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16 pages in 1 section
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How markets performed last week

	Index on Jan 17, '20	*One-week	% Chg over Dec 31, '19 Local currency	in US $
Sensex	41,945	0.8	1.7	2.1
Nifty	12,352	0.8	1.5	1.9
Dow Jones	29,348	1.8	2.8	2.8
Nasdaq	9,389	2.3	4.6	4.6
Hang Seng	29,056	1.5	3.1	3.4
Nikkei	24,041	0.8	1.6	0.2
FTSE	7,675	1.1	1.8	-0.1
DAX	13,526	0.3	2.1	1.0

*Change (%) over previous week Source: Bloomberg

ECONOMY & PUBLIC AFFAIRS P6

FRIVOLOUS LITIGATION HURTS INDIA'S FDI IMAGE: BIDVEST

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HYDERABAD IS WORLD'S MOST DYNAMIC CITY: JLL

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

DON'T WANT LAW TO TREAT BIZ HOUSES WITH SUSPICION: FM

Finance Minister Nirmala Sitharaman has said the government does not want a law that would treat every business house with suspicion. "My first and earnest attempt, which continues till today, is to decriminalise everything to do with the companies law or related laws," she said on Sunday. Tata Sons Chairman N Chandrasekaran, in his Palkhivala Memorial lecture last week, had said there was micro-management and suspicion (from the government's side). 16

ECONOMY & PUBLIC AFFAIRS P6

GDP growth premium over EMs near 7-yr low

The relative attractiveness of India's growth story is fast fading. According to the data from the International Monetary Fund, India's growth premium over the emerging economies (EMs) will hit a seven-year low of 1.1 per cent in 2019-20. **SACHIN P MAMPATTA & KRISHNA KANT** write

BS SPECIALS ON MONDAY

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This is no default caused by liquidity tightness. It could have been avoided had the loans to group companies not been given. Period. **TAMAL BANDYOPADHYAY** writes

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...if yields on longer-term bonds rise, investors could sustain losses in these funds. **SANJAY KUMAR SINGH** writes

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The ABVP's stature in the Sangh Parivar has somewhat diminished and the recent varsity violence has only brought it a bad name. **RADHIKA RAMASESHAN** writes

RESULTS RECKONER

Quarter ended Dec 31, 2019; common sample of 69 companies (results available of 83)

SALES			
Dec 31, '18	**39.2%**	₹2.94 trillion	↗
Dec 31, '19	**2.4%**	₹3 trillion	↗
PROFIT BEFORE TAX			
Dec 31, '18	**20.0%**	₹41,697 cr	↗
Dec 31, '19	**5.7%**	₹44,089 cr	↗
NET PROFIT			
Dec 31, '18	**15.2%**	₹30,340 cr	↗
Dec 31, '19	**11.1%**	₹33,699 cr	↗

Companies with zero sales excluded; given the change in corporation tax rates, to give a fair comparison the profit before tax has been considered; compiled by *BS* Research Bureau Source: Capitaline

Govt eyes asset sales as divestment goal eludes

Hope rises for monetisation of ₹1 trn worth of assets by March 31

ARUP ROYCHOUDHURY
New Delhi, 19 January

With the privatisation of a number of marquee state-owned companies unlikely to be completed this fiscal year, the Central government has turned to asset monetisation to come close to the ambitious 2019-20 divestment target of ₹1.05 trillion.

Business Standard has learnt from sources in the government as well as asset reconstruction companies that processes are at an advanced stage for a number of assets of the Centre and central public sector enterprises (CPSEs) to be monetised. The assets include office space, apartments, factories, land, power transmission assets, sports stadia, gas pipelines, and telecom assets.

"A lot of departments and CPSEs have been mobilised to speed up asset monetisation," said a senior government official.

A source in a major asset reconstruction company, which is working with the government, said assets worth around ₹1 trillion could be monetised before March 31 this year. "These asset sales are very easy to carry out because they are operating assets, and there is a lot of interest for them. The risk is minimal," the person said. However, the government official quoted above said it was difficult to set a target for asset monetisation.

"In the case of CPSE assets, the proceeds of any sale would go to the company concerned. The company will then pay dividend to the government. If it is a loss-making company, then in accordance with the Companies Act, it cannot pay dividend. Hence we cannot put a number to asset monetisation easily, compared to sale of stake on exchanges or privatisation," the official said.

There are two distinct strands to the Centre's asset monetisation plans. One is being led by the NITI Aayog and includes monetising five-six centrally-owned stadiums (including the iconic Jawaharlal Nehru Stadium), power transmission assets, gas pipelines of GAIL, telecom assets of BSNL and MTNL, as well as heritage rail operations like in Darjeeling, Kalka-Shimla, and the Nilgiris. Turn to Page 11

BUDGET INSIGHT OUT

TIME RUNNING OUT

- **CPSEs, departments mobilised to** speed up asset sales
- **Govt unwilling to put a target** for asset monetisation
- **CPSE asset sale proceeds** will come to govt in the form of dividends
- **DIPAM handling the sale** of CPSE assets like factories, apartments, land, offices
- **NITI Aayog leading efforts to monetise assets like stadia,** telecom, power transmission, and pipelines

It's divided house at RBI over new oversight cadre

Most officers want to opt out; issue to be taken up at central board meet on February 15

RAGHU MOHAN
New Delhi, 19 January

The Reserve Bank of India (RBI) is heading towards a human resource crisis, with a majority of its officers indicating to their reporting heads that they want to opt out of the unified regulatory and supervisory cadre, which came into effect from November 1, 2019. The deadline for officers to decide on their career path in the biggest organisational rejig in the central bank's 85-year history ends on January 31.

The immediate fallout could be its disruptive impact on the supervisory process for 2020 — and beyond — given the manpower shortfall, even as more entities are set to come under closer central bank scrutiny. The turmoil is expected to figure at the RBI's central board meeting to be held on February 15 in New Delhi, in which the progress on the unified oversight cadre will be reviewed.

The move is being seen within the central bank cadre as the first step towards hiving off the oversight functions into a separate entity. This was recommended by the Financial Sector Legislative Reforms Commission, chaired by B N Srikrishna, in March 2013, though "no formal deliberation has been initiated by the finance ministry on the subject with the central bank", said a source.

The last hive-off from the central bank was in 1982, when the National Bank for Agriculture and Rural Development was set up — the RBI's agricultural credit department, rural planning and credit cell, and Agricultural Refinance Corporation were moved into the newly formed entity.

Senior officials who handle extremely sensitive portfolios are set to "formally escalate the matter" to the RBI's central board ahead of its meeting on February 15. "The RBI's character is that of 'a full-services central bank', and we want to convey to them the path ahead has to be thought through carefully," said an official, hinting that a fine-tuning of the current plan might have to be worked upon.

Another person said, "The groundwork to facilitate the setting up of a specialised supervisory and regulatory cadre" — mentioned in the RBI's Annual Report for 2018-19 — "could have been better." This is because "only a small committee headed by executive directors Rabi N Mishra and Malvika Sinha, and a couple of chief general managers was formed to go into it", said the person, adding, "We would not have been in this position if this had been done."

When contacted, the RBI's spokesperson said, "These are the central bank's internal organisational matters." Turn to Page 11

CRISIS IN THE MAKING

- Majority of officers in regulation and supervision depts want to opt out
- Heartburn may have disruptive impact on supervisory process for 2020, and beyond
- On-site inspections will be affected
- Cadre feels concerns on personnel front not addressed properly
- Unified cadre seen as first step towards hiving off the oversight functions into a separate entity as recommended by FSLRC in March 2013
- On Nov 1, 2018, RBI merged three regulation and supervision depts each into two departments

Budget likely to scrap DDT

Tax may be imposed on shareholders getting dividends

DILASHA SETH & SUDIPTO DEY
New Delhi, 19 January

The government is likely to abolish dividend distribution tax (DDT) in the upcoming Budget and may instead tax the shareholders receiving dividends, in a bid to help improve investor sentiment by addressing the multiplicity of taxes and bring down the effective tax rates for companies. The move will need changes in Section 115 (O) of the Income-tax Act.

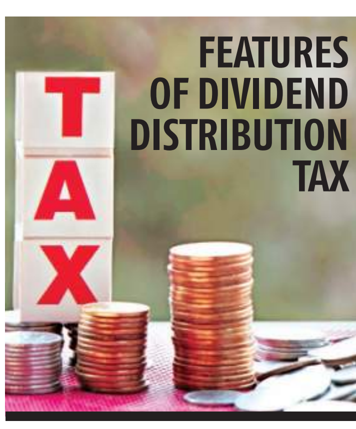
DDT is levied on dividends that a company pays its shareholders out of its profits. It is currently charged at the rate of 20.55 per cent, including a surcharge and education cess. "The idea is to move to the classical way of taxation where tax is imposed on the person getting the dividend. The Budget will address the issue of the multiplicity of taxation for companies," said a person in the know.

It will also help domestic investors because they can claim credit for DDT while paying income tax, or refund if their tax liability is nil. The proposed measure is in line with the recommendations made by the panel on direct tax overhaul, chaired by former Central Board of Direct Taxes member Akhilesh Ranjan. The panel recommended doing away with DDT, but retaining the much-detested long-term capital gains (LTCG) tax and securities transaction tax (STT).

Finance Minister Nirmala Sitharaman had, in the winter session of Parliament, called DDT a 'regressive measure'. DDT results in the cascading of taxes because companies pay dividends out of their profits already taxed. DDT becomes a cost for foreign shareholders, who find it difficult to avail of foreign tax credits (in home country for taxes paid overseas) because they do not directly pay it.

The government collects around ₹60,000 crore from DDT each year. Moving to the classical method of taxing dividends will not affect collections.

DDT was brought in for administrative convenience to recover tax at the dividend distributing company stage to minimise the efforts and resources of collecting tax at the shareholder stage. Dividends are also taxable at a concessional rate of 10 per cent in the hands of shareholders if they receive more than ₹10 lakh a year. Turn to Page 11



FEATURES OF DIVIDEND DISTRIBUTION TAX

- Provisions of DDT were introduced by the Finance Act, 1997
- DDT was brought in for administrative convenience to recover tax at company stage
- It minimises the efforts and resources of collecting tax at shareholder level
- DDT is levied at the rate of 15% on the gross amount of dividend in accordance with Section 115 (O), and 20.55% including cess and surcharge
- The tax has proved to be a burden for companies

BUDGET WISH LIST: OIL & GAS P11

TCS TO ADD 39,000 FRESHERS IN NEXT FINANCIAL YEAR

Tata Consultancy Services (TCS) is to induct a higher number of new graduates in the coming financial year. The information technology major said it was looking at inducting around 39,000 freshers in 2020-21, about 30 per cent more than it added in the ongoing financial year. After five quarters of net rise in employee number in a row at the Mumbai-headquartered firm, the headcount fell to 446,675 at the end of the December quarter. 3

Hines in talks with GIC, others to sell Mumbai land

Deal size may be ₹2,000 cr

RAGHAVENDRA KAMATH
Mumbai, 19 January

Singaporean sovereign fund GIC, CapitaLand (from the same country), and others are in separate talks with Hines Real Estate — the Indian arm of US-based investment firm Hines — for a forward purchase agreement of commercial property in the Kanjurmarg area of Mumbai. The deal size is expected to be around ₹2,000 crore.

In a forward purchase agreement, a buyer pays an advance to the seller to buy property at a later date. The property, spread over 4 acres, has a development potential of 1.3 million square feet (sq ft). It will be the first big commercial property deal of the calendar year (CY).

Recently, tiles manufacturer Nitco, which owns the land, appointed Hines development manager. Hines will do the business planning, construction, marketing, and asset management of the property. The deal marked the entry of Hines into the Mumbai region. It was so far operating in the National Capital Region.

Emails sent to Nitco, Hines, GIC, and CapitaLand did not elicit any response.

Singapore-based investors such as GIC, CapitaLand, and Xander have been actively investing in Indian commercial real estate in the past few years.

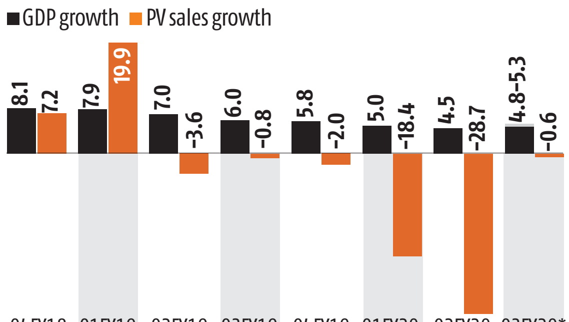
GIC bought 33 per cent in the rental arm of DLF for ₹9,000 crore in 2017 in the biggest deal in commercial real estate so far. GIC bought a majority stake in listed company Nirlon, which owned the information technology (IT) park in Mumbai, for ₹1,280 crore in 2015. Recently, GIC-managed investment firm Gamnat Pte invested ₹434 crore in equity shares of Prestige Estates. Turn to Page 11

The property, spread over 4 acres, has a development potential of 1.3 million square feet

Global automakers ride in, unfazed by auto slump

The success of late entrants such as MG and Kia has encouraged them to give it a go

SKIDDING ON SLOWDOWN



* GDP estimates from various sources
Source: Auto data from Siam

SHALLY SETH MOHILE
Mumbai, 19 January

The worst slump in car sales in two decades has not discouraged global carmakers from entering the Indian market. Two years after SAIC-owned MG Motors and Hyundai's affiliate Kia Motors established a presence here and tasted reasonable success, a clutch of automakers from China such as Great Wall Motors, FAW Haima Automobile, and Changan Automobile are set to firm up their India strategy.

All three have confirmed their participation in the biennial Auto Expo in the first week of February. Besides these companies, a few other automakers from China, including Geely and Chery Automobile, are also working out a market entry strategy but their plans, say those who are familiar with them, are less advanced.

The new brands are driving in at a time when the market has been hit by a slowdown in consumption and anaemic economic growth. Passenger vehicle sales have been declining for six quarters in a row. Annual sales fell to the lowest in 20 years in 2019.

They are also coming when India's 78-year-old automobile industry is on the cusp of transformation amid regulatory changes in emissions, safety and fuel efficiency, and a higher internet penetration, which is fuelling connected and shared mobility trends.

"These new trends will work to their advantage," said Puneet Gupta, associate vice-president at IHS Markit, a sales forecasting and market research firm. "Unlike existing firms, new players do not come with any baggage and therefore will be more agile and in sync with the latest changes such as the government's thrust on electric vehicles."

If anything, Chinese automakers, after dithering about entering India for some years, have been encouraged by the robust sales performance of the late entrants Kia Motors and MG Motors even in a slowing market.

Take Kia for instance. The Korean carmaker got into the market with the Seltos in August 2019 and captured a 6.23 per cent share in the SUV market in four months.

Similarly, MG Motors, which sells the Hector brand in the premium SUV segment, entered the market in June 2019 and cornered 2.20 per cent in the six months up to December, according to the Society of Indian Automobile Manufacturers.

The gains for the new players have come at the cost of the incumbents, namely Maruti Suzuki India, Tata Motors, Mahindra and Mahindra (M&M), among others. M&M, which till recently used to be the leader in the SUV segment, has seen its market share plunge to a record low of 20.14 per cent in the first nine months of the ongoing financial year. The new players have also nibbled into the share of Maruti, Tata Motors, and Honda Cars. Gupta expects a further shake-up in the market share as more brands enter and the latest entrants populate their line-up with new offers. While Kia will showcase four new models, MG is expected to have 14 models on display at the upcoming auto show.

This phenomenon of new entrants gaining market share is a departure from the past. Cornering a 5 per cent share in any segment of the passenger vehicle market still remains an aspiration for a clutch of European carmakers who came to India in the mid-2000s.

What are the latest players doing that's enabled them to capture a significant share in the very first year of operations? Turn to Page 11

64% OF INDIA'S GEN Z QUESTIONS NEED TO OWN A CAR: DELOITTE GLOBAL SURVEY PAGE 2