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Business Standard

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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

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

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

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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.

BUDGET INSIGHT OUT

"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.

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- **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."

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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.

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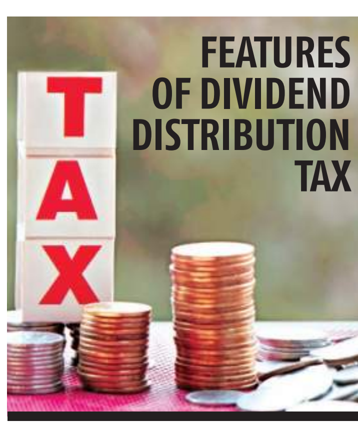

FEATURES OF DIVIDEND DISTRIBUTION TAX

- 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 (0), 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).

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

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.

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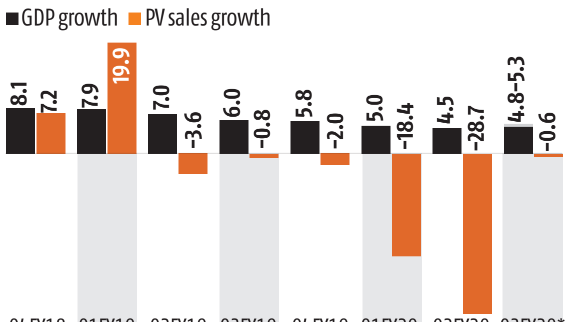
Global automakers ride in, unfazed by auto slump

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.

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

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

IN BRIEF

Jan 23 deadline for non-telco PSUs? DoT says it will examine

The telecom department is examining the legal applicability of January 23 deadline for payment of over ₹2.4 trillion statutory dues in the case of non-telecom PSUs, which were not originally party to AGR matter in the Supreme Court, according to sources. Sources in the Department of Telecom (DoT) said while the PSUs too have been asked to make payments related to statutory liabilities (after the SC in October upheld government's position on calculation of non-core revenue for AGR dues), the larger question is whether the January 23 deadline is legally enforceable on state-owned companies that were not direct party to the dispute. The current view that is emerging in the DoT appears to be that the court-imposed timeline may not apply to PSUs, but the matter is being legally examined for clarity. PTI

Kia Motors eyes full capacity utilisation with new models

South Korean automaker Kia Motors plans to keep rolling out new models at regular intervals in India as it aims to fully utilise its current installed production capacity of 3 lakh units by March 2022, a senior company official said. The company, which has got to a flying start in the country with its first product Seltos, aims to bring in two more models this year. It will drive in luxury multi purpose vehicle Carnival at Auto Expo, followed by a compact SUV later during the year. PTI

Airtel rolls out ₹179 prepaid bundle with insurance cover

Airtel on Sunday announced ₹179 prepaid bundle that packs in a term life cover of ₹2 lakh from Bharti AXA Life Insurance. "Priced at... ₹179, Airtel's prepaid bundle offers unlimited calling to any network, 2 GB data, 300 SMS along with a term life cover of ₹2 lakh from Bharti AXA Life Insurance," the company said. The pack has a validity of 28 days and is targeted at entry-level smartphone users and feature phone users in semi-urban and rural markets. "It will give these customers a simple and highly convenient channel to secure themselves and their families financially every time they recharge their Airtel mobile numbers," the statement added. PTI

MS Dhoni will be retained by CSK, says N Srinivasan

Mahendra Singh Dhoni "will be retained" by Chennai Super Kings in the 2021 IPL auctions irrespective of whether he plays for India again or not, asserted former BCCI president N Srinivasan. The lack of a BCCI central contract for the two-time former World Cup winning captain has sparked fresh rumours of his retirement in the past few days but Srinivasan, who is the VP and MD of Indian Cements, owners of CSK, made it clear Dhoni will continue to play for CSK. PTI

HCL Tech expects strong demand in coming quarters

HCL Technologies is betting on strong demand across sectors, including manufacturing and retail, to continue its growth momentum. The firm, which posted 15.5 per cent rise in revenue in the December quarter, is also seeing strong growth in the European and US markets. "Our pipeline is very strong and we're also pretty confident of the conversion rates," HCL Tech President and CEO C Vijayakumar said. PTI

Blocking Huawei may cause $4.7-bn GDP loss: Study

Blocking Huawei from rolling out 5G technology may cause loss of up to $63 billion in the GDP of top eight technology markets, and at least $4.7 billion in case of India, by 2035, a report of Oxford Economics commissioned by the Chinese telecom gear maker has claimed. The US and Australia have blocked Huawei from deploying 5G infrastructure alleging security concerns. PTI

Acquisition valuation of Emami Cement may not cross ₹6K cr

The valuation of Emami Cement, which is up for sale, may not exceed ₹6,000 crore in the wake of stress in the economy and rising cost of finance, sources said. The promoters of the Kolkata-headquarterd firm have been seeking to pare group-level debt and are targeting to raise between ₹7,000 and ₹8,000 crore, reports said. Emami Cement had earlier sought a valuation of ₹8,000-9,000 crore. PTI

NCLAT asks DLF to register share transfer to investor's legal heirs

The National Company Law Appellate Tribunal (NCLAT) has directed leading real estate player DLF to register transfer of 60,000 shares to the legal heirs of one of its deceased shareholders and has imposed a cost of ₹5 lakh for "harassing the poor investors". A three-member bench observed that DLF insisted again and again for affidavit and indemnity bond in spite of having a Letter of Administration for succession, and the action by the real estate firm deserved penal action. "We note that the appellant (DLF) is a listed company in real estate and is very well aware of legal formalities. By insisting affidavit and indemnity bond again and again, in spite of Letter of Administration issued clearly establish that the Appellants (DLF and Rajdhani Investments) are harassing the poor investors," said a three-member NCLAT Bench. PTI

Arcelor-Nippon eyes Hazira jetty control

VINAY UMARJI & ISHITA AYAN DUTT
Ahmedabad/Kolkata, 19 January

DOCK TURBULENCE

- GMB announces a new policy to allow existing captive jetty holders to handle third-party cargo in October
- EBTL, an SPV with majority held by Essar group companies and 26 per cent by AM/NS India, opts for the new policy; supplementary agreement is signed
- AM/NS India opposes this and applies for transfer of EBTL licence
- Gujarat govt puts supplementary agreement in abeyance while it examines the rival representations

AM/NS — the joint venture in India of ArcelorMittal and Nippon Steel — is trying to take control of the captive jetty at Hazira in Gujarat from the Ruias of the Essar group.

AM/NS declined to comment on the issue but sources in the state government confirmed it had applied for a transfer of licence from Essar Bulk Terminal (EBTL), the majority in which is held by Essar.

The move has been initiated by AM/NS on the reasoning that this was a captive licence for the steel plant and the captive jetty should remain with the plant. AM/NS India, formerly Essar Steel India (ESIL), was acquired by ArcelorMittal and Nippon Steel jointly last month, under the insolvency law, after a long tussle with the Ruias. However, ESIL's assets in that deal did not include some ancillary units like a slurry pipeline, power plants and port facilities.

State policy

At the heart of the recent development is a change in the Gujarat Maritime Board's (GMB's) policy. In October, it announced a new policy framework, aimed at "unlocking value", by allowing existing captive jetty holders to handle third-party cargo.

More than two decades earlier, GMB had granted private companies the permission to construct captive jetties on a nomination basis, to cater to their import-export requirement.

It is estimated Gujarat has from 80 to 150 million tonnes per annum (mtpa) of unutilised capacity across 38 captive jetties along its coast. The new policy is aimed at easing the method of doing business for all 38 captive jetties, as it eliminates the need for case-to-case approvals to handle commercial cargo. The policy grants existing captive jetty holders the option to either opt-in or opt-out of this. EBTL had opted-in, thereby requiring it to enter into a supplementary agreement with GMB. However, ArcelorMittal is opposing this.

Contentions

A spokesperson for AM/NS said, "For jetties to be able to handle commercial cargo, port operators must bid for licences in open auction, which was not the case for the Hazira jetty, an inextricable feature of the steel plant from conception more than two decades ago." Adding: "With EBTL's cargo volumes set to grow as AM/NS India increases production over the coming years, any attempt by EBTL's remaining shareholder to obtain commercial status would violate port regulations in the state. We, therefore, hope and expect that the existing long-term agreements governing EBTL continue and no changes to a jetty clearly designed for captive usage will be made without the explicit consent of AM/NS India."

AM/NS India has indicated it would increase the steel plant's annual capacity to 12-15 mt in the long term, from 7.5 mt now. As part of its application for complete licence transfer, AM/NS is also learnt to have raised doubts over its steel plant's captive requirement being met in the long run by EBTL.

However, on its part, EBTL has assured it would meet this. An Essar Ports spokesperson said, "There will be no impact on captive cargo. We will continue to handle captive cargo as per the steel mill's requirement and unutilised/surplus capacity of the terminal will be used for commercial cargo handling."

Adding: "While EBTL as an independent company entered into an agreement with GMB and invested ₹3,200 crore to develop the deep water port facility at Hazira, no material financial investment was made by the then Essar Steel in the development of this facility."

AM/NS is understood to have said the licence for initial jetty and first extension were granted to ESIL but that during the process of the second captive jetty extension, a Special Purpose Vehicle (SPV) was set up by the Essar group, called EBTL, with ESIL a 26 per cent shareholder.

Mukesh Kumar, vice-chairman and chief executive at GMB, told *Business Standard*: "Various representations from both the parties are under examination by the government." As of this moment, the supplementary agreement between EBTL and GMB has been put in abeyance. The Gujarat government's Chief Secretary Anil Mukim said: "We are examining the issue." The Essar Ports spokesperson says commercial cargo prior to the new policy was handled by the company by obtaining case-to-case approvals. Of the 50 mtpa capacity at Hazira, the steel plant's cargo requirement is currently 24 mtpa.

By opting-in under the new policy, EBTL intends to handle commercial cargo to make use of the surplus unutiliwed capacity, even as it is in the process of doubling the total capacity to 100 mtpa. "The Gujarat government's New Port Policy is applicable to all 38 licences of captive jetties in Gujarat and will unlock surplus jetty capacities, enable further investments in the marine sector and reduce logistics costs in the economy," the Essar spokesperson said.

RIL's earnings parity expected by FY22 in consumer, core biz

AMRITHA PILLAY
Mumbai, 19 January

Most of the earnings growth for Reliance Industries (RIL) in the quarter ended December 2019 was from its consumer businesses — retail and digital.

The major chunk still comes from its core business. This contributed a little less than 60 per cent of earnings before interest, taxation, depreciation and amortisation (Ebitda). This, nonetheless, could change rapidly. Some expect the core business share to fall to 50 per cent by the end of 2021-22. The contribution from core businesses — oil, petrochemicals, refining — was 71 per cent only a year before.

Chairman and Managing Director Mukesh Ambani's speech to shareholders and analyst estimates both suggest this is expected to fall drastically as the consumer business grows further.

"With the current pace of growth for both retail and telecom, it is a matter of one or two years, before there is equal contribution from the core and the consumer business. I expect the 50 per cent earning contribution to happen in FY21 or latest FY22," said an analyst, who did not wish to be identified.

At the annual general meeting in September 2016, Ambani had said: "I am confident our consumer businesses will, over several years, be of the same size and earnings as our petrochemicals and refining business." In 2015-16, the contribution from telecom and retailing to overall earnings was only 2 per cent. "The contribution share from consumer business is expected to continue to rise and would most likely achieve parity with the oil to chemicals (O2C) business possibly by FY22," said Nitin Tiwari, vice-president at Antique Stock Broking.

Ambani's timeline guidance has also shrunk since 2016. In his latest chairman's speech, in August 2019, he said: "The day is not far when their (two consumer businesses) share would be 50 per cent (to consolidated Ebitda)."

Analysts have also been changing their earnings estimates positively for the consumer business. In its older estimates, Jefferies pegged RIL's telecom Ebitda at ₹33,000 crore and retail one at ₹14,800 crore for FY22.

These estimates have been revised to ₹46,500 crore and ₹16,200 crore, respectively. In sum, the consumer business is expected to contribute at least 45 per cent to total earnings in FY22.

Analysts with BNP Paribas, in a results preview report titled 'Jio and Retail are now core businesses', said: "We estimate Jio and retail to contribute 35 per cent to the FY20 Ebitda and increase to 46 per cent by FY22. This growth, we believe, will be driven by higher average revenue per user and subscriber additions at Jio, and continued strength in consumer retail as RIL now begins to benefit from scale."

Tiwari from Antique said growth in the retail business has surprised the Street over several quarters. "While performance of the telecom business has started to look up from this quarter, retail continues to surprise with revenue and margin expansion for some time."

Reliance outpaces industry in petrol, diesel sales from its outlets

Reliance Industries (RIL) has outpaced industry in clocking double-digit sales growth in petrol and diesel from its nearly 1,400-odd petrol pumps in the third quarter ended December 31, 2019.

In an investor presentation post-announcing earnings for October-December 2019, Reliance, operator of the world's largest oil refining complex, said it registered an 11 per cent growth in diesel sales and 15 per cent growth rate in petrol sales from its 1,394 fuel retail outlets. This is compared to industry growth rate of 0.2 per cent for diesel and 7.1 per cent for petrol.

Its per outlet throughput at 342 kilolitres per month was also nearly double that of petrol pumps operated by public sector firms such as Indian Oil Corp (IOC) and Bharat Petroleum Corp (BPCL). "Superior product mix and high asset utilisation underpinned strong earnings," it said in the presentation adding India's oil demand grew 3.2 per cent in October-December with petrol demand rising 7.1 per cent and LPG surging by 15 per cent. "Preference for petrol cars, improving road infrastructure and rural connectivity is driving petrol demand," it said. A pick up in tourist movement after festive season provided support to ATF demand.

Reliance said there was a strong traction in retail and bulk fuel sales through its network.

"Growth driven by focus on large fleet customers (25 per cent year-on-year growth), fleet aggregators (114 per cent)," it said. PTI

64% of India's GenZ questions need to own a car: Deloitte

SHALLY SETH MOHILE
Mumbai, 19 January

About 64 per cent of India's Gen Z/GenY, who already have a vehicle, are now questioning the need to own a vehicle as opposed to 51 per cent in 2019, according to Deloitte's 2020 Global Automotive Consumer Study.

The respondents (all of them vehicleowners) cited an increase in the cost of owning a personal vehicle, emergence of Bharat Stage-VI emission standards, coupled with higher penetration of ride-hailing services, as the reason for the same.

According to the report, the number of people occasionally using ride-hailing services has also increased in the past few years, as riders (consumers) see multiple benefits. In percentage terms, it has gone up to 57 in 2019, from 38 in 2017. The firm sampled close to 35,000 respondents from 20 global markets. Of this, 3,000 were in India. The findings of the study come at a time when India's passenger vehicle market has been battling one of the worst slowdowns in two decades.

The study also dwells on consumer preference with regard to data privacy and the money Indian buyers are willing to spend on connected vehicles.

Close to 65 per cent of those surveyed in India very clearly articulated that they are willing to pay up to ₹60,000 for connected vehicles, a third of them also showed willingness to pay more — up to ₹1 lakh. Half of them said that they would rather pay for the features upfront instead of enrolling in a monthly subscription plan.

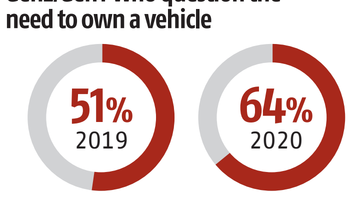
The results show that buyers are willing to pay for connected features, presenting an opportunity to vehiclemakers to monetise them," says Rajeev Singh, partner and automotive leader, Deloitte India.

Meanwhile, 40 per cent of the respondents in India agreed to the idea of sharing data related to the vehicles' performance with the manufacturers as long as it's not biometric data. The respondents expressed reservation regarding sharing any kind of data with financial services, insurance, telecom firms, and government agencies.

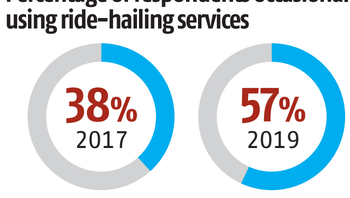
Consumers in India and across geographies continue to question the safety of autonomous vehicles (AVs) and the ability of traditional automakers to bring fully autonomous technology into the market. A strong majority of consumers — as high as 80 per cent India, 77 per cent in China, and 74 per cent in the Republic of Korea — said it would feel more comfortable to ride in an AV if it is government certified.

WHAT SURVEY SAYS

GenZ/GenY who question the need to own a vehicle



Percentage of respondents occasionally using ride-hailing services



Those comfortable with the idea of testing autonomous vehicles where they live (%)

India	57
US	51
South Korea	48
Germany	46
Japan	41

Percentage of respondents who would trust a govt-certified agency for autonomous vehicles (%)

India	80
China	77
South Korea	74
US	57
Germany	42

Source: Deloitte

Amazon-Future handshake spans verticals and initiatives

Joint marketing calendar on the cards

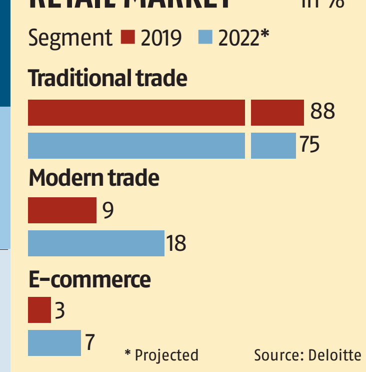
VIVEAT SUSAN PINTO
Mumbai, 19 January

SIZE OF THE INDIAN RETAIL MARKET

2019
$850 billion

2022*
$1.2 trillion

BREAK-UP OF TOTAL RETAIL MARKET in %



The tie-up between e-tailer Amazon and Kishore Biyani-led Future Retail will play out at multiple levels, top sources said.

This includes conducting cross-promotions of brands across the two companies, coming up with joint marketing and innovation programmes, and achieving a sales target of ₹1,000 crore in the next two years.

First up, as part of the agreement, will be the upcoming five-day Republic Day sales festival called 'Sabse Saste Din' at Big Bazaar. All deals that are part of the festival, starting from January 22-26, will be available on Amazon too, said persons in the know. This will, they said, reflect the online-offline partnership that Biyani, managing director of Future Retail and founder of Future Group, has been indicating for some time now.

Learnings from here are expected to be taken to all sales festivals that Big Bazaar will organise in the coming months, said persons in the know.

Additionally, all food and fast-moving consumer goods (FMCG) products from Future Consumer will be available on Amazon Pantry, while Future's fashion and lifestyle brands will be part of Amazon Fashion's catalogue.

The partnership will also see brand launches in food, FMCG, fashion, and lifestyle happen within Future Retail stores as well as the Amazon platform to improve visibility and reach.

Amazon is also pushing its Amazon Now app aggressively to its Prime members, for which it has enlisted Big Bazaar as its delivery partner. Two-hour deliveries are currently happening from 18 Big Bazaar stores in three cities, including Bengaluru, Mumbai, and Delhi.

As Amazon Now slowly but steadily integrates into the larger Amazon India app, more Big Bazaar stores will be pressed into service as delivery outlets for Prime members, said persons privy to the development. "The model will work in such a way that the moment a (Prime) subscriber has an order, the nearest Big Bazaar in that city will be alerted to provide delivery within two hours," said an executive. Biyani was not immediately for comment.

Big Bazaar has over 300 stores in multiple cities and is expected to get an additional source of revenue through this arrangement.

Future and Amazon are also considering a tie-up of their online payment platforms (Amazon Pay and Future Pay) to ensure greater integration of services. The move may come as rival e-wallets such as Google Pay, Paytm, and PhonePe get aggressive in India.

At Amazon's Smbhav event last week, Biyani had said that physical stores had their own advantages and digital or online platforms had their own set of benefits. "In another few years, the two will come together to become 'phygital'," he said, adding online-offline partnerships would gather pace in the future.

A recent Deloitte report says that e-commerce in India, currently at 3 per cent, will more than double to 7 per cent in terms of size in the next few years. Traditional trade, currently at 88 per cent, will reduce to about 75 per cent in terms of size, while modern trade will touch 18 per cent, from 9 per cent now.

‘All deals now about providers taking over legacy landscape’

HCL Technologies, which reported its third quarter results on Friday, said its pipeline is at a ‘historic peak’ in spite of some client-specific delays. The company said it exceeded its $10-billion annualised revenue run rate during the quarter. It raised its annual revenue growth forecast to 16.5-17 per cent, from 15-17 per cent, in constant currency terms. Chief Executive Officer **C VIJAYAKUMAR** spoke to **Neha Alawadhi** after the Q3 results about what gives HCL Tech the confidence to continue its strong showing. Edited excerpts:

Q&A

How does 2020 look overall for HCL Tech, with some clients putting spending decisions on hold? What are the key sectors where you expect spending to be higher?

The pipeline is very strong. We are quite confident of the conversion rates. As we speak, we are booking large deals. I am positive. Some segments will be weak, some strong. Europe looks strong to us. Manufacturing, retail, and consumer packaged goods look strong; other verticals seem all right. We're cautious about financial services because in European banks, there is some decline in spending.

Among the areas which you see as strong, is the business more core services or digital?

Today, almost all deals are about providers taking over a legacy landscape and modernising it. While some call it digital, we call it Mode-2 (digital and new-age business) only when the transformation happens. The deals have a mix of both — maybe 70 per cent will be tech and managing the traditional landscape; modernisation will be the rest 30 per cent.

In terms of deal sizes and client spending, what sort of trends do you see in 2020?

In 2019, we had a lot of large deals. We had billion-dollar deals, I don't see that, but still quite large, in the $200-500-million range. There is marginal increase in spending. But within this spending, the digital component is possibly growing at double the rate of traditional components.

The US is entering an election year. How do you see that impacting business?

I think it's a little early to call that out. Even if you see in 2016, the impact of elections happened towards the last quarter, and after the new government was elected. I would wait for a couple of quarters to look at that.

The US is also going through its own set of issues...

In the US, the economic cycle has been on an uptick since 2008. It's a 10-year economic cycle; the odds are it will go in the reverse direction. We should be cautious about that.

You recently acquired Sankalp Semiconductor, and you have a large presence in the semiconductor space, which is seeing an impact due to the US-China situation. Is that a cause for worry?

It's (Sankalp) a small company. Semiconductor is a strong space for us. Because of US-China, some impact was there, but I think it has cooled off somewhat. It should only be positive (now).

“WE WILL EXPAND IN CANADA, FRANCE, WEST ASIA, WHERE WE HAVE REASONABLE PRESENCE AND WILL CONTINUE TO EXPAND IN SOUTH AFRICA AS WELL”

The localisation rate in the US for you is in the 67-per cent range. Wipro is operating at about 70 per cent. Is there scope for you to scale up localisation?

There may not be because we also need people who have enough experience in the offshore model. For some senior talent, we will continue to depend on getting visas for Indian employees and employees in other countries.

The special economic zone (SEZ) sunset clause is approaching in March. Will you continue to push for its extensions through the industry association route or on your own?

The Indian government has not extended it, and March is just two months away. Everyone is trying to build more SEZ capacity before the sunset clause; so are we. We will continue to push for the extension of SEZ benefits.

In Europe too, a lot is going on politically. How does that affect your overall business?

Europe, especially if you look at Germany and France, is a lot more open to using external global providers like us, which, I believe, will do very well for us.

Now you have Australia and Singapore contributing a lot more...

Yes, and we will add more geographies. We will expand in Canada, France, West Asia, where we have reasonable presence and will continue to expand in South Africa as well.

TCS to employ 30% more fresh graduates in FY21

DEBASIS MOHAPATRA
Bengaluru, 19 January

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 39,000 freshers in 2020-21, about 30 per cent more than it added in the ongoing financial year.

"We added 30,000 people (from campuses) in FY19. We have already given offer letters to fresh graduates who are selected from our TCS National Qualifier Test (TNQT). So, we are adding to our base," said Milind Lakkad, its global head for human resources. After five quarters in a row of a net rise in employee number, total headcount at the Mumbai-headquartered firm fell by 4,063 to 446,675 at the end of the December quarter. Attrition, the term for staff leaving, rose by 60 basis points to 12.2 per cent of the total in those three months. "We absorbed freshers early this financial year and that's the reason the numbers (total headcount) were down," Lakkad said. In the first nine months of this financial year, it added 22,390 employees on a net basis. "These numbers are very much at the same level as the last financial year," he added.

Unlike some of its peers, TCS does not give separate numbers for voluntary and involuntary attrition

Unlike some of its peers, TCS does not give separate numbers for voluntary and involuntary attrition (the latter being removal of employees due to non-performance and like reasons).

Lakkad said hiring of freshers wouldn't impact the employee pyramid. "When we are adding to the base (with hiring of freshers), it is our responsibility to make people reskilled enough with relevant skills (to fit in)." The headcount increased from 320,000 in 2014-15 to 424,000 by the end of FY19, a rise of 32.5 per cent. Around half its workforce in America is of locals. "We have plans to hire 1,500 trainees in the US and almost 1,000 people are already on board. We have a good number of people in North America and this is going to increase," Lakkad said.

Steel industry seeks duty cut on key raw materials in Budget

PRESS TRUST OF INDIA
New Delhi, 19 January

The domestic steel industry is seeking reduction in basic customs duty on key raw materials such as coking coal, pet coke, limestone and dolomite in the upcoming Budget.

Finance Minister Nirmala Sitharaman is scheduled to present the Budget for financial year 2020-21 on February 1.

"Anthracite coal, coking coal, coke, limestone, dolomite are vital inputs for the steel industry. The availability of these items in good quality is declining in the country and the industry has to depend on imports on regular basis," industry body Ficci said in its Budget recommendations for Indian steel sector. The basic customs import duty on anthracite coal is 2.5 per cent. Since ferro alloy industry plays a vital role in steel manufacturing, it is necessary to make available these reductants at international competitive price to make Indian steel mills more competitive, it said while recommending that customs duty on anthracite coal be reduced to zero from 2.5 per cent.

Met coke, another vital input for the industry, had always attracted lower and concessional rate of customs duty, it said. However, the basic customs duty was enhanced from 2.5 per cent to 5 per cent with effect from March 1, 2015. Additionally, anti-dumping duty was also imposed on its imports with effect from November 25, 2016.

"As a result, the cost of this (met coke) vital input in steel manufacturing has gone up necessitating increase in price of steel which is acting as deterrence to the competitiveness of domestic products in international markets vis-à-vis similar products of other countries like China," it said.

"Moreover, high inputs costs have led to an inverted duty structure in the domestic industry and are acting as a deterrent to government's Make in India initiative, as domestic producers have less incentive to import met coke. Rather, imports of finished steel goods are preferred," it said and suggested that duty on metallurgical coke be reduced to zero.

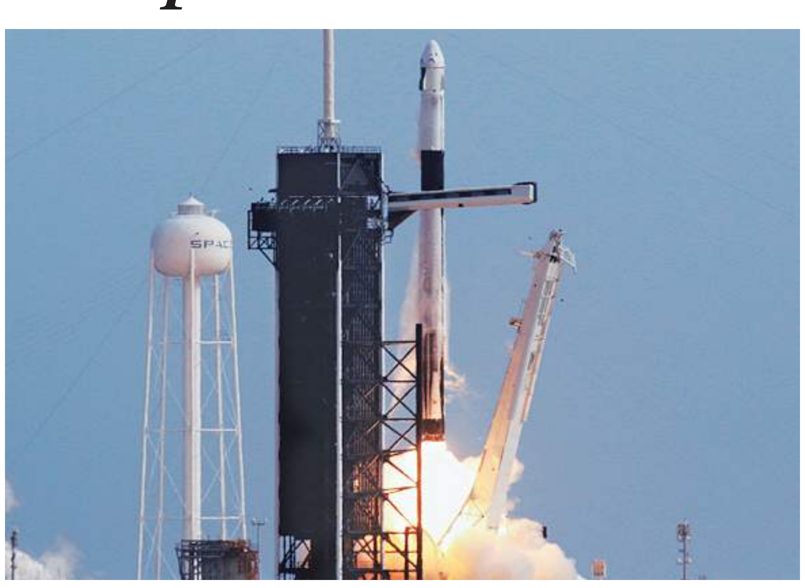
The industry body said exemption available to coking coal was also removed by the government in 2014-15 Budget by bringing it at par with other types of coal and imposing 2.5 per cent basic customs duty.

Trivitron eyes over ₹1K-crore revenue in FY22

Domestic medical devices maker Trivitron Healthcare is looking to clock revenue of over ₹1,000 crore in financial year 2022 as it expands the number of manufacturing facilities and also eyes inorganic growth, a top company official has said. PTI

SpaceX launches, destroys rocket in astronaut escape test

AP/PTI
Cape Canaveral, 19 January



SpaceX completed the last big test of its crew capsule before launching astronauts in as little as two months, mimicking an emergency escape shortly after liftoff Sunday.

No one was aboard for the wild ride in the skies above Cape Canaveral, just two mannequins.

A Falcon 9 rocket blasted off as normal, but just over a minute into its supersonic flight, the Dragon crew capsule catapulted off the top 12 miles (20 kilometers) above the Atlantic.

Powerful thrusters on the capsule propelled it up and out of harm's way, as the rocket engines deliberately shut down and the booster tumbled out of control in a fiery flash.

The capsule reached an altitude of about 27 miles (44 kilometers) before parachuting into the ocean just offshore to bring the nine-minute test flight to a close and pave the way for two NASA astronauts to climb aboard next time.

SpaceX flight controllers at the company's California headquarters cheered every milestone — especially the splashdown. Everything appeared to go well despite the choppy seas.

Recycled from three previous launches, the SpaceX rocket was destroyed as it crashed into the sea in pieces. The company founded and led by Elon Musk normally recovers its boosters, landing them upright on a floating platform or back at the launch site.

"That's the main objective of this test, is to show that we can carry the astronauts safely away from the rocket in case anything's going wrong," said SpaceX's Benji Reed, director of crew mission management.

"This test is very important to us ... a huge practice session," Reed added.

NASA's commercial crew program manager, Kathy Lueders, said the launch abort test was "our last open milestone" before allowing SpaceX to launch Doug Hurley and Robert Behnken to the International Space Station.

She said that could happen as soon as March.

"We are purposely failing a launch vehicle to make sure that our abort system on the spacecraft, that will be flying for our crews, works," Lueders said in advance of the demo.

Delayed a day by bad weather, Sunday's launch from Kennedy Space Center brought together hundreds of SpaceX, NASA and Air Force employees on land, at sea and in the air.

Tourists and locals alike packed the adjoining visitor complex and nearby beaches to see the dramatic fiery spectacle of an out-of-control rocket.

"Dragon high altitude, supersonic abort test is a risky mission, as it's pushing the envelope in so many ways," Musk tweeted minutes before liftoff.

Hurley and Behnken, the NASA astronauts assigned to the first SpaceX crew, monitored the flight from the firing room, including the capsule recovery effort They took part in a dress rehearsal Friday, suiting up and heading to the launch pad.

NASA astronauts have not launched from the US since 2011 when the space shuttle program ended.

Preferring to focus on the moon and Mars, NASA hired SpaceX and Boeing for billions of dollars to transport astronauts to and from the space station.

That should have happened long before now, but both companies struggled with technical problems, adding years of delay and forcing NASA to shell out hundreds of millions of dollars extra for Russian rocket rides.

SpaceX successfully flew a Crew Dragon to the space station last March without anyone on board, but the capsule exploded a month later during ground testing. The emergency escape thrusters — the kind used in Sunday's test — had to be retooled. In all, SpaceX has tested these powerful Super Draco thrusters some 700 times.

Last month, meanwhile, Boeing's Starliner crew capsule ended up in the wrong orbit on its first test flight and had to skip the space station. The previous month, only two of the Starliner's three parachutes deployed during a launch abort test.

Lueders said it's too soon to know whether Boeing will need to send another Starliner to the space station without a crew or go straight to launching astronauts later this year. An investigation team is still looking into why the Starliner's automated timer was off by 11 hours during the December test flight.

Lenders prefer IBC over SARFAESI

This, despite the fact that changes in the Act which soon take effect give primacy to secured creditors

ISHITA AYAN DUTT & NAMRATA ACHARYA
Kolkata, 19 January

The changes in the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI) Act that give primacy to secured creditors will come into effect shortly. But guided by past experience, lenders say they are more inclined to use the Insolvency and Bankruptcy Code (IBC) for recovery of dues.

"I don't see an improvement in cases where the SARFAESI Act has been invoked. The waterfall mechanism has brought in clarity, but unless we have value in the asset to be unlocked, there is little banks can do. State interference is a concern," said Ashok Kumar Pradhan, managing director and chief executive officer, United Bank of India (UBI).

"Priority was an issue with the SARFAESI. Statutory dues had the same priority in payment of debt," a lender said. However, with the notification, the debts due to any secured creditor would be paid in priority to all other debts, all revenues, taxes, cesses and other rates payable to the central government/state government/local authority.

The government notified on December 26, 2019, Sections 17, 18, and 19 of the Enforcement of Security Interest and Recovery of Debts Laws and Miscellaneous Provisions (Amendment) Act 2016 ("SARFAESI Amendment Act"), which were enacted in 2016 to streamline the process.

However, with the amendments to IBC in the last two rounds, the lenders feel it is the best tool for recovery where the lenders involved are more than one or it's a big account.

"IBC is the best method for recovery especially since it has now been established that secured financial creditors have supremacy. Also, the issue of attachment of assets has been resolved," said a lender.

While attachment of assets has been dealt with in IBC, the same has not happened with SARFAESI. As Sunil Kanoria, vice chairman, Srei Infrastructure Finance, said. "The issue of PMLA (Prevention of Money Laundering Act) needs to be sorted in SARFAESI, too."

THE LOWDOWN

- SARFAESI is used to recover dues from sale of assets
- All cases with more than ₹1 million dues are admissible under DRTs
- After bank obtains a recovery certificate from a DRT, the property is attached
- Alternatively, banks can directly recover dues against collateral under SARFAESI

"SARFAESI has not helped much. The National Company Law Tribunal (NCLT) is still preferred over SARFAESI as there is a definite timeline involved," he added.

However, the number of cases referred under SARFAESI in the financial year 2018-19 (FY19) was 248,312 vis-à-vis 91,330 in FY18.

Pending cases have been an issue with SARFAESI. According to a government reply to a question in the Lok Sabha, as on June 30, 2017, there were 109,598 cases pending across Debt Recovery Tribunal (DRT) with recovery dues of ₹6,35,000 crore.

Under the IBC, as of November 2019, the resolved cases were 160, said CRISIL. The number of cases admitted till September-end were 2,542.

The IBC was amended to give supremacy to secured financial creditors. Also, the last set of changes indemnified the corporate debtor from past criminal liabilities. The latter change was aimed at protecting the winning bidder, since there were some cases where assets of the corporate debtor were attached under the Prevention of Money Laundering Act (PMLA). The lenders want the same clarity in SARFAESI.

Atul Pandey, partner, Khaitan & Co, however said that even if SARFAESI is invoked, as recently held by the Delhi High Court in April 2019, any attachment of property (under any other statute e.g. PMLA) will still continue to subsist, considering that the intention of the legislature is to ensure IBC, PMLA, Recovery of Debt and Bankruptcy Act and SARFAESI are read harmoniously.

Lenders said that in smaller cases such as housing loans, SARFAESI could be a better bet. It is also better for cases where only one lender is involved.

It is likely that some of the big-ticket cases may have moved DRTs to the NCLT for resolution but banks say that the delays in DRT resolution were adding to their non-performing assets.

Redefining law on exemptions

EXIM MATTERS

T N C RAJAGOPALAN

The Central Board of Indirect Taxes and Customs (CBIC) has issued a clarificatory circular that Social Welfare Surcharge (SWS) cannot be debited to the duty credit scrips issued under the Merchandise Exports from India Scheme (MEIS) or Services Exports from India Scheme (SEIS). SWS must be paid in cash, says CBIC.

MEIS and SEIS allow exemption of basic customs duties (BCD) and specified Additional Duties of Customs (ADC) but not the exemption of SWS. One condition for the exemption is that the amount of duties must be debited to the duty credit scrip issued under these schemes. However, the Customs department so made the software in its Electronic Data Interchange system that when exemption from BCD was claimed by presenting such scrip, the system automatically allowed it by a debit.

The Customs department so made the software in its Electronic Data Interchange system that when exemption from BCD was claimed by presenting such scrip, the system automatically allowed it by a debit

Recently, an audit team objected to the practice, contending that the said schemes do not exempt SWS. Thereafter, importers started getting demands that they must pay the SWS in cash, even for the past cases where exemption had been granted by debit to such duty credit scrip.

The CBIC clarification now says past cases need not be reopened but future exemption will be allowed only of the duties specified in the schemes and SWS must be paid in cash.

CBIC relies on the Supreme Court judgment in the case of Unicorn Industries [2019-TIOL-528-SC-CX-LB]. Wherein it was held that when a particular type of duty is exempted, other types of duty or cess imposed by different legislation for a different purpose cannot be said to have also been exempted.

Recently, the Madras High Court followed this judgement in the case of Gemini Edibles and Fats India Ltd.

There is no quarrel with the view that SWS is not exempted when MEIS and SEIS allow exemption of only the BCD and specified ADC. But, SWS is leviable at 10 per cent of the BCD.

When the BCD is fully exempted, the SWS becomes nil. CBIC (earlier known as CBEC), however, takes a view that duty credit scrips are only a mode of duty payment and not an exemption, even though use of the said scrips is governed by an exemption notification.

CBEC Circular no. 5/2005-Cus, dated January 31, 2005, taking the same view, was struck down in the case of Reliance Industries Ltd [2005 (188) ELT 449 (Tri. Mumbai). The tribunal held no education cess is leviable on fully exempted DEPB (Duty Exemption Passbook) import and, therefore, no debits from the DEPB scrip are required.

A plethora of judgments on the same issue from high courts and tribunals state that when BCD is exempted by debit to DEPB, the education cess leviable as a percentage of the BCD is also nil.

These judgments did not look at whether education cess is exempted but at the fact that it is a function of BCD, and that when BCD is nil, any percentage of BCD also works out to nil.

Anyway, for now, importers are relieved that past cases will not be reopened. They may not get to debit SWS in the scrips but will utilise the credit available to that extent to pay BCD on other import.

Email: ncrajagopalan@gmail.com

Piramal rights issue subscribed 8% ahead of close

Issue closes on Tuesday; promoters are confident it will amass full subscription

SAMIE MODAK
Mumbai, 19 January

Ajay Piramal-led Piramal Enterprises' ₹3,650-crore rights issue will have to do all the heavy lifting in the final two days, with the offering subscribed less than 10 per cent until Friday.

According to the data provided by the BSE, the rights issue — where existing shareholders are entitled to buy more shares in a company typically at a discount to the prevailing market price — has garnered bids for 2.22 million shares, just 8 per cent of the total issue size of nearly 28 million shares. The issue closes on Tuesday. To be sure, bulk of the subscription for rights issue takes place closer to the end date.

In the eventuality the offering remains undersubscribed, the promoters of the company, who hold around 46.1 per cent stake, will have to make up for the demand shortfall.

"We are confident that our rights issue will be fully subscribed," the company said in an email response to a query. "Moreover, given that the promoters have fully underwritten the rights issue, any shortfall on the issuance will be subscribed to by the promoters to ensure success of the issuance."

The fundraise by Piramal Enterprises, which straddles both financial services and health care, is being done to pare debt. At the end of the earlier financial year, the company's total debt stood at ₹56,000 crore; debt-to-equity ratio was nearly 2:1. For a non-banking financial company (NBFC), the debt levels are comfortable, say analysts.

The company expects to further strengthen its balance sheet with the latest round of fundraising.

On Friday, Piramal Enterprises announced it is divesting its health care analytics business Decision Resources Group (DRG) to US-listed Clarivate Analytics. The deal, expected to be complete next month, will garner $950 million (around ₹6,750 crore).

Shares of the company rose 5.2 per cent to end at ₹1,627 following the announcement. The spike in the stock price sweetens the deal for investors.

PUBLIC HOLDING MORE THAN 1%

Description as on Sep 30, 2019 (% of holding)

LIC	8.3
East Bridge Capital Master Fund	4.4
East Bridge Capital Master Fund I	3.1
Caisse De Depot Et Placement Du Quebec	2.2
Indiahold Limited	2.2
Wf Asian Smaller Companies Fund	1.2
Aberdeen Global Indian Equity	1.0

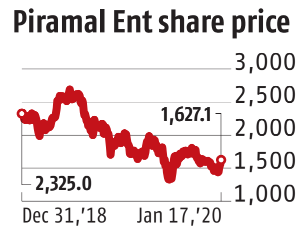
Financial health (₹ cr)

27,253 Net worth

56,023 Total debt

2.1 Debt equity (X)

Piramal Ent share price



In the rights issue, shares are being offered at ₹1,300 apiece — an attractive discount of 20 per cent to the current market price.

According to Bloomberg, the consensus 12-month price target for the stock is ₹2,022, implying an upside of 24 per cent of current levels.

Life Insurance Corporation of India, East Bridge Capital, Canadian institutional investor CDPQ and Aberdeen are some of the prominent public shareholders in the company. "The rights issue is receiving strong interest from both institutional as well as retail investors. Most large institutional investors have already confirmed their interest to participate in the rights issue," the company said.

Piramal Enterprises is looking to increase the wager in the financial services sector. The fundraise, along with the proceeds from the DRG sale, will be used to strengthen the balance sheet and diversify its NBFC business, Chairman Ajay Piramal said on Friday.

The company believes the turmoil in the NBFC space will throw up a host of opportunities for stronger players.

Issue of interim dividend may come up in next RBI board meet

PRESS TRUST OF INDIA
19 January

The issue of interim dividend may come up for discussion in the next Reserve Bank board meeting as the government struggles to meet its ambitious fiscal deficit target of 3.3 per cent amid revenue shortfall, sources said.

There would be at least one board meeting of RBI before this fiscal comes to an end, the issue of interim dividend could be raised by government nominee directors in the meeting, sources said.

However, the board meeting would be preceded by Finance Minister Nirmala Sitharaman customary address to the central board of RBI to explain vision of the Budget to be presented on February 1. This traditional exercise takes places a few days after the Budget presentation every year.

If the RBI board agrees to interim dividend based on their six-month performance, it would provide some financial relief to the government, sources added.

Reserve Bank of India (RBI) follows July to June financial year.

The RBI largely earns profits through its trading of currencies and government bonds. Part of these earnings are set aside by the RBI for its operational and contingency needs while the rest is transferred to the government in the form of dividend.

In the past, the government has taken the route of seeking interim dividend from the RBI to balance its account.

STATSGURU

The glitter of gold

THE RESERVE BANK OF INDIA (RBI) bought 7.5 tonnes of gold towards the end of 2019, making its gold reserves swell to 625 tonnes, a new record.

Data from the World Gold Council (WGC) indicates that in 2019 many central banks showed more confidence in gold (Chart 1).

India's story is visible in Chart 2, where in the last six months, the growth in reserves in the form of gold, at 27 per cent, was way higher than the overall growth. An appreciation in gold price would result in faster growth in India's forex reserves now.

Chart 3 shows how gold rallied in 2019, and the current spike in January, owing to geopolitical tensions in West Asia. While it is nearing its previous peak in US dollar terms, gold touched an all-time high in rupee terms this month.

Globally, however, gold price had peaked in 2012, when the rupee was stronger against the dollar than what it is today.

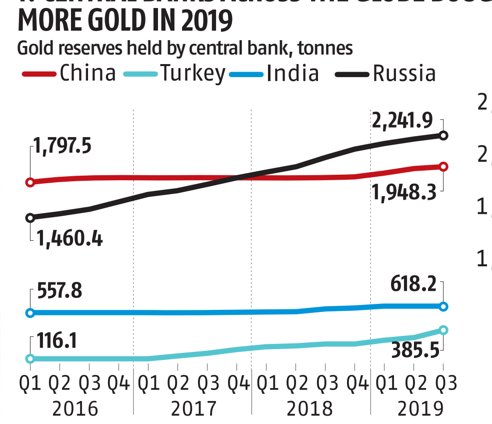
In comparison to other asset classes, globally, gold rallied significantly after many years to deliver 18.4 per cent returns in 2019 (Chart 4), higher than stock markets, such as in India and China, and corporate bonds in the US. Gold prices went more in Turkish Lira and Indian rupee among a range of currencies (Chart 5).

Returns on gold are closely co-correlated with global interest rates. A negative interest rate regime gives higher returns on gold, a WGC study notes (Chart 6). No wonder gold rallied in 2019 with global monetary easing (Chart 7).

In 2019, the RBI eased the policy repo rate by 135 basis points, bringing down the real interest rate in the economy. Accommodative monetary policy stance of large central banks may help gold in 2020 as well. ABHISHEK WAGHMARE

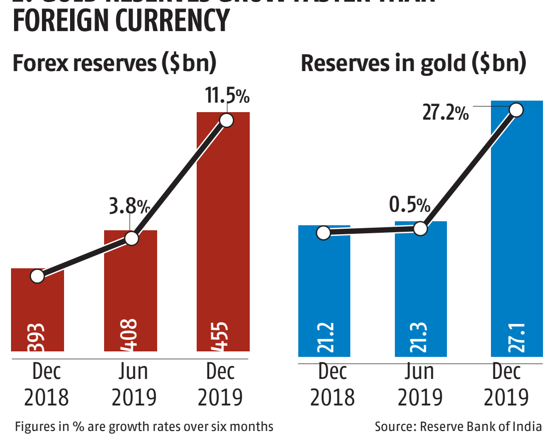
1: CENTRAL BANKS ACROSS THE GLOBE BOUGHT MORE GOLD IN 2019

Gold reserves held by central bank, tonnes



Source: World Gold Council

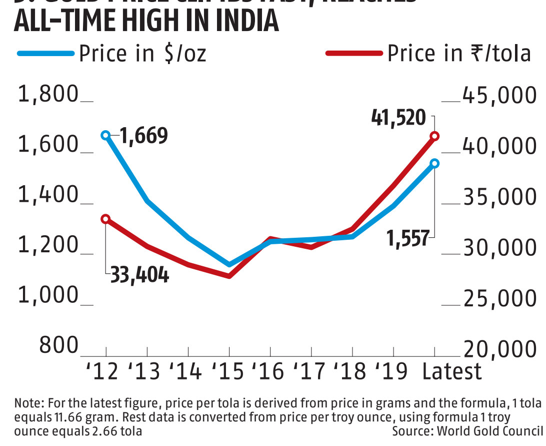
2: GOLD RESERVES GROW FASTER THAN FOREIGN CURRENCY



Figures in % are growth rates over six months

Source: Reserve Bank of India

3: GOLD PRICE CLIMBS FAST, REACHES ALL-TIME HIGH IN INDIA

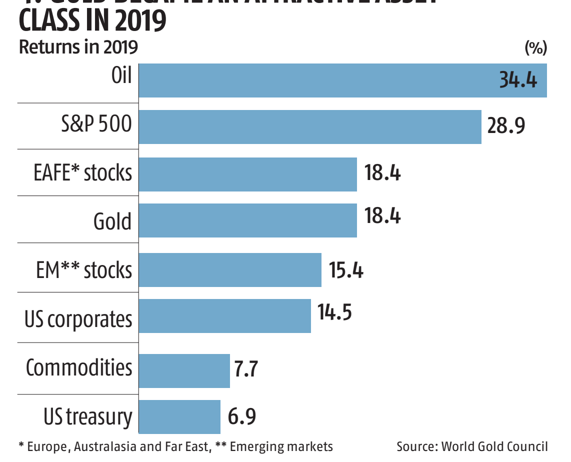


Note: For the latest figure, price per tola is derived from price in grams and the formula, 1 tola equals 11.66 gram. Rest data is converted from price per troy ounce, using formula 1 troy ounce equals 2.66 tola

Source: World Gold Council

4: GOLD BECAME AN ATTRACTIVE ASSET CLASS IN 2019

Returns in 2019

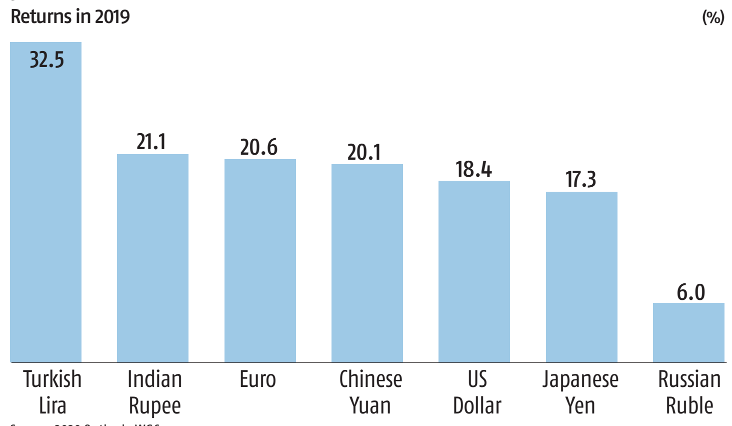


* Europe, Australasia and Far East, ** Emerging markets

Source: World Gold Council

5: GOLD GAVE ONE OF THE BEST RETURNS IN INDIAN RUPEE

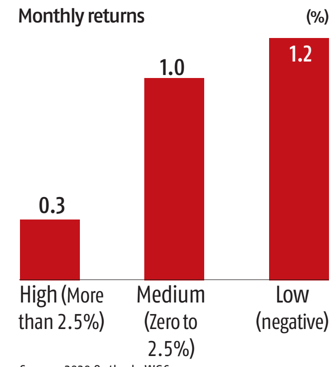
Returns in 2019



Source: 2020 Outlook, WGC

6: RETURNS ON GOLD RISE IN LOW INTEREST RATE PERIODS

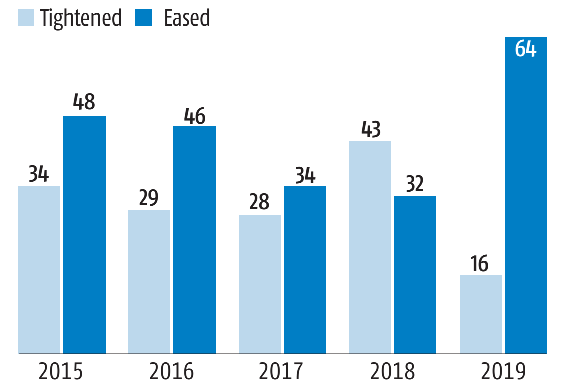
Monthly returns



Source: 2020 Outlook, WGC

7: MONETARY POLICY EASED GLOBALLY IN 2019

Number of central banks



Source: World Economic Situation and Prospects, UN

StatsGuru is a weekly feature. Every Monday, *Business Standard* guides you through the numbers you need to know to make sense of the headlines

Compiled by *BS* Research Bureau

Trump's China deal is his hedge against impeachment damage

MIKE DORNING & SHAWN DONNAN
19 January

Hours before the seven House Democrats managers marched articles of impeachment across the Capitol last week, US President Donald Trump secured what he's relying on to counter any political damage — a cease-fire in the trade war with China.

With little chance the Republican-controlled Senate will convict him on two articles of impeachment, the greatest danger to Trump is that the proceedings present an unfavorable portrait of the president durable enough to sway Americans against his re-election 10 months later.

His hedge is the phase-one trade deal with China he signed on Wednesday. By calling a truce in a trade war that has dampened economic growth — historically one of the most powerful engines of support for incumbent presidents — Trump won what he's counting on as a key element of his case for re-election.

The signing ceremony coincided with the House vote to formally submit two articles of impeachment to the Senate for a trial, and he pointed out the juxtaposition to some of the GOP lawmakers at the event.

"This is a big celebration. And, by the way, some of the congressmen may have a vote, and I don't — it's on the impeachment hoax. So, if you want, you go out and vote," Trump said to laughter as a delegation from China stood behind him.

It was a bit of stage management to show him at work on the economy just as the impeachment proceedings were about to commence, and he'll have an opportunity for a repeat performance as the Senate trial is underway when he signs legislation implementing the US-Mexico-Canada trade agreement.

The trade conflict with China has been slowing down the economy just as the stimulus from Trump's 2017 tax cuts and government spending increases fades, with election-year growth forecast to drop to 1.8 per cent from 2.3 per cent in 2019. Moreover, the tariff dispute has hit manufacturing especially hard, a critical contributor to the economies of Rust-Belt battleground states and even more important in counties that backed Trump in 2016.

Workers' wages also have started slowing. After inflation, average hourly earnings in December were up only 0.6 per cent from a year earlier. Crucially for Trump, it is the trajectory of the economy that typically matters most for a president's re-election, so a slowing economy works against him, though, of course, that is better than slipping into recession.

Trump's standing in the polls has departed from historic norms in tracking the economy, with his job approval rating never topping 46 per cent in the Real Clear Politics average of polls despite a growing economy throughout his presidency. With unemployment low, Democrats have concentrated their fire on economic inequities, including dislocations caused by the trade war. As Trump celebrated the deal, some of the Democratic presidential candidates assailed him for achieving little despite a costly struggle.

"True to form, Trump is getting precious little in return for the significant pain and uncertainty he has imposed on our economy, farmers, and workers," former Vice President Joe Biden said. The deal "won't actually resolve the real issues at the heart of the dispute."

The China accord doesn't eliminate the negative impact of the trade dispute because Trump is continuing his existing tariffs covering $360 billion a year worth of Chinese goods. Those levies reduce economic growth and have particularly hurt manufacturing companies, with US industrial production down 1 per cent over the past year. But the trade deal ends the threat of tit-for-tat tariff escalation and lifts some of the uncertainty businesses have faced. It also promises an immediate stimulus for Trump's rural supporters through China's commitment to increase agricultural imports from the US, even if many analysts doubt the Asian nation will reach $40 to $50 billion in annual purchases the president has promised. BLOOMBERG

Iran aims to examine downed plane's black boxes, no plan yet to send them abroad

REUTERS
Dubai, 19 January

Iran said on Sunday it was trying to analyse the black boxes of a Ukrainian airliner that its military shot down this month, denying a report that a decision had been taken to send the voice and flight data recorders to Ukraine.

Canada, which had 57 citizens on the January 8 flight in which all 176 aboard were killed, said on Sunday there were still no firm plans for downloading the recorders. Ottawa and other capitals have called for the black boxes to be sent abroad.

The plane disaster has heightened international pressure on Iran as it grapples with a long-running dispute with the United States over its nuclear programme and its influence in the region that briefly erupted into open conflict this month.

The military has said it downed Ukraine International Airlines flight 752 in error in the aftermath of tit-for-tat strikes by the United States and Iran. But authorities delayed admitting this, prompting days of protests on Iran's streets. "We are trying to read the black boxes here in Iran.

Otherwise, our options are Ukraine and France, but no decision has been taken so far to send them to another country," Hassan Rezaifar, a director in charge of accident investigations at Iran's Civil Aviation Organization, told state news agency IRNA.

Rezaifar had been quoted by Iran's semi-official Tasnim news agency on Saturday as saying the black boxes could not be decoded in Iran and would be sent to Ukraine after Kiev's repeated requests. IRNA also reported on Sunday that the official had made similar comments a day earlier.

It was not immediately clear what prompted Rezaifar to backtrack.

The Boeing 737-800 was en route from Tehran to the Ukrainian capital. Most of those on board were Iranians or dual nationals.

Canada's Transportation Safety Board said in a statement two of its investigators left Tehran on Sunday after a six-day visit during which they examined the wreckage.

Tesla moves a step closer to opening 1st European factory with

REUTERS
Berlin, 19 January

US electric car pioneer Tesla has agreed to buy a property on the outskirts of Berlin, bringing it a step closer to opening its first European factory, local authorities said on Sunday.

The US carmaker last November announced plans to build a giant factory in Gruenheide, in the eastern German state of Brandenburg, giving it the coveted "Made in Germany" label just as local rivals prepare to launch competing models.

Tesla's board of directors approved a purchase agreement with the state of Brandenburg on Saturday to acquire a 300-hectare property, Brandenburg government spokesman Florian Engels said in a statement.

The state parliament's finance committee had already approved the sale on January 9. A Tesla spokeswoman confirmed the deal.

The agreement states a preliminary property price of 40.91 million euros ($45.36 million) which can be amended if an external review provides a different value, Engels said.

The property is in a designated industrial area and is being checked for weapons from World War II as there are most likely unexploded US bombs still in the ground, he added.

US firms may win job of cleaning China's bad debt

BLOOMBERG
19 January

One surprising part of the trade deal struck between US President Donald Trump and Beijing is that US investors won a direct shot at the potentially lucrative job of helping China clean up its heap of bad debt.

China is embracing foreign capital as it grapples with a tide of soured debt. Some estimate it to have topped $1 trillion as the trade war weighed on economic growth and a long crackdown on shadow banking choked off liquidity. The Communist Party-ruled nation is trying to instill more discipline in the market as corporate defaults have hit records for two straight years and its vast regional banking network struggles to cope. Growing participation by foreign investors could relieve pressure on the mainly state-owned firms that so far have been the front-line in dealing with the bad debt problem. It could also result in a more market-driven pricing of soured borrowings.

US firms including Oaktree Capital Group and Bain Capital Credit have been pushing into one of the world's biggest distressed debt market. The trade deal will allow financial services companies from the US to apply for licenses to buy non-performing loans, or NPLs, directly from banks, cutting out the middle man they have to go through now.

"China's NPL market is large and growing, and opportunities for deeply discounted investments are enticing foreign firms with NPL experience in other markets," said Brock Silvers, managing director at Adamas Asset Management in Hong Kong.

Gaining access is one thing, but succeeding is another. Top-down run China can be an arbitrary place to do business, and local knowledge and contacts are required in the 1.4 billion person nation. Foreign firms have often grappled with unpredictable courts, fraud and challenges of soAurcing bad loans. A web of local enterprises are often closely connected to regional banks and the local government, making it hard to navigate.

The market has grown significantly. But lack of experience has been an obstacle and many firms that stuck their toe in eventually pulled back because of difficulties in working out bad loans in China's system, according to Benjamin Fanger, a managing partner at ShoreVest Partners, a distressed debt firm.

"Some foreign investors are still continuing to push forward to try to learn and this new agreement opening to direct deals with banks might add more interest again," he said.

Frivolous litigation hurts India's image as FDI destination: Bidvest

DEV CHATTERJEE
Mumbai, 19 January

WHO OWNS MIAL

Source: Company

TURBULENCE AT MIAL

Mar '19: Adani signs deal with Bidvest to buy 13.5% stake

Apr '19: Bidvest offers stake to GVK under RoFR; GVK misses the deadline

Jun '19: Delhi HC refuses to stay Bidvest deal. Division Bench asks both parties to go for arbitration

Oct '19: GVK agrees to sell stake in airport holding firm for ₹7,614 cr

Dec '19: Arbitration panel reserves its judgment

Jan '10: SC asks arbitration panel to take a decision by January 27

The Bidvest Group of South Africa, which is waiting to sell its 13.5 per cent stake in Mumbai International Airport (MIAL) for a year, has written to the central government, saying "prolonged and vexatious litigation" by GVK Group has led to huge losses for the company and negatively impacted India's image as a foreign direct investment destination.

"Not only has this prejudiced us, it also reflects badly on India as a jurisdiction that is conducive to foreign investment," Bidvest wrote in a letter to the government on January 17. In March last year, Bidvest decided to sell its stake to Adani Group for ₹1,250 crore, and at the same time, offered its stake to the other shareholders of MIAL, according to the right of first refusal (RoFR) agreement signed between MIAL shareholders.

GVK Group owns 50.5 per cent stake in MIAL, while Airports Authority of India holds 28 per cent stake. Bidvest and Airports Company South Africa (ACSA) hold the rest. GVK Group agreed to buy back Bidvest's stake, but failed to arrange for funds within the 30-day period in April 2019. GVK Group then moved Delhi High Court seeking a stay on the stake sale to Adani Group, but Delhi HC rejected GVK's plea in July last year.

"There is undeniably no genuine exhibition of readiness, which could show that the petitioner (GVK) is serious in completing the transaction," Delhi HC had said.

Later, a division Bench of Delhi HC asked both parties to go for arbitration. "The GVK motive is to stall our divestment while progressing a transaction of its own, which involves ceding control of MIAL, in order to remedy their group indebtedness," Bidvest wrote to the civil aviation ministry.

Furthermore, MIAL management's time is being consumed over unnecessary litigation when it is of utmost priority for India that the company is focused on the development of the new international airport in Navi Mumbai and service levels of MIAL, Bidvest said, while asking for the government to intervene in the matter.

In September last year, the arbitration tribunal had stayed Bidvest from selling its shares to Adani Group, but on the condition that GVK Group deposit the entire purchase amount in a no-lien interest bearing escrow account by October 31, 2019. But this condition was not met by GVK.

Instead, GVK Group announced a sale of its 79 per cent stake in its airport holding company to Abu Dhabi Investment Authority, PSP Investments, and National Investment and Infrastructure Fund for ₹7,614 crore. The proceeds from the transaction was to be used by GVK to retire around ₹5,500-crore debt and fund the purchase of additional shares in MIAL from two South African entities — Bidvest and ACSA Global.

"It is apparent that GVK is trying to raise funds from these investors at a higher valuation and did not have funds to acquire our stake at the time of exercising its RoFR," Bidvest said, adding "GVK Group has used the litigation to gain time and defeat our inherent right to sell our shares".

When contacted, a GVK spokesperson said GVK Group and Bidvest shared a good relationship for the past several years and Bidvest's behaviour during the exit has been shocking for the GVK group.

"It is due to GVK's efforts that Mumbai airport is considered as one of the best airports in the world. When Bidvest is making a very attractive return on its original investment in MIAL, GVK Group does not understand what Bidvest has against GVK buying its stake when the money has already been deposited in an escrow account," it said.

"Instead of supporting GVK to exercise its right to exercise the RoFR, Bidvest decided to collude with another Indian party and blatantly violated our shareholders agreement just to ensure GVK does not get to buy the stake. There is no logical explanation for this kind of behaviour except that it wants to create problems for MIAL when it is exiting. In addition to not following the shareholders' agreement, it has committed serious breaches of the shareholders' agreement and the share purchase agreement," GVK said, adding the matter is now sub judice.

"We would like to state on record that GVK has no intention to frustrate Bidvest's exit. Instead, if it had cooperated with GVK, the transaction would have been successfully completed by now and GVK would have acquired the stake," the statement said.

Meanwhile, the arbitration panel has ruled in favour of GVK Group in the dispute between Bidvest and GVK Group, legal sources said. "We are happy that the honourable tribunal has ruled in our favour. Currently, we are in discussions with our lawyers for the future course of action and hence, it will be a bit premature to share any further details," said a GVK spokesperson.

Industrial package for J&K in the works, says Goyal

PRESS TRUST OF INDIA
Jammu, 19 January

Describing Jammu and Kashmir as a "jewel" of the country, Union minister Piyush Goyal on Sunday said the Centre would come out with an industrial package for the Union Territory soon and expressed hope that it would attract large amounts of investment to the valley.

The Minister for Railways and Commerce also announced that Kashmir would be linked with the rest of the country by train by December next year.

He asserted that development work has gathered pace in Jammu and Kashmir, especially after June 18, 2018 when the erstwhile state came under Governor's rule.

"I am very happy at the progress (of development) that I have seen on the ground and I am sure that in the days and months to come this process will continue relentlessly. We will soon come out with an industrial package and we hope to see large amounts of investment coming to Kashmir," he told reporters at the Jammu airport before returning to Delhi.

$5-trn economy target needs doubling of banking credit: SBI chairman

VIRENDRA SINGH RAWAT
Lucknow, 19 January

State Bank of India (SBI) Chairman Rajnish Kumar said on Sunday that the banking credit would need to be doubled from the current level, if India were to achieve its ambitious target of becoming a $5-trillion economy by 2024.

"At present, the Indian banking credit outstanding is around ₹99 trillion and for India to become a $5-trillion economy, it needs to be at least doubled over the next five years," Kumar said.

He observed that the banks had the capacity to cater such high volume demand from the industry and other sectors. Kumar was talking to journalists during his two-day visit to the SBI Lucknow Circle.

Replying to a *Business Standard* query, the SBI chairman said the working capital utilisation was still quite low in the domestic economy apart from the absence of big projects. "The banks have enough liquidity and we are capable of meeting all the credit requirement of industry," Kumar said, adding he perceived a gradual improvement in the credit off-take situation on the basis of projects in the pipeline, which would slowly gain momentum. He said the expected results of the ongoing reforms process would be witnessed only after a certain period of time and not during the transitory phase.

"A big transformation process is underway and we should not lose patience. The central government has initiated a lot of measures, including an elaborate consultative mechanism at the highest level."

On the question of low credit deposit (CD) ratio in Uttar Pradesh, he observed the CD ratio was directly proportional to the rate of industrialisation in any state.

India's GDP growth premium over EMs likely to hit 7-yr low

SACHIN P MAMPATTA & KRISHNA KANT
Mumbai, 19 January

The relative attractiveness of India's growth story is fast fading as the pace of economic slowdown in India exceeds the rest of the world (RoW).

According to the latest data from the International Monetary Fund, India's growth premium over the emerging economies (EMs) will hit a seven-year low in 2019-20 (FY20) and an 18-year low against the developed economy, including the US.

India's gross domestic product (GDP) at constant prices is expected to grow by 5 per cent in FY20, against 3.9 per cent growth in EMs in the calendar year (CY) 2019. Given this, India's growth premium over EMs in FY20 is expected to be the lowest since 2012-13, when it had shrunk to 0.1 per cent.

In the past two years, GDP growth in India is down nearly 220 basis points (bps, or bips), against growth deceleration of 85 bips in EMs. One basis point is one-hundredth of a per cent.

Growth deceleration in India looks worse, compared to the developed economies of Europe, North America, and Japan. Developed economies and the US are expected to grow by 1.7 per cent and 2.35 per cent during CY18, down just 80 bips and 2 bips, from the highs of CY17. At 330 bips in FY20, India's growth premium over developed economies is likely to be the lowest since FY2002-03, when it had hit a low of 210 bips.

Economic deceleration in India has begun to worry analysts, as it could impact capital inflows, the value of the Indian rupee against other major currencies, and ultimately the stock prices on Dalal Street. The decline in capital flows could also make it tough for India Inc to raise fresh capital.

"I think the India story is still powerful enough to attract global capital. It shouldn't so happen that we have another round of sustained inflation along with currency volatility and our real growth differential comes off, then we are losing one of the more potent variables we have had so far," said Sachchidanand Shukla, chief economist at industrial group Mahindra & Mahindra.

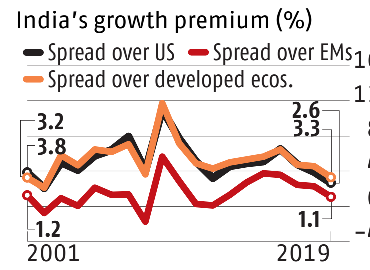
Analysts also raise the issue of slower demand growth in India, credit issues, currency fluctuations, and inflation.

Manishi Raychaudhuri, head of equity research (Asia Pacific) at foreign brokerage BNP Paribas, said that small fluctuations in currency are unlikely to deter foreign investors, though sharp moves can have an impact.

"For that kind of a depreciation, which is about 2.5-3 per cent every year, we are fine. I don't think anyone cares. If it goes beyond that, like in 2013 or even during the Infrastructure Leasing & Financial Services (IL&FS) crisis, that is when we have a problem," said Raychaudhuri.

INDIA'S GROWTH PREMIUM SHRINKING

India's growth premium (%)



Note: India's growth for following fiscal year, for other economies growth is for respective calendar years
Source: World Economic Outlook, Reserve Bank of India

Historically, the Indian rupee has depreciated in periods of relatively poor economic growth in India and had shown tendency to appreciate in periods when economic growth in India exceeded the RoW by a wide margin. Foreign investors prefer stable to appreciating currency regimes.

The rupee had depreciated during 2013 on tightening global liquidity conditions. It had also fallen after the collapse of lender IL&FS in 2018. He had noted, however, that global central banks are likely to keep liquidity conditions benign in the current environment, which is likely to drive foreign investors to EMs like India in search of higher yields.

Analysts say the government's room to push domestic levers of growth may be limited. "The government can do very little, given the fiscal (constraints)...What it can do probably is go in for a higher fiscal deficit and use it on capital expenditure rather than tax cuts," said CARE Ratings Chief Economist Madan Sabnavis.

The benefits of tax cuts are contingent on the persons receiving them and how they put it to use, he said. One positive for higher government spends is that the recent inflation spike may well be one-off.

Shukla said that the current spike in inflation to 7.35 per cent is not as worrisome as the headline numbers would suggest. Cyclical factors associated with excess and untimely rains and supply disruptions have been at play. Core inflation (which excludes food and fuel prices) remains low and stable. He expects food inflation to begin cooling off from March.

Govt mulls over specific excise duty on ATF

PRESS TRUST OF INDIA
New Delhi, 19 January

With no sight of including jet fuel in Goods and Services Tax (GST) in near future, the government is considering levying specific rate of excise duty on aviation turbine fuel (ATF) in place of current ad valorem rates to insulate its prices from cascading effect in times of volatile prices.

ATF presently is chargeable at 11 per cent ad valorem rate of excise duty. Concessional rate of 2 per cent is applicable for ATF sold under Regional Connectivity Scheme. Ad valorem rate means that the impact of an increase in price of the fuel because of global rate hike translates into an even higher price for airlines as the tax incidence also rises.

Sources said if cost of production of ATF is ₹100 per kilolitre, the fuel at exit from the refinery will be priced at ₹111 per kilolitre after levying 11 per cent excise duty

To insulate airlines from such volatility, the government may in the forthcoming Budget for 2020-21 fiscal year may bring specific excise duty expressed in ₹ per kilolitre, sources aware of the development said.

Petrol and diesel already attract a specific rate of excise duty and so ATF naturally qualifies for such a shift, they said.

Finance Minister Nirmala Sitharaman will present her second budget on February 1.

Explaining the duty structure, sources said if cost of production of ATF is ₹100 per kilolitre, the fuel at exit from the refinery will be priced at ₹111 per kilolitre after levying 11 per cent excise duty. If the cost rises to ₹110, the ex-refinery rate would attract an excise duty of ₹12. A specific duty of say ₹11 per kilolitre would mean that even if the cost goes up the tax incidence would remain the same.

Petrol and diesel already attract specific excise duty for the same purpose. Excise duty on petrol currently is ₹21.16 per litre and that on diesel is ₹15.83 a litre.

This, they said, would ensure correct payment of duty at the initial clearance stage itself and will eliminate complexities and difficulties in redetermination of duty on further stock transfers which sometime result in avoidable litigation.

Specific excise duty would address part of the concerns of oil companies and airlines of not being able to set of tax paid on inputs against the tax on final product as ATF has been kept out of GST regime.

When the Goods and Services Tax (GST) was introduced on July 1, 2017 amalgamating 17 central and state levies, five commodities namely crude oil, natural gas, petrol, diesel, and ATF were kept out of its purview given the revenue dependence of state governments on this sector.

Under the existing structure, both natural gas and ATF attract the Centre's excise duty and a state's value-added tax (VAT). Both these and all other levies will get subsumed under GST if they are brought under its ambit.

The decision on their inclusion depends on the financial position of states as revenues from these five petroleum products constitute a substantial chunk of state government finances.

The aviation ministry has time and again sought inclusion of ATF under GST as any surge in international oil rates gets reflected in domestic jet fuel prices, leading to costlier air tickets. Oil Ministry too has favoured including ATF along with natural gas under the GST regime to help companies set off tax that they paid on input.

ATF makes up for almost half of the cost of an airline and rates vary from state to state depending on local VAT.

Legislative adventurism

A proposal for a new law on bank resolution has already raised many troubling questions

RAISINA HILL

A K BHATTACHARYA

On November 15, 2019, the government brought about a significant change in the Insolvency and Bankruptcy Code (IBC). It notified the Insolvency and Bankruptcy (Insolvency and Liquidation Proceedings of Financial Service Providers and Application to Adjudicating Authority) Rules, 2019 (Rules) to provide a generic framework for insolvency and liquidation proceedings of systemically important Financial Service Providers (FSPs) other than banks.

It was clarified then that the new rules would apply to such FSPs or categories of FSPs, as will be notified by the Union government under Section 227 of the IBC from time to time in consultation with appropriate regulators, for the purpose of their insolvency and liquidation proceedings. Remember that the IBC had been legislated in 2016 to provide a consolidated framework for reorganisation, insolvency resolution and liquidation of corporate persons, limited liability partnerships, partnership firms and individuals in a time-bound manner.

This was an interim measure. The government had indicated then that the notification of the rules for financial service providers under Section 227 of the Code was "an interim mechanism to deal with any exigency pending the introduction of a full-fledged enactment to deal with financial resolution of banks and other systemically important financial service providers."

Thus, the special framework for financial service providers had three key features. One, these did not include banks. Two, consultation and active involvement of the existing regulators were made mandatory before any insolvency and liquidation proceedings could be initiated for any financial service provider. And three, a separate legislation was being planned for dealing with insolvency resolution and liquidation of banks and other financial service providers.

Within weeks of this framework, the government appears to have acted quite fast in starting internal deliberations on the promised legislation, which is expected to be more comprehensive than the rules framed under Section 227 of the IBC. Contours of the new legislation have not yet been made public by the government. But an online financial publication, *Moneylife*, has brought out the key features of the new law on insolvency and liquidation proceedings for banks and financial service providers. Thomas Franco of the All India Bank Officers' Confederation or AIBOC has also outlined the provisions of the proposed law in a programme on *NewsClick*, an online video news network.

The proposed name of the new law seems to be the Financial Sector Development and Regulation (Resolution) Bill. A similar proposal for a law, Financial Resolution and Deposit Insurance Bill (FRDI), was mooted in 2017, but was withdrawn a year later in 2018 after massive protests over its "bail-in" provisions. These provisions had envisaged that depositors' money would be used to recapitalise banks in financial trouble. Even assurances that the cap on the amount of deposits protected by insurance would be raised had failed to assuage the concerns of the people and the idea of the Bill was dropped.

The new Bill is believed to have discarded the use of any bail-in provisions, but has given the resolution authority the power to cancel, modify or amend the contract between a bank or a financial service provider and the customer. The extent of the amendment or curtailment of the contract would be determined by the resolution authority, which would be composed of representatives from the existing financial sector regulators. In other words, the bail-in provision has been replaced by an equally problematic clause that allows the depositors' contract to be modified by the resolution authority. Fears of bank customers losing their deposits in the event of a bank becoming insolvent have only grown.

The new Bill is also likely to have a provision for raising the cap on the amount of deposit that would enjoy insurance cover. The deposit amount to be brought under insurance coverage would be decided by the resolution authority, though no details of how these calculations would be undertaken are known. Even more worrying is the reported provision in the new law, as per which the resolution and liquidation of public sector banks would be undertaken in consultation with the government.

Given the sequence of these events in the last two months, it seems that the government is readying itself to face yet another major controversy over a new law. Shouldn't the government have undertaken broader consultation among stakeholders to frame its thoughts on the kind of legislation it should introduce on insolvency resolution for banks? Its earlier attempt at bringing a similar law had led to protests and the government had to withdraw the FRDI Bill. Should it not have learnt appropriate lessons from that episode?

CHINESE WHISPERS

Shah & CAA

The Bharatiya Janata Party (BJP) has rolled out a pan-Indian itinerary to counter the Opposition narrative around the Citizenship Amendment Act (CAA). The campaign will kick off in Uttar Pradesh with Union Home Minister Amit Shah (*pictured*), Uttar Pradesh Chief Minister Yogi Adityanath, Defence Minister Rajnath Singh, etc addressing pro-CAA rallies. On January 21, Shah is arriving in Lucknow to address a public meeting, one of the six planned for UP in this phase. The rally will cover all the districts in central UP's Awadh region. The state party organisation has started preparing for the mega event to showcase the BJP's purported stand that the silent majority was always supportive of the new Act.

Pressing matter

Representative bodies of journalists are bracing themselves to legally contest entry curbs imposed by the government on accredited finance ministry reporters on entering North Block. The Press Council of India (PCI) has decided to hear a complaint from various journalist bodies, including the Press Association, Press Club of India, and Foreign Correspondents' Club against the finance ministry, which imposed these curbs in July last year. The Press Association has been summoned by the PCI for a hearing on Monday and journalists may argue that the diktat has sparked a fear in the minds of bureaucrats to officially meet them. They may also make a strong case that most other ministries have no such restriction for accredited journalists.

What slowdown?

While India Inc routinely emphasises the need for austerity, the extravagance and pomp on display during industry events present a stark contrast. At a recent exhibition and conference organised by an infrastructure firm in Noida, there was a special programme even before the formal launch event. There was a digital launch when tablets were handed out to ministers. A special mobile app replaced the ribbon-cutting ceremony. Gigantic screens across the hall were lit up, displaying what many thought were "needless graphics" accompanied by dancers wearing body-lights. The drama lasted for a full 10 minutes, during which the crowd wondered if there was indeed a slowdown. Not to mention, all this razzmatazz caused delays and chaos for visitors.

What next, Reliance Home Finance?

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

BANKER'S TRUST

TAMAL BANDYOPADHYAY

In its forensic audit report of Reliance Home Finance Ltd (RHFL), Grant Thornton, a globally known firm for audit, forensic and investigation services, has not recorded any adverse findings on 11 parameters, including any diversion or siphoning of funds, embezzlement, falsification of accounts and fraudulent transactions by the promoter, the company, its employees or any associates. The company's statement said so last week.

RHFL's lenders had appointed Grant Thornton for the audit in August 2019, in accordance with the Reserve Bank of India norms for resolution of bad debt. "The forensic report has confirmed the potential group entities' exposure through several intermediate unlisted entities at ₹7,984 crore (including interest). The company had voluntarily and publicly disclosed even before the commencement of forensic audit to its auditors, regulators, lenders...," the RHFL statement said.

After the completion of the forensic audit, the company now wants its bankers to fast-track the debt resolution plan "under change of management and control in the overall interests of all lenders, including over 20,000 retail non-convertible debenture holders and over 800,000 shareholders".

RHFL claims to have disclosed to all stakeholders potential related party transactions to the tune of ₹7,500 crore — close to 60 per cent of its total debt. Is on-lending to group companies (supposedly to repay their liabilities on interest and principal) a normal business transaction? Is a home finance company lending more than half its balance sheet to its group companies in sync with the spirit of the agreement between the company and its lenders?

RHFL has defaulted on paying at least ₹2,000 crore of public debt. The money raised from normal business and securitisation and flowed to group companies could have easily taken care of its debt repayments. Would the firm have been in default if such group lending had not happened? Should the lenders be penalised for the troubles in the group companies to whom RHFL has extended business loans?

Incorporated in 2008, RHFL marked the Anil Dhirubhai Ambani Group's entry into India's expanding mortgage market. It had a presence in financial services through Reliance Capital, a non-banking finance company (NBFC), which until some time ago, had a triple-A rating.

RHFL, Reliance Capital's wholly-owned subsidiary, hired Ravindra Sudhalkar from Kotak Bank in October 2016 as its CEO. Listed on stock exchanges in September 2017, RHFL grew at a compounded annual growth rate of around 44 per cent from fiscal year 2014 to 2018 to stack up ₹16,380 crore assets under management (AUM).

In September 2018, the AA+ company's gross bad loans were just 0.8 per cent and AUM was ₹16,460 crore. Its investor presentation for the quarter ended June 2018 indicates that 51 per cent of the AUM consisted of loans for affordable housing, 20 per cent loan against property and 29 per cent construction finance. The scenario changed dramatically, coinciding with the default of Infrastructure Leasing & Financial Services, which triggered a crisis of confidence in the NBFC sector. The September 2018 investor presentation and subsequent investor disclosures stopped showing the break-up of its AUM.

In June 2019, its statutory auditors PwC resigned, stating delay in convening an audit committee meeting and certain observations on a few transactions for which the company apparently did not offer satisfactory response. PwC had also filed a letter with the Ministry of Corporate Affairs, under Section 143(12) of the Companies Act 2013. Under this section, if an auditor has reason to believe that a fraud is being committed against the company by its officers or employees, the auditor must report it to the central government immediately.

The company has disputed this allegation of PwC (through a press release on August 8, 2019). Audit firm Dhiraj & Dheeraj stepped in but it too gave a qualified opinion with respect to its financial statements as on March 31, 2019, stating significant deviations on loans advanced under the "general-purpose corporate loan" to certain entities, including group companies, aggregating ₹7,850 crore.

"Majority of company's borrowers have undertaken onward lending transactions and end use of the borrowings from the company included borrowings by or for repayment of financial obligation to some of the group companies. There have been overdues of ₹566 crore of these loans as on March 31, 2019. We are not getting sufficient audit evidence to ascertain recoverability of principal and interest including time frame of recovery of overdues," it had said while highlighting the shift in the primary business of the company — from housing finance to non-housing finance (more than half of its total loan portfolio).

From October 2018, RHFL faced a slew of rating downgrades — dropping to D in April 2019 from AA+ in September 18. In April 2019, the bank facilities were downgraded to D. This rating indicates that the issuer has defaulted or is expected to be in default soon. By September 2019, all outstanding debt instruments had been downgraded to default status. During this period, certain directors, during whose regime "group companies" had been lent money, started resigning. Anil Ambani's son Jai Anmol Ambani resigned as non-executive director on May 31, 2019.

In July 2019, RHFL entered into an inter-creditor agreement (ICA) with its banks, led by Bank of Baroda. Such a framework has been prescribed by the RBI for prompt identification and resolution of stressed assets. The ICA proposed the so-called standstill agreement which refrains banks from initiating any recovery proceedings. The banks, however, continued to receive interest payments for a few months and did not classify RHFL as a bad loan. They appointed BOB Capital Markets and E&Y as resolution professionals, Deloitte as cash flow monitoring agent, Grant Thornton as the forensic auditor and RBSA Advisors as the valuer.

Typically, under this framework, the resolution plan is not known at the time of framing the ICA. If the resolution plan, being worked out, is not acceptable to the bank, it gets the liquidation value, estimated by the valuer. Simply put, a bank does not know the liquidation value while signing the ICA. This process is on.

RHFL is not a default caused by liquidity tightness or lack of funds available to a housing finance company. It could have been avoided had these loans to group companies not been given. Period.

The writer, a consulting editor with Business Standard, is an author and senior adviser to Jana Small Finance Bank Ltd.
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INSIGHT

Defining moment for India's coal

India must find its own sources of funding

JYOTI MUKUL

The year 2020 opened with two sets of announcements on coal, the world's most widely used energy fuel that has a 38 per cent share in global electricity generation. On January 8, the union Cabinet cleared an Ordinance to introduce commercial coal mining in the country. A few days later, the new law that delinks coal mining rights from captive usage and puts traders and users on a par when it comes to allocation of coal mines, was notified. But within a week, at the other end of the world, in New York, BlackRock, the world's largest asset manager, turned its back on investment in coal.

The two totally unrelated events that, ironically, have black rock or coal as a common thread will define the way India's coal sector moves. The question is, how does one investor's decision to not support coal projects impact a large market like India, especially since the two biggest companies in businesses related to coal, Coal India and NTPC Ltd, are government-promoted and have good internal resource-generation capabilities.

It is important to note here that commercial coal mining dreams of any player, whether Indian or foreign, will be dependent on their ability to raise funds and any debt or equity provider pulling out of the coal business could impact this exercise. Besides, a global fund squeeze at a time when domestic banking institutions have either reached their sectoral lending limits or find their power portfolios stressed out, would mean that even customers in the coal value chain will find the going tough.

BlackRock is not the only financier pushing for a no-coal future. Some years back, International Finance Corporation had announced it won't make any investment in coal though it did not pull out of existing investment.

BlackRock is not the only financier pushing for a no-coal future. Some years back, International Finance Corporation had announced it won't make any investment in coal though it did not pull out of existing investment. There is an overwhelming built-up of sentiment across the globe against financing of coal projects and when a brand like BlackRock moves away, others are bound to follow soon. Already, global managers with over $11 trillion of assets under management have decided to exit fossil fuel investments. These comprise 116 banks and insurers across the globe, according to data compiled by the Institute for Energy Economics and Financial Analysis (IEEFA), an anti-coal environment lobby group.

Despite this, the Indian coal market, especially in the power sector, is not changing drastically in the near term. Unlike Britain, Germany and France, which have laid out a clear road map for phasing out of coal-based power generation, India has no such plans. Part of the reason is that 70 per cent of its power is still generated from coal.

According to BP's Energy Outlook, almost all of the growth in power demand comes from developing economies, led by China and India. And, therefore, it is important to note that India's energy ecosystem that feeds on cheap power supply and low dependence on fuel import for electricity can hardly change in the near term.

Besides, the government has on its shoulder the responsibility of feeding power into the homes of 26.5 million new customers. The fact that these customers are at the lowest end of affordability and their aspiration of better and more hours of power supply cannot be left to renewables alone but will need continued support from coal is one reason that makes transition to green energy difficult.

All that India committed in Paris as part of its climate change goals is to push for renewable-based power generation but without any timeline for moving completely out of coal. It was only incidental that power generation from coal based thermal power plants in India fell by 3 per cent to 718.5 billion kwh in April-December 2019 over the previous year. Short supply of coal, especially in privately run generation units, was the reason for this fall and not that distribution companies switched off coal power to make way for renewable electricity. Good rains helped in higher hydropower generation with hydro and nuclear sources recording 18 per cent increase in generation during January-December 2019.

Nonetheless, there is a comforting factor for India in its green power story. The share of renewables in global power generation last year, if hydropower is excluded, increased from 8.4 per cent to 9.3 per cent which means that a 10 per cent contribution by renewable power in India is on a par with the global average and now, whatever, the country does in terms of adding gigawatts in green power, would only be better than the globalaverage.

In such a scenario, pushing for commercial mining of coal may look odd and not in sync with India's nationally determined contributions (NDC), but, nonetheless, it will be a good move towards greater transparency in the use of the resource. In that sense it is a move towards a mature coal market. But with global sources of funding closing, all this would be achievable only if India succeeds in finding its own sources of funding coal.

LETTERS

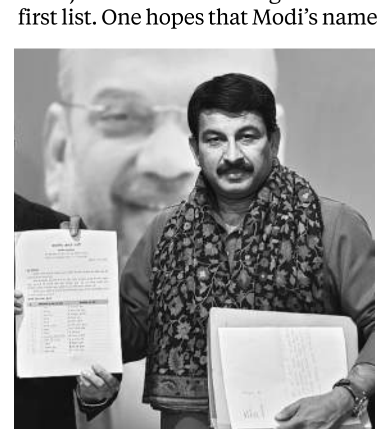
Saving vote bank

Union minister Piyush Goyal (pictured) seems to have jumped the gun in his laconic observations on the recent Amazon investment proposal. We may recall that Amazon had promised to create more than 25,000 jobs at a new campus in Long Island City, New York, in return for nearly $3 billion in government incentives. It was a cocky and raw business approach in a nation that is a votary of pure capitalism. Yet, it failed in this venture mostly due to the growing influence of the progressive Left in New York. In its current home in Seattle, Amazon is being criticised on rising house prices and growing inequality that has damaged the city. Now a minister in our own government has chosen to cast a barb on its predatory pricing policies. This might well be due to the party's concerns about saving its trader vote bank. But the remarks, credible as they may be, could have come from a party functionary rather than a minister for commerce and trade. The BJP is known to put its electoral concerns ahead of economy and this is no different.

R Narayanan Navi Mumbai

Modi's magic

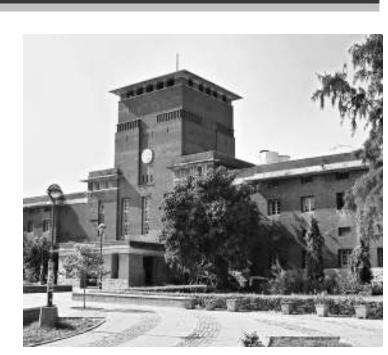
This refers to "BJP releases first list of 57 candidates for Delhi polls" (January 18). Since the Bharatiya Janata Party (BJP) President and Union Home Minister Amit Shah has said that the party would not project any name as chief ministerial candidate but would fight elections under Prime Minister Narendra Modi's leadership, it is surprising that Modiji's name does not figure in the first list. One hopes that Modi's name



finds a place in second list so that his name and face get the party votes in the Assembly polls.

N Nagarajan Secunderabad

Give more autonomy



Indian public universities are far behind than those in the West when it comes to selection, recruitment, encouragement and retention of faculty members. Rigid rules, tight government controls, narrow minded and unaware selection committees are some of the main reasons for this. Moreover, these committees don't value others' time. To process even simple applications, they take months. On the contrary, in the West, the rules are very liberal and relaxed. One will find professors having degree in economics teaching in the political science department and vice-versa; similarly, those holding degrees in physics or chemistry teach in electronic/computer engineering departments. Professors guide students in relaxed, tension-free atmosphere. It is time that Association of Indian Universities and University Grants Commission give full autonomy to our public universities and colleges in faculty selection.

Sunil Pedgaonkar Maharashtra

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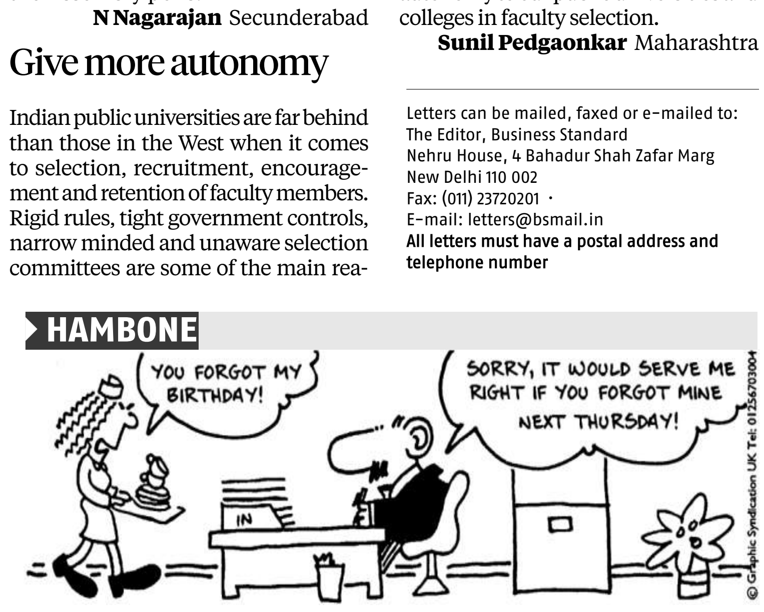
HAMBONE



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The wrong approach

Govt attitude to e-commerce is harsh

Union Minister for Commerce and Industry Piyush Goyal has been forced to clarify certain remarks he made at the end of last week at the Raisina Dialogue in New Delhi. Mr Goyal had said there, in the context of Amazon Chief Executive Officer Jeff Bezos' visit to India, that the online retailer was not doing India any favour by investing a further $1 billion. Mr Goyal's point was that, if Amazon was making a billion-dollar loss every year, a cash infusion of a further billion dollars was no particular privilege for India. The minister subsequently clarified his point, saying that anyone was welcome to invest in India as long as they followed all domestic rules and regulations.

The minister is of course entitled to his own views on Amazon but nevertheless what they reveal on the subject of the investment climate and indeed the government's view of business in general are disquieting. The fact is that at the moment not many foreign companies are willing to take a bet on India, so if Amazon has decided to stay invested through another major cash infusion, that is not something to be contemptuous of. Worse, perhaps, is the notion expressed that making losses is somehow something for the government to be wary of and that it implies possible rule-breaking or predatory pricing. Many sectors — such as the state-controlled banking sector — are prone to making losses, but does this mean predation or rule-breaking? This fallacious notion has been repeated in various ways by the ruling establishment lately, and Mr Goyal's own statement came on the back of news that the Competition Commission of India (CCI) was going to investigate some selling practices of online marketplaces including Amazon and Walmart-controlled Flipkart. The CCI says that deep discounts on the platforms might be anti-competitive.

Such claims betray a lack of understanding of predatory pricing in economics. As the Federal Trade Commission, in the United States, points out, "consumers are harmed only if below-cost pricing allows a dominant competitor to knock its rivals out of the market and then raise prices to above-market levels for a substantial time ... Pricing below your own costs is also not a violation of the law unless it is part of a strategy to eliminate competitors, and when that strategy has a dangerous probability of creating a monopoly for the discounting firm so that it can raise prices far into the future and recoup its losses". But India is very far indeed from any such situation. Not only is there competition in the e-commerce space, but as a percentage of total retail, e-commerce remains very low in India. According to the World Bank, online commerce itself is only 1.6 per cent of retail sales in India — well below, say, the 15 per cent in China. In other words, deep discounts as a method of growing the market cannot be claimed at this point to be anti-consumer. Indeed, the infusion of cash into the Indian market is a net bonus for the country, given that it creates logistics infrastructure and jobs, as well as opening up new avenues for consumer welfare. The government should rethink how it approaches e-commerce — the hostile environment it is creating for e-commerce platforms hurts its foreign relations and the domestic economy.

The final call

Save telecom from becoming a duopoly

After the Supreme Court rejected the review petition filed by telecom companies against its order on licence fee dues linked to the adjusted gross revenues (AGR), all eyes are now on the government's next move. While some 15 telcos — many of which have shut shop or sold their businesses — have to cough up ₹1.47 trillion, including penalties and interest, the Department of Telecommunications (DoT) has the option of pro-actively seeking the top court's permission to allow the industry to stagger the payment of AGR dues. In the absence of relief from the government or judiciary, staggered payment is the only option left to save the telecom industry, which is facing severe financial stress.

It is a fact that the full payment of ₹1.47 trillion will go a long way in meeting the government's revenue shortfall in the current fiscal year. Additionally, if the AGR dues of more than ₹3 trillion slapped on non-telecom companies are realised by January 24, the proceeds will mean a massive windfall for a government, which is struggling to plug widening fiscal gaps. But, in this case, the government should refrain from the idea of revenue maximisation and focus on easing the pains of what has been a showcase sector for the country.

At this point, the DoT or any other government arm should not look at the staggered payment option as a sop for the telecom industry, but as a possible chance of saving the sector. It should also consider the long-term consequences of its action. At least one operator, Vodafone Idea, is likely to go down if forced to make the total payment of over ₹50,000 crore by the end of this week. That will mean an end of the India journey for a top foreign telecom company that brought in one of the largest foreign direct investments in the country more than a decade ago. Since the sector is not under pressure purely because of competition, the collapse of a large firm in this manner will deter potential investors. It will also affect the banking system and increase the cost for the government.

Another leading telco, Bharti Airtel, which has to pay more than ₹35,000 crore as AGR dues, may manage to meet the deadline, if forced to, with the help of its latest fund raising. But that would indeed have an adverse impact on its investment capabilities, the first casualty being its participation in the 5G spectrum auction. Already pushed to a corner because of excessively high spectrum prices in the past and aggressive competition in offering rock-bottom tariffs, following the entry of disruptor Reliance Jio, the telecom industry will not just be left as a duopoly but as a much weaker version of what it has stood for.

The government, which has been fighting the case with telcos for more than 14 years across several platforms, won when the Supreme Court in October last year upheld the DoT definition of AGR for calculating the pending licensing fees and spectrum usage charges. However, the DoT, besides looking at the state of the telecom industry, should consider its long-term revenue goals. The point is if the telcos survive, their revenues will be shared with the government, as is the practice. Why kill the golden goose?

ILLUSTRATION BY AJAYA KUMAR MOHANTY

Socio-political stability and growth

Growth prospects are threatened by citizenship proposals, which are leading to Centre-state confrontation, social strife, and disruption of working people's lives

NITIN DESAI

When Finance Minister Nirmala Sitharaman presented her first Budget in July last year, this columnist, like many others, had listed a litany of economic woes including the sharp decline in the growth rate of GDP, fiscal pressures, twin balance-sheet problems, the woes of non-banking financial companies, the slow pace of job creation, distress in small enterprises and farms, trade battles, and the slowdown in global growth drivers. Nothing has changed and some of these problems have become even more troublesome. The government is now more willing to admit to the existence of these difficulties and the prime minister seems to have taken direct charge of the Budget. Since the government depends more on *natyashastra* than *arthashastra* to guide its economic policy, we can expect dramatic and unexpected measures to boost growth. But is this what we need right now?

The foundation for long-term growth rests on the confidence that investors have in the stability of the social and political environment within which they have to function. This is particularly true for foreign investors. In this area there is a major change since July last year. The political and social climate in the country has become worse because of the drive to implement the Citizenship Amendment Act (CAA) and related measures like the National Population Register (NPR) and the National Register of Citizens (NRC), which, despite the ruling party's efforts at explanation, continue to arouse fear and suspicion.

The case against the citizenship-related proposals does not rest on their economic impact but their challenge to the idea of a secular India embodied in the Constitution, which, over the past 70 years, has become part of many people's image of themselves. It is no accident that it is young people, reciting the preamble to the Constitution, who are leading this revolt against sectarianism.

The charge of sectarianism and discrimination has been extensively debated. One way of seeing this is to recognise that the CAA will apply to the so-called illegal migrants who have been here from before 2014. *The CAA is essentially an amnesty*. Many countries with undocumented migrants who cannot be repatriated have resorted to an amnesty, like the 1986 amnesty in the US under the Reagan administration. However, the amnesty offered by the CAA is clearly discriminatory because it leaves out anyone who is a Muslim. How the Supreme Court will judge the matter cannot be predicted. But one can understand why so many people see the proposals as a violation of the fundamental right to equality.

The move has led to an atmosphere of confrontation between the Centre and many states, compromising the possibilities of cooperative federalism, essential for a high-growth path. We have had a first indication of this in the move away from decision making by consensus to voting in the GST Council. If the climate of Centre-state confrontation worsens, we may see this departure from cooperative federalism in other areas of economic policy. This will affect investment decisions and economic growth.

The government's citizenship proposals have also led to widespread protests led by students. The somewhat one-sided reaction to these protests by the authorities and the tolerance of violent counter-attacks by those who support the proposals will spill over into street confrontations and violence. This will exacerbate a sense of civil disorder and frighten investors, particularly in the northern states, where millions of new jobs are needed.

A move to implement the proposals will lead to extensive disruption at the ground level and a consequent economic impact if we go by the experience of the implementation of the NRC in Assam after 2005. This effort, which covered just 3 per cent of the country's population, took almost a decade, required the involvement of over 50,000 government employees, and cost more than ₹1,200 crore.

The government has now said that it does not intend to implement the NRC at the national level, though this is part of the ruling party's election manifesto and has been asserted forcefully several times by its leaders. Nevertheless, the fear is that the NRIC and NPR are meant to serve a similar function and will have an impact similar to the NRC implementation in Assam.

The big problem is the impact on poor people, who may not have the required documents and whose lives will be disrupted by the process of proving their right to Indian nationality. The Rights & Risks Analysis Group (RRAG) conducted a small survey of those excluded from the NRC in Assam to find out the amount spent by each excluded person.

The 62 respondents who were able to quantify their expenditure incurred for attending hearings before the NRC authorities claimed to have spent an average of about ₹19,065 to attend NRC hearings. That is about 15 per cent of our average per capita income and a much larger proportion of the income of the poor.

According to the survey, many of them had to "mortgage agricultural lands, sell their cattle/livestock, and agricultural products like betel nuts/paddy/betel nut gardens/jackfruit garden, sell their only means of income like auto rickshaw, while many took loans to meet the expenses for the NRC hearings". Apart from this, here was the logistical challenge of travelling for hearings before the NRC Seva Kendra five to ten times in far-off places. The survey did not include those who had to defend themselves before the foreigners' tribunals, which required representation by lawyers and cost ₹1-1.5 lakh.

Poverty in Assam declined rapidly from 52 per cent to 34 per cent between 1994 and 2005, but since then, while the NRC exercise was under way, the state has lagged behind with the poverty level in 2012 being just 2 per cent lower than in 2005 while most other states showed declines of 10 per cent or more. The national economy was in a boom period at this time. So could this poor economic performance be because of the disruption brought about by the NRC process in Assam?

The government must make up its mind on whether development is its priority or not. High growth and a $5-trillion economy in five years look quite difficult now. But if it insists on moving ahead with its citizenship proposals, it will lead to so much Centre-state confrontation, social strife, and disruption of poor people's lives that it might as well abandon its development goals. The ruling party must accept that the idea of India as a secular and liberal democracy has matured over the past 70 years and is too deeply embedded in the self-image of many of its citizens and in the international image of India to be abandoned without cost.

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Is regulatory friction really unintended?

IRRATIONAL CHOICE

DEBASHIS BASU

For seven years, like a broken record, I have been arguing that India can be on the path of super growth but for endless red tape creating friction for enterprises — the actual job creators. These days, job creators even have taunts and insults hurled at them by politicians. Businessmen usually take this lying down. However, it does seem that the serial economic follies of the past six years, combined with a punitive "governance", is finally driving home a new realisation among people.

India's growth will remain subdued for a very long time. While the economy will bounce back on a relative basis, there is no escape from the past. Businessmen are now at the end of their patience and waiting for a change. So, we saw two top businessmen complaining last week about overregulation, a rather mild descriptor for the toxic alchemy of extortion, rent-seeking, and pure procedural harassment that the state delights in creating for enterprises.

Rajiv Bajaj, who has been claiming there is no slowdown so far, and even rebuked other businessmen for not being innovative enough, is suddenly singing a different tune. "It is overregulation that is killing the industry," he alleges. Tata Sons Chairman N Chandrasekaran says, "India is fraught with micromanagement and suspicion." If India needs to grow faster, we need to remove the obstacles that impede businesses, he says.

Since 2014, most Indian businessmen believed that a committed, nationalist government had been hard at work in building a new India. Prime Minister Narendra Modi was expected to replicate his much-publicised success in Gujarat across the country. He won in 2014 on the promise of development. As far as I remember, for the first time, a national politician talked of removing red tape in election speeches as Mr Modi did. When he asked the cheering youth "*Apko naukri chahiye ki nahin chahiye?*" (Do you want jobs or don't you?), one naturally expected him to give enterprises freedom from mindless red tape. After all who creates job? From the corner grocery stores to mighty software companies, it is businesses, not the government, that do so.

Unfortunately, the real agenda of the government became clear in 2014 itself, even as businessmen, financial sector experts, and most of media continued to live under a mass delusion. The Modi government went about putting a computer chip on the myriad schemes of the Congress government — because everything was now digital — and peddled them as brilliant new ideas with new names. Every legislative change and policy only added to coercion, intrusion, suspicion, criminalisation, and punishments with jail terms even for small errors and omissions. In a corrupt country, these become tools for private as well as state extortion. Meanwhile, the social and political agenda (cow protection, lynching, nationalism, Pakistan, Kashmir, the flaws of the Gandhi-Nehru dynasty) completely overshadowed economic debate.

One of the business segments hit badly is the 150-cc class of two-wheelers, a mass-market vehicle. The first blow it received was a Supreme Court order making it mandatory to buy a five-year insurance policy upfront. This added several thousand rupees in insurance cost to the vehicle price. In April last year, new safety norms imposed another ₹8,000-10,000. As Mr Bajaj puts it, in just one year, there was a 20 per cent hike in costs, i.e. ₹15,000 on a motorcycle that costs ₹70,000, while the manufacturer takes a price increase of only 2-4 per cent every year. "I say this is overregulation. In a country where you struggle to drive at more than 20-30 km per hour, given the state of the roads, to impose an ₹8,000-10,000 cost for safety measure like ABS is completely over the top," said Mr Bajaj.

He went on to add, "It may be a politically incorrect thing to say that BS-VI is not the right thing to do but getting rid of old vehicles through a suitable mechanism would have been much more effective than squeezing out the last little bit of emission from BS-IV vehicles. Instead we are going for BS-VI from April and this will mean another ₹8,000-10,000 increase in the cost of vehicles of the common man. That means in a one-and-a-half-year period, prices of the common man's two-wheelers will go up by 30 per cent. To me this is a tangible hard issue on the ground. Does the government have the humility to reflect and roll back some of these?"

Mr Bajaj should know that humility is not a feature of any state, irrespective of its political colour. And, this government is one that has offered no apology for Aadhaar deaths, was remorseless about the demonic impact of demonetisation, and has inserted insane provisions of arrests and jail terms into various revenues laws.

The politics

It is good to see businessmen speak up about issues that hurt them instead of being politically correct. But that leaves unanswered the question: Why would the state be irrationally punitive? By what insane logic should politicians attack job-creators, and, why do we have laws that treat everyone as criminals rather than focus on enforcement and justice that catch the crooks? I am afraid, the Bajajs and the Chandrashekarans of the world are again missing the point by appealing to netas and babus to reduce red tape.

Just ask yourself: Why wouldn't ministers and their bright IAS secretaries know the cost of delay in decision-making, innumerable rules, multiple licences, retrospective amendments, long pending court cases, irrational tax demands, and punitive laws? I cannot believe they don't. It is intentional — to give them the upper hand and keep businessmen in their place. They don't want to simplify things or give freedom. The smartest of businesspeople, begging for simplification in all earnestness, are simply naïve. They do not get the politics behind this intentional overregulation.

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Trump, 'stable genius'

BOOK REVIEW

DWIGHT GARNER

The essence of irony, Henry Fowler wrote in *A Dictionary of Modern English Usage*, is that it "postulates a double audience" — one that's in on the joke, and another that isn't. The title of Philip Rucker and Carol Leonnig's new book, *A Very Stable Genius*, is thus savvy marketing. It's possible to imagine both Donald J. Trump's detractors and his admirers eagerly grasping a copy.

The admirers will not make it past the table of contents. Among the chapter titles: "Unhinged," "Shocking the Conscience," "Paranoia and Pandemonium" and "Scare-a-Thon."

This verbiage makes Mr Rucker and Ms Leonnig's book sound like one more enraged polemic. It isn't. They're meticulous journalists, and this taut and terrifying book is among the most closely observed accounts of Donald J. Trump's shambolic tenure in office to date.

Mr Rucker is *The Washington Post's* White House bureau chief; Ms Leonnig is a national investigative reporter for the newspaper. Both have won Pulitzer Prizes. Their newspaper's ominous, love-it-or-hate-it motto is "Democracy Dies in Darkness." *A Very Stable Genius* flicks the lights on from its first pages.

The result is a chronological account of the past three years in Washington, based on interviews with more than 200 sources.

It reads like a horror story, an almost comic immorality tale. The result is a book that runs low to the ground; it only rarely pauses for sweeping, drone-level vistas and injections of historical perspective. They do break news, some large and some small.

An example of large news: They report that in the spring of 2017, Trump implored Rex Tillerson, then secretary of state, to help him jettison the Foreign Corrupt Practices Act. "It's just so unfair that American companies aren't allowed to pay bribes to get business overseas," Trump whines to a group of aides.

Mr Rucker and Ms Leonnig are adept at scene-setting, at subtly thickening the historical record. More than a few of these scenes feature Ivanka Trump and Jared Kushner, known to nearly all in the White House as "the kids." They're viewed as in over their heads and possessed of unfailingly defective judgment.

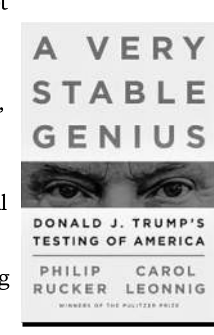
There's a brutal scene early on, during the initial staffing of Trump's White House, concerning Michael Flynn, the president's first national security adviser. Despite warnings about Mr Flynn — the authors describe his "Islamophobic rhetoric, coziness with Russia and other foreign adversaries and a reliance on flimsy facts and dubious assertions" — Mr Trump's team made it clear he could have any job he wanted in the administration.

The authors write: "'Oh, General Flynn, how loyal you've been to my father,' Ivanka said in her distinctive breathy voice, adding something to the effect of 'What do you want to do?'"

Before Mr Trump had met with NATO allies, he kept glancing at Reince Priebus and pleading in front of others, in fanboy tones, "When can I meet with Putin? Can I meet with him before the inaugural ceremony?"

The authors build several stirring scenes around Mr Tillerson's experiences as secretary of state, and the disturbing behaviour he witnessed. They provide the fullest picture to date of a now notorious July 2017 meeting in "the Tank" of the Pentagon during which military leaders and Mr Trump's national security team, alarmed by "gaping holes in the president's knowledge of history and the alliances forged in the wake of World War II," tried to give him a gentle lesson on American power.

The meeting ended after Trump exploded, saying, among other things, "You're all losers, you don't know how to win anymore," and "You're a bunch of dopes and babies."



A VERY STABLE GENIUS: Donald J Trump's Testing of America
Author: Philip Rucker and Carol Leonnig
Publisher: Penguin
Price: $30
Pages: 465

At a later meeting in the White House Situation Room, Mr Trump began speaking, not for the first time, about his desire to make a profit from the deployment of American soldiers. Mr Tillerson had finally had enough. The authors describe the moment. The secretary of state stood, facing away from the president and toward officers and aides in the room.

"I've never put on a uniform, but I know this," the authors quote Mr Tillerson saying. "Every person who has put on a uniform, the people in this room, they don't do it to make a buck. They did it for their country, to protect us. I want everyone to be clear about how much we as a country value their service."

Mr Trump grew red in the face, but saved his fire for later. The chairman of the Joint Chiefs of Staff later called Mr Tillerson, his voice unsteady with emotion, to thank him. There aren't a lot of moments in *A Very Stable Genius* in which people do the right instead of the expedient thing.

There's a lot more here, amid the peeling wallpaper of the American experiment. Mr Trump considered awarding himself the Medal of Freedom. He informed the Indian Prime Minister Narendra Modi, wrongly: "It's not like you've got China on your border."

In his memoir *A Good Life: Newspapering and Other Adventures,* the *Washington Post* editor Ben Bradlee wrote that Richard Nixon's press secretary, Ron Ziegler, was "a small-bore man, over his head, and riding a bad horse."

These words apply, one thinks while reading this more than competent book, to nearly every adviser and staffer now in Trump's orbit. The authors write: "The ineptitude came from the very top."

MUMBAI | MONDAY, 20 JANUARY 2020 Business Standard

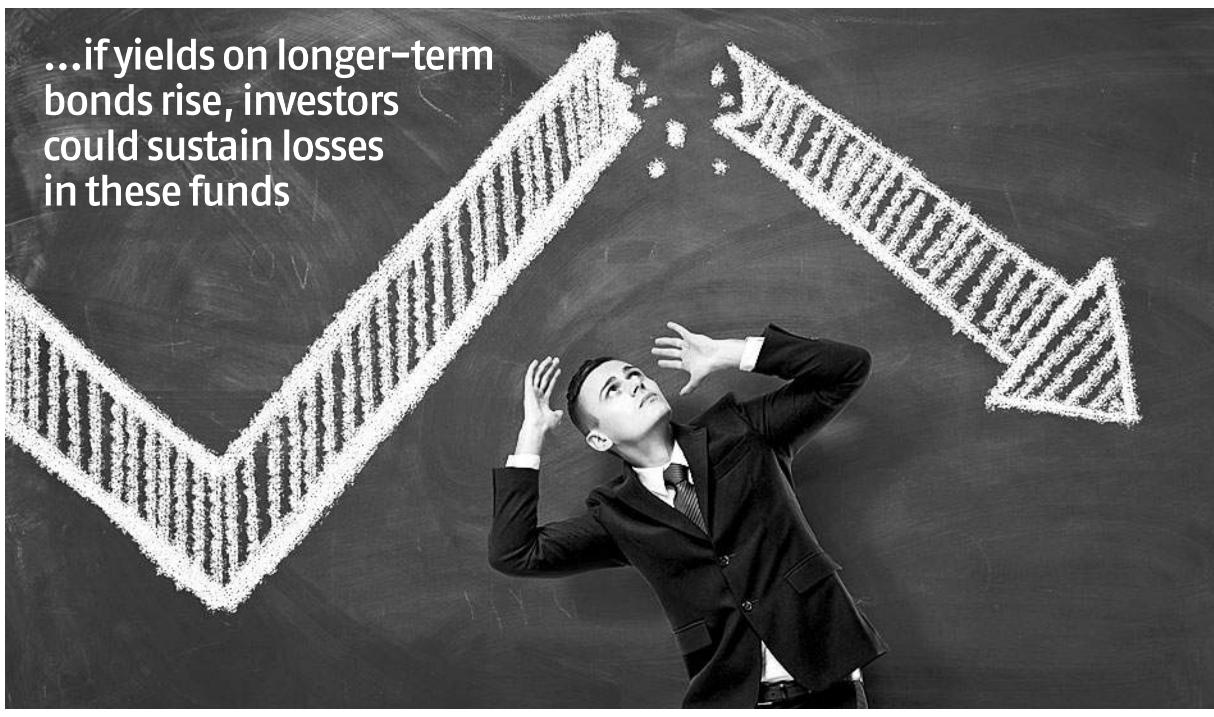
VALUE OF ₹1 LAKH INVESTED IN VARIOUS ASSET CLASSES

*Note: Cumulative equity gains up to ₹1,00,000 in a financial year are tax-free. All post-tax returns are calculated for an individual in the 30 per cent tax bracket, without considering the indexation benefit

	SENSEX	GOLD	SILVER	FD (SBI)	PPF
1-YEAR	1,15,317	1,22,867	1,18,566	1,07,000	1,08,000
1-YEAR POST-TAX RETURNS	1,15,317*	1,16,007	1,12,996	1,04,900	1,08,000
5-YEAR	1,49,156	1,43,637	1,17,652	1,48,641	1,51,757
5-YEAR POST-TAX RETURNS	1,49,156*	1,39,273	1,15,887	1,32,408	1,51,757

As on January 17, 2020, in ₹; compiled by BS Research Bureau

Entering long duration funds now? Don't...



SANJAY KUMAR SINGH

Investing in the past year's winner is a loser's strategy in any category of mutual funds, but it can be especially harmful in debt funds. Long-duration funds were the best-performing category on the debt side over the past year with an average return of 12.13 per cent. However, if you are thinking of investing in this category to earn similar returns, perish the thought. As market conditions change, you could well end up with losses.

Direction of rates uncertain: Fund managers today have differing views on where interest rates are headed. Some believe longer-term bond yields are set to rise in 2020. "Due to growth improving and inflation rising both globally and domestically, the 10-year government bond yield may inch up towards the 7 per cent mark from the current level of around 6.6 per cent over next three-four quarters," says Maneesh Dangi, chief investment officer–fixed income, Aditya Birla Sun Life Asset Management Company (AMC).

Other debt fund managers think yields on longer-term bonds may continue to soften, at least for some more time. Suyash Choudhary, head-fixed income, IDFC AMC says term spreads (the difference in yield between one year- and longer-term bonds) are wide at present. "Purely from a valuation perspective, long-duration bonds look reasonably attractive. If the Reserve Bank of India (RBI) persists with its term spread targeting tool and the government unveils some sort of a roadmap to court offshore capital to finance part of its borrowing over the medium term, then the view on long-duration bonds would continue to be positive, at least for the next few months. But if the RBI pulls back from this strategy after a few months, then these bonds could turn volatile," he says.

Clearly, in a scenario where there is no consensus on where interest rates are headed, retail investors need to stick to the safety-first principle. "Retail investors should anyway take risk in equity funds and seek safety and stability of returns from their debt-fund portfolio," says Nikhil Banerjee, co-founder, Mintwalk.

OUTPERFORMANCE MAY NOT CONTINUE THIS YEAR

Returns (%)

Fund category	1-year	3-year	5-year
Long duration	12.88	7.13	8.23
Corporate bond	7.8	6.29	7.32
Money market	7.51	7.01	7.38
Dynamic bond	7.38	5.23	6.86
Ultra-short duration	6.99	6.53	7.23
Liquid funds	6.29	6.56	7.04
Short duration	4.5	5.32	6.52
Low duration	1.56	4.94	6.18

Source: mutualfundindia.com

Follow an allocation model: Instead of thinking tactically, retail investors need to shift to an asset allocation model even while building their debt-fund portfolio. Choudhary suggests dividing the portfolio into three buckets: liquidity, core and satellite. The liquidity bucket should be for cash management. Invest in liquid and overnight funds here. The bulk of an investor's fixed-income allocation, irrespective of the stage of the financial market cycle one is in, should be in the core bucket. "The defining feature of the core bucket should be that it should carry modest credit and duration risk," says Choudhary. Funds that invest in AAA and sovereign bonds with a maturity of up to four-five years would fall in this category. That would include money market to short- and medium-duration funds.

Finally, there is the satellite bucket. It can be higher on credit or duration risk but should form a residual or smaller part of the allocation. If an investor has the appetite, he may take some amount of duration risk here by investing in an actively managed dynamic bond fund, which has proven its ability to consistently manage the interest-rate cycle over the past 10-15 years.

Investors could allocate around 10-15 per cent of their money in the liquidity bucket, 60 per cent in the core bucket, and 20 per cent in the satellite bucket.

Avoid duration and credit risk: With little certainty on where longer-term interest rates are headed, investors should avoid taking duration calls. Says Banerjee: "Only seasoned investors, who have a view on the macro economy, or have an advisor, should take duration calls. Most retail investors should stay away from longer-duration funds." If yields on longer-duration bonds rise, they could end up incurring a loss in these funds.

"A person with a one-year horizon may opt for a low-duration fund while someone with a two- to three-year horizon may go for a corporate bond fund"

MANEESH DANGI
CIO, fixed income, ABSL AMC

"Retail investors need to have an asset allocation model in debt portfolio. Divide the portfolio into three buckets—liquidity, core and satellite."

SUYASH CHOUDHARY
head-fixed income, IDFC AMC

On the credit side, with the economy in slowdown mode, the credit scenario remains precarious. More incidents of credit defaults cannot be ruled out. Hence, this is not the time for investors to pursue high-yield strategies, like credit risk funds.

The safe zone: Corporate bond spreads vis-à-vis government bonds are high currently. If liquidity sustains at high levels, yields on one- to three-year corporate bonds rated AAA and AA may even drop a little. "Invest in funds that target one- to three-year AAA and AA bonds. A person with a one-year horizon may opt for a low-duration fund while someone having a two- to three-year horizon may opt for a corporate bond fund," says Dangi. The corporate bond fund should have a quality portfolio invested in AAA papers dominated by public-sector companies.

Take risk only at the margins: Opportunity beckons on the credit side. Several companies have withstood both tight liquidity conditions and the economic slowdown well. Their papers have stayed AA throughout this turbulent period. What is notable is that they have survived and not witnessed downgrades despite the difficult environment of the past few quarters. Dangi suggests opting for dynamic bond funds that invest in such papers. Typically, AAA papers in the PSU space having two- to three-year duration are trading at about 6.50-6.75 per cent. These AA papers are yielding 8.5-9 per cent, so investors can earn about two percentage points extra. They do come with some risk, however.

Gold could be a good hedge

If the economy enters a period of stagflation, its returns will outpace other assets

MARKET INSIGHT

DEVANGSHU DATTA

This Budget will be perhaps the most important since the 'liberalisation era' started. The verifiable high speed data indicates that the economy has slowed to the point where it's contracting, although the official gross domestic product (GDP) estimate is that of a growth slowdown rather than contraction.

Inflation is up, well above the northern limit of the Reserve Bank of India's (RBI's) buffer zone so there's no room for rate cuts. Tax collection estimates will be missed by a big margin, pushing the fiscal deficit well above target this year. Yet, the government might need to cut taxes in 2020-21 to stimulate consumption.

Widespread protests have disrupted normal life and commerce, with the government shutting down the digital economy in multiple states. The international reaction to this has been cautious, with investors cutting exposure to government debt. An adverse international response to the Kashmir policy and the protests against CAA, NRC and NPR could trigger more cuts in India weight.

The Budget has to address this crisis of confidence. The corporate tax cuts create room for private investment but that will not happen until consumption improves. The Budget must kickstart consumption while maintaining some degree of control over the fiscal deficit.

At the same time, other arms of the government have to try to put a lid on inflation. The RBI cannot do this because the prime cause of inflation is spiralling food prices. Food prices have risen due to supply side constraints, and hiking interest rates will make little difference. Good harvests will help, and so would imports to tide over shortages.

Consumption and its corollary, private sector investment, will only improve if consumer confidence improves. Part of this – a very important part – would depend on calming the anxiety and anger that has brought millions onto the streets. The Budget could help matters along by cutting personal income tax while other arms of the government have to find ways to cool the anger.

Along with direct tax cuts, pulling more items into lower Goods and Services Tax (GST) slabs to lower indirect tax rates, would help. This would, however, require the cooperation of the states and that is a question mark. States run by non-BJP governments may not cooperate with changes that will affect their share. It is now obvious that a flawed GST design with a large number of rates, and monstrous compliance barriers, has had a negative impact on growth and consumption. Rather than inducing informal businesses to migrate to the formal economy, it had led to them shutting down.

Cutting tax rates would also mean finding other means to boost government finances. That means the Budget must make a genuine push towards disinvestment, rather than relying on transfers from RBI, and cross holdings between government-controlled companies.

None of this will be easy. Some of the goals may be contradictory. For example, higher food prices generally translate into better rural consumption, but cause inflation. If the government doesn't find a balance, the 2020-21 fiscal could see a further slide in economic momentum.

Unfortunately, this government's track record doesn't inspire confidence in its ability to deliver on the economic front. It's made one poor policy decision after another. It has also divested itself of experts who could have helped formulate a policy turnaround.

Cutting tax rates would also mean finding other means to boost government finances

Corporate results have been lacklustre which is not surprising. The stock market has narrowed but it has continued to ride up because the index heavyweights have received investments. Part of the reason is that investors are hoping against hope that the economy will turn around.

If the Budget doesn't address the above concerns, the hope could turn to despair. The economy may not have bottomed out yet. The market could plummet if there's a bout of serious post-Budget selling. This would create a serious problem for investors looking to rebalance asset allocation: debt assets will not give decent returns in a scenario of rising inflation.

One possible hedge is moving into hard currency assets. Another hedge could be gold. The precious metal is a traditional hedge against rising inflation. It is also a haven in times of policy uncertainty. If the economy enters a period of stagflation, gold would outpace other assets in terms of returns.

GET LOAN AT A LOWER INTEREST RATE BY PLEDGING SHARES

Since it is a secured loan, the interest cost is lower

BINDISHA SARANG

- You can get a loan by using your financial assets like shares, mutual funds and life insurance policies as collateral.
- The applicant should be between 21 and 75 years of age.
- The loan amount will depend on the type of security pledged. You can get up to 50 per cent of the value of shares, up to 50 per cent of the net asset value of mutual funds, and up to a maximum of ₹5 crore on life insurance policies.
- NRIs, too, can avail of it.
- Most such loans are given as an overdraft facility. It allows you to withdraw more money than you have in your account—up to the approved limit.

LOAN AGAINST SECURITIES-RATES & CHARGES

Lender	Interest rate (%)	Processing fee*
Axis Bank	10.5-12.75	0.15%
UCO Bank	11	₹250
Federal Bank	12.5-13	Up to 0.25
IIFL	12--18	0.25-1
Tata Capital	10.5 onward	Up to 1
Bajaj Finserv	9.5-12	0.1-1
Indian Bank	10.95	0.308
Lakshmi Vilas Bank	11.1	0.25
Kotak Mahindra Bank	9.25-13	Up to 2
Canara Bank	14.6	0.1
Citi Bank	10.75-13.25	Up to 1

*Figure is percentage of loan amount, except where stated in rupees.
Source: Paisabazaar.com

- Since this is a secured mode of finance, interest rates are lower than on unsecured loans, like a personal loan.

Non-dairy options for health freaks

There is a wide range of nut butters, lactose-free yoghurts that are a tad expensive but great for health

NAMRATA KOHLI

It used to be regarded as the 'white gold' and a powerhouse of good health once upon a time, for its dense nutrients and its immunity-building properties. Over the years, however, milk began falling out of favour with a health-conscious urban mindset for a variety of reasons such as dairy allergy, lactose intolerance, hormonal imbalances and a fad-driven shift to veganism. And the figure-conscious, of course, ditched it in order to shed a few pounds here and there.

But if no milk, then what? How does one get one's dose of butter, curds, cottage cheese, ice-creams and a whole lot of other goodies? The answer lies in a host of alternatives such as nut butters, coconut-milk sundaes, and several other dairy-free products that have begun inundating retail stores and cookery books.

Product differentiation: Yet, there is a fine line that divides trend and tolerance, or the lack of it. "Lactose-free, dairy-free and veganism are all different," says Delhi-based renowned nutritionist Ishi Khosla. "Lactose-free individuals can have yoghurt, buttermilk and some types of cheese, butter and ghee. Dairy-free individuals cannot consume any form of milk, yoghurt, paneer or cheese. They can eat butter and ghee while vegans usually do not consume milk, butter and ghee." But these terms are often used interchangeably. While lactose-free foods are dairy products stripped of the sugar, dairy-free has no dairy at all—the food is made from plants or nuts instead. Vegans avoid eating foods of animal origin, and therefore the vegan diet is devoid of all animal products, including meat, eggs, dairy and even honey in certain cases.

What is lactose intolerance? Simply put, it is the inability of the body to absorb lactose, a type of sugar found in dairy products. The small intestine produces enzyme lactase that helps break down lactose or milk sugar into smaller sugars, such as glucose and galactose. These finally get broken down into glucose and get absorbed and used as energy. When a lactose-intolerant person takes milk or other dairy products, the lactose remains undigested and ferments in the colon, causing abdominal cramps, bloating and diarrhoea. A simple blood test can detect lactose intolerance, says Dr Nilesh Shah, President and Chief of Science & Innovation, Metropolis Healthcare Ltd. "The lactose tolerance test determines the body's reaction to a lactose-rich drink. A blood sample is drawn after two hours of consuming to measure the blood glucose levels. If the blood glucose levels do not rise after two hours, the most likely cause is lactose intolerance."

GOING VEGAN COMES AT A COST

Regular dairy products	Price in ₹	Lactose free/ dairy free products	Price in ₹
Milk (1 litre)	40	Lactose Free Milk (1 litre)	100
		Soy Milk	150
		Oat Milk	380
		Rice Milk	500
		Almond Milk	450-600
Curd (400 g)	40	Epigamia Curd Vegan (400 g)	70
Paneer (1 kg)	275-350	Tofu (1 kg)	500
Butter (250 g)	110	Peanut Vegan Butter (250 g)	475
		Cashew Nut Vegan Butter	550
Cheese (200 g)	215	Cheese Lactose Free (200 g)	450
Chocolates (150 g)	125	Vegan Chocolates (150 g)	400
Ice Cream (500 ml)	100	Dairy Free Ice Cream (500 ml)	350

Dairy-free in the Indian market: For those going dairy-free either out of choice or compulsion, there are many alternatives such as almond milk, soy milk, tofu, rice milk, coconut milk, oat milk, peanut butter, cashew nut butter and such like. Dairy-free milk can be made at home from a variety of nuts or seeds like almond, cashew, pumpkin seeds, etc. Soak the nuts and blend them with water. Strain the mixture and add any natural sweetener like honey or maple syrup. Refrigerate and consume within a day or two.

With growing demand, there is an increasing supply of such products, with large FMCG companies entering this segment. Says a Nestlé India spokesperson, "As a part of the consumer-centric approach our brands adopt, we are always looking at emerging trends and customising our portfolio accordingly. We have products in the food and beverage space which do not contain lactose."

Epigamia's yoghurts and artisanal curds are also finding takers for their range of lactose- and dairy-free yoghurts. For Rohan Mirchandani, CEO, Epigamia, it was important to bring in high-protein, low-fat products containing the goodness of natural fruits.

Drupe Foods India sells almond milk, peanut butter and vegan chocolates on Amazon India. "Our biggest consumer is the millennial mother," says Meeta Madhok, Founder, Drupe Foods India. "The problem with tetra pack milk is that it is pasteurised at 145 degrees Celsius and everything natural evaporates, so it has to be fortified with nutrients externally. It's just like having synthetic vitamin and calcium pills. There is nothing natural about the milk left."

Drupe pasteurises the almond mix at lower temperatures of 60-80 degrees. Such products come at a premium – while a litre of milk in the market costs ₹40 in pouches and ₹75 in tetra pack, here a 200-ml pack made from pure almond comes for ₹100. Reading the ingredients is sacrosanct, advises Madhok. "If you read the ingredients you would know that there are many that you cannot even pronounce. But every consumer must read the ingredients – the golden rule to follow is that if you can read and pronounce them easily, then you should consume the product."

FROM PAGE 1

Govt eyes asset...

The plan is to monetise these assets through methods as varied as the toll-operate-transfer (ToT) route, infrastructure investment trusts, and long-term concessions, sources said.

A second government official said discussions on these assets had been going on at the highest levels and all departments concerned had been mobilised. The only assets on which not much progress has been made are the rail heritage routes. The second strand is being carried out by the Department of Investment and Public Asset Management (DIPAM). These are non-core assets of firms identified for strategic sale, mergers of public sector undertakings, or closure.

The assets include land, factories, apartments and office space belonging to CPSEs like Project and Development India, Hindustan Prefab, Bridge and Roof Co, Scooters India, Bharat Pumps and Compressors, Pawan Hans, Air India, Hindustan Newsprint, Hindustan Fluorocarbon and others. While the land and the factory assets are spread across the country, the office spaces and apartments are mostly in Delhi NCR and Mumbai/Navi Mumbai. "Some assets belonging to BEML have already been released to an asset reconstruction company. It will now identify buyers and investors and decide the best method to garner revenue from the assets," the second official said.

Earlier this month, DIPAM officials had conceded that the government is unlikely to complete the strategic sale of Bharat Petroleum Corporation (BPCL), Container Corporation of India (Concor), and Air India by March-end.

So far, DIPAM has garnered only ₹18,095 crore, a measly 17 per cent of the full-year budgeted target. The sale of the companies mentioned above could have easily helped in achieving the ₹1.05-trillion mark, especially Bharat Petroleum. The Centre's 53.3 per cent stake in BPCL is currently valued at ₹52,500 crore. With a healthy premium, that alone could have fetched around ₹70,000 crore.

That means that DIPAM now has to ensure that other plans, like NTPC's acquisition of NEEPCO and THDC Ltd, and the privatisation of Shipping Corp come through before March 31.

It's divided house...

The majority of officers between grades 'B' and 'C', and in higher ranks who want to opt out make the core of the three key departments in regulation as well as in supervision governing banks, co-operative banks, and non-banking finance companies, which were folded into two specialised units — the Department of Regulation (DoR) and Department of Supervision (DoS).

The current level of staffing in the DoS (post-merger) stands at 750 (comprising officers from grade 'B' to 'F') and represents a shortfall of 150 in the sanctioned strength. With the three-year 'lock-in' for the specialised cadre ending in 2022, and a wider set of entities coming under the central bank's scrutiny, the manpower shortfall is seen inching up to 400, and perhaps more. The staffing pattern in the regulatory department could not be ascertained, but the profile is akin to that in the supervisory department.

The big worry is also the lesser number of days being allocated for on-site inspection, pressure to make changes in the observations made in the inspection reports, and lack of recourse for the delayed or poor quality of information submitted to the central bank, when these are called for. This, a third person, said, "is to be seen in the context of the blowout in the shadow banking and urban cooperative banks, as also the increasing number of frauds, burgeoning bad loans, and poor corporate governance in a few banks". Also of concern is the bulk of officers are wanting to opt out of the specialised cadre even when they can aspire for faster promotions, compared to their colleagues in the general cadre. The fear is many in the specialised cadre may find their career paths to becoming executive directors or deputy governors (for the slot from within RBI) blocked.

The central bank's organisational restructuring folded its banking, NBFC, and co-operative banking regulation departments into the DoR. Similarly, banking, NBFC, and cooperative bank supervision departments came together to form the DoS. The freshly minted DoR has eight CGMs, led by Sourav Sinha, while the DoS has 10 CGMs, led by J K Dash.

The dilemma is that the central bank has travelled far down the road towards a unified cadre, and a College of Supervisors is to be set up in Chennai to augment and reinforce supervisory skills. It is creating an internal supervisory research and analysis wing to supplement and support these activities as well.

Budget likely to scrap DDT

Pallavi Joshi Bakhru, group head taxation, Vedanta, said the endeavour in the current economic environment should be to put more disposable income in the hands of shareholders to spur consumption and would make more money available to companies to reinvest back into the business for expansion and upgrade.

Amit Maheshwari, managing partner at Ashok Maheshwary & LLP, said that removing DDT had been a longstanding demand of industry as this led to triple taxation and increased the tax cost for investors in general. "Overseas investors are not able to take credit of DDT in their home country and this adds to their tax cost. This also makes India incompetitive vis-à-vis other countries." He said that shifting the taxation of dividend to the recipient would enable MNCs to utilise the double taxation avoidance agreements with India more effectively to reduce the tax paid on dividends and also claim credit of that in the home country.

Hines in talks...

GIC already owns about 4.36 per cent stake in Prestige Estates Projects. In December last year, GIC announced its first exit from its portfolio of Indian properties, when it sold stake in the special economic zone project WaveRock in Hyderabad for around ₹1,800 crore to Allianz Group's joint venture entity with Shapoorji Pallonji Group.

The Singapore fund has investments worth over $4.5 billion in India across residential, commercial, and retail assets. Worldwide, GIC manages over $100 billion in public and private investments across asset classes such as private equity, real estate, and public equity.

CapitaLand has acquired another Singapore-based Ascendas-Singbridge in 2019. The latter had significant Indian portfolio. CapitaLand also held stakes in the malls of Prestige Estates earlier. Capitaland has a portfolio of 26 business parks and IT parks, industrial, and logistics properties.

The fixed income, low-risk, and prospects of listing real estate investment trusts have attracted many global investors such as Blackstone, Brookfield, Canada Pension Plan Investment Board to commercial properties. Blackstone itself owns 70 million sq. ft in office properties in the country, making it the biggest owner of such properties.

The Indian office market has seen record leasing in CY19 (January-December 2019), with 42 million sq. ft of annual net absorption versus the previous high of 37 million sq. ft seen in CY08, and absorption levels of 25-27 million sq. ft seen in CY17-18, said ICICI Securities.

Global automakers...

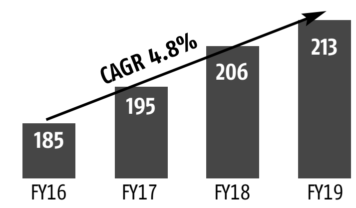
"A combination of right products and pricing. They have all chosen to enter the market with an SUV which has been relatively resilient to the slowdown compared to cars," replied Kaushik Madhavan, vice-president (mobility) at Frost & Sullivan. While passenger car sales in the December quarter of fiscal 2019-20 declined 9 per cent year-on-year, UVs advanced at a brisk 23 per cent in the same period. According to Madhavan, the sharp focus by MG and Kia on technology and connectivity has also proved popular with millennials.

In addition, as Gupta notes, a high internet penetration has ensured that, unlike in the past, new players no longer have to sweat over "playing catch up with the market leaders" who boast a large distribution footprint.

OIL & GAS

Budget 2020-21 WISH LIST

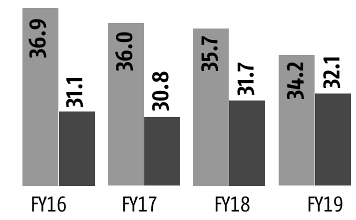
PETROLEUM PRODUCTS CONSUMPTION (mmt)



Sector snapshot

- India is the largest crude oil consumer in the world after China and the US. India consumed 213 million metric tonnes (mmt) of petroleum products and 61 billion cubic metres (bcm) of natural gas in the year 2018-19 (FY19)
- Domestic crude oil production declined to 34.2 mmt in FY19, from 35.7 mmt in 2017-18 (FY18). While natural gas production increased marginally to 32 bcm in FY19 as compared to 31.7 bcm in FY18
- India's import dependency on crude oil and natural gas reached 83% and 46%, respectively, during FY19
- PNGRB granted letters of intent to 12 entities for 50 geographical areas (GAs) under 10th City Gas Distribution (CGD) bidding round
- LPG coverage increased to 96.5% primarily due to Ujjwala Yojana

CRUDE AND NATURAL GAS PRODUCTION



Source: PPAC

Key challenges

- **E&P business appearing lacklustre to investors:** Multiple Open Acreage Licence Policy rounds conducted recently have seen limited interest from private and international oil and gas companies
- **CGD sector needs improved ecosystem:** CGD GA licences have been allotted although gas availability, third-party access, swap operationalisation, contractual sustenance, and financing constraints seem to bottleneck take-off
- **New retail regulations need other regulation support:** To take advantage of long-awaited liberalisation of bulk and retail fuel marketing, investors are finding out how to succeed with restricted access to products and infrastructure
- **Inadequate biofuel production capacity:** Majority of biofuel projects in India are being carried out by public sector undertakings. However, private sector participation is essential for the cost to service to come down to meet blending targets
- **Gas transmission and distribution infrastructure constraints:** India is missing the opportunity to benefit from low liquefied natural gas (LNG) prices due to delayed commissioning of LNG terminals and limited pipeline network

BUDGET INSIGHT OUT 2020-21

Industry-ask

- Permitting gas trading to allow sale and purchase of gas easily and transparently. Affordable buyers would help some domestic discoveries to become commercial
- Bringing natural gas under the ambit of classical GST
- Building a road map for gas-based economy in order to achieve the vision of increasing the share of natural gas to 15% by 2030, from the existing 6% of the primary energy mix
- Promote the diversification of crude oil sources and take up the issue of Asian premium with Opec

SOURCE: PWC INDIA

PwC POINT OF VIEW

DEEPAK MAHURKAR
Partner and leader oil & gas, PwC India

"India's oil demand is projected to grow at a CAGR of 4% till 2030 requiring significant infrastructure augmentation. Removing any restrictions to increase utilisation of existing infrastructure is essential to reduce the high cost of servicing customers. Transportation fuels from biomass deserve impetus to tap the potential our country so uniquely possesses and resultantly achieve emission reduction targets pledged at COP21 in Paris"

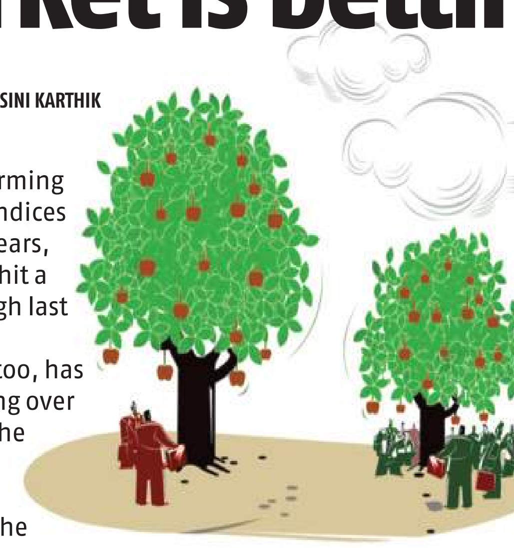
INDUSTRY VOICE

AJAY KUMAR DIXIT
CEO, Cairn Oil & Gas, Vedanta

"In pre-NELP contracts, cess and profit petroleum have increased significantly — cess from $3 per barrel to $13 per barrel, and profit petroleum from 20% to 50%, causing financial strain. Cess should be abolished from pre-NELP contracts, as the government will get back most of this revenue as profit petroleum. Further, this will make many projects viable, and with increased production, any balance revenue gap will be more than compensated"

10 small- & mid-caps market is betting on

RAM PRASAD SAHU, HAMSINI KARTHIK & SHREEPAD S AUTE

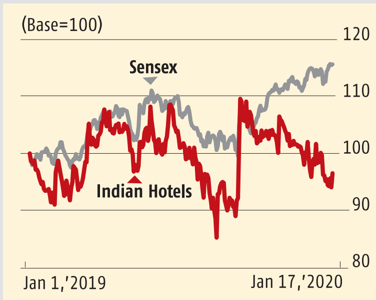


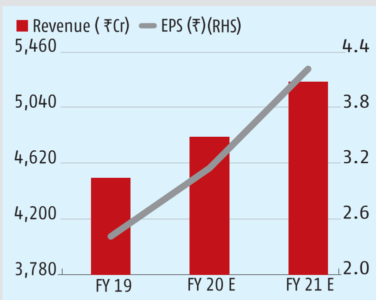
After underperforming the benchmark indices for the last two years, the Nifty Midcap hit a seven-month high last week. The Nifty Smallcap index, too, has recovered, gaining over 10 per cent over the past month after ending CY2019 in the red. Prior to the recent rally, valuation discount of mid-caps as compared to the large-caps stood at decadal highs. This is expected to change on improved risk reward amid low expectations. Further with global liquidity conditions and strong fund flows supportive of the market and a gradual economic revival expected this year, stocks in small- and mid-cap space are expected to do well. Analysts at Edelweiss Research expect mid-caps to outperform their large peers on easing aversion to risk. However, they advise investors to be selective with a focus on stocks which are available at reasonable valuations. Here is a list of 10 stocks compiled from brokerage recommendations which could outperform over the next year on the basis revenue outlook, profit growth, reasonable leverage and attractive valuations. Stocks in the list meet the criteria of at least 15 per cent growth in earnings as well as returns over the next year.

INDIAN HOTELS

Current price (₹)	145.3
Target price (₹)	195.3
Upside (%)	34.4
PE FY21E (x)	34.4

- Among the largest hotel operators with 18,000 rooms across India and international locations
- Beneficiary of lower goods and services tax and supportive demand-supply gap, which should improve realisations and revenues
- Over 5,000 rooms in the pipeline, largely from management contracts
- Cost-control initiatives should boost the company's operating profit and margins
- The focus on asset light model is also a positive from leverage and cash flow perspectives

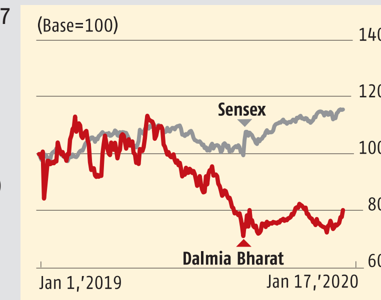


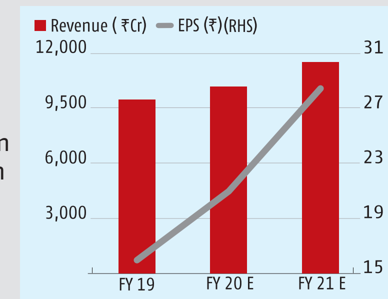


DALMIA BHARAT

Current price (₹)	866.0
Target price (₹)	1127.3
Upside (%)	30.2
PE FY21E (x)	30.4

- Capacity expansion of 15.7 million tonnes per annum, more than 80 per cent of which is greenfield
- Expectations of high clinker utilisation in 2020 likely to improve operating profits with implied price increases
- Management confident that acquisitions of stressed assets will be operating profit margin accretive from the first year of operations
- Expected improvement in free cash flow generation would help reduce debt burden, net debt-equity ratio stood at around 0.5 times as of March 2019

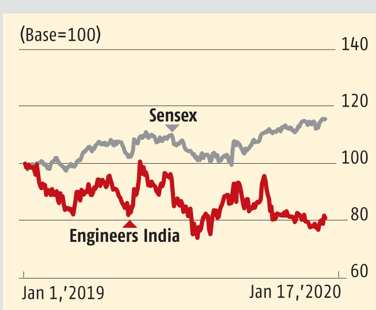


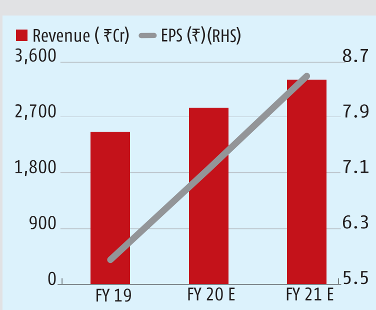


ENGINEERS INDIA

Current price (₹)	101.8
Target price (₹)	133.9
Upside (%)	31.6
PE FY21E (x)	12.0

- The company's market leadership in the hydrocarbon segment is its biggest strength; it offers consultancy and turnkey solutions
- Oil marketing companies' strong cash flow position post diesel price deregulation, the necessity to upgrade to BS-VI compliant facilities, and the need to put up additional capacities augur well for Engineers India
- While order inflows lately turned weak, at ₹10,700 crore of order book, it still provides the company revenue visibility for four years

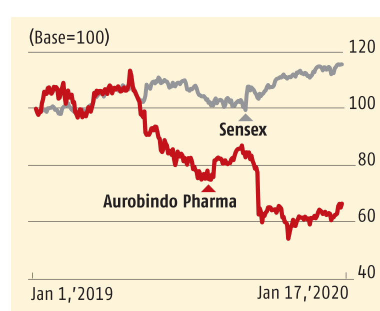


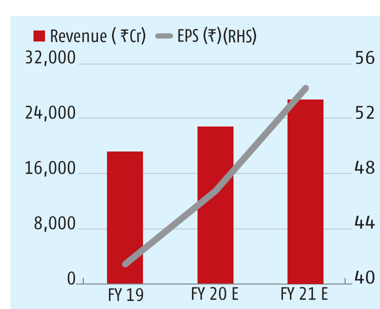


AUROBINDO PHARMA

Current price (₹)	486.3
Target price (₹)	628.8
Upside (%)	29.3
PE FY21E (x)	9.0

- The completion of the Sandoz acquisition and the synergy gains are medium-term triggers
- Revival in European sales led by integration after Apotex acquisition and pipeline of over 200 products to be launched over the next four years should add to revenue growth
- New launches in the US and injectable pipeline monetisation to offset base business pressures
- Though net debt is expected to go up in the near term, leverage levels are comfortable given strong earnings from the base business
- While compliance-related issues will be an overhang, it is factored in the valuations

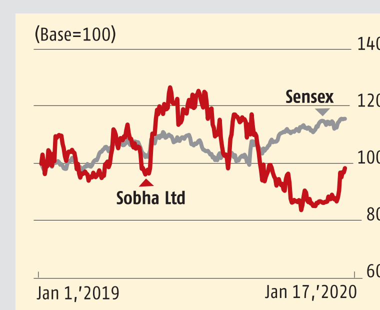


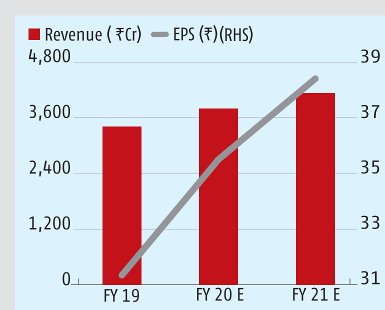


SOBHA

Current price (₹)	450.8
Target price (₹)	586.3
Upside (%)	30.1
PE FY21E (x)	11.7

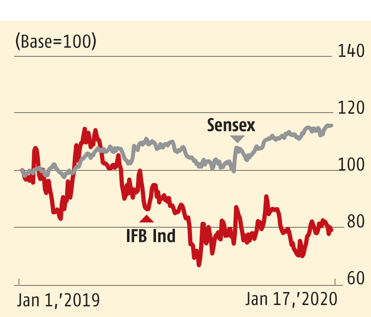
- Strong demand in the Bengaluru market, new launches and sector consolidation are positive
- After record sales last year, the company is expected to keep sales momentum high led by launches in multiple markets.
- Large land bank of 203 million square feet located in key cities of Bengaluru, Chennai, Kochi and Pune should help unlock value going ahead
- Diversified businesses, such as contractual segment, interiors, and concrete products, are incremental sources of revenue

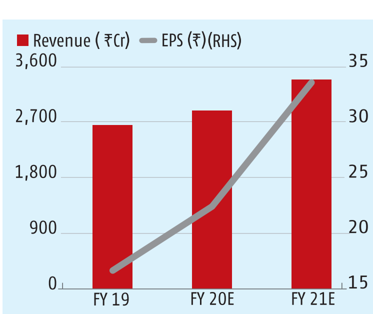




IFB INDUSTRIES

Current price (₹)	676.6
Target price (₹)	1062.0
Upside (%)	57.0
PE FY21E (x)	20.1

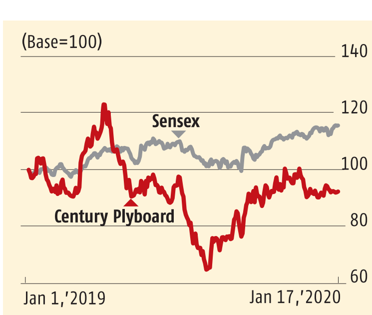


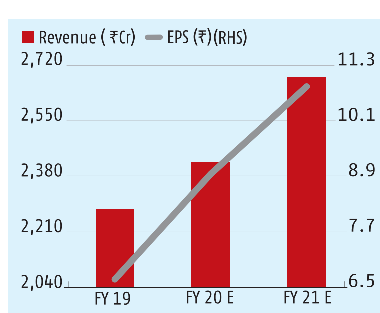


- IFB is the market leader in the front-load washing machine segment which accounts for over 51 per cent of its revenues
- Products, such as top-load washing machines, microwave ovens, and air conditioners, account for 3–16 per cent of its sales
- Growth trigger going ahead is expected to be its manufacturing unit for air conditioners being set up in Goa at a cost of ₹150 crore
- Localisation of parts should bring down import content in washing machines
- Despite weak demand, IFB took 2–2.5 per cent price hike across products, helping boost its operating profit margins by 80 basis points to 7.1 per cent

CENTURY PLYBOARDS

Current price (₹)	170.1
Target price (₹)	209.0
Upside (%)	22.9
PE FY21E (x)	15.7

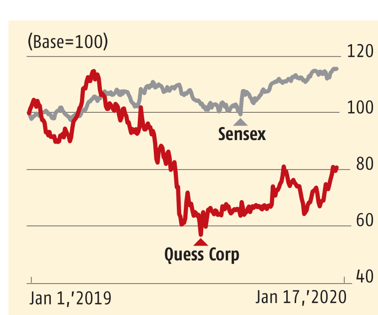


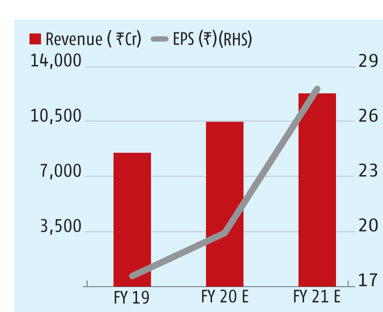


- Despite challenging environment impacting plywood business, good performance in other major segments such as laminates, particle board, medium density fireboard (MDF) augurs well
- The company is in the midst of finalising its capex plan for the new MDF and particleboard facility, which improves long-term growth prospects
- Regulatory pressure on unorganised players including dealers should help the organised segment gain market share
- Benign input costs should aid in improving operating profitability and support earnings

QUESS CORP

Current price (₹)	565.0
Target price (₹)	669.6
Upside (%)	18.5
PE FY21E (x)	20.3

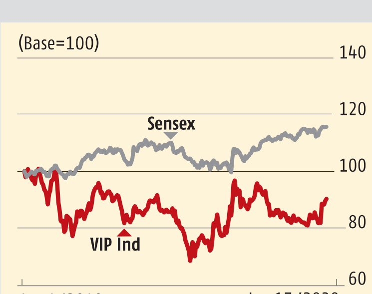


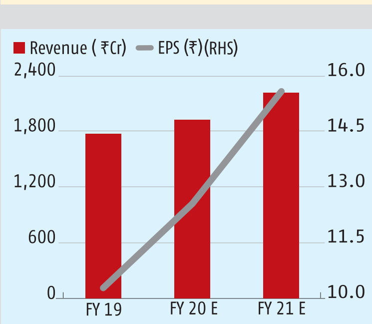


- Leading integrated business services provider in the country with a presence across nine countries
- Concerns over balance sheet complexity, some potential write-offs are fully factored in the 17 per cent correction in the stock over the last one year
- Given the outlook, analysts expect revenues from general staffing, specialised staffing and facility management to triple over the next 5 years
- While presence in specialised staffing, which is over 30 per cent of sales, is expected to improve its margin profile, facility management should give the biggest boost to growth

VIP INDUSTRIES

Current price (₹)	464.7
Target price (₹)	534.9
Upside (%)	15.1
PE FY21E (x)	29.8

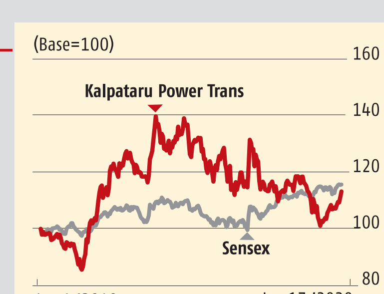


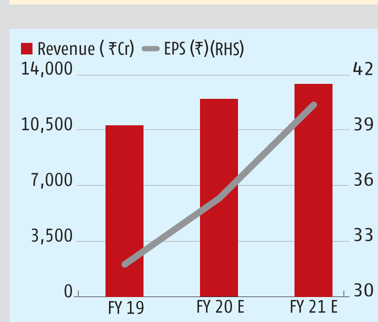


- Seen as proxy to India's travel and tourism industry, VIP has a 46 per cent market share among organised luggage-makers, making it the top player in India and the second-largest globally
- VIP's scale and size enables it to source raw materials cost-effectively, spend aggressively on branding, and launch new products on the back of its distribution strength and brand image
- The Bangladesh plant would help rationalise cost vis-a-vis imports from China, particularly for soft luggage
- It should enable it to improve profitability from 12.6 per cent in FY19 to 17–18 per cent in the next two years

KALPATARU POWER

Current price (₹)	445.4
Target price (₹)	611.7
Upside (%)	37.3
PE FY21E (x)	11.0





- A key player offering turnkey solutions to power transmission and distribution sector
- Kalpataru's strong order position at over ₹24,000 crore is a positive
- With two-thirds of its order inflow guidance (₹900 crore for FY20) met already, growth isn't an issue unlike the other mid-cap players
- Improved capital allocation with a focus on transmission business should result in stock rerating over the next 6–12 months
- While valuations are reasonable, an overhang could be the real estate investments by promoters and 41 per cent share pledge

Current price is as on January 17, 2020; Target price and upside are for next 12 months; EPS is earnings per share; PE is price to earnings ratio based on estimates for FY21

Data compiled by BS Research Bureau

"If they (Nirbhaya convicts) have not been hanged yet, it is because of the AAP government's negligence... This delay of over two-and-a-half years is because of the complicity of Delhi's AAP government"
PRAKASH JAVADEKAR, Union minister & BJP leader

"We sent the mercy petition within hours, so the Delhi government has no role in delaying the hanging of the convicts"
ARVIND KEJRIWAL, Delhi chief minister

"Those people who held protests on streets in 2012 today are only playing with my daughter's death for political gains"
ASHA DEVI, Nirbhaya's mother

From teacher's pet to 'bully' on campus

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

The Akhil Bharatiya Vidyarthi Parishad's (ABVP's) charter of aims and purposes is clear that students' power should be treated as "the nation's power and not a nuisance" to be frittered away on turbulent varsity conflicts and "politicking". Ideally, it is an "asset" that should be funnelled into playing a "leading role in public education, public service...while confronting corruption and anti-national attributes with fervent pride..."

Founded as the student front of the Rashtriya Swayamsevak Sangh (RSS) in 1949 by Yashwantrao Kelkar, a Sangh *pracharak* and literature professor from Mumbai, the ABVP predates the birth of the Bharatiya Jana Sangh (the precursor to the Bharatiya Janata Party or BJP) by three years. It was a recognition by the Sangh that if its ideology had to take deep root, it was best aimed at the new kid on the block. This makes the ABVP the RSS's oldest and, some might say, its favourite offspring.

Unlike the BJP and the Bharatiya Mazdoor Sangh, the Sangh's labour wing, which assert their autonomy every now and then, the ABVP is like a teacher's pet, subservient to the RSS and generally confined to building on its core beliefs, rooted in the Sangh's "nation first" ideology.

Unlike the student unions aligned with the Left parties which are extremely strong in a few varsities like the Congress' National Students Union of India (NSUI), the ABVP has a presence, significant or marginal, in most universities and colleges. Sunil Ambekar, an RSS *pracharak* who until recently was organising secretary, noted the ABVP had a 500,000-strong cadre and 3.2 million members.

Notwithstanding the lofty proclamation to being a self-righteous student outfit, since 2014, coinciding with the BJP coming to power at the Centre, the ABVP blotted its CV by allegedly instigating and engaging in violence on marquee campuses like Jawaharlal Nehru University (JNU) and Hyderabad Central University. BJP leader Sudhanshu Mittal, a former ABVP activist who headed the Delhi University Student Union (DUSU) in 1983, rejected the charge. "The ABVP has been facing persecution and violent opposition (from the Left unions) in JNU for years. This year, it resolved that if it was physically targeted, it will retaliate," emphasised Mittal.

A senior BJP office-bearer, formerly with the ABVP, argued: "The violent provocations have come from the Left. The ABVP is strong in Himachal Pradesh, where the NSUI is the main competitor. Where is the violence? If ABVP was genetically violent, there should have been trouble on more campuses."

Being flexible is the ABVP's working credo. Prafulla Kanta, national joint organising secretary, explained why. "Since its inception, we have never been irrelevant. Our working style and activities were tailored to suit the day's issues. We were the first student organisation to embrace social media. To disseminate our ideology and expand the organisation, we entered IITs, IIMs, central universities, and research institutions. At National Law Schools, we opened up an avenue for policymaking for the students by starting the Anubhooti rural internship programme, which takes them to villages every year. We are concentrating on art and cinema as these impact social sensibilities."

As evidence of a conscious policy to foster "social inclusion" and enlarge the geographical spread, for the first time the ABVP's national team is headed by a Tamil — Shanmugam Subbiah, senior consultant in surgical oncology at Chennai's SIMS Hospital and former professor at Kilpauk Medical College.

Despite being the BJP's older sibling, the ABVP's relationship with the Sangh's political progeny is peculiar. The bulk of the BJP's talent and leadership has been drawn from the students' front but the BJP's primacy in the RSS's overall scheme overturned the order. Amit Shah, home minister and BJP president, cut his political teeth on the ABVP. So did J P Nadda, his putative successor. The upper crust of the Narendra Modi government — barring Modi himself who entered the BJP through the RSS — is drawn from the ABVP and includes Rajnath Singh, Nitin Gadkari, Ravi Shankar Prasad, Dharmendra Pradhan, and Prakash Javadekar. M Venkaiah Naidu, vice-president, and Om Birla, Lok Sabha speaker, too, were ABVP members.

"No doubt a lot of talented persons from the ABVP have gone into politics but to say we only look for political talent is not correct," said Subaiah. Ambekar pointed out Milind Kamble, founder chairman of the Dalit Indian Chamber of Commerce and Industry, was an ABVP alumnus, while Mittal cited the example of Dattatreya Hosabale who spent over two decades in the ABVP and moved to the RSS where he became joint general secretary.

As Ambekar departs after a 29-year association with the ABVP, Ashish Chauhan, Himachal Pradesh-born journalism graduate who has been with the organisation since 2003, is set to take over as organising secretary. The organising secretary is the main functionary, cherry-picked by the RSS to run its student front. The ABVP president is always a teacher, appointed to guide "*vidyarthis* (students)" but the executive responsibility vests with the organising secretary.

HIGHS AND LOWS

1975 was decidedly the high noon of the ABVP. Out of the anti-Emergency protests, there emerged a galaxy of potential leaders who later soared to heights in the BJP. That phase marked the start of the ABVP's rapid growth on Indian campuses where it contested the student union elections. Its recent performance:

- **Jawaharlal Nehru University:** It's been an arduous haul for the ABVP since it started contesting in the 1980s because of the challenges from the entrenched Left unions. Its first notable success was in 2012 when Sandeep Mahapatra won the union president's post by one vote. In 2015, Saurabh Sharma was elected joint secretary. In 2019, the ABVP drew a blank.
- **Hyderabad Central University:** It swept the polls in 2018, two years after major protests at the varsity following Dalit research scholar Rohith Vemula's suicide. But in 2019, it lost to the Left.
- **Mahatma Gandhi Kashi Vidyapeeth, Varanasi:** The Samajwadi Party's Samajwadi Chhatra Sabha won the president and library secretary's posts. The ABVP and the NSUI shared those of vice-president and general secretary
- **Sampurnanand Sanskrit Vishwavidyalaya, Varanasi:** Last week, the NSUI won all the four top posts
- **Gauhati University:** The ABVP was expected to make a breakthrough. But the All Assam Students' Union-backed candidates won 10 of the 15 seats and the ABVP four

ALUMNI TO THE TOP

Amit Shah

J P Nadda

Rajnath Singh

and many others...

NEWSMAKER
DAVINDER SINGH

The symptom of a deep malaise

ADITI PHADNIS

Just about a year ago, on February 14, India reeled from a shock as an SUV loaded with 350 kg of explosives rammed into a bus carrying Central Reserve Police Force (CRPF) men in Pulwama; 44 were killed. There were several mysteries surrounding the attack which remained unexplained.

The bus was part of a convoy of 78 CRPF vehicles. Why was that particular bus chosen? Where did the SUV come from and who really financed its purchase? What motivated Adil Ahmed Dar, 22, and about to give his Class XII exam, to carry out the act? And above all: 350 kg of explosives! Who aided it and how could such a massive amount of explosive material be collected without anyone knowing?

The nation was caught in election fever. The Balakot surgical strikes were an answer that proved the government had muscle; they put the Opposition on the defensive. Many analysts feel the Narendra Modi government returned on the back of the decisive action following the attack. But the questions lingered on.

Now with the arrest of Davinder Singh of the Jammu & Kashmir Police, the light is being shone anew at an episode that is considered the worst terror attack on security forces in recent times. Especially, the role of collaborators.

On January 11, police arrested 57-year-old Singh, a deputy superintendent of police, at Mir Bazar in Kulgam, along with terrorists of the banned Hizbul Mujahideen, Naveed Baba and Altaf, besides a lawyer who was working as an overground worker for terror outfits.

On January 13, Singh was suspended as he had been in custody for 48 hours. Not much is known about the circumstances in which Singh came to be in the company of the people he was supposed to be hunting down. Worse was to follow — allegations flew thick and fast about his connection with the militancy and also the Pulwama attack. Counterinsurgency specialists, however, say the connection is tenuous as Singh was transferred out from Pulwama almost six months before the attack took place and as RDX is an unstable explosive, it is unlikely it would have been stored for such a long time.

Kulbir Krishan, a 1976-batch IPS officer from the Assam-Meghalaya cadre who has served in Kashmir, says the problem is structural. "You cannot blame the 60,000-strong Jammu & Kashmir Police for one bad egg. But it is clear that Davinder Singh could not have continued working in the police for such a long time unless he had someone's protection. So whoever were helping him — policemen, or politicians or administrators — they too must be brought to book."

DSP Davinder Singh was caught transporting two Hizbul Mujahideen terrorists and a overground worker

The fact is, using militants to fight militants is a counterinsurgency strategy that is as old as the hills. It was used by legendary policeman K P S Gill in Punjab when India backed the Khalistan Liberation Force to cause internecine warfare among militant groups. In the northeast, many lawmakers became law-breakers: In Meghalaya, the Garo National Liberation Army was formed by a policeman who deserted the force to form his own militant group, and complete with an army and a commander-in-chief. Champion Sangma and his 'Army Chief' Sohan D Shira continued to run arms and explosives and extort money until Sangma was caught by the Bangladeshi authorities and handed over to the Border Security Force. Shira was killed in an armed encounter.

Counterinsurgency experts say nurturing armed groups by providing them weapons, money and other 'facilitation' is part of the legitimate infiltration/informant activity to fight insurgency. It is possible that Singh started from that and expanded his area of expertise, such as it was.

Singh caught the attention of the Ghulam Nabi Azad/Mufti Mohammad Sayeed government when it was in power in the erstwhile state. At the time, a woman approached the J&K High Court to charge Singh with extortion: She said her husband had been spirited away by Singh, who was demanding cash for letting him go. The high court passed strictures against Singh. But within months Singh was given a promotion.

It could take up to four months for the National Investigation Agency, which has taken over the case, to prepare a charge sheet. Until then judgment on Singh must stay suspended. But the problem is structural; Singh is just a symptom.

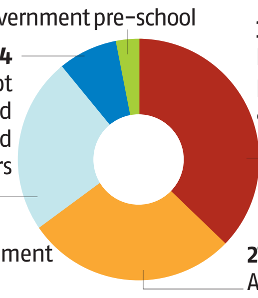
STORY IN NUMBERS

NO LESSONS LEARNT

India's learning crisis is not news. The National Achievement Survey of 2017 tells us that one in three students in Class III cannot read small text with comprehension and that one in two students in Class III cannot use math to solve daily life problems. The findings from the 2018 ASER report are even more stark — only 50 per cent of children in Class V in rural India could read a Class II-level text, and only 28 per cent of Class V students could solve a division problem.

But when exactly do these learning deficits begin? The ASER data from 2018 reveals some answers. For instance, 42.7 per cent of rural children in Class I could not even recognise letters in their medium of instruction, and 35.7 per cent could not recognise numbers from 1–9. The data from the 2017 tells us that the origin of this crisis lies even before children enter Class I. Children in India are simply not school-ready! A well-designed and well-delivered pre-primary programme is the most effective way to bridge the learning gap early.

However, the public system in India has been unable to provide quality early childhood education to those aged 3–6, and even more specifically to those aged 5–6. Pre-schooling is but one of six services delivered through the Anganwadi network, and is arguably the least prioritised. An anganwadi worker is tasked with multiple responsibilities, making it difficult to ensure sufficient instructional time.



Source: Annual Status of Education Report, 2019

Warm-up matches before the big contest in 2022

Three elections, including panchayat polls, will test the Opposition's readiness

VIRENDRA SINGH RAWAT

At the height of the protests against the Citizenship Amendment Act (CAA) in Uttar Pradesh last month, with incidents of violence and arson resulting in the deaths of more than 20 people, Bahujan Samaj Party (BSP) President Mayawati, while expressing solidarity with the protesters, advised her party cadres to refrain from hitting the road.

Instead, she urged them, as members of the "disciplined party", they should peacefully hand over their memorandum to the district administration rather than indulge in violent demonstrations as other outfits were doing.

This was in contrast to the response of other opposition parties in UP, such as the Samajwadi Party (SP) and the Congress, whose top leaders openly supported the protesters and even went to meet the families of the deceased, while blaming the Yogi Adityanath government and UP Police for killing "peaceful and innocent" protesters.

While the state government is due to complete three years in office in March, the opposition is still fragmented and yet to find common ground to corner the ruling Bharatiya Janata Party (BJP), which is started working on its Mission 2022 UP elections.

STATE SCAN
UTTAR PRADESH

This year promises to offer ample opportunities on the electoral turf to the three main opposition parties to get their act together and play the "semi-final" of sorts before the "final match" two years later.

This year, UP will witness three electoral contests in the form of state panchayat polls, apart from elections to the vacant Rajya Sabha and Vidhan Parishad (legislative council) seats.

Panchayat elections

The three-tier panchayat elections will be held towards the end of the year. The election process involves 75 district panchayats, 821 kshetra panchayats, and more than 58,550 gram panchayats. According to the tentative calendar, the panchayat polls have to be completed and the vacant seats in these panchayati raj institutions filled before December 25 this year.

All the major political outfits, especially the BJP, Congress and SP, are expected to field their candidates in these elections and consolidate their positions in the hinterland before the Assembly polls.

Rajya Sabha polls

There will be election to about 10 Rajya Sabha seats, which are scheduled to fall vacant around November. Of the 31 Upper House seats in the state, the BJP, SP, BSP and Congress currently have 15, 9, 4 and 2 members, respectively, with an Independent, former SP stalwart Amar Singh, accounting for one.

While the SP and the Congress have actively backed protests against the citizenship Act, the BSP's support has been largely vocal; the party has asked its workers not to hit the streets

The prominent leaders whose Rajya Sabha term will be over this year include BJP member and Union Minister of State (independent charge) for Urban Affairs Hardeep Singh Puri, SP General Secretary Ram Gopal Yadav, and Congressman P L Punia.

Going by the current strength of the parties in the UP Assembly, the BJP is likely to win nine of the 10 seats, while the SP is in a position to win one.

Meanwhile, ticket hopefuls in the BJP have started lobbying for Rajya Sabha nomination.

Vidhan Parishad polls

The Upper House of the state legislature will witness election to nearly 11 seats, comprising teachers' and graduates' constituencies, in April.

Since the ruling BJP lacks a majority in the Vidhan Parishad, the party is eager to increase its strength in the body so that it becomes smoother for the Adityanath government to push through various Bills because the current dominant SP makes every effort to impede legislation.

The panchayat polls, to be conducted by the state election commission, will be most keenly watched because there will be direct voting by the electorate.

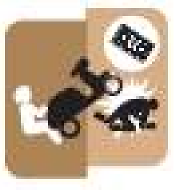
"Our party has firm belief in democracy and treats all the elections as democratic fests and participates with full fervour. The people of the state have continued to repose faith in the leadership of Chief Minister Yogi Adityanath and the trust factor will only become stronger," state BJP Spokesperson Chandra Mohan told Business Standard.

On the issue of anti-CAA protests, he said the sentiment of the public was in favour of the BJP and the party was confident that the people would once again deliver a positive verdict for the Adityanath dispensation.

BRIEF CASE ● M J ANTONY

A weekly selection of key court orders

Earning heirs entitled to compensation



In motor accident claims, even employed sons and married daughters can apply for compensation for the death of their working mother, the Supreme Court ruled in its judgment last week in the case National Insurance Company vs Birender. Though they are not strictly "dependents" of their employed mother who died in a road accident, they are "legal representatives" according to Section 166 of the Motor Vehicles Act. The woman, in this case, died when a dumper hit the motorbike while riding pillion on way to her government office. The two sons filed a claim petition. The insurance company resisted it on several grounds but the main ground was that the sons were earning wages and were not dependent upon the income of their mother. The case traveled from the tribunal to the Punjab and Haryana High Court to the Supreme Court. Finally, the apex court declared that even though the sons were earning wages, and married, they were entitled to compensation as legal representatives of their mother. The court asserted that the liability of the insurance company does not cease because of the absence of dependency of the concerned legal representatives. The compensation constitutes part of the "estate" of the deceased. As a result, the legal representatives of the deceased would inherit the estate.

Indian Bank indicted for negligence

The Supreme Court has directed Indian Bank to pay ₹25 lakh as compensation to a DAV Public School in West Bengal for negligence leading to heavy loss to the school. The school's bank accounts were without net banking facility. But when the principal opened a savings net banking account for transferring funds to the three school accounts, it was found that ₹25 lakh was unauthorisedly transferred from the school accounts. The matter was reported to the bank which took one day to check the transactions. By then more money disappeared. Moreover, it was found that a duplicate SIM card was used to transfer money. The state consumer commission and the National Commission found loopholes in the story and granted only ₹1 lakh as compensation. On appeal, the Supreme Court pointed out that the bank linked the school accounts to that of the principal without any request from the school. Therefore, neither the school nor the principal was responsible for the loss and the bank should compensate the school.

Liquor vendor allowed to shift 650 km

The Supreme Court set aside the judgment of the Madras High Court and allowed a wholesaler in Indian Made Foreign Liquor to shift his business from Mahe on the western coast to Karaikal on the eastern coast 650 km away. The shifting was caught in litigation with some residents in Karaikal objecting to the permission granted by the authorities under the Puducherry excise law. They argued that shifting of the shop was contrary to the public interest of the residents of Karaikal. For about 35 houses in Nedunkadu circle, Karaikal, there were 35 liquor shops already operational. Moreover, they argued that the Supreme Court had banned shops 500 m from highways. They moved the Madras High Court. The court allowed the petition in its judgment, M/s CEE CEE & CEE vs K. Devamani. The dealer moved the Supreme Court. It ruled that the excise rules of the Union Territory spread over four unconnected places in south India allowed shifting business, wholesale or retail. The judgment listed a number of shops that had shifted to Karaikal from other regions for better revenue. The court allowed the relocation subject to the conditions set by the excise authorities. The court added two of its own -- there should be a common entrance and exit; the boundary should be properly protected.

Late-coming landowners lose benefit

Those whose land was acquired for a project cannot slumber over their right to compensation under the Land Acquisition Act and then claim interest on the awarded amount. In this case, Executive Engineer vs State of Maharashtra, while one group of land-losers had received enhanced compensation granted by the Bombay High court, the other group came forward five-and-a-half year later. The high court condoned the delay and then asked the authorities to pay interest on the delayed compensation. The Supreme Court allowed the appeal of the authorities in part. While asking them to pay the enhanced amount it quashed the high court order to pay interest on it. The judgment emphasised: "The project executive, who is a public authority, cannot be saddled with the liability to pay interest for the period of delay, which is not at all attributed to it."

Award cannot wait until IBC decision

The Calcutta High Court has stated that an application to set aside an arbitral award under the Arbitration Act could not be kept in abeyance by reason of the provision of the Insolvency and Bankruptcy Code (IBC) being invoked by operational creditors against the debtor. In the judgment, Sirpur Paper Mills vs I K Merchants, the mills prayed for setting aside the award and pointed out that corporate insolvency proceedings under the IBC have been initiated against it as a corporate debtor. The mill has been taken over by JK Paper, which was the Resolution Applicant before the NCLT. The high court ruled that there was no basis for relegating the appeal under the Arbitration Act to the backburner. "In this case, the mills being the corporate debtor/award debtor it cannot be permitted to take refuge under the provisions of the IBC for relegating the claim of the award-holder to limbo for an indefinite period of time," the judgment said.

Injunction denied in patent case

The Delhi High Court last week rejected two applications moved by Astrazeneca AB against Emcure Pharmaceuticals in a patent suit involving a medicine for antiplatelet treatment for Acute Coronary Syndrome. The name of the compound is Ticagrelor. Astrazeneca uses the names Brilinta and Axcer for its compound and the Indian company uses the brand names Ticaplat and Tiare for its product. The former claimed enhanced efficiency for its compound, while the latter maintained that there was little innovation in it. The high court observed that though Astrazeneca has presented prima facie case in its favour, the patent had expired last month and Emcure has already launched its rival product. Therefore, pending the final decision, the court did not pass an injunction.

Blowing the whistle

What the CCI's changed stance means for e-tailers, **Ruchika Chitravanshi** explains

The country's anti-trust watchdog could play a party pooper in the online shopping paradise. Exclusive deals at two e-commerce websites, Amazon and Flipkart, and large scale discounts on products have come under the scanner of the Competition Commission of India (CCI), in what is being seen as an about-face that portends hardening of its stance going forward.

This marks the first formal order of an investigation by the CCI into market practices by the two e-commerce giants. However, CCI Chairman Ashok Gupta claims the two have had many run-ins with the fair play regulator in the past. What seems to have changed over the last two-three years is that earlier the CCI considered online as another channel for retail sales, while it now seems dividing the retail market into two — online and offline, and looking at them separately, say competition law experts.

The present investigation was ordered on the complaint of Delhi Vyapar Mahasangh, a society comprising smaller traders of smartphones and related accessories. The Commission's complaint was filed under Section 3 (1) — read with (4) — of the Competition Act. It raises the issue of appreciable adverse effect on competition because of the exclusive launch of products, coupled with preferential treatment to a few sellers and the discounting practices.

Experts, however, point out that deep discounting and predatory pricing may be violations of competition law only if undertaken by a dominant enterprise. "The CCI's order shies away from finding either Flipkart or Amazon dominant in any market," says Abdullah Hussain, partner in law firm Luthra & Luthra.

While the Commission has denied the complaint of joint dominance, experts point that in the Amazon-Flipkart case, the CCI considered the market position of the platforms, while altogether ignoring the market position of smartphone manufacturers. "It depends on how the CCI defines the relevant market. It seems to be diverting to two markets — online and offline," says Nisha Kaur Uberoi, partner and national head, competition law at Trilegal.

In November 2018, a similar complaint filed by All India Online Vendors Association against Flipkart was dismissed by the CCI, which acknowledged that the marketplace-based e-commerce model is an evolving one of retail distribution in India and is of very technology-driven nature. "Recognising the growth potential, as well as the efficiencies and consumer benefits that such markets can provide, the Commission is of the considered opinion that any intervention in such markets needs to be carefully crafted, lest it stifles innovation," the Commission said in its 2018 order.

In 2015, the Commission closed its first case filed against both companies on the ground that it was "very unlikely" that an exclusive arrangement between a manufacturer and an e-portal would have any anti-competitive effects, particularly as most of the products, such as mobile phones and other electronic items, were not "trodden by monopoly or dominance."

So, what has changed over the last two-three years that the Commission revised its stance?

According to Uberoi, the Commission's justification for a change in market definition pertains to the pace of evolution of the digital market, especially so for the online travel market. "The pace of evolution of the digital market is significantly faster as compared to the traditional market, and the assessment needs to be done considering the current market realities and competition dynamics," says Uberoi.

The Commission's latest study on the e-commerce market is almost a precursor to the Amazon-Flipkart probe order and it also sheds light on the Commission's new thought process. Its findings, while calling for self-regulation, points out the same problem areas as raised in the latest complaint that is being probed.

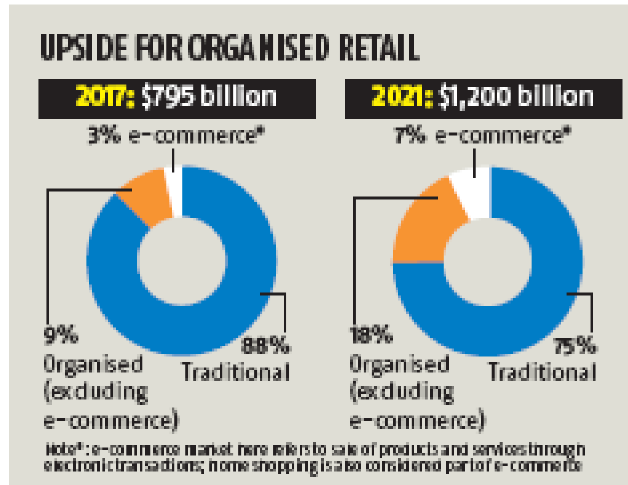
"The CCI's order is not unjustified. It has shown respect for new technology and said that these companies bring benefit to the customer... The study of e-commerce was done to better understand the sector and having done that, these issues were raised," notes Vinod Dhall, a competition law expert.

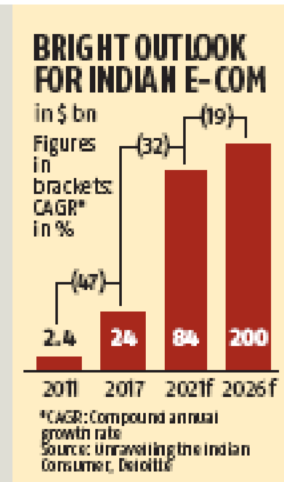
Globally, too, regulatory action against digital players is on the rise. "There is a growing call for action globally as the world's digital giants, such as Google, Amazon, Facebook, and Apple face antitrust investigations in the US and Europe for many of the same issues identified by the CCI in its report," notes Hussain.

Analysts also point out that the Commission has changed its composition over the last two years. The CCI has an all-new cast with a new chairperson taking charge in November 2018 and two members getting appointed soon after.

In the recent past, online travel major MakeMyTrip, too, had come under the scrutiny of the regulator. Until now only the online food delivery platforms have been able to keep away from the regulator's gaze. With its hardened stand, it may not be far when other major online players also feel the heat, feel many experts.

Small retailers have accused Flipkart and Amazon of deep discounting and getting exclusive deals





COMMISSION'S POINT OF VIEW

2015	2018	2020
The Commission closes the first case filed against Flipkart, Amazon	The complaint against Flipkart dismissed	Decides to probe alleged abuse of dominant market position

UNDER THE PROBE LENS

- Exclusive launch of mobile phones
- Preferred sellers on the marketplaces
- Preferential promotion of private labels
- Deep discounting

PROPOSED TAKEOVER NORMS FOR UNLISTED COMPANIES

Majority vs minority shareholders: Need for a high-wire balancing act

SUDIPTO DEY

The ministry of corporate affairs (MCA) is in the process of coming out with takeover norms for unlisted companies. Legal experts explain how the new rules may change the playing field between majority and minority shareholders.

Why is there a need for takeover norms for unlisted companies?

These provisions existed in Section 395 of the Companies Act, 1956, and also under Section 236 of the Companies Act, 2013. However, these were never notified in the absence of rules or guidelines.

These norms were for the benefit of minority shareholders (less than 10 per cent) in cases where an acquirer gets 90 per cent shareholding in a company. In such cases, minority shareholders were given an option to exit the company according to a prescribed valuation.

The provision should benefit minority shareholders as long as there is no compulsory acquisition of shares of the minority, and the minority is given an option whether to tender the shares or not, notes Lalit Kumar, partner in law firm J Sagar Associates.

According to Sandeep Parekh, managing partner, Finsec Law Advisors, the takeover framework envisaged for unlisted companies would be different from the framework under the Sebi takeover regulations for listed companies. "While the Sebi takeover regulations seek to protect minority shareholder rights by providing exit rights if controlling stakes are changed, the unlisted proposal will be a means for 'squeezing' the minority shareholders out of an unlisted company," he says. Parekh is of the view that the norms would have to carefully balance the rights of the majority with that of the minority.

Experts say the recent corporate governance lapses in unlisted companies seem to be a trigger for bringing in the norms. "The government would be curious to know more about the changes in the ownership or management of unlisted companies. The objective would be to bring in transparency and accountability," says company secretary Gaurav Pingle.

How will the norm change the playing field between majority and minority shareholders?

Experts say the takeover norms would be with respect to the threshold, pricing, compliances, disclosures, manner of making an offer, etc. The government has recently introduced several compliance measures for unlisted companies, including compulsory dematerialisation of shares. There is also a proposal to introduce a quarterly reporting mechanism for unlisted public companies.

According to Parekh, the proposal for takeover norms for unlisted companies will need to be done delicately and with a lot of expertise. Shriram Subramaniam, managing director, InGovern Research Services, agrees. "There needs to be a smooth mechanism for the exit of minority shareholders, including the right to first refusal, wherein if minority shareholders want to sell to any other third-party, the first right is to the majority shareholder to buy the shares at a valuation that the third party is offering," he says.

Experts are also wary of information asymmetry between majority and minority shareholders in unlisted companies. Subramaniam points out the majority shareholder may have access to insider information and use it to buy the shares of the minority.

What could complicate the matter further is that the Companies Act and various Sebi regulations, do not define unlisted companies.

How do other jurisdictions handle these issues?

In most jurisdictions, transactions involving mergers and acquisitions of unlisted companies are largely governed by the respective company law statutes and other ancillary laws, such as laws governing contracts, competition, tax, labour, environment, and foreign exchange. "There are no specific takeover codes/regulations governing M&A transactions where unlisted entities are concerned," says Astha Pandey, senior research fellow, Vidhi Center for Research Policy. These jurisdictions include the US, the UK, Australia, Denmark, Finland, the Netherlands, Sweden, and Japan.

Split CMD position: Medicine without ailment?

ACCOUNTANCY

ASISH K BHATTACHARYYA

The Security and Exchange Board of India (Sebi) has deferred the date by which the top 500-listed companies are required to comply with the regulation to separate the roles of chairperson and managing director (MD)/chief executive officer (CEO) from April 1, 2020, to April 1, 2022. The Sebi regulation requires that the non-executive chairperson and the CEO should not be related according to the definition of a relative in the Companies Act, 2013. It is explained that Sebi has taken the decision to defer the applicability of the regulation in view of the demand from companies and to keep the compliance burden low in the wake of the current economic scenario.

When we see through the lens of agency theory, which assumes that the manager ignores the interest of the company and enriches itself unless monitored, separation of the two roles -- chairperson and CEO -- makes sense, albeit theoretically. Independent chairperson improves the oversight function of the board. The chairperson has clear authority to speak on behalf of the company and manage the board meetings. Separation mitigates the conflict of interest in the areas of performance evaluation, executive compensation, succession planning, and appointment of new directors. It allows the CEO to focus on strategy implementation and organisational issues, as the responsibilities related to management oversight, board leadership and governance-related matters lie with the chairperson. Crafting strategy is the joint responsibility of the board and the CEO.

When we see through the lens of the stewardship theory, which assumes that the manager is motivated to work in the interest of the company, separation of the two positions does not make sense. A manager who is self-motivated to work in the interest of the company does not require monitoring. On the other hand, separation of the two roles results in losing the benefits of "unity of command".

> **Appointment of a lead independent director might be a better option than mandating separation of the positions of chairperson and MD/CEO**

The UK Code of Corporate governance, which is a soft law (comply or explain), mandates that the same individual should not occupy both positions. In the US, there is no mandate to separate the roles of chairperson and CEO. However, more and more companies in the US are now separating the two roles. In 2005, in 30 per cent of the S&P 500 companies, the role of chairperson and CEO were split. In 2013, the percentage increased to 40 per cent and now it is 53 per cent. The OECD Corporate Governance Fact Book 2019 reports that of 37 jurisdictions covered in the report, 30 per cent require separation, 30 per cent do not require separation, 35 per cent recommend separation, and 5 per cent have incentive mechanism to induce separation.

Research fails to provide conclusive evidence that the separation of the two roles improves performance. Research evidence suggests that benefits and drawback of separation of the two roles are situation dependent and depend on an array of factors. Two professors of Stanford University examined the leadership structure and the circumstances under which they changed over a 20-year period (1996-2015). Their sample consisted of 100 largest and 100 smallest of the Fortune 1,000 companies (2016). They reported that most separations (78 per cent) occur during orderly succession when the former founder, CEO or other officer continues to serve as chairperson temporarily or permanently. Research evidence suggests that the temporary separation provides stability. The vast majority of cases of combining the two positions (91 per cent) involve an orderly succession at the top. In a nutshell, changes in the leadership involved orderly succession. In some cases, companies separated the two positions to address corporate governance failures under shareholders' pressure.

Indian family businesses dominate the corporate sector and will continue to drive economic growth. Stewardship theory better explains the behaviour of the controlling shareholder (the family). Mandating family businesses to separate the chairperson and CEO positions is like forcing someone to take medicine without an ailment, ignoring the ill-effect of the same. One complaint against family businesses is that the family expropriates the wealth of non-controlling shareholders through abusive related-party transactions (RPT), etc. This has already been addressed under the current dispensation by making the audit committee responsible to approve RPTs. Appointment of a lead independent director might be a better option than mandating separation of the positions of chairperson and CEO. If companies are forced to separate the two positions, they will prefer to appoint the nominee of the controlling shareholder as non-executive chairperson and an outsider as CEO, who will be subservient to the chairperson in the interest of the company and in his/her self-interest.

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"We expect things to improve five to six months after the new prices are accepted by customers post BS-VI implementation"

MINORU KATO
President & chief executive, Honda Motorcycle and Scooter India

"Prime Video is doing well all over the world, but nowhere is it doing better than India. We have just made a decision to double down on our Prime Video investments here"

JEFF BEZOS
Chief executive officer, Amazon

"In the past two years, we have invested heavily to pave the way for launching our iconic global products like Jolly Rancher, Brookside and Kisses"

HERJIT BHALLA
Managing director, Hershey India

Nestle's recipe for turnaround

Transformation measures taken after the 2015 Maggi crisis have started paying dividends

ARNAB DUTTA

Minutes after the trading began at the Bombay Stock Exchange (BSE) last Friday, the stock price for Nestle India shot up — touching its highest point ever at ₹15,599. That's three times the value of the stock at the time of the 2015 Maggi fiasco; that's also one of the highest among its peers in the fast-moving consumer goods (FMCG) sector today.

In the last one year, its stock has gained over 38 per cent. Among contemporaries, Hindustan Unilever stands at 17.58 per cent, Dabur at 16.48 per cent, Marico -8.11 per cent and ITC -18.31 per cent. Nestle also outperformed the BSE Sensex (15.36 per cent) and the sector (11.88 per cent) by a broad margin.

The food major's superior performance amid an overall consumption slowdown in the FMCG sector is no fluke. It came on the back of a series of well-orchestrated moves adopted by the company since the bad days of 2015/16. From changing its communication stance vis-a-vis the target consumer to shifting its focus to volume-led growth, all the measures adopted since the Maggi crisis seem to be finally paying off.

In the September quarter, its net sales, operating profit and net profit before tax were highest in the last five quarters. And its earnings per share jumped to ₹61.75 — aided by the cut in corporate tax rate. While the financial numbers for the October-December period have not been released yet, market analysts such as Edelweiss Securities expect Nestle to register the highest topline growth in the sector. As per its research, Nestle is expected to grow its revenue by 9 per cent with volume growth outpacing that of rivals. Food major Britannia, to give a perspective, may deliver a topline growth of 7.5 per cent.

Shedding the tag of being a slow mover, in the past three years Nestle has followed an aggressive launch strategy

Nestlé will maintain its lead over rivals with its price-earnings ratio as well. While it was the highest in the sector in 2018-19 (at 84.5), in 2019-20, Edelweiss estimates its P/E to remain at 68.4 — higher than all other FMCG players.

So what are those key changes that seem to be working out for the company?

Suresh Narayanan, chairman and managing director, Nestle India, acknowledges the change in its "attitude" and "focus". It was a necessity, he had said, after taking charge of the India unit amid the Maggi crisis in August, 2015.

BEATING SLOWDOWN BLUES

- Share price gained over 38 per cent in the last one year
- Expected to grow revenue by 9 per cent in 18-19, comfortably outpacing most rivals
- Low exposure to rural India meant pressure of poor demand too was felt less
- Maintaining leadership positions in more than 85 per cent of the product categories it's present in
- Maggi noodles went past the pre-ban levels by volume and by value

From being a predominantly urban-focused company, over the past few years Nestle India has begun searching for growth in the rural market. To add new consumers, the focus has been on improving penetration — adding new outlets and encouraging sampling by launching smaller pack sizes and pushing its products through region-specific promotional schemes. Resultantly, the share of rural market in Nestle India sales surged to over 20 per cent by end-2019 from some 10 per cent in 2015.

That said, while the entire FMCG market has suffered from subdued sales growth in rural areas, Nestlé's historically urban-focused strategy may have turned out to be a blessing in disguise. As the company's exposure to the hinterlands continue to be lower than the industry average, the pressure of poor demand, too, was felt less. As per Nielsen's analysis, while the rural market contributes 36 per cent towards FMCG sales, it contributed 60 per cent towards the overall growth slowdown.

Shedding the tag of being a slow mover, in the past three years Nestle has followed an aggressive launch strategy. Take its move into the breakfast category. Last month, to expand its portfolio in the fast growing breakfast cereals market, Nestle extended its brand Maggi with Indian dishes such as *poha* and *upma*. As per Euromonitor's estimates, the packaged breakfast foods market is growing at over 20 per cent CAGR.

Overall, it has introduced over four dozen new products, besides extending its stronger brands like Maggi, Munch, Nescafe and relaunching brands such as Milo and Nescafe Gold. During 2019, the firm has gained market share in infant cereals (represented by Cerelac), instant noodles and pasta (Maggi), white chocolate (Milkybar), wafers (Kitkat) and instant coffee (Nescafe).

Promotional activities and new launches have helped the world's biggest packaged-food company maintain leadership positions in more than 85 per cent of the product categories it is present in. Brands such as Lactogen, Nan, Cerelac, KitKat, Munch, Milkybar and Nescafé are market leaders in their respective categories. Maggi regained the top spot, too, with 60 per cent market share as it went past the pre-ban levels by volume and value.

Another factor that helped it moving the organisation from a pan-Indian framework to a cluster framework dividing the country into 15 clusters. Sharp positioning, resourcing and monitoring activities across the geographies opened up incremental opportunities for growth. This strategy of offering localised solutions also entails increased use of local media. From banking on national media vehicles the company has started using regional media vehicles in a big way. The company credits the power of data analytics for much of its new focus and recent success.

Co-living brands key in the migrant millennial

Zolo, Nestaway, Guesture, Oyo Life are among a clutch of brands pitching plug-and-play residences for a new generation of professionals

SAMREEN AHMAD

A young, unmarried couple agonises over life lived under the scrutiny of landlords, while a newly-minted professional talks about spending all his time on the road in Bengaluru because he can't afford a house close to his office. Advertisements for co-living spaces, the slickly made films that have been released on digital media are pushing the sector under the spotlight. Having relied largely on word-of-mouth communication, broking agents and direct mailers until recently, a band of brands such as Oyo Life, Nestaway, Zolo, Guesture among others have dialled up the noise around their services. The aim: build awareness, recall and reserve a premium spot in the rapidly growing business of co-living.

The category targets a generation for whom, share, not buy is the mantra of life. The co-living ads are thus talking directly to the concerns and needs of millennials while drawing lessons from industries that have transformed under their influence. For instance, the businesses of transport (Uber, Ola), travel (Airbnb, Oyo) and commercial real estate (WeWork, CoWorks).

A 2019 report by Ficci and real estate firm JLL on co-living showed that millennial employees are reshaping rental housing in the country. Every city comes with a distinct set of constraints and to appeal to the target audiences, co-living brands are tweaking their services and ads accordingly. Most respondents (76 per cent) in Delhi and Mumbai for instance want air conditioners in a shared accommodation, while in Hyderabad, 79 per cent said food was the most important factor. Zolo Stays has thus focused on food, in its ads and at its homes.

From Left: **Oyo Life talks up the privacy its homes offer for young couples in new cities, Zolo and Guesture emphasise on safety and convenience of shared living**

"We enable the development of lively communities for Zoloites through technology-driven interventions where they can share day-to-day experiences," says Nikhil Sikri , CEO of Zolo. The Nexus Venture Partners-backed company has created separate landing pages for each city and locality, and further segregated the same on the basis of gender for easy discoverability. It is also using platforms like LeadSquared and Clevertap to set up automated trigger-based campaigns.

Nestaway which forayed into co-living and student housing with The Hello World last year focuses on identifying and reaching the relevant set of people early in their journey, because people don't move houses very often and brands need to nudge their way in right at the discovery stage. It widely uses data and analytics to look at patterns which determine when someone would look for a house. "This feeds into our marketing, so that we can be present when they start their house search," said a company spokesperson.

Oyo's housing rental solution Oyo Life is appealing to those between 18 and 35 years. It sprinkles humour into its advertising while promoting the brand's commitment to privacy rights for its residents. Its ads regularly use puns and idioms in its banter with viewers.

Going by the recent trends, the co-living business may offer a higher rental yield, as much as 8-11 per cent said analysts, as compared to the current average yield of 1-3 per cent in residential properties. No surprise then that brands are flocking to the industry. Interestingly, co-living spaces can also bring down the average cost of living by as much as 10-15 per cent on the back of optimal real estate utilisation and the economies of scale, says a report by property consultancy firm Anarock.

"Even though co-living is still in a fledgling phase in India, it is definitely here to stay and will find increasing takers not only because of the aspirations of young professionals and students but also the evolving mindset of society in general," says Anuj Puri, chairman, Anarock Property Consults.

QUIZ 649

1 Connect Chittagong, a major coastal city and financial center in southeastern Bangladesh, with the capital city of Afghanistan, Kabul and what do you arrive at?

2 Name the place in Mumbai which get its name from the artisans and construction workers who migrated from the state of Hyderabad in the 1850s.

3 Whose now famous line is this, when he spoke to the public almost after a year last December "I am here to clear my name"?

4 A leading Indian edible oil and foods brand recently released its campaign which is a challenge that is powered by one of its brands and gives the person the right reason to kick start the new year with a healthy routine. The challenge is backed by the scientifically proven fact that if a practice is sincerely followed for 21 days continuously, it eventually becomes a habit. Name the brand.

5 Dry ___ and No Shave ____are two different months in a year where people volunteer abstinence mostly in the UK and USA. The former will disappoint the alcohol industry and the latter shaving product companies. Fill in the blanks.

6 Which company's cloud operating system when translated in English means "Tower of Collected Stones"?

7 Which brand's latest campaign is titled "Women of Change"?

8 What is the term that describes one's action of wasting time engaging with any screen — for instance, computer, video game, television or smartphones?

9 Whose ad campaign runs the hashtag "NothingToSeeHere"?

10 Who is this person and what is the award that he received way back in the 1940s?

COMPILED BY GAURAV SRI KRISHNA, www.facebook.com/gaurav.s.krishna

ANSWERS TO THE STRATEGIST QUIZ 648

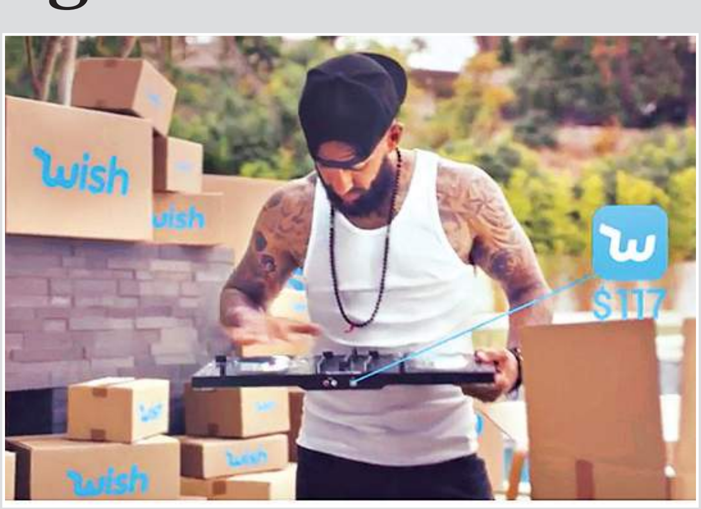
1. These are all names of modern oil tankers developed by Ludvig and Robert Nobel, brothers of Alfred Nobel, who founded Branobel (short for Brothers Nobel) in Baku, Azerbaijan. In the late 19th century, they ran one of the largest oil companies in the world.
2. Jack Welch
3. Vargas was famous for Aircraft Nose art and painted a number of WWII planes for the US Airforce. Virgin Atlantic has created a mascot called Red Velvet for all its Airbus 350 aircrafts
4. Boeing employee emails on the ill-fated 737 Max
5. Main brands endorsing Rajnikanth's latest release *Darbar*
6. Fevi Call (Fevicol)
7. Colgate
8. Carlos Ghosn, ex CEO of Nissan Renault escaped from Japan in one of them
9. Evernote's Elephant is called Mads
10. Flavour profiles of Chocolate grown in these countries

One lucky winner will receive a cheque for ₹2,000. Send your entries to strategist@bsmail.in. All entries must carry the postal address of the contestant. Last date for receiving entries is January 21 till 8 pm. Previous winners and employees of *Business Standard* and their families are not eligible to participate. The winner is chosen on the basis of the first correct entry received.

There was no correct entry to Quiz number 648

MY **FAVOURITE** CAMPAIGN

Choosing the right words



MY TAKE
The campaign was perfect the way it was

BRAND: Wish
YEAR OF LAUNCH: 2018
AGENCIES: In-house concept and execution

SHUBHOMOY SIKDAR

Which is your favourite campaign and why?
My favourite campaign is #timeonyourhands launched by an online shopping app Wish. Some of the biggest names in the world of football such as Neymar, Paul Pogba, Gareth Bale, Robin Van Persie, etc. were used as influencers in the campaign.

I loved the way the campaign played on the emotions of these footballers and their fans. Since most of these players, playing for their respective countries, had recently missed out the chance of qualifying for the FIFA World Cup final, the campaign promoted shopping on their app by comparing it with what a player does with time on his hands when away from on-field action.

On what parameters did you base your decision?
It was exactly like what a successful marketing campaign should ideally be. Influencer marketing is perhaps the best strategy to have a strong impact on a target audience. The campaign had a strong influencer narrative with a bang on selection of youth relevant influencers which helped it grab the attention of customers. Second, the success of a marketing campaign largely depends on user engagement. #timeonyourhand checked all these boxes. Content is the backbone of marketing and the creators of this campaign used absolutely great content. All the influencers interacting on each other's Instagram post made it one of the most talked-about campaigns and helped it reach audiences across the globe.

What do you think was the key idea the campaign was trying to drive home?
I think the primary aim of the campaign was to establish Wish in the e-commerce space. It aim to tell people that it had a wide variety of relatively cheaper products. Above all, it was evident that the campaign wanted to make Wish the go-to app for online shopping.

Do you remember the campaign winning any advertising awards? Do you think these awards serve any purpose?
I am not sure if the campaign had won any awards. The real award in marketing is achieved when a campaign is able to build positive brand value and engage the biggest possible target base. I think Wish did that perfectly.

Sometimes, because of the emotional element in a campaign, there is greater recall for the story than the product or service advertised. Did anything like that happen in this case?
The content used in the campaign was relevant and appropriate with the right choice of words. It helped the brand build an emotional connection with the target audience. In addition, the footballers interacting with each other publicly on Instagram made the fans go crazy.

SUMEDH CHAPHEKAR
Co-Founder
NOFILTR Social

Did this campaign inspire any of your work? What are your takeaways from the campaign?
Our campaign "Escape" was an influencer narrative inspired from the Wish campaign.

What else could have been done to make the campaign better?
I think the campaign was perfect the way it was.

No wish for laws treating businesses with suspicion: FM

This, after Tata Sons chairman said that businesses need supervision and not suspicion

GIREESH BABU
Chennai, 19 January

Finance minister Nirmala Sitharaman has said the government had no wish for laws which treat every business entity with suspicion. This comes right after Tata Sons chairman N Chandrasekaran said business needs supervision but not suspicion. A sentiment the FM said she fully empathised which.

The government was working towards a desired environment in this regard and required business to work with it, she said.

Delivering the Nani Palkhivala Centenary Celebrations Lecture here, she said: "My first and earnest attempt, which continues till today, is to decriminalise everything to do with the Companies Law or related laws — the very point the Prime Minister keeps talking. And, I was very impressed, again when the Tata Group's head said the government should trust people, government should trust its own citizens."

"In the law, there are a number of sections leading to a criminal approach and, therefore, penalties of even jail terms. The government's effort is to decriminalise the Companies Law, ensure no other Act of the government — whether it is on income tax or whether it is Prevention of Money Laundering Act — will have such an impact."

"We do not want a law which is going to treat every business house with suspicion. That is not the intent of this government at all," she said.

Chandrasekaran, in his Palkhivala Memorial lecture last week, said there was micro-management and suspicion (from the government's side). All rules in the country start with suspicion, he said.

The FM said at the latest meeting of the GST Council, she suggested deliberation on whether rate revisions could be a once-a-year exercise. If the various committees say a rate reduction will lead towards inversion of the duty structure, we should have the largeness to refuse such a reduction.

Also, the government has suggested that assessment of annual collection be on for a full year at the least before talking of rationalising GST. The matter is before the Council, she said.

To a query on credibility of public data and the government's decision to withhold portions that might be against other sets of data, Sitharaman said it was a strange situation where people tended to question one set of numbers, based on the methodology, to question the entire data set of the government. A base year for calculation has to be done periodically and blaming the Narendra Modi for this is unacceptable, she said.

On banks' stressed loans, she said the insolvency law had helped to clear many of these. Banks has been asked to work on reducing the level of their non-performing assets.

As for tax collection targets, she in their absence, there would be a laidback attitude to revenue. Even so, she had personally asked regional heads to ensure against harassment to tax payers.

Nirmala Sitharaman at an event in Chennai on Sunday PHOTO: PTI

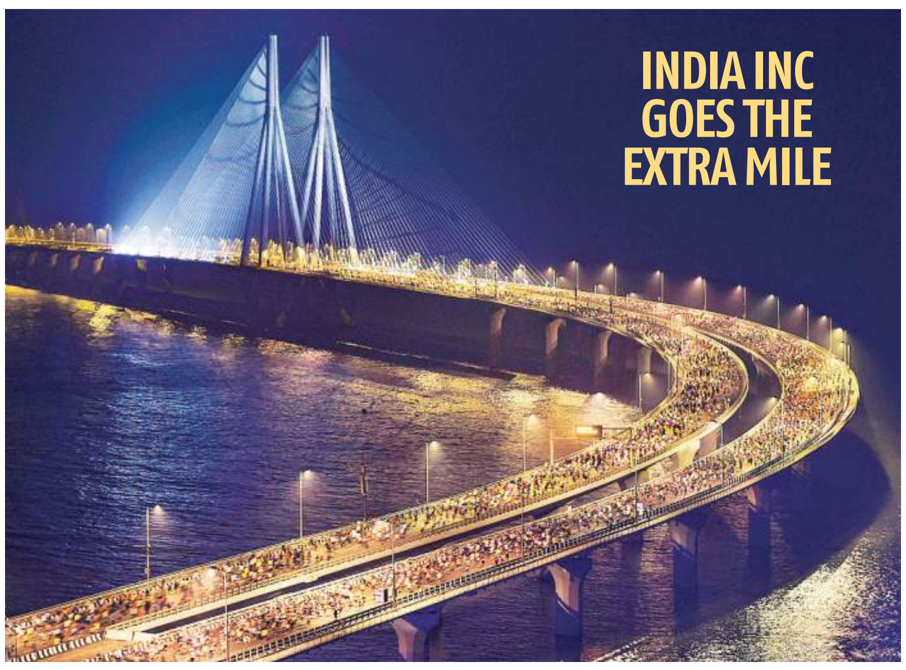
'Lankan Tamil refugees to get citizenship'

Finance Minister Nirmala Sitharaman said there would be a process to grant citizenship to the 95,000 Tamil refugees from Sri Lanka. Doing so is not a part of the Citizenship Amendment Act (CAA).

In the past six years, she said, 2,838 Pakistan nationals, 912 Afghans and 172 from Bangladesh were given Indian citizenship, including Muslims. Speaking at an event in Chennai, she said 461,000 Lankan Tamils were provided Indian citizenship between 1964 and 2008. Responding to a query on why the CAA does not include these people, she said: "Sometimes, amendments will be made to provide citizenship for a certain batch of people. When citizenship was provided to Sri Lankan Tamilian refugees, you might have asked why those who migrated from Pakistan were not considered. Not providing the option to Sri Lankan Tamilian refugees does not mean citizenship will not be given to them... 95,000 are still in camps. There will be a process of giving citizenship to them."

She said 566 Muslims from Pakistan, Afghanistan and Bangladesh were given citizenship since 2014, including Pak singer Adnan Sami, who got it in 2016. During 2016–18, it was also granted to 391 Afghans and 1,595 Pakistanis. Combining the issues of the CAA and the proposed NRC was not right, she argued, since the latter's details of NRC had yet to be even discussed, let alone finalised.

Meanwhile, Bangladesh Prime Minister Sheikh Hasina termed as "internal matters" of India the CAA and NRC, but at the same time said the act was "not necessary". GIREESH BABU



(*Clockwise from left*) **Tata Consultancy Services CEO Rajesh Gopinath, Tata Sons Chairman N Chandrasekaran, Reliance Group's Anil Ambani and JSW Group's Sajjan Jindal participate in the Tata Mumbai Marathon 2020, on Sunday. A large section of corporate executives preferred the shorter 21.095-km half marathon. A 64-year-old man died after suffering a heart attack while running**
PHOTOS: KAMLESH PEDNEKAR, PTI

Climate change threatens around half of world GDP, says WEF study

PRESS TRUST OF INDIA
Davos, 19 January

Flagging huge risks to the economy from dangers of biodiversity loss and climate change, a WEF study on Sunday said businesses are more than dependent on nature with an estimated exposure of $44 trillion or half of the world GDP.

Releasing the Nature Risk Rising Report ahead of its 50th Annual Meeting, the World Economic Forum said about 25 per cent of our assessed plant and animal species are threatened by human actions, with a million species facing extinction, many within decades. China, the EU and the US have the highest absolute economic value in nature-dependent industries.

An analysis of 163 industry sectors and their supply chains found that over half of the world's GDP is moderately or highly dependent on nature and its services. Pollination, water quality and disease control are three examples of the services an ecosystem can provide.

The report said $44 trillion of economic value generation — over half the world's total GDP — is moderately or highly dependent on nature and its services and, as a result, exposed to risks from nature loss.

Construction ($4 trillion), agriculture ($2.5 trillion) and food and beverages ($1.4 trillion) are the three largest industries that depend most on nature. Combined, their value is roughly twice the size of the German economy. Such industries rely on either the direct extraction of resources from forests and oceans or the provision of ecosystem services such as healthy soils, clean water, pollination and a stable climate.

As nature loses its capacity to provide such services, these industries could be significantly disrupted. Industries highly dependent on nature generate 15 per cent of global GDP ($13 trillion), while moderately dependent industries generate 37 per cent ($31 trillion).

This World Economic Forum report, produced in collaboration with PwC UK, found that many industries have significant "hidden dependencies" on nature in their supply chain and may be more at risk of disruption than expected.

For instance, there are six industries which have less than 15 per cent of their direct gross value added (GVA) that is highly dependent on nature, yet over 50 per cent of their supply chains' GVA is highly or moderately nature-dependent. The industries are chemicals and materials; aviation, travel and tourism; real estate; mining and metals; supply chain and transport; and retail, consumer goods and lifestyle.

Over 100 Indian CEOs to descend at Davos

As the rich and powerful from across the globe assemble this week in this Swiss ski resort town to discuss a 'cohesive and sustainable world', over 100 CEOs as also some Union ministers and chief ministers from India would also be present alongside Deepika Padukone and Sadhguru. Those who have registered include Gautam Adani, Rahul and Sanjiv Bajaj, Kumar Mangalam Birla, N Chandrasekaran of Tata Group, Uday Kotak, Rajnish Kumar of SBI, Anand Mahindra, Sunil and Rajan Mittal, Ravi Ruia, Pawan Munjal, Nandan Nilekani and Salil Parekh of Infosys, C Vijayakumar of HCL Tech, Ajay Piramal, Rishad Premji, Ajay Singh and Pirojsha Godrej. PTI

Bhagwat: RSS doesn't want to be another power centre

PRESS TRUST OF INDIA
Bareilly, 19 January

Stressing that the RSS follows the Constitution, RSS chief Mohan Bhagwat on Sunday said the organisation does not have any agenda and it does not want to become another "power centre".

He was talking at Rohilkhand University on 'Future of India: Rashtriya Swayamsevak Sangh's point of view'. "The Sangh follows the Constitution of India. It does not have any agenda and it does not want to become another power centre. A number of misconceptions about the RSS are being spread, and they can be cleared only when it is understood from close quarters. The Sangh does not have any remote control and it does not want that anyone should function according to it," he said. Bhagwat said that if there is a power centre barring the Constitution, the Sangh will oppose it.

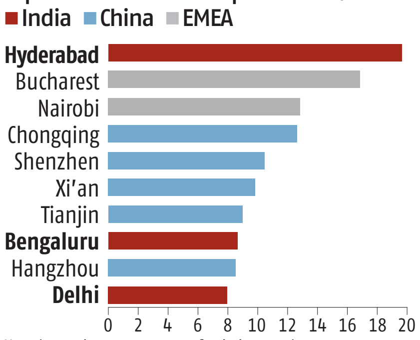
HYDERABAD PIPS BENGALURU TO BECOME WORLD'S MOST DYNAMIC CITY, SAYS JLL

Indian cities featured strongly in a list of the world's most dynamic cities despite a slowing economy. Hyderabad emerged as the world's most dynamic city, pushing last year's index winner, Bengaluru, to the second place. In 2019, lesser number of Indian cities made it to JLL's City Momentum Index. The index combines socio-economic and commercial property metrics to identify the world's most dynamic city economies and realty markets

COMPILED BY AMRITA DAS

HYDERABAD TAKES THE LEAD

Top 10 in office net absorption in 2019



GLOBAL TOP 20

2019	Rank	2020
Bengaluru	1	**Hyderabad**
Hyderabad	2	**Bengaluru**
Hanoi	3	Ho Chi Minh City
Delhi	4	Nairobi
Pune	5	**Chennai**
Nairobi	6	**Delhi**
Chennai	7	Hanoi
Ho Chi Minh City	8	Manila
Xi'an	9	Silicon Valley
Guangzhou	10	Shenzhen
Nanjing	11	Chongqing
Manila	12	**Pune**
Beijing	13	Wuhan
Shanghai	14	Dubai
Kolkata	15	Hangzhou
Chongqing	16	**Kolkata**
Hangzhou	17	Shanghai
Bangkok	18	Riyadh
Shenzhen	19	Austin
Chengdu	20	**Mumbai**