TUESDAY, 21 JANUARY 2020
18 pages in 1 section
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Business Standard

THE MARKETS ON MONDAY		Chg#
Sensex	41,528.9▼	416.5
Nifty	12,224.5▼	127.8
Nifty futures*	12,263.2▲	38.6
Dollar	₹71.1	₹71.1**
Euro	₹78.8	₹79.0**
Brent crude ($/bbl)##	64.7##	65.2**
Gold (10 gm)###	₹39,951.0▲	₹142.0

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

ECONOMY P5
CURB ON SALE OF DUTY-FREE LIQUOR MAY RAISE TRAVEL COST

BACK PAGE P18
ANDHRA MOVES CLOSER TO GETTING THREE CAPITALS

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

SENSEX DOWN 416 PTS ON PROFIT-BOOKING

The Sensex tumbled from record highs to close deep in the red on Monday as investors booked profits in index heavyweights Reliance Industries, Kotak Mahindra Bank, HDFC Bank, and TCS following their quarterly results. After hitting a intra-day high of 42,273.87, the Sensex settled 416.46 points, or 0.99 per cent, lower at 41,528.91. 10

BACK PAGE P18

Nadda takes over as BJP national president

PHOTO: SANJAY K SHARMA

Jagat Prakash Nadda (*right*) was elected unopposed the BJP's national president on Monday, taking over the reins from Amit Shah, who had a tenure of five and a half years. The Delhi assembly election is the first challenge for Nadda.

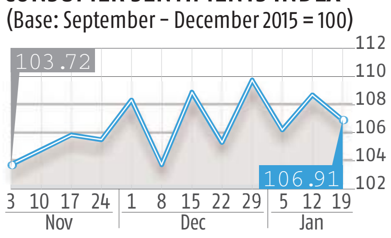
SC refuses interim stay on electoral bond scheme

The Supreme Court on Monday sought response of the Centre and the Election Commission on a plea seeking a stay on the electoral bond scheme meant for funding political parties. The top court, however, refused to grant an interim stay on the electoral bond scheme. 18

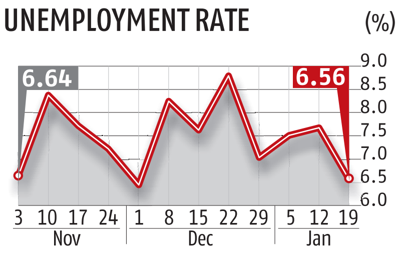
THE CMIE TRACKER

CONSUMER SENTIMENTS INDEX

(Base: September - December 2015 = 100)



UNEMPLOYMENT RATE (%)



Source: CMIE

THE REAL UNEMPLOYMENT CHALLENGE 8

RESULTS RECKONER

Quarter ended Dec 31, 2019; common sample of 82 companies (results available of 97)

SALES		
Dec 31, '18	**37.3%**	₹3.17 trillion
Dec 31, '19	**2.4%**	₹3.24 trillion
PROFIT BEFORE TAX		
Dec 31, '18	**16.7%**	₹49,774 cr
Dec 31, '19	**8.6%**	₹54,035 cr
NET PROFIT		
Dec 31, '18	**13.4%**	₹35,608 cr
Dec 31, '19	**15.6%**	₹41,149 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

Telcos dial apex court again

- SEEK CHANGE IN 90-DAY PAYMENT DEADLINE FOR DUES
- WANT PERMISSION TO SIT WITH DoT ON TERMS
- ASK FOR URGENT HEARING OF THEIR PLEA TODAY

SURAJEET DAS GUPTA & MEGHA MANCHANDA
New Delhi, 20 January

Three telecom operators on Monday filed a "modification application" in the Supreme Court, seeking a change in the 90-day payment deadline for dues on account of adjusted gross revenue (AGR) as well as permission to engage with the Department of Telecommunications (DoT) on the terms and timing of payment.

Bharti Airtel, Vodafone Idea, and the Tata group, including Hughes Telecom (which was later named TTSL Maharashtra), have requested the apex court to list their petition for urgent hearing on Tuesday, because the deadline for them to pay ₹1.47 trillion as AGR ends on January 24.

The court, on October 24 last year, had ordered telecom companies to pay their licence fees and spectrum user charges (SUCs) within 90 days. Failure to do so could lead to contempt of court.

Spokespersons for the three companies and groups did not respond or comment on the matter.

According to sources in the DoT, the department will not do anything that is against the order.

The plea, apart from holding off the telcos' earlier plan to go for a curative petition, is aimed at not only getting more time to make the AGR payment but also, if the apex court allows, negotiate with the DoT for a staggered payment scheme, just as it was able to get while paying for spectrum.

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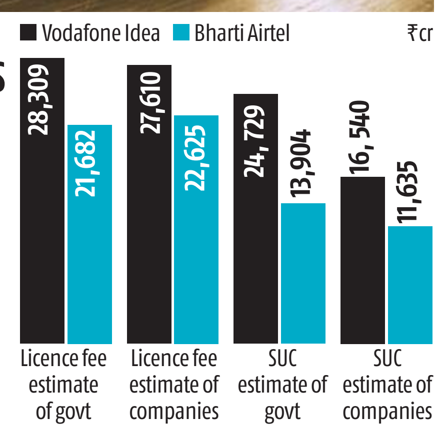
DIFFERING VIEWPOINTS

Government's estimates versus leading telecom companies' estimates on AGR dues



SUC: Spectrum usage charge
Source: Government, companies and Jefferies

OIL to move TDSAT over ₹48,000-cr DoT notice

The telecom department has slapped a ₹48,000-crore demand notice on Oil India (OIL) in past statutory dues, an order which OIL plans to challenge at the Telecom Disputes Settlement and Appellate Tribunal (TDSAT). Following a SC ruling that non-telecom revenues should be included for considering payments of government dues, the telecom department has asked OIL to pay ₹48,000 crore.

India to pull down global growth: IMF

Fund cuts country's FY20 growth to 4.8%, lower than advance estimates

INDIVJAL DHASMANA
New Delhi, 20 January

IMF Chief Economist Gita Gopinath expects growth to improve next year due to positive impact of corporation tax rate cut

The International Monetary Fund (IMF) lowered India's economic growth forecast to 4.8 per cent for this fiscal year owing to the crisis in the non-banking financial sector and weak rural demand. It also cut the world's growth estimate and blamed the slowdown in India for its move.

The IMF projection, 1.3 percentage points lower than its earlier estimates, is less than the 5 per cent projected by the official advance estimates. The IMF projected India's economy to grow by 5.8 per cent next year, which is 1.2 percentage points less than its earlier forecast. It also forecast the economy to grow by 6.5 per cent in 2021-22 which is 0.9 percentage point lower than earlier projections.

The IMF estimated world economic growth at 1.9 per cent for 2019, 0.1 percentage point lower than its earlier forecast. Similarly, it projected the global economy to grow by 3.3 per cent in the current calendar year, 0.1 percentage point lower than its previous estimates, and 3.4 per cent in 2022, 0.2 percentage points below its earlier estimates.

"The downward revision primarily reflects negative surprises to economic activity in a few emerging market economies, notably India, which led to a reassessment of growth prospects over the next two years," the IMF said ahead of the start of the World Economic Forum annual summit in Davos.

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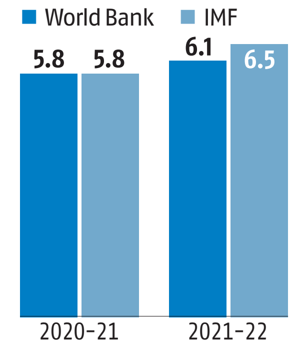
PROJECTIONS FOR THE NEXT 2 YEARS



Oberoi & Interups to bid for Lavasa

DEV CHATTERJEE & RAGHU MOHAN
Mumbai/New Delhi, 20 January

Mumbai-based Oberoi Realty and US-based fund Interups have joined the race to acquire Lavasa Corporation, a real estate city near Mumbai.

Lavasa is facing bankruptcy proceedings at the National Company Law Tribunal (NCLT) Mumbai after it failed to repay debt of ₹6,200 crore. During the creditors meeting held in early January, the lenders had decided to place fresh expressions of interest (EoIs) before the NCLT.

At the hearing on Monday, the NCLT agreed to consolidate the bankruptcy proceedings of Lavasa and its subsidiaries into a single resolution, so as to get the best value of all assets, and also agreed to include the new resolution applicants.

Interups is a New York-based financial services group with expertise in developing financial models for restructuring distressed assets. In its presentation to lenders, the fund said it owns 27,000 self-directed retirement asset clients, with $1.5 billion in assets.

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Sachin Bansal to put all bets in fintech cos

BIBHU RANJAN MISHRA & YUVRAJ MALIK
Bengaluru, 20 January

After seeing huge success in e-commerce, Sachin Bansal, co-founder of Flipkart, is determined to put all his bets in the financial services space, which, he believes, is craving for digital technologies to boost efficiency.

The poster boy of Indian e-commerce says that while he did a few investments in start-ups such as Ola and Ather Energy, now he is going to exclusively invest his time and resources in financial services, in areas like microfinance, mutual fund, insurance, and also end-to-end banking.

"Now I am going to completely focus on financial services. Along with IFC (International Finance Corporation), I am also going to be putting most of (the capital) whatever I have in it," Bansal told *Business Standard* in an interview.

Earlier this month, IFC, the investment arm of the World Bank, announced investing around $30 million in Navi Technologies. Navi, which also functions as a holding company owned by Bansal, is driving all his investments in financial services. It has also applied for a universal banking licence, which is waiting for approval from the Reserve Bank of India (RBI).

Speaking of his plans for the financial services entity for the first time, Bansal said, "It will be a lot more digital than traditional banks. Smartphone experience will be at the centre of banking ... We are creating a financial services ecosystem of lending, mutual funds, insurance and overtime life insurance and banking."

Ahead of its planned banking play, Navi Technologies has inducted Nachiket Mor, a former RBI board member and country head at the Bill & Melinda Gates Foundation, into its board.

Besides, the company has roped in former HDFC Bank deputy managing director Paresh Sukthankar as advisor. Four months after exiting Flipkart in May 2018, Bansal had set up BAC Acquisitions, later renamed Navi Technologies, to invest in and support start-ups. Over the years he studied investment areas and zeroed in on financial services.

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"SMARTPHONE EXPERIENCE WILL BE AT THE CENTRE OF BANKING... WE ARE CREATING A FINANCIAL SERVICES ECOSYSTEM OF LENDING, MUTUAL FUNDS, INSURANCE AND OVER TIME LIFE INSURANCE AND BANKING"

SACHIN BANSAL, CEO, NAVI TECHNOLOGIES

MUMBAI TAX MOP-UP DIPS 13% FOR FIRST TIME IN 10 YRS

Direct tax collections from India's commercial capital, Mumbai, slipped again after witnessing a decline in December, prompting tax officials to call the development rare as a double-digit fall has happened for the first time in the past decade. Mumbai's direct tax collections fell by about 13 per cent by mid January. The city contributes 37 per cent to the total direct tax revenues.

SHRIMI CHOUDHARY reports 6

Maruti, Hero dole out big BS-IV discounts

Buyers of Maruti get 10 days to save up to ₹89K; those choosing Hero bikes can save up to ₹10K

SHALLY SETH MOHILE
Mumbai, 20 January

A month before pulling the plug on producing BS-IV models and a couple of months before completely switching over to BS-VI, market leaders Maruti Suzuki India and Hero MotoCorp have offered huge discounts on vehicles running on the older emission technology.

Car market leader Maruti is offering discounts of up to ₹89,500 before it stops selling diesel models and prices on BSVI go up. Hero MotoCorp, which sells every second two-wheeler in the country, has also doled out grand offers. Depending on the model and where it's being bought, the benefits to Hero buyers, including discounts of up to ₹5,000, could be around ₹10,000, a Hero spokesperson said.

Shashank Srivastava, executive director, sales and marketing at Maruti Suzuki India, said average discounts (depending on the model, fuel type and region) were ₹15,000-20,000 lower than what were offered in December. He said it was time for the buyers to make the most of the offer, as the price hikes the firm announced in December take effect in 10 days.

Maruti said brisk sales during festivals and in December due to discounts helped the company cut its stock levels to 10-12 days — the lowest in a year. "The whole of this financial year, we have been battling to bring down the stock levels. There have been days when it has risen to 50 days. It's important for the dealers as it is one of the significant cost components for them apart from manpower," Srivastava said. Therefore, he said the current stock level gave the firm a lot of comfort.

Srivastava, however, remains cautious in his outlook. "We have to see how the market absorbs the price increase. All the factors responsible for slowing auto sales, including the high cost of ownership, steeper cost of borrowing, etc, remain. It is difficult to predict anything," he said.

Maruti is likely to halt production of BS-IV models by the end of this month. It still continues to produce the Brezza diesel.

Owing to the price sensitivity of the segment, two-wheeler makers have a bigger challenge with regard to the switchover.

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IN TOP GEAR

MARUTI SUZUKI Benefits

Wagon R	₹35,000
Dzire	up to ₹77,000
Alto	up to ₹50,100
Swift	up to ₹70,750
S-Presso	up to ₹17,500
Celerio	up to ₹45,100
Brezza	up to ₹89,500

Note: Includes offers on BS-IV diesel models

HERO MOTOCORP Discount

HF Deluxe	₹2,020
Xtreme Sport	₹5,000
Destini 125	₹3,000

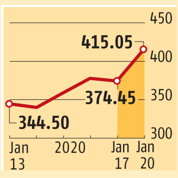
Note: Offer for limited period in select regions till stock lasts

Source: Advertisements/firms

AMAZON COMMITS 10,000 EVS TO DELIVERY FLEET BY 2025 P2

STOCKS IN THE NEWS

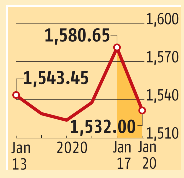
Prestige Estates Projects



Acquires 50% stake in Lokhandwala DB Realty; get board nod for fundraising

₹415.05 CLOSE ▲10.84% UP*

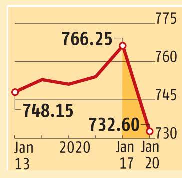
Reliance Industries



Outlook on core refining and petrochem continues to be weak

₹1,532 CLOSE ▼3.08% DOWN*

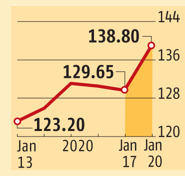
Lupin



USFDA issues five observations for Vizag facility

₹732.60 CLOSE ▼4.39% DOWN*

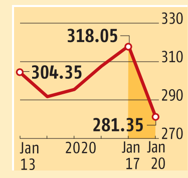
NMDC



Hikes iron ore prices, second in a month, by 13-14 per cent

₹138.80 CLOSE ▲7.06% UP*

GNA Axles



Q3 profit before tax down 63% at ₹10 crore; YoY

₹281.35 CLOSE ▼6.52% DOWN*

* OVER PREVIOUS CLOSE

IN BRIEF

CCI nod to RIL's divestment of Jio tower assets

Fair trade regulator Competition Commission of India (CCI) has approved divestment of Reliance Jio's telecom tower assets to Canada's Brookfield Infrastructure Partners LP and other investors. The other investors include British Columbia Investment Management Corporation, GIC Infra Holdings' subsidiaries Anahera Investment and Valkyrie Investment. In a tweet on Monday, the regulator said it "approves subscription of the units of Tower Infrastructure Trust by BIF IV Jarvis India, British Columbia Investment Management and GIC Investors." The proposed transaction involves the acquisition of indirect control of Reliance Jio Infratel by Jarvis, the CCI noted in a combination notice filed with it. Tower Infrastructure Trust, an InvIT, currently holds 51 per cent of the outstanding equity share capital of RJIPL. Current Sponsor of the InvIT is Reliance Industrial Investments and Holdings (RIIHL). The deal, as per the notice, is subject to receipt of requisite approvals from markets regulator Sebi. Jarvis would execute the 'deed of accession' to the trust deed and be designated as one of the sponsors to the InvIT in addition to RIIHL. PTI

Samsung to invest ₹3,500 crore in its smartphone unit

Consumer electronics major Samsung is investing ₹3,500 crore to set up a smartphone display manufacturing unit in Noida. Samsung India Electronics, the Indian unit of South Korean electronics giant, has transferred a land parcel of around 64,905 sq metres to Samsung Display, for a consideration of ₹ 92.20 crore at its Noida plant, UP in two installments, according to the regulatory filings before the Registrar of Companies. PTI

Google CEO Pichai calls for regulation of AI

Google's Chief Executive Sundar Pichai (*pictured*) called Monday for a balanced approach to regulating artificial intelligence, telling a European audience that the technology brings benefits but also 'negative consequences'. Sundar Pichai's comments come as lawmakers and governments seriously consider putting limits on how artificial intelligence is used. PTI

N Chandrasekaran now LinkedIn Influencer

Tata Sons Chairman N Chandrasekaran (*pictured*) has joined the list of international leaders and personalities like Narendra Modi, Bill Gates, Richard Branson, Priyanka Chopra, Oprah Winfrey, and Sachin Tendulkar as a LinkedIn Influencer, the professional networking platform said on Monday. Other LinkedIn Influencers from India include Kiran Mazumdar-Shaw, Kailash Satyarthi, Vani Kola, and Anny Divya. PTI

Hindustan Zinc Q3 net profit drops 27% to ₹1,620 cr

Hindustan Zinc on Monday posted a 26.7 per cent decline in net profit at ₹1,620 crore for the December 2019 quarter. Net profit in the year-ago period was ₹2,211 crore, the company said in a BSE filing. "Net profit for the quarter was ₹1,620 crore, a decline of 22 per cent sequentially and 27 per cent year-on-year," it said. Total income during October-December dropped to ₹5,117 crore as compared to ₹6,090 crore in the year-ago quarter, the filing said. PTI

Dentsu leases 100,000 sq ft in Gurugram

The UK-based media and digital marketing firm Dentsu Aegis Network has signed a deal with Vatika group for leasing 100,000 sq ft of office space at Sector 44, Gurugram.This commercial building is expected to be ready by July 2020 and will cater to around 1100 employees as well as support staff. The project will be constructed on 'build to suit' model with the total investment of ₹65 crore, Vatika said. BS REPORTER

Melvin Tan named CFO of Hindustan Coca-Cola

Hindustan Coca-Cola Beverages appointed Melvin Tan as its new chief financial officer, who will also be part of its senior leadership team reporting to chief executive Christina Ruggiero. Tan, a graduate from the University of Sheffield in England, with an honours degree in accounting and financial management, joined the Coca-Cola system in 2010 after spending a decade with KPMG and Honeywell. PTI

MCA unearths ₹700-crore fund diversion in Unitech

RUCHIKA CHITRAVANSHI
New Delhi 20 January

The ministry of corporate affairs (MCA) has unearthed a scam of around ₹700 crore in the troubled real estate firm Unitech. The office of the regional director, north, has found that Unitech siphoned off huge amounts of money to various shell companies, a senior government official said.

MCA is in the process of examining the findings to decide the next course of action in the matter. Unitech promoters Sanjay Chandra and his brother Ajay Chandra are in Tihar Jail since August 2017 for allegedly siphoning off homebuyers' money. The Chandra duo was arrested by the economic offences wing (EOW) of the Delhi Police in April 2017. They were accused of duping buyers, who had booked flats in their Greater Noida residential project.

Further investigation ordered into Unitech revealed that money has been diverted to some 15-16 shell firms. All the findings, along with evidence, have been submitted to the government. "Unitech promoters took out money from the main company and created assets such as land banks and buildings under various shell companies. It is public money that belongs to shareholders and banks which has been diverted," the government official said.

Section 224 of the Companies Act empowers the MCA to take action in pursuance of the inspector's report. The MCA recently submitted a proposal in the Supreme Court for taking over the management of the troubled real estate company.

In its note to the Supreme Court, the government has proposed names for the board of director positions for what was once the largest real estate firm in the country.

The Chandra family, father Ramesh and sons Ajay and Sanjay, were ranked seventh in 'The Billionaire Club', *Business Standard*'s annual ranking of the country's wealthiest people in 2007, with a net worth of over ₹30,000 crore.

Riding the real estate boom, Unitech expanded rapidly between 2005 and 2007, with multiple projects launched across the country. The apex court had refused to grant bail to the promoters as they had not complied with its October 30, 2017, order directing them to deposit ₹750 crore.

Earlier, in December, the Supreme Court had ordered a forensic audit of the company's books and assets. Forensic auditors reported ₹14,270 crore was collected by Unitech from 29,800 home buyers. Of this, ₹13,364 crore has been traced in bank statements.

SC accepts Centre's proposal to take over realty company

The Supreme Court Monday accepted the proposal of the Centre to take over the management control of embattled realty firm Unitech.

A bench headed by Justice D Y Chandrachud gave two months to the new board to prepare the resolution framework of the company and sought its report.

The bench, also comprising Justice M R Shah, granted 2-month moratorium to the new board from any legal proceedings against the firm's management.

It said the Board will appoint a retired apex court judge to monitor the preparation of resolution framework by the Board.

The Centre on Saturday told the apex court that it is agreeable to revisit its 2017 proposal to take over the management control of Unitech and complete its stalled projects for providing relief to around 12,000 hassled homebuyers.

The Centre, in its six-page note submitted to the court, had said it is prepared to revisit its proposal of December 2017, to remove the existing management of Unitech and appoint 10 nominee directors of the government. PTI

'Mining is new growth area for Tata Steel'

The steel industry's profitability in 2019-20 has been impacted compared to the previous year. **KOUSHIK CHATTERJEE**, executive director (ED) and chief financial officer (CFO) of Tata Steel tells **Ishita Ayan Dutt** that the prospects for 2020-21 are better. Also, the company has chalked out a master blueprint for growth in India over the next decade. Edited excerpts:

How will Brexit impact Tata Steel Europe?
We have been constantly assessing the situation over the last couple of years. We do have contingency plans in place, including supply chain and customer servicing requirements to handle the transition. Beyond the transition issues, we would watch out for specific trade agreements that will be negotiated and put in place between the UK and EU.

Will asset sale, idling of capacity and job cuts help Tata Steel Europe turn around?
That's not how we would like to approach the issue. We have an objective to make the business cash flow positive and sustainable across cycles. To achieve the above in a time-bound manner, the Transformation Programme has been developed with multiple workstreams and several bottoms up ideas generated. These areas are customer centricity, procurement and operational excellence, working capital management, productivity, organisational efficiency and recalibration of capital expenditure. In Europe, cost take out programmes are critical and continuous to ensure that the business remains competitive. So, none of the actions planned are adhoc but thought through on merit.

Q&A

"THE GOOD THING IS THAT INDUSTRY'S STOCKS ARE LOW ACROSS THE VALUE CHAIN. SO, THERE WILL BE A PERIOD OF RESTOCKING WHICH HAS ALREADY STARTED AND WE SEE FIRMING UP OF DEMAND AND PRICES ACROSS MOST GEOGRAPHIES"

What are the capacity expansion plans in the domestic market after Kalinganagar Phase 2?
We have a master blueprint for growth in India over the next decade covering all our major sites, including Jamshedpur, Kalinganagar and Angul. Our assessment also covers the broader product mix and technology choices. So, we are well prepared for growth but would calibrate growth and execute the same taking into account the market conditions and with financial prudence.

Is there a plan to merge Tinplate, Tata Steel Distribution and Tata Steel Long Products?
Tata Steel Long Products is our long products cluster created as part of the simplification and consolidation initiative. This is almost done and we need to realign a few of the adjacent businesses. So, this will be the vehicle of our future long products growth and there is no plan to merge the long products business. Tinplate is a 100-year-old packaging business and is an important part of the flat products portfolio and so is Tata Steel Distribution. Both these are part of the downstream portfolio of Tata Steel.

What is the demand outlook in Q4 and FY21 for domestic market?
I think, the next six months would be strong and has historically been so as the January-June period is the best period for the industry, globally. The good thing is that industry's stocks are low across the value chain. So, there will be a period of restocking which has already started and we see firming up of demand and prices across most geographies.

What are the plans for merchant mining?
For a company which has been in mining for more than a century, it is a natural strategic progression. We are strategically focused on developing our mining portfolio in select and focused minerals. As India opens up mining sector, we will also grow the portfolio. We now have an identified firm that will be dedicated to commercial mining and build portfolio and capabilities.

More on business-standard.com

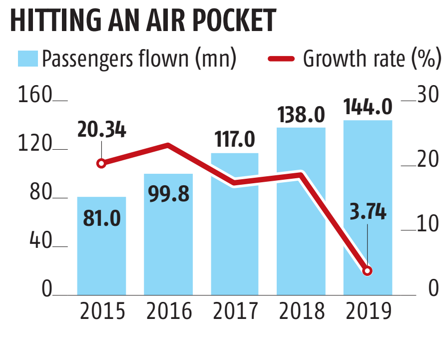
DOMESTIC AIR TRAFFIC SLIPS TO SINGLE-DIGIT GROWTH

Domestic air traffic slipped to low-single digit growth for the first time since 2015, largely due to the closure of Jet Airways.

The country saw double-digit growth only in November because of drop in fares, and saw a decline in April as Jet stopped operations. Though there is an increase in seat capacity on a year-on-year basis, the growth is marginal. Grounding of Boeing 737Max aircraft and ongoing issues with AirbusA320Neo engines, too, has slowed down capacity growth. Last January, the combined fleet of all airlines was 614 aircraft and that has now increased to 646.

"November (2019) witnessed maximum growth of 11.20 per cent. However, the numbers hit a low again dipping to 2.56 per cent in peak holiday season in December. It has been a difficult year for the aviation industry. However, we are hopeful that growth should rebound in the coming financial year after the spate of measures taken by the government," said Saujanya Shrivastava, chief business officer (Flights & Growth), MakeMyTrip.

HITTING AN AIR POCKET



SOURCE: DGCA

ByteDance readying to dive into gaming biz

ByteDance is preparing a major push into the mobile arena's most lucrative market, a realm Tencent Holdings has dominated for over a decade: games.

The world's most valuable start-up has rapidly built a full-fledged gaming division to spearhead its maiden foray into hardcore or non-casual games, according to people familiar with the matter.

Over the past few months, ByteDance has quietly bought up gaming studios and exclusive title distribution rights. It's embarked on a hiring spree and poached top talent from rivals, building a team of more than 1,000. Its first two games from the venture will be released this spring, targeting both local and overseas players, one person said.

ByteDance is looking to expand its horizons. BLOOMBERG

MG Motors' EV sold out before launch, firm halts bookings

SHALLY SETH MOHILE
Mumbai, 20 January

MG Motors (Morris Garages), which sells the Hector brand of a premium SUV, has received bookings for over 2,800 units in 27 days for MG ZS, its electric vehicle model that is set to go on sale from Wednesday.

This number is more than the total number (1,071) of electric cars sold in India in calendar year 2019. MG has stopped registrations for the ZS (expected to sell for ₹20 lakh) and will cater to 2,409 of the total bookings. The ZS EV will initially launch in the NCR, Mumbai, Ahmedabad, Bengaluru and Hyderabad.

This response to the ZS shows car buyers will pay a premium for an EV as long as it hits the sweet spot of price to value. The trend is prompting automobile makers to introduce models that address issues such as range anxiety and charging, while having the latest features; those in the mass and luxury segment of the passenger vehicle market are also preparing for offerings in the EV space. The central government's thrust on EVs is fuelling these plans. It has earmarked ₹10,000 crore for three years till 2022 for its FAME-II scheme in this regard. Though this is an incentive scheme for only commercial vehicles, its focus on creating an enabling infrastructure has encouraged all. A reduction in the GST on EVs to 5 per cent, from 12 per cent, has helped.

Last week, Mercedes-Benz announced its entry here with the launch of its EQ brand. It plans to launch its first full electric vehicle, the EQC, in April. "The EQ brand is a key pillar of our 'sustainable luxury' objective and is the first dedicated luxury electric brand in India," Martin Schwenk, chief executive, said.

In July 2019, Hyundai Motor India launched the Kona electric, a premium electric hatchback priced at ₹25 lakh. Since the launch, the firm has received bookings for 400 units and dispatched 300, a spokesperson said.

Amazon commits 10,000 EVs to delivery fleet by 2025

PEERZADA ABRAR
Bengaluru, 20 January

Amazon, the world's biggest online retailer, said on Monday that its fleet of delivery vehicles in the country will include 10,000 electric vehicles (EVs) by 2025.

This commitment comes after successful pilots across different cities in 2019 — learnings from which have helped the company create scalable and long-term EV variants to build this large fleet. These EVs are in addition to the global commitment of 100,000 EVs in the delivery fleet by 2030 announced in the climate pledge signed by Amazon.

With the introduction of EVs, Amazon India aims to reduce carbon emissions and environmental impact of delivery operations. The fleet of 10,000 EVs will include three-wheelers and four-wheelers, which have been designed and manufactured in India. In 2020, these vehicles will operate in over 20 cities of India — NCR, Bengaluru, Hyderabad, Ahmedabad, Pune, Nagpur, and Coimbatore; this number will continue to grow.

"At Amazon India, we are committed to building a supply chain that will minimise the environmental impact of our operations. The expansion of our EV fleet to 10,000 vehicles by 2025 is an integral milestone in our journey to become an energy-efficient leader in the industry," said Akhil Saxena, vice-president, customer fulfillment-Asia Pacific & Emerging Markets, Amazon. "We will continue to invest in the electrification of our delivery fleet, thereby reducing our dependence on non-renewable resources."

Amazon India said it has been working with several Indian original equipment manufacturers to build a fleet of vehicles that ensure sustainable and safe deliveries of customer orders. Significant progress in the Indian e-mobility industry in the past few years has led to advanced technology, and superior motor and battery components. In addition, the company said the government's focus to encourage the adoption of EVs in the country, and steps towards setting up of charging infrastructure with the FAME 2 (Faster Adoption and Manufacturing of Hybrid and EVs) policy has helped the company accelerate and chart its vision for EVs in India.

The launch of EVs is another step towards the overall sustainability commitment at Amazon India. In September 2019, the company announced its plan to eliminate single-use plastic in its packaging from Amazon India's fulfillment centres by June 2020, among other initiatives to reduce packaging waste.

Amazon India said it has also invested in energy conservation and solar power generation in its fulfillment centres and sort centres, with advanced building energy management systems, and water conservation methods to make operations more sustainable.

In September 2019, Amazon became the first signatory of the climate pledge, which states that the company will be net-zero carbon by 2040 across its businesses, a decade ahead of the Paris Accord's goal of 2050.

GOING GREEN
Amazon India's sustainability initiatives

- All plastic dunnage across the fulfillment network has been replaced with 100% recyclable paper cushions
- Single-use plastic used for packaging will be eliminated from the fulfillment centers by June 2020
- All packaging material in the form of corrugate boxes and paper dunnage is biodegradable
- To reduce packaging waste, Packaging Free Shipment has now expanded to 14 cities within a year
- 8 fulfillment centers and 2 sortation centers are solar-powered and produced close to 10 Mw of energy in 2019 to run operations in the buildings
- Across facilities, an advanced energy management system provides building operators with a dashboard that enables them to optimise energy use and identify opportunities for further savings

Ethics inspectors for pharma companies on the cards

SOHINI DAS
Mumbai, 20 January

As debate over alleged 'unethical' marketing practices by India's drug firms rages on, the industry has sought to bring in transparency into the system by laying down strict rules to be followed by companies.

The Indian Pharmaceutical Alliance (IPA) is of the opinion that laws should be in place to regulate marketing practices, and non-compliance should be penalised. The proposal to be taken up for discussion with the government soon suggests something along the lines of having 'ethics inspectors' to ensure better compliance.

The Department of Pharmaceuticals (DoP) had drafted uniform code for pharmaceutical marketing practices (UCPMP), which is voluntarily followed by drug firms since 2015. The code is not mandatory yet and there is no legislation that lays down guidelines for marketing practices adopted by drug firms with health care providers.

Sudarshan Jain, secretary general of the IPA, which represents big pharma firms in India, said the association cannot monitor or control each and every pharmaceutical firm in the country. "The DoP should set up a process to monitor the implementation of the code and make it mandatory on the lines of the US system. Those who violate (any pharma company found guilty of violation of the code) should be penalised. This should be clearly laid down in the process," said Jain.

He added there should be a proper process of appeal. If any firm is found guilty, it should be charged a penalty. All this should be built into the code itself, felt the IPA. The IPA would soon take it up with the government. It said the DoP should have a mechanism whereby officers would monitor adherence to the code. If a complaint is brought before the DoP, it should be investigated and proper action taken, felt the industry body. However, this is possible only when the code is made mandatory and a legislation is passed to this effect.

A senior government official said it is possible to legalise the UCPMP and make provisions for penalty in the Drugs and Cosmetics Act. The DoP had called a meeting last month seeking recommendations from the industry on what should be part of the code. Another meeting with the industry is likely in a month's time.

The industry thinks that continuous education of doctors is required and the pharma industry plays a significant role here. The code should allow drug firms to engage or sponsor scientific education of doctors (especially around new drugs).

"A proper process should be laid down around this and conveyed to every pharma company. While the education of doctors should be allowed, there should be hospitality offered (for example, taking them to a resort, sponsoring trips with families, etc)," said an industry source.

The chairman of a leading drug firm in the country felt that unlike the world of advertising, which has a self-regulatory body (The Advertising Standards Council of India), it is not practical to have a self-regulatory body in the pharma industry. "The US has something called the Physician Payments Sunshine Act, which requires drug firms to disclose any payments made or transfers of any significant value to health care professionals. Such a thing needs to be adopted in India. The government can take punitive action against those who do not comply," he said.

Companies should make such disclosures in their books, and the documents should be available for scrutiny by the DoP-appointed officers in case of any complaints against the companies, the industry said. This should be applicable to both listed and unlisted pharma firms.

Moreover, the industry also felt that proper implementation of the code is possible only when the UCPMP is in sync with the Medical Council of India's code of ethics.

Meanwhile, the IPA has also sought some simplification in the bureaucratic process, like drug firms are required to maintain a record of the free medicine samples given to doctors.

Single-window help for investors by March

The central government will establish a 'single window' assistance mechanism at the department of pharmaceuticals for inverstors, to operate from March. On the sidelines of an annual event of the Indian Drug Manufacturers' Association, a senior government official said plans had been readied in this regard. BS REPORTER

Aramco, other deals crucial for zero net debt: Experts on RIL

AMRITHA PILLAY
Mumbai, 20 January

Mukesh Ambani's plan to make Reliance Industries (RIL) net debt-free before March 2021 will hinge on completion of announced deals and some more initiatives, say analysts.

For the quarter ended December 2019, RIL turned free cash flow (FCF) positive, a reversal that most brokerage firms welcomed.

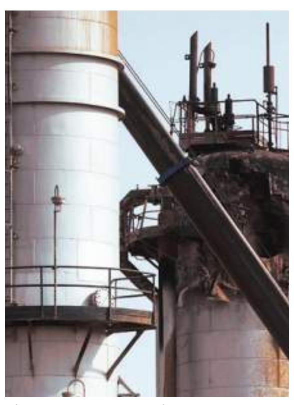
However, analysts added that the company will need stronger FCF and more deals to meet debt reduction targets.

"Decline in capex intensity led to positive FCF after five years; debt deleveraging should accelerate in the coming quarters," analysts at HSBC noted in a post results note on RIL.

The company's total debt as of December 2019 was at ₹3.06 trillion against ₹2.87 trillion as on March 31, 2019. Net debt of the company as of December 2019 was ₹1.53 trillion.

Company officials noted that the intensity of capital expenditure has been coming down quarter-on-quarter. For the quarter ended December 2019, total capital expenditure was at ₹14,000 crore. Analysts point out that this is the lowest quarterly capex in many years.

Not everyone is convinced that the positive FCF will help



the company achieve its zero net debt target.

In August 2019, group chairman and managing director Mukesh Ambani told shareholders that the company will be a zero net debt company before March 2021.

"Even stronger organic FCF, unlikely in our view, would be needed to drive the $25 billion cut in net liabilities that Reliance guides to by March 21, even if the $15 billion Aramco transaction closes by then. We think more stake sales are thus necessary," analysts with Jefferies wrote in a post results note on the company.

Part of the debt-reduction plan, in August RIL said, it also plans to find global partners for its retail and telecom businesses and unlock value in real estate and financial investments.

Analysts with JP Morgan point out that the large debt reduction would require higher telecom tariffs and recovery in RIL's core business. "Large debt reduction would require the completion of the Saudi Aramco investment, large tariff hikes in Jio, recovery in both petchem and refining, and reducing capex even further from here," they wrote in their January 19 report on RIL.

RIL's management has refused to share a timeline for a definitive agreement on the Saudi Aramco deal.

The company looks to sell 20 per cent stake in its oil to chemicals (O2C) division to Saudi Aramco for around $15 billion.

Analysts with Kotak Securities added, along with completion of this deal, sustained increase in FCF is crucial for debt reduction.

"The culmination of 20 per cent divestment in O2C business to Saudi Aramco, monetisation of fibre Infrastructure Investment Trust (InvIT) in the near term and sustained increase in organic FCF trajectory are crucial for targeted deleveraging of the balance sheet," the analysts wrote in their note on RIL.

Top officials at the press conference on Friday and later at the analysts' meet said that the deal will not have any adverse impact on the company's planned debt reduction.

"All the defence services are tasked to be prepared for any option that may emerge. It is very difficult to predict a scenario. But, we are always prepared for any task that may be assigned to us"

BIPIN RAWAT, Chief of Defence Staff

"I will appeal to all CMs, governments, including those in BJP-ruled Northeast states — Tripura, Assam, Manipur and Arunachal — and the Opposition party-ruled states to read the law properly and consider the clauses in the NPR form before arriving at a decision. I request them not to participate..."

MAMATA BANERJEE, West Bengal chief minister

"Modi extracts wealth from India's poor and gives it to his crony capitalist friends and the big power brokers he's dependent on. 1% of India's super rich, now own 4 times more wealth than 1 billion of India's poor"

RAHUL GANDHI, Congress leader, on Oxfam report

IN BRIEF

Srei Infra to raise ₹2,000 cr through NCDs in 2020-21

Srei Infrastructure Finance on Monday said it plans to raise up to ₹2,000 crore via non-convertible debentures (NCDs) and another ₹1,000 crore in commercial papers in fiscal 2020-21. The proposals will be placed before its board for approval on February 14. The Kolkata-based company plans a public issue of ₹1,000 crore and an equal amount in private placement during the next financial year, it said in an exchange filing. Srei Infrastructure Finance will also issue commercial papers totalling ₹1,000 crore on private placement basis. In September last year, it had asked the Securities and Exchange Board of India and the Reserve Bank of India to allow buy back of non-convertible debentures from retail investors. A rating agency had recently downgraded Srei's NCDs, perpetual debt instrument and commercial paper programme aggregating to ₹5,327 crore. **PTI**

Bad loans at Altico swell to 40% of total credit

Lenders to Altico Capital India are trying an unusual method to cut debt at the shadow lender, as attempts to sell the company or restructure the loans face challenges, including swelling soured credit and a funding squeeze. Altico's soured debt was provisionally estimated at close to 40% of total credit end-December, up from 23.8% in September, the people said. **BLOOMBERG**

Federal Bank Q3 PBT up 12.6% to ₹582.9 crore

Private lender Federal Bank's profit before tax (PBT) rose by 12.6 per cent to ₹582.96 crore for third quarter ended December 2019 (Q3FY20) backed by predominantly by growth in non-interest income. It had posted a PBT of ₹517.71 crore in Q3FY19. The bank's net profit in Q3FY20 rose by 32.07 per cent to ₹440.64 crore over ₹333.63 crore in the quarter ended December 31, 2018. **ABHIJIT LELE**

Nirbhaya case: SC dismisses convict's juvenility plea

The Supreme Court Monday rejected the plea of a death row convict in the Nirbhaya gang rape and murder case challenging the Delhi High Court order which had dismissed his claim of being a juvenile at the time of offence. **PTI**

Explosive device found at airport in Mangaluru, defused

A 'live' explosive device was found in an unattended bag near a ticket counter of the departure gate of the airport in Mangaluru on Monday and later defused at a nearby open ground, police said. The incident created a scare ahead of the Republic Day. **PTI**

MISSING FISCAL DEFICIT TARGETS

"ALTHOUGH THE FRBM ACT HAS BEEN THERE SINCE 2004, ON AN AVERAGE, THE FISCAL DEFICIT DURING UPA-2 WAS 5.5% OF GDP. THERE ARE DIFFICULTIES IN MAINTAINING THAT DISCIPLINE AND SOMETIMES IT IS NOT POSSIBLE... AND TODAY, I AM FACING THE CHALLENGES AND ADDRESSING THEM, BUT PEOPLE WHO RAN IT WELL ABOVE 5% SHOULD KNOW WHAT IS FISCAL MANAGEMENT"

NIRMALA SITHARAMAN

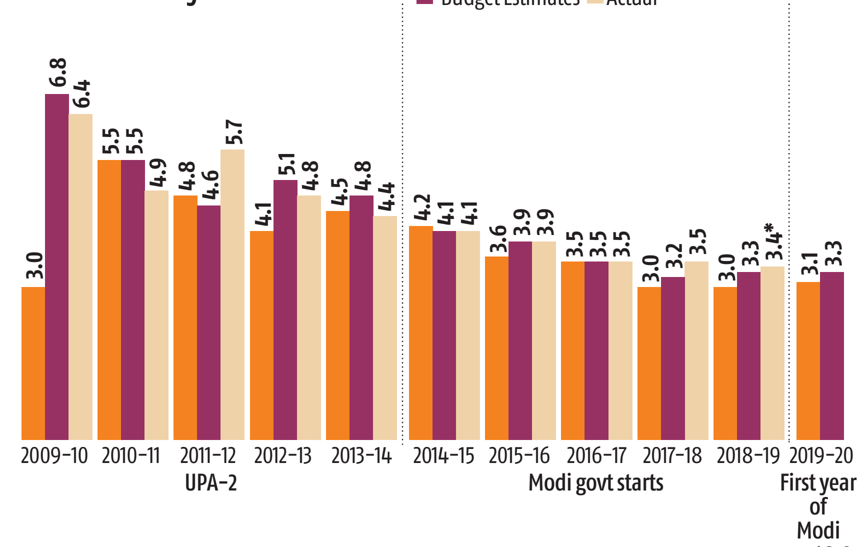
Finance minister.

The FM participated in the symbolic 'Halwa Ceremony' on Monday that marks the launch of formal printing of Budget

The government's first year in office in 2014 adhered to fiscal consolidation path as also the demonetisation year of 2016-17. All other years showed higher fiscal deficit. It initially projected the deficit at 3 per cent of GDP for 2017-18 and 2018-19 which could not be achieved and hence was not even projected for 2019-20

BY INDIVJAL DHASMANA

Centre's fiscal deficit as % of country's GDP



Note: *Revised. Source: Budget papers

Global CEOs: India still fourth-most attractive

However, confidence in global growth has reached lowest levels since 2008

SUBHAYAN CHAKRABORTY
New Delhi, 20 January

As confidence in the global economy reaches a 10-year low, India has managed to retain the position of the fourth-most attractive market, shows a survey of chief executive officers (CEOs) from across the world by consultancy giant PwC.

Released on Monday, the 23rd PwC CEO Survey showed that as many as 53 per cent of global CEOs believe international economic growth would decline in the next 12 months. The findings are the worst since the financial crash of 2007-08, with only 29 per cent of CEOs expressing pessimism in the global economy in the 2019 survey. In the year before, only 5 per cent of CEOs believed growth would dip.

However, 9 per cent of CEOs believe India remains among the most important regions for the growth of their organisations. The level of importance attached to India by global corporate leaders has hovered around the same levels for the past three years. While the 2019 survey showed 8 per cent of CEOs favoured the country, the figure was 9 per cent in the year ago.

Released on the first day of the World Economic Forum annual meeting, the report surveyed more than 1,580 CEOs in 83 countries. It noted that despite a protracted and costly trade war with the US, China has regained popularity among business leaders, remaining the second-most attractive region. Both countries saw their attractiveness rise after falling sharply in 2019.

Indian corporate leaders had an equally bleak outlook on the global scenario, with 52 per cent of those surveyed saying growth would decline, up from only 27 per cent a year ago. More than half of the 63 CEOs interviewed by PwC in India attributed their pessimism to uncertain economic growth.

India's gross domestic product growth in 2019-20 is expected at 5 per cent, compared to 6.8 per cent in year-ago period, according to the first Advance Estimates released by the statistics ministry earlier this month. This was mostly due to a slowdown in the manufacturing sector, which is expected to grow 2 per cent in the current financial year, down from 6.9 per cent in the previous year.

Hinting that the decline in manufacturing growth may not be a simple cyclical issue of demand and supply, the PwC report pointed out that 40 per cent of Indian CEOs are seriously concerned about the speed of technological change.

Successive Economic Surveys have pointed out that India may miss the bus on new-age manufacturing if sustained innovation is not brought in immediately. But the government's cornerstone policy to initiate reforms — the new industrial policy that plans to promote robotics, artificial intelligence and new technologies like 3D printing — has missed several deadlines. Policy uncertainty was the third-biggest fear among India Inc, with 38 per cent of surveyed individuals seriously concerned with overregulation. Trade protectionism in both domestic and global market stood just after that at 37 per cent.

The government had raised import duties more than 8x since 2018, placing restrictions on thousands of items. Now, the commerce department plans to bring in restrictions for 'other' category of imports, effectively unknown imports that plan $127 billion worth of inbound trade. Imports have fallen 7x in 2019-20.

Thirty-five per cent of Indian CEOs claimed cyberthreats were a serious concern. A similar percentage of Indian business leaders said the government was failing to design privacy regulations that increase consumer trust as well as maintain business competitiveness.

India trailed most other major economies in embracing climate change opportunities, with only 17 per cent of CEOs believing that climate change will lead to significant new product and service. In contrast, 47 per cent of Chinese CEOs agreed to the idea.

On the other hand, only 11 per cent of India CEOs believe their organisation has made 'significant progress' in establishing an upskilling programme that develops a mix of soft, technical, and digital skills.

HOW THE CEOs RATE OTHER COUNTRIES

Countries with maximum growth prospect, according to global CEOs

Survey (% of CEOs)	2020	2019	2018
United States	30	27	46
China	29	24	33
Germany	13	13	20
India	9	8	9
United Kingdom	9	8	15

Response by global CEOs on global economic growth (%)

	2020	2019	2018
Decline	53	29	5
Stay the same	24	29	36
Improve	22	42	57

Source : PwC 23rd Annual Global CEO Survey

WORLD ECONOMIC FORUM DAVOS 2020

Weathering the forces of climate change

PRANJAL SHARMA
Davos, 20 January

In its 50 years, the annual meeting of the World Economic Forum (WEF) has seen, participated, and shaped several global trends. From a mostly business oriented forum, WEF has transformed into a platform where all stakeholders are expected to hold a dialogue on social and environmental issues.

Business leaders can't just focus on their growth and profits. Their impact and contribution to climate and equality is being sought and questioned.

The paradox can't be missed. Global growth is slowing and is worrying business and political leaders. Globalisation is in retreat, but the unfettered forces of wealth creation also created unacceptable levels of income inequality.

Climate change caused by greenhouse gases is apparent at Davos, too, as it has seen less snow than usual. Experts worry that in a few years, snow will disappear from low mountains as temperatures rise.

The world wants to halt climate change, but do it without affecting economic growth and consumption. This fundamental contradiction is the key theme at Davos 2020. WEF Founder and Executive Chairman Prof Klaus Schwab has called for stakeholder capitalism. This, at a time of rising use of technology which is creating another front of turbulence. "People are revolting against the economic 'elites' they believe have betrayed them, and our efforts to keep global warming limited to 1.5°C are falling dangerously short," said Schwab. "With the world at such critical crossroads, this year we must develop a 'Davos Manifesto 2020' to reimagine the purpose and scorecards for companies and governments. It is what the WEF was founded for 50 years ago, and it is what we want to contribute to for the next 50 years."

The IMF has predicted a minor improvement in global growth to 3.3 per cent in 2020. For India, the situation continues to look tough.

Indian leaders say questions about recent developments in India — CAA, Kashmir, and the Budget — are bound to come up at their talks

The theme of the 50th WEF, 'Stakeholders for a Cohesive and Sustainable World', is also expected to generate a lot many questions for the Indian as well as global leaders present here, several attendees said.

Indian leaders also agreed that questions about the recent developments in India, including on the citizenship law and Kashmir, as also the upcoming Union Budget, are bound to come up during their discussions with global leaders.

The six themes that the WEF hopes to address are around economy, ecology, technology, society, geopolitics, and industrial revival.

US President Donald Trump, President of the European Union Ursula von der Leyen will speak at the WEF along with other leaders like Ren Zhengfei, founder of beleaguered Huawei Technologies.

The elite who rule the world and the challengers who question the Establishment will be face to face in several dialogues. Technology leaders and academic innovators will try to prove that their work will be defined by ethical standards rooted in the needs of society.

As contradictory forces swirl at Davos, expect sparks and friction in the Alps.

With inputs from PTI

Kotak Mahindra Q3 consolidated PBT rises 6.3%

One-time pension charge, higher provisioning impact profits

ANUP ROY
Mumbai, 20 January

Kotak Mahindra Bank posted a 6.26 per cent rise in consolidated profit before tax (PBT) at ₹2,889.47 crore for the quarter ended December 2019 (Q3FY20), from ₹2,719.30 crore in the year-ago quarter.

The profit got impacted because of a one-time pension-related charge of around ₹200 crore and higher provisioning and contingencies, which went up to ₹472.6 crore at the consolidated level compared with a write-back of ₹10.9 crore in the December 2018 quarter.

The bank's net profit rose 27.4 per cent to ₹2,348.72 crore in Q3FY20, as against ₹1,844.01 crore a year ago. At the standalone level, which represents banking operations, PBT at ₹1,944 crore was down 1.35 per cent year-on-year (YoY).

Credit grew at 10 per cent YoY. The bank's joint managing director, Dipak Gupta, said, "When the nominal growth of the economy is not high enough, credit cannot grow because it is a function of the nominal growth rate." He added that the lendable set of entities has shrunk.

The bank has taken a cautious approach to lending. "It is very easy to lend today, but its impact will be felt two-three years down the line. When we lend, we only make 2 per cent, but if we lose, it is very near to 100 per cent of the loan," Gupta said.

While secured loans in retail — home and auto — are slowing, Kotak Mahindra Bank is applying brakes on unsecured loans. Overall, credit should grow in "mid-teens", Gupta added.

The net interest income on a standalone basis increased 17 per cent to ₹3,430 crore. Net interest margin for the quarter was at 4.69 per cent, from 4.31 per cent in the year-ago quarter, and 4.61 per cent in the September quarter.

On the asset quality front, gross non-performing assets (NPAs) for Q3FY20, on a standalone basis, rose to 2.46 per cent from 2.32 per cent in the September 2019 quarter. A year ago, it was 2.07 per cent.

Slippages in the quarter were about ₹1,062 crore, a third of which came from corporate entities. While there are no fresh special mention accounts (SMAs), some of the existing SMAs fell into NPA.

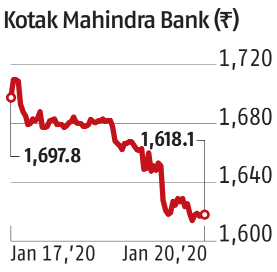
"Every quarter new bullets in the realm of unknown unknowns are getting discovered. These are newer entities, not the known knowns," Gupta said. Some of the unknown unknowns were governance-related, some were because of accounting, regulatory, or arising out of judicial issues, he added.

The bank's overall deposits grew about 15 per cent and the share of current and savings accounts (CASA) stood at 53.7 per cent at the end of the quarter, up 300 basis points from the December 2018 quarter. "We consciously focused on growing the CASA and not letting high-cost deposits pile up," said Jaimin Bhatt, CFO of the bank.

Total consolidated income was up 19.34 per cent YoY to ₹13,542.43 crore. The bank's capital adequacy ratio stood at 18.2 per cent, while tier I ratio was at 17.7 per cent. Shares of the bank were down 4.7 per cent to ₹1,618 on the BSE.

STOCK SLIPS

Kotak Mahindra Bank (₹)



Disclosure: Entities controlled by the Kotak family have a significant holding in Business Standard Pvt Ltd

Actress Deepika Padukone accepts the 'Crystal Award' at the opening of the WEF in Davos on Monday PHOTO: REUTERS

India's top 63 billionaires have more wealth than 2018-19 Budget outlay

ARUP ROYCHOUDHURY
New Delhi, 20 January

India's billionaires hold a combined total wealth that is more than the Union Budget outlay.

The gap between the top 1 per cent and the bottom 50 per cent of the population just keeps expanding, global non-profit organisation Oxfam said in its latest annual report on income inequality.

"The combined total wealth of 63 Indian billionaires is higher than the total Union Budget of India for the fiscal year 2018-19 which was at ₹24.42 trillion," Oxfam said in its report released on Monday.

"The wealth of billionaires rose from $325.5 billion (₹22.73 trillion) in 2017 to $408 billion (₹28.97 trillion) in 2019," the report said. In fact, that amount is even higher than the 2019-20 Budget size of ₹27.86 trillion, something the report did not mention.

The world's 2,153 billionaires have more wealth than the 4.6 billion people who make up 60 per cent of the planet's population, the report also showed.

"Our broken economies are lining the pockets of billionaires and big business at the expense of ordinary men and women. No wonder people are starting to question whether billionaires should even exist," said Oxfam India CEO Amitabh Behar

An analysis of India's billionaires showed that 15 of them come from the consumer goods industry and more than 10 from the pharmaceuticals sector in 2019 – a rarity among developing countries.

In fact, not just in India, but global inequality is deeply entrenched. The number of billionaires has doubled in the last decade, despite their combined wealth having declined just in the last year.

"The gap between the rich and poor can't be resolved without deliberate inequality-busting policies, and too few governments are committed to these," Behar said.

"Women and girls are among those who benefit the least from today's economic system. They spend billions of hours cooking, cleaning and caring for children and the elderly. Unpaid care work is the 'hidden engine' that keeps the wheels of our economies, businesses and societies moving. It is driven by women who often have little time to get an education, earn a decent living or have a say in how our societies are run. They are, therefore, trapped at the bottom of the economy," added Behar.

Women do more than three-quarters of all unpaid care work. They often have to work reduced hours or drop out of the workforce because of their care workload.

Across the globe, 42 per cent of women cannot get jobs because they are responsible for all the care-giving, compared to just six per cent of men.

More on business-standard.com

In a first, RBI puts out minutes of board meet

ANUP ROY
Mumbai, 20 January

The Reserve Bank of India (RBI), for the first time, put out minutes of its October central board meeting, albeit with some information blacked out.

To enhance transparency, the central bank will continue to put out the minutes in the public domain in spirit of the Right to Information Act, after "after appropriately severing information that is permitted to be severed in accordance with the Act".

Such minutes will be available within two weeks from the date of its confirmation in the next meeting of the central board and on being signed by the chairman in the same meeting, the RBI said in a statement on its website.

The PMC Bank crisis was not in the agenda of the meeting, but was discussed with the permission of the RBI governor, who is the chair of the board. Presumably, the agenda was set before the PMC Bank crisis came to light towards the end of September.

The minutes put out for public viewing pertains to the 579th meeting of the central board held in Chandigarh on October 11 last year.

While the minutes as such did not point to anything that has not been publicly disseminated by the RBI, a general view of the various push and pull can be gauged. The RBI's central board is made of representatives from the central bank, from corporate industry, as well as from the government. While all work for a common goal of economic prosperity, there are some interesting viewpoints.

"A director presented his perspective on select industries viz. automobiles, real estate, steel, power and road transport. He was of the view that a concerted effort on the part of the government as well as various regulators is needed to improve the situation," the minutes noted.

The board reviewed the macroeconomic developments, focused on issues related to financial markets, impact of monsoon on agriculture sector and prices, agriculture infrastructure and the external sector situation.

The board discussed in detail the current state of the financial sector "with special focus on the regulatory and supervisory architecture of commercial and co-operative banks as also NBFCs".

While PMC Bank was discussed in relation to the framework of supervision of banks and other financial entities supervised by the central bank, the board was assured that the RBI has taken several measures to strengthen such aspects in the regulated entities.

The board also accepted a plethora of proposals, and review of various departments, proposed by various executive directors in the central bank.

India among top 10 FDI recipients: UN report

PRESS TRUST OF INDIA
20 January

India was among the top 10 recipients of Foreign Direct Investment in 2019, attracting $49 billion in inflows, a 16 per cent increase from the previous year, driving the FDI growth in South Asia, according to a UN report released on Monday.

The Global Investment Trend Monitor report compiled by United Nations Conference on Trade and Development (UNCTAD) states that the global foreign direct investment remained flat in 2019 at $1.39 trillion, a 1 per cent decline from a revised $1.41 trillion in 2018.

This is against the backdrop of weaker macroeconomic performance and policy uncertainty for investors, including trade tensions, it said.

Developing economies continue to absorb more than half of global FDI flows. South Asia recorded a 10 per cent increase in FDI to USD 60 billion and "this growth was driven by India, with a 16 per cent increase in inflows to an estimated $49 billion. The majority went into services industries, including information technology," the report said.

India attracted $49-billion inflows in 2019

India attracted an estimated $49 billion of FDI in 2019, a 16 per cent increase from the 42 billion dollars recorded in 2018, it said. The FDI flows to developed countries remained at a historically low level, decreasing by a further 6 per cent to an estimated $643 billion. The FDI to the European Union (EU) fell by 15 per cent to $305 billion, while there was zero-growth of flows to United States, which received $251 billion FDI in 2019, as compared to $254 billion in 2018, the report said.

Despite this, the United States remained the largest recipient of FDI, followed by China, with flows of $140 billion and Singapore with USD 110 billion.

China also saw zero-growth in FDI inflows. Its FDI inflows in 2018 were $139 billion and stood at $140 billion in 2019. The FDI in the UK was down 6 per cent as Brexit unfolded.

The report added that cross-border M&As decreased by 40 per cent in 2019 to $ 490 billion — the lowest level since 2014.

Curbs on sale of duty-free liquor may raise travel cost

ANEESH PHADNIS & ARINDAM MAJUMDER
Mumbai/New Delhi, 20 January

WORLDWIDE LIMITS

Country/city	Liquor (litres)	Tobacco (cigarettes)
DUBAI	4	2,000
GERMANY	2	200
PARIS	2	200
SINGAPORE	Spirit 1 Wine 1 Beer 1	Reasonable quantity
CHINA	2	400

Source: Industry

A commerce ministry proposal to allow passengers to buy just one liquor bottle (instead of two at present) at airport duty-free shops will hurt the profits of airports and increase the cost of air travel.

The Airports Authority of India (AAI), which is state-owned, and private airport operators are likely to petition the government, saying that a loss of revenue from liquor sales will have to be compensated through increased landing and parking charges on airlines, which, in turn, will pass on the cost to flyers.

Airport charges are determined taking into account all aeronautical costs like those of landing and parking and non-aeronautical activities like duty-free sales and those of restaurants. As airport operators cross-subsidise landing and parking charges of airlines through non-aero sales, increase in non-aero revenues leads to lesser charges for airlines, which, in turn, are expected to transfer the benefits to passengers.

"Any increase in landing and parking charges for airlines could result in higher airfares and make air travel more expensive," added Satyan Nair, secretary-general of the Association of Private Airport Operators (APAO), a lobby group of private airport operators.

Consolidated annual duty-free sales at airports in the country are estimated to be around $500 million. Delhi and Hyderabad airports earn 30 per cent and 15 per cent of non-aeronautical revenue from retail and duty-free sales.

In its Budget recommendation to the government, the APAO suggested the duty-free allowance of liquor be raised from two bottles to four for purchase at Indian airports because this would help reduce costs for passengers and lead to an enhanced revenue share for the AAI. The commerce ministry has recommended restricting the purchase of tax-free alcohol to one bottle at duty-free shops as part of steps to reduce imports of non-essential goods.

The AAI and private airport operators are likely to petition the government

"It's not a question of large or small (quantities). As a nation, we are not encouraging the import of alcohol," Commerce Minister Piyush Goyal told the media. Senior AAI officials said that the move, if implemented, would lead to a loss of revenue for the AAI, which is already bearing the cost of the government's regional connectivity scheme.

"We will oppose the move through the Ministry of Civil Aviation. The AAI had suggested increasing the quota of liquor at duty-free counters," said a senior AAI official.

The official pointed out if private airport operators' revenues were affected, the AAI's revenues too would be hurt because those airports did revenue sharing based on their annual revenues and profit. "Who is gaining from this decision? No one. The government and airports — all will lose revenue," the official said.

"It will be a big blow to duty-free companies and airports. Duty-free sales are an important component of non-aeronautical revenues for airports and 30 per cent of the non-aero revenue is used to cross-subsidise aeronautical charges," said the chief executive officer of a private airport.

Operators of duty-free shops said it might lead to job cuts. "Duty-free companies would have no option but to cut jobs and investments to survive," said Manishi Sanwal, former chief executive of Flemingo Travel Retail, which runs duty-free stores at 12 airports in India.

This can also have an impact on upcoming investments in airports. Recently Adani Airports won six airports and Zurich Airport won the bid to develop new airport at Jewar.

The groups bid aggressively, taking into consideration that non-aero revenue would help them to become viable faster. Adani Airports didn't respond to a query.

"Bidders have bid aggressively for new airport projects, factoring in a certain contribution from non-aeronautical revenue. If liquor allowance is reduced, it will impact their income and the companies will have to rework their revenue and investment models," said Sidharath Kapur, former chief executive officer at Adani Airports.

New chiefs for BoB, BoI and Canara Bank; MD for SBI

ABHIJIT LELE & PTI
Mumbai, 20 January

The government has appointed Sanjiv Chadha Managing Director (MD) and Chief Executive Officer (CEO) of Bank of Baroda (BoB). He succeeds P S Jayakumar, whose term ended in October last year.

Chadha will have a three-year term at the bank from the day he assumes office, according to a Government of India notification.

Chadha is currently working as the MD and CEO of SBI Capital Markets — the merchant and investment banking arm of State Bank of India (SBI). The Banks Board Bureau had recommended his name for the post of MD and CEO at BoB in November 2019.

Bank of India (BoI) executive director has been elevated to the post of MD and CEO. He will head the bank for three years from date of assuming office.

The post has been vacant since June last year when Dinabandhu Mohapatra demitted office.

L V Prabhakar has been named the new MD and CEO at Bengaluru-based Canara Bank. He will take charge on February 1.

Prabhakar, who has been working as executive director at Punjab National Bank since March 1, 2018, will succeed R A Sankara Narayanan.

The government has also elevated SBI Deputy Managing Director Challa Sreenivasulu Setty to the post of MD of the bank for a period of three years.

His term is extendable for another two years.

The Appointments Committee of the Cabinet has approved the proposal of the Department of the Financial Services for the appointment of Setty.

Mumbai tax mop-up dips 13%

It's for the first time in the past decade that the city's direct tax collections saw a double-digit fall

SHRIMI CHOUDHARY
New Delhi, 20 January

Direct tax collections from India's commercial capital, Mumbai, slipped again after witnessing a decline in December, prompting tax officials to call the development rare as a double-digit fall has happened for the first time in the past decade.

Mumbai's direct tax collections fell by about 13 per cent by mid-January. It had declined by slightly over 4 per cent in December. The city contributes 37 per cent to the total direct tax revenues.

Sources said the total direct tax collection figures have not even touched the ₹9-trillion-mark, leaving a gap of ₹5 trillion to be achieved in another two months if Budget targets are to be achieved for 2019-20. If the trend continues, it could affect the Budget Estimates of ₹13 trillion for the current fiscal year, a tax official said.

Looking at the steep fall, the Central Board of Direct Taxes (CBDT) has called an urgent meeting on Tuesday.

It has asked all principal chief commissioners and officials of the same rank to discuss strategies to meet the target for the last quarter (January-March). Sources said the finance ministry, too, has been apprised of the situation, and an urgent review was sought in the Budget, which is to be tabled on February 1.

Total collections from Mumbai up to December stood at ₹2.20 trillion — 4.3 per cent less compared to ₹2.30 trillion in the same period last year. The fall further grew to double digits after the department released refunds on December 31, an I-T official said.

"This is a matter of concern and there is no way we can reach even close to the target," said another senior tax official.

Meanwhile, the direct tax body is learnt to have ordered its field officials to step up efforts and put more focus on recovering tax arrears. It has also asked international taxation wing and officials from Commissioner (Appeals) to reveal the status of certain important cases, which are expected to boost collection figures.

I-T officials have also been asked to verify payment of advance tax by property sellers in cases where tax deduction at source (TDS) has been made by the buyer but it has not been paid to the government.

The CBDT said officials could adopt other strategies depending on the nature of respective regions and jurisdictions.

Figures show tax collections lost steam in the September quarter. Advance tax collection figures of third quarter also pressed the panic button within the department. It fell to ₹73,000 crore in the third quarter, compared with ₹77,000 crore a year ago, while personal income tax paid in advance rose to ₹33,000 crore against ₹24,000 crore over this period in FY19.

Till December 15, gross direct tax collection has touched ₹8.34 trillion compared with ₹7.96 trillion in the same period last year. Tax collection, net of refunds, was around ₹6.75 trillion as compared with ₹6.7 trillion in the same period last year.

TAX REVENUE

- **₹2.2 trillion** collections from Mumbai up to December
- **4%** less, compared to ₹2.3trn in same period last year
- **37%** share of Mumbai to total direct tax revenues
- **₹13 trillion** Budget Estimates for the current fiscal year
- **₹73,000 cr** advance tax collection in Q3

Ex-bankers as RPs: NCLAT stays NCLT ban

DEV CHATTERJEE
Mumbai, 20 January

The National Company Law Appellate Tribunal (NCLAT) last week stayed a recent order by the National Company Law Tribunal's New Delhi Bench, which prohibited appointing a former bank official as independent resolution professional (IRP) of a bankrupt company because of the possibility of "bias".

The NCLT order had cast a doubt on debt resolutions of several companies including Videocon Industries and Essar Projects, where former bank officials are working as IRPs, said a legal source. In its stay order dated January 17, the NCLAT said it would hear the matter again on February 3 and issued notices to all the parties.

During the NCLAT proceedings, the lenders' position was that while anyone after retirement could practise as a professional if qualified to do so, the person could not be assumed to be biased just because she or he happened to be a former bank official.

In its January 4 order in the State Bank of India vs Metenere case, the NCLT said the resolution professional proposed by the lenders for Metenere had worked with State Bank of India for more than 39 years and there was "an apprehension of bias" against the appointment.

"It is evident that such an IRP is unlikely to act fairly and cannot be expected to act as an independent umpire," the tribunal had observed.

Accordingly, the tribunal said the financial creditors must replace the person by a new one.

Legal experts say this order will have a wide-ranging impact and slow the resolution of some big-ticket cases including the ones of Videocon Industries, which owes banks ₹40,000 crore, and Essar Projects, which has a debt of ₹7,700 crore.

"The NCLT order would have put a question mark on several accounts where the IRP has been appointed and the resolution has reached an advanced stage," said a corporate lawyer.

Videocon Industries has seen the appointments of four IRPs, including those from Price Waterhouse, KPMG, and now Deloitte, which is managing the asset sale. Its debt resolution is going on since January 2018, when the RBI recommended Videocon on its second list of 29 companies for debt resolution.

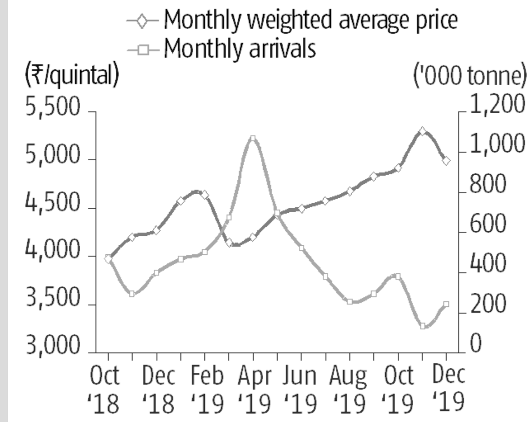
RPs' ROLE UNDER SCANNER

- Companies cite 'conflict of interest' as same banks have given loans
- NCLT says bankers as RPs cannot be neutral umpires
- SBI had moved NCLAT against NCLT order

CRISIL SME TRACKER

Higher *dal* prices spoil the broth for millers

RAW MATERIAL PRICES FOR *DAL* MILLERS SPURT AMID LOWER MARKET ARRIVALS



Source: AGMARKET

Crisil Research expects higher raw material prices following lower crop output in kharif 2019 to weigh on the operating margins and working capital cycles of small and medium enterprises (SMEs) engaged in milling *dal* (pulses) in fiscal 2020.

Given the seasonal nature of *dal* production and availability of raw material, SMEs, which make up around 80-85 per cent of the *dal* milling industry, have high working capital requirements. Raw material cost accounts for over 60 per cent of their revenue. Also, given that the industry is highly unorganised, millers have limited ability to pass on the increase in raw material cost to end-consumers.

In kharif 2019, sowing was delayed due to late arrival of the south-west monsoon. And then, there was excess rainfall in September-October, which led to floods in states such as Odisha, Karnataka, Madhya Pradesh and Maharashtra, damaging crops. Considering that these states account for around 53 per cent of the country's pulses production, crop output is estimated to decline over 5 per cent year-on-year.

Also, sowing forrabi crops such as Bengal gram was lower on-year in November-December 2018, owing to negative farmer sentiment towards the crop amid lower mandi prices.

As a result, arrival of major *dals* (arhar, Bengalgram, black gram, green gram and masoor) in the market during January-December 2019 was down 36 per cent, compared with 2018. This, in turn, has led to a sharp increase of about 15 per cent year-on-year in prices.

These two factors — lower market arrivals of raw *dals* and increase in mandi prices — are expected to lead to higher working capital requirements and increase in raw material costs, and thereby added pressure on the operating margins of the SMEs.

The long, circuitous road to success

Delhi school reforms need to bring more students under their fold and be ready to tackle the "private" backlash

OUT OF THE BLUE

ANJULI BHARGAVA

On a cold January morning, the School Of Excellence in Delhi's Kalkaji is abuzz with activity. A long line of boys on either side of the drive-in await the arrival of Delhi's Deputy Chief Minister Manish Sisodia to hand out tablets to students who have achieved more than a certain percentage of marks in their board examinations. An attractive incentive to my mind for a tech-obsessed generation!

I accompany the deputy minister and his small team of two in his vehicle, no "laal batti", howling sirens or security in tow. The normalcy of it all surprises me, so accustomed am I to ministers who acquire a halo and radiate power almost as soon as they take charge.

We chat all the way on the reforms his party has undertaken in Delhi government schools, the first and the only state government to make school education a political issue. The Union Territory has 1,029 Delhi government schools with roughly 1.6 million students enrolled. There are an additional 2.8 million-odd students studying in the usual mishmash that we have made of our education system: 1-1.2 million in primary schools run by the three municipal corporations, all of them currently under the Bharatiya Janata Party besides those in private aided, private unaided schools, unrecognised and so on. It's a holy mess.

I skip the function and the speeches once we reach to take a tour of the school and chat with the students I find. I meet a group of boys, several of whom have joined the school a year back, mostly from private schools in the area. I question them for a while on when and how they ended up joining this school and how they like it.

The school building itself is like a mid-range private school, closer to a DAV school or Ryan International than an Amity or a DPS but a far cry from a typical government school anywhere in India. The notice board on the day I am there is full of colourful charts and drawings, conveying energy but that may well be in view of the event in progress.

I have been hearing about the Delhi education reforms undertaken for over three years now in dribs and drabs but this is my first and very cursory exposure to what is being attempted.

The attempt is ambitious and if it succeeds, can be far-reaching. The Aam Aadmi Party has embarked on the noble mission of making quality education more inclusive by offering at no cost an option as good as a private school might. In the process, it hopes to lure students back from the plethora of private options that have sprung up as an answer to the broken state system. To its credit, it is not outsourcing the job to someone as politicians and bureaucrats facing a broken situation tend to do. Here's my problem, now you fix it. Sisodia and his team have jumped in with missionary zeal and been at it for the last five years.

In many countries with robust state-run and financed systems, a majority of students attend a school usually in the neighbourhood that offers a high quality of education, as good as any available private options. But Delhi's efforts are closer to Tony Blair's London Challenge, where the government- run schools in London when Blair took charge were at the bottom of the barrel in national assessments. After a multipronged reform exercise, the city's schools climbed to the top, many parents choosing them over exclusive private ones.

Expecting an overnight change in Delhi schools would be naïve. Fixing the rot that has set in over the last three decades will take much more than five years. Some of the early and easier to tackle results are visible. Infrastructure in schools has improved, teachers are being given their due importance, accountability is being introduced but a visible and sustained change in culture is still a far cry.

To make a real dent, it is important that the 1-1.2 million students in the city who study in the municipal primary schools as of now be brought under the Delhi government fold —whichever the city's government may be. As things stand, most municipal school students arrive to study in Delhi government secondary schools at the age of 11-12, far behind their years. Unless the change is wider and all encompassing, it may not be impactful. A public interest litigation that demands this is pending.

Last but not least, the ability of the Delhi government to handle the backlash as and when it happens will be critical. Unhappy murmurs are already being heard from the budget private schools but the moment, the pinch begins to hurt, the education mafia and lobbies will kick in. That's when the real acid test for the Delhi school reforms will begin. This story is far from over.

CHINESE WHISPERS

Two events and a jam

When several parts of Delhi were gridlocked on Monday, commuters were quick to blame the protest against the Citizenship Amendment Act (CAA) at Shaheen Bagh in south-east Delhi as the reason for this. But they soon discovered that events of the Bharatiya Janata Party (BJP) and Aam Aadmi Party (AAP) were equally to blame. Hundreds of vehicles and thousands of supporters gathered at the BJP national headquarters as Jagat Prakash Nadda was made president of the party in the presence of outgoing party chief Amit Shah and Prime Minister Narendra Modi. Around the same time, Delhi Chief Minister Arvind Kejriwal held a roadshow in the heart of the capital on his way to file his nomination papers for the February 8 Assembly polls. The filing of the nomination was delayed. "I was supposed to file my nomination today but the office closes at 3 pm. I was asked to file the nomination while the roadshow was on, but I asked how I could leave the people," Kejriwal said. People asked jokingly if the filing was postponed after astrologers advised him Tuesday was a better day to do it.

Another BSP!

Savitri Bai Phule (*pictured*), former Member of Parliament (MP) who recently quit the Congress, has floated a party called the "Kanshiram Bahujan Samaj Party". Stating that the new outfit will work towards realising the vision of Bahujan Samaj Party (BSP) founder, the late Kanshiram, Phule said her pan-Indian campaign for "saving democracy" had received an overwhelming response, which prompted her to float a new political platform. While Phule was elected to the Lok Sabha in 2014 on a Bharatiya Janata Party (BJP) ticket, she joined the Congress before the 2019 general elections and was nominated to contest from Bahraich. However, she failed to retain her seat and lost to the BJP candidate. Eventually, Phule got disenchanted with the Congress too, since she was not accommodated in the team of the party general secretary in charge of UP, Priyanka Gandhi Vadra.

Learning at no cost

The Institute of Cost Accountants of India recently organised a seminar to discuss ways of India becoming a $5-trillion economy as well as the steps the body could use to publicise its work. One of the speakers began by addressing his audience, comprising mostly cost accountants, or CMAs, as chartered accountants (CAs). He continued calling them CAs until a member of the audience, a CMA himself, interrupted him. After correcting the speaker, he explained how the two — cost accountants and chartered accountants — were different. The speaker apologised before resuming to speak.

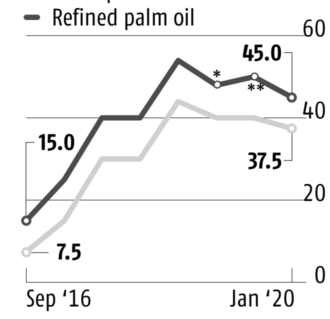
Mahathir speaks, India gains

Why Malaysian premier's criticism of Indian politics is good news for domestic edible oil refiners and oilseed farmers

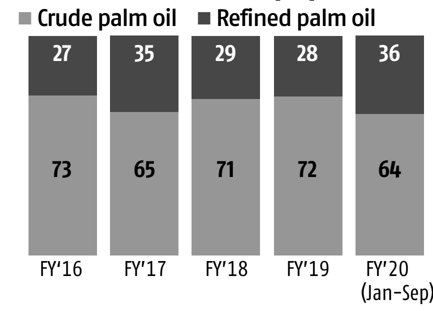
SANJEEB MUKHERJEE

BOTTLED UP

Import duty trends for palm oil (%)



SHARE OF CRUDE AND REFINED PALM OIL IN INDIA'S TOTAL PALM OIL IMPORTS (%)



*Import duty on Malaysia was 45%; 50% for other countries; **Levy of 5% safeguard duty on import from Malaysia
Source: ICRA Research Report

In October 2019, when Malaysian Prime Minister Mahathir Mohamad criticised the Indian government's moves to change the status of Jammu & Kashmir in his address to the 74[th] United Nations General Assembly (UNGA), the domestic edible oils industry took note. The Narendra Modi government was not expected to take Mahathir's criticism lightly, and the industry lobby issued an informal warning to local importers of refined palm oil to exercise "necessary caution" in negotiating new contracts with Malaysia.

In doing so, the industry was recognising geo-economic realities. India is Malaysia's top buyer of palm oil and that country's efforts to push exports have been the cause of tension for the Indian edible oil refining industry.

India imports 9-9.5 million tonnes of palm oil annually, both crude and refined. Of this, 2.5-3.0 million tonnes comes from Malaysia mainly in refined form, and rest comes in crude form, mostly from Indonesia.

In January 2019, India had to lower the import duty on refined palm oil from Malaysia to 45 per cent from the earlier 50 per cent under the Comprehensive Economic Cooperation Agreement (CECA) between India-Malaysia), thus reducing the duty differential between refined and crude imports to India from Malaysia to 5 per cent from the earlier 10 per cent.

The impact on import was dramatic: Data shows that between January and September 2019, India imported 2.40 million tonnes of refined palm oil compared with 1.74 million tonnes in the same period last year (an increase of 38 per cent) largely from Malaysia.

As a result, domestic refiners found themselves almost out of business. "India was forced to lower its import tax on refined palm oil and the industry there went into an overdrive to push refined palm oil into India creating a big problem for the domestic refiners," says B V Mehta, executive director of Solvent Extractors Association of India (SEA), the main lobby for domestic oilseed extractors and refiners. From a high of almost 60 per cent, refining capacities in January to September of the 2019-20 edible oil year had slumped 30-40 per cent (the edible oil year runs from November to October).

The surge in refined palm oil imports prompted the SEA to appeal to the Centre. In September, a 5 per cent safeguard duty was imposed on refined palm oil imports from Malaysia for six months. This restored the import duty differential between refined and crude palm to 10 per cent, on a par with neighbouring Indonesia.

Mahathir's UNGA statement initially caused refined palm oil importers to cut back but when no retaliatory tariffs followed, importers re-started orders of refined palm oil consignments from Malaysia and supplies started trickling in. Refined palm oil imports in November 2019 jumped to around 122,409 tonnes, up 3.31 per cent from October.

Thereafter in January 2020, India under the terms of the Asean free trade agreement signed in 2010, lowered import duty on refined palm oil from 50 to 45 per cent and that on crude palm oil from 40 to 37.5 per cent for the first time, as part of a periodic revision process, which brought back duty differential between refined and crude palm oil to 7.5 per cent.

Simultaneously, Malaysia and Indonesia together announced export protection measures from January 1, 2020. The combined impact of this along with India's import duty cuts under the Asean agreement meant that the differential between crude and refined was just 2.5 per cent for Indian importers.

Just weeks before that, Mahathir decided to criticise the Indian government again, this time over the controversial Citizenship Amendment Act (CAA), questioning the need for it when Hindus and Muslims have been living peacefully in the country for the past 70 years. This time, the Centre responded promptly, placing the import of refined palm oil under the "restricted" category and announcing plans to issue import licences to keep a tab on supplies.

This may not have been an example for skilful economic diplomacy but for the domestic edible oil industry the move could not have been more welcome. "For refiners and farmers this is not blessing in disguise, but a pure blessing," said Mehta of SEA.

Domestic farmers gained because domestic oilseed prices jumped after more than three years. Data from agmarket.nic.in shows that in the Indore *mandi* average price of soya bean between September 16, 2019 and January 16, 2020 stood at ₹3,900 per quintal, almost 6 per cent more than the Minimum Support Price (MSP) of ₹3,710 per quintal for the 2019-20 crop year.

Rating agency ICRA in a recent note on the subject said that the restriction on refined palm oil imports will not only improve efficiency but will also improve margins of domestic refiners.

Though farmers and refiners are reaping the benefits of the government's retaliatory moves, the uncertainty of this simmering trade war persists. Latest reports say commerce and industry minister Piyush Goyal will not meet his Malaysian counterpart in Davos next week, citing a tight schedule, though a meeting on the sidelines is possible. Mahathir, meanwhile, is attempting some damage control by admitting his country was too small to retaliate against India. Mehta says the industry wants government to ensure that the licence route is not misused so that refined oil imports start flooding in again. For the time being, though, the domestic industry has the opportunity to make the best of a diplomatic skirmish.

ON THE JOB

The real unemployment challenge

MAHESH VYAS

On December 31, 2019, CMIE completed the 18[th] Wave of the Consumer Pyramids Household Survey. This included the 12[th] Wave of questions related to employment and unemployment. This survey was executed over a period of four months from September through December 2019 on a sample of 174,405 households. In the paras below, we discuss population estimates of the unemployment rate during this period.

The unemployment rate rose to 7.5 per cent during September-December 2019. This was the seventh consecutive Wave to record an increase in the unemployment rate since May-August 2017 when the unemployment rate was 3.8 per cent.

As usual, the unemployment rate in rural India was lower at 6.8 per cent than it was in urban India, which scaled up to 9 per cent.

Rural India has a large 66 per cent share in the overall estimate of India's unemployment rate. Rural India has a low unemployment rate and this has a big impact on lowering India's overall unemployment rate. But, rural employment is of poor quality. And grown ups, those over 30 years of age, have a similarly large 66 per cent share in the total population that is over 15 years of age. After the age of 30, people take whatever job is available and so the unemployment rate among people of more than 30 years of age falls very sharply. But, these have a high share in the total unemployment estimate for the country.

What matters most is the unemployment rate in the urban youth and in particular, the urban educated youth.

The unemployment rate is very high among the youth. It is 45 per cent for those between 15 and 19 years of age. But, arguably, this is not the age at which youngsters should be looking for jobs. Ideally, they should be still studying at this age. However, if, for any reason, they do look for jobs, it is evident that they find it very difficult to find one.

Employment prospects for youngsters between 20 and 24 years of age who are looking for jobs are not much better. The unemployment rate for these has more than doubled from 17 per cent in May-August 2017 to 37 per cent in September-December 2019. Similarly, it has risen from 8 per cent in May-August 2017 to 11 per cent for youngsters between 25 and 29 years of age. It is this high and growing unemployment among the youth of the country that is very worrisome. The situation gets worse in the cities.

An urban youngster in his early twenties had a discouragingly high unemployment rate of 44 per cent during September-December 2019. It was never so difficult in the past. A wait till these urbanites reached their late twenties improved the unemployment rate they face to 14.8 per cent. But, even this is the worst experience of this age-group.

The unemployment rate drops dramatically from the age of 30. It falls to 2.5 per cent for the age group 30-34 years and then it falls to close to 1 per cent and then less than 1 per cent. The problem, evidently is severe for the youth who are looking for jobs. The sudden sharp fall in unemployment after 30 years of age implies that beyond a point in age, people settle for whatever jobs become available. A wait for a job cannot be infinite.

Matters get worse for the educated youth. The educated young report a much higher unemployment rate. This indicates that the educated are looking for better quality jobs but are unable to find them.

While youngsters in the age group of 20-24 years reported an unemployment rate of 37 per cent, graduates among them reported a much higher unemployment rate of over 60 per cent. 2019 was the worst year for these young graduates. The average unemployment rate for them during 2019 was 63.4 per cent. This is much higher than the unemployment rate they faced in any of the preceding three years. The unemployment rate they faced in 2016 was 47.1 per cent. In 2017, it was 42 per cent and in 2018 it was 55.1 per cent. 2019, therefore saw a very severe worsening of conditions for the young graduates.

Similarly, while the age group 25-29 years reported an unemployment rate of 11 per cent, graduates in this age group faced an unemployment rate of 23.4 per cent. They, too, found 2019 to be the worst of the past four years with an average unemployment rate of 23.7 per cent. The rate in 2016, 2017 and 2018 were 21.3 per cent, 18.3 per cent and 20.5 per cent, respectively.

The unemployment rate for post-graduates is also similarly high but it has not deteriorated since 2016, when it was 24.6 per cent. In 2017 it rose to 25.4 per cent, then fell to 22.3 per cent and rose again to 23 per cent in 2019.

An overall unemployment rate of around 7.5 per cent does not reflect the real challenges faced by India. Graduates between 20 and 29 years of age, face a much higher unemployment rate of 42.8 per cent. This is India's real challenge. An equally important challenge is that graduates of all ages put together also have a very high unemployment rate of 18.5 per cent.

The author is managing director & CEO, CMIE

LETTERS

History repeats itself

This refers to "It's divided house at RBI over new oversight cadre". I retired from the Reserve Bank of India (RBI) about 36 years ago after serving it for over 35 years. I was associated with the work of RBI supervision and control of commercial banks during most of my years there. The controversy whether the RBI officers — entrusted with overseeing — should be generalists or specialists arose at the very inception, way back in 1949 when this function first devolved on the RBI. Under the then dispensation, it was decided that officers who were not specifically trained for this work should not be entrusted with it and those trained for it, should not be allotted any work unconnected with bank supervision and control. This arrangement worked for about 19 years till the specialised officers felt that they were being deprived of opportunities in various other departments of the RBI. As a result of their representations, came what was called Combined Seniority Scheme or CSS around the year 1978.

From the front page report in *Business Standard* on Monday, it appears that the problem has arisen again after some 42 years in a somewhat different garb. The sub-title "Crisis in the making" indicates that the problem this time is serious. The solution lies in an in-depth study of the problem by experts, keeping in mind the historical background and laying down the future course. It cannot be vouchsafed that it is possible to find out a permanent solution. With change of circumstances, new problems would arise and new solutions would have to be worked out from time to time.

R C Mody New Delhi

Incentivise savings

One tends to endorse the well-timed views of the State Bank of India's (SBI's) research report Ecowrap stating that the interest on the Senior Citizens Savings Scheme (SCSS) should be given full tax rebate as the revenue foregone by the government could only be ₹3,092 crore, with minimal impact on the government's fiscal deficit. Curiously enough, this report has also assessed that there are around 41 million senior citizens' term deposits accounts (with average deposit per account being ₹3.3 lakh) accounting for the total deposit of ₹14 trillion across the country. In fact, Soumya Kanti Ghosh, group chief economic advisor, SBI seems to be standing with the nation's senior citizens when he pleads that "It is imperative that the government exempts such interest income from taxes/or increase the threshold limit" as he substantiates his well-meaning arguments with statistics.

He also went on to claim that an increase in the Public Provident Fund limit by ₹1 lakh to ₹2.5 lakh for individual households under 80C will lead to additional savings of more than ₹2 trillion compared to the total revenue foregone of ₹40,000 crore, even after adding to the interest burden. It could be a win-win for the revenue-starved government of the day. Mind you, the government has reportedly asked the central public sector undertakings to declare a dividend of ₹19,000 crore apart from seeking some hefty sums of money as interim dividend from the Reserve Bank of India (RBI), representing a part of its annual transfer of surpluses in the month of July after finalisation of its annual books of accounts (as on June 30 each year) under Section 47 of the RBI Act. It might be in addition to the transfer of a massive amount (out of the central bank's so-called excessive capital reserve funds) as was recently identified by a specially constituted committee led by former governor Bimal Jalan, at the insistence of the government.

Kumar Gupt Panchkula

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A flawed strategy

Asset sales for raising ₹1 trillion is a mirage

The real possibility of a massive slippage in the disinvestment target of ₹1.05 trillion in the current fiscal year is pushing the government to look for alternatives. It is now reportedly looking at selling assets owned by the Centre and central public sector enterprises (CPSEs) and raise about ₹1 trillion by March-end. Assets that are being considered include land and brownfield operational assets such as pipeline, roads, mobile towers, and electricity transmission lines owned by CPSEs.

The idea of asset monetisation is worth pursuing as there are vast tracts of land held by government wings, such as the armed forces and railways, in metropolitan areas that developers might be willing to bid big bucks for. But completing the sale process in the given timeframe is almost impossible. Besides, the way it is being approached is fundamentally flawed. For one, the targeted assets belong largely to CPSEs, which would be forced to sell and transfer the proceeds to the government as dividend. This goes against the basic idea of giving functional autonomy to state-owned companies. Second, the asset sale is being considered at the near end of the fiscal year, solely to meet the Budget targets. This can affect valuations and realisation, and lead to legal complications.

Evidently, the government is considering this option because it is unlikely to complete the privatisation of companies such as Bharat Petroleum Corporation and Container Corporation of India in the current year, primarily because of poor planning. Since revenue collection is likely to fall short significantly, lacklustre performance on the disinvestment front will further complicate fiscal management. The government has raised only ₹18,095 crore, or about 17 per cent of the disinvestment target, so far in the current year. The biggest reason why the government often struggles to meet the disinvestment target is because it does not approach the issue systematically. For instance, if the government wanted to go for large-scale strategic disinvestment, it should have selected the names early in the fiscal year. Such transactions take time as the potential buyers want to do their due diligence. The idea of asset sale of the CPSEs is another example of impromptu policymaking.

Therefore, the right approach would be that the government keeps a ready list of CPSEs that it intends to divest in the medium term, both strategically or through a minority stake sale. The process should be extended to other assets, such as land as well. This approach will not only allow the government to proceed more systematically but will also give market participants the necessary time to prepare and bid for assets. Such a process will result in higher competition among bidders and lead to better valuation. This will also give the government a fair idea as to how much money can be raised over the medium term, compared to the current system of deciding a target to plug the fiscal gap and then look for assets to sell. Ideally, asset sale should not be seen purely as an option to plug the deficit. The proceeds should be invested in creating new assets, which will help increase potential growth in the medium to long run.

Grim scenario

Climate-related financial risks should be mainstreamed

Every year, on the eve of its high-profile conference at Davos, the World Economic Forum releases a report that outlines what its stakeholders believe are the major risks to the global order and to geo-economic stability. This year's report is somewhat unusual, in that all top five risks, as estimated by the report, are related to climate change. The headline concern of the report is: "Climate and corresponding economic risks threaten a 2008-style systemic collapse unless net human-caused carbon dioxide (CO_2) emissions fall by 50 per cent by 2030 relative to 2010, and to net zero by 2050." The report outlines the multiple axes upon which climate change and weird weather will impact societies, conflict, and economic stability. Health impacts of extreme weather and greater heat stress will directly impact the poorest societies that already have over-stretched health systems, such as India. Food production and water availability will be under increasing pressure, which again has major consequences for an India that is already struggling to equitably and efficiently distribute water. Internal and cross-border migration will inevitably increase — the current conversation around the National Register of Citizens and the Citizenship Amendment Act only prefigures the political disputes in the decades to come as climate-induced migration swells to a flood. The report points out that there is essentially a decade left to deal with the problem.

Yet, in some ways, it is the direct economic threat of climate change outlined in the report that deserves immediate attention, as climate risk simply does not figure enough in discussions of macro-economic stability and vulnerability. This risk operates on several levels. For instance, there is the damage caused to the economic base by extreme weather events. Of the $165 billion of damage caused by natural disasters in 2018, about half was to assets that were uninsured. In fact, as climate-related damage becomes both more common and less predictable, insurance may not be able to keep up. Entire segments of assets — for example, coastal infrastructure and housing — might become effectively uninsurable. The effects on labour productivity because of heat stress and the spread of disease to new areas opened up by global warming will also effectively reduce the economic base. Again, a labour-surplus and less developed country like India will find its ability to grow severely compromised by an increase in heat stress and a further reduction in health indicators.

Financial regulators, policymakers, and investors need to mainstream climate risk into their analysis. In the Indian case, for example, infrastructure investment needs to routinely analyse the effect of more extreme climate on the value of the asset. Companies need to start revealing their exposure to climate change risks — in some jurisdictions, listed companies are now expected to do so routinely, and the Indian market regulator should look into how soon similar disclosure requirements can be announced in this country. A whole-of-economy look at climate risks in India is overdue. For example, to what degree are existing "dirty" assets — old coal power plants and unextracted coal mines — likely to lose value as India undergoes its green transition? What will be the effect on banks and government finances? Given the compressed time-frame for climate action, preparing the financial ground for proper risk assessment is overdue.

ILLUSTRATION: AJAY MOHANTY

Investor expectations from the Budget

It will be a litmus test for the government's reform credentials

On February 1, Finance Minister Nirmala Sitharaman will present in Parliament what will arguably be the most important Budget this government has formulated to date. Investors will go through the document and the Budget speech with a fine-tooth comb, looking for any indication on how the government will tackle the slowdown and the path forward. Investors are keen to see a coherent economic game plan.

There is consensus among global investors that the time has come for a serious push to improve the business climate. If we do not see major reform steps to boost the economy now, given the economic weakness and the majority this government enjoys, there is little chance anything significant will happen later. For investors, this Budget will be a litmus test for judging the reform credentials of the government.

AKASH PRAKASH

A few things are clear. We will have a significant fiscal slippage. Most investors expect a revised fiscal deficit of 3.7-3.8 per cent of GDP, compared with the targeted 3.3 per cent. We have a slippage of 11 basis points, 3.3 per cent to 3.41 per cent, simply due to a lower nominal GDP. An additional 30 or 40 basis points of fiscal slippage over that will be acceptable to most, given the weakness in the economy and the need to maintain government spending in the absence of a revival in either consumption or exports.

Investors would like to see this fiscal space be used for capital expenditure. For the following year, though, they do expect efforts to get the fisc back on track, and a target of 3.3- 3.5 per cent of GDP for 2021 seems realistic. No one expects the 3 per cent fiscal target to be hit anytime soon.

Given the lack of space on the fiscal front and constraints on monetary policy, now is the time for genuine reforms. The finance minister would be well advised to go sector by sector and try to implement the policy changes needed to boost investment and exports, with the hope that consumption will follow. Here's what investors are hoping for from the Budget.

For global investors, one important step would be the scrapping of the long-term capital gains (LTCG) tax on equities. LTCG tax has not yielded much revenue and administratively makes life complicated for global funds. Many of the truly long-term investors (the endowments, sovereign wealth and foundations) pay no tax in their home jurisdictions and consider India an outlier in levying capital gains taxes on them.

It would not be feasible to totally scrap capital gains taxes but at least long-term capital gains may be exempted. This would raise the expected post-tax returns of investing in Indian financial markets, and lower the cost of capital for companies. This move for equities can be easily funded by marginally raising the securities transaction tax. This step, while not costing the fisc much, would boost risk appetite, encourage the financialisation of savings and send a positive signal to global capital providers.

Another step in the Budget must be to provide funding to implement a scrappage scheme for old vehicles. Any commercial vehicle over 15 years old must be scrapped, and incentives provided to do so. This will not cost the exchequer more than ₹10,000-₹15,000 crore, but provide a huge boost for the auto industry. It will dramatically lower pollution and vastly improve fuel efficiency of the commercial fleet. This is a win- win for everyone.

The auto industry is a big employer with a significant multiplier for the economy, but it is currently doing poorly. Cash for clunkers schemes have been implemented across the world, especially during the time of the financial crisis. They have been proven to work. There is no reason why India cannot go down this path. The only constraint is money. Whatever fiscal leeway is available must be used to implement schemes like this.

Another area where we should see government action is start-ups. We now have a robust start-up ecosystem, with money available across the maturity spectrum of companies. From angel rounds to series D, E and F, money is available. While the government has done a lot to encourage start-ups, clearly recognising their importance, more can be done. They should be allowed to carry forward losses for 15 years, rather than the eight years permitted today. The median start-up today will remain a private company for 12 years (US data), compared with six or seven years earlier. They will also most likely lose more money, for longer than in the past, before turning profitable. Extending their period of carry forward losses, improves their cash flows and net margins when they finally turn the tide on profitability. A case can also be made to tax employee stock options on sales, rather than on exercise. This will make options more attractive for employees and ease their cash flow burden. A final point would be to exempt the start-ups from provisions of Article 42 of the companies Act, wherein under certain conditions, these start-ups can be considered as public companies.

Exports have been a big disappointment over the past few years. Till such time as domestic demand recovers, exports would be a good way to tap into global demand. Higher utilisation will eventually trigger an investment cycle. A comprehensive package of incentives and policies to improve export competitiveness must be announced.

For the telecom and power sectors, we need industry specific interventions. On telecom, the government has to find a middle path and provide some relief to the beleaguered industry from the whole adjusted gross revenue fiasco. We cannot have only two private players surviving.

On power, the state electricity boards (SEBs) remain bankrupt. The UDAY scheme has not worked. Why will anyone invest in a sector where your principal counterparty is bankrupt? The SEB debt to private power players has once again ballooned to ₹46,000 crore.

When it comes to direct taxes, many expect that we will see significant cuts in rates. Realistically, the best we can hope, though, is some rationalisation in the exemptions, simplification and a marginal rebalancing of the slabs/ rates.

The disinvestment targets for 2020 will be missed but 2021 should be a big year as the Bharat Petroleum Corporation, Container Corporation of India and Air India transactions will get completed. The government must sell its stakes in Tata Communications and Hindustan Zinc, and other such residual holdings and monetise whatever is possible. In both these companies, the government is not involved in day to day management, why keep the stakes?

The government must also go through the list of public sector units and see where value can be captured. NMDC is an obvious example. Another example of potential value unlocking is Hemisphere Properties. The land is worth thousands of crores and there has to be a way to monetise its value, rather than wait years to develop the asset. The big one, however, will be the Life Insurance Corporation of India (LIC). This is probably the most valuable wholly-owned asset of the government. Given that LIC has done a reasonable job handling private sector competition, there is significant value. Will the government list LIC? It cannot be a strategic sale, but a listing and gradual sell-down of stake while maintaining control.

There are many other sector-specific things which can be announced in the Budget. Real estate and the NBFC space are other areas of focus. This Budget needs to revive confidence in the Indian economy, and convince investors and India Inc that the economy and reforms are once again a top priority for this government.

The writer is with Amansa Capital

Natural farming for fiscal prudence?

After decades of intensive agriculture, farms and farmers are in a crisis, food markets remain distorted, and consumers do not have access to nutritious diets. India needs a shift towards sustainable food systems. Among many alternative farming techniques is natural farming, with the potential to improve sustainability and also meliorate government finances.

Natural farming is an alternative to chemical fertiliser-based and high input cost agriculture. It embodies principles of agroecology, activating microbial life in soil via bio-inoculums (prepared using cow dung, cow urine, jaggery, etc.), thereby improving both soil and plant health. The practice advocates complete elimination of synthetic chemical inputs and encourages natural inputs, mulching practices and symbiotic intercropping.

Andhra Pradesh has had a state-wide natural farming programme since 2016, now covering 580,000 farmers. Other states — Chhattisgarh, Himachal Pradesh, Karnataka, Kerala, and Uttarakhand — have shown interest. The central government has held discussions. In her Budget speech of July 2019, the finance minister highlighted natural farming, its potential to contribute to the goal of doubling farmers' incomes and allocated □325 crore for its study and promotion. In September, at the meeting of the UN Convention to Combat Desertification, the prime minister also promoted "Indian natural farming practices".

INFLEXION POINTS

ARUNABHA GHOSH & NITI GUPTA

Researchers at the Council on Energy, Environment and Water (CEEW) have estimated that, at scale and properly implemented, natural farming could potentially impact a quarter of the 169 targets under the Sustainable Development Goals. But there are gaps between promise and practice. Not all farmers switch to natural farming entirely. Not all farmers have been practising it for long, so there remain uncertainties about yields. Not all farmers have access to functioning markets to secure higher returns.

A central proposition of natural farming is that chemical fertiliser use and related input costs could be significantly reduced. CEEW's latest study investigated this claim — and the impact on fertiliser subsidies*. Evidence appears promising. Based on a survey of 600 farmers across all agro-climatic zones in Andhra Pradesh, the study found significantly lower fertiliser consumption (more than 95 per cent reduction in most cases) for naturally farming rice and maize. A conventional farmer uses 74.46 kg of urea per acre. The expected urea use for a natural farmer was found to be 0.59 kg/acre. Farmers also reported 90-93 per cent lower expenditure on fertiliser and pesticide inputs compared to conventional farming, or savings of □5,000-7,000 per acre.

India is the world's second largest producer of urea (and the largest importer in 2016). Fertiliser subsidies are budgeted to be □80,000 crore in 2019-20. Andhra Pradesh, alone, received more than □3,500 crore in 2018-19 as fertiliser subsidy. In 2019, the government spent $3.2 billion as additional subsidy on imported gas used in fertiliser industries. This represented about 8 per cent of the total subsidy (food, fuel and fertiliser) budget for FY2019-20. Further, subsidies have resulted in urea imports jumping from 0.2 million tonnes in 2000 to 6 million tonnes in 2017.

Reducing fertiliser use with natural farming has significant fiscal implications. With complete penetration of natural farming across Andhra Pradesh, the state could save almost □2,100 crore in fertiliser subsidies annually (based on reported consumption by farmers). Even with low penetration of 25 per cent, estimated savings could be □517 crore annually. These estimates acknowledge that some farmers continue to use chemical inputs for a portion of their land during a transition phase. This could be thanks to behavioural inertia, hesitation with wholly adopting a new practice, or lack of natural inoculants in sufficient quantity. If they switched completely, then fertiliser subsidy savings would range between □539 crore and □2,154 crore in the low- and high-penetration scenarios, respectively. Such savings could finance full rollout of natural farming in Andhra Pradesh (estimated to cost □17,000 crore) within 8-10 years.

Adopting natural farming more widely needs more research, deployment and evaluation. There is urgent need to conduct a long-term comprehensive impact evaluation of natural farming methods on food production (quality and quantity), farmers' incomes and welfare (lower debt burden, for instance), and environmental outcomes (soil health, water conservation, and carbon sequestration).

Research should cover several agro-climatic zones across the country. Data from crop-cutting experiments must be analysed against the social and economic conditions under which the practices were adopted. Are there commonalities in the circumstances of high-performing farmers that could be scaled up in other regions as well? Is there a relationship between prior ecological conditions and subsequent improvements, which could indicate the regions where natural farming is more likely to succeed?

Another link is between natural farming and climate adaptation and mitigation. Chemicals and fertilisers account for 12 per cent of greenhouse gas emissions from India's manufacturing sector. Apart from reducing manufacturing emissions, studies of soil carbon retention and resilience of naturally farmed crops against climate stresses could be documented in state climate action plans. New information from field surveys could be used to update the plans. Robust studies on carbon sequestration could link farmers to climate finance mechanisms, creating new channels for investment in natural farming or additional income for farmers.

A systemic shift in agriculture would mean vastly upgrading resource productivity, increasing economic viability of alternative practices, and greater social inclusion of the small and marginal farmer. More information is needed to definitely say whether natural farming increases yields and farmers' incomes. But the impacts on fertiliser use and lower subsidy burden suggest that we encourage more experiments and scientific evaluation — at scale — towards sustainable food systems.

*Ghosh is CEO and Gupta is Research Analyst, Council on Energy, Environment and Water (http://ceew.in). Follow @GhoshArunabha @CEEWIndia *Gupta, Tripathi, Dholakia (2020) Can Zero Budget Natural Farming Save Input Costs and Fertiliser Subsidies? Evidence from Andhra*

Small powerhouses

BOOK REVIEW

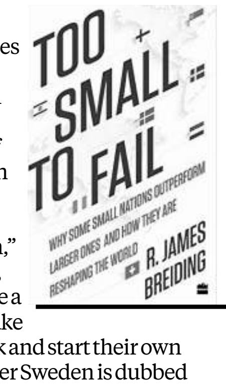
CHINTAN GIRISH MODI

For a book that argues that smaller is better, the title is more than a mouthful. *Too Small To Fail: Why Some Small Nations Outperform Larger Ones And How They Are Reshaping The World* presents the idea that economic power is no longer linked to maintaining giant armies and navies. It is a matter of winning trade battles and global contests for attracting professional talent.

"For centuries, a country's status has been measured by the size of its territorial reach, its military might and its natural resource endowment," writes the author R James Breiding. "While still important to the global balance of power, these physical metrics are waning today in relevance in the face of increasing global economic interdependence, driven largely by rapid developments in information technology, telecommunication and transportation."

Part A of this book, called "Secret Sauces", focuses on the qualities and attitudes valued in smaller countries that have overcome physical limitations to make progress in several spheres. Mr Breiding believes that their success lies in their alertness to risks, their willingness to adapt, and the fact that their investment in human resources reflects industry needs. They are adept at using soft power, and skilled at resolving geopolitical conflicts through negotiation. It is surprising, therefore, that Mr Breiding chose to include Israel, which profits from its occupation of Palestine.

Smaller countries prefer to attain prosperity through innovation rather than annexation of territory, expansion of borders or enslavement of people. "In Sweden," Mr Breiding writes, "all employees have a statutory right to take six months off work and start their own business. No wonder Sweden is dubbed 'Europe's start-up capital' and has produced more unicorns ... such as Klarna, Spotify and Skype than anywhere outside of Silicon Valley."



TOO SMALL TO FAIL: Why Some Small Nations Outperform Larger Ones And How They Are Reshaping The World
Author: R. James Breiding
Publisher: HarperCollins

What is most enjoyable about the writing style is that, apart from giving you relevant statistics to back up observations, it also brings you anecdotes from the author's conversations with leaders from academia, industry and government. His expertise lies in synthesising their insights on the histories, economies, political systems and social norms of their respective countries. For example, he cites an interview with Ralph Eichler at the Swiss Federal Institute of Technology (ETH), who feels that excessive time pressure and over-measurement discourage innovation. He told the author that researchers in Asian countries tend to pick low-risk projects because they fear looking foolish if they are unable to measure up to the prescribed key performance indicators.

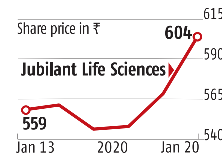
Part B, titled "Leading By Example", looks closely at specific countries and their accomplishments despite their seeming disadvantage with respect to size. In Finland, all citizens get access to the same educational opportunities regardless of their family wealth, stature, ethnicity, or place of residence. In the absence of admission restrictions, parents do not feel pressured to game the system to get their children into the best schools. Education is also free right up to and including higher education. Apart from tuition, this covers hidden costs such as meals, textbooks and healthcare insurance. Moreover, there are no elite private schools and no stigma attached to specialised crafts and trades because people who excel at them are valued in their society.

In Part C, titled "The Future of Nations", Mr Breiding notes that citizens are becoming more mobile thanks to countries that use residence permits and citizenship to attract the most desirable immigrants such as top scientists, executives and the ultra-rich. Many of these are *TSTF* countries. He predicts that countries will be smaller, more cohesive because that would make it easier to craft and implement policies. There would be fewer degrees of separation between government and the citizens. This sounds like the perfect world but Mr Breiding gives us a reality check: smallness is no guarantee of success as evident in the case of Haiti, Lebanon and Zimbabwe. Each country grapples with its own circumstances and must find its own path.

A longer version of this review appears on the website

Business Standard
The Smart Investor
MUMBAI | TUESDAY, 21 JANUARY 2020
WWW.SMARTINVESTOR.IN FOR INFORMED DECISION MAKING

QUICK TAKE: TWIN BOOST FOR JUBILANT LIFE



Jubilant Life Sciences was up over 6% on Monday adding to the 42% gains seen since August lows. While separation and listing of the life sciences and pharmaceutical business is driving the re-rating, analysts say revised chemical prices will lead to strong earnings

"The RBI's Monetary Policy Committee may also like to look at what is known as full employment rate/Nairu (non-accelerating inflation rate of unemployment) in setting policy rates, as policy rate corresponding to lower-than-actual Nairu may be potentially inflationary!"

V K SHARMA,
Former executive director, RBI

Overseas investment via Mauritius dips

Fund registrations from the country drop to 4.3%; US, Ireland & Luxembourg gain

ASHLEY COUTINHO
Mumbai, 20 January

Overseas investment from Mauritius into India dipped last year as investors curtailed fresh investment from the region in favour of countries, such as the US, Ireland, and Luxembourg.

Fresh fund registrations from Mauritius dropped with only 4.3 per cent of new foreign funds coming from that country since the beginning of 2019. The comparable number for the US is 32 per cent and that for Luxembourg and Ireland together is 24 per cent. In 2015, fresh registrations from Mauritius stood at 8.4 per cent.

Average monthly assets under custody from Mauritius slid 10 per cent in 2019 to ₹4.33 trillion over the previous year, with equity investment slipping 10 per cent to ₹3.97 trillion, the data from NSDL shows. "Investors, who were earlier using Mauritius only to avail of the treaty benefits, have certainly become circumspect after amendment to the treaty, and the GAAR (General Anti-avoidance Rule) being introduced under the Indian income-tax Act since there is no real benefit of routing funds through Mauritius now in the absence of proper substance there," said Divaspati Singh, partner, Khaitan & Co.

India had renegotiated its tax treaties with Mauritius in 2016. Based on the new arrangement, Indian equities acquired before April 1, 2017, were grandfathered and granted capital gains tax exemption. Shares acquired on or after this period, and sold before April 1, 2019, had to pay a concessional tax at 50 per cent of the domestic rate.

Many long-only equity funds from Mauritius continued to operate from these regions during this transition phase, given the grandfathering clause still applied. Now that the transition period has ended, there is no add-on benefit in operating from these countries for equity funds, said experts.

Equity investments on or after April 1, 2019, are taxed at 10 per cent for investments greater than a year, and at 15 per cent for those below.

Neha Kulkarni, director at Wilson Financial Services, said that investors who are keen on transacting in currency and stock derivative might want to re-think on Mauritius because of the reduced investment limits in these products for the category II FPIs.

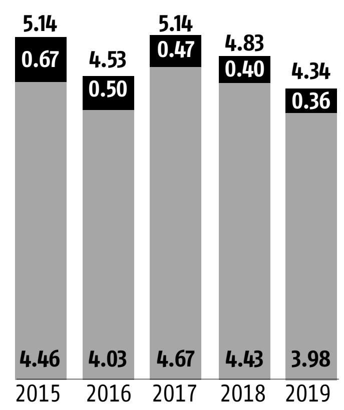
Recent regulatory guidelines for FPIs have classified more than three-fourth of Mauritius funds as category II. "The position limit on stock and index derivatives for category II FPIs stands much-reduced compared to that for category I FPIs. The trades of category II FPIs that are corporate bodies, individuals or family offices are to be margined upfront; also, enhanced KYC is required," said Kulkarni.

The country might also lose out to Singapore in the long run. "Unless Mauritius makes an effort to become a direct member of the Financial Action Task Force (FATF), it would be very difficult for Mauritius to maintain its status of holding the majority of FPIs on its soil," said Kulkarni.

"It may be easier to establish substance in Singapore because of its connectivity and availability of a large workforce. Singapore's new variable capital company regime, if rolled out successfully, may also make it easier for setting up India-focused hedge funds and credit funds in the country," said Singh.

But, Mauritius remains a preferred destination for Asian investors, especially those wanting to invest in debt and derivatives, as there is no tax to be paid on investments in these asset classes, except for the interest part in the debt instrument. It is ranked number two by FPI assets, ahead of Luxembourg, Singapore and the UK.

"The amended Mauritius treaty provides certain benefits for investments in Indian debt securities, such as a lower withholding of 7.5 per cent. However, any treaty benefit will be subject to the rules under the GAAR, where any fund or entity seeking treaty benefits will have to show sufficient commercial substance and justification for investing through Mauritius," said Singh, adding that the entry barrier for setting up funds in Singapore, Luxembourg and Ireland is still significantly higher than that in Mauritius.



Source: NSDL

Indices skid over earning concerns, spike in oil prices

SHREEPAD S AUTE & SUBRATA PANDA
Mumbai, 20 January

The benchmark indices slipped on Monday following the underwhelming December quarter (Q3) results of some large banks, earnings disappointment by heavyweights Reliance Industries and Tata Consultancy Services (TCS), and a spike in crude oil prices over Libya shutting down two production bases.

The Nifty index logged its biggest single-day fall in nearly four months, declining 128 points, or 1 per cent, to 12,225. The Sensex ended at 41,529, down 416 points, or 1 per cent — the most since January 6. Both indices had hit fresh highs in early trade but failed to sustain the gains. The India Vix index, a gauge for market volatility, spiked 9.1 per cent.

Concerns over asset quality and loan growth that got highlighted in Q3 results hurt investor sentiment towards banking stocks, with the Nifty Bank index falling 1.6 per cent. Major banks, such as HDFC Bank, Kotak Mahindra Bank, Axis Bank, RBL Bank, and State Bank of India, saw their stock prices decline by up to 5 per cent on Monday.

"Asset quality pressure from sectors like agriculture and commercial vehicles and slower growth reported by strong banks like HDFC Bank is making investors cautious about the performance of other banks," said Lalitabh Srivastava, deputy vice president at Sharekhan.

Mona Khetan, analyst at Reliance Securities, said: "With the rise in corporate stress during Q3 (on expected lines), even bellwethers like HDFC Bank and Kotak Mahindra Bank have been impacted."

In recent times, on the back of expectations that asset quality woes have peaked out, the stocks of major banks have found strong investor support. The Nifty Bank index had gained about 9 per cent in the three months ended January 17 versus a 7 per cent rise in the Nifty50 during the same period. The asset quality pressure from the non-core segments seen in Q3 is now getting factored in, says another analyst.

Nonetheless, analysts do not see these as a major concern, at least, for the large banks. "For banks like HDFC Bank and Kotak Mahindra Bank, we expect the trend to reverse in a few quarters," said Srivastava.

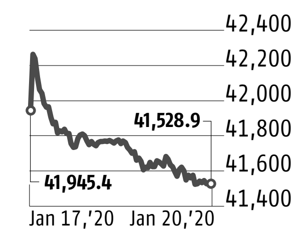
Reliance Industries' shares, too, fell 3.1 per cent in the Sensex. The Street was disappointed by weak numbers for the petrochemical business during Q3, said analysts.

The markets came under selling pressure also on the account of rising oil prices because of Libya's eastern strongman, Khalifa Haftar, keeping virtually all of the nation's oil fields shut. In Iraq, which is Opec's second-biggest producer, a strike at a key oil field hit output.

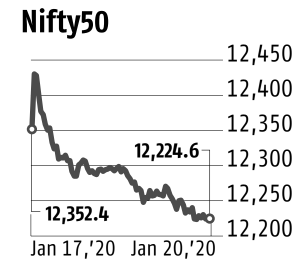
With agency inputs

OFF THE PEAK

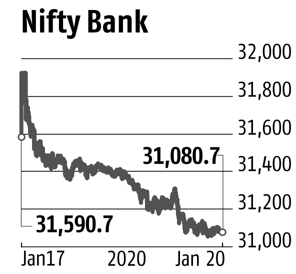
Sensex



Nifty50



Nifty Bank



Compiled by BS Research Bureau
Source: Bloomberg/Exchange

Brent crude
$65.44
▲**59cents**
WTI crude
$58.93
▲**39cents**
*Till 8:12 pm IST

Centre rejigs CPSE ETF

JASH KRIPLANI
Mumbai, 20 January

Government-owned firms saw sharp share price movements on Monday, following exclusion and inclusion of certain stocks in the Nifty CPSE index, which acts as an underlying portfolio for the CPSE Exchange Traded Fund, which is used by the government to monetise its PSU holdings.

The share price of Indian Oil (IOCL) closed 4.2 per cent lower, while price of Power Finance Corporation (PFC) slipped 7.9 per cent. Effective from January 24, IOCL and PFC will be excluded from the index, while Cochin Shipyard, NHPC, NMDC, and Power Grid Corporation of India will be added to the index. The share price of Cochin Shipyard ended 3.5 per cent higher. Hydropower player NHPC (11.8 per cent), NMDC (7.1 per cent) and Power Grid (3.7 per cent) posted robust gains on Monday. "Shares of these firms gained as they can now attract large institutional investor flows after being part of an ETF," said Vinay Khattar, head of research, Edelweiss Broking. The eligibility criteria for the CPSE index was also changed. Earlier, stocks where the government held over 51.5 per cent stake were eligible for inclusion. Now, stocks where the government holds more than 51 per cent stake are eligible. With strategic sales in firms like BPCL, Air India and Container Corporation looking unlikely in this fiscal, investment bankers say the Centre plans to raise ₹9,000 crore-₹10,000 crore through the next tranche of CPSE-ETF in February. Experts say that the Centre has included stocks where there is enough cushion over the 50 per cent holding-mark. At the end of December, the assets under management for the CPSE ETF managed by Nippon India MF stood at ₹10,459.53 crore.

CREATING WAVES

Rejig triggers sharp stock movements

Exclusions	Change (%)	Govt stake (%)
Indian Oil	-4.2	51.5
Power Finance	-7.9	55.99
Additions	**Change (%)**	**Govt stake (%)**
Cochin Shipyard	3.5	75.2
NHPC	11.8	73.11
NMDC	7.1	72.28
Power Grid	3.7	54.97

Source: Exchanges, shareholding as of December 31, 2019

ITI to raise ₹1.6K cr through FPO

SAMIE MODAK & PRESS TRUST OF INDIA
Mumbai, 20 January

State-owned Indian Telephone Industries (ITI) will have a ₹1,600-crore follow-on public offer (FPO) on Friday. The FPO comprises fresh issue of up to 180 million equity shares. An additional issue constituting up to 1.8 million shares will be reserved for employees.

The issue will open on Friday, January 24 and close on Tuesday, January 28, the company said in a statement on Monday. The last FPO to hit the market was in 2014 by state-owned Engineers India. Market players said FPO as a fund raising instrument has lost its appeal, as companies these days opt for newer methods like offer for sale (OFS) or institutional placement programme (IPP).

The price band for the FPO will be announced on Wednesday. Proceeds of the issue will be utilised towards working capital requirements, repayment of loan taken by the company, and for general corporate purpose. On Monday, shares of ITI ended at ₹103, down 0.3 per cent. The company has a market cap of ₹9,226 crore. The public issue is being managed by BOB Capital Markets, Karvy Investor Services and PNB Investment Services. The FPO will help the company meet Sebi's requirement of minimum 25 per cent public shareholding. The government holding in the company is currently at 90 per cent.

ITI is into manufacturing of a diverse range of Information and Communication Technology (ICT) products and solutions. Its customers include BSNL, MTNL, defence, paramilitary forces and state governments.

The company has a strong order book of ₹11,051.12 crore as on December 2019, which includes various government projects such as ASCON, BharatNet, Network for Spectrum, smart energy meters, space programs and e-governance projects. ITI said it is looking to leverage their relationship with the Centre and various public sector units, modernise its infrastructure and technology, as well as team up with innovative technology leaders and start-ups.

IRFC files for IPO

The Indian Railway Finance Corporation (IRFC) has filed draft papers with markets regulator Sebi for its initial public offering (IPO).

The public issue is of up to 1,407,069,000 equity shares, of which up to 938,046,000 equity shares are fresh issue, and up to 469,023,000 equity shares are offer for sale, according to the draft red herring prospectus. The net proceeds from the offer are proposed to be utilised towards augmenting the company's equity capital base to meet future capital requirements. **PTI**

THE COMPASS

Weak macros take the zing off HDFC Bank

Retail loan growth at multi-quarter low

HAMSINI KARTHIK

A few weeks ago, when HDFC Bank published its December quarter (Q3) loan growth and deposit data, analysts were of the opinion that the widespread economic downturn wasn't hurting it much. This was tested over the weekend, when HDFC Bank published its Q3 results.

While headline numbers met estimates, quality of loan growth and asset quality didn't. This explains the 1.8 per cent dip in its stock price on Monday. Net interest income (NII) growth, at 12.7 per cent year-on-year (YoY), is the weakest in 15 quarters.

HDFC Bank's yield on assets fell from 9.3 per cent a year ago to 8.9 per cent in Q3.

More importantly, much of the 20 per cent YoY loan growth was driven by corporate loans (up 37 per cent led by working capital loans and demand from state-run companies). However, pricing power in such loans is relatively lower as compared to retail loans, which grew by just 14.2 per cent.

Barring personal loans and credit cards, which grew 23 per cent and 28 per cent (YoY in Q3), respectively, other pockets such as agri, gold and business banking loans grew well below the 15 per cent mark.

While HDFC Bank may be making headway in consumer loans via its credit cards and personal loans, other segments may take a while to rebound.

Of the lot, vehicle loans posted the weakest growth numbers (1.3 per cent) and fell below even Q2's five per cent growth rate, indicating that the festive season didn't help. Analysts say that unless there is a recovery in the economy, HDFC Bank's retail loan growth could face more pain. It was at a multi-quarter low in Q3.

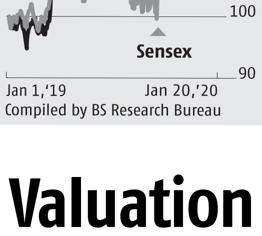
Equally disappointing was asset quality. While gross non-performing assets (NPA) ratio didn't change much – 1.4 per cent in Q3 – and was maintained at a year-ago and Q2 levels, the problem was that slippages or loans turned bad and stood at ₹5,340 crore.

This pushed up the slippages ratio to 2.3 per cent, which is also a multi-year high for the bank. Trouble from corporate and agri-loan exposures kept the number elevated and accounted for 28 per cent of the total slippages.

Analysts at Kotak Institutional Equities noted that higher credit costs and slippages in recent years reflect the changing loan mix of the bank.

With two main aspects (NII and asset quality) challenged, Q3 may be one of the few quarters where fewer analysts increased their expectation from the stock.

While there is no reason to turn cautious yet, investors should moderate their near-term expectations.



Compiled by BS Research Bureau

MAPPING THE SLIPPAGES

Slippages	(%)
Q1 FY19	2.1
Q2 FY19	1.8
Q3 FY19	2.1
Q4 FY19	1.8
Q1 FY20	2.0
Q2 FY20	1.7
Q3 FY20	2.3

Source: Brokerages

Valuation discount big comfort for HCL Tech investors

FY21 growth outperformance could be a challenge

RAM PRASAD SAHU

A better-than-expected performance on revenue and margins in the December quarter as well as a guidance revision should help HCL Technologies report the best organic growth among large-cap peers in 2019-20 (FY20).

The company revised its revenue guidance in constant currency terms for the current financial year to 16.5-17 per cent, from 15-17 per cent indicated earlier. This will translate into an organic growth of 10-11 per cent — the highest among large-cap companies.

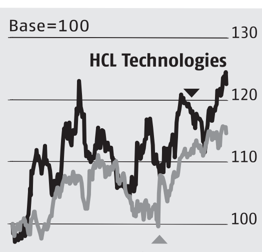
Margin guidance, too, has been increased to 19-19.5 per cent, from 18.5-19.5 per cent. The margin revision comes on the back of second consecutive quarter of 20 per cent-plus operating profit margins. This was achieved on the back of higher productivity and a shift from lower margin products. Given the 310-basis point margin gains over the last couple of quarters, analysts expect the company to achieve the projected margin targets.

The gains, both on the revenue as well as the margin fronts, were led by the products and platform business. On the revenue front, the overall sequential growth of 2.3 per cent was led by a 16.8-per cent growth in the products business, with IBM intellectual property business contributing to incremental revenues in the quarter. While a strong deal pipeline will have a positive bearing on the growth outlook, brokerages highlight some wrinkles.

Analysts at Phillip Capital believe the strong organic growth in FY20 is an outcome of a few large deals ramping up in the fourth quarter of 2018-19 (FY19) and the first quarter of FY20. This may not recur in 2020-21 (FY21).

Whether the company will be able to achieve $625-million revenue from the IBM deal in the first four quarters is still ambiguous. Unlike in FY19, the company has not won any $1 billion dollar-plus deals in FY20. This might impact the growth outlook for FY21. The management, however, indicated that renewals have been steady, pricing demands have moderated, and the deal pipeline has been the highest in recent quarters.

While there is lack of clarity on FY21 growth, what gives comfort are the valuations, which at 13.3x the FY21 estimates are at a 38 per cent discount to Tata Consultancy Services. This is higher than the five-year average. Given the target prices are upwards of ₹650, there is an upside in the 10-20 per cent range from the current levels.



Compiled by BS Research Bureau

JSPL builds up hope after a good Q3

Analysts expect better volumes, led by expansion and operating efficiencies, to drive future earnings

UJJVAL JAUHARI
New Delhi, 20 Monday

In a quarter that saw steel prices coming under pressure and falling to a one-year low, Jindal Steel and Power (JSPL) did well, reporting a 7.7 per cent sequential improvement in operating performance in its India business. For the quarter ended December 2019 (Q3), while rising volumes and improved operating efficiency at its Angul plant helped, declining raw material prices proved supportive. Notably, JSPL's prospects are seen improving, and analysts say there are more gains for the stock, which has almost doubled in less than four months.

JSPL's domestic steel sales volumes grew 21 per cent sequentially and 34 per cent year-on-year to 1.61 million tonnes (MT) in Q3. Steel realisations, as extrapolated by analysts by dividing revenues by sales volume, however, continued to decline and were down 16 per cent sequentially to ₹39,023 per tonne. Yet, JSPL's domestic operations reported an 8 per cent sequential rise in earnings before interest, tax, depreciation and amortisation (Ebitda) at ₹1,352 crore. On a year-on-year basis, even though Ebitda was down 9 per cent, it came better than estimates of brokerages, such as Motilal Oswal Financial Services, which had pegged the number at ₹1,220 crore.

Sales at its overseas subsidiary, Oman Steel, at 570,000 tonnes, too, were up 27 per cent sequentially, and its Ebitda of ₹230 crore came way ahead of analysts' estimate of ₹150 crore.

JSPL's power segment, however, disappointed as it was impacted by low coal availability. This meant power generation declined 27 per cent year-on-year in Q3. The power segment's Ebitda, thus, was down 14 per cent sequentially and 5.8 per cent year-on-year. As a result, it also weighed on JSPL's consolidated performance, which came slightly below the Street's expectations.

At the net level, JSPL posted a consolidated adjusted loss of ₹224 crore after accounting for ₹1,000 crore each in interest and depreciation costs. The loss in the September quarter was ₹300 crore.

Analysts are positive on JSPL's prospects. While expanded capacity at the company's Angul plant is helping improve volumes and operational efficiencies, the domestic steel price has now rebounded. The average steel price had dipped by about ₹3,500 a tonne during the December quarter. It has seen a surge since December, and is likely to remain firm. So, expect JSPL to benefit from improving realisations, higher volumes, and better operating efficiencies. Its Angul plant has now become more cost efficient as compared to the Raigarh plant.

The start of its cost-efficient DRI plant (direct reduced iron; using coke-oven gas) will improve metal availability for steel production to 13,000 tonne per day (tpd) from this month, as against 10,000 tpd earlier, say analysts. This implies that annual steel production of 4 MT will be achievable at Angul plant at competitive costs. The fourth unit of JSPL's 500,000 tonne per annum coke-oven battery will also supply coke to the Raigarh plant, substituting the high-cost purchased coke.

The power segment should also rebound in the current March quarter, led by better availability of linkage coal, says the company. However, the bigger gains will be visible once JSPL finalises the power purchase agreements (PPAs). As demand recovers, visibility for medium-term contracts should reappear, say analysts. Over the next few years though, analysts expect improvement in PPAs as the oversupply situation in the power market is expected to reduce with lower capacity additions and old plants going off stream.

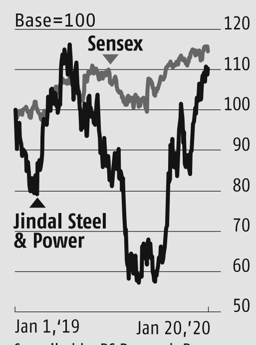
Post results, analysts at Motilal Oswal have maintained their 'Buy' rating on JSPL, led by visibility of strong volume growth, and have a target price of ₹210. All seven analysts polled by *Bloomberg* post results have a Buy on the stock; their average target price is ₹223.

The good Q3 numbers, which came over the weekend, helped the JSPL stock gain 1.6 per cent to ₹179.25 on Monday as compared to 1 per cent fall in the Sensex, taking overall gains to over 93 per cent since September lows.

BETTER EARNINGS FORECAST

in ₹ crore	Q3FY20	FY20E	FY21E
Net sales	9,300	38,367	39,430
% change y-o-y	-2.8	-2.6	2.8
Ebitda	1,820	7,988	9,540
% change y-o-y	19.6	20.8	24.19
Net profit/-loss	-224	-386	780

Consolidated financials, E: estimates, Ebitda: Earnings before interest, tax, depreciation and tax
Source: Motilal Oswal Financial Services



Compiled by BS Research Bureau

'Expect low double-digit returns in 2020'

Despite the weakness in the economy, the market has been charging ahead. **MUKUL KOCHHAR**, co-head of equities, India, Investec, says companies benefiting from the disruption in the economy are driving up the market. In an interview with **Samie Modak**, he says consolidation and import substitution will be the key themes this year. Edited excerpts:

How do you explain the divergence in the economy and the market performance?

The market performance is being driven by stocks and sectors which are benefiting from the disruption in the economy. These are companies that are consolidating, gaining market share, and increasing profitability, as competition reduces. Easy, and indiscriminate access to capital in the past had led to irrational competition in sectors, such as banking, cement, steel, and construction. This was not allowing these sectors on aggregate to even earn the cost of capital. As capital becomes more discerning, we see profitability improving across sectors, driving stock performance of the winners. Our research indicates that return on capital started improving across most sectors from 2016-17 (FY17) onwards, even as the risk-free rate has declined. This indicates that companies are adding more value today over their cost of capital than any time since FY11, driving stock performance.

Do you think the market has priced in a recovery in earnings and economic growth and gains, hereon, could be muted? What's the market outlook for 2020?

It is tough to make a general statement on what is priced in for the market, but we do not see much more of a challenge than normal in picking stocks. We are constructive on the market in 2020, and believe that low double-digit returns (compared to the risk-free rate of 6.5 per cent) is possible.

Most global analyses suggest the environment is favourable for equities. Do you subscribe to this view?

Last year was a particularly good year for global equity markets. After a solid year, follow-through could be more of a challenge given that some of this return in a strong year is typically generated through valuation re-rating. CY 2019 was no different, as most markets witnessed valuation expansion. This would imply lower returns in 2020, in general. For India, we believe investors will still be adequately rewarded for equity risk in 2020, on top of good returns in 2019. A favourable equity environment typically translates into positive equity flows, and 2020 should be no different.

So far this year, we have seen the broader markets outperforming large-caps after a long time. Is this trend sustainable?

We are recommending investors to stay very selective when it comes to smaller companies. Capital markets are going to remain very discerning around management quality and governance, which will impede a strong broad-based rally in smaller companies which we saw from 2014 to 2018. Smaller companies typically find it more challenging to hire high-quality management teams, and we believe that the markets will remain more discerning than in the past around quality of management, and capital allocation policies of firms.

Q&A

MUKUL KOCHHAR
Co-head of equities, India, Investec

What's the earnings growth forecast for the next financial year? What will drive earnings growth?

We believe that the consensus earnings estimate of 15 per cent for FY20, and 20 per cent of FY21 are achievable, with potential for modest upgrades. Tax rate cuts have been a substantial aid to the earnings cycle.

What are the key risks for the market? Do you think oil prices could de-stabilise our markets and economy?

One of the biggest risks to the market is emanating from geopolitics, driving oil prices substantially higher. Leaving aside this obvious risk, if the cyclical downturn in India becomes secular, it will finally start impacting the markets. Stocks are pricing in some level of normalisation in demand, and a secular downgrade in growth will become an issue for the broader market. This can happen if consumer and business sentiment, which has been impacted owing to recent noise, becomes entrenched. This is still not our base scenario since we believe the flow from structural reforms will eventually start percolating into the economy.

Which sectors and themes will do well going ahead?

Consolidation and import substitution are themes that should continue to do well in 2020.

More on business-standard.com

Aggressive hybrid funds are not for the retired

If you were mis-sold this product with the promise of regular dividend, exit it

SANJAY KUMAR SINGH

Aggressive hybrid funds, popularly known as balanced funds, which have an equity allocation of above 65 per cent in their portfolio, have seen large outflows in recent months. The assets under management of this category declined by ₹1,931 crore in December and ₹4,071 crore in November 2019.

One reason why the category is seeing redemption is mis-selling. A lot of people, including those who are retired or are about to retire, were sold these funds with the promise that they would offer regular monthly dividends of 11-12 per cent a month.

From 2016 to the start of 2018, there was a rally in mid- and small-cap stocks. Without taking into consideration the relatively conservative profile of the customers they cater to, many balanced fund managers entered these stocks in a big way. Some had as much as 50 per cent exposure to mid- and small-cap stocks in the equity portion of their portfolio. The downturn in these stocks from the start of 2018 and the narrowness of the market rally in the recent past has led to these funds underperforming.

Many of these funds have stopped paying dividend, which has upset retirees who had entered those expecting regular payouts. Some funds are still paying a dividend, but at a reduced rate. They are making these payouts from their accumulated profits. But this is leading to erosion in the value of the fund portfolio, which many conservative investors are miffed about.

However, the aggressive hybrid category does have merits. It has the ability to offer almost equity-like returns with much lower volatility. "When we ran the numbers, we found that these funds are able to capture about 85 per cent of the returns of equity funds with much lower standard deviation," says Shridatta Bhanwaldar, fund manager-equities, Canara Robeco Mutual Fund.

A balanced fund manager has the option to switch between equity and debt. In an equity fund, he can only move from equity to cash. The latter does not generate any return. "When the markets turn volatile, balanced funds reduce their equity exposure from 75-80 per cent to around 65 per cent. They invest 35 per cent of their portfolio in debt where it earns some return. This provides stability to the returns of these funds during volatile phases in the market," says Sousthav Chakrabarty, co-founder and chief executive officer, Capital Quotient. Since these funds maintain minimum 65 per cent allocation to equities, they enjoy the more favourable equity-like tax treatment.

Being hybrid funds, they also offer investors the benefits of asset allocation and rebalancing. Most retail investors who invest in separate equity and debt funds fail to rebalance. Here, the fund manager performs this task on their behalf.

Retirees who were mis-sold this product, or misunderstood it, should exit. "A 65-75 per cent allocation to equities may not suit many retirees," says Chakrabarty. Those who are dependent on their investments to meet their regular expenses, or want safety of capital, will be better off going into fixed-income products like Senior Citizens Savings Scheme that make a quarterly payout at the rate of 8.6 per cent.

People who were earlier investing only in fixed-income products but now want a taste of equities with lower volatility (than in pure equity funds) may enter or stay invested in balanced funds.

When selecting a fund from this category, make sure the fund manager does not take high exposure to mid- and small-cap stocks when they are rallying. Around 30 per cent should be the upper limit. The debt portion of these portfolios should also be run conservatively, with the fund manager avoiding too much credit or duration risk. Enter with at least a five-year horizon and be prepared for some volatility.

BETTER RETURNS WITH LOW VOLATILITY Returns (%)

	1 year	3 years	5 years	7 years	10 years
Minimum	-7.34	3.08	2.35	8.07	6.91
Average	10.24	8.79	7.17	11.54	9.77
Maximum	19.51	13.02	9.78	14.36	13.33

Source: mutualfundindia.com

COMMODITIES

PRICE CARD

As on Jan 20	International Price	International %Chg#	Domestic Price	Domestic %Chg#
METALS ($/tonne)				
Aluminium	1,796.0	3.9	2,067.2	8.1
Copper	6,276.5	9.1	6,581.4	9.4
Zinc	2,434.0	-2.2	2,657.9	1.1
Gold ($/ounce)	1,559.5*	4.7	1,747.4	4.7
Silver ($/ounce)	18.1*	2.8	20.4	3.4
ENERGY				
Crude Oil ($/bbl)	65.0*	10.2	64.6	7.6
Natural Gas ($/mmBtu)	1.9*	-17.2	1.9	-16.0
AGRI COMMODITIES ($/tonne)				
Wheat	195.3	10.8	316.3	8.7
Sugar	401.0*	19.4	492.0	0.5
Palm oil	765.0	43.0	1,237.5	43.2
Rubber	1,523.6*	10.9	1,940.7	14.1
Cotton	1,570.8	9.3	1,631.3	0.8

* As on Jan 20, 20 1800 hrs IST, # Change Over 3 Months
Conversion rate 1 US D = 71.1& 1 Ounce = 31.1032316 grams.

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

Govt-owned oil firms float season's 2nd ethanol tender

Want 2.53 billion litres from sugar mills; last time, the response was poor

DILIP KUMAR JHA
Mumbai, 20 January

The central government's three oil marketing companies (OMCs) have floated a second tender for ethanol to supply the petrol-blending programme.

They want a total of 2.53 billion (bn) litres, for supply between February 1 and November 30. In response to the first tender, floated in September 2019, the mills offered less than a third of what the OMCs asked for.

In the present one, Indian Oil Corporation (IOC) says it needs 1.07 bn litres, Hindustan Petroleum (HPC) 787 million and Bharat Petroleum (BPC) 672 mn litres. Made from sugarcane juice, sugar or sugar syrup, B or C heavy molasses or damaged foodgrain.

Given the poor response to the first tender, experts doubt if the second one would succeed. Of the 5.11 bn litres asked for in the first one, mills contracted to supply only 1.56 bn. This was due to estimates of a decline in production this year, following lower cane supply.

"We would be happy if the mills achieve the ethanol quantity supplied to OMCs last year," said Abinash Verma, director-general, India Sugar Mills Association (Isma).

In response to what mills offered in the first tender, the three OMCs had finalised a total of 1.56 bn litres, comprising 616.3 mn litres from B heavy molasses and 106 mn from cane juice.

This year's cane crop was damaged in monsoon and post-monsoon floods. Isma had reported a 26 per cent decline in sugar production at 10.86 million tonnes for the period between October 1, 2019 and January 15, 2020, as compared to 14.74 mt in the same period a year before.

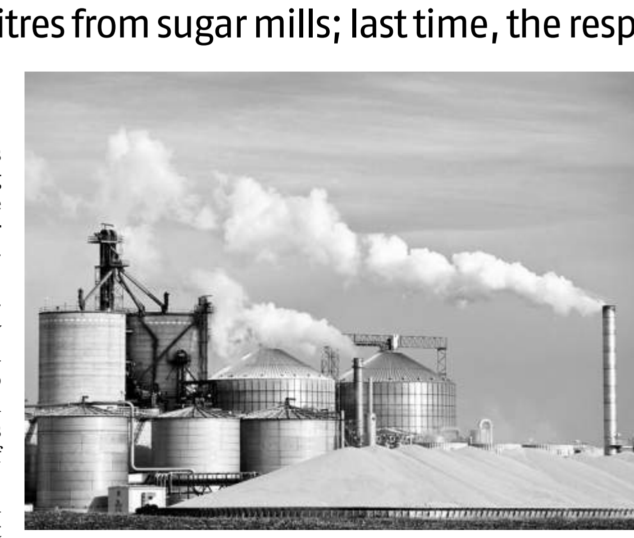
The central government has fixed the ethanol procurement price at ₹59 a litre, with a variation of a couple of rupees depending on proximity of supply.

Isma data shows the OMCs floated tenders for 3.32 bn litres of ethanol in the previous cane crushing season (October 2018 – September 2019). Of which, they finalised supply for 2.39 bn and finally lifted only 1.87 bn litres.

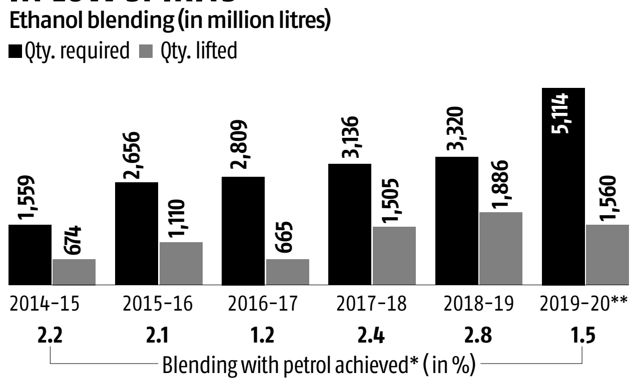
Since they are aiming at five per cent blending, the requirement for the current season has increased.

"A number of mills have set up independent distilleries and existing ones have expanded capacity to increase its supply in future," said Verma.

Vijay Banka, managing director at Dwarikesh Sugar Industries, said: "We have commissioned a new 100 klpd (kilo or thousand litres per day) distillery at our Bijnor facility in UP. The capital expenditure of approximately ₹145 crore will enable benefits to accrue across the foreseeable future."



IN LOW SPIRITS
Ethanol blending (in million litres)



*Based on 5 per cent annaul requirement; **as per 1st tender for oil marketing companies, quantity required=quantity lifted
Source: Indian Sugar Mills Association

IMPORT BAN ON PALM OIL

We're too small to act against India, says Malaysia PM

REUTERS
Kuala Lumpur/Mumbai, 20 January

Malaysia will not take retaliatory trade action against India over its boycott of palm oil purchases amid a political row between the two countries, its Prime Minister Mahathir Mohamad said on Monday, even as thousands of tonnes of imports oil are delayed or lie stuck at various Indian ports.

The Malaysian government also said that its trade minister Darell Leiking was open to the idea of holding talks with his Indian counterpart Piyush Goyal during the World Economic Forum gathering in Davos. But an Indian trade ministry official told *Reuters* on Sunday that Goyal is unlikely to meet Leiking in Davos because of his tight schedule.

"We are too small to take retaliatory action," Mahathir told reporters in Langkawi, a resort island off the western coast of Malaysia. "We have to find ways and means to overcome that."

Mahathir has been critical of India over the Citizenship Amendment Act (CAA) and the Kashmir issue. Malaysia is the second biggest producer and exporter of palm oil and India's restrictions on the refined variety of the commodity imposed on January 8 have been seen as a retaliation for his words.

India has been Malaysia's largest palm oil market for the past five years, presenting the Southeast Asian country with a major challenge in finding new buyers for its palm oil.

Benchmark Malaysian palm futures fell nearly 10 per cent last week, their biggest weekly decline in more than 11 years. India has stepped up orders from Indonesia, according to Refinitiv data.

Because of the ban, "more than 30,000 tonnes have been stuck at various Indian ports. All these vessels were loaded before the government restricted imports of refined palm oil", said a Mumbai-based vegetable oil dealer. There are such reports from Kolkata and Mangaluru.

"Usually, customs officials allow unloading of commodities that are in transit before any change in regulation," the dealer said.

A source in New Delhi said the restrictions mean importers will need a licence to buy, a tool that could be used to deny or delay shipments from Malaysia.

Malaysian PM Mahathir Mohamad has been critical of India over the Kashmir issue and CAA

RB hunts for relevance in new packs and formats

The British consumer goods company extends Lizol to new sub-categories and product formats, aligns the brand around emergent consumer needs

T E NARASIMHAN
Chennai, 20 January

Released in several languages, an ongoing campaign presents the brand as mass cleaning solution that can tackle local problems

Walk into a supermarket and it is impossible to miss the assorted range of home cleaners stacked up on the shelves, some are chemical-free solutions promising the sensitive-nosed, freedom from allergic reactions and others come in convenient packs, optimised for small urban households. For Lizol, the Reckitt Benckiser (RB) brand that has spent close to two decades in the Indian market, the fight against this crowd of challengers is not just another turf battle. The new brands not only threaten its crown, in the ₹1,000 crore market (industry estimates based on Nielsen data), but also herald a changing consumer landscape and Brand Lizol is fighting to stay relevant.

The consumer is no longer choosing between branded and unbranded fare. And with products that are affordable, safe and promise to be environment-friendly, the new brands are no longer slicing the market into an organised vs unorganised war zone.

In keeping with the shifting marketplace environment, Lizol is localising its products, introducing reusable packaging and coming up with herbal variants. It is also expanding the scope of the brand to create new occasions for purchase.

Lizol is the market leader with about 60 per cent share says Sukhleen Aneja, CMO and marketing director, RB Hygiene Homes South Asia and adds that the company's ad campaigns aim to expand Lizol's influence inside Indian homes.

The company has also launched a special cleaner for cement floors in four states that use such flooring extensively, Tamil Nadu, West Bengal, Karnataka and Kerala. The company says that the cement floor cleaner is a global first and has been launched after years of research that revealed Indian homes were particularly concerned about white patches/stains on such floors. "The floor cleaner category is growing in double digits and with growing urbanisation, is poised to accelerate. We realised that while the market is focused on tiles and marble floors, the need for most Indian consumers having cement floors has still not been addressed," said Aneja. By 2020, more than 18 crore homes in India will have cement floors with 33 per cent such homes in South India. "This product is a global first and it is heartening for the R & D team to bring a product that is core to Indian homes," said Navin Sharma, head- Innovation Hub at India R&D, RB Hygiene Home.

Ambi Parameswaran, brand strategist and founder of Brand-Building.com said, "The idea of launching a cement floor variant at a lower price point is interesting. But given the SEC (socio economic class)of the consumer, the product at ₹25 for 100 ml is not cheap (Regular Lizol price is ₹38 for 200 ml). A sachet pack that is lower priced could help improve product acceptance. Most of the consumers in this SEC are probably using Nirma or Ghadi. Upgrading them will be a challenge. RB will have to improve the VFM (value for money) quotient of the offering and at the same time protect the mother brand from cannibalisation issues." (The Lizol cement cleaner variant is available in a reusable pouch priced at ₹25.)

The brand is being aimed at the millennial householder. The advertising narrative for Lizol and its packaging size and design, everything is geared to win the approval of young and millennial householders.

Research showed that this group of consumers is concerned about the quality of chemicals used in cleaning products and the company said it has increased its focus on herbal-natural alternatives. Lizol is now available in *tulsi*, *neem* and other such variants.

In its ads, released in a number of regional languages, the company has also sought to use the brand's equity as a floor cleaning agent to crack open the surface cleaning category, a segment that still remains largely dependent on home-grown solutions.

An internal survey around the people's perception of kitchen cleanliness across six cities in India (1,400 people) showed that barely 13 per cent respondents use a germ protector to clean their kitchens. Most used soap and water for the job. The ads drive home the need for specialised cleaning solutions, said Aneja. For Lizol's brand custodians, the battle to stay relevant over the next decade will be as much as keeping the challengers at bay, as about battling popular perceptions about clean homes.

FROM PAGE 1

Telcos...

In the case of spectrum, the DoT agreed to a staggered payment scheme for 16 years with a two-year moratorium and an upfront payment of 25 per cent to 35 per cent, depending on the spectrum band that a telco bought. Responding to the financial stress in the industry, especially in the case of Vodafone Idea, the government recently offered another two years' moratorium from next financial year.

That would mean forgoing revenues of around ₹50,000 crore temporarily for the next two financial years. However, failure to get relief would put the industry in major financial stress and, analysts say, could mean the end of the road for Vodafone Idea, which is highly leveraged and has made it clear that it will have no choice but to close down operations. The move, however, has hardly any impact on Reliance Jio, which has to fork out ₹60 crore as AGR dues and, sources say, it is planning to pay the entire amount before the deadline. A query to Jio did not elicit any response.

Bharti Airtel, according to sources, will also have to pay ₹2,100 crore arising out of dues on Telenor's account (the firm merged with Bharti Airtel).

Sources said Sunil Mittal, chairman of Bharti Airtel, and Kumar Mangalam Birla, chairman of Vodafone Idea, were believed to have met Telecom Secretary Anshu Prakash on Saturday to discuss the dues and the way ahead for them.

Telecom companies are having discussions on a possible staggered payment plan. The Cellular Operators Association of India (COAI), the apex association of the industry, had suggested a 10-year payment scheme with a two-year moratorium, assuming that there would be no interest or penalty.

Companies say the government has earned about ₹17,500 crore as licence fees and SUCs. "We are no longer questioning the amount that we have to pay. The important question is how we pay it in a staggered way, especially as most of the companies are public limited with shareholders and ensure it is a viable business," said Rajan Mathew, director general, COAI.

The four companies appealing before the highest court have to fork out ₹1,05,228 crore, based on the telecom department's calculations.

Vodafone Idea has to pay the most: ₹53,000 crore.

Based on these calculations, the three players have to pay over ₹10,000 crore if they pay 10 per cent upfront this financial year or double the amount if it is pegged at 20 per cent. However, if the amount of all telcos is recovered, the upfront payment would be ₹14,000 crore at 10 per cent and double that amount at 20 per cent.

The Tata group does not have any telecom business currently.

IMF...

IMF Chief Economist Gita Gopinath said in a blogpost that the biggest contributor to the revision of global economic growth was India, where growth slowed sharply owing to stress in the non-banking financial sector and weak rural income growth. She, however, said growth momentum should improve next year due to factors like positive impact of corporation tax rate reduction.

She said the pick-up in global growth for 2020 remains highly uncertain as it relies on improved growth outcomes for stressed economies like Argentina, Iran, and Turkey, and for under-performing emerging and developing economies such as Brazil, India, and Mexico.

IMF Managing Director Kristalina Georgieva said the reality is global growth remains sluggish even as she mentioned that monetary easing has helped to stabilise the global economy, adding roughly 0.5 per cent to global growth. However, she said that a more comprehensive solution would be needed if global growth slows again. "A coordinated fiscal response can boost growth," she said while calling for a "spirit of cooperation".

Sachin Bansal...

This process culminated in him acquiring around 90 per cent in Bangalore-headquartered Chaitanya India Fin Credit, a microfinance firm, in September last year.

Chaitanya operates as a subsidiary of Navi, which has also struck deals to buy Essel Mutual Funds (Securities and Exchange Board of India approval awaited) from Zee Group, and DHFL General Insurance (from Wadhawan Global Capital) while it has recently acqui-hired tech-consulting business MavenHive to beef up engineering.

Navi, while being a holding firm, is also a technology-cum-operating company, and is helping create a digital product suite on top of Chaitanya's micro-finance portfolio.

The app will also help Chaitanya digitise its operations and reduce operating costs. Some of its applications may look at empowering field agents with smartphones or even bringing down cash usage among customers using digital payments on the app. The app may also serve as a point to collect customer data for credit profiles.

"We bring some technology thinking and scale it faster," said Bansal, without divulging the timeline of the roll-out of the app, or other products.

In the next phase, Bansal says Chaitanya, which was predominantly present in Karnataka and Maharashtra with around 176 branches and 400,000 customers, all of whom are women, is expanding into Bihar, Chhattisgarh, and Uttar Pradesh. "They (Chaitanya) had a lot of capital constraints earlier, which is something we solved for them. Now, they are now going to expand faster, and we want to take it national over time."

Bansal says Chaitanya will tap external funding for its capital requirements, but only through debt, while he will continue to completely own the microfinance firm. "I am not doing it for the next five or 10 years. I am thinking about the next 15 or 20 years. So we have a long horizon and want to keep the maximum flexibility with us to drive the goals and objectives," Bansal added.

Maruti, Hero...

"There is residual BS-IV inventory of limited models in some markets across the country on which the company is running a limited '2020' offer. This offer may be supplemented by dealers," a Hero spokesperson said.

Hero has started sales of BS-VI models and is "aggressively ensuring the availability of BS-VI products across the country," the spokesperson said. The prices of the BS-VI models are ₹7,000-8,000 higher than the BS-IV variants.

Lavasa...

BSE-listed Oberoi Realty, on the other hand, joined the race for Lavasa Corporation, citing synergies of operations.

During the CoC meeting, ARCIL, a CoC member, had supported the new applicants for Lavasa, but it warned that the existing applicants may raise concerns regarding the acceptance of new applicants by CoC members at an advanced stage of the insolvency process.

The resolution professional will now rerun the entire process for inviting EoIs and provide bidders access to a virtual data room.

BS SUDOKU # 2950

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Very Hard: ★★★★★
Solution tomorrow

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Nadda takes over as BJP president unopposed

ARCHIS MOHAN
New Delhi, 20 January

Welcoming the appointment of Jagat Prakash Nadda as the new chief of the party, Prime Minister (PM) Narendra Modi on Monday asked Bharatiya Janata Party (BJP) workers to reach out to people to dispel misinformation spread by political rivals on the Citizenship (Amendment) Act (CAA).

Nadda, 59, the Union health minister during the first term of the Modi government, was appointed the working president of the BJP in mid-June. The BJP follows the principle of 'one man one post'. This entailed that the then party chief Amit Shah should have quit the post after he was sworn in as the Union home minister.

Shah had taken over in July 2014 after Rajnath Singh quit as BJP chief soon after he was appointed the Union home minister. However, in a departure from the past, Shah continued as the party chief for seven months ostensibly to oversee the Assembly polls in Jharkhand, Haryana, and Maharashtra.

As Modi himself reminded the gathering at the BJP national headquarters, Nadda is a close lieutenant of his since the early 1990s. Modi then handled the party's organisational affairs in Himachal Pradesh and Nadda was the BJP youth wing chief.

The biggest challenge for Nadda will be to come out of the shadow of Shah, who is likely to continue to keep a firm grip on party affairs

The biggest challenge for Nadda in his three-year term will be to come out of the shadow of Shah, who is likely to continue to keep a firm grip on party affairs, particularly as most of the state unit chiefs elected recently are leaders considered close to him. Nadda, a quiet man more comfortable remaining behind the scenes, is also acknowledged as an efficient organisation builder. He would need to keep the party battle-ready for Assembly polls not just in Bihar later this year, but more crucially in West Bengal and Assam in May 2021.

Nadda was elected unopposed after he emerged the only leader in the fray following the nomination process. Shah said the BJP was different from other political parties as it is not based on the leadership of a particular caste or dynasty. Nadda's father was vice chancellor of Patna University.

Nadda may not hail from a political family but married into one. His mother-in-law Jayashree Banerjee, a significant influence on his political life, is a former BJP Lok Sabha MP from Jabalpur, multiple term Madhya Pradesh legislator and former state minister. He was active in students' politics in Patna University and Himachal Pradesh University, the BJP youth wing chief in 1991, elected a legislator in Himachal Pradesh in 1993, and a minister in the state in 2007. During his speech, without mentioning the Congress by name and alluding to anti-CAA protests, the PM said, "Those rejected by the people have limited means, but one of them is to spread falsehood. They have a full ecosystem for that."

"BJP workers have always drawn their strength from the people of India. We do not need to seek validation an ecosystem that will never accept us," he said. Modi said, "There are some people who dislike the very principles which guide us. That is why there are attempts to create problems."

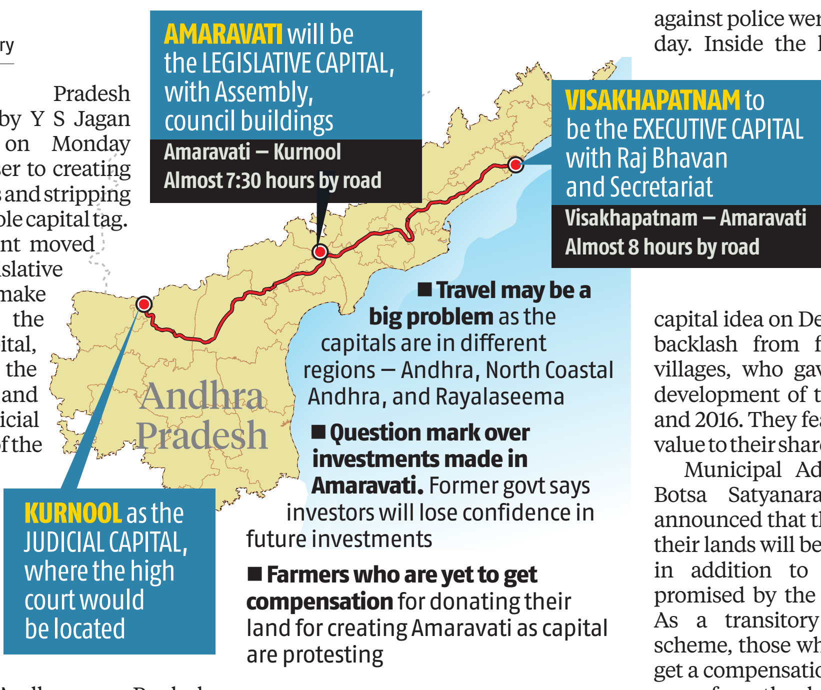
The PM claimed there were 10 to 15 pro-CAA rallies daily across the country attended by 50,000 to 100,000 people, but suggested the media was unlikely to be fair to the party as evident in the lack of coverage of these rallies. "This game will continue," Modi said, urging workers to reach out directly to people. Meanwhile, the Shiromani Akali Dal said it will not contest the Delhi Assembly polls along with long-standing ally, the BJP. Its Delhi unit leader and MLA M S Sirsa said the party's decision is based on the stand by party leader Sukhbir Singh Badal on the CAA that it should include people from all religions.

BJP President J P Nadda, flanked by PM Narendra Modi and Home Minister Amit Shah, at the BJP headquarters in New Delhi PHOTO: SANJAY K SHARMA

AP moves closer to getting 3 capitals

Bill introduced to shift executive capital from Amaravati to Visakhapatnam

B DASARATH REDDY
Hyderabad, 20 January



The Andhra Pradesh government, led by Y S Jagan Mohan Reddy, on Monday moved a step closer to creating three state capitals and stripping Amaravati of the sole capital tag.

The government moved a Bill in the legislative Assembly to make Visakhapatnam the executive capital, Amaravati the legislative capital, and Kurnool the judicial one. The passage of the Bill was seen as a formality, as the ruling YSR Congress Party commands a strength of 151 out of 175 seats in the state Assembly.

Termed Andhra Pradesh Decentralisation and Inclusive Development of All Regions Act, 2020, the Bill seeks to relocate the secretariat, offices of the heads of the government departments, and Raj Bhavan to Visakhapatnam. By becoming home to the offices of chief minister, governor and the entire top-rung of the official establishment, the port city of Vizag would become the new capital for all practical purposes.

Amaravati will be the legislative capital, housing the Assembly and council buildings. Kurnool will house the high court and other judicial institutions. However, the cities are located in three distinct regions — Andhra, North Coastal Andhra, and Rayalaseema — which could create problems in ease of access.

Though it is not clear what the government intends to do with the secretariat and other government buildings in Amaravati after moving functions to Vizag, sources close to the government said these could be utilised for setting up a hospital or university.

"The health university in Vijayawada does not have its own campus even after decades. The government is also planning to start new institutions like a skill development university. So, one of these could be located in the existing secretariat complex and fully utilise the existing infrastructure," a source told *Business Standard*.

The high court building is expected to be utilised for the judiciary functions as the government is contemplating a high court Bench in Amaravati even after shifting its base to Kurnool, sources said.

There were widespread protests in Amaravati and incidents of violence against police were reported through the day. Inside the house, Telugu Desam Party members, led by Chandrababu Naidu who was the political architect of Amaravati, demanded status quo for the city as capital.

Reddy first disclosed his three-capital idea on December 17, attracting a backlash from farmers of Amaravati villages, who gave their lands for the development of the capital city in 2015 and 2016. They fear losing the real estate value to their share of lands.

Municipal Administration Minister Botsa Satyanarayana has, however, announced that the period of annuity to their lands will be extended by five years in addition to the 10-year annuity promised by the previous government. As a transitory gesture under this scheme, those who gave their lands will get a compensation of ₹1 lakh per acre in case of a wetland and ₹60,000 per acre in case of dry land every year.

Defending its three-capital decision, the government said since inception in 1956 the state had failed to integrate people from all regions. Citing the Telangana movement and subsequent bifurcation as the result of this lopsided development pursued by successive governments, the state warned that history would repeat if course correction was not done. "Article 38 of the Constitution envisages that the state shall direct its policy, among other things, towards securing inclusive development of all regions of the state.

To give effect to this constitutional provision, the state is bringing forth this legislation, for distribution of all state functions among all the regions," State Finance Minister Buggana Rajandranath said, while tabling the Bill.

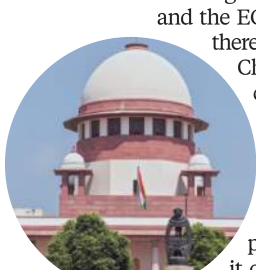
SC refuses interim stay on electoral bond scheme

PRESS TRUST OF INDIA
New Delhi, 20 January

The Supreme Court on Monday refused to grant interim stay on the 2018 Electoral Bonds Scheme, meant for funding political parties, ahead of the Delhi Assembly polls.

The top court, however, sought response of the Centre and the Election Commission (EC) within two weeks on the interim application filed by an NGO, Association for Democratic Reforms, for staying the scheme.

"Two weeks' time is granted to the respondents (Centre and the EC) to file counter affidavits. List thereafter," said the Bench comprising Chief Justice S A Bobde and Justices B R Gavai and Surya Kant.



Lawyer Prashant Bhushan, appearing for the NGO, alleged that the scheme is a means for channelling unaccounted black money in favour of the ruling party and sought interim stay on it on the ground that it would be misused ahead of Delhi Assembly polls.

"A stay was not given by this court before. So we may not do it now", the Bench said, adding that it would hear the plea after two weeks.

Bhushan argued that alarming facts have come to light about the scheme, which was meant only for Lok Sabha polls. "This scheme has been illegally restarted before the Assembly elections. Thousands of crores of rupees of illegal funds and bribes will come to the pockets of the ruling party." Bhushan also referred to a document of the Reserve Bank of India, while seeking a stay on the scheme.

Senior advocate Rakesh Dwivedi, appearing for the EC, said all these arguments have already been advanced earlier and sought four week to reply to the plea of the NGO against the scheme. The government has opened sale of electoral bonds for 10 days for the Delhi Assembly election. The government had notified the Electoral Bond Scheme on January 2, 2018.