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Business Standard

THE MARKETS ON THURSDAY		Chg#
Sensex	41,386.4▲	271.0
Nifty	12,180.3▲	73.4
Nifty futures*	12,201.0▲	20.7
Dollar	₹71.3	₹71.2**
Euro	₹79.1	₹78.9**
Brent crude ($/bbl)##	61.3##	62.2**
Gold (10 gm)###	₹39,863.0▼	₹53.0

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

COMPANIES P2
OMCs TO TAKE ON RIL WITH E-DISCOUNTS, CASHBACKS

COMPANIES P3
iPHONE STEMS 2018 SLIDE AS SHIPMENTS GROW 6%

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

TDS TO BE 20% IF PAN OR AADHAAR DETAILS ARE NOT FURNISHED

Employers might soon start deducting 20 per cent from the salaries of their staff if they fail to provide their PAN or Aadhaar number to them. This is a new rule brought in by the Central Board of Direct Taxes, which will be applicable to employees whose salary is above the threshold of ₹2.5 lakh a year. This norm, which has come into effect on January 16, aims to monitor TDS payments and keep a strict vigil on revenue earned from this segment, which constitutes 37 per cent of the total direct tax collection of the country during financial year 2018-19. 18▸

COMPANIES P2
GoAir cuts flights on A320neo, engine woes

GoAir has said it is curtailing its schedule till March 9 due to grounding of its Airbus A320neo planes and non-availability of spare engines. The airline said it has been forced to "temporarily suspend certain flights that are part of its network". It did not specify the number of cancelled flights, but sources said 20-30 flights would be curtailed per day.

ECONOMY & PUBLIC AFFAIRS P18
Decline in study loans continues: RBI data

Education loans given out by banks are steadily declining for three years, shows the data by the RBI. The size of the education loan book of Indian commercial banks is nearly ₹65,000 crore — about 0.3 per cent of GDP. While education loans outstanding were growing at 6-8 per cent till the end of 2016, the rate of growth started declining after Dec 2016 — a month after demonetisation.

NEWSMAKER P2
Manoj Kohli: From Mr Dependable to rainmaker

After a five-year stint as executive chairman of SB Energy, Manoj Kohli will be SoftBank boss Masayoshi Son's rainmaker. Kohli, who took charge as country head on Jan 1, will steer SoftBank's government relations and public policy issues across the group including the Vision Fund.

Clarification

In response to the report, *Sebi asks Franklin Templeton to explain Voda Idea write-down* published on Thursday, Franklin Templeton has clarified it has not received any query from Sebi on the issue.

No coercive action against telcos till SC hearing: DoT

Firms had to pay AGR dues worth ₹1.47 trn by Jan 23

MEGHA MANCHANDA
New Delhi, 23 January

Even as telecom companies including Bharti Airtel and Vodafone Idea missed the January 23 deadline to pay up their dues linked to adjusted gross revenues (AGR), the Department of Telecommunications (DoT) has protected the industry from any coercive action till the Supreme Court hears the matter next week. The DoT, which had taken a hard position recently with officials indicating that notices would be sent out for missing the deadline, issued a circular on Thursday saying no coercive action should be taken against the operators for non-payment of AGR dues within the timeframe set by the Supreme Court. This comes as a relief, even if temporary, for the telecom industry facing severe financial stress.

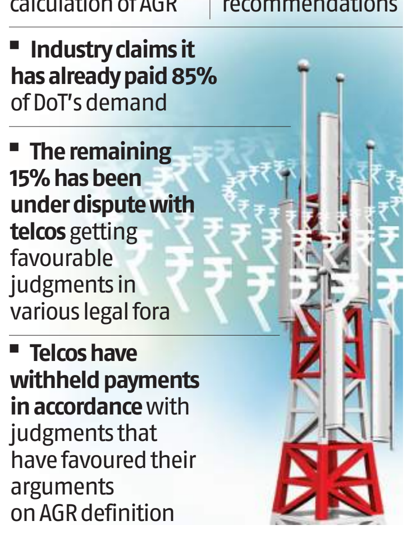
Together, the AGR bill comes to ₹1.47 trillion for some 15 telcos, though many of them have sold out their businesses or shut down operations.

In its October 24 order, the top court had upheld the DoT definition of AGR while asking the industry to cough up the licensing fee dues along with penalties and interest within 90 days. Subsequently, operators had moved a review petition, which was rejected. Even as telcos, primarily Bharti Airtel and Vodafone Idea, had hinted at filing a curative petition against the order on AGR dues, they finally decided to go for a modification plea. The court will hear it next week, but no date has been fixed.

"We will wait for the SC hearing on the companies' petition before we decide on the next plan of action on AGR dues," a senior DoT official said when asked if the government would offer any relief to the telcos. As the industry has agreed to pay the dues and is seeking a staggered mode of payment, as mentioned in the modification petition, the DoT may consider the option of giving more time to telcos to cough up the full amount, another official said. Turn to Page 19▸

CRUX OF THE MATTER

- **Cellular Operators Association of India (COAI) filed the first case in 2005** challenging the government's definition on calculation of AGR
- **COAI contended that components of AGR** that the government was trying to include were contrary to Trai's recommendations
- **Industry claims it has already paid 85%** of DoT's demand
- **The remaining 15% has been under dispute with telcos** getting favourable judgments in various legal fora
- **Telcos have withheld payments in accordance** with judgments that have favoured their arguments on AGR definition



ABG Shipyard's ₹14,000-cr loan declared 'fraud' account

ICICI Bank, SBI, IDBI Bank have lion's share of exposure

RAGHU MOHAN
New Delhi, 23 January

The ICICI Bank-led banking consortium to ABG Shipyard has declared its ₹14,000-crore exposure to the company as a 'fraud' account. State Bank of India (SBI), ICICI Bank, and IDBI Bank have the lion's share of exposure — in excess of 50 per cent.

With the account being declared 'fraud', banks are not expected to make additional provisioning; it has been already classified a non-performing asset.

ABG Shipyard was among the 'dirty dozen' companies referred by the Reserve Bank of India (RBI) to be taken up under the Insolvency and Bankruptcy Code (IBC) in 2016.

In terms of fraud ticket size, ABG Shipyard is in the same league as the Nirav Modi case, which singed Punjab National Bank (PNB) in early 2018.

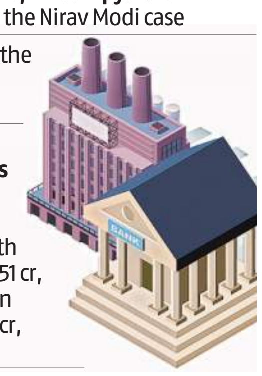
Attempts to reach Rishi Agarwal, the promoter of ABG Shipyard, were unsuccessful.

It has been learnt that SBI was the first to classify its exposure to ABG Shipyard as 'fraud', followed by ICICI Bank and IDBI Bank. While the bank-wise break-up of exposure is not available, there are 22 banks in the consortium.

While the big three — ICICI Bank, SBI, and IDBI Bank — have declared the account as 'fraud', when 66 per cent of the lenders by value agree it is a fraud, then all lenders in the consortium have to classify it as a 'fraud' account. It is learnt that several other banks have also followed suit, and the 66 per cent threshold has been breached. Turn to Page 19▸

SHIPWRECKED

- **Banks to involve** CBI, EOW
- **No additional provisioning** as account has been classified as NPA
- **Firm was among the 'dirty dozen'** identified by RBI to be taken up under IBC
- **In terms of ticket size, ABG Shipyard** is in the same league as the Nirav Modi case
- **Final resolution** of the company comes under more stress
- **RBI's Financial Stability Report says cases of fraud over ₹1,000 cr** increased to 22 in H1FY20, worth a cumulative ₹44,951 cr, up from four cases in FY19, worth ₹6,505 cr, cumulatively



Sebi likely to seek forensic audit of Infosys books

PRESS TRUST OF INDIA
New Delhi, 23 January

The Securities and Exchange Board of India (Sebi) is likely to call for a forensic audit of the books of Infosys as it continues to probe whistle-blower allegations of alleged financial irregularities at the company, according to sources.

Following the whistle-blower complaints that emerged last year, the regulator had initiated a probe into the matter. The sources said Sebi is likely to call for a forensic audit of Infosys' books to have a thorough understanding about the allegations.

In November, Sebi Chairman Ajay Tyagi said a probe was on into the Infosys matter.

The National Financial Reporting Authority, which comes under the corporate affairs ministry, is also looking into the allegations.

Govt seeks ₹10K cr interim dividend from Reserve Bank

This is 3rd consecutive year when the Centre has made the demand

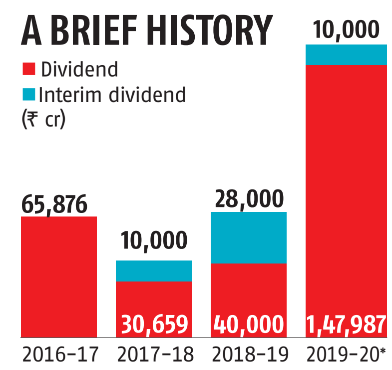
SOMESH JHA
New Delhi, 23 January

The central government has demanded ₹10,000 crore as interim dividend from the Reserve Bank of India (RBI) for financial year 2019-20 (FY20) to bridge the fiscal gap, sources said. This is the third consecutive year when the government has demanded interim dividend.

This demand comes at a time when the government is falling short of its revenue targets due to dwindling tax and low disinvestment receipts. It could account for the dividend in the upcoming Union Budget on February 1.

RBI is, however, yet to take a final call on the government's demand and might decide on this at its central board meeting scheduled for February 15 in New Delhi. Before that customary post-Budget meeting, Finance Minister Nirmala Sitharaman is expected to address the RBI's central board.

A BRIEF HISTORY



*₹10,000 crore is the interim dividend sum proposed by the central government
This is the financial year for the government, which follows April-March period. RBI's accounting year is from July to June

In FY19, the RBI paid an interim dividend of ₹28,000 crore to the Union government, which was also announced in the central bank's post-Budget board meeting in February 2019.

RBI last year started the practice of getting its half-yearly balance sheet audited to determine the amount of interim dividend it can give the central government. Turn to Page 19▸

TOUGHER NORMS FOR HIGH-VALUE JEWELLERY TRANSACTIONS ON CARDS

The finance ministry is considering proposals to sharpen its focus on high-value transactions in the gems and jewellery sector, among others. One suggestion is to link these with Aadhaar or another ID proof. Preliminary discussions have taken place, said a source. Aadhaar is said to be preferred over PAN (income tax). After demonetisation of high-value currency notes and implementation of the goods and services tax, all commercial activities are sought to be tracked in a systematic manner. 6▸

Early birds bring little cheer in third quarter

Pre-tax profit growth second lowest in seven quarters; net sales growth hits three-year low of 3.3 per cent

KRISHNA KANT
Mumbai, 23 January

The earnings season of October-December 2019 quarter of financial year 2019-20 (Q3FY20) has got off to a dull start for corporate India, as pre-tax profit growth for early birds was second lowest in seven quarters, while net sales growth hit a three-year low.

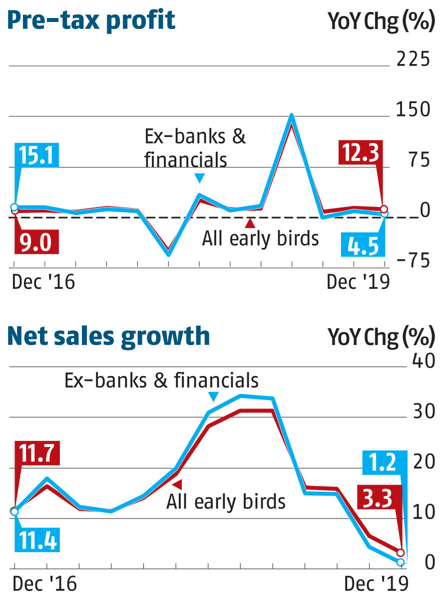
The combined profit before tax (PBT) of 143 early companies that declared their Q3FY20 results was up 12.3 per cent year-on-year (YoY) led by decline in raw material and energy costs. Companies' raw material cost was down 1.6 per cent YoY during the quarter, while energy and fuel bill declined by 13.4 per cent YoY. In comparison, PBT was up 13.5 per cent YoY in the corresponding period last year, and it was up 13.7 per cent YoY during Q2FY20.

The demand environment, however, remains challenging with just 3.3 per cent YoY growth in combined net sales, including banks interest income during the quarter, their worst showing in at least three years *(see chart)*.

The net profit was, however, up 24.5 per cent YoY boosted by the cut in corporate income tax, resulting in 15.1 per cent YoY decline in companies' tax outgo during the quarter.

"The net profit growth has largely been on expected lines so far, thanks to gains from cut in corporate income tax earlier this year. However, PBT has been below par for many companies," says Shailendra Kumar, chief investment officer, Narnolia Financial Advisors. As of now, he expects about 70-80 basis point cut, at best, in FY20 Nifty50 earnings per share growth after the Q3FY20 earnings season. One basis point is one-hundredth of a per cent. "The numbers suggest that only one in four companies reported organic growth in revenues and profits without gains from either lower raw material prices or the tax cut," says G Chokkalingam, founder & managing director, Equinomics Research & Advisory Services. Turn to Page 19▸

HISTORICAL TREND



Source: Capitaline, Compiled by BS Research Bureau

I would bid for Air India if I weren't a minister: Goyal

Union Minister Piyush Goyal with Apple CEO Tim Cook at the World Economic Forum in Davos PHOTO: TWITTER

PRESS TRUST OF INDIA
Davos, 23 January

As the government works on divesting its stake in debt-laden Air India, Union Minister Piyush Goyal on Thursday said if he was not a minister, he would be bidding for the airline. Air India has been in the red for long and the government is now in the process of finalising the contours of its disinvestment.

Responding to a query about proposed disinvestment of Air India, BPCL and other companies, Goyal said in the first term, the government had inherited an economy that was in terrible shape. Steps were taken to put the economy back in shape and if the government had looked at divesting these jewels, it would not have got great value.

He was talking at a session on "Strategic Outlook: India" at the World Economic Forum 2020 here.

"If I wasn't a minister today, I would be bidding for Air India. It has some of the best bilaterals the world over... a well managed and efficient Air India with lot more good aircraft put in using these bilaterals is nothing short of a gold mine to my mind," Goyal said.

Bilaterals are agreements between two countries that allow each other's airlines to operate services with a specific number of seats.

Goyal, who holds the portfolios of Railways, and Commerce and Industry, said: "India today is a land where you have equal opportunity, you can work with integrity..."He added that he thought a good job has been done in cleaning up the banks and strengthening them. Turn to Page 19▸

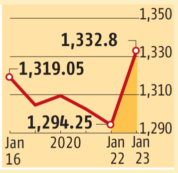
SBI CHAIRMAN SAYS YES BANK 'WILL NOT BE ALLOWED TO FAIL'

State Bank of India Chairman Rajnish Kumar said he's certain "some solutions will emerge" to steady YES Bank, which has been on a prolonged quest to raise capital.

PAGE 20 TARIFF WARS DISRUPTING GLOBAL VALUE CHAINS

STOCKS IN THE NEWS

Larsen & Toubro

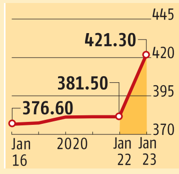


Retains order inflow guidance at 10-12% for FY20

₹1,332.80 CLOSE

▲2.98% UP*

Westlife Development

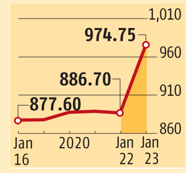


Q3 SSSG at 9.2%, over a high SSSG of 14.5% in the same quarter last year

₹421.30 CLOSE

▲10.43% UP*

AU Small Finance Bank

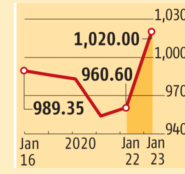


Q3 net NPA at 1% against 1.1% Q2

₹974.75 CLOSE

▲9.93% UP*

Godrej Properties

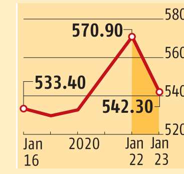


Top gainer in Nifty Realty Index

₹1,020.00 CLOSE

▲6.18% up

PNB Housing Finance



Q3 net interest margin drops 8 bps to 2.98% from 3.06% YoY

₹542.30 CLOSE

▼5.01% DOWN*

* OVER PREVIOUS CLOSE

IN BRIEF

File report on probe against AirAsia officials, HC tells ED

The Delhi High Court directed the Enforcement Directorate on Thursday to file a status report of its investigation in a money laundering case lodged against some officials of AirAsia India whose flying licence has been challenged by BJP leader Subramanian Swamy. A bench of Chief Justice D N Patel and Justice C Hari Shankar made ED a party in Swamy's petition challenging the airline's flying licence and Foreign Investment Promotion Board (FIPB) clearance granted to AirAsia — a joint venture of Tata Group and Malaysia's largest budget airline AirAsia Berhad. The court directed the probe agency to file its status report in a sealed cover before the next date of hearing on May 14. Swamy had earlier urged the court to seek a report from ED regarding its investigation. PTI

JSW Steel plans to raise up to ₹1,000 cr via NCDs

JSW Steel announced its plan to raise up to ₹1,000 crore through issuance of non-convertible debentures. The proceeds will be used to meet long-term working capital requirements, refinance existing debt, it said. PTI

Tata Projects wins ₹6,000-cr orders from oil firms

Tata Projects has won order worth ₹6,000 crore from two state-run oil companies, the company said on Thursday. The orders include an Ethanol project and works related to upcoming refining projects. PTI

NCLT reserves order on MCA bid to name auditor of CG Power

The Mumbai NCLT reserved its order on a plea from the corporate affairs ministry to appoint an independent auditor to restate the accounts of CG Power & Industrial Solution. PTI

Two-wheeler volumes to skid 10% in FY20: ICRA

Demand for two-wheelers in the domestic market is likely to remain weak in the near-term on the back of implementation of BS-VI norms, ICRA said. It expects the volumes to contract 8-10 per cent in FY20. PTI

UP clears decks for PepsiCo's ₹500-crore potato chips plant

The Uttar Pradesh government has cleared the decks for the proposed ₹500-crore potato chips plant of PepsiCo in Mathura district. The Cabinet meeting, chaired by chief minister Yogi Adityanath, gave its nod to issue a 'letter of comfort' to PepsiCo India. PTI

NCLAT defers hearing on JSW's Bhushan Power buyout

The National Company Law Appellate Tribunal on Thursday adjourned till January 31 its hearing on Bhushan Power and Steel's sale to JSW Steel under the insolvency process. PTI

OMCs to take on RIL with e-discounts, cashbacks

Indian Oil is offering a cashback of 10%, or up to ₹50, for every transaction

AMRITHA PILLAY
Mumbai, 23 January

Two state-run oil marketing companies are offering discounts on digital transactions at their petrol outlets.

Representatives of the fuel retail industry see it as a sign of competition from the recently announced Jio-BP venture.

According to a definitive agreement relating to a joint venture (JV) between BP and Reliance Industries (RIL), the JV will be formed in the first half of this year.

"Various oil companies have been offering schemes at their petrol pumps. Most of this is to ensure state-run oil companies do not lose market share to RIL," said Ajay Bansal, president of the All India Petrol Dealers Association (AIPDA).

According to details given by Indian Oil Corporation (IOC), the fuel retailer has been offering a cash-back of 10 per cent, or up to ₹50, per transaction on debit- or credit-card payments. The scheme started on December 1 last year and will be valid up to January 31.

Details available on Hindustan Petroleum Corporation's (HPCL's) website suggest there is a digital incentive of 0.75 per cent on all digital transactions except those on the credit card. The discount is given instantly on the bill. A query sent to HPCL remained unanswered.

An executive of the oil industry said the 0.75 per cent incentive on digital payments, introduced after demonetisation in 2017, was discontinued for credit cards in October. The offer continues on other digital modes of payment.

In its December 2019 quarter results presentation, RIL said the company registered 11 per cent growth in volumes for diesel and 15 per cent growth for petrol. The growth outperforms the industry growth rate of 0.2 per cent for diesel and 7.1 per cent for petrol in the same quarter.

Not all state-run companies are toeing the same line. "There is no way we can offer discounts in the range of 10 per cent," said an executive of Bharat Petroleum Corporation (BPCL).

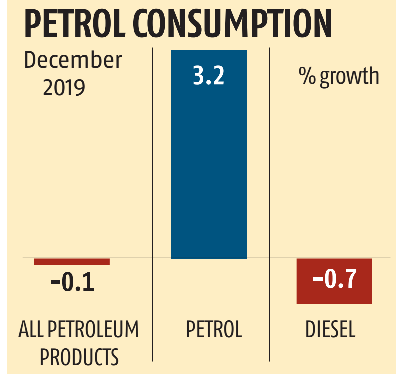
Petrol-pump dealers agree discounts will be difficult to provide in the current market. "Dealers on their own are not offering any discounts. What are being made available are those given directly by oil companies, who wish to push their products," said Ravi Shinde, former president of the Mumbai Petrol Dealers' Association.

As of January, there are 67,440 petrol pumps in the country. IOC is a market leader with 28,597 outlets, followed by HPCL with 16,017, and BPCL's 15,616. RIL operates 1,400 retail outlets under its planned joint venture, and it looks to expand the network to 5,500 retail sites over the next five years.

Bansal said competition from the second private fuel retailer, Rosneft-owned Nayara Energy, had not been a concern so far for state-run oil companies.

Nayara operates a pan-Indian retail network of 5,600 petrol pumps.

PETROL CONSUMPTION



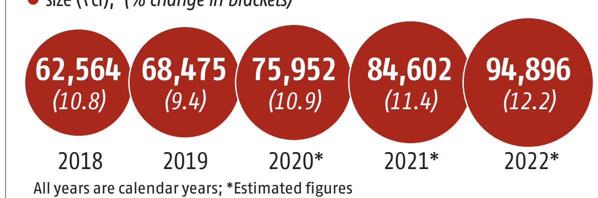
Source: Petroleum Planning & Analysis Cell

AD MARKET TO GROW 10.9%: DENTSU AEGIS

Dentsu Aegis Network released its advertising forecast for India this CY, saying it would grow at 10.9% to touch ₹75,952 crore in terms of size. Digital ads will constitute 23% of this market, it said, while its size is estimated to be ₹17,469 crore for 2020. The segment will remain the third-largest for now, after TV and print. But in the next five years, this picture is likely to change as digital ad spend grows, pushing it up the pecking order of segments. VIVEAT SUSAN PINTO

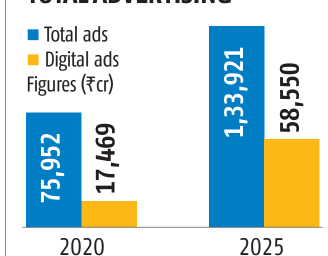
ADVERTISING MARKET: GROWTH OVER FIVE YEARS

● size (₹cr); (% change in brackets)



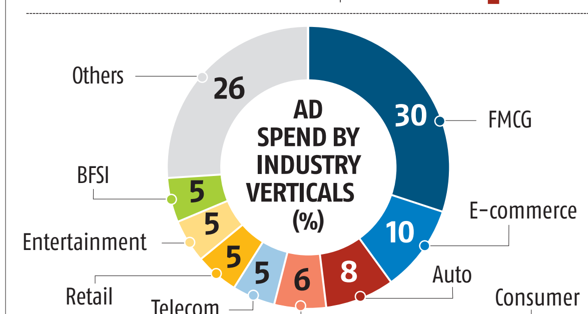
All years are calendar years; *Estimated figures

DIGITAL ADVERTISING vs TOTAL ADVERTISING



MEDIA GROWTH RATE FORECAST: 2019 vs 2020 (% YoY)

Digital	27
Cinema	14
Television	10
Outdoor	9
Radio	5
Print	3



Source: Dentsu

PE/ VC INVESTMENT AT ALL-TIME HIGH IN 2019

PE/VC investments in 2019 were at an all-time high in terms of value and volume. In terms of value, at $48 billion, PE/VC investments grew 28% over last year ($37.4 billion in 2018). According to EY data, the growth was mainly on account of significant investments in the infrastructure sector which alone accounted for 30% of all investments by value in 2019 compared to 12% in 2018. In terms of volume, 2019 recorded 1,037 deals, 35% increase over last year, 60% of which were in the start-up space. T E NARASIMHAN

TOP 3 DEALS, EXCLUDING INFRASTRUCTURE AND REAL ESTATE, IN 2019

Company/ project	Investors	Amt ($ mn)	Stake (%)
One 97 Comm (Paytm)	Alibaba Group, SoftBank	1,000	NA
SBI Life	Carlyle, CPPIB	817	11.0
Oravel Stays (Oyo)	SoftBank	810	NA

TOP 3 DEALS IN INFRASTRUCTURE AND REAL ESTATE IN 2019

Company/ project	Investors	Amt ($ mn)	Stake (%)
RIL Jio's tower arm	Brookfield	3,660	>50
RIL's EW Pipeline	Brookfield	1,888	90
GVK Airport	ADIA, PSP, NIIF*	1,076	49

Source: EY

TOTAL PE/VC INVESTMENTS YEAR-WISE

	Value ($mn)	No. of deals
2015	19,672	767
2016	16,234	588
2017	26,174	595
2018	37,416	769
2019	48,019	1,037

TOTAL PE/VC INVESTMENTS SECTOR-WISE

	Value ($mn)	No. of deals
Infrastructure	14,512	51
Financial services	9,103	188
Real estate, hospitality & construction	6,144	71
E-commerce	4,329	134
Technology	3,945	147

GoAir cuts flights on A320neo, engine woes

ANEESH PHADNIS
Mumbai, 23 January

GoAir has said it is curtailing its schedule till March 9 due to the grounding of its Airbus A320neo planes and non-availability of spare engines.

The airline said it has been forced to "temporarily suspend certain flights that are part of its network." It did not specify number of cancelled flights but sources said 20-30 flights would be curtailed per day. GoAir operates over 325 flights daily.

"In the last four weeks, we have gone through unplanned grounding of aircraft, which were supporting our current operation of fleet. And now, we have been informed by our business partners Airbus and Pratt & Whitney of their inability to deliver previously promised aircraft and engines through March 9 that are required to support our current growth," GoAir said. GoAir has a fleet of 56 Airbus A320 planes, including 40 A320neos. Seven of its planes have been grounded following regulatory directive to inspect aircraft engines which have crossed more than 3,000 hours.

The inspection was ordered in December after engine snags led to aircraft returning to departing airports. After the inspections engines were removed in December and January but spare engines are not immediately available, sources said.

"We have undertaken these suspensions as far ahead of time as possible in order to minimise the inconvenience to our customers, who are our paramount concern. We expect — with the support of Airbus and Pratt & Whitney — to reinstate these flights and operate at the earliest opportunity," GoAir said.

"Airbus is supporting the engine maker to maintain the schedule for engine deliveries and support GoAir's smooth operations," Airbus said.

"We are unlikely to see significant immediate impact, as this is not the holiday season. We anticipate that such cancellations will cause challenges to the business travel segment, " Indiver Rastogi, president & group head — Global Business Travel — Thomas Cook India said.

Singapore Airlines plans to add more Boeing planes in India

Singapore Airlines is preparing to add planes in India to take on Emirates in one of the world's fastest-growing aviation markets. Vistara, Singapore Air's Indian joint venture, is considering ordering more 787 Dreamliner jets — whose sticker prices start at about $250 million each — from Boeing to add flights to destinations as far away as the US, sources said, asking not to be identified discussing a confidential matter. BLOOMBERG

Hyderabad-bound IndiGo flight makes emergency landing

A Hyderabad-bound IndiGo flight returned to the city on Thursday morning when it made an emergency landing in less than an hour of departure from as one of the A320neo engines stalled mid-air, a source said. The flight, however, landed safely, the source said. An IndiGo spokesperson confirmed the mid-air incident and said the glitch-hit plane has been grounded for inspection. PTI

NEWSMAKER: MANOJ KOHLI, COUNTRY HEAD OF SOFTBANK INDIA

From Mr Dependable to rainmaker

SURAJEET DAS GUPTA

For telecom czar Sunil Mittal he was always "Mr Dependable," whether the job involved expanding Airtel's network in over 600,000 villages as its managing director or replicating the low-cost network model in over 17 countries of Africa after the takeover of Zain Telecom. A balanced risk taker, he convinced Mittal to take the plunge in an uncharted area — renewable energy — setting up operations from scratch in SB Energy in collaboration with Japanese investor SoftBank.

After a five-year stint as executive chairman of SB Energy, Manoj Kohli will be SoftBank boss Masayoshi Son's rainmaker. Kohli, who took charge as country head on January 1, will steer SoftBank's government relations and public policy issues across the group including the Vision Fund. The appointment comes at a time when Son is facing multiple challenges globally with his investments in WeWork and Uber. In India his investment in Oyo has come under scrutiny recently owing to rising losses, questionable practices and layoffs.

The Shri Ram College of Commerce graduate plunged into the corporate world when he was 20, joining DCM Shriram as a management trainee. His first call was to learn the ropes in Daurala and Mawana sugar plants. In his 16 years with the Shrirams in areas as varied as refrigeration and fertiliser and a stint in Kolkata (he understands Bengali) he also studied part-time for a law degree and then an MBA from Faculty of Management Studies in Delhi.

After his long stint in manufacturing, Kohli was looking for new pastures. Although he had offers from several big corporate houses, including the Tatas, the most exciting choice came from Escorts boss Rajan Nanda. He was given three alternatives, work in tractors, JCB or telecom. Kohli bet on telecom and joined Escotel.

IN 2002, KOHLI JOINED BHARTI. THIS WAS A TIME WHEN MITTAL WAS EXPANDING MASSIVELY AND KOHLI WAS THE MAN OF THE HOUR. HE CLAIMED IN INTERVIEWS THAT HE TRAVELLED TO OVER 100,000 VILLAGES, PUTTING UP TOWERS, PUSHING SHOP-OWNERS TO BE PART OF THE RETAIL CHAIN, MEETING THE PANCHAYATS AND FARMERS OVER *HOOKAH* AND *CHAI*

The Nandas later sold their telecom business, and in 2002 Kohli joined Bharti where he rose at meteor speed. This was a time when Mittal was expanding massively and Kohli was the man of the hour. He claimed in interviews that he travelled to over 100,000 villages, putting up towers, pushing shop-owners to be part of the retail chain, meeting the panchayats and farmers over *hookah* and *chai*. His associates say he was replicating the ITC and Hindustan Lever model, but in his mind he always wanted to reach deeper.

When Mittal bought Zain, it was Kohli who convinced his boss to send him there to oversee the takeover. He clocked the air miles over 17 countries as diverse as Nigeria and Congo, with different regulatory regimes and consumer behaviour and sell a brand no one had heard of. He brushed up his limited knowledge of French, which he had learnt in his youth, which worked wonders in eight African countries that were former French colonies.

But Kohli had anticipated it would be an easy ride, which it was not. For one, each state was dramatically different, so his one-size-fits-all strategy came a cropper. Expectations that consumers in developing countries in Africa would behave the same way as in India was, again, a misreading of the reality. Airtel realised that unlike in India, tariff cuts did not lead to an increase in usage in such a way that revenue would again go up to the same levels. The integration and path to profitability took a much longer time, though Airtel did get there eventually.

The entry into renewables was in many ways a convergence of circumstances and planning. Kohli and his boss had been discussing the huge potential of the renewables as a possible diversification for the group. He even travelled abroad to see how the business operated. At the same time, Mittal's friend Son had promised Prime Minister Narendra Modi in 2015 that they would put in 20 GW of renewable power and invest $20 billion in India. It was an ambitious commitment and Son was looking for an Indian partner. The Mittals were roped as a minority partner and Kohli selected as the new boss to build the new business. SB Energy has a long way to go still but at the helm of SoftBank in India Kohli could be useful for negotiating government relations and identify a few more entrepreneurial jewels for the SoftBank crown.

The 60-plus Kohli is a fitness freak who spends an hour every day exercising. His friends say he is a relationship man, hard working with a single-minded focus on the task. Kohli recently send a fitness videos to his close friends, especially those above 60 years, extolling the virtues of vegetarianism, a good sleep and staying fit. And he even demonstrated the spider walk in the *Spiderman*. He believes in work-life balance for young people, and is worried that it is missing amongst the millennials.

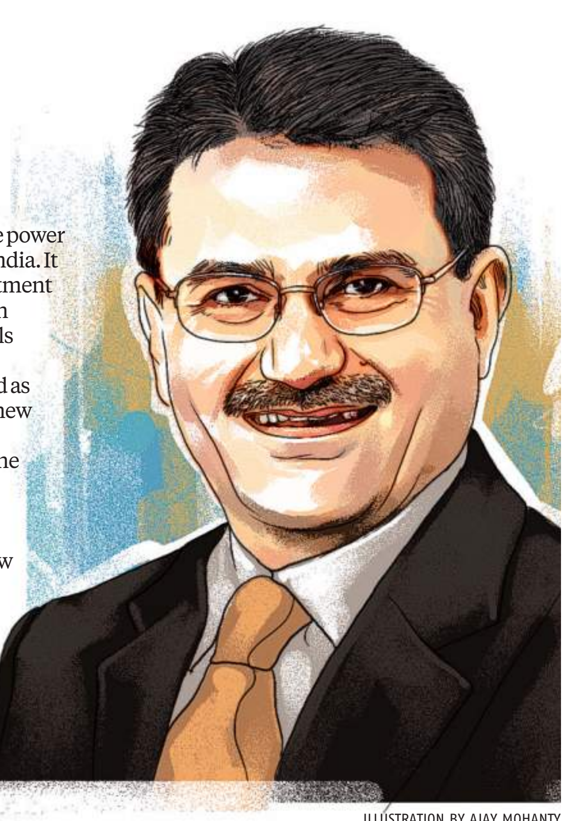


ILLUSTRATION BY AJAY MOHANTY

iPhone stems 2018 slide as shipments grow 6%

However, 2019 shipments are still down more than a quarter from 2016

SARITHA RAI
23 January

Apple's iPhone shipments in India grew 6 per cent in 2019 compared with a 43 per cent decline in the previous year, stabilising its position in a rare market that still exhibits growth in smartphone demand.

Discounting the iPhone XR by $250 in the middle of the year made it Apple's best-selling phone in the country, according to Counterpoint Technology Market Research. The fall introduction of the iPhone 11, with a reduced starting price, "helped to gain share during the festive season and in its launch quarter in India," the researchers added. In a country where the annual per-capita income barely exceeds $2,100, an iPhone with a four-figure price tag is an out-of-reach aspirational object for most. Apple is having to go up against Android rivals averaging prices below $200 and its market share is correspondingly low: of the roughly 158 million smartphones shipped in India in 2019, Apple sold less than 2 million.

"Apple is shifting focus from older-generation iPhones to selling the latest models and that is a big change," said Tarun Pathak, a Gurugram-based associate director at Counterpoint. The iPhone 11 family of devices arrived in India a month after its global launch, a significant acceleration on previous years.

New low-cost iPhone said to enter production in February

Additionally, Apple is set to unveil a successor to the iPhone SE in March, *Bloomberg News* has reported, which will offer its latest processor and software at a lower cost.

The original iPhone SE of 2016 started life at a $399 price point, which, while still premium by Indian standards, would be more attainable than the flagship iPhone price.

Counterpoint's data indicates that India's premium segment is growing at a 20 per cent rate, almost doubling the roughly 10 per cent growth of the local smartphone market overall, which suggests greater opportunity for Apple. Pathak said that Apple is "making it even more affordable to Indians by selling at zero-interest monthly installments."

While Apple has managed to reverse the massive slide of 2018, its 2019 shipments are still down more than a quarter from 2016. The iPhone maker continues to struggle to make headway in India against cheaper smartphones from the likes of OnePlus and Samsung Electronics Co.

Over a year ago, the US phone maker revamped its distributor partnerships and started assembling in India through its partners Hon Hai Precision Industry Co. and Wistron Corp., helping it avoid hefty import duties of 20 per cent. The company has also been eyeing locations for brick-and-mortar Apple stores in India, showing renewed interest in the fast-growing market. "In 2020, Apple will go all-out on India," Pathak said. BLOOMBERG

iQOO set to enter India with 5G smartphone

iQOO — a new smartphone brand from China — is set to enter the Indian market with the launch of its 5G phone next month, and will compete in the burgeoning premium category. iQOO is a sub-brand of Vivo in China but will operate in India as a separate entity. With this, the BBK Group now has five brands — OnePlus, Vivo, OPPO, Realme and iQOO — in India. "We have very bold plans for India. Our first device, which will be launched next month, will feature Qualcomm Snapdragon 865 chipset, is 5G-enabled and has a new battery technology. The device will be best-in-class premium segment and will be competitively priced," iQOO India Director-Marketing Gagan Arora said. PTI

Biocon Q3 PBT up 9%

Biotechnology major Biocon on Thursday posted a profit before tax (PBT) of ₹315 crore for the third quarter ended December 31, a muted rise of 9 per cent when compared with the corresponding period of the previous financial year.

The net profit for the period declined 7 per cent to ₹203 crore on YoY basis. Excluding the exceptional item, profit grew 6 per cent. Net R&D expenses at ₹131 crore, which were up by 71 per cent YoY, too, pulled down the profit.

"We witnessed a strong revenue growth of 14 per cent to ₹1,784 crore in Q3FY20, led by biologics, small molecules and research services businesses. We continued our journey of increasing access to high quality biosimilars and commercialised our biosimilar Trastuzumab in the US, Canada and many EU markets this quarter," said Kiran Mazumdar-Shaw, chairperson and managing director, Biocon. The consolidated Ebitda margin stood at 27 per cent in Q3FY20.

The company's biologics segment reported a strong revenue growth of 31 per cent at ₹588 crore for the period, led by higher traction in sales of key biosimilars in developed and emerging markets. Private equity fund True North, had earlier this month, acquired 2.44 per cent stake in the biologics arm for around $75 million.

SAMREEN AHMAD

Scooter-sharing start-up Bounce eyes global foray

Bounce recently raised $105 mn in Series-D round

PEERZADA ABRAR
Bengaluru, 23 January

Bounce, a motorcycle and scooter sharing start-up, which recently raised $105 million (₹750 crore), plans to expand in this country and also get into markets abroad.

"We have been successful in proving this is a solution that appeals to a very large population. Our efforts would be to scale up to 10-12 major cities and 100 smaller cities in the coming few quarters," said Anil G, chief operating officer and co-founder. "We believe (tapping) smaller cities is a big opportunity, as they don't have all the (transportation) facilities like in big cities."

It is now in Bengaluru and Hyderabad, besides six smaller cities, including Mangaluru and Vijayawada. It now aims to enter Maharashtra, Gujarat, Rajasthan and the NCR.

"We believe this kind of a solution can be deployed in multiple geographies. Though our main focus remains on India, we are definitely looking at cities outside of India as well where we see the potential for this kind of solution to exist, like in Europe and Southeast Asia," said Anil. The $105 million was from a Series-D funding led by Accel, a leading venture capital entity, and B Capital Group, a global technology fund. Existing investors Accel Partners India, Chiratae Ventures, Falcon Edge, Maverick Ventures, Omidyar Network India, Qualcomm Ventures and Sequoia Capital India also participated.

The investment more than doubles the company's valuation, to over $500 million, from its previous funding round last June when the estimate was $220 million, according to sources.

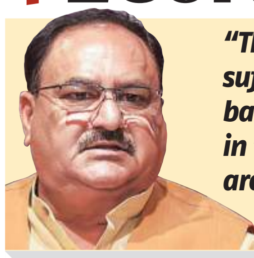
The new funding, which takes the total raised to $194 million, will fuel a deeper electric vehicle (EV) integration and help drive profitability, said the company. Accelerating the adoption of EVs will push sustainable mobility and reduce the cost per km.

Another aim is to make its offerings form-agnostic or to tailor its mobility solution to the city or town it gets into. Besides multi-city expansion, the funds will also help access to technology more of skilled people. "The main vision of Bounce is to democratise mobility. This fresh funding will help us," said Vivekananda H R, chief executive and co-founder.

Founded in 2014, the start-up's app allows users to take a vehicle and leave it at an approved parking spot. Bounce currently operates its dockless scooters in Bengaluru and Hyderabad, with 13,000 and 2,000 vehicles, respectively. It's docked scooter rental service is available to commuters in 35 cities, it said, with a little more than 120,000 daily rides, making it one of the fastest-growing in shared mobility entities in the world. Each vehicle is said to do at least nine rides a day.

"The innovations around the keyless mechanism of using a scooter, coupled with other IoT (Internet of Things) modifications, make Bounce unique," said Anand Daniel, partner at Accel.

The company said the biggest impact it is creating is enabling the usage of MRT (mass rapid transit), with 42 per cent of its rides starting or ending at a public transport hub. "Bounce achieved over 16 million rides in 2019 and has the potential to reach over 200 million customers across the country, with a highly engaged community of riders," said Kabir Narang, co-head of Asia at B Capital Group.



"The Congress has lost all hope. Its leadership is suffering from 'mansik diwaliyapan' (mental bankruptcy). The statements issued by the party in the past eight months will reflect that these are intended to help Pakistan"

J P NADDA, BJP national president

"I believe the present wave of largely peaceful protests that have gripped the country shall once again enable the further deepening of our democratic roots"

PRANAB MUKHERJEE, former president of India

"Three months have passed, but the Haryana government has failed to come out with a common minimum programme. There are burning issues, but this is squabbling over who controls which department and is busy in ordering transfers"

BHUPINDER SINGH HOODA, Former Haryana chief minister

IN BRIEF

ONGC gets 28 bids for 50 oil, gas fields in first bid round

State-owned ONGC has received bids for 50 of the 64 small and marginal oil and gas fields it has offered in a first of its kind bid round for raising production by involving private companies. As many as 12 companies made 28 bids for 50 fields at the close of bidding on January 17, sources privy to the development said. The sources said 28 bids were received for 14 clusters, covering 50 fields, and no bids were received for 3 clusters covering 14 fields. Duganta Oil and Gas made four bids, while Orissa Stevedores, Priserve Infrastructure and Udayan Oil Solutions made three bids each. PTI

India to see ₹4-trn investment in gas infra, says Pradhan

India will see an investment of over ₹4 trillion in gas supply and distribution infrastructure in five years as it chases the target of more than doubling the share of the environment-friendly fuel in its energy basket to 15 per cent by 2030, Oil Minister Dharmendra Pradhan said on Thursday. PTI

Gadkari: Delays in highway projects unacceptable

Terming delays in highway projects as "unacceptable", Road Transport and Highways Minister Nitin Gadkari on Thursday asked officials and developers to strictly adhere to project schedules. The minister also launched online web portal 'GATI' for monitoring projects. PTI

Rupee falls 7 paise as virus scare grips Asian currencies

Rupee depreciated by 7 paise to close at 71.26 against the US dollar on Thursday as the spread of a deadly new virus from China stoked fears of a global pandemic. The Indian currency settled at 71.26, registering a loss of 7 paise over the previous close. PTI

RBL Bank to add 100 branches, scale up expansion in FY21

Private lender RBL Bank is scaling up branch network in the country by opening 25 per cent more branches in FY21 on the base of close to 400 branches at the end of March 2020. The new ones will be mainly opened in metro and urban areas. Branch expansion continues apace and bank added 25 branches in the third quarter, largely in metropolitan and urban centres. BS REPORTER

Nippon Life India AMC sees 18.4% spike in PBT

Nippon Life India Asset Management (AMC) on Thursday reported ₹193 crore of profit before tax (PBT) in Q3, which was a jump of 18.4 per cent from corresponding period in last fiscal year. For nine-month ending December, PBT increased 9 per cent Y-O-Y to ₹532 crore. However, the company's total income had slipped by 11 per cent on a Y-O-Y basis to ₹360 crore in Q3. BS REPORTER

Kuwait-based Al Kharafi to invest ₹49,000 cr in TN

Kuwait-based Al Kharafi plans to set up an oil refinery and a petrochemical manufacturing facility at an investment of ₹49,000 crore in Tamil Nadu, Chief Minister K Palaniswami said. The setting up of the refinery would see the southern districts develop in Gujarat and Singapore. BS REPORTER

New US visa rules for pregnant women on 'birth tourism'

The US on Thursday published new visa rules aimed at restricting "birth tourism", in which women travel to the US to give birth so their children can have a coveted US passport. Applicants will be denied tourist visas if they are determined by consular officers to be coming to the US primarily to give birth, according to the rules in the Federal Register. It is a bigger hurdle to overcome, proving they are travelling to the US because they have a medical need and not just because they want to give birth here. Those with medical needs will be treated like other foreigners coming to the US for medical treatment and must prove they have the money to pay for it. PTI

Wrong GDP forecast disturbs fiscal math

INDIVJAL DHASMANA
New Delhi, 23 January

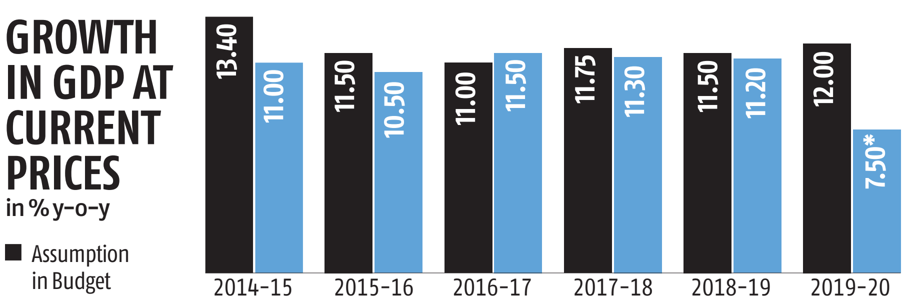
The Modi government has never gone so wrong in assuming growth in the gross domestic product at current prices in its Budgets than in 2019-20.

A 4.5 percentage point over-estimation of GDP in the Budget compared to that calculated by advance estimates is one of the major causes of budget numbers going awry this time. Tax receipts are expected to fall by ₹2.5 trillion which may also be caused by the corporation tax and GST rate cuts. Fiscal deficit even if it is kept at the budgeted level in absolute terms would overshoot the target by one percentage point for the current fiscal year due to overestimation of GDP.

"If the fiscal deficit is retained at the BE level of ₹7 trn, it would be equivalent to 3.44% of GDP as per Advance Estimates, higher than the budgeted level of 3.34%. Alternatively, the fiscal deficit would need to be curtailed below the BE level by ₹21,960 cr to reach the level of 3.34% of the GDP, as per the estimates"

ADITI NAYAR, principal economist at ICRA

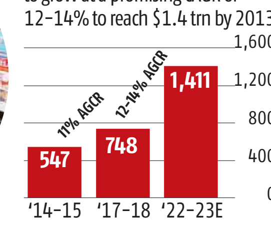
GROWTH IN GDP AT CURRENT PRICES
in % y-o-y



Note: * Advance estimates for 2019-20 Source: Budgets and MoSPI

RETAIL
Budget 2020-21 WISH LIST

GOING UP
Indian retail industry is projected to grow at a promising CAGR of 12-14% to reach $1.4 trn by 2013



E: Estimated Source: CRISIL Research

Key challenges
- Multiple regulations and regulators governing the sector
- Low consumption demand leading to reduction in investments and profitability
- Lack of alignment between Centre and state on applicability of laws/regulations and compliance therein leading to increased cost of doing business
- Inadequate physical and digital infrastructure affecting efficiencies in supply chain management

Industry ask
- Seek alignment between sectoral policies and regulations - Multiple laws and regulations govern the retail sector, including economic and product specific regulations like FSSA, legal metrology, Drugs and cosmetics. Further there are disparities in interpretation and implementation at all levels of the government. Thus, there is a need to align and harmonise the multiple policies and regulations to facilitate ease of doing business
- Avenues for financing and linkages with Global value chains: Retail is a complex ecosystem with extensive backward and forward linkages having intricate distribution network and infra-structure requirements. An enabling investment environment that supports the businesses to scale up their value chain and help companies integrate with the global value chains is the need of the hour

BUDGET INSIGHT OUT 2020-21

PwC POINT OF VIEW

AKASH GUPT
Partner and Leader Regulatory Services, PwC India

"The last one year has brought new challenges for the retail industry in the form of decelerating growth and slowing consumption. While the government has been introducing stimulus packages to boost investment and demand, it is crucial that new and disruptive policy changes on the anvil are timed and spaced appropriately to ensure industry preparedness and adoption."

INDUSTRY VOICE

KUMAR RAJAGOPALAN
Chief executive officer, Retailers Association of India

"There is need to expedite formulation of the national policy for retail trade. Indian-owned, India-born retail enterprises should be allowed to raise up to 49 per cent foreign capital under the automatic route without restrictions. The Budget should also put more money in the hands of people to create demand and increase consumption at a time when sentiment remains weak."

BJP wants Budget to give rural, infra push

According to party, meeting fiscal deficit not the real economic issue for the government

ARCHIS MOHAN
New Delhi, 23 January

The Bharatiya Janata Party (BJP) has recommended to Finance Minister Nirmala Sitharaman that the Union Budget should strive to shift the focus from macroeconomic parameters, such as reining in fiscal deficit and inflation, to "real problems" facing the economy.

The party has diagnosed that emphasis on meeting fiscal targets and controlling inflation needs to be overcome to spur growth. It has suggested an inflation linked monetary policy. Interestingly, none of the stakeholders the BJP consulted demanded any reduction in direct income tax, neither has the party recommended any relaxation.

Sources said not only the government currently faces resource constraint, but much has been done to ease the tax burden of the middle classes in the last five years. Also, it was argued that such a measure affects a limited segment of people when the focus should be to put money in rural areas.

The BJP has suggested that revenue constraints facing the government can be resolved through disinvestment of PSUs, monetisation of government assets and improving the primary and secondary bond markets.

The corporate sector, it has said, currently suffers from "twin risk averseness", including with supply credit from banks, leading to deleveraging and problems in capital formation.

While this can be addressed by spurring consumer demand, the party has recommended the government should look at NBFCs, where it can remove capital formation restrictions and excessive oversight wherever public money is not involved.

Party sources said the BJP was committed to its philosophy of inclusive growth, but with a market friendly face. For a more transparent market system, it has suggested doing away with dividend distribution tax, as also CTT (commodity transaction tax) and STT (securities transaction tax). It has observed that not much tax revenue accrues from CTT and STT, but it hurts financial markets with increase in cost of transaction causing a shift to Singapore and Hong Kong.

"The BJP had launched a two-month long process, led by party chief JP Nadda and general secretary (organisation) BL Santhosh, to gather feedback from diverse stakeholders, including 250 organisations and dozens of experts," party's economic affairs spokesperson Gopal Agarwal said. A detailed presentation was given to the FM at the BJP headquarters in the national capital on January 9.

For increasing liquidity in the rural economy, it has recommended more budgetary allocation for schemes that have worked – PM-KISAN, MNREGA and Ayushman. Its feedback is that the direct transfer of MSP to farmers has helped, and should be expanded to rid the system of middlemen.

The BJP has stressed that all FTAs (free trade agreements) with the ASEAN countries should be renegotiated. It has argued that import duty on inputs should be aligned with that on custom duty on finished products.

While not a recommendation, the IT sector flagged to the party the issue of Indian companies operating in the US and Europe must have a level playing field. From the feedback, the BJP has observed that the Insolvency and Bankruptcy Code (IBC) resolution process has become clogged after inclusion of homebuyers' interests leading to judicial delays, and real estate needs a separate process to reduce delays in the IBC resolution process.

On MSMEs, it has asked for services and industries, and micro and small industries, should be dealt separately as they face distinct issues. Similarly, MSMEs should have a different financial resolution mechanism. It has recommended decriminalisation of some of the provisions of the Company Law.

'MORE FOR MNREGA'
- Allocate more money for PM-KISAN, MNREGA, and Ayushman Bharat schemes
- Transparent market — do away with CTT and STT
- No demand to reduce direct income tax
- Overcome revenue constraint by divestment, monetisation of govt assets
- Revisit FTAs with ASEAN
- Unclog IBC process, cut delays by a separate process for homebuyers

Manufacturing goods tackle minefield of restrictions to reach China

The last of a three-part series on rising non-tariff barriers to Indian exports explores how manufacturing shipments are trying but failing to enter China

SUBHAYAN CHAKRABORTY
New Delhi, 23 January

After securing a contract to export to China, textile exporters almost always begin by giving their manufacturing unit a thorough scrubbing. The shop floors are cleared of obstructions and workers are given training according to the latest guidelines.

All this is done in anticipation of a Chinese team of inspectors which may land up at the door to check every step of the manufacturing process. "But there is no guarantee this will help, as there is no fixed pattern to the inspections. Contracts have been suspended due to non-issues such as the layout of the manufacturing facility, which may not be able to handle higher orders in future," Rajesh Mehta, a Mumbai-based textile exporter, currently shipping hosiery items to China, said.

This is ironic, considering the Chinese domestic guidelines are lax and often flouted by manufacturers operating out of sweatshops, adds Mehta. "Apparel exports to China are in a nascent stage. At a time when Indian exports to prime markets like the European Union and the US are increasingly under threat from Bangladeshi and Vietnamese goods, Indian exporters want to tap into the Chinese market. But getting access is difficult," a senior functionary of Texprocil — The Cotton Textiles Export Promotion Council, says, fresh off a trip to China to secure partners.

Textiles is among a handful of sectors the commerce department has identified to boost India's manufacturing trade prowess. But it has been inundated with complaints from exporters who cite the heavy use of non-tariff barriers by China to curtail imports from India.

EXPORT LOGJAM
PART-III

A report by the Confederation of Indian Industry has pointed out that since 2012, China's exports have increasingly moved up the value chain, with accelerated growth in high-technology items, such as telecommunications equipment, automotive, cellphones, etc. With the rest of the world carved up by trade deals and the Chinese market slowly opening up, shipment of manufactured goods to India's northern neighbour remains a top priority.

"China is a state enterprise-driven economy and most imports continue to be ordered by state companies. Issues of market access, primarily in agri commodities and pharma products, continue to remain. These have to be addressed first," Ajay Sahai, director general of the Federation of Indian Export Organisations, said. Shipments of high value machinery items to China had seen an uptick in 2017-18, jumping by more than 34 per cent before growth rate halved a year later. Little of the $81.02 billion of India's engineering exports in 2018-19 reached China. Exporters blame this on state-owned enterprises, rejecting Indian firms once they participate in tenders.

"The tender specifications themselves are exceedingly strenuous and mandate local registration for Indian firms and in some cases, significant criminal liability for not honouring the contract. The issue is that authorities act arbitrarily, often suspending shipments midway into the contract period, citing the exporter hasn't complied with new product standards that have just been announced," Pankaj Mahtani, head of product sales at Premier Engineering, a midsized export firm, says.

The government has placed its biggest bet on pharmaceuticals for reducing $53.6 billion trade deficit with China. Despite bilateral talks, access to the market remains transitory for Indian firms. Estimates suggest over 240 applications of Indian pharmaceutical exporters are currently pending with China.

"India is one of the largest manufacturers of generic drugs. While Indian pharmaceutical companies export generic drugs to the US and Europe, as most of the drugs have received the USFDA and European Union approval, the difficulty for Indian pharmaceutical exports arises from the complicated regulatory approvals process in China," D K Aggarwal, president of the PHD Chamber of Commerce & Industry, said.

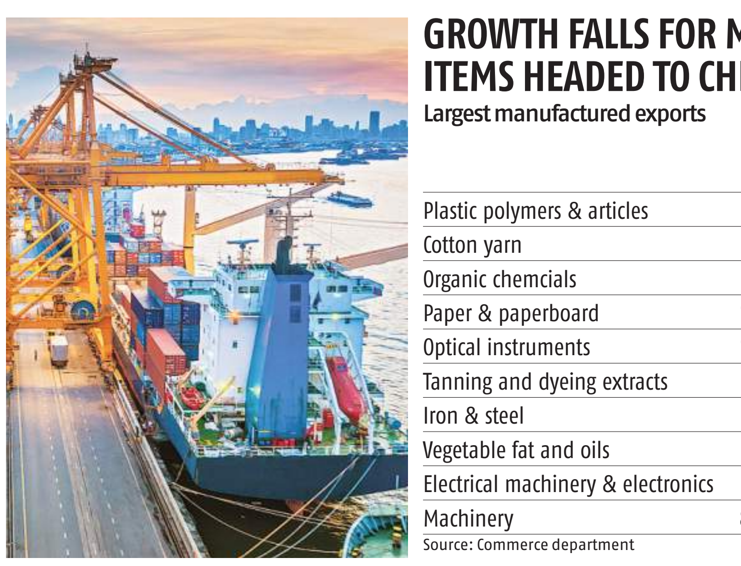
Thus, Indian pharmaceutical firms face regulatory hurdles and prolonged and unpredictable timelines for drug registration in China. Often, they are asked to submit detailed clinical trial data and reveal the drug formulation process at the time of registration, he added.

Despite suffering from a lack of cheap lifesaving drugs, the country has refused to relax management on imported generic medicine. People who want to import generic drugs for profit still have to follow Chinese laws to register and get an approval in advance.

"China has been very effectively using non-tariff barriers to curb imports that it wants to avoid. On the other hand, it also uses these restrictions as a political tool to control bilateral relations," senior trade policy expert and professor at Jawaharlal Nehru University, Biswajit Dhar, said.

The WTO estimates that India's average rate of tariff stands at 13.8 per cent, one of the highest for any major economy. On the other hand, the average rate of import duty for China stood at 5 per cent before Beijing's long and costly trade war with the Trump administration. "It has been seen that countries with lower import tariffs repeatedly deploy non-tariff barriers to control imports. What matters is how long they can hold on to them, given that global trade growth is going down. We will continue to talk to China till then," a senior commerce department official, said.

Series concludes



GROWTH FALLS FOR MOST MANUFACTURED ITEMS HEADED TO CHINA
Largest manufactured exports (Going up s Going down t)

	Export ($ mn)	Rate of growth (%) FY18	Rate of growth (%) FY19
Plastic polymers & articles	1.1	87.2	100.4 s
Cotton yarn	1.3	-17.8	47.9 s
Organic chemcials	3.2	138.7	54.2 t
Paper & paperboard	117.7	581.0	433.0 t
Optical instruments	150.3	2.1	-3.1 t
Tanning and dyeing extracts	238.1	39.8	40.9 s
Iron & steel	318.9	-6.1	-1.6 s
Vegetable fat and oils	395.7	49.7	-10.0 t
Electrical machinery & electronics	579.5	21.2	20.8 t
Machinery	830.8	34.6	16.0 t

Source: Commerce department

Tougher norms for high-value jewellery transactions on cards

RAJESH BHAYANI
Mumbai, 23 January

UNDER GLARE

- **All high-value transactions** could need Aadhaar
- **Relook needed in the wake of demonetisation** and GST, to bring more clarity on opaque businesses
- **Jewellery dealers may once again** be brought under the purview of PMLA

The finance ministry is considering proposals to sharpen its focus on high-value transactions in the gems and jewellery sector, among others. One suggestion is to link these with Aadhaar or another ID proof. Preliminary discussions have taken place, said a source. Aadhaar is said to be preferred over PAN.

After demonetisation in November 2016 and implementation of the goods and services tax from July 2017, all commercial activities are sought to be tracked in a systematic manner. Even so, a need is felt to review some of the provisions on such transactions.

Given the misuse of PAN in the past in jewellery deals, a recent proposal is to mandate the use of Aadhaar, with one-time password verification.

Last July, import duty on gold and silver was raised from 10 per cent to 12.5 per cent. This was resisted by traders and was said to have resulted in more smuggling.

Hence, a proposal has been mooted to bring gem and jewellery dealers under the ambit of the Prevention of Money Laundering Act (PMLA).

Such a requirement had been imposed in August 2017 (for reporting transactions over ₹50,000), but was withdrawn two months later due to operational issues.

"The earlier attempt on this created confusion. While rescinding this in October 2017, the government promised to notify under the PMLA a new threshold for reporting to authorities about transactions, with a view to curb parking of black money in bullion. This commitment, under the Financial Action Task Force, is yet to be realised," said Arjun Raghavendra M, a Delhi-based advocate, who previously worked for the government.

Globally, the sector is considered high-risk in the context of money laundering and terrorism funding.

In India, though, the sector also generates high employment.

For high-value transactions, the new threshold is expected to be more liberal than the earlier one of ₹50,000 limit, where the PMLA is concerned.

Q3 REPORT CARD

Canara Bank reports 40% increase in PBT

Advances grow at tepid pace in Q3, indicating slowing loan demand

DEBASIS MOHAPATRA
Bengaluru, 23 January

Public sector lender Canara Bank on Thursday reported a marginal rise in net profit as asset quality improved for the bank with lesser outgo towards provisioning during the third quarter of the current financial year.

The Bengaluru-headquartered firm posted profit before tax (PBT) of ₹531.42 crore in Q3, a rise of around 40 per cent as against ₹379.90 crore reported a year ago.

Net profit of the firm rose 3.77 per cent at ₹330 crore, against ₹317.52 crore reported a year ago. Sequentially, profit declined 9.67 per cent. Rise in profit was mostly attributed to lesser outgo towards provisioning for non-performing assets.

Its total income stood at ₹14,001.63 crore during the quarter ended December 2019, up 3.61 per cent over the same period of last fiscal year. The tepid growth in income was mainly attributed to subdued rise in credit growth, reflecting the lack of loan demand in the general economy.

While gross deposits for the lender went up by 8.64 per cent at ₹6.25 trillion, gross advances rose only by only 0.64 per cent at ₹4.38 trillion.

However, the bank which is in the midst of an amalgamation with Syndicate Bank, improved the asset quality for the second consecutive quarter.

Gross non-performing assets (NPA) declined to 8.36 per cent in the December quarter, from 8.68 per cent reported in the previous one. Similarly, net NPA went down to 5.15 per cent from 5.05 per cent reported in second quarter. Similarly, the provision coverage ratio also improved to 70.97 per cent in Q3, against 70.11 per cent in the previous quarter.

HDFC Life's PBT rises 2.7%

Private life insurer HDFC Life has reported a 2.77 per cent rise in its profit before tax (PBT) at ₹263.61 crore in the December quarter, against ₹256.48 crore in the same period of the last financial year. Its net profit on a standalone basis rose 1.88 per cent to ₹250.24 crore in Q3, from ₹245.63 crore in the year-ago period. Net premium income saw a 13 per cent rise to ₹7,854.30 crore in Q3 versus ₹6,897.68 crore in the year-ago quarter. The first-year premium of the insurer rose 23 per cent to ₹1,542.96 crore in Q3, against ₹ 1,252.34 crore in the same period last fiscal year. For the nine months ended December FY20, the new business premium registered a 22 per cent rise to ₹12,150 crore, against ₹9,940 crore in the year-ago period. SUBRATA PANDA

Chola pre-tax profit up 9.4%

Cholamandalam Investment and Finance Company, part of the Murugappa Group, reported nearly 9.4 per cent growth in profit before tax in the December quarter to ₹522.9 crore, from the same period a year before. Total income grew 23 per cent to ₹2,289 crore. The firm will be issuing shares to promoter entity Cholamandalam Financial Holdings, to raise around ₹300 crore in tranches. GIREESH BABU

PNB Housing Finance PBT down 32%

PNB Housing Finance reported a 32 per cent decline in its profit before tax (PBT) at ₹298.2 crore for the quarter ended December 2019 (Q3FY20), as its non-performing assets shot up and disbursements fell sharply. Its PBT was ₹441.6 crore in the same period last fiscal (Q3FY19). The shares of the housing finance company closed 5.01 per cent lower at ₹542.30 per share on the BSE. Its net profit declined 22 per cent at ₹237 crore in Q3FY20, from ₹303 crore in Q3FY19. SUBRATA PANDA

IGST on ocean freight is not permissible under law: HC

INDIVJAL DHASMANA
New Delhi, 23 January

The Gujarat High Court has declared imposition of integrated goods and services tax (IGST) on ocean freight as violative of the Constitution. Ocean freight is the cost incurred through an agreement between two foreign parties to bring goods to India via ocean.

Allowing petitions against the tax, the court said the levy and collection of tax on ocean freight was not permissible under the law.

"The taxability dispute on ocean freight has been finally decided by the court to hold that taxing the ocean freight is *ultra vires* and leads to double taxation," said Abhishek Rastogi, partner at Khaitan & Co.

Petitions are also pending before the HCs in Delhi and Mumbai, in this matter.

Explaining the case, Rastogi said a provision in the Central GST Act permitted levy of both basic Customs duty and IGST on the cost, insurance and freight (CIF) value of goods brought into India, as well as an additional IGST component on ocean freight between two foreign parties for movement of such goods.

For instance, if goods come from Washington to London and are shipped further to Mumbai, there is an element of ocean freight between the parties in Washington and London. This could include steamship costs, broker commissions, duties and tariffs, vessel and port maintenance costs, and labour costs, etc.

The petitioners have raised questions on the additional tax levied on the ocean freight element, when the basic customs duty and IGST are already paid on the CIF value. This indicates double taxation, given the ocean freight element already includes CIF.

HDFC BANK'S SEARCH FOR NEW MD

Egon Zehnder to help bank find Puri's successor

REUTERS
Mumbai, 23 January

HDFC Bank will retain global executive search firm Egon Zehnder to find a successor to Managing Director Aditya Puri, four sources familiar with the matter said, as its board seeks to end an impasse and zero in on a candidate.

"Egon Zehnder has been recommended by the search committee and unanimously appointed by the bank's board," Neeraj Jha, a spokesman for HDFC Bank, said in an email, confirming a *Reuters* report on the matter from earlier on Thursday.

Four sources familiar with the discussions told *Reuters* that a six-member internal search committee, appointed in November last year, has been unable to reach a consensus on selecting a successor to Puri, who has been at the helm of the country's largest private lender since its inception in 1994.

MD Aditya Puri's term comes to an end in October. Egon Zehnder had in 2018 helped Axis Bank find its CEO

Puri, whose term comes to an end in October this year, is also an advisor to the search committee tasked with identifying a suitable candidate. "The decision to hire a global advisory firm has been taken after the search committee members realised that they have been struggling to come to a consensus on the final name," said a source. "The deadline for Puri's successor is nearing ... the bank will have to appoint someone who can continue to push for growth despite an economic slowdown," it added.

According to regulations, the bank will need to get approval from the RBI, before any new appointment can be confirmed. HDFC Bank is one of three domestic lenders that the RBI has designated as "too big to fail".

Egon Zehnder, which declined to comment on the matter, had in 2018 also helped Axis Bank, another private lender, to find its chief executive officer. A second source at HDFC said the differences between the top leadership over the succession had been the crucial reason for the delay in identifying a new MD.

The sources said Puri and Deepak Parekh who is the chairman of HDFC, which owns a minority stake in the bank, have been at loggerheads over the bank's succession plan, with both advocating their preferred candidates to secure the job.

Puri's choices include HDFC's executive directors Bhavesh Zaveri, Sashidhar Jagdishan and Kaizad Bharucha, said three of the sources. Two of those sources also said Parekh has been rooting to reinstate Paresh Sukhtankar, who resigned as Puri's deputy in 2018. Sukhtankar who joined the bank alongside Puri in 1994 was widely expected to be Puri's successor. Reasons behind his departure remain unclear.

A climate change-sparked meltdown

The ECB is among central banks trying to prepare for what a report warns could be a "coming economic upheaval"

JACK EWING

Climate change has already been blamed for deadly bush fires in Australia, dying coral reefs, rising sea levels and ever more cataclysmic storms. Could it also cause the next financial crisis?

A report issued this week by an umbrella organisation for the world's central banks argued that the answer is yes, while warning that central bankers lack tools to deal with what it says could be one of the biggest economic dislocations of all time.

The book-length report, published by the Bank for International Settlements in Basel, Switzerland, signals what could be the overriding theme for central banks in the decade to come.

"Climate change poses unprecedented challenges to human societies, and our community of central banks and supervisors cannot consider itself immune to the risks ahead of us," François Villeroy de Galhau, governor of the Banque de France, said in the report.

Central banks spent much of the last 10 years hauling their economies out of a deep financial crisis that began in 2008. They may well spend the next decade coping with the disruptive effects of climate change and technology, the report said.

The European Central Bank, which on Thursday concluded a two-day meeting in Frankfurt focusing on monetary policy, is beginning to grapple with those challenges. The bank did not make any changes in interest rates or its economic stimulus programme on Thursday. Instead, other issues are coming to the fore.

Christine Lagarde, the central bank's president, who took office late last year, has pledged to put climate change on the bank's agenda, and it was a topic of discussion at the last monetary policy meeting, in December.

Members of the European Central Bank's (ECB's) governing council argued "that there was a need to step up efforts to understand the economic consequences of climate change," according to the bank's official account of the discussion.

Global warming will play a big role in the ECB's strategic review, a broad reassessment of the way the bank tries to manage inflation. For example, when trying to influence market interest rates, the bank could decide to stop buying bonds of corporations considered big producers of greenhouse gases.

This new awareness of the financial consequences of a hotter earth comes as central banks are contending with another new challenge: Technologies that threaten their monopoly on issuing money and their power to combat a financial crisis.

Unofficial digital currencies like Bitcoin or Facebook's Libra, which is still in the planning stages, bypass central banks and could undermine their control of the monetary system. The obvious solution is for central banks to get into the digital currency business themselves.

On Wednesday, the central banks of Canada, Britain, Japan, Sweden and Switzerland said they were working together with the Bank for International Settlements to figure out what would happen if they did just that.

It's complicated, though.

Like cash, people can use digital currencies to pay other people directly, without a bank in the middle. Unlike cash, digital currencies allow person-to-person transactions to take place online.

Such a system could be more efficient, but also risky, according to a report issued on Wednesday by the World Economic Forum, the organization that stages the annual conclave in Davos.

Commercial banks might become superfluous, and fail. Central banks would in effect become giant retail banks. But they have no experience dealing with millions of individual customers and could be overwhelmed. If a central bank collapsed, so would the monetary system.

Climate change also takes central banks into uncharted territory. Think the subprime crisis in 2008 was bad? Imagine a real estate crisis caused by rising sea levels and coastal flooding that renders thousands of square miles of land uninhabitable or useless for farming.

By some estimates, global gross domestic product could plunge by 25 per cent because of the effects of climate change. Central banks have enough trouble dealing with mild recessions, and would not be powerful enough to combat an economic downturn of that scale.

"In the worst case scenario, central banks may have to intervene as climate rescuers of last resort or as some sort of collective insurer for climate damages," according to the report, published by the Bank for International Settlements, a clearinghouse for the world's major central banks.

It suggested some precautionary measures central banks could take.

Central banks, which often function as bank regulators, could require lenders to hold more capital if they hold assets vulnerable to the economic effects of a shift to renewable energy. An example might be a bank that has lent a lot of money to fossil fuel companies, or to the Saudi government.

CHINESE WHISPERS

Delayed starts

Election seasons and time schedules aren't the best of friends but it has become almost a routine affair for press conferences organised by various political parties in Delhi, which is gearing up for its Assembly elections, to start after long delays. These gatherings, organised around evenings or late afternoons, have been starting 30 to 45 minutes behind schedule on a regular basis with the parties blaming the city's traffic for the wait. On Thursday, even a national spokesperson of a party, who was supposed to address the media, was made to wait. A senior leader advised the waiting scribes to turn up at future events 15 minutes after the scheduled time. Keeping up with the tradition, the presser started 40 minutes after the time printed on the invite.

Of heart and work

Rajasthan Chief Minister Ashok Gehlot (*pictured*) took an apparent jibe at Prime Minister Narendra Modi's popular radio programme Mann ki baat when he said that "*kaam ki baat*" was just as important as "*mann ki baat*" (heart-to-heart conversations). He made this statement at the inauguration ceremony of the Jaipur Literature Festival (JLF). Gehlot said JLF was the place where thinkers across the world came and did "*kaam ki baat*" along with "*mann ki baat*". Now the phrase *kaam ki baat* can be interpreted in two different ways: A conversation which is useful or a conversation which is about work. Which one did the Congress veteran have in mind?

More power to women

There are several sectors in India that have a skewed gender ratio at the workplace, the power sector being one of them. So efforts at diversity... or the optics of it... are hard to miss but a recent event, organised by an industry association, took it to a completely new level. First, the event on "women power" aimed to "electrify the women in you". The session was held at an "women empowerment pavilion" which hosted a workshop on "harmonising work and life" and a talk show on "how to face gender biased challenges in the field of engineering", among other things. There were lectures by women leaders — ironically, not from the power sector — on "she believed she could, so she did". Needless to say, men members among the audience were conspicuous by their absence.

Mega mergers and mega pension liabilities

As the government tries to set up robust next generation banks, concrete steps are needed to tackle the long-term risk of retirement liabilities

RITOBRATA SARKAR

Globally, mergers and acquisitions have become a significant tool for corporate restructuring across industries. The financial services industry has also experienced mergers leading to the emergence of very large banks and financial institutions. There is a lot of research and experience to highlight that the success (or failure) of such mega transactions hinge on the harmonic integration of business, technology, people and culture.

The recent proposal by the government to consolidate 10 public sector banks(PSBs) into four large banks is expected to increase efficiency and reduce the cost of lending, but consolidations of such magnitude can pose several challenges. One such challenge that fails to attract the attention it deserves is the significant exposure to pension and other long-term employee benefit liabilities. In the case of these 10 PSBs, the reported "defined benefit" (DB) obligations represent over 85 per cent of their total market capitalisation and the annual DB cost contributes almost 20 per cent to the total net loss reported by these 10 banks in FY 2017-18 and FY 2018-19.

During a merger or an acquisition, pensions- and benefits- related issues are often the big-ticket items with significant impact on the company's future financial viability. Therefore a thorough due diligence is required to ascertain that the liabilities are not under-reported and that the plans are sustainable in the long term. Before the pension plans merge, the amalgamated banks must undertake a complex review of their long-term liabilities to avoid unforeseen or unmanageable risks. These include a true and fair assessment of these uncertain obligations, which may give rise to significant risk in the future. Identifying and managing such risks early will give banks greater certainty and confidence.

The consolidated DB liability of the 10 banks has crossed the milestone figure of ₹1 trillion as on March 31, 2019. Due to the long-term nature of these retirement benefit plans, their liabilities are extremely sensitive to the assumptions. With bond yields declining globally as well as in India over the past couple of decades, the DB liabilities are expected to rise, driving up the employee benefits expense and significantly impacting the banks' future P&L. For instance, even a 100 bps change in bond yields could increase the aggregate pension costs for the year by ₹15,000 crore, causing a massive stress on the profitability of these banks.

While one may argue that the DB liabilities are well-funded and backed by assets, the following questions still need to be addressed:

■Are the liabilities currently reported accurate? For example, the future salary growth assumptions considered by almost all the 10 banks are in the range of 5-6 per cent when actual increases may have been higher. Additionally, have the increases in dearness allowances and future pension increases been appropriately factored into the calculations? To demonstrate this, if we were to assume a higher future salary growth assumption of say 8 per cent and a higher pension increase assumption, then the possible impact could be as much as ₹30,000 crore.

■Are the benefits sustainable in the long term? The ongoing cost of these schemes may continue to rise and have a high impact on the bank's overall costs. With declining interest rates and increasing life expectancy, how these DB pension liabilities are managed will be crucial to ensure that they are sustainable in the long term.

■What risks do these plans pose to the long-term profitability of the merged banks? For example, what impact may future wage revisions have on the overall cost of these plans that are linked to the final salary? What could be the impact if the government were to increase the pensions in the future due to demands from employee unions?

■Whether the funds backing the liabilities are adequate and are the assets and liabilities appropriately matched?

To address these questions, it will be prudent to reassess the DB liabilities as part of the merger. In practice, such assessments require complex calculations based on actuarial modelling taking into account several projections and assumptions related to economic and demographic factors that can be extremely uncertain in the long term. As such, proper consideration should be given in determining these assumptions and an independent assessment must be carried out when the opening balance sheet of the merged banks are created.

Assumptions should reflect the actual past experience of the merged banks. The merger provides an opportunity to undertake an independent detailed analysis on a much larger database, which can lead to more credible results. For example, the mortality experience of pensioners can be assessed and built into the assumptions. In addition, aspects such as mortality improvements and future wage/pension revisions should be given due consideration when determining assumptions.

Further, as part of the merger process, there is an opportunity to consolidate the various retirement trusts into larger funds that can improve operational efficiencies and offer better investment opportunities for the funds going forward.

As the government tries to set up robust next generation banks, concrete steps are needed to tackle this major long-term risk of retirement liabilities. Assessing the fair value of these liabilities and developing a plan to mitigate these risks should be a priority to create a cleaner balance sheet, thus fulfilling one of the key objectives of this merger. Driving down the "mega" lane, "pension liabilities" is a much needed "pit stop" to fix things and keep sight of the chequered flag.

The author is head of retirement, Willis Towers Watson, India

INSIGHT

The new axis of infrastructure

India's massive infrastructure build-out targets need an all-hands-on-deck effort

SAMEER BHATIA

India's infrastructure gambit for the coming decade will see states take the centre stage of investments.

With the centre walking a fiscal tightrope, and the economic slowdown hobbling private investment, we estimate that states will need to marshal ₹100-110 trillion, or approximately 45 per cent of the total infrastructure investment requirement of ₹235 trillion in the next 10 years. This is imperative to sustain India's gross domestic product (GDP) growth at around 7.5 per cent and infrastructure spend at over 6 per cent of GDP annually through the next decade.

Formidable as that sounds, it is eminently doable — given that states accounted for about 41 per cent of total infrastructure spend (including Centre and private sector) in fiscals 2011-20, and their share in capex surged to 65 per cent.

In fact, 15 large states with growing economic heft and determination to address infrastructure gaps, are well-placed to muster about 85 per cent of the expected investment.

Crisil's latest *Infrastructure Yearbook 2019* identifies these states and pinpoints differentiated strategies for them to action, in order to realise these targets: "The investment trajectory of 15 large states will be crucial in this context. But given differences between them in terms of economic output, prosperity and fiscal capacity, they will need customised actions and sequencing to make material progress."

To crystallise these prescriptions, we grouped these states into three clusters, based on their gross state domestic product (GSDP) size and per capita incomes (PCIs).

The four "frontrunner" states — Maharashtra, Karnataka, Tamil Nadu, and Gujarat — are endowed on urbanisation, industrial base, and PCI fronts. But they show some fatigue with respect to capex growth in recent years.

These states will need to be intrepid to push through structural and sectoral reforms, as this will be key to create new triggers for capital allocation and growth. They need to expand capex from about 27 per cent share (in all states, fiscals 2015-19) to about 37 per cent.

Five "middle-of-the-pack" states — Andhra Pradesh, Kerala, Punjab, Haryana, and Telangana — with lesser population weight, mirror front-runner states on endowments. They can legitimately aspire to be growth leaders, provided they punch above their weight and up their capex game (as Telangana has managed to do).

Six climber states — Bihar, Madhya Pradesh, Odisha Rajasthan, Uttar Pradesh, and West Bengal — have seen sharp capex growth in the last five years, despite lower incomes per capita. However, an accompanying debt surge could come in the way of sustaining this. Continuous upfront institution building to improve investment capacity in social and physical infrastructure would help them create better conditions for growth.

Finally, states not only need to crank up spending quantitatively, but also improve efficiency through institutional strengthening and capacity building, to tap commercial financing and private investment.

Despite the strides, three broad factors interfere with a sustained investment lift off in states: (i) Fiscal squeeze, in the form of persistent revenue deficits, debt surge, and high fiscal deficits in several large states; (ii) weak institutional capacity, reflected in mounting losses and operational deficiencies of utilities in power, water and urban transport sectors; and (iii) inadequate reforms and programmatic impetus to scale commercial financing and public-private partnerships (PPPs).

Based on this, we identify three vectors for states to drive action and steer transformation:

■Expand fiscal space to invest: Stabilise goods and services tax; tap asset monetisation; deploy medium-term expenditure frameworks; move to direct subsidies

■Enhance state capability to implement: Nurture counterparty public institutions; build project development rigour; tap commercial financing and PPPs

■Engender conducive policy and regulatory dexterity to lift investment momentum: Deepen sectoral reforms; make land available; remove labour market distortions; improve ease-of-doing business.

On its part, the Centre needs to proactively engage in areas requiring inter-state coordination and drive decision-making consensus, including critical sectoral and structural reforms (such as in the power sector, factor markets, and inter-state water resources sharing).

The *Infrastructure Yearbook 2019* also releases the latest InfraInvex scores for major infra sectors — power, roads and highways, airports, ports, and urban. This one-of-a-kind index tracks, measures, and assesses the investment attractiveness and development maturity of infrastructure sectors, based on their "drivers" and "drags".

The key takeaway this year is that scores have declined for most sectors vis-à-vis the previous year.

Airports and railways were the only sectors that saw some positive action at the start of this fiscal, with the successful award of contracts for modernisation of six airports, and increased outlay and cost recovery in railways. Conversely, the renewable energy sector — which was among the leaders of InfraInvex last time — has seen a substantial decline in score this year, on account of increased counter-party risk, renegotiation of power purchase agreements, unviable tariff caps during auctions, and land acquisition issues.

Ports continue to face the brunt of the flux in global trade and slowing exports. Persistent weakness in power distribution, including increased gap in tariff recovery, and institutional bottlenecks to investments in urban infrastructure have kept scores low for these segments.

The latest scores only goes to reiterate that India's infrastructure build out and investment targets in the next decade will need all cylinders to fire simultaneously, with states assuming a central role. Achievable, if armed with vision and will.

The author is president, CRISIL Infrastructure & Risk Solutions

LETTERS

Last hope

As many as 144 petitions against the Citizenship Amendment Act (CAA) have been filed in the Supreme Court and all these petitioners wish that the Act be declared unconstitutional. But the SC's three-judge bench headed by Chief Justice S A Bobde (and comprising Justices S Abdul Nazeer and Sanjiv Khanna) issued a notice on all fresh petitions and gave four weeks to the government to file a reply. Maybe the SC forgot that any delay in addressing pressing issues is eroding its credibility. Now the big question is: How much time the Centre needs to provide for the information required by the court? The aam aadmi wonders that when the government already got around a month's time to submit its response, then why does it need four extra weeks? It's a ploy to slow the process in the court.

But since state after state are raising their voice against the CAA, in the people's court, there are no adjournments. If anything, the protests are drawing support from various quarters. Is it not better for the SC to put an interim stay on the implementation of the Act till the time the larger bench hears the case? People are waiting with a lot of hope because the SC's word on all these issues is final.

Bidyut Kumar Chatterjee
Faridabad

Do not lose focus

This refers to the news that the government is planning to reduce the duty-free allowance on alcohol to one bottle from two for people returning from abroad. The reason cited is that countries such as Singapore permit only one bottle at these duty-free stores at the airports. I would request the government not to reduce the allowance. Why deprive international travellers of small pleasures? After all, Brazil permits 12 bottles of alcohol and even the UAE permits four bottles. Let us focus on dealing with serious economic issues like inflation and falling consumption instead of a bottle of small desires.

Rajendra Aneja Mumbai

Letters can be mailed, faxed or e-mailed to:
The Editor, Business Standard
Nehru House, 4 Bahadur Shah Zafar Marg
New Delhi 110 002
Fax: (011) 23720201 ·
E-mail: letters@bsmail.in
All letters must have a postal address and telephone number

HAMBONE

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Preserving the Republic

Constitution must be followed in spirit, too

On January 26, 1950, India gave to itself one of the most complete, modern and liberal Constitutions in the world. Seventy years on, this country must not just celebrate that moment but rededicate itself to the observance of Constitutional principles, both in letter and spirit. The survival of India as a state, its development as a nation and its growth as an economy over the past seven decades owe a great deal to the fact that India's Constitution emerged from broad deliberations, and the founding generation's dedication to Constitutional methods and principles. There is little doubt, of course, that over the course of these seven decades of the Republic there have been times when its liberal bedrock has been under siege — the imposition of Emergency being one such moment. There is every reason to worry that India is now passing through another such stage, if not as obvious as was the case in the 1970s. The Economist Intelligence Unit (EIU) releases a "Democracy Index" every year, which tracks how various countries are doing in terms of their democratic institutions and experience. India dropped 10 positions in a single year, with its rank in the index slipping from 41 out of 160-plus countries in 2018 to 51 in 2019. The EIU stated that "the primary cause of the democratic regression was an erosion of civil liberties in the country", providing as examples the National Register of Citizens in Assam, the removal of Jammu and Kashmir's autonomy and its demotion from statehood, and the new citizenship law.

Such indices should often be taken with a pinch of salt, but there can be no doubt that in this case India's fall in the rankings reflects widely shared concerns. It is time to examine how core constitutional principles can once again be brought to bear on this country. On multiple fronts there has been a regression in terms of following both the letter and the spirit of the Constitution. It is not only a challenge to constitutionally-mandated secularism, but there are also questions about whether the rights guaranteed in the Constitution will continue to be valued and, indeed, updated in a new era. No Constitution is static, and it must change with the times. But the liberal bedrock of India's Constitution must continue to operate. Those institutions charged with preserving this bedrock must be vigilant to uphold their independence and to defend the basic constitutional principles.

The basic fact to be noted is that while political change and new ideas must be respected in a democracy, they should not challenge the constitutional principles. It is fidelity to such principles that maintains the continuity and legitimacy of any state. It provides not just opportunities for individuals but also security, without which investment and growth is impossible. Yes, there must be changes: Privacy needs to be respected more, colonial-era restrictions on speech and excessive power for security forces repealed, and property rights need to be revisited. But these are perfectly compatible with the Constitution as written and debated seven decades ago and in the years since. The political class that has often paid lip service to the Constitution over the years had better instead seek to serve it in reality.

Andhra's capital errors

There are better ways of ensuring inclusive development

The Andhra Pradesh government's decision to scrap Amravati as a "super-capital" and build three capitals instead in different parts of the state defies all logic. Nevertheless, with a majority of 151 in the 175-member Assembly, Chief Minister Y S Jagan Mohan Reddy had little trouble in getting the necessary legislation passed. Thus, Amravati, which Mr Reddy's predecessor Chandrababu Naidu had made considerable headway in developing, will be retained as a legislative capital housing the state Assembly. Visakhapatnam, 367 km away, will be the executive capital, where the state secretariat and the Raj Bhavan will be based. Finally, Kurnool, 692 km from Visakhapatnam and 343 km from Amravati, will be the judicial capital with the high court. Mr Reddy's ostensible logic for this dramatic shift from Mr Naidu's blueprint is disingenuous. He says he wants "inclusive development," the latest term in the national political lexicon that usually hides a multitude of motives. Even if Mr Reddy's reasoning is taken at face value, it is hard to see how the argument progresses beyond a real estate play. Inclusive development, in its original form, is embedded in the concept of administrative efficiency for all. It is not clear how decentralising the three key organs of governance by hundreds of kilometres will achieve this. To offer just one example, a land-loser to a government project contesting compensation will find herself saddled with huge travel costs shuttling between Visakhapatnam and Kurnool, in addition to legal fees.

That said, there is a strong case for bringing administration to the people through decentralisation. If Mr Reddy were truly concerned about this, it would make sense to develop mini-secretariats in each major region, just as Haryana and Uttar Pradesh have done with Gurugram and Noida, respectively. This has the dual benefit of allowing farmers in these regions to gain from land acquisition and people to access administration easily. The immediate prognosis is that Mr Reddy is unlikely to follow this sensible policy because of ingrained caste rivalries between the coastal Kammas, represented by Mr Naidu and his followers, and the Reddys from the Rayalseema (or southern) region. The former are said to have gained from the Amravati land deals, which is why Mr Reddy is seeking rebalance for the caste he represents via this decentralised scheme. He has, nevertheless, said he would make good on promises made by Mr Naidu to farmers who are awaiting full compensation for land surrendered for Amravati, and has even doubled the amounts. But with state's debt burden, it is difficult to see how he can do this as well as raise money for his tri-capital plan.

No less damaging are the signals to potential investors. Reneging on renewable energy contracts, announcing job reservations for state residents, and demolishing buildings dating to Mr Naidu's tenure can scarcely be considered encouragements for business houses seeking stability and sanctity of contract. The fate of the Bill lies with the upper house, in which Mr Naidu's Telugu Desam Party holds 28 of the 58 seats. Rather than any "inclusive" concerns, the confrontation between landed interests and caste configurations will decide whether this five-year-old state will have three capitals or one.

ILLUSTRATION: BINAY SINHA

Budget in the season of protests

The government has missed the chance to defuse the anger over CAA and focus on the economy

AAKAR PATEL

The Union Budget will be overshadowed by the ongoing mass protests across India, and the government has missed the chance to narrow its focus and concentrate on the economy. This is not deliberate and is the result of an error in judgment from the prime minister.

He has been seeking to defuse the anger and the passion. But he has failed because he does not really understand what underpins this nationwide movement against the citizenship laws, and so doesn't comprehend how to overcome it.

There was an opportunity to hit pause on the protests, if not an outright stop, in the Supreme Court this week, but that opportunity was not taken.

The attorney general could have voluntarily sought a stay on the Citizenship Amendment Act till the court sent down its judgment on its constitutionality. His instructions were instead to stall. This he succeeded in achieving. The government had filed no response to the 60 or so petitions it had already received weeks ago. But the judges chose to give the Modi government another four weeks, reasoning that the Centre had not received all the petitions.

The question is what the delay will achieve. The prime minister may think things will blow over in that time. They won't, and this is why the Budget will suffer as a result.

When you have little or no engagement with the other side, you cannot figure out what to do to engage, negotiate with, crush or pacify them. This is the case with the Bharatiya Janata Party (BJP) and the people it is faced with in the anti-Citizenship Amendment Act (CAA) movement.

Before independence and before the rise of the Muslim League under MA Jinnah, only 3 per cent of the Congress party's members were Muslims. After Jinnah's ascendancy even this modest number fell dramatically, and in all honesty there was no meaningful Muslim representation in Congress. This is why Abul Kalam Azad, a great intellectual, had to suffer being called the "show boy" of the Congress Party. It was not an unfair slur to make: It honestly reflected the numbers. The absence of Muslims in Gandhi's and Nehru's Congress made them unaware of what the community wanted, which was a fair share in power, and certainly unaware of the strength of its feeling.

The situation in the BJP today is worse. It has always had one or two national representatives, never popularly elected, who are its fig leaf. Names like Sikander Bakht, Mukhtar Naqvi and Shahnawaz Hussain come to mind. Out of the BJP's 303 Lok Sabha MPs, none is a Muslim.

Neither Naqvi nor Hussain has come to the anti-CAA protests and would not dare to come. They know they are show boys in the true sense of the word. But that reality also means the BJP has zero contact at the ground level with the protestors, who are to a large extent Muslim, joined by students and a smattering of the group contemptuously called liberals.

The government does not have a sense of the energy and the resolve of those on the street because it is not there and the people it knows are not there. The other reason for its ignorance of what it is faced with is that to the largest extent these are spontaneous and not politically led. Other than in West Bengal, the crowds in the rest of India are leaderless.

This means the political parties, friends and even adversaries, Modi and Shah rub shoulders with in Parliament also have little or no connect with the anti-CAA movement.

In Uttar Pradesh, Akhilesh Yadav's Samajwadi Party chose not to support the protestors, wary of the communal spin given to them and the Yadav voters will react negatively. Yadav and Mayawati may have assumed also that the hard posture of the Uttar Pradesh government would have broken the spirit of those on the street. This did not happen and sit-ins are now underway in Allahabad, Azamgarh and Kanpur other than Lucknow.

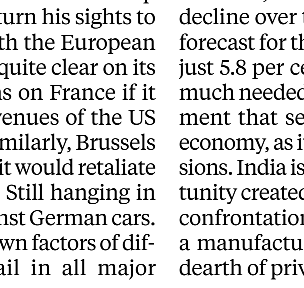
All of this means that the political establishment is unconnected and dislocated from the millions who seek change. Despite the attempted clarification offered by the prime minister, there is no clarity on what is going to happen regarding citizenship. He said that his government had not formally discussed the National Register of Citizens so far. That doesn't really mean anything and as assurances go, it is weak. It has sent a clear message neither to the protestors nor the state.

They are still aware that from April 1, the National Population Register will begin to be rolled out. In many states like Bihar and Odisha there is ambiguity about what will happen. In BJP-run states it is clear that the process will unfold and produce chaos.

In Bangalore, the homes and shops of 300 people were razed on the accusation that they were Bangladeshi. The media reported that they were not, but so what if they were? The state must follow due process and not put up its xenophobia for all the world to see.

To the protestors looking on at such events across the country, this will be a further reason to dig in and not give up. They are fighting for their constitutional rights and for survival. This is a different kind of thing than the protests this government or any previous Indian government is used to. And they will not end because of the usual tactics of delay and brutality.

It is all about global risk mitigation



CLAUDE SMADJA

Last year has been the worst for the global economy in terms of growth since 2008 with all major centres of economic activity in the world registering a decline in growth. And 2020 will, at best, be slightly better. Any hope to the contrary was dashed by the latest global economic growth forecast published this week by the International Monetary Fund (IMF). Global growth for this year has been cut from 3.4 to 3.3 per cent — compared with 2.9 per cent in 2019. 2021 would not look so much better with growth expected to be at 3.4 per cent, down from the previous 3.6 per cent forecast. And bear in mind that IMF's forecasts tend usually to be on the optimistic side.

In fact, all the factors which were bearing down on the economy last year are still there. Corporate leaders and investors are as worried as ever, if not more, by the rise of geopolitical, non-business, risks. First among them is the rise of protectionist policies in many parts of the world and the unrelenting assault on the multilateral trade system.

In that respect, there can be no illusion that the trade deal between Washington and Beijing signed on January 15 is no more than a pause in the economic, technological and strategic competition between the US and China, with major forces in the Trump administration more intent than ever to pursue a contain and decouple strategy towards China. As worrisome is the fact that Donald Trump seems likely to use that "pause" to turn his sights to Europe and the US trade deficit with the European Union. The White House has been quite clear on its intention to impose trade sanctions on France if it pursues its intention to tax the revenues of the US high-tech giants made on its soil. Similarly, Brussels has been as clear in its warning that it would retaliate if the US were to act on its threats. Still hanging in the air is the threat of US tariffs against German cars.

Anemic condition, or slowing down factors of different nature, continue to prevail in all major economies. Germany's manufacturing sector is now in its 16th month of recession with exports on a significant downward trend, impacted by China's economic slowdown and the trade war initiated by Mr Trump. The Bundesbank now expects Germany to grow by only 0.5 per cent this year, with negative reverberations all over Europe as the country accounts for more than 30 per cent of the eurozone gross domestic product (GDP). More importantly, this is not a cyclical crisis. The German growth model based on exports, downward pressures on wages, emphasis on sectors such as automotive and chemical and "black zero" budgets — constitutionally mandated balanced budgets leading — to notably insufficient infrastructure investments, is now reaching obsolescence.

In China, the leadership is struggling with a tough balancing act between pursuing the deleveraging of the economy to reduce the financial risk, created by bloated indebtedness in some corporate sectors and among provincial and local governments, and putting as floor under economic growth at 6 per cent — the country's lowest expansion rate for the last 30 years. Beijing's challenge in the coming months will be to find ways to boost domestic spending and the confidence of the consumers and private sector investors as youth unemployment is on the rise.

India, for its part, has seen economic growth decline over the last 18 months, with the latest IMF forecast for the country revised down 0.9 per cent to just 5.8 per cent. The country is paying the price of much needed corporate de-leveraging and a government that seems to have dropped the ball on the economy, as it gets mired in damaging political diversions. India is very much at risk of missing the opportunity created by the US-China trade and technology confrontation to attract more foreign companies as a manufacturing base. It remains to be seen if the dearth of private sector investment and the slowing down of infrastructure investment will be reversed by new measure in the Budget in addition to a set of recent measures aimed at reviving growth.

Japan is notably the only large economy where the IMF forecast is revised upward as the impact of the stimulus package enacted by the Shinzo Abe government at the end of 2019 and the boost to economic activity expected from the Olympics 2020 should drive the country growth to 0.7 per cent against a previous forecast of only 0.5 per cent.

While the US economic cycle remains quite resilient, with the expansion phase now in its 10th year, consumer confidence still high and an unemployment rate at a record low of 3.5 per cent, growth is expected to decline from 2.3 per cent in 2019 to just 2 per cent this year. One can count on Mr Trump to keep the economy humming in the coming months as a major asset in his reelection drive. However, the remaining impact of the tax reform will definitely fade away in the course of 2020; consumer sentiment is exposed to any stock market reversal, and the sharp increase of low-credit-quality bonds stimulated by low interest rates is generating warnings from US economists as well as from the IMF. Last but not least, the propensity of the Trump administration to engage in trade wars, with the uncertainties they create, could continue to damper business investment.

Add to this picture a geopolitical environment marked by uncertainty, volatility and prone to crises, which can erupt almost overnight in the Middle East or, for instance, about Taiwan or the South China sea issues; then take also into account the challenges created by climate change, the painful and costly adjustments that major sectors such as the automotive, energy, chemical, steel industries will have to make in a relatively short span of time to comply with new stringent regulations on carbon emissions. So it is no surprise that global risk mitigation will remain a top priority for business leaders and policy makers in the course of 2020.

The writer is president of Smadja & Smadja, a Strategic Advisory Firm; @ClaudeSmadja

English's pronoun problem is centuries old

BOOK REVIEW

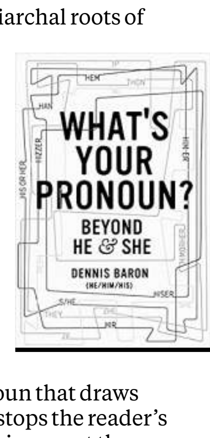
JOE MORAN

"Pronouns are suddenly sexy," Dennis Baron declares at the start of *What's Your Pronoun?* For "pronouns," read one specific pronoun, or rather its long-lamented absence in English: The third-person singular gender-neutral pronoun. And for "sexy," read thorny. Pronouns now come up in lawsuits, school regulations and company codes of conduct. Colleges ask students to provide their preferred pronouns; online dating sites offer pronoun options. "It used to be nerdy to discuss parts of speech outside of grammar class," Baron, a professor emeritus of English and linguistics at the University of Illinois, writes. "Now it's cool."

After this slightly forced attempt at with-itness, *What's Your Pronoun?* settles down into a scrupulous and absorbing survey. Its great virtue is to show that these issues are nothing new: Gender-neutral pronouns like "ze," "thon" and "heer" have been circulating since the mid-19th century; others as far back as 1375.

Almost no one now defends the use of a generic "he" — but what to replace it with? Mr Baron is surely right that no one cares for "his or her": Too unwieldy. As for the pronouns historically proposed to replace "he" or "she," they failed to gain traction because "they look strange on the page."

Coiners of new pronouns might usefully counter that they want these words to look strange, so as to draw attention to the social construction of gender or the patriarchal roots of traditional pronouns. Fair enough, but the point about pronouns is that they replace nouns, and thus trade the specific for the generic — so they will probably catch on only when they are inconspicuous. In writing, a pronoun that draws attention to itself stops the reader's eye and checks their pace at the wrong point in a sentence.



WHAT'S YOUR PRONOUN? Beyond He & She
Author: Dennis Baron
Publisher: Liveright Publishing
Price: $25.95
Pages: 283

For Mr Baron the solution is clear, and I used it (hopefully unobtrusively) in that last sentence: The singular "they." He provides ample textual evidence, from Shakespeare on, that this is a perfectly respectable option — and so unconscious that even those who condemn it invoke it without noticing.

For the still unpersuaded, he points out that singular "they" is older than singular "you." Only in the 1600s did singular "you" start pushing out "thou" and "thee." Having the same pronoun for both singular and plural forms makes for potential ambiguity. So colloquial plural forms have sprung up, such as "y'all," common in the American South, or the more recent "you guys" — an oddly gendered locution at a time when the generic "he" is becoming extinct. Still, we get by. No one considers ditching the singular "you."

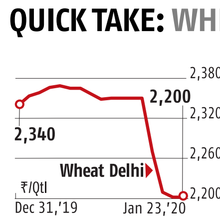
For Mr Baron, the benefit of singular "they" is that it is often used by those in search of a nonbinary or gender-neutral pronoun, as well as those who give such issues little thought. While many language mavens are coming around reluctantly to singular "they" — in December Merriam-Webster anointed "they" its "word of the year"— some traditionalists still hold out against it. Their defence is convention. I admit that the nonbinary use of "they" to refer to a specific person — "Alex likes their burger with mustard" — still sounds jangly to my ears. I will get used to it. Language, as Baron eloquently shows, works as a dynamic democracy, not as rule by experts. The sticklers may not like "they" (singular) but they (plural) will eventually have to bow to the inevitable.

Almost no one now defends the use of a generic "he" — but what to replace it with? Mr Baron is surely right that no one cares for "his or her": too unwieldy. As for the pronouns historically proposed to replace "he" or "she," they failed to gain traction because "they look strange on the page"

Mr Baron's book layers on rather too many examples of historical usage, including a 60-page "chronology of gender-neutral and nonbinary pronouns" at the end. This scholarly assiduousness, though, also makes him the ideal pilot through these contentious political-linguistic waters. If you want to know why more people are asking "what's your pronoun?" then you (singular or plural) should read this book.

Business Standard
The Smart Investor
MUMBAI | FRIDAY, 24 JANUARY 2020

QUICK TAKE: WHEAT TO REMAIN SUBDUED ON SUPPLY PUSH



Wheat prices have declined by 6 per cent in one month due to Food Corporation of India's (FCI's) move to push its stock into the market by cutting prices in order to create space for new arrivals. Analysts say wheat prices are likely to remain under pressure, given the aggressive sales by FCI and record production in the rabi season

"Even investing legends keep making mistakes. So there is no need to be either harsh on other investors or on ourselves"

D MUTHUKRISHNAN,
Certified Financial Planner

WWW.SMARTINVESTOR.IN FOR INFORMED DECISION MAKING

Singapore doles out tax sops to attract offshore investors

ASHLEY COUTINHO
Mumbai, 23 January

Singapore's attractiveness as a destination for Indian and global offshore funds is likely to get a leg up, with the country adopting a new fund framework this year. Termed the Variable Capital Companies (VCC), the new corporate structure will provide fund managers greater operational flexibility and cost savings.

Fund managers can incorporate new VCCs or re-domicile their existing investment funds with comparable structures by transferring their registration to Singapore as VCCs.

"The launch of VCC will raise the game for Singapore's already robust fund management industry. It is expected to encourage fund managers to use Singapore as a master fund platform for US and European investors who have historically preferred jurisdictions such as Cayman Islands, Luxembourg or Ireland," said Tejas Desai, partner, EY India. "Over time, investment by Singapore fund managers into various Asian markets, including India, may flow through VCC structures," added Desai.

A group of 18 fund managers – including UTI International (Singapore), the flagship company representing the offshore interests of UTI AMC – had participated in a VCC pilot programme in September last year.

"All of these fund managers have incorporated or re-domiciled a total of 20 investment funds as VCCs. These investment funds comprise venture capital, private equity, hedge funds and ESG (environmental, social, and governance) strategies. They demonstrate the viability of the VCC framework across diverse use cases," observed a note put out by the Monetary Authority of Singapore (MAS) on January 15.

According to PwC, the VCC legislation draws on existing frameworks from jurisdictions that have been operating such funds successfully for many years. In some ways, it brings Singapore to a level expected of an international investment funds hub.

"The VCC has its own legal framework that enables it to be used as an alternative or traditional investment fund and also allows both closed- and open-ended strategies," the global tax consultancy said in a note.

One of the chief drawbacks of the earlier regime was the cumbersome redemption process for open-ended funds. It required entities to draw up their accounts, get them audited, and provide a certificate stating that they were solvent.

There were also issues related to dividend payment. The new regime could clear some of these operational bottlenecks.

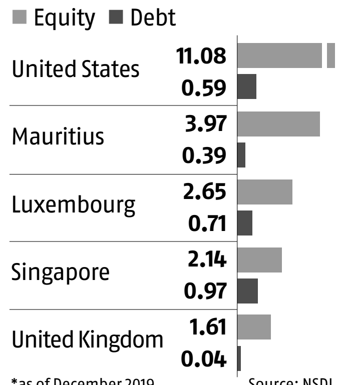
The treaty amendments in 2017 had placed both Mauritius and Singapore more or less on a par with each other from the Indian tax perspective. The VCC framework could tip the scales in the latter's favour for setting up offshore funds, said experts.

"The operational ease, tax benefits and government grant for setting up VCCs will make Singapore an attractive destination for offshore funds. The presence of a large number of asset management and capital market professionals in Singapore and its proximity to India will also give Singapore an edge over other countries," said Sunil Gidwani, partner at Nangia Andersen.

MAS' VCC grant scheme will help defray costs involved in incorporating or registering a VCC. It will be done by co-funding up to 70 per cent of eligible expenses paid to Singapore-based service providers.

The grant has been capped at about $111,160 (S$150,000) for each application, with a maximum of three VCCs per fund manager.

US LEADS THE FPI RACE
Assets under custody (₹ trillion)*



*as of December 2019 Source: NSDL

Govt targets ₹10K cr from 7th tranche of CPSE ETF

PRESS TRUST OF INDIA
Mumbai, 23 January

The government is planning to raise over ₹10,000 crore from CPSE ETF's seventh tranche, which will be launched by the end of the current month, according to market sources.

The issue is likely to open for anchor investors on January 30 and for other institutional and retail investors the next day, they added.

Central Public Sector Enterprises ETF runs a concentrated portfolio with a handful of stocks having weights of as high as 20 per cent on the underlying index. The portfolio is concentrated towards the energy and oil sector.

Nippon Life India Asset Management, formerly known as Reliance Nippon Life Asset Management, is managing the CPSE ETF on the government's behalf and has already filed 'scheme information document' for CPSE ETF FFO 6 with markets regulator Sebi.

Sources privy to the development said the offer will have a base issue size of ₹10,000 crore. Besides, there will be a greenshoe option.

The decision to launch seventh tranche of CPSE Exchange Traded Fund (ETF) has been taken after receiving robust response for earlier stake sale by the government in the product.

Through the earlier six tranches of the CPSE ETF, the government has already raised ₹49,500 crore — ₹3,000 crore from the first tranche in March 2014, ₹6,000 crore in January 2017, ₹2,500 crore from the third in March 2017, ₹17,000 crore in November 2018 and ₹10,000 crore in March 2019 and ₹11,500 crore in July 2019.

The proceeds from the ETF will help the government meet its disinvestment target of ₹1.05 trillion for the current financial year.

WHAT'S ON OFFER

- Issue likely to open for anchor investors on January 30
- For other institutional and retail investors, it opens the next day
- The ETF runs a concentrated portfolio with a handful of stocks having weights as high as 20 per cent on the underlying index
- Nippon Life India Asset Management is managing the CPSE ETF on the government's behalf
- Sources say there will be a greenshoe option

Sensex snaps losing run despite global sell-off

PRESS TRUST OF INDIA
Mumbai, 23 January

Snapping its three-day losing run, the benchmark Sensex rose 271 points on Thursday following gains in banking and energy stocks despite a massive sell-off in global equities.

The index settled 271.02 points, or 0.66 per cent, higher at 41,386.40. It hit an intra-day high of 41,413.96 and a low of 41,098.91.

The broader Nifty gained 73.45 points, or 0.61 per cent, to end at 12,180.35, ending its four-day losing streak.

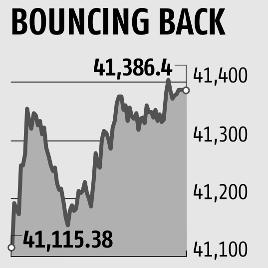
Larsen & Toubro (L&T) was the top gainer in the Sensex pack, rising 2.98 per cent after the company reported a 15 per cent rise in its consolidated net profit at ₹2,560.32 crore for the December quarter.

Bharti Airtel, facing ₹35,586 crore demand for AGR dues, rose 1.8 per cent after the telecom firm said it would wait for the outcome of modification petition listed for hearing before the Supreme Court next week. People in the know added that the DoT had advised its departments to not take coercive action against the telcos for failing to pay AGR dues by the January 23 deadline set by the Supreme Court.

Banking stocks also recovered after recent losses. SBI rose by 2.26 per cent, Axis Bank by 1.41 per cent, Kotak Bank by 1.14 per cent and ICICI Bank by 0.96 per cent. ONGC gained 1.12 per cent amid a fall in global crude oil prices.

Other gainers included M&M, Titan, Infosys, and Ultratech Cement. Tech Mahindra, PowerGrid, TCS, Bajaj Auto, Reliance Industries and Maruti ended in the red.

BOUNCING BACK



Compiled by BS Research Bureau

Sebi fines Jindal Cortex officials for GDR fraud

Markets regulator Sebi on Thursday slapped a fine of ₹10.7 crore on Jindal Cotex and its three officials in a matter related to manipulation in issuance of global depository receipts (GDR).

Managing Director Sandeep Jindal, whole-time Director Rajinder Jindal, and Chairman Yash Paul Jindal are the officials on whom the regulator has levied fines.

The regulator, during an investigation conducted between June 2010 and July 2010, found that the firm had issued 5 million GDRs amounting to $38.75 million on June 30, 2010, equivalent to 20 million equity shares of ₹10 each.

Sebi observed that the entire lot of 1.51 million GDRs was subscribed by only one entity, Vintage FZE (now Alta Vista International FZE).

The subscription amount for GDR was paid by Vintage after obtaining loan from European American Investment Bank (EURAM).

Sebi found that the loan paid by Vintage was secured by pledge agreement between Jindal and EURAM Bank.

The firm was found to have made false and misleading corporate announcements. Jindal did not inform the exchanges with regard to pledge agreement with EURAM Bank for subscription of GDRs, delisting of GDRs on the Luxembourg Stock Exchange, and termination of GDR program, which was price-sensitive information. **PTI**

THE COMPASS

RBL Bank: Investor confidence hinges on bad loan clean-up

Analysts have slashed earnings expectation by 12–15%

HAMSINI KARTHIK

RBL Bank posted its weakest-ever asset quality in the December quarter (Q3), prompting analysts to downgrade their earnings expectations by 10-15 per cent.

This, however, does not seemed to have soured the Street's mood, which remained optimistic on Thursday.

According to the management, ₹1,500 crore of the identified pool of stressed assets (of ₹1,800 crore) went bad, for which the bank had taken 40-50 per cent provisioning.

Slippages at ₹1,048 crore in Q3 (4x increase year-on-year) and a ₹700-crore rise in loans in the below-investment grade (BB and below rated) book surprised many.

Analysts at Kotak Institutional Equities note that at 6 per cent exposure to the below-investment grade book, RBL's exposure to this category is higher than peers.

"How much of this portfolio could potentially slip (into stressed loans) needs to be seen, as there is high movement in this book," they note.

One also needs to be wary of the stress building in unsecured portfolio, of largely microfinance loans and credit cards.

With collection efficiencies at 85 per cent in Assam, well below the comfort level of 95-plus per cent, the bank hasn't made fresh disbursements in the state.

Though the share of Assam in its loan book is small, it could still add to the overall asset quality stress of RBL Bank *(see table)*.

Analysts at HDFC Securities caution that manifestation of the political unrest could result in non-performing assets across the industry, due to which RBL Bank could also be impacted.

Further, with credit cards now accounting for 43 per cent of RBL's retail loans (19 per cent in Q3FY19), asset quality of this book will assume greater importance, going ahead.

In Q3, nearly 5 per cent of outstanding credit card balances were written off on account of delinquencies, though gross NPA of this segment remained steady at 1-1.5 per cent.

In addition, the share of credit card products to RBL's fee income now stands at 57 per cent, as against 41 per cent a year-ago.

Therefore, any future decision to go slow in the fast-growing cards business could hurt RBL's credit growth.

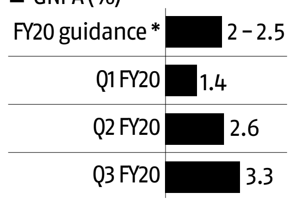
Lower growth was also the key reason for analysts slashing their earnings estimate for RBL Bank.

The lender has guided for a return to normalcy by next year, following the the clean-up drive in FY20.

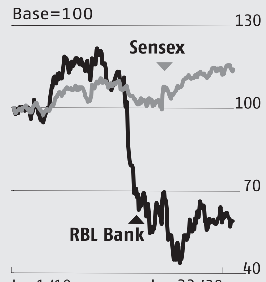
However, considering the current operating environment, Siddharth Purohit of SMC Capital says investors should wait for the March (Q4) results before they turn positive.

Valuations halving in a year to 1.8x its FY21 estimated book also mirrors weak investor sentiment.

ASSET QUALITY THE ACHILLES' HEEL



*post Q1FY20 results; GNPA is gross non-performing asset ratio
Source: Bank



Compiled by BS Research Bureau

Value offerings whet Westlife's December quarter appetite

Higher margins, cost control aid operating profitability

RAM PRASAD SAHU

A strong operational performance in the December quarter by Westlife Development, which runs the McDonald's chain of stores, led to a 10 per cent uptick in its stock price on Thursday.

Despite a high base of last year, the company was able to post a same-store sales (SSS) growth of 9.2 per cent. The metric a year ago was 14.7 per cent.

The SSS growth, which was at 5.6 per cent in the fourth quarter of 2018-19, has been consistently moving up over the past four quarters and is led by McCafé, Breakfast, and Delivery formats.

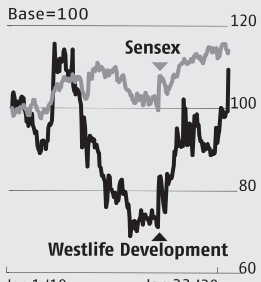
While SSS growth is expected to remain high, the company indicated that medium-term SSS growth would be in the 7-9 per cent band. The McSaver campaign helped increase the footfall and volumes, which, coupled with 11 new outlets, helped boost revenues by 16.8 per cent to ₹433 crore.

Amit Jatia, vice-chairman, Westlife Development, said higher footfall, larger menu options, and value-for-money offerings helped the company maintain the pace of growth in the quarter. The other takeway was the strong gross margin performance by the company. Despite no price increases and higher cost of raw materials, Westlife posted a 248-basis points (bps, or bips) increase in gross margins.

As a percentage of revenue, gross margins are at 66 per cent and were largely led by higher scale of operations. The gross margins are expected to be maintained at current levels. The company added 11 stores in the quarter, to take its total store count to 315 and is on target to add 25-30 stores for the current financial year.

The operating profit margins at the unit (restaurant level) witnessed an uptick of 246 bips to 17.5 per cent, led by gross margins, cost control initiatives, and higher operating efficiencies.

Going ahead, analysts expect higher margins, steady SSS growth and store expansions to help the company augment its financials. While the outlook remains strong, given the 50 per cent jump in the stock prices over the last six months, analysts believe investors with a long-term perspective can add the stock to their portfolios.



Compiled by BS Research Bureau

Multiplexes face regional threat

High dependence on Tamil, Telugu cinema dents PVR's Q3 profit; all eyes on Inox

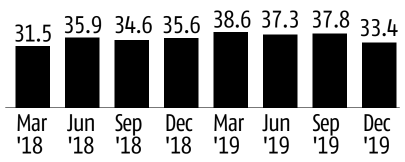
SHREEPAD S AUTE
Mumbai, 23 January

SCREENING THE NUMBERS

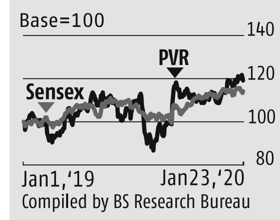
Figures in ₹ crore	PVR (Dec-19 qtr)			Inox Leisure	
	Estimates	Reported	% chg YoY	Dec-18 qtr	Dec-19 qtr (E)
Revenue	929.8	915.7	8.6	433.1	514.6
Ebitda margin (%)	28.0	19.5*	19 bps	19.3	27.8
Profit before tax	74.7	58.3	-34.5	55.9	44.3
Net profit	46.6	36.3	-29.8	36.5	36.3

E: estimates; % chg YoY reflects increase/decrease in actual performance for Dec '19 over Dec '18 quarter, *adjusted for IND-AS impact, Ebitda: Earnings before interest, tax, depreciation and amortisation
Source: Companies, Capitaline, Bloomberg

SHOWTIME



Figures represent reported occupancy rate.
Source: Company



Compiled by BS Research Bureau

Stocks of multiplexes — PVR and Inox Leisure (Inox) — have remained investors' favourite in recent times. They were up 10-30 per cent in the past six months until January 22, even as the overall consumption sentiment was low.

These gains were on the back of expectations that the two cinema exhibitors would overcome the sagging consumption scenario and continue posting strong performance. However, PVR's muted and lower-than-expected performance for the October-December 2019 quarter (third quarter, or Q3) has belied hopes, leading to a 1.1 per cent decline in its share price on Thursday, despite the Sensex rising 0.7 per cent and mid-cap and small-cap indices gaining 1 per cent each.

On a consolidated basis, while PVR's revenue grew 8.6 per cent to ₹915.7 crore, its profit before tax was down 34.5 per cent to ₹58.3 crore, and net profit by about 30 per cent to ₹36.3 crore, over the year-ago quarter. The profits were way lower than *Bloomberg* consensus estimates. Besides, a higher base in the year-ago quarter and dismal performance by the movie-ticket segment — which is over 50 per cent of PVR's revenues — dragged down revenue growth.

PVR's movie-ticket segment or box office collections grew by just 6 per cent year-on-year (YoY), compared to 25 per cent year-on-year growth during the April-September 2019 period. Though Bollywood and Hollywood content had strong box office performance, regional content, mainly Tamil and Telugu, was dismal in Q3. This led to a flattish footfall and a 220-basis point (bps, or bips) year-on-year contraction in occupancy rate. The contribution of regional content fell from 34 per cent a year ago to 23 per cent, amid poor performance of Tamil and Telugu content, which is 70 per cent of the overall regional content.

This clearly shows the importance of regional content on PVR's revenue. This apart, slower growth in advertisement revenue amid lower advertising spends by clients, given the economic slowdown, further pulled down revenue growth. However, a 13-per cent growth in the food and beverage (F&B) segment provided some support.

The dismal show in top line percolated down to the operating level. Earnings before interest, tax, depreciation, and amortisation (Ebitda) margin of 19.5 per cent, adjusting for IndAS 116 (new lease accounting norms) remained almost flat at the year-ago level. On a reported basis, i.e., including IndAS 116 impact, the Ebitda margin in Q3 was up 1,407 bips YoY to 33.6 per cent.

Some analysts though see the Q3 showing as a blip. Jinesh Joshi, analyst at Prabhudas Lilladher, for instance, does not see any pressure for the box office and F&B segments as growth moderation in Q3 was mainly due to a higher base of last year. However, the improvement in regional content is something which will be keenly watched.

The management is also confident of a recovery in revenue growth in the March quarter due to robust content pipeline. It also highlighted that the Tamil and Telugu content has started the New Year on a strong note.

Advertising revenue growth, however, would remain under pressure due to the overall weak economy. An analyst from a domestic broking house also believes that the March quarter is likely to be better for PVR, in terms of footfall, and the multiplex sector would continue to remain a good growth story.

Now, the question is, will Inox be able to meet Street expectations for Q3? Rajiv Sharma, head of research at SBICAP, expects Inox's Q3 revenue numbers to be in line and better than PVR as Inox has lower exposure to southern regional content. However, the jury is out on this. "Inox's premium screen additions and valuation discount to PVR would support the former's stock even if there is a marginal miss in Q3," adds Sharma. At 10x estimated enterprise value to Ebitda, the stock of Inox is currently trading at a 17 per cent discount to PVR.

The fund that beat 96% peers bets on financial stocks

BLOOMBERG
Singapore, 23 January

India's lending crisis isn't over. And yet, a fund that beat 96 per cent of its peers in the past year counts financial stocks as its biggest bet.

Karthikraj Lakshmanan, the primary fund manager of the BNP Paribas India Consumption Fund, said he will keep investing in the industry — including private-sector banks, insurance firms and asset managers. His argument? Earnings at some of those companies could rise at a compound annual rate of as much as 15 per cent over the next half decade, backed by growth in retail credit and consumption.

Lakshmanan is not the only one betting on consumer financing in a country where corporate lenders have taken a hit for the past year and a half. IIFL Asset Management, for one, is launching a strategy that invests in financial institutions focused on retail credit, estimating it will triple over the next decade.

"Household balance sheets are the strongest," said Lakshmanan, adding that India's household leverage is relatively low compared with other countries and that families are likely to boost spending in the next few years.

In 2018, India's household debt-to-GDP was at 11 per cent, versus 76 per cent in the US and 54 per cent in China, according to International Monetary Fund data.

As retail credit expands, some private-sector banks are poised to grab market share from state lenders, clocking low- to mid-teen earnings growth versus an expected nominal gross domestic product of 9 per cent to 10 per cent, according to Lakshmanan. Profits at private-sector insurers, too, can increase at a similar pace given that India is "quite under-insured and bancassurance channels have helped some large insurers grow," he added.

"India's young demographics are not going to change in a hurry for at least the next 10 years. That is the opportunity and the challenge"

KARTHIKRAJ LAKSHMANAN
Primary fund manager, BNP Paribas Fund

Financial institutions accounted for one-third of the India consumption fund's assets in December, according to its fact sheet. Top holdings included HDFC Bank and ICICI Bank. The ₹4.7 billion ($66 million) fund has returned 22 per cent over the past year. SGX Nifty50 Index futures expiring this month were little changed as of 9:17 am in Hong Kong. Troubled banks have hurt India's economy, which is set to expand at its slowest pace since 2009, putting it behind China, Vietnam and a few others in Asia. Still, there are pockets or companies that "could grow better" even during an economic slowdown, according to Lakshmanan.

Aside from financial institutions, the fund invests in businesses that directly participate in the consumer sector. That includes companies related to the non-durable goods industry such as Asian Paints, as well as entertainment plays like PVR.

India's young "demographics are not going to change in a hurry for at least the next 10 years," Lakshmanan said. "That is the opportunity and the challenge."

LICHF's scheme offers relief to borrowers

But you need to stay for the entire period of the loan to get this benefit

BINDISHA SARANG

LIC Housing Finance (LICHF) launched its '2020 Home Loan Offer' on January 15 at an interest rate starting from 8.10 per cent. The offer has two variants: 'The Pay When You Stay' offer and the 'EMI Waiver' offer. An LICHF spokesperson said this home loan product was targeted at buyers of under-construction properties as well as those opting for ready-to-move-in properties.

'Pay When You Stay' scheme

Here, the customer has to begin repaying the principal on the home loan after getting possession of the house, or after 48 months from the first disbursement, whichever is earlier. Interest will be paid by the borrower on the amount disbursed during this period.

Says Ratan Chaudhary, head of home loans, PaisaBazaar: "This product is perfect for borrowers living in rented accommodation as the principal moratorium will reduce their financial burden."

Customers often find it difficult to bear the burden of rent and equated monthly instalment (EMI) simultaneously. This loan will give them a breather as they will only have to pay interest.

But what if you are someone who can afford the entire EMI and pay rent as well? Says Chaudhary: "The product will result in higher interest cost for those capable of paying the regular EMI right from the disbursement of the loan."

The principal moratorium period is not allowed to be more than 20 per cent (rounded off to the nearest completed year) of the original sanctioned term, and can also not exceed four years. After that, the EMI will commence. The EMI will be fixed in such a manner that the loan gets liquidated within the original sanctioned term.

This is a limited period offer till February 29 and the disbursement must take place before March 15. The minimum loan amount is ₹20 lakh. The maximum is ₹2 crore; the maximum tenure is 30 years.

'EMI Waiver' scheme

The LICHF spokesperson says: "Two EMIs each at the end of the fifth, 10th, and 15th year will be waived under this offer, on the condition that the borrower is regular in making repayments and makes no prepayment for the first five years."

Ready-to-move-in homebuyers can enjoy waiver of six EMIs during the loan tenure. Says Pankaj Bansal, vice-president and head-key accounts, BankBazaar: "Home loans usually have big-ticket sizes. The monthly EMI can be a substantial chunk of the monthly income. So, getting a break from EMIs for a couple of months can offer big relief to customers."

EMI waivers are attractive alternatives for borrowers who do not intend to, or do not have the means to make prepayments on the loan, especially in the first 5-10 years of the tenure.

Bansal further adds: "Such schemes are suited for customers who have a long repayment schedule of 15-20 years instead of 8-10 years. Before you opt for a loan with an EMI waiver, check the prepayment clause."

From the lender's perspective, such loans tend to have lower delinquency rates as borrowers make sure they do not default on their EMIs to avail of the waiver. Says Bansal: "If you think you will be in a position to prepay at least a part of your loan, especially in the first five years, use an EMI calculator to understand how much money you will save if you prepay a part of your loan vis-à-vis opting for the EMI waiver scheme. Even a prepayment of ₹1 lakh against your loan in the first five years can reduce the interest you need to repay by a good amount."

EMI WAIVER vs LOAN REPAYMENT

CASE 1: 6 EMIs waived	Amount (₹)	CASE 2: Pre-payment done	Amount (₹)
Monthly EMI	44,000	Monthly EMI	44,000
Savings (assuming 6 EMI waivers)	2,60,000	Savings (assuming ₹2.6 lakh paid before start of 5th year)	6,50,000*
Total interest payable	55,00,000		48,50,000

*Almost 15 months' worth of EMIs, calculations done for a loan of ₹50 lakh for 20 years at 8.6%, numbers have been rounded off
Source: BankBazaar.com

COMMODITIES

PRICE CARD

As on Jan 23	International		Domestic	
	Price	%Chg#	Price	%Chg#
METALS ($/tonne)				
Aluminium	1,807.5	5.6	2,062.6	7.5
Copper	6,103.5	5.7	6,524.5	7.1
Zinc	2,466.5	-1.7	2,609.8	-1.6
Gold ($/ounce)	1,555.1*	4.2	1,739.7	3.6
Silver ($/ounce)	17.7*	0.8	20.0	0.1
ENERGY				
Crude Oil ($/bbl)	61.7*	1.9	64.3	6.9
Natural Gas ($/mmBtu)	2.0*	-14.0	1.9	-14.9
AGRI COMMODITIES ($/tonne)				
Wheat	200.4	14.0	290.9	-4.6
Maize	191.9*	5.0	272.8	-2.8
Sugar	408.9*	22.5	489.5	-0.7
Palm oil	772.5	41.7	1,214.0	37.5
Cotton	1,552.3	8.4	1,616.1	0.0

* As on Jan 23, 20 1800 hrs IST, # Change Over 3 Months
Conversion rate 1 USD = 71.3 & 1 Ounce = 31.1032316 grams.

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

Source: Bloomberg Compiled by BS Research Bureau

Malaysia to increase Indian sugar import

Move aimed at ending spat over palm oil

A ANANTHALAKSHMI
Kuala Lampur, 23 January

Malaysia's top sugar refiner said it will increase purchases of the commodity from India, which, according to two sources, is part of the efforts to placate New Delhi amid the ongoing spat over palm oil imports.

MSM Malaysia Holdings Berhad will buy 130,000 tonnes of raw sugar from India worth 200 million ringgit ($49.20 million) in the first quarter, the company told *Reuters*. It bought around 88,000 tonnes of raw sugar from India in 2019.

MSM is the sugar refining arm of the world's largest palm oil producer, FGV Holdings, which is an unit of Malaysian state-owned Federal Land Development Authority or Felda.

The company did not cite the palm oil dispute as a reason for the increase in purchases.

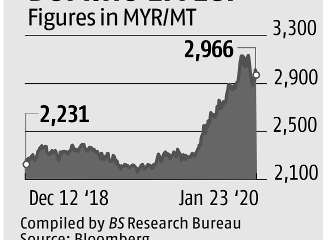
But the two sources, who are familiar with discussions between the company and the government on the purchase, said it was a bid to appease India, which has been urging Malaysia to reduce the trade deficit between the countries.

India, the world's largest edible oil buyer, this month effectively halted Malaysian palm oil imports apparently in retaliation to Malaysian Prime Minister Mahathir Mohamad's comments criticising New Delhi over its policy on Kashmir.

Malaysia has said it will look to other markets to sell more palm oil but that may not be as easy as India has been the biggest buyer of Malaysian palm oil for the past five years, purchasing 4.4 million tonnes in 2019.

DOMINO EFFECT

Figures in MYR/MT



Compiled by *BS* Research Bureau
Source: Bloomberg

Malaysia's exports to India were worth $10.8 billion in the fiscal year that ended on March 31, while imports totalled $6.4 billion.

Malaysia imported a total of 1.95 million tonnes of raw sugar in 2019, according to data from the International Sugar Organization on Refinitiv Eikon. It typically buys more from Brazil and Thailand than from India.

India is the world's biggest sugar producer but is struggling with a surplus. Its exports are expected to rise to a record 5 million tonnes for the 2019/20 season.

MSM said it was expecting the arrival of three shipments of raw sugar from India between January and February.

"This is very good move. It will help India in increasing sugar exports," Praful Vithalani, president of the All India Sugar Trade Association told *Reuters* about MSM's move to buy more from India.

Around 50,000 tonnes of raw sugar has already been contracted by Malaysia for January shipments, said a Mumbai-based dealer with a global trading firm. **REUTERS**

Palm oil falls 1.7% on talk of lower demand

Malaysian palm oil futures fell 1.7 per cent on Thursday, giving up nearly half their gains from a rally in prices in the previous session on market talk that India may exempt it from a cut in import duties, denting demand. The benchmark palm oil contract for April delivery on the Bursa Malaysia Derivatives Exchange extended losses and closed at 2,923 ringgit per tonne after jumping 3 per cent in the previous session. **REUTERS**

'Stable policy in ethanol sector crucial for Brazilian investment'

Big Brazilian ethanol companies could look to India for investments in the medium to long term, provided the country has a stable, predictable, and clear policy for the sector, says **EDUARDO LEÃO DE SOUSA**, executive director of UNICA, Brazil's domestic sugarcane association. In an interview with **Sanjeeb Mukherjee**, Sousa says that by focusing on ethanol, the country could tide over the problem of sugar surplus and subsidised exports. Edited excerpts:

India has embarked on a big ethanol-blending programme and recently announced several measures to attract investments. Do you see investments coming from Brazil into the sector?

We in Brazil understand that for investments to come into this sector, the first step is to have a clear, predictable and stable policy regime for ethanol. When we have such a policy, there can be many more levels of cooperation.

They could include technological cooperation in second-generation ethanol, technoly sharing for sugarcane management and other forms of investments. We believe there is room for Brazilian investments to come into ethanol but the first step for this is a sound and clear policy regime in terms of pricing, procurement and blending in India.

What kind of Brazilian ethanol firms, according to you, could be interested to invest in India?

We, in our delegation, have some big companies and I believe the process has just started. Brazilian ethanol companies are just trying to understand the ethanol production environment in India. We have representatives from major sugar and ethanol producers such as Tereos Group, Raizen Group and Copersucar with us this time. This is the first approach and I don't believe that investments would happen in the short-term.

Moreover, investment is a company decision. I feel investments may come in the medium to long term.

One big criticism by several people here is that Brazil is the main complainant of Indian sugar exports at the World Trade Organization (WTO). But you have come to promote ethanol production in India. Isn't this a contradiction?

Q&A

EDUARDO LEÃO DE SOUSA
Executive director, UNICA

I think there are two different discussions here. One is that you just mentioned that is taking place in Geneva. It is a complaint that the Brazilian government understands should go. It is based on the assumption that subsidies offered by India for sugar exports are above the levels allowed by WTO, but our (UNICA's) role here is a different one and a very positive one.

We want to be a part of the solution to the surplus problem that India faces. If India succeeds in having a sound ethanol programme, it will generate the necessary balance between sugar and ethanol. When you have surplus sugar, you can increase the production of ethanol as Brazil is doing.

How do you view India's new ethanol policy announced a few months back?

Based on our experience in the last few decades, I feel the Indian government is in the right direction. But, the first step should be to strictly enforce the mandatory blend throughout the country, because then, sugar companies would understand the required volumes which would lead to necessary investments in production and supply.

In Brazil, you have a model through which all the petrol in the country has 27 per cent ethanol. You will not find any petrol in the country without 27 per cent ethanol. So, this creates the correct incentives for companies to plan themselves to fuel the demand for ethanol.

More on business-standard.com

RBI raises investment cap for FPIs

ANUP ROY
Mumbai, 23 January

With foreign investors dumping Indian debt but keeping up their investment in equities, the Reserve Bank of India (RBI) on Thursday increased the short-term investment limit for them. It doubled the limit in case they voluntarily disclose their investment plan before hand.

In two separate notifications, the central bank said foreign portfolio investors (FPIs) can now invest 30 per cent of their portfolios in central and state government securities, including in treasury bills, from the 20 per cent earlier.

Similarly, in corporate bonds, too, short-term investments can now be 30 per cent of the portfolio from 20 per cent earlier.

The FPIs have long lobbied against raising short term limits. Getting locked in investments, maturing in three years, is detrimental to the interest of portfolio investors who chase high short-term yields. They expect the currency to remain stable during their investment period.

The investors not only take currency risk in the period, but also face the issue of rising yields.

Now that the RBI's rate cutting cycle is nearing an end, the yields are expected to rise. As yields rise, prices of bonds fall, causing losses to investors.

Besides, the central bank encouraged foreign investors to invest in debt instruments issued by asset reconstruction companies (ARC), and by an entity under the corporate insolvency resolution process.

These securities, from now, would be exempted from short-term investment limits. Earlier, only security receipts were exempted.

Meanwhile, the central bank doubled the investment cap under the voluntary retention route (VRR) to ₹1,50,000 crore from ₹75,000 crore earlier. "FPIs that have been allotted investment limits under VRR may, at their discretion, transfer investments made under the general investment limit to VRR," the central bank said in a statement.

FPIs will also be allowed to invest in exchange traded funds or ETFs that invest only in debt instruments, the RBI said.

However, bond dealers say increasing limits won't help retain investments immediately. This is because about 30 per cent of the total investment limits in government securities and nearly 45 per cent in corporate bonds remain unutilised by foreign investors. "These won't help much. A healthy set of budget numbers should work much more than these relaxations," said a senior bond market observer, requesting anonymity.

In January so far, FPIs have sold $1.6 billion of their investments in government debt papers, after selling a total of $1.2 billion in November and December.

Investors are seeking more clarity on budget numbers and want to see how much the RBI can support the yields, which have been rising even after persistent special open market operations (OMO).

On Thursday, one such OMO took place where the central bank managed to buy its planned ₹10,000 crore medium and long term bonds, but sold only ₹2,950 crore of short-term bonds against the planned ₹10,000 crore.

This is even when the central bank received bids of up to ₹35,375 crore against the bonds on offer. The RBI doesn't receive bids in which the market yields are not in its comfort zone.

MONEY MATTERS
- Short-term investment limit raised to 30% from 20% of the portfolio
- Investments under VRR doubled to ₹1.5 trn
- Debt papers issued by ARCs or firms under bankruptcy resolution exempted from short-term limits
- RBI sells less than ₹3,000 crore short-term bonds in special OMOs

In fourth OMO, RBI buys ₹10,000 cr of long-term securities

PRESS TRUST OF INDIA
Mumbai, 23 January

In the fourth special open market operation (OMO) auctions, the Reserve Bank of India (RBI) on Thursday bought ₹10,000 crore worth of long-term securities and sold ₹2,950 crore worth of short-term government bonds.

Last week, the RBI had said it would simultaneously purchase and sell government securities under open market operations (OMO) of ₹10,000 crore each.

In the OMO purchase auction, the RBI received bids worth ₹26,887 crore for two types of securities — 7.32 per cent-2024 and 6.45 per cent-2029 — but accepted only ₹10,000 crore of bids.

For 7.32 per cent-2024, it got 157 bids and accepted 40 bids. The RBI got 147 bids for 6.45 per cent-2029 bonds but accepted 105 bids.

The cut-off yield for 7.32 per cent-2024 was 6.408 per cent, while for 6.45 per cent-2029, it was 6.5780 per cent.

The RBI offered to sell two government securities — 7.80 per cent-2021 and 7.94 per cent-2021 — through the OMO. It received ₹35,375 crore of bids but accepted ₹2,950 crore of bids.

In terms of number of bids, the central bank received 85 bids for 7.80 per cent-2021 and 70 bids for 7.94 per cent-2021 but accepted three and seven bids, respectively.

The central bank has reduced repo rate by 135 basis points between February and October but there has been a delay in passing on the cut in the repo rate by lenders

The cut-off yield for 7.80 per cent-2021 was 5.6714 per cent and for 7.94 per cent-2021 was 5.7192 per cent.

These special OMO auctions are similar to the US Federal Reserves' Operation Twist aimed at faster transmission of policy rates, an analyst said.

The RBI has reduced repo rate by 135 basis points between February and October 2019 but there has been a delay in passing on the cut in the repo rate by lenders.

DLF to line up ₹13,000-crore investment for office spaces

DLF office space is spread across 32 mn sq ft in Delhi-NCR region, Chennai, Hyderabad, Kolkata, and Chandigarh

T E NARASIMHAN
Chennai, 23 January

Real estate company DLF is planning to develop nearly 20 million sq ft of office space in the country over the next six to seven years for an estimated ₹13,000-crore investment.

Tamil Nadu Chief Minister K Palaniswami unveiled the foundation stone for DLF Downtown, an intended information technology park at the suburb of Taramani. It is estimated to attract around ₹5,000 crore over six years. Mohit Gujral, chief executive at DLF, said of the proposed 20 million sq ft of projects, around 11 million will be at Gurugram and around 7 million in Chennai. These will attract ₹7,500-8,000 crore and ₹5,000 crore, respectively, it is estimated.

DLF office space is currently spread around 32 million sq ft (including those in special economic zones), in the Delhi region, Chennai, Hyderabad, Kolkata, and Chandigarh. With the Taramani project, Chennai will become the second largest market for DLF, after Gurugram.

The company had signed an agreement with the Tamil Nadu government nearly 10 years earlier but the project did not proceed for various reasons, till now. During phase-I, the company will invest ₹1,200-1,500 crore to develop 2.5 million sq ft. It aims to finish the other phases in less than six years, said Sriram Khattar, managing director, DLF Rental Business.

He said DLF Cyber City at the Manapakkam suburb was spread around 7 million sq ft and generated annual rental revenue of ₹550 crore. The firm invested ₹4,000 crore, excluding land, at Manapakkam. The facility has contributed a cumulative export revenue of ₹66,000 crore since inception 15 years before. Palaniswami gave numbers on the investment his government's efforts had fuelled and the expansion of infrastructure in this regard.

'For next 3 years, we will set aside ₹9,000-cr capex'

The country's second-largest cement producer, Shree Cement, which backed out of the race to acquire Emami Cement, wants to maintain their pace of organic growth. Not keen on taking competition head on, **HARI MOHAN BANGUR**, managing director of Shree Cement, reveals his plans and his take on the economic situation in the country in a conversation with **Avishek Rakshit**. Edited excerpts:

For the first time since listing decades ago, you raised capital via qualified institutional placement (QIP). How will you utilise the proceedings of ₹2,400 crore and will it be enough for your plans?
The funds raised via QIP will be used to fund capacity expansion over a period of six years; a part of it will also be from internal accruals. The amount we raised and our internal generation should suffice for the growth we have planned. There is zero debt and we don't expect any debt to be there.

What is your expansion strategy and the target in the coming few years?
The current installed capacity is 41.9 million tonnes per annum (mtpa) and we want to reach at least 55 mtpa by March 2023. It will go up to 75-80 mtpa in the next six years. More capacities are going to come up in the east, north and south India, where we have a strong presence and clinkerisation units. We are not going to central India, Gujarat or Northeast.

What is the capex to fund growth?
For the next three years, the capex will be ₹9,000 crore. But I can't give a capex projection for a six-year timeframe. A lot will depend on how the US dollar behaves, what will be the market position and others.

Will you opt for the usual route of greenfield and brownfield projects or are acquisitions under consideration?
We know organic growth takes time and so we plan and start early. Various projects are at different stages, some of which had started 10 years back. If acquisition comes at a very reasonable cost, we will look at it; otherwise we are geared up for this capacity by organic means. Organic will be the prime focus.

What kind of a valuation will you consider for acquisition?
It depends on the infrastructure in totality. We think $75-80 per tonne will be our cost of putting a new unit. If something comes at this rate or cheaper, then we can look at it.

Is that why you did not finally bid for Binani Cement or Emami Cement despite being interested initially?
We are not at all sorry for what we did because at the price with which they have gone or reportedly expected to go, we were far behind. There is no point in bidding.

UltraTech is penetrating deeper and you lost market leadership in north to them. How do you see the scenario?
Can a lightweight player take on a heavyweight boxer and compete? We are in the same business but we are not in competition. So, to say we are competing with them is itself wrong. They are doing things at their own speed and that speed doesn't challenge us. We will grow only at the speed at which we are comfortable with.

Slowdown has hit every sector of the economy. What has been the impact on cement?
We are talking about slowdown all the time; but world GDP growth will be less than 3 per cent, and even with revised estimates, India's GDP growth will be more than the global average. Have we got the birth-right to grow continuously at a far better rate than the global average?

TDS will be 20% if Aadhaar or PAN details are not furnished

SHRIMI CHOUDHARY
New Delhi, 23 January

Employers might soon start deducting 20 per cent from the salaries of their staff if they fail to provide their Permanent Account Number (PAN) or Aadhaar number to them. This is a new rule brought in by the Central Board of Direct Taxes (CBDT), which will be applicable to employees whose salary is above the threshold of ₹2.5 lakh a year.

This norm, which has come to effect on January 16, aims to monitor tax deduction at source (TDS) payments and keep a strict vigil on revenue earned from this segment, which constitutes 37 per cent of the total direct tax collection of the country during financial year 2018-19 (FY19).

In an 86-page circular on the matter, CBDT directed mandatory quoting of PAN or Aadhar number by employees under Section 206 AA of the Income Tax Act.

"Section 206AA in the Act makes furnishing of PAN or Aadhaar number, as the case may be, by the employee compulsory in case of receipt of any sum or income or amount, on which tax is deductible," said the circular.

If an employee fails to furnish the details, the employer has been made responsible to make deduction either at the tax rate attracted by the employee's salary or 20 per cent or more, the circular noted. If the income of the employee is below the taxable limit, no tax will be deducted.

If after various deductions the salary attracts up to 20 per cent tax, TDS at the rate of 20 per cent will apply. If it attracts 30 per cent tax rate, the employer will calculate the average tax rate, which is the employee's total tax liability divided by total annual income. In case average tax rate comes up to 20 per cent, the TDS will be 20 per cent. In other cases, higher TDS at the average tax rate will apply.

However, an employee will be exempted from paying health and education cess at the rate of 4 per cent if the deduction is made at a higher rate.

The CBDT said that as the requirement of filing TDS certificates along with the tax return has been done away with, the lack of PAN or Aadhaar number is creating difficulties in giving credit for the tax deducted. Therefore, tax deductors are advised to procure and quote correct PAN or Aadhaar number, details of all deductees in the TDS statements for salaries in Form 24Q (for tax deducted from salaries).

TDS CALCULATION BASED ON NEW GUIDELINES

Income up to ₹2.5 lakh	Nil
₹2.5-10 lakh	20%
Exceeding ₹10 lakh	Depends on average tax rates, calculated by dividing total tax liability from the total income

- TDS of 20% will apply if avg tax is up to 20%, else higher avg tax will be applicable

Source: CBDT circular

Coffee Day to sell brokerage business to Shriram trust

Coffee Day Enterprises (CDEL) on Thursday said it had entered into a definitive agreement to sell its brokerage business 'Way2Wealth Securities' to Shriram Ownership Trust. Shriram Ownership Trust is the promoter of Shriram Capital, which is the holding company for its non-banking financial company (NBFC) and insurance businesses. "The transaction will help in further deleveraging the Coffee Day Group and ensure smooth operations while safeguarding the interests of all stakeholders," said the company in an exchange filing. Though the Bengaluru-headquartered firm didn't reveal the enterprise value of 'Way2Wealth Securities', sources in the know said that the deal could be somewhere around ₹200 crore. DEBASIS MOHAPATRA

ENGIE to divest stake in 12 solar projects to Edelweiss entities

French energy major ENGIE will sell a 74 per cent stake in each of 12 solar power projects in India to Edelweiss Infrastructure Yield Plus (EIYP) and the latter's portfolio company, Sekura Energy. ENGIE operates 1,500 Mw of renewable energy capacity in India. These 12 solar projects total 813 Mw. The deal wil help ENGIE reduce debt by 400 million. The deal is expected to close by the first half of 2020, it said. "This deal allows us to accelerate the implementation of our strategic model in renewables, and to free up capital to keep up investing in the very dynamic Indian solar market," said Paulo Almirante, executive vice-president. SHREYA JAI

Dip in study loans continues, big-ticket ones on rise

Education loans had started slowing down since demonetisation, and have not seen a pick-up since

ABHISHEK WAGHMARE
New Delhi, 23 January

Education loans given out by banks have been on a steady decline for three years now, shows the data by the Reserve Bank of India (RBI). The size of the education loan book of Indian commercial banks is nearly ₹65,000 crore — about 0.3 per cent of gross domestic product.

While education loans outstanding were growing at a rate of 6-8 per cent till the end of 2016, the rate of growth started declining after December 2016 — a month after the demonetisation exercise was carried out. The decline has continued unabated, and at the end of November 2019, the outstanding has contracted by 3.4 per cent.

However, what is worse is that the fall is only in the size of loans less than ₹10 lakh — labelled priority sector education loans. The high-value loans (non-priority sector) are actually rising, the data shows. Priority sector loans generally cater to the less privileged students.

Priority sector loans for education have been falling since the beginning of 2016 itself. The fall (year-on-year) is getting sharper now.

Experts feel that the higher supply of seats and a dearth of job opportunities for candidates taking courses such as engineering have resulted in fewer students taking finance-intensive courses.

According to the RBI data, the sum of outstanding education loans smaller than ₹10 lakh declined from ₹60,000 crore in March 2016 to ₹53,000 crore at the end of November 2019. In nearly the same period, big-ticket educational loans rose from ₹8,000 crore to ₹14,000 crore. The pace of growth in big-ticket loans, however, is falling.

Former chairman of the University Grants Commission and eminent economist, Sukhadeo Thorat, told *Business Standard* that the primary reason for this could be a decline in the number of students taking up engineering courses.

"In the past few years, there has been saturation in the engineering stream, and the enrolment is falling. This could be the reason students are not needing education loans with the same vigour," said Thorat.

The data on higher education enrolment supports this argument.

The enrolment in engineering courses in Indian colleges and universities declined from 4.25 million in 2014-15 to 3.77 million in 2018-19, losing nearly half a million students in a span of four years.

Other experts also alluded to the rising trend of education loans turning sour. Education loan non-performing assets (NPAs) are rising, according to the Indian Banks' Association, and the NPA ratio for engineering loans is as high as 10 per cent.

The Ministry of Human Resources and Development runs a scheme for students, wherein a 'trustee company' gives a guarantee on loans up to ₹7.5 lakh, to an extent of 75 per cent, from 2016-17.

The official data presented in Parliament shows that the number of students who took the benefit of this scheme rose till 2017-18, but declined sharply in 2018-19. In the current financial year, too, the beneficiaries' count looks to be dipping.

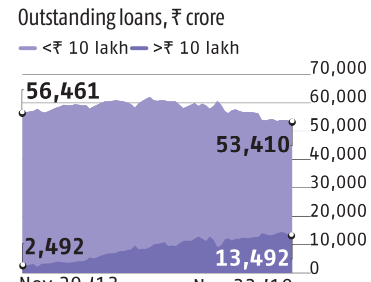
The amount guaranteed reduced too, from ₹3,400 crore to nearly ₹2,000 crore in 2018-19. In the first eight months of 2019-20, educational loans worth ₹600 crore have been covered.

Experts also mentioned that the data suggests that the poorer sections of society could be borrowing less due to their weak ability to service loans.

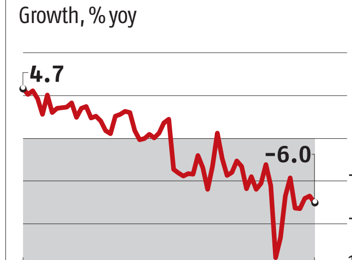
DOWNTURN IN EDUCATION?

Loans availed for higher education have been declining since 2016, and the trend is not reversing. Decline in preference for erstwhile popular courses such as engineering could be one reason

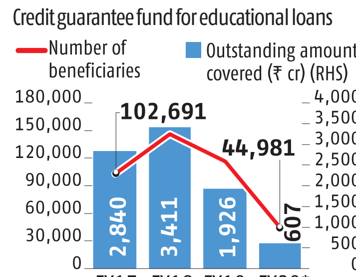
COSTLY EDUCATIONAL LOANS RISE, PRIORITY SECTOR LOANS FALL
Outstanding loans, ₹ crore



LOW- AND MEDIUM-TICKET EDUCATIONAL LOANS SLIP
Growth, % yoy

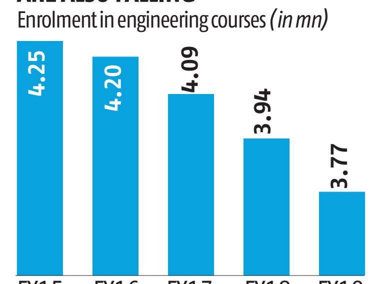


GOVERNMENT GUARANTEES TO EDUCATION LOANS ALSO RECEDE
Credit guarantee fund for educational loans



* As of November 18 Source: Lok Sabha

ENGINEERING COURSE TAKERS ARE ALSO FALLING
Enrolment in engineering courses *(in mn)*



Source: All India Survey of Higher Education

Activa unpacks its teen years for a 20s road show

Honda turns up the lights for is flagship two-wheeler brand as it completes two decades on the road

SHALLY SETH MOHILE
Mumbai, 23 January

In a country where brands regularly worship at the altar of cricket or Bollywood to build mass appeal, Honda Motorcycle & Scooter India (HMSI) is invoking both as it celebrates 20 years of Activa. In a campaign helmed by stars Akshay Kumar and Taapsee Pannu that uses cricketing analogies and events to further the message, the auto major is ratcheting up the buzz around the country's first gearless scooter while walking the razor's edge over the price-value equation for its sixth generation model to be launched this year.

"What's 2020 without a 6?" runs the ad for Activa on full pages in national print dailies. This is a teaser campaign, the company said. Released on January 1 it was meant to serve two purposes: set the pace for the brand for the year and tie up a routine new year greeting with the launch of the new Activa 6G. With the sixth generation of the scooter being tied into the cricket-crazy nation's obsession with sixes on the field, the idea was to frame a relatable pitch for the brand's new avatar—as a scooter that presumably can hit the ball out of the park.

The brief for the creative agency has so far been all about establishing the "6G connect" with masses pan India. The full page teaser ad was followed by a promotional contest for the brand that offered winners a seat at a friendly cricket match between two teams led by Akshay Kumar and Taapsee Pannu. Among the big cricketing names on the pitch were Harbhajan Singh, Billy Bowden and Virender Sehwag.

HMSI wants the campaign to not just celebrate the beginning of the twenties for Activa but also mark another important event in the automobile calendar—the roll out of Bharat Stage (BS) VI emission norms.

"As we are on the cusp of transition into the BSVI era, the iconic Activa is doing it in a grand way – with its 6th generation Avatar "Activa6G" and game-changing six key features," says YS Guleria, senior vice-president sales and marketing at HMSI. Everything was around six and that is how the 'power of six' came to be the campaign's punch line. The six new features include smart power technology, silent start, new telescopic suspension, double lid external fuel fill, higher mileage and bigger 12 inch front wheel.

"This campaign celebrates both the new Value of Activa 6G & legacy of Activa brand "

Y S GULERIA
Senior vice-president, sales & marketing, HMSI

Activa leads the market today with 60 per cent share in its category. Over the years, it has consistently held on to its positioning as a two wheeler for every member in the family. Always pitched as an easy ride for the young, the scooter has in recent years found a lot of women buyers, not on account of a deliberate strategy, but due to the rising number of women scooter riders in the country. Other gearless scooters in the market are Jupiter, Wego and Zest from TVS Motor that holds the second spot after Honda in the category.

With Akshay Kumar and Taapsee Pannu, HMSI hopes to drive up the brand's star appeal and value as price of the new model goes up. Manufacturers have to hit upon the sweet spot of price-to-value, especially in scooters and motorcycles when the scope of differentiation is so little explains Guleria who believes that it is important to highlight the changes appropriately to ensure the buyer sees enough value in the product.

Deepesh Rathore, director at Emerging Market Automotive Advisory believes that the campaign may bring some clicks and footfalls to the brand but the higher price (at ₹63,912, the new Activa is 13-14 per cent more expensive than the older models) puts it at a disadvantage against BS-IV competitors. "The customer (for gearless scooters) is not as environmentally concerned and the slowdown means everyone is more price sensitive till BS-VI (end March)," he adds.

"Activa 6G isn't just upgrading to comply with the BS-VI norms but there is a generation leap in the true sense with as many as 26 patent applications in India. This campaign celebrates both the "new value" of Activa 6G and the legacy of Activa brand," says Guleria.

Innovation is a must according to Rathore. "Activa's shape, mechanicals and features are largely unchanged over the decade," he says, adding it is time for change.

FROM PAGE 1

No coercive action...

The DoT circular is based on the industry commitment to pay up, pointed out a source. He said that DoT, in consultation with other wings of the government, especially the Prime Minister's Office, came to this decision. Also, the industry, at the highest level, has been negotiating with the DoT, which has been locked in a dispute with telcos for 14 years on the AGR issue.

Airtel and Vodafone Idea have informed the government that they will comply with the SC order on AGR dues, but will wait until next week, when their "modification" petition is heard before making the payment. Reliance Jio and a challenger to Airtel and Vodafone Idea, has paid ₹195 crore to DoT to clear all its AGR dues until January 31. In a circular on Thursday, the Licensing Finance Policy Wing of the Department of Telecommunications (DoT) communicated to the controller of communications accounts (CCA) in different circles that no "coercive action" must be taken against telecom operators. In its communication, the licensing wing has stated that operators have already been informed to make payments to the DoT headquarters. The DoT will submit a detailed compliance report by 5 pm on Friday, the letter said.

ABG Shipyard's...

A few banks also hold equity stake in the company, with ICICI Bank at 11 per cent, IDBI Bank, Oriental Bank of Commerce, and PNB at 7 per cent each, and Dena Bank at 5.7 per cent. This development can affect the resolution process of ABG Shipyard, which is under the National Company Law Tribunal. In the past, Liberty House Group of the UK, Shapoorji Pallonji Group, and Reliance Defence and Engineering (which has since headed towards resolution) had evinced interest in the company.

While amendments to the IBC indemnify a new buyer for the misdemeanours of past promoters, the National Company Law Appellate Tribunal had stayed the transfer of payment by JSW Steel to the creditors of Bhushan Steel, pending an investigation into allegations of fraud and money laundering by its erstwhile promoters.

The classification of the ABG Shipyard account as 'fraud' should also be seen in the light of a spike in such cases in the first half of 2019-20, even as it pushes up the 'outlier' fraud amounts by ₹14,000 crore.

A senior banker said, "It is not clear if the ₹14,000-crore ABG Shipyard loans have been captured in the RBI's latest set of fraud numbers in public domain, as banks need not red-flag fraud accounts at the same time". It is surmised that the ABG Shipyard account might have come under the central bank's scrutiny, and it may have asked banks to treat it as 'fraud'.

Govt seeks...

Though a concurrent audit of its accounts is done on a quarterly basis, this was the first time a board-level statutory audit of the RBI was conducted. In a statement issued last year, the RBI had said it decided to give an interim dividend of ₹28,000 crore to the Centre based on a "limited audit review."

The practice of RBI paying interim dividend to the Centre started in FY18. At the time of finalising its annual accounts, the RBI adjusts the interim dividend amount while doling out the final dividend. Since the RBI follows a different financial accounting year – from July to June – than the central government, which follows April-March as financial year, the latter has started demanding interim dividend from the central bank till the time the final balance sheet is prepared (usually in August).

To address this anomaly, an expert committee led by former RBI governor Bimal Jalan had recommended aligning RBI's financial year with that of the government, April to March, from financial year FY21. Though it had recommended that interim dividend could be paid "only under exceptional circumstances", it had added that this practice could be adopted "in the following years" of the RBI shifting its accounting year. This may give some space for the central government to demand an interim dividend this time (FY20 for the central government and FY21 for the RBI).

The Jalan panel's recommendations, which framed a new economic capital framework for RBI, were accepted in August 2019. After its implementation, the RBI decided to transfer ₹1.76 trillion to the central government.

Piyush Goyal...

"I do hope everybody in the room does not have an impression that public sector banks haven't done a good job. World over, and if I may take the example of the world's biggest economy, way back in 2008 and 2009, it was not government banks that caused the economic collapse, it was all private banks," Goyal said. He said there were private banks in India that had got the country great glory. "On the contrary, if you ask me, banks that have been run by the government for 30-40 years, they have done some great service to the nation."

He also said the Indian economy was well-poised to take off as there was a lot of enthusiasm for investing in the country. "... things have once again started showing an uptrend... economy is well poised to take off from here," Goyal said. At least four or five companies have said that more than 50 per cent of their total workforce would operate out of India in the coming years, he added.

Early birds bring...

The stress is even visible in index firms as many reported sub-par earnings, despite gains from lower raw material and energy prices. For example, only four out of 12 Nifty 50 firms in the early bird sample reported double-digit growth in net sales or interest income — HDFC Bank, HCL Tech, Axis Bank and IndusInd Bank. Of these, only three reported double-digit growth in PBT.

At the other end of the spectrum, five index firms witnessed YoY decline in PBT, including TCS, Larsen & Toubro, Wipro, Axis Bank and Zee Entertainment.

The combined pre-tax profit of index firms in our sample was up just 4.5 per cent YoY, while their net sales were up just 3.6 per cent YoY. Their combined net profit was, however, up 13.6 per cent YoY, driven by 15 per cent YoY decline in their tax outgo.

As expected, retail lenders accounted for the bulk of the incremental growth in profits and revenues. In comparison, IT services firms such as TCS, Infosys and Wipro disappointed with low single-digit growth in revenues and profits. Reliance Industries didn't help either with 3.6 per cent YoY growth in PBT, while its net sales were down 2.5 per cent YoY. It is the worst show by the company in at least three years.

Bank & financials, IT services and Reliance Industries account for 86 per cent of the combined net profit of all early bird companies in the *Business Standard* sample. The combined PBT of 118 firms, excluding bank and financials, is up 4.5 per cent YoY in Q3, down from 16.6 per cent growth YoY a year ago. Combined net sales were up just 1.2 per cent YoY in Q3FY20, growing at its slowest pace in at least three years. In comparison, topline was up 34 per cent YoY during the corresponding quarter a year ago and 4.4 per cent y-o-y during Q2FY20.

Analysts are, however, cautious about the future earnings trajectory of retail lenders. "Contrary to earlier expectations, bad loans are yet to peak and most retail lenders reported a rise in their non-performing assets in Q3 and a slowdown in new loans," says Chokkalingam.

BS SUDOKU # 2953

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Won't let YES Bank fail: SBI chief

SBI Chairman Rajnish Kumar at the World Economic Forum Annual Meeting 2020 in Davos

AGENCIES
Mumbai, 23 January

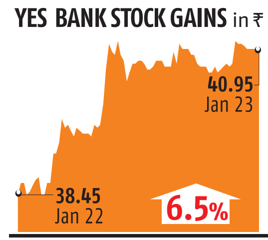
State Bank of India (SBI) Chairman Rajnish Kumar said he's certain "some solutions will emerge" to steady YES Bank, which has been on a prolonged quest to raise new capital.

"YES Bank is a significant player in the market with an almost $40 billion balance sheet," he told *Bloomberg Television* in Davos. "I have a feeling that it will not be allowed to fail."

Kumar's statement follows speculation that the government, which controls SBI, may ask the lender to play a role in bailing out YES Bank. However, last month Kumar said it was "out of the question that SBI will do anything for YES Bank".

YES Bank's shares rose as much as 8 per cent in Mumbai on Thursday, paring the past year's drop to 79 per cent. The lender is trying to shore up a core equity capital ratio that's barely above a regulatory minimum of 8 per cent.

Kumar said it won't be good for India's economy as a whole if YES Bank were to fail. "Because a bank of that size, if it is allowed to fail, there's a problem," he said. "And I am sure that some solutions will emerge."



Asked about the credit crunch in the Indian economy, Kumar said he believes the credit market will be back to stability and normalcy soon.

"There has been a series of steps... bank recapitalisation has happened, PSU banks, which control about 60 per cent of the assets in the country are returning to profits...," he said.

He added that the course correction that was required has happened and banks are much more cautious than what we were earlier. He further stressed that "we are ready to lend".

Tariff wars now the new norm, disrupting global value chains

PRANJAL SHARMA
Davos, 23 January

As tariff wars become the new normal in global trade, policy makers and industry leaders are arguing for twin focus on scale and localisation.

Even as countries emphasise on locally manufactured products for domestic markets, there is need to reduce barriers to international trade. At a session in Davos on global value chains (GVCs), US Commerce Secretary Wilbur Ross defended the tiff over tariffs. "The world has to rebalance on trade. US will continue to fight for fair rules of trade," he said.

Tariffs wars are among the three serious challenges to global trade. The long chain of linkages that bring products from the manufacturers to consumers worldwide is under threat. GVCs, which account for over two thirds of world trade, are being disrupted by tariff wars. Add to this the focus on improving sustainable practices and use of emerging tech, and there appears a perfect storm for GVCs.

DAVOS 2020

In recent decades, manufacturing of complex products has been done in a disaggregated manner. Various components and sub-assemblies of engineering goods are manufactured in different countries and then assembled in a central location to be then shipped back to consumers.

"Small and medium enterprises and MNCs need to understand the risks and opportunities associated with the impending changes to GVCs. And, also the future shape of production as a driver of economic growth and development," said a report by World Economic Forum (WEF) and United Nations Development Programme (UNDP) on GVCs.

According to the World Bank, participation in GVCs is associated with higher productivity gains and economic growth. A 1 per cent increase in GVC participation is estimated to increase per capita income by more than 1 per cent. This is about twice the effect of participation in conventional trade. As a result, the poverty reduction impact of GVC participation is greater, said the report.

"Global trade policies are also development policies," said Achim Steiner, administrator of UNDP. "Disruption is the new norm and requires new types of public policies for sustainability," added Steiner.

The WEF UNDP report has projected a potential value impact across end-to-end value chains of -40 per cent at the lower bound and +70 per cent at the upper bound because of the changes taking place.

More on business-standard.com

VOICES

"Soon after Lehman crisis, dollar gained. So it makes sense to hold money in dollar... If you want to be a challenger to that dollar, that requires building a very strong institution"

GITA GOPINATH,
IMF CHIEF ECONOMIST

"I was talking to a few leaders here... The only two request everybody has is stability and predictability of the policy and judicial reforms"

C P GURNANI,
MAHINDRA MD AND CEO

137 nations on board for digital tax plan, says OECD chief

OECD chief Angel Gurria said the plan to help solve digital tax problems has got support of 137 countries and new rules must be put in place to stop evasion worth hundreds of billions of dollars. He said the new palan is not about specific digital companies, but is an issue for finance ministers finding their income going down. PTI

New internet security principles unveiled to protect 1 billion users

The World Economic Forum (WEF) announced new internet security principles, developed by a group of leading ISPs and multilateral organisations, to help protect up to one billion users. The impact of indiscriminate malicious activity online can be significant and carries an estimated global price tag of $6 trillion in 2021. PTI