CRORE -₹2 CRORE

REALTY CHECK

Business Standard **brings you a snapshot of average current rates and unit sizes in localities that offer property in the price range of ₹1.5 crore and ₹2 crore. If you are looking at buying real estate, an idea about prevailing rates would come in handy**

	Avg price (₹/sq ft)	Avg unit size (sq ft)
BENGALURU		
Hennur Road	6,802	2,368
Carmelram	5,815	2,690
Hosur Road	9,700	1,739
Haralur Road	6,873	2,546
Kanakpura Road	7,427	2,153
Jakkur	8,300	1,996
Rajajinagar	9,798	1,801
J.P.Nagar	7,136	2,360
CHENNAI		
Saligramam	9,667	1,783
Kotturpuram	15,500	1,225
Anna Nagar	11,547	1,486
Pallavaram	6,150	2,555
karapakkam (OMR)	6,542	2,686
Sholinganallur (OMR)	6,408	2,591
Kolathur	5,250	3,217
Vadapalani	10,454	1,753
GHAZIABAD		
Indirapuram	6,509	2,566
Vaishali	7,000	2,488
Vasundhara	5,850	3,250
GURUGRAM		
Sector 65	8,955	1,932
Sector 81	7,413	2,348
Sector 109	6,380	2,669
Sector 89 A	6,637	2,478
Sector 108	8,080	1,976
Sector 22	11,000	1,380
Sector 36 A	8,111	1,965
Sector 90	6,900	2,223
HYDERABAD		
Yapral	5,100	3,566
Nanakramaguda	6,171	2,734
Kondapur	6,952	2,424
Nallagandla	6,299	2,557
Shaikpet	6,626	2,622
Kokapet	6,469	2,500
Serilingampally	6,500	2,513
Moosapet	5,927	2,847
MUMBAI		
Andheri(E)	16,392	1,070
Mulund(W)	14,486	1,233
Chembur	16,080	1,093
Malad(W)	14,367	1,210
Andheri(W)	17,645	1,005
Kanjurmarg (E)	14,784	1,151
Kandivali(E)	13,609	1,266
Goregaon(W)	15,039	1,171

Note
- The ticket price range considered for the above data points is between ₹1.5 crore and ₹2 crore
- All the data points discussed in the above table refer to primary market only
- Above residential data set comprises of residential apartments only
- Above residential data is representative of organised real estate developers only
- The top performing micromarkets based on sales during last year (November-2018 to October-2019) is represented on the above table
- Data points are updated till October 2019

Source: PropEquity

TIPPING POINT

Should you allocate more to debt?

Last year, tier one corporate bond schemes and government bond schemes of the National Pension System (NPS) outperformed equity schemes. While equity schemes (E) fetched an average return of 9.9 per cent, government bond schemes (average 14.8 per cent) and corporate bond schemes (14.1 per cent) fared much better.

If you are tempted to increase your allocation to schemes C and G based on past year's returns, avoid doing so. Those returns were the result of conditions that prevailed last year, when only select large-cap stocks did well. Schemes C and G did well because interest rates came down. Those conditions may not get repeated this year. Your asset allocation within NPS should be a function of the number of years you have left for retirement and your risk appetite. Do not change it on the basis of last year's performance.

ONE-YEAR RETURNS OF TIER ONE SCHEMES

	Scheme E	Scheme C	Scheme G
SBI	8.7	14.4	14.5
LIC	7.7	14.6	16.4
UTIRSL	9.0	12.7	14.8
ICICI	11.1	14.3	14.1
Kotak	11.6	13.1	14.7
HDFC	11.8	14.9	14.4
Birla	9.7	14.9	14.5
Average	9.9	14.1	14.8

Source: npstrust.org.in

READER'S CORNER

TAXATION

KULDIP KUMAR

My grandfather gifted me two rooms on one floor of her bungalow in Chembur on May 1, 2018. The circle rate is ₹85 lakh each. Do I need to mention it while filing returns?

An individual is required to report her assets and liabilities in the tax return form, if her income exceeds ₹50 lakh for the relevant year. Accordingly, if your income exceeds this amount, you will need to report the cost of these two rooms in the Assets and Liabilities (AL) schedule of the applicable tax return form as you are now the owner of these rooms. The instructions for the return form also clarify that the cost of the asset to be reported under A&L schedule can be the cost to the previous owner, or circle rate, in case cost to the previous owner is not ascertainable.

Please do refer to the instructions to the relevant forms for FY 2019-20, whenever these forms are notified so that you take note of any changes or additional details which you may need to disclose in this regard.

I have been working for 19 years. I have three mobile wallets, like Paytm. I have money in them. I forgot to mention that in my returns. What do I do now?

An individual is required to report his assets and liabilities in the tax return form, in case his income exceeds ₹50 lakh for the relevant year. Accordingly, if your income exceeds that amount, only then do you need to disclose the balance in your mobile wallets. The question arises whether the balance in these wallets should be regarded as Cash. If it is not Cash, can it be regarded as bank deposit, as the requirement is to show the balances with the bank? Well, there is no clear-cut clarification contained in the instructions to the tax return form. But for better disclosure, one may show these balances under bank deposits. You have the option to file a revised tax return for FY 2018-19 until March 31, 2020.

I have not filed returns for the last three years. What could my penalty be? I was working on a start-up during this period, but it failed.

From an individual tax compliance perspective, the first step is to determine whether you were required to file a return of income at all. An individual is required to file a tax return when his total income exceeds the basic exemption limit of ₹2.5 lakh.

Non-filing of return of income can lead to levy of penalty if tax is payable. In extreme cases, the tax authorities may even invoke prosecution provisions under Section 276CC of the Income Tax Act, 1961, subject to the satisfaction of conditions contained therein.

A fee is mandatorily levied if you do not file your return of income within the due date for FY 2018-19 and onwards. You would need to pay fees under Section 234F of the Act of ₹10,000 if you now file the return for the tax year 2018-19 before March 31, 2020 (₹1,000 if your income does not exceed ₹5 lakh).

You will not be able to file a belated return for any of the previous years now considering those returns are time-barred. However, you should immediately file a belated return for FY 2018-19, if you had a filing obligation. If you miss the March 31, 2020 deadline for filing your return for FY 2018-19, you will not be able to file the return at all.

Further, if any taxes are payable, it should be paid before filing the return. Interest will also be levied on this amount. Since you have already missed the filing deadline, you will not be able to carry forward any loss (except house property loss), if any, incurred during the year. If there is a tax refund in your return, the income tax department will not pay you any interest from April 1, 2019, till the time you did not file the return.

The writer is partner and leader, personal tax, PwC India. The views expressed are the expert's own. Send your queries to yourmoney@bsmail.in

New PM house, PMO & Parliament before 2024

All central ministries to be accommodated alongside central vista

ARNAB DUTTA
New Delhi, 15 January

If you are troubled by traffic restrictions around 7, Lok Kalyan Marg — the Prime Minister's residence — when the PM moves out for his daily visit to South Block, you may get some respite soon. Vacating the decades-old official residence that has been the home of nine prime ministers, the PM may move to a new home by 2024.

Used since 1984 when late Rajiv Gandhi became the PM, the current residence was built over 12 acres of land, based on designs by New Delhi's chief architect Edwin Lutyens. However, with a new redevelopment blueprint on the table, the PM's residence is now expected to move to the South-West corner, behind South Block on Raisina Hill.

To cut down on travel time — from residence to office that are 2.8 km apart — a new prime minister's office (PMO) will come up at South-East corner, behind South Block.

The blueprint for redevelopment of the central vista, the ambitious plan that includes setting up of a new Parliament building, bringing all central ministries closer, and redeveloping the existing heritage structures in and around the central vista — has many such proposals to alter the layout of Lutyens' Delhi.

According to Bimal Patel, head of HCP Design and Planning — the firm that has bagged the contract for creating the blueprint — the project is in line with the original plan created by Lutyens. Consolidating, rationalising and synergising government functions through better office infrastructure is at the heart of this project, he said.

To cut down on travel time — from residence to office that are 2.8 km apart — a new Prime Minister's office will come up at South-East corner, behind South Block

Apart from accommodating all ministries, bringing the PM and Vice-President's residences within the central vista are key facets. Similarly, the V-P's residence will be behind North Block.

To accommodate and modernise the Parliament, instead of refurbishing the existing building (used since 1947) a new building will be developed inside Parliament complex. A triangular structure will be set up on a 13-acre plot, which is currently used for car parking. Besides a Lok Sabha hall three times the size of the current one, a Rajya Sabha hall and a lounge will also come up.

Unlike the current Parliament, however, the Lok Sabha in the new one could be used for joint sessions. With a regular seating capacity of 900, divided into 450 pairs of seating units, it has been designed to accommodate 1,350 people for joint sessions.

Designed in line with the Egyptian Parliament, the Lok Sabha hall will provide 50 per cent more space to each Member of Parliament (MP). The existing Lok Sabha hall can only accommodate 552 MPs.

"The current Parliament building is not equipped to have air conditioning, Internet Broadband and parking. The new structure will address these problems," said Patel. Fit with acoustic design elements, the new building will have moulded spires and dissimilar window structures representing India's diversity.

An aerial view of the proposed central vista. The redevelopment plan includes setting up a new Parliament building inside the complex

At present, 22 of the 51 union ministries are located in and around the central vista. According to the blueprint, 10 modern buildings along both sides of the Rajpath spread will house all ministries.

Besides integrated underground parking lots, these building complexes will have underground transit passages directly linked to the Delhi Metro's yellow and violet lines.

To further cut down traffic congestion on the 3-km-long central vista — spread between India Gate and Raisina Hill — pedestrian underpasses will replace traffic signals.

Patel says his plan has followed Lutyens' "Ridge to River" model to commemorate 75 years of India's independence in 2022. Starting from the ridge of Raisina Hill — the central Delhi plan will connect the area with Yamuna River, where a memorial will be set up to celebrate the 75th anniversary.

In addition, apart from a 48-acre biodiversity park housing all endangered and rare Indian spices behind the President's estate, North and South Block will be thrown open to the public. These two buildings, once converted into museums on India's history along with the biodiversity Park, will open up 75 acres of land for public to mark the 75th anniversary, he said.

Did nothing in 60 years, now questioning govt: Shah's jibe at Congress

PRESS TRUST OF INDIA
Ahmedabad, 15 January

Union Home Minister Amit Shah on Wednesday hit out at the Congress and other opposition parties for spreading negativity on jobs and economy fronts, saying those who did nothing in 60 years of their rule are now questioning the Modi government.

Addressing a gathering after laying the foundation stone of the Indian Institute of Skills (IIS) here, the minister said the government's target to make India a $5 trillion economy was achievable and the youth's inclination towards entrepreneurship may play a big role in achieving the objective.

Shah said the Congress could only manage to take the country's economy to a $2-trillion mark despite ruling for decades, but the NDA government under Prime Minister Narendra Modi's leadership took it to $3 trillion in just 5 years time.

Taking a dig at the Congress, he said those who did nothing to steer the country's economy in 60 years were now questioning the present government.

GST refunds for exporters over capital goods purchase on cards

ABHISHEK WAGHMARE
New Delhi, 15 January

In a bid to alleviate exporters' concerns amid an economic slowdown, the government is likely to propose changes to the goods and services tax (GST) policy to allow for the refund on taxes paid on capital goods purchases to exporters.

Though this will need a resolution from the GST Council, the finance ministry may announce the proposal in the upcoming Union Budget, scheduled on February 1, *Business Standard* has learnt. This will help those businesses which prefer the Letter of Undertaking (LUT) route to export their products or services.

BOOST FOR EXPORTERS

- Though this will need a resolution from the GST Council, the finance ministry may announce the proposal in the upcoming Union Budget, scheduled on February 1
- The move will help those businesses that prefer the Letter of Undertaking route for exports
- Currently, they need not pay tax on their export bills, but they stand to lose refunds on taxes paid on capital goods
- They will save amounts equivalent to the taxes paid on capital goods, and improved liquidity will help boost their exports

Currently, under the LUT route, they need not pay tax on their export bills, but they stand to lose refunds on taxes paid on capital goods. Taxes on all other inputs get refunded.

They will save amounts equivalent to the taxes paid on capital goods, and improved liquidity will help boost their exports. This is being seen as one step that might help arrest the slowdown to some extent, as exporters will be more willing for new capital expenditure.

Businesses which deal with an inverted duty structure — wherein the tax rate on what they produce and sell is lower than the tax rates they pay on inputs such as capital goods — stand to benefit the most if this decision goes past all the levels in the government. For example, a fabric manufacturer who pays 5 per cent on the finished product but pays 18 per cent on dyes and chemicals (inputs) ends up being unable to utilise the credit available in the system.

BUDGET INSIGHT OUT 2020-21

The alternative route available, wherein the exporter pays Integrated GST (IGST) upfront, gets credit on taxes paid on inputs, as well as the refund of the remainder, is not suitable for businesses facing inverted duty structure. They prefer the LUT route. The catch was in the initial months under GST, when exporters had chosen the LUT route mostly to save themselves from the online GST system.

Industry players and experts said the proposed move would benefit a section of exporters engaged in capital-intensive sectors to a great extent.

"Most of the exporters opted to export under LUT as the refund process was manual, but the size of the refunds denied in lieu of taxes on capital goods has grown to quite a substantial level now," Siddhartha Rajagopal, executive director at Cotton Textiles Export Promotion Council of India (Texprocil), told *Business Standard*.

Texprocil has been pushing for this change in policy in its representations to the finance ministry.

Experts also said that policy should deal with both classes of exporters—those who choose the LUT route and those who choose IGST payment route—at parity.

"From a policy standpoint, treatment of GST paid on capital goods should be at par with other inputs and hence refund should be allowed to exporters. This will provide relief to industry, particularly IT/ITES sector," Pratik Jain, leader, indirect tax at PwC India.

In this respect, corporate India is also demanding that capital intensive industries should not get dis-incentivised against labour intensive industries due to loss of taxes on capital goods.

Most of the primary exporters who imported capital goods preferred the Exports Promotion Capital Goods (EPCG) that obviated the need to pay tax on capital goods used in the business.

"Once taxes on capital goods start getting refunded, the preference towards the EPCG scheme would reduce," said Ajay Sahai, director general and CEO at the Federation of Indian Export Organisations.

RETAIL CREDIT TRENDS

Delinquency rate in NBFCs rises by 50 bps

SUBRATA PANDA & ABHIJIT LELE
Mumbai, 15 January

The shadow banking sector, which so far was struggling with asset-liability management, is now seeing its asset quality deteriorate in the consumer credit segment.

A TransUnion CIBIL report on retail credit trends shows the overall delinquency rate of non-bank finance companies (NBFCs) rose by 50 basis points (bps) from the same period a year before in the third quarter (Q3) of the 2019 calendar year (July, August, September); it rose though the first and second quarters, too. In the same period, delinquency rates for public sector and private sector banks declined by 26 bps and 9 bps, respectively. Overall delinquencies in the consumer credit segment rose by 10 bps in Q3.

Lending by finance companies has slowed as many face issues in raising resources. It has also hit their operations, impacting recovery activity in the field, say executives.

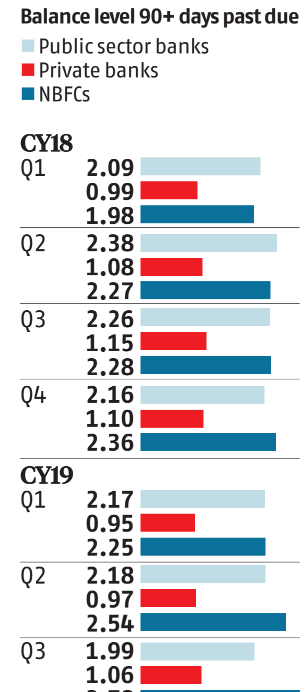
Seconding the observations, Ashvin Parekh, managing partner at Ashvin Parekh Advisory Services, said the managements of many NBFCs were engaged in the challenge of raising funds and had less time for recoveries. Field staff at many firms had left after the business slowed substantially or stopped. Naturally, the recoveries took a knock.

In the consumer credit segment, delinquencies have gone down in automobile loans by 22 bps and in personal loans by 5 bps. For loans against property, delinquencies have gone up by 52 bps. For credit cards, up 10 bps. NBFCs have been very active in the personal loan segment and have grown their share o originations in recent years. They continue to focus on acquiring smaller-value ones. In the consumer credit segment, overall origination volumes grew 32.1 per cent year-on-year in Q3, to 7.3 million accounts.

"This growth in origination volumes is primarily driven by NBFCs. NBFCs originated 5.3 mn personal loans in Q3, compared to 1.6 mn in Q3 of CY(calendar year) 2018. Of these, 78 per cent were from the micro segment, with loan size up to ₹25,000", the TransUnion CIBIL report said.

LONG OVERDUE PAYMENT

QoQ delinquency numbers for NBFCs, PVBs and PSBs from CYQ1 2018 to CYQ3 2019 (in%)



Bipin Kabra, director at Eunoia Financial Services, said: "Fintech companies and person-to-person lending platforms are quite active. Also, the cost of reaching to customer has come down substantially due to digital and technological backbone."

Loans are available at one's doorstep and people are also willing to take small-sized and small-duration loans, with less concern at the rate of interest, said Kabra, whose firms advise small and medium sized finance companies on business strategy.

Also, lenders are focusing more on the below-prime borrower segment to drive business growth. There has been a sharp increase in the originations of automobile and personal loans to this category.

"Almost 30.5 per cent of auto loan originations and 34.7 per cent of personal loan originations in Q3 were to borrowers considered below-prime, representing increases of 3.5 per cent and 8.3 per cent, respectively, over Q3 of 2018," the TransUnion CIBIL report showed.

Expert advises against inducting foreign chopper

AJAI SHUKLA
New Delhi, 15 January

With the Ministry of Defence (MoD) poised to sanction on Friday a ₹21,738-crore project to build 111 naval utility helicopters (NUH) in an Indian private sector firm, a MoD expert has suggested the project be scrapped.

The MoD and the Navy want the NUH to be a foreign helicopter, built through the strategic partner (SP) model. This involves selecting a deep-pocketed Indian private firm as the SP, which will build the helicopters in India using technology supplied by a separately selected foreign original equipment manufacturer (OEM).

However, former integrated defence staff chief, Vice Admiral Raman Puri (retired), who the department of defence production has appointed as consultant, has advised against inducting a foreign helicopter as NUH, when defence public sector unit Hindustan Aeronautics (HAL) is in a position to supply a naval version of its indigenous Dhruv advanced light helicopter (ALH).

Puri has recommended the indigenous Dhruv chopper over a foreign design, citing Para 23 of Chapter II of the Defence Procurement Policy of 2016 (DPP-2016), which states: "Preference will be given to indigenous design, development, and manufacture of defence equipment. Therefore, whenever the required arms, ammunition, and equipment are possible to be made by the Indian industry, within the timelines required by the services, the procurement will be made from Indian sources."

On November 19, the MoD asked HAL for its comments. HAL has replied that it is "generally in agreement with the viewpoints provided by the consultant".

PHOTO: REUTERS

The Navy has opted for a foreign helicopter, to be built on the SP model, because the Dhruv ALH does not have foldable rotor blades that allow it to be parked within the cramped confines of a hangar on a warship

Puri also pointed out that Para 23 states: "Accordingly the (MoD's) categorisation committee, while considering categorisation under the DPP will follow a preferred order of categorisation," in which 'Buy (Indian–IDDM)' is top priority. IDDM is the acronym for 'Indian Designed, Developed and Manufactured', a criterion the Dhruv ALH meets.

HAL has pointed out to the MoD that the Dhruv ALH has been in operation with the Navy and Coast Guard for about two decades. It notes: "ALH has proved its robustness in all operating conditions, as validated by accruing more than 260,000 flying hours and (flying) more than 280 helicopters in the services of various customers."

The Navy has opted for a foreign helicopter, to be built on the SP model, because the Dhruv ALH does not have foldable rotor blades that allow it to be parked within the cramped confines of a hangar on a warship.

But HAL's response to the MoD states: "The design of ALH is such that role change can be achieved with minimum modifications and minimum time, which will enable the navy to use this helicopter..."

HAL wrote that, while it did not earlier possess technology for foldable blades for the Dhruv, it "initiated a project with internal funding to design and develop a blade/tail boom folding mechanism on the ALH, which will meet the stowage requirements of the NUH".

HAL executives say foldable blades can be easily developed in two-three years, a period shorter than what the MoD will take to sign a global NUH contract.

HAL's letter also notes that the tender requires the foreign OEM to transfer nine critical technologies, which include a rotor system, transmission system, hydraulics, self-sealing fuel tanks, vibration isolation system and others. "All these critical technologies are available with HAL in the case of the ALH-based NUH, as it is HAL's own development," says HAL's letter, which Business Standard has reviewed.

HAL also claims that "many other critical and advanced technologies (are) available with HAL, like the avionics system, glass cockpit, composite airframe technologies, etc."

Puri's recommendations also reflect his opinion that it would be wasteful to buy a foreign helicopter, pay for transfer of technology (ToT), and develop manufacturing capability in an Indian private sector SP when all this already exists with HAL.

He has pointed out that the SP's new manufacturing line would have no work after building 111 NUHs for the Navy. The 'transfer of technology' cost paid to the OEM and the cost of setting up a new NUH production line would make a foreign NUH far more expensive than the Dhruv, which HAL already manufactures in Bengaluru.

"Since the ALH-based NUH is conceived, designed, and developed by HAL, there is no necessity for any ToT and thus a substantial amount of foreign exchange... can be saved," HAL has argued.

HAL has also pointed out that it would be able to integrate weapons and sensors to meet the Navy's requirements in the future, upgrade the platform at any stage in its lifecycle, resolve technical issues and carry out 'obsolescence management', which involves ensuring the supply of spare parts all through its service life.

Puri's intervention and HAL's argument will not be welcomed by private sector firms who have responded to the MoD's NUH tender. These include Tata Advanced Systems, Adani Defence, Mahindra Defence, Reliance Defence, and the Kalyani Group. In addition, HAL submitted two responses — one in its individual capacity and another in a joint venture with Russian Helicopters called Indo-Russian Helicopters.

The foreign helicopters in the fray include two Airbus helicopters — the AS 565 Mbe (Panther) and the H145M — as well as US firm Sikorsky's S76D and the Russian Kamov 226T. The Panther is regarded as the front runner.

Now, switch on/off your card for online payment

Facilities can be activated only when the customer specifically requests for it

ANUP ROY
Mumbai, 15 January

The Reserve Bank of India (RBI) on Wednesday told banks that any fresh card issued should be only for physical use within India, such as in automated teller machines (ATMs) and point-of-sale (PoS) devices. Internet and other facilities can be activated only when the customer specifically requests for the same.

Customers will also have the option to cap the amount in any kind of transaction, for both physical and internet use, the central bank said.

For existing cards, banks will exercise their own discretion whether to allow cards for internet usage or not. But those cards that have never been used for online transactions, or by any means of 'card not present', such facilities will have to be disabled automatically. In other words, cards never used for internet transactions cannot be used for online transactions anymore.

"For existing cards, issuers may take a decision, based on their risk perception, whether to disable the card not present (domestic and international) transactions, card present (international) transactions, and contactless transaction rights. Existing cards, which have never been used for online (card not present)/international/contactless transactions, shall be mandatorily disabled for this purpose," the RBI said in a notification on its website.

When a bank issues a debit or credit card, it also gives internet banking credentials. However, those not comfortable with such transactions are easy victims of call-centre frauds, where the fraudster calls and seeks information of the card, one-time password (OTP), to siphon off money.

In a way, the RBI is assuming that people who already do online transactions know the importance of CVV numbers, or OTPs and do not part with them over a phone call. They can continue with such facility. But people not aware of internet-related frauds will not have to bother about such frauds happening with them as that very facility won't be available by default anymore.

The RBI also told banks to provide all cardholders the facility to "switch on/off and set/modify transaction limits (within the overall card limit, if any, set by the issuer) for all types of transactions — domestic and international — at PoS/ATMs/online transactions/contactless transactions, etc."

This facility should be made available on a 24x7 basis through multiple channels — mobile application/internet banking/ATMs/interactive voice response — and can be offered through branches as well.

The banks should send alerts, update on information, status, etc through text messages and email, as and when there is any change in the status of the card, the RBI said.

WHAT'S CHANGED

- At the time of issue/re-issue, all cards can be used only for physical use within India
- Based on risk perception, banks can switch off internet facility in existing cards
- Customers should be able to switch on, off and modify transaction limit
- Banks should allow such facilities 24/7 through multiple channels

Patra gets monetary policy dept

ANUP ROY
Mumbai, 15 January

Reserve Bank of India's (RBI) new Deputy Governor Michael Patra (*pictured*) will be heading the Monetary Policy Department, including Forecasting and Modelling Unit, as was widely expected. This department was earlier headed by B P Kanungo who took charge of the department after Viral Acharya left in July. Patra will also be heading the Financial Markets Operations Department, Financial Markets Regulation Department including Market Intelligence, International Department, Department of Economic and Policy Research, Department of Statistics & Information Management, Corporate Strategy and Budget Department as well as the Financial Stability Unit, according to a statement on the RBI website. All these departments, in the past six months, were being managed by the three deputy governors. Patra was named the fourth deputy governor of the RBI on Tuesday by the government for a period of three years. He was the executive director of the central bank, and an internal member of the six-member monetary policy committee. As deputy governor in charge of Monetary Policy Department, Patra will continue to remain in the committee, whereas Kanungo will have to leave it.

IMD to change reference dates for monsoon onset, withdrawal

PRESS TRUST OF INDIA
New Delhi, 15 January

With changing rainfall pattern, the Indian Meteorological Department (IMD) will change the reference dates for onset and withdrawal of southwest monsoon from this year, the Ministry of Earth Sciences said on Wednesday.

Secretary in the ministry M Rajeevan said the change in the dates will help farmers who can take a call on sowing crops.

The four-month monsoon season is from June 1 to September 30.

June 1 is the onset date for monsoon over Kerala and it is likely to remain the same but the IMD will change the reference dates for some states and cities, Rajeevan said, adding the dates for withdrawal of monsoon will also be changed.

The onset dates are expected to be changed over the central India meteorological division of the IMD.

The central India division comprises 10 sub-divisions — Chhattisgarh, Odisha, west Madhya Pradesh, east Madhya Pradesh, Vidarbha, central Maharashtra, Konkan and Goa, Gujarat region and Kutch and Saurashtra.

The new dates are expected to be announced in April when the IMD releases its First Long Range Forecast for Monsoon 2020, IMD Director General M Mohapatra said.

Monsoon starts withdrawing from northwest India (parts of Rajasthan) from September 1.

"This may be shifted to September 10," Rajeevan said.

He said the data cited to give the reference dates dates back to 1940s and it needed to be revised. He, however, did not specify whether climate change was behind setting the new reference dates.

Last year, the monsoon covered the entire country by July 19, four days after its normal date. It also withdrew from the entire country on October 9, as against the normal date of September 1.

Rajeevan added the IMD is working with the UK's Met department to come up with impact-based forecast that will suggest measures to be taken during extreme weather events.

A gangman attempts to unclog a gutter at a railway track in Mumbai FILE PHOTO: REUTERS

Govt proposes Unitech takeover

RUCHIKA CHITRAVANSHI
New Delhi, 15 January

The Ministry of Corporate Affairs on Wednesday submitted a proposal in the Supreme Court for taking over the management of the troubled real estate company Unitech, in a move that could bring relief to homebuyers.

Two senior government officials confirmed the development, saying a note has been given through the Attorney General, based on the suggestions of the apex court. MCA has in its affidavit proposed names for the board of directors for what was once the largest real estate firm in the country.

The government will appoint 10 directors to Unitech's board, it is learnt. All positions will be filled by people from different spheres and with varying expertise. "No sitting officer will be appointed," a senior government official said.

Govt will appoint 10 directors on the board of Unitech

In May, the Supreme Court had asked the government to study the possibility of taking over the beleaguered realty firm and complete its pending projects to protect the interest of homebuyers, noting that the court lacked expertise in finance or real estate.

A two-judge Bench, headed by Justice D Y Chandrachud, had asked Attorney General KK Venugopal to render his assistance in the matter by convening a meeting at appropriate government levels and check whether Unitech's projects could be handed over to a state-owned company. The top court had also ordered the withdrawal of all facilities given to Unitech promoters Sanjay Chandra and his brother Ajay Chandra, who have been lodged in Delhi's Tihar Jail since August 2017 for allegedly siphoning off homebuyers' money.

Of the 16,000 homebuyers affected by Unitech's pending projects, about 4,700 want a complete refund, while the other 9,400-odd buyers want either a refund or the flat. The Chandra brothers were arrested by the Economic Offences Wing of the Delhi Police in April 2017. They were accused of duping buyers, who had booked flats in their Greater Noida residential project, of a combined ₹35 crore.

Indian-born Twitter head who decides on blocking tweets, even Trump's

KURT WAGNER
San Francisco

Whenever somebody on Twitter takes issue with the network's rules or content policies, they almost always resort to the same strategy: They send a tweet to @jack.

A quick scan of Chief Executive Officer Jack Dorsey's mentions show just how often he's called upon to lay down the law for the service he helped create. But what users don't know is that they're imploring the wrong Twitter executive. While Dorsey is the company's public face, and the final word on all things product and strategy, the taxing job of creating and enforcing Twitter's rules don't actually land on the CEO's shoulders. Instead, that falls to Twitter's top lawyer, Vijaya Gadde.

As Twitter's head of legal and policy issues, Gadde has one of the most difficult jobs in technology: Her teams write and enforce the rules for hundreds of millions of internet users. If people break the rules, the offending tweets can be removed, users can be suspended, or in extreme cases booted off Twitter altogether. Dorsey may have to answer for Twitter's decisions, but he's taken a hands-off approach to creating and enforcing its content policies.

"He rarely weighs in on an individual enforcement decision," Gadde said in a recent interview. "I can't even think of a time. I usually go to him and say, 'this is what's going to happen.'"

That leaves Gadde, 45, as the end of the line when it comes to account enforcement — a delicate position in a world where Twitter's rules are both an affront to free speech and an invitation to racists and bigots, depending on who's tweeting at you. "No matter what we do we've been accused of bias," Gadde said. "Leaving content up, taking content down — that's become pretty much background noise."

Like most corporate lawyers, Gadde generally operates in the background herself, though her influence has helped shape Twitter for most of the past decade. A graduate of Cornell University and New York University Law School, Gadde spent almost a decade at a Bay Area-based law firm working with tech startups before she joined the social-media company in 2011. Her eight-plus years at Twitter are about equal to the amount of time Dorsey has worked there over the years.

But as Twitter's role in global politics has increased, so has Gadde's visibility. She was in the Oval Office when Dorsey met with US President Donald Trump last year, and joined the CEO when he met Indian Prime Minister Narendra Modi in November 2018. When Dorsey posted a photo with the Dalai Lama from that trip, Gadde stood between the two men, holding the Dalai Lama's hand. InStyle just put her on "The Badass 50," an annual list of women changing the world. "Vijaya defines the word," tweeted Twitter Chief Marketing Officer Leslie Berland.

As Twitter's head of legal and policy issues, Vijaya Gadde has one of the most difficult jobs in technology: Her teams write and enforce the rules for hundreds of millions of internet users. If people break the rules, the offending tweets can be removed, users can be suspended, or in extreme cases booted off Twitter altogether

When Gadde first joined Twitter, the internet was a different place. At the time, a lot of politicians were just getting familiar with the platform. Trump primarily used his Twitter to share announcements about his TV appearances (though this would quickly change). The official presidential account, @POTUS, wouldn't even come into existence until 2015, under then-President Barack Obama.

When Gadde took over as general counsel in 2013, the social-media service had an "everything goes" mentality. A year prior, one of Twitter's product managers in the UK famously said that Twitter viewed itself as "the free speech wing of the free speech party," a label later repeated by then-CEO Dick Costolo. The company simply "let the tweets flow," said one former employee.

That freedom is part of what drew Gadde to Twitter in the first place. An immigrant from India, Gadde moved to the US as a child and grew up in east Texas, where her dad worked as a chemical engineer on oil refineries in the Gulf of Mexico, before moving to New Jersey in middle school. "I was the only Indian child most of my education until I went to college," she says now. "You feel voiceless. And I think that that's kind of what drew me to Twitter — this platform that gives you a voice, and gives you a community and gives you power."

Twitter's commitment to giving everyone a voice, though, has also come with a general reluctance to take it away. Twitter's decisions in recent years to ban certain users, including conspiracy theorist Alex Jones and far-right media troll Milo Yiannopoulos, were news in part because Twitter's decisions to act were so uncharacteristic. Gadde acknowledges the change, saying that the company has come to realize in recent years the responsibility it has to protect the safety of its users, including when they're not using the product. "I would say that the company has shifted its approach dramatically (since I started)," she said.

Perhaps no user presents a bigger quagmire for Gadde and her team than Trump, the platform's most famous user, whose tweets often push the boundaries of Twitter's rules. The president's habit of blasting messages to his 70.9 million followers has taken on a new vigor thanks to a looming impeachment trial and re-election bid. Following the US drone strike in early January that killed a top Iranian general, Trump threatened Iran with military force in a number of tweets, including the targeting of cultural sites. That prompted many observers, including some former Twitter employees, to ask why he hadn't been suspended — a cycle that has played out several times following other Trump tirades.

Last month, Trump attacked his Democratic rivals, blasted Congress over impeachment proceedings, and even mocked teenage climate activist Greta Thunberg from his @realDonaldTrump Twitter account. According to a *USA Today* analysis, his tweets contain more negative language than ever. The study looked at whether Trump tweeted words with positive or negative connotations, and found he "is posting fewer tweets with words that convey joy, anticipation and trust, and more that convey anger." Trump sent or retweeted more than 1,050 messages in December, according to Hootsuite — more than any other month since taking office.

"The way he uses social media is a reflection of just how unusual a candidate, and now a president, Trump is. A big part of that is that he breaks all the rules," said Patrick Egan, a professor of politics and public policy at New York University. "Something that a lot of people really like about him is that he says the kind of things he's not supposed to say, and of course that's exactly the kind of thing that can get you into trouble on social media."

Inside Twitter, Trump's tweets are a frequent topic of conversation among employees, and Gadde's authority also means that she has the unique job of punishing the world's most famous tweeter — should it ever come to that. "My team has the responsibility to do that with every single individual who uses Twitter, whether it's the president of a country or it's an activist or it's somebody we don't know," she said. "I honestly do my best to treat everyone with that same degree of respect."

Twitter has so far decided that Trump hasn't crossed any lines, but the company is prepared for such a scenario. While it's unlikely that Twitter would ever suspend a well-known politician — the company also has a newsworthiness policy, which means it's less likely to take action on tweets from elected officials — it's devised another penalty for world leaders: A warning screen unveiled last summer that hides a tweet from public view and limits its distribution, but still allows people to view the tweet with the click of a button. It's a way to publicly acknowledge that a politician has violated Twitter's rules while admitting what they said is too newsworthy to be taken down. "It's preserving a record of what is said in the public interest," Gadde explained.

The process is designed like this: A content moderator, who may be a third-party contractor, reviews a tweet that has been flagged and determines whether it violates Twitter's rules. If they decide that it does, moderators can usually enforce punishment at this stage, but Twitter requires a second layer of review for offenders who are considered public figures — in this case, a verified politician with more than 100,000 followers, Gadde said.

The tweet is then sent to Twitter's trust and safety team, and if they also agree that the post violates the rules, Twitter convenes a special group of employees from across the company to review it. This group, about a half-dozen people from various teams, is meant to bring in a diverse set of perspectives, Gadde explained. That panel then makes a recommendation to Del Harvey, Twitter's head of trust and safety, and her boss, Gadde, for a final decision.

Barring some kind of emergency, using the label will ultimately be Gadde's call. "Vijaya has a young kid still, so she's very used to being woken up any hour, which is helpful," Harvey joked to a group of reporters last summer.

Gadde won't go so far as to say the new warning label was created with Trump in mind — "We try to think of these things globally and not just about the United States," she said — but added that even though the screen, referred to internally as the Public Interest Interstitial, hasn't been used since its debut last June, it will eventually make an appearance. Gadde said Twitter has used the newsworthiness policy a "handful" of times in the past as justification for leaving offending tweets up. But the company didn't have the warning label back then, so the general public didn't know anything had even been discussed behind the scenes, she said. "We know it happens, and that it will happen."

Twitter actually pointed to this policy in September 2017 when answering questions about the decision to leave up a tweet from Trump that appeared to threaten North Korea with nuclear war. Twitter also has a policy against threats of violence. A White House spokesman, Steven Groves, declined to answer questions about Trump's use of Twitter.

Historically, Twitter's rules around free speech have been so lax that a number of celebrities and journalists, including singer Lizzo, actress Millie Bobby Brown and New York Times writer Maggie Haberman, have stepped away from the service — at least temporarily — with many citing bullying and harassment. U.S. Senator Kamala Harris, a former Democratic candidate for president, thought Twitter's enforcement weak enough that she implored the company to suspend Trump in a letter in October, saying he uses his account to obstruct justice and intimidate people, including the whistle-blower whose report ultimately led to his impeachment. Twitter responded that Trump's tweets didn't break the rules.

The newsworthiness exemption gives Twitter a lot of wiggle room when it comes to removing high-profile tweets, but Gadde said the point of the warning label, and the company's attempt to explain it, are part of a broader effort to be more transparent about how and why the company makes decisions -- something she admits hasn't always been clear. As Twitter has grown, so has the company's understanding that it can't simply sit by and let people tweet whatever they want, Gadde said. It's one of the many ways her job has evolved over the years.

"We're trying to do so much more of our work in public," she said. "I want people to trust this platform."

BLOOMBERG