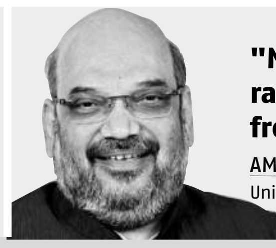
"The Aam Aadmi Party started off claiming to combat corruption. Would they care to explain where this money (for construction of classrooms) went?"

SHASHI THAROOR
Congress leader



"My mobile phone's battery ran out but I could not find free WiFi spot in the city"

AMIT SHAH
Union Home Minister

"Sir, we have also arranged free battery charging along with free WiFi. Delhi has 200 units of free-of-cost electricity"

ARVIND KEJRIWAL
Delhi chief minister

Opportunity on a platter, but...

UP's main Opposition parties SP, BSP are unable to take advantage of CAA turmoil, writes **Radhika Ramaseshan**

For Mayawati and her Bahujan Samaj Party (BSP), street protests are strictly a no-no. For Akhilesh Yadav and his Samajwadi Party (SP), demonstrations and sit-ins are acceptable, provided these "do not go out of hand". As Uttar Pradesh went through a deep turmoil, following the agitation against the Citizenship (Amendment) Act (CAA) and the crackdown on dissenters, the SP and the BSP, the state's principal Opposition parties, remained strangely muted in their response and reacted through social media and press statements, although both voted against the Bill in Parliament.

While for the BSP, street protest against the amended citizenship law is a no-no, the SP is allowing sit-ins only

When the Congress — ironically the only entity to challenge the CAA on Uttar Pradesh's streets — implored the Opposition to join its rank-and-file, Mayawati directed BSP workers to dissent through "posts and mail, and memoranda". "The BSP lacked a coordinated strategy. The right hand did not know what the left was doing," admitted a party functionary. The functionary said Mayawati was preoccupied with "settling and unsettling" the BSP's internal caste equations by shuffling around its 10 Lok Sabha members and the UP office-bearers.

In the eight months of the 17th Lok Sabha, Mayawati replaced the BSP's parliamentary party leader five times. Last week, Amroha MP Danish Ali was dropped for the second time and Ritesh Pandey, Ambedkar Nagar MP, was brought in on the ground that "social balance" had to be maintained. Pandey is a Brahmin as is Satish Chandra Mishra, the BSP's Rajya Sabha leader. The move to bring in Pandey was criticised by Kunwar Fateh Bahadur Singh, a retired Dalit bureaucrat believed to be a key Mayawati adviser.

In a tweet, Singh asked whether the presence of two Brahmins at important parliamentary posts was a prong of the "fundamental social transformation" which Kanshi Ram, the BSP's founder, had envisaged. Singh's jab evidently hurt Mayawati. In a series of tweets posted shortly thereafter, she underlined that in the UP Assembly and Legislative Council, the BSP was helmed by backward caste and Dalit representatives, while the state party was headed by a Muslim, Munkad Ali.

"On Mishra's counsel, it looks like Mayawati is again trying to play the pro-Brahmin card she used before the 2007 (Assembly) elections, little realising the scenario has changed. The Brahmins are embedded in the BJP (Bharatiya Janata Party). If they get disillusioned, they will migrate to the Congress and not my party," a BSP source said.

The Yadavs, the SP's core supporters, have expressed reservations over the 'non-cooperation' stance on the CAA

Unlike the BSP, the SP has a legacy of fighting an establishment, especially a BJP-ruled one, on the streets. "It was the hallmark of our politics when Mulayam Singh Yadav headed the party," recalled an old-timer.

What's happening?

Anand Bhadauria, a Legislative Council member and close Akhilesh aide, said: "We are not less combative. Who has fought more for Muslims than the SP? But we have to be careful not to convert the CAA protests into a Hindu-Muslim binary and give the BJP an advantage."

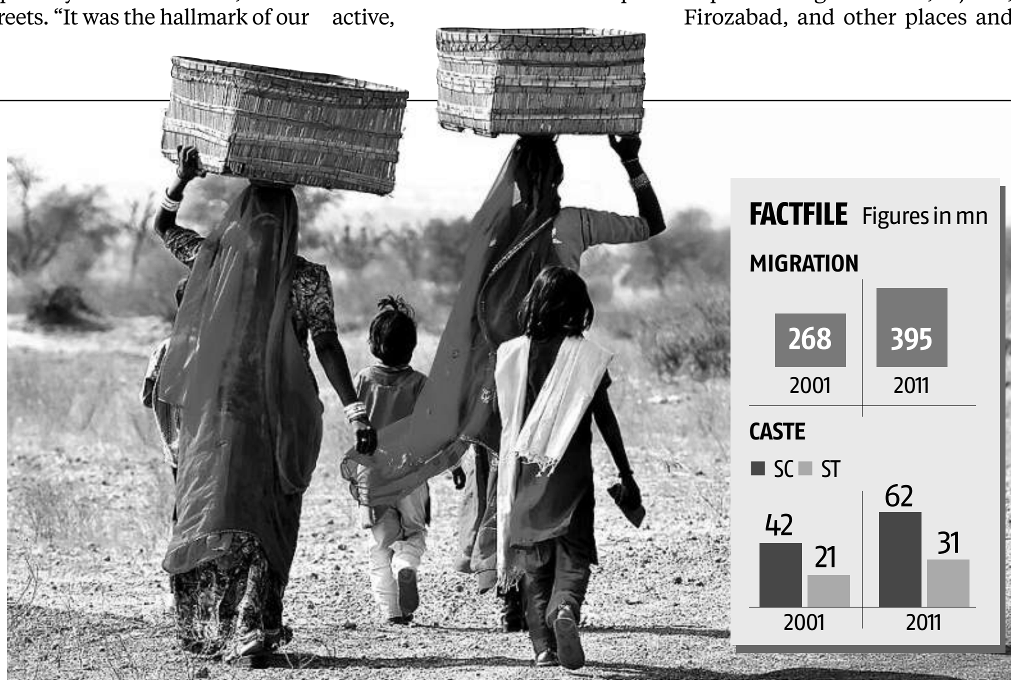
Therefore, while it is believed that the SP and its former ally, the Rashtriya Lok Dal (RLD), independently shored up the strength of the civilian protests in West UP that bore the brunt of police repression on the minorities, local leaders "lay low". "Had we been a bit more proactive, the polity could have got communally polarised," an RLD source said. Even at the women-spearheaded serial "dharna" in Lucknow's Husainabad clock tower, the city's SP leaders took the backseat and resisted the "temptation" to politicise the ongoing event. Except when Tina, Akhilesh's 14-year-old daughter, turned up one morning and sat with some young friends from La Martiniere school. "It was a family decision, which we came to know through the social media," a source said.

Anurag Bhadauria, the SP's spokesperson, maintained that while the party might not have been "upfront" in challenging the CAA, it registered its opposition in "democratic ways". He said Dharmendra Yadav, former Badaun MP and Akhilesh's cousin, called on the families of the victims who were killed in police firing in Meerut, Bijnore, Firozabad, and other places and handed out a ₹5 lakh solatium to each. Rajendra Chaudhary, another spokesperson, said the political thrust was to "shift the Muslim-only thrust of the CAA to its impact the poor, regardless of religion and caste". "Already the poor have approached us for help to get the mandated documents. While well-off Muslims have their papers, does a poor Saini, Mallah, or Dalit have a birth certificate and property papers? Most of them don't. The citizenship package is anti-poor and that is our central message," said Sunil Singh Yadav, also a Legislative Council member. The SP's stated stand is that its leaders and members will not fill in the required forms.

The sources conceded the Yadavs, who constitute the SP's core support, had expressed reservations over the "non-cooperation" stance. "Half of our Yadavs moved to the BJP in 2019. Our first task is to regain their votes," a source said.

STORY IN NUMBERS

MIGRATION BRINGS LITTLE RELIEF TO SCs AND STs



Poverty and lack of opportunities in their hometowns drove 93 million from disadvantaged castes and tribes in 2011 to migrate to other areas within their states in the hope of securing education or employment. However, they continue to face social segregation, labour market discrimination, and barriers to accessing the most basic services, finds an analysis of census data and research studies by India Migration Now, a Mumbai-based non-profit organisation.

Internal migration, both within a state and across states, improves households' socio-economic status, and benefits both the region that people migrate to and where they migrate from. Remittances can help reduce poverty in the migrants' places of origin.

But scheduled castes (SCs) and scheduled tribes (STs) benefited less from migration as social discrimination continued to impact them in the places they migrated to, the research shows.

About 16% of the intra-state migrants in India belong to SCs and 8% to STs, almost equal to their share in the total population, according to the data from Census 2011. This proportion has remained almost constant since 2001.

Exclusionary government policies often push migrants, from all social groups, to the fringes of cities that have limited civic infrastructure and municipal facilities.

The impact of such policies on SC/ST migrants is greater, as those belonging to these groups are also some of the poorest, says analysis of data from the national sample survey on expenditure in 2011–12, published in the *Journal of Social Inclusion Studies*.

DATA AND ANALYSIS: INDIASPEND

NEWSMAKER/ JAGDEEP DHANKHAR

Battling it out with Mamata

AVISHEK RAKSHIT

A political clash is likely between a state government ruled by the Opposition and the governor; more so, if the state's chief minister is Mamata Banerjee, a firebrand leader fiercely critical of the Narendra Modi government at the Centre, and the governor in question is Jagdeep Dhankhar, a former Supreme Court advocate and staunch Bharatiya Janata Party (BJP) veteran.

After Kesari Nath Tripathi's term was over and the prestigious office of West Bengal's governor went to Dhankhar in July 2019, political circles were expecting a clatter between the chief minister and him sooner or later.

It all began at Jadavpur University (JU) in September last year, when students allegedly heckled Union minister Babul Supriyo and Dhankhar had to rush to the varsity to supposedly rescue him. Supriyo had gone to the university, a known bastion of Left thinking and philosophy, on invitation from the Akhil Bharatiya Vidyarthi Parishad — the student wing of the Rashtriya Swayamsevak Sangh.

Mamata and her party have accused Dhankhar of running a 'parallel administration' and acting as a 'BJP partyman'

Surprisingly, in what could have become a BJP versus Left Front political debate, Dhankhar trained his guns at the state government by commenting that what happened at the university was a "reflection of the law and order situation in the state" — a state ruled by Banerjee and her party, the Trinamool Congress (TMC).

The TMC, ever suspicious of Dhankhar because of his past political affiliation, did not take his words kindly and hit back, alleging that the governor played a partisan role by not taking the state government into confidence.

Dhankhar had just toed the BJP's line of accusing Banerjee of lawlessness in the state, which alarmed the TMC.

After rounds of unpleasant conversations for the entire October last year, the situation eventually snowballed into a routine blame-game between the state government and the governor.

The governor had accused the state government of not allowing him inside the Assembly as the gate was locked despite the Speaker being informed in advance; at another instance, he called it a protocol violation after the Banerjee government queued him at the sixth spot in addressing the Assembly on the Constitution Day. Dhankhar said as governor he had the first right to address the Assembly on the occasion.

The differences between Dhankhar and Banerjee touched new lows in December when the protests against the Citizenship Amendment Act (CAA) engulfed the state, and Banerjee led the political opposition to the law.

Dhankhar, who is in support of the CAA, called Banerjee's actions "unconstitutional" and advised her to focus on controlling lawlessness in the state, instead of agitating against an Act passed by Parliament. Banerjee and her party reciprocated by accusing Dhankhar of running a "parallel administration" and being "a BJP partyman who has ascended to the position of a governor".

Ironically, JU students (some of whom are aligned with the Left) protested Dhankhar's stance on the CAA and not only showed him black flags, but denied the governor entry into the university convocation, and went on to sign a letter to symbolically "rusticate" him from the university. Dhankhar, by virtue of being governor, is honorary chancellor of Jadavpur University.

The two have been at the loggerheads in all aspects of polity, governance and events. While Banerjee came up with an annual business summit to attract investors in the state, the governor took it upon himself to meet investors just days after the business summit. It left investors in the state perplexed, even though Dhankhar's scheduled meeting is yet to take place.

Dhankhar has been personifying political activism of his office and wants to stay updated. He has been repeatedly asking Banerjee and her ministers and other senior state officials to keep him posted on various developments.

On the other hand, Banerjee and her ministers have been skipping any meeting with him at the first chance they get. Dhankhar had sought a meeting with various parties to discuss the West Bengal (Prevention of Lynching) Bill, 2019; Banerjee skipped the meeting and only leaders from the Congress and the Left Front turned up.

In a recent spate, Dhankhar alleged that Derek O'Brien, a TMC MP, had stated that the governor while being an "honourable man", was "providing a daily dose of comedy to the citizens of the state" as one of his job responsibilities as well.

Political circles view the development as a "low" in the state's political history but more episodes of such political disdain are expected in the state.

Pathalgadi movement: Old assertions turn into blood lust

R KRISHNA DAS

On a chilly, foggy morning in the first week of January, villagers in Burugulikera, Jharkhand, had unexpected visitors. Two youths who had been absconding for a year returned to the village, about 150 km from the state capital, Ranchi.

They (the names have been withheld for legal reasons) went underground early last year after the government, led by Raghubar Das of the BJP, cracked down on the supporters of the Pathalgadi movement. The youths feared they were among the 10,000 unnamed persons booked under the Indian Penal Code (IPC).

"Pathalgadi", which means carving a stone, is an ancient tribal tradition in Jharkhand. Adivasis erect engraved stones to mark the birth or death of a person. The practice took a new turn after the Panchayat (Extension of Scheduled Area) Act (PESA Act) was legislated in 1996. The Act empowered gram sabhas or panchayats to safeguard and preserve their traditions, community spaces, and culture, and gave them the right to mandatory consultation in land acquisition.

Trudging down the roads in the interior of Jharkhand, huge stone plaques and signboards on the outskirts of villages draw visitors' attention. Besides excerpts from the PESA Act and the Fifth Schedule of the Constitution, which deals with the administration and control of "scheduled areas" as well as of Scheduled Tribes residing in that area, the green concrete slab with engravings in white letters also warns "outsiders" that they are unwelcome.

STATE SCAN
JHARKHAND

The supporters of the movement declare the gram sabha as the highest authority, and refuse to obey the state and central governments.

Hemant Soren's first action as chief minister of Jharkhand on December 29, 2019, was to order the withdrawal of cases registered against people allegedly involved in the Pathalgadi movement. The development purportedly emboldened the absconding Pathalgadi supporters to return to the villages. The two from Burugulikera village are among them.

The supporters of the Pathalgadi movement are hell-bent on taking revenge on those opposing it. The Burugulikera incident, in which seven anti-Pathalgadi supporters were brutally killed on January 19, is a fallout of that. The two youths who returned to the village are allegedly involved in the murder, police suspect.

"The incident is suspected to be a fallout of rivalry between two factions of the village, one led by former panchayat chief Ransi Budh, who is believed to be pro-Pathalgadi, while the other is led by the deputy chief, James Budh, who was allegedly anti-Pathalgadi," said West Singhbhum Superintendent of Police (SP) Indrajit Mahata.

On the pretext of preserving tribal interests, anti-socials and miscreants are setting scores with rivals. "The morale of these elements is high with the withdrawal of the cases and this is going to be a big challenge for the administration," said political commentator Suman Shrivastav.

Jharkhand CM Hemant Soren meets families of the seven killed at Burugulikera on January 19. After the killings, the Pathalgadi movement has come under lens

The Kochang village incident in June 2018 underlines this. A group of supporters of the movement raped six women workers of an NGO after kidnapping them from a missionary school. In May last year, a court in Khunti convicted them, besides holding a Catholic priest guilty of suppressing the crime. Besides, a series of incidents related to attacking police parties, loot, and atrocities on women had been reported.

"The modus operandi shows that hard-core criminals were involved in the Burugulikera incident," said former IPS officer Arun Oraon, who is now national vice-president of the BJP's SC/ST Morcha.

Maoists in Jharkhand only beat up people after abduction, he said, adding that slitting the throat of seven people, that too in one go and at one place, could be by professional killers.

Though Soren has assured stringent action against the criminals, dealing with the issue is no doddle. "Taking firm action will invite tribals' wrath and he will be seen to be suppressing people's rights," said Shrivastav. After all, his party, the Jharkhand Mukti Morcha (JMM), bagged 30 seats banking only on tribals, who constitute 26 per cent of the state's population, and Muslims.

For Soren, the Pathalgadi movement will be a thorn in his flesh. In Khunti, which is the epicentre of the movement, 13 families wrote to the President of India, saying that they did not believe in the Constitution, and returned their Aadhaar cards.

Another challenge on the political front has put Soren in a spot. He has put off cabinet expansion, which was scheduled for January 24, citing Pathalgadi as the reason for it.

Soren and his ally, the Congress, have reportedly failed to reach a consensus on sharing ministries.

"The EQ brand is a key pillar of our 'sustainable luxury' objective and is the first dedicated luxury electric brand in India"

MARTIN SCHWENK
Chief executive, Mercedes-Benz

"In 2019, we had a lot of large, some of them worth a billion dollar, deals. I don't see that (in 2020) but still, those in the $200-500-million range are in the offing"

C VIJAYAKUMAR
Chief executive officer, HCL Technologies

"We will continue to invest in the electrification of our delivery fleet, thereby reducing our dependence on non-renewable resources"

AKHIL SAXENA
VP, customer fulfilment-Asia Pacific & emerging markets, Amazon

IT firms' product play

TCS, Infosys and HCL Technologies lead the race with huge investments to fuel next phase of growth

DEBASIS MOHAPATRA

IT services players in India are increasingly looking at bigger product and platform play to differentiate their offerings in an intensely competitive industry. As the traditional revenues from application, development and maintenance (ADM)-related work witness pricing pressures, service offerings integrated with own products and platforms have emerged as one of the key tools to protect margin. It also plays a critical role in delivery as new technologies such as artificial intelligence (AI), machine learning, big data among others — dubbed digital technologies in tech parlance — become mainstream.

No wonder, all tier-I IT services firms are vigorously working to scale up their product businesses and are investing heavily in it. The top four players — from market leader Tata Consultancy Services (TCS) to Infosys, HCL Technologies and Wipro — have not only pumped in millions of dollars in building up capacities, some have even spun these divisions off as standalone business units. For instance, TCS carved out a separate unit called Digitate, which is a pure-play software products company with its own human resource (HR) rules and different pay scales, in 2017. Digitate houses TCS' artificial intelligence-powered product brand Ignio. The country's second largest player Infosys went the same way and clubbed most of its product business under subsidiary EdgeVerve. Noida-based HCL Technologies also set up a new business unit, HCL Software, last year, bringing all the IBM intellectual property (IP) partnerships and acquisitions under the division.

"Platforms and their components are becoming the key area of differentiation for IT firms. Those that do not invest in these areas will lose competitiveness and flounder. We expect to see significant investments by all Indian IT firms in platforms and components in the coming days," says Peter Bendor-Samuel, founder and CEO of outsourcing advisory firm Everest Group.

According to the Everest Group, while TCS is best-placed to cash in on the emerging opportunities, Infosys and Wipro also have a growing portfolio of platform intellectual properties (IPs). Phil Fersht, founder and CEO of HFS Research, says that HCL Technologies (HCLT) has made a strong pitch for this segment after it acquired select IP products from IBM for $1.8 billion in 2018. "HCLT's new software division will succeed if it invests prudently in sales and marketing resources," Fersht says.

BETTING ON TRANSFORMATION

As digital technologies become mainstream, companies are establishing/carving out new platforms

Company	Product platforms
TCS	Ignio, BaNCS, iON
Infosys	Finacle, NiA
Wipro	HOLMES
HCL Technologies	DRYiCE

The results of investments by IT players in this segment is already reflected in their quarterly earnings. HCL Technologies' revenues from products and platforms grew by around 73 per cent (YoY) in the third quarter of the ongoing fiscal, making it one of the biggest contributors for the upward revision of its revenue guidance from 16.5 to 17 per cent in constant currency term for FY20. Its operating margin improvement of 70 basis points to 24.7 per cent is aided largely by this segment. TCS reported that its revenue from the products and platform business under regional markets saw 5.7 per cent rise YoY in Q3 of FY20. Though the Tata group firm didn't provide revenue numbers from this segment, observers peg it at more than $1 billion annually.

Concerns include friction within organisations besides the risk of losing large outsourcing contracts from bigger product companies. As IT firms build their own platforms, they may find themselves competing with global firms such as Microsoft, Oracle or SAP that operate in the same space

"All domestic IT firms are keen to build the product and platform business as a separate unit, which they possibly can spin off in the near future. Going ahead, we will see more companies giving out revenue numbers from this business as this will enable them to get premium from the market," says Pareekh Jain, a IT outsourcing advisor and founder of Pareekh Consulting. He added that after the first phase of growth in the the product and platform business, companies are opting to be vendor neutral to fuel growth in the next phase. "Currently, most Indian firms are trying to be vendor neutral. This will enable their competitors to use their offerings. Such open source approach is a time-tested model for growth that is followed by global product firms," adds Jain.

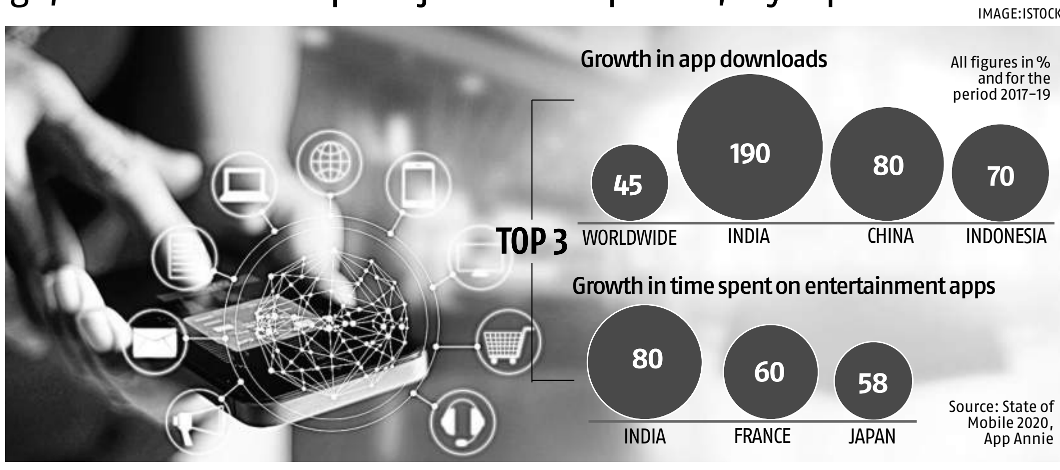
Though the product and platform business is one of the major thrust areas for these firms, there are risks. Traditionally, conducting both services and product businesses under the same roof has created friction within organisations. That's the reason global technology majors (like HP) have separated their products and services business.

Another area of concern is the risk of losing large outsourcing contracts from bigger product companies like Microsoft, Oracle or SAP as IT firms build their own platforms and compete with some of the global firms in the same space. But some analysts feel such fears are misplaced. "Today, the technology world is such that most companies both compete and cooperate at the same time. So, building up platforms on their own will not lead them to lose business from global product players," says Sanchit Vir Gogia, chief analyst and CEO at Greyhound Research.

Maximum entertainment tells the India mobile story

Indians make for the largest group looking for entertainment on the go, but the numbers paint just half the picture, say experts

IMAGE:ISTOCK



SOHINI DAS

The 2020 State of the Mobile report by App Annie, a global analytics and market intelligence firm, puts India right on top in a list of nations, when it comes to app downloads. Between 2016 and 2019, there was a 190 per cent increase in downloads by Indians, which is the highest in the world. Compared to this, globally, downloads went up 45 per cent and China at second place, grew at half the pace at 80 per cent.

Break it down further and for the majority of downloaders, the internet is an entertainment zone with the time spent on entertainment apps in India growing 80 per cent between 2017 and 2019. Globally the number is 50 per cent.

The story that the numbers tell has been in evidence for a while. The ubiquitous mobile phone has long replaced almost every other form of entertainment in the country and in the process, also steadily overhauled the way we get entertained. Hence, India is the only country where Netflix offers a mobile-only plan at hugely discounted rates and everyone else, from Amazon to Hotstar is bulking up their content libraries at significant cost.

High quality streaming, growth in user-generated content, and the offline mode becoming standardised have helped reframe the choices for viewers, the report noted. It lists the country's breakout streaming apps in 2019 as MX Player, Hotstar, Netflix, Amazon Prime Video and Jio TV. At a recent event in Mumbai, Amazon.com founder Jeff Bezos said his video streaming platform is doing better in India than anywhere else in the world.

The numbers have turned the app-based entertainment industry into a magnet for all nature of companies—be it old traditional media houses that are expanding their binge-able content or non-media companies slicing their way into the game with specialised shows. But experts say, those jumping in, must heed a few warning signs.

More downloads is not an indicator of demand they point out, pricing matters most and the initial highs could peter out when companies begin charging more and reducing the free content on their libraries. S Swaminathan, co-founder of Hansa Cequity, a data-driven customer-marketing solutions company, says that only those OTTs or content providers will survive, whose content is relevant and contextual. He also reads a consolidation on the cards.

"In the near future there would be something like a marketplace of content, where consumers can pick what they want to watch. Instead of installing dozens of OTT apps on their phones, an ecosystem model will work," Swaminathan adds. Much like what Tata Sky is to TV.

Experts also point out that the $ 5 billion (estimated size) video-on-demand market is a high volume, high investment play. Amazon has invested heavily on its app, optimising it for Indian viewers and on building a library of original content. Market sources estimate that for some of these titles Amazon has paid as much as ₹25 crore.

Even as Amazon has focused on providing language-led mass content, Netflix's pitch has targeted a more urban audience. Netflix is not yet in China, faces a saturated market in the US and has hence pinned India as the most fertile hunting ground for its next 100 million subscribers. Increasingly the OTT platforms will need to join hands with large production houses and other digital entertainment channels because as Swaminathan says, going solo and niche is unlikely to work, "It is an ecosystem that succeeds rather than a walled garden," he adds.

QUIZ 650

1 Name the brand that came out with a limited edition of its product for the Tata Mumbai Marathon. It branded it as ___Tata Mumbai Marathon Limited Edition

2 Name the person who said this "I was five-years-old when I watched Apollo 11 unfold on television...it was a big contributor to my passions for science, engineering, and exploration. A year or so ago, I started to wonder, with the right team of undersea pros, could we find and potentially recover the F-1 engines that started mankind's mission to the moon".

3 Sold in the late 1890s, this was regarded as one of the world's first production models which needed a person to run and jump to use it. What was it?

4 Name this country that is ranked amongst the world's most safest and peaceful in the *Global Peace Index* of 2019. Its currency notes feature Hindi and Tamil alongside English.

5 Name the mascot of a global brand that was featured in one of the Asterix series of comics titled "Asterix in Switzerland".

6 What is the term used to describe the method of rethinking existing businesses from the ground up and in the case established companies?

7 Name the bran that narrates the story of India's first blind solo paragliding pilot in its latest advertisement spot.

8 This company was founded in the mid-40s with its core purpose being to help with creative use of money. It used this also as a base line in its advertisements. Name it.

9 Whose ad campaign is titled "The Day men forgot"?

10 This cultural hero was treated as a God in a South American civilisation. Name him and the likely industry that could make him their patron saint and why?

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

ANSWERS TO THE STRATEGIST QUIZ 649

1. They are the east end and west end of the Grand Trunk Road. For at least 2,500 years, it has linked the Indian subcontinent with Central Asia. It runs roughly 2,400 kilometres
2. Kamathipura, which is now a red-light area in Mumbai was named after workers called Kamatis
3. Carlos Ghosn, the ex-CEO of Renault Nissan
4. Fortune Foods and its #SehatKaPromotionChallenge
5. Dry January and No Shave November. Both were started by voluntary organisations in the UK and the US respectively.
6. Alibaba, it operates the Jushita cloud environment, which is considered to be the most secure environment to protect the security of its merchants and consumers.
7. Dhara from Amul
8. Screensucking
9. Apollo Tyres
10. Henry Ford received the Clifton Award in 1946 for his pioneering work in the automobile industry

One lucky winner will receive a cheque for ₹2,000. Send your entries to strategist@bsmail.in. All entries must carry the postal address of the contestant. Last date for receiving entries is January 28 till 8 pm. Previous winners and employees of *Business Standard* and their families are not eligible to participate. The winner is chosen on the basis of the first correct entry received.

There was no entry to Quiz number 649

MY FAVOURITE CAMPAIGN

Getting the basics right

MY TAKE
The ad checked all relevant boxes

BRAND: Pizza Hut
YEAR OF LAUNCH: November 2019
AGENCIES: Creativeland Asia

SHUBHOMOY SIKDAR

Which is your favourite campaign and why?
There are many that come to my mind, but in these times of "here and now", I'd go with a recent campaign we created for Pizza Hut. Pizza Hut is a popular brand worldwide. But given the clutter and noise of pizza brands — global and local, new and old — the brief was to set those scores right and bring the brand back to where it rightfully belonged. We realised that it wasn't just the job of mainline advertising to set this right. Because old methods can only get you the same old results. We needed a whole new approach, a wholesome approach. In a world of insta-stories and TikTok videos, where we are no longer just competing with other ads, brave new narratives are as important as grounded insights.

We set up the first brand studio for Pizza Hut. It was everybody who we needed to solve the problem in a single room. By everybody, I mean, the data guy, the digital experts, the social experts, the writers, the designers, the content guys, the producers, the editors, the planners and the account management team, sitting in one war room.

We conceptualised the *Pizza Hut javenge, 99 mein khavenge* campaign. We got a YouTube star, Bhuvan Bam as the brand ambassador across media. He starred in the TV commercials and all of the other content pieces.

The idea itself was very primal: Build relevance, repeat the brand name, create a catchy tune, show irreverent visuals that almost mirror the content on the TikToks and the Instagrams of the world.

On what parameters did you base your decision?
Creativeland, from its inception, has been fortunate to handle some of the biggest brand refreshes in the country. Frooti, Cinthol, MTS, Micromax, to name a few. I think it's our forte. While this is a brand refresh as well, I like it for how we went about it as much as what we did with it. Creating the Pizza Hut brand studio was a big moment. But, the most important reason I chose this campaign was for the results it delivered. In just a month of launch, every score the brand was seeking to improve, improved. Both spontaneous recall of brand and future consideration scores went up. Mis-attribution scores dipped dramatically.

That it went viral even before the media push began spoke volumes about the relevance and enjoyment of the content.

SAJAN RAJ KURUP
Founder & creative chairman
Creativeland Asia

Did the campaign win any awards? Do you think advertising awards serve any purpose?
It's just a month old, this campaign. Awards are a little far away. In any case, Creativeland enters very few award shows. Advertising awards can serve a couple of wonderful purposes. It is a motivation to up your game and push the boundaries of creativity. And a little recognition for great work, goes a long way in attracting good talent and generating buzz around your workplace.

VALUE OF ₹1 LAKH INVESTED IN VARIOUS ASSET CLASSES

	SENSEX	GOLD	SILVER	FD (SBI)	PPF
1-YEAR	1,15,317	1,24,153	1,19,284	1,06,800	1,08,000
1 YR AGO (AFTER TDS)	1,14,969*	1,16,907	1,13,499	1,04,760	1,08,000
5-YEAR	1,42,127	1,42,614	1,13,714	1,48,641	1,51,757
5-YEAR POST-TAX RETURNS	1,42,127*	1,38,352	1,12,342	1,32,408	1,51,757

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

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

Finance minister's choices on LTCG

Tax planning will be easier if holding period is made uniform for LTCG treatment of all assets

SANJAY KUMAR SINGH

Every year during the fortnight preceding the Budget, a lot of expectation builds up among market participants about the sops the Finance Minister may offer this year. The government usually offers them to a sector, or a financial instrument, if it wants to enhance its attractiveness in the eyes of prospective investors. But it does so only if it believes that the benefits, say, in the form of additional investments attracted, will outweigh the losses in the form of revenue forgone.

This year there is lot of speculation that long-term capital gains (LTCG) tax on equities may be abolished. Or, it may be removed but only after a longer holding period. Another expectation doing the rounds is that the holding period for capital gains to be treated as long-term may be made uniform across asset classes. Investors, however, need to temper their expectations. "The government has been lagging behind on its revenue collection targets, so there is a limit to how much revenue it can forgo by reducing tax rates or waiving them," says Naveen Wadhwa, DGM, Taxmann.com. Let us examine some of the possible changes, and what they would mean for you.

SCENARIO 1—LTCG ON EQUITIES ABOLISHED: LTCG tax on equities reduces the returns that investors, including foreign portfolio investors (FPIs), earn from the money invested in Indian equities. If the government feels that the money garnered from this tax since its introduction is not meaningful enough, and that its removal may lead to enhanced FPI inflows into India, it may well do away with LTCG.

LTCG on equities was abolished in 2004 and re-imposed in the February 2018 Budget. If your gains in a financial year are above ₹1 lakh on equities and equity-oriented mutual funds (on which securities transactions tax has been paid) held for more than a year, you get taxed at the rate of 10 per cent on the amount exceeding ₹1 lakh. Suppose that your long-term gains from equities or equity mutual funds stand at ₹2.5 lakh in a financial year, you currently pay a tax of 10 per cent on ₹1.5 lakh, or ₹15,000.

This tax came with a grandfathering clause. Any gains made until January 31, 2018 have been exempted. To explain with a basic example, suppose that an investor bought a share for ₹100 in October 2017. On January 31, 2018, its price stood at ₹120. He sells it in November 2018 at ₹150. His long-term capital gain is ₹50, but the government says it will apply tax only on ₹30—the gains made after January 31, 2018.

Investors have been adopting various strategies to minimise the impact of LTCG on equities. As their goal approaches, they start withdrawing from equities around three years in advance. This is done so that the achievement of their goals is not affected by volatility in the equity markets. But it is also done to reduce the taxable gains by ₹3 lakh (or ₹1 lakh per annum). Similarly, when rebalancing their portfolios (selling equities if they have done well to bring the allocation back to normal levels), both wife and husband sell to rebalance at the family level. Doing so allows them to avoid taxation on ₹2 lakh of LTCG in a financial year. If LTCG tax on equities goes away, they will not have to go to all this trouble.

"AGAIN, THE DIVIDEND DISTRIBUTION TAX, WHICH EVEN TODAY IS ON, THERE IS AN ARGUMENT WHICH SAYS THAT IT IS VERY, VERY REGRESSIVE"

NIRMALA SITHARAMAN, Finance minister, in a speech in the Rajya Sabha on November 27, 2019

INVESTORS IN TOP BRACKET TO LOSE IF DIVIDEND IS TAXED IN THEIR HANDS

Amount that you pay at present as dividend distribution tax (DDT)

Dividend distributed	1,00,000
DDT on equity mutual funds	10%
Net amount ininvestor's hand	**90,000**
DDT on debt mutual funds	25%
Net amount in investor's hand	**75,000**

If the same ₹1 lakh is taxed in the investor's hand

Tax paid by investor in 5% slab	5,000	**Net amount in investor's hand**	**80,000**
Net amount in investor's hand	**95,000**	Tax paid by investor in 30% slab	30,000
Tax paid by investor in 20% slab	20,000	**Net amount in investor's hand**	**70,000**

Surcharge and cess ignored for these calculations. DDT is subject to surcharge at 12%, cess at 4%, irrespective of tax slab. Therefore, effective rate is 11.46% and 27.97% for equity and debt funds respectively. 10% tax on dividend above ₹10 lakh. For regular income, cess is always applicable at 4%. Rate of surcharge depends on tax bracket. All figures in box, except those in percent, are in ₹. Source: PersonalFinancePlan.in

SCENARIO 2—ZERO LTCG ON EQUITIES AFTER TWO YEARS: The Finance Minister could make LTCG on equities and equity mutual funds zero, provided they are sold after a longer holding period of, say, two years.

Experts are of the view that most investors will regard this as a welcome move. "If you speak to any financial advisor, he will tell you that you should hold equity investments for at least 7-10 years. So, not having to pay any tax after two years will be welcome compared to the current regime where you have to pay 10 per cent on gains above ₹1 lakh if you sell after one year," says Deepesh Raghaw, founder, PersonalFinancePlan.in, a Sebi-registered investment advisor.

On the flip side, investors who are forced to sell their equity holdings in less than two years, because they need the money, will be forced to pay STCG tax. Those who wish to exit a fund because it has been underperforming may be forced to continue with it for a longer period if they wish to reduce their exit cost. Investors may also be faced with a hard choice if, during a bull run, they need to sell recently purchased equity assets to rebalance their portfolio.

SCENARIO 3—LTCG DEFINITION MADE UNIFORM ACROSS ASSET CLASSES: There is also an expectation among market participants that the holding period after which capital gains get classified as long-term could be streamlined across asset classes. Currently, the holding period varies from one asset class to another for it to be eligible for LTCG treatment. It is one year for equities, two years for real estate, and three years for fixed income and gold. "This variation makes the tax structure more complicated than it needs to be, and hence there is a need to streamline it," says Ankur Maheshwari, chief executive officer, Equirus Wealth Management.

Earlier, debt instruments were also eligible for long-term capital gain tax treatment after a holding period of one year. This was raised to three years in 2014. In the case of real estate, the holding period has been kept at two years to give a fillip to the sector. Equity instruments have for long received favourable tax treatment because the government wants to attract greater retail participation into the equity markets.

If the holding period is made uniform for all asset classes, the impact will depend on whether it becomes one, two or three years. If it is made one year, then investors in real estate, debt and gold will stand to gain. If it is made two years, then debt and gold investors will stand to gain while equity investors will have to hold on for a longer period. And if it is made three years, then equity and real estate investors will have to invest with a longer horizon to avail of LTCG.

Slowdown may offer buying opportunities

Consider buying stocks of companies that command brand loyalty

MARKET INSIGHT

DEVANGSHU DATTA

Global markets responded positively to the buyout of Uber Eats' India business by Zomato. The Uber stock rose by 7 per cent after the all-stock deal, which valued the India business at around $350 million. This indicated that a drag on the global company was being removed.

Uber Eats entered the India food delivery market late, after Swiggy and Zomato had established themselves. It burnt cash to push market share, by funding discounts. The burn rate is said to have risen from $100 million in the January-March 2019 quarter to over $300 million in the last six months. India contributed only about 3 per cent of revenue to the Uber food delivery arm, while being responsible for over 20 per cent of global losses. This is absurd and Uber had been trying to sell it for months.

According to Bloomberg, Zomato itself reported a loss of $294 million (₹2,035 crore) for 2018-19, even though revenues jumped to $206 million from $68 million in 2017-18. In 2018-19, Zomato claimed it lost ₹25 per delivery, compared to ₹44 per delivery in March 2018. The last mile cost per delivery was ₹65, compared to ₹86 in March 2018. Presumably, Zomato hopes that Uber's 9 million-odd customers will help the food-delivery service to grow.

Globally, Uber Technologies is still running at a loss, though revenues are growing, and losses are reducing. In July-September 2019, Uber registered a loss of $986 million on revenues of $2.9 billion. This includes a payout of $401 million in stock-based compensation. Revenues are up 30 per cent and losses are down from $1.1 bn (including $64 million in stock-based compensation). Uber has sold its ride-sharing business in several regions, becoming a junior partner to Yandex (Russia) and Didi (China), while buying Careem which operates across markets from Morocco to Pakistan.

It's interesting to look at the Uber business model from an investor's perspective. Given that the ride-hailing and ride-sharing business has caught on everywhere, Uber identified a gap in the market. It also realised that technology could enable efficient ways to fill the gap.

But critically, there is no moat that deters competition. Other companies could easily develop similar apps and technological back-ends to connect drivers to fares. Arguably, since this is a localised business, regional companies were actually better at feeling the pulse. Food-delivery is even more hyper-local.

Despite its growth prospects and its capacity for innovation, the lack of a moat would have kept a certain type of investor away from Uber. The management theorists would call this a situation where the company found a fit between product and market but failed to realise that it also needed a moat to defend the business from competition.

Most consumer-facing businesses rely on building a brand, and thus creating a base of loyal customers. That is a moat. However, ride-hailing and food delivery are businesses where it isn't really possible to build brand loyalty, even though brand Uber is a household name.

Somebody hailing a cab has little, if any, brand loyalty. Drivers don't possess much loyalty to the app-provider either. If they get a better deal, drivers and passengers will move in a heartbeat. Ditto for restaurants and their customers. Incidentally, it's an open question if Swiggy and Zomato will ever turn profitable, at least in the food-delivery segment, precisely because of these factors.

Companies that have fostered brand loyalty are the ones likely to survive an economic downturn

Contrast this with FMCGs, paint companies, automobiles, education apps, etc. Brand loyalty exists in those segments. People stick to the brands of soap, toothpaste and perfume they use. Automobiles and two-wheeler companies get repeat customers. People use the same brand of paint, when they repaint their houses and offices.

During an economic downturn, businesses that have successfully fostered brand loyalty are most likely to survive. That's one reason why brand building can lead to a premium in terms of stock valuations. However, even allowing for that, most large, consumer-facing Indian companies are over-valued at the moment. But a crack in the market trend could create a buying opportunity. Even if, and these are big ifs, the Budget is excellent in conception and scope, the economy is likely to remain in bad shape for quite a while. Sometime down the line, if the market cracks, companies that have successfully developed brands and created brand loyalty will be worth looking at.

CHOOSE SECTION 80C INVESTMENTS BASED ON RISK APPETITE

Be mindful of lock-in, too

BINDISHA SARANG

- Your choice of Section 80C investments, for enjoying deduction of up to ₹1.5 lakh, should be in line with your financial goals.
- A large chunk of the Section 80C limit will get filled by your monthly contributions to Employees' Provident Fund (EPF).
- PPF is a wise choice for investors looking for capital protection and tax-free return. But it comes with a 15-year lock-in.
- ELSS works for those looking for higher returns, but willing to tolerate the volatility of equities.
- NPS is low cost and good for investors with a moderate risk profile.

POPULAR TAX-SAVING INVESTMENT SCHEMES

Name of scheme	Rate of return (annual)	Tax treatment	Lock-in period
Public Provident Fund	7.9%	Investment qualifies for Section 80C tax deduction. Interest is tax free	15 years; partial withdrawal permitted after five years
Equity Linked Saving Scheme	Variable. 5-year return: 7.65 -12.17%	Principal qualifies for Section 80C tax deduction. LTCG tax @ 10% on gains above ₹1 lakh in a financial year	3 years
National Pension Scheme (All Citizen Model)	Variable. Tier-1 equity: 6.24-8.25%. **Tier-1 govt. bond:** 8.68-9.93% **Tier-1 corporate bond:** 8.47-9.05%"	Principal qualifies for Section 80C tax deduction under and additional deduction of ₹50,000 under Section 80CCD (1B). 60% of corpus at maturity is tax free.	Up to retirement. Partial withdrawal under stringent conditions
National Saving Certificate	7.9%	Principal and interest both qualify for Section 80C tax deduction	5 years
Tax-Saver Fixed Deposit	5-9%	Principal qualifies for tax deduction under Section 80C. Interest is taxable as per income-tax slab	5 years
Sukanya Samriddhi Yojana	8.40%	Principal qualifies for section 80C tax deduction. Interest is tax free	21 years from date of opening of account or upon marriage of account holder, whichever is earlier

*For policies issued after April 1, 2012, Ulip premium should ot exceed 10% of sum assured. For policies issued before April 1, 2012, Ulip premium should ot exceed 20% of sum assured.

Source : Paisabazaar.com

Pampering the narcissist within you

The desire to look good, and pay for it, has assumed obsessive proportions

NAMRATA KOHLI

Ever heard of men using oil to nurture their beard or cream to nourish the moustache? Or shaving cream made from sandalwood and orange peel? Men's grooming is no longer about a shave followed by a dab of after-shave. These days it's all about looking good and feeling great.

With more men focusing on personal grooming, sales have taken off across segments—shaving, skincare, hair care and styling and deodorants—and companies have been quick to cash in. "Men's-only product companies have come up with truly innovative products in the personal care segment," says Suraj Chaudhari, co-founder, Zlade. He recalls that when he was growing up, all that a man had access to was his mother's creams and sister's hair oil. Chaudhary's firm Zlade offers two razors of German make—a four-blade and a six-blade—along with natural and chemical-free shaving preparations.

It's a sea change today from those days when men had to be pestered to use sunscreen or moisturiser. "My male clients show close-up pictures and seek advice on looking fresh and young," says Mumbai-based grooming expert Konkana Bakshi, founder of Savoir Faire Academie.

Focusing on personal aesthetics: Men have a plethora of options today in every category. "It is no longer limited to mere shaving creams and deodorants. Today, men invest in skincare products including face scrubs, under-eye cream and hair treatment serums," says Neha Rawla, Brand Communications, Forest Essentials. In fact, what was just an interest has now turned into an obsession. Says Vivek Sahni, CEO and co-founder, Kama Ayurveda: "Look for products that are effective in the long-term. Don't spend a fortune on multiple products or take hours in the bathroom. Develop a routine that is quick, effective and simple."

Demand for products that counter the impact of pollution is growing. Says Delhi-based grooming expert Pria Warrick, founder, Pria Warrick Finishing Academy: "People are using anti-pollution products that remove tan and make the skin vibrant. They prefer toxin free-products that do not have harsh chemicals."

Young men are also looking for products that nourish their skin and help them do away with issues like oiliness or dryness. Here too, they prefer natural products. You have products for men like The Body Shop Green Tea and Lemon mattifying moisturiser, Ohria Ayurveda's Neem and Tulsi hydrating gel, and the Neem and Triphala Hair Cleanser.

The fastest moving products are hair care solutions, especially those that address hair fall, dandruff and greying. According to Kama Ayurveda's Vivek Sahni, "In our portfolio, Bringadi intensive hair treatment is the best-selling product. Skin brightening night cream for men is also very popular." Beard oil is a bestseller for the The Body Shop. Their Cedar and Sage conditioning beard oil is a favourite with men. Says Plabita Sharma, skincare expert, The Body Shop India: "It is a blend of cedar, sage and clove oils, well known for its revitalising and energising properties. The Tea Tree Oil also enjoys strong loyalty among male consumers."

Unisex products catching on: Manufacturers say the primary ingredients are mostly the same, such as shea butter or cocoa butter. Aloe vera is widely used nowadays in men's products along with many other herbal ingredients. "Deodar and Vetiver are necessary ingredients in our men's beauty range," says Sahni. Deodar's antiseptic and anti-inflammatory properties help prevent any kind of bacterial growth. Vetiver calms irritated skin and cures acne, dry, and aged skin. There are many believers today in products being gender-agnostic. Super Smelly's unisex face masks contain kaolin clay, activated charcoal, dead sea salt, multani mitti and aloe vera that work equally well for men and women. "Skin does not have a gender, nor do ingredients," says Dipali Mathur Dayal, co-founder of Super Smelly.

Personalisation is in: Take the case of Bare Anatomy, a men's personal care start-up that offers shampoos, conditioners, hair oil, and hair serum. All the products are personalised based on the customer's needs and are made after receiving the order. While ordering, customers take a short quiz on the website about their hair profile and preferences. Says Rohit Chawla, founder-CEO, Bare Anatomy: "When it comes to personal care, personalisation is yet undiscovered."

MEN'S LINE

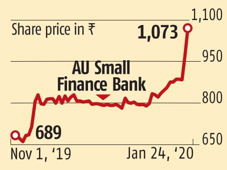
MEN'S LINE	PRICE (₹)
Shampoo	
American Crew	1,228
Ohria Ayurveda	1,150
Park Daniel	519
Khadi Amla	419
Himalaya Protein	318
Razor	
Parker Safety Razor	1,735
Gillette Fusion	1,540
Gillette Mach 3 Turbo (8 Cartridges)	929
Neutrogena	764
Zlade 6 Pro Combo – 1 Razor Handle + Pack of 4 Cartridges + 1 Razor Cap	699
Shaving Cream	
The Body Shop Maca Root & Aloe Softening Shaving Cream For Men	1,195
Trimmer	
Philips	1,649
Syska	649
Face Wash	
Deep Cleansing Foaming Face Wash Kiehl's	2,400
Forest Essentials	1,125
Deos	
Bvlgari Aqua	6,100
Georgio Armani	2,200
Ralph Lauren	2,200
Dividoff Cool Water	1,800
Cologne	
Davidoff	1,495
Jaguar	980
Ustraa	487
Jovan	625
Beard Cream	
The Body Shop Cedar & Sage Conditioning Beard Oil For Men	1,595
THE REAL MAN	800

Source: Companies

BSE 200: TOP 5 GAINERS OF LAST WEEK

BSE price in ₹	Jan 17, '20	Jan 24, '20	% chg
Vodafone Idea	4.5	6.1	34.1
AU Small Finance Bank	877.8	1,073.2	22.3
NHPC	24.2	27.5	13.4
Varun Beverages	750.8	849.7	13.2
Bharti Infratel	218.3	244.3	11.9

QUICK TAKE: STREET CHEERS AU SFB'S STURDY Q3



AU Small Finance Bank (SFB) scaled to its all-time high on Friday before closing 10 per cent higher. Strong show in December quarter (Q3) with 37 per cent rise in loan book and decent asset quality boosted investor sentiment. Growth is likely to remain robust led by focus on high-yield and under-penetrated segments.

"EQUITIES ARE NOT CHEAP, BUT NEITHER ARE OTHER ASSET CLASSES. LOWER RISK PREMIA IMPLY ROOM FOR SOME MULTIPLE EXPANSION. BARRING A SUSTAINED RISE IN OIL, ENVIRONMENT FOR EQUITIES REMAINS QUITE SUPPORTIVE"

CHETAN SETH
Equity Strategist, Nomura

Slowdown catches up with private banks

Street worried about slower loan growth, asset quality surprises

IMAGES: ISTOCK

SHREEPAD S AUTE
Mumbai, 26 January

The heat of weak consumer demand and a slowing economy, which has engulfed sectors like consumer goods, automobile, and real estate, has cast its shadow on private banks, too. In terms of deceleration in loan growth, as well as asset quality, the impact of the slowdown is clearly visible in the December 2019 quarter (Q3) results of private banks, making investors cautious. In the last one month, the Nifty Private Bank index has shed 4 per cent, even as Nifty50 remained flat.

Loan growth for most private lenders grew at a slower pace. The periodic data from the Reserve Bank of India also highlights how the slowdown is hurting the banking sector. The data shows that banking credit grew by nearly 7 per cent year-on-year (YoY) until end-December versus 9 per cent YoY growth at the end of September and over 13 per cent increase as of March 2019.

For some private banks, it was the subdued loan demand from corporates which pulled down overall loan growth, while others saw weakness in key consumer segments. In retail, while demand for automobile and housing loans was down, unsecured personal loans, including credit cards, witnessed decent growth. IndusInd Bank, for instance, reported one of its lowest credit growth (19.8 per cent YoY) in a decade because of the slowdown in its corporate and vehicle finance book.

For HDFC Bank, too, net interest income growth of 12.7 per cent YoY was the lowest in 15 quarters. A dismal growth of 1 per cent, both YoY and sequentially in vehicle loans continued to impact its overall retail growth, excluding business banking. However, unsecured retail loans (credit card, personal loans, etc) grew 23-29 per cent YoY and 7-11 per cent sequentially. Although HDFC Bank's bad loan ratio is still the best in the industry, unsecured loans could prove to be a pain point if the economic slowdown is prolonged. While the bank reported good growth in corporate credit in Q3, analysts say a rebound in its overall loan growth may not happen anytime soon.

The trend for other players is unlikely to be different. Rohan Mandora, vice president, Equirus Securities says: "The ongoing challenging situation will keep corporate credit growth under pressure. Also, key retail segments like automobile are unlikely to revive soon."

Smaller players like RBL Bank and Federal Bank also reported slower loan growth in Q3.

Nonetheless, the low cost of funds helped the private lenders. Most private banks reported a 10-45 basis point YoY expansion in net interest margin in Q3.

However, as many analysts opine, loan growth deceleration and margins are not as much a concern as asset quality. Asset quality was expected to get impeded because of the slowdown and two large corporate accounts (DHFL and Anil Ambani owned group) turning bad. But, the higher-than-expected asset quality pressure, mainly in the retail segment, along with a cautious outlook on segments like agriculture and commercial vehicle, and from areas beyond the known stressed pool (as indicated by some banks) stunned investors.

HDFC Bank's large chunk of incremental slippages was contributed by agriculture, along with lumpy corporate accounts. HDFC Bank's slippage ratio in Q3 is the highest in at least 12 quarters.

ICICI Bank on Saturday, too, reported higher slippages in its retail portfolio, mainly from *Kisan* credit card and commercial vehicle loan segment. The bank's overall retail slippages jumped 43 per cent sequentially to ₹1,890 crore in Q3. Others like IndusInd Bank and Axis Bank witnessed elevated stress in some corporate accounts or unsecured loans.

The overall slippage ratio (loans turning bad as a percentage of average loan book) of most private banks deteriorated over the year-ago quarter and/or sequentially. "Unsecured personal loans segment, including credit cards, could see more problems if the slowdown persists," says Lalitabh Shrivastawa, deputy vice president at Sharekhan. But, resolution of key large accounts should provide support, he says.

Higher slippages, in turn, resulted in increased provisioning and impacted the operating profits of most banks. What though provides comfort is their provision cover ratio (of 40-119 per cent).

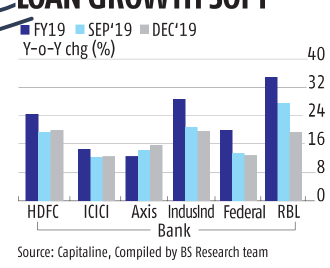
While the situation isn't alarming yet, how banks mitigate the impact of slowdown would be key. For now, all eyes are on what the upcoming Budget brings to revive the economy.

ASSET QUALITY WOES

For quarter ending	Slippages ratio (%)			Provisionig as % of operating profit		
	Dec-18	Sep-19	Dec-19	Dec-18	Sep-19	Dec-19
HDFC Bank	2.1	1.7	2.3	20.5	23.1	23.5
ICICI Bank	1.5	1.6	2.8	69.1	36.5	27.6
Axis Bank	0.9	1.0	1.3	55.3	59.1	60.4
IndusInd Bank	2.0	2.4	3.9	28.7	28.4	38.0
Federal Bank	2.0	2.3	2.3	26.9	35.0	21.6
RBL Bank	2.3	12.0	8.4	32.2	83.9	87.2

Source: Brokerage reports

LOAN GROWTH SOFT



Source: Capitaline, Compiled by BS Research team

STREET SIGNS

Traders eye bounty from Budget

Derivatives traders are deploying strategies to profit from huge swings in stock prices typically seen on the day of the Union Budget. Market players say most traders using the so-called straddle strategy, which involves purchase of both call and put options of the same strike price and expiration date. "The straddle strategy will work if the market sees wild swings in either direction on the Budget day. In a rare event that the market reaction is muted, traders could lose money," said an analyst. The market will be kept open on Saturday when the Budget will be presented.

JASH KRIPLANI

ITI FPO discount a mirage

State-owned ITI's follow-on offering (FPO) price was set at a discount of as much as 28 per cent to the secondary market price. However, the steep discount is just a mirage given the huge dilution, say market players. The company is offering about 181 million fresh shares in the FPO, which will result in 20 per cent dilution. On Friday, shares of ITI closed at ₹91 compared to FPO price band of ₹72-77 per share. Analysts say the stock price post dilution works out to less than ₹80. "Post the FPO, the current market price will have to adjust given the huge dilution. Investors shouldn't be swayed by the discount and only invest if they believe in the long-term potential," says an analyst.

SAMIE MODAK

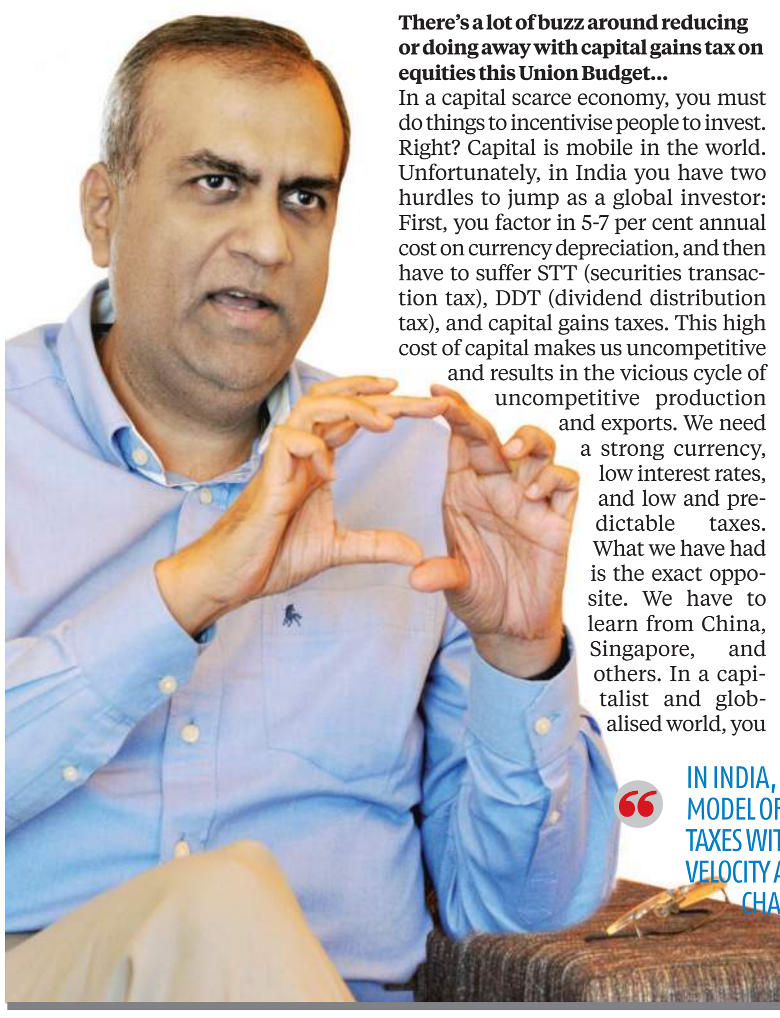
Damani effect on stock prices

Shares of Spencers Retail surged more than 20 per cent last week after it emerged that ace investor and Radhakishan Damani, promoter of Avenue Supermarts which operates DMart stores, has picked up 2 per cent stake in the Kolkata-based firm. Earlier this month, shares of India Cements had soared 7 per cent after shareholding data showed Damani had upped stake in the company by 3.4 percentage points. Brokers say Damani's investment pattern has become a big trigger for market. "The Damani trade is gaining currency. Traders lap up shares of companies where they see the ace investors has invested," says a broker.

SAMIE MODAK

'Privatisation is one big way to unleash animal spirits'

MANISH CHOKHANI, veteran investor and director of Enam Holdings, in an interview with ***Hamsini Karthik*** and ***Vishal Chhabria*** talks about the forthcoming Union Budget, India's growth challenges and how some radical policy reforms can unleash animal spirits in the economy. Edited excerpts:



Q&A

MANISH CHOKHANI
Director, Enam Holdings

There's a lot of buzz around reducing or doing away with capital gains tax on equities this Union Budget...

In a capital scarce economy, you must do things to incentivise people to invest. Right? Capital is mobile in the world. Unfortunately, in India you have two hurdles to jump as a global investor: First, you factor in 5-7 per cent annual cost on currency depreciation, and then have to suffer STT (securities transaction tax), DDT (dividend distribution tax), and capital gains taxes. This high cost of capital makes us uncompetitive and results in the vicious cycle of uncompetitive production and exports. We need a strong currency, low interest rates, and low and predictable taxes. What we have had is the exact opposite. We have to learn from China, Singapore, and others. In a capitalist and globalised world, you make money by maximising turnover and velocity. In India, we are still following the "colonial" model of trying to extract margins, tolls, and taxes without understanding the power of velocity and speed. I hope that structural changes are made and signalled in a powerful manner.

In terms of economic growth and given the health of India Inc, how close are we to a recession?

For the rest of the world, when you use the term recession, you mean that growth has gone into negative territory and GDP is shrinking. In India, we are so used to 8 per cent growth that when we see 5 per cent growth, it seems like a recession. But certainly, there is a massive slowdown in the economy for a variety of reasons.

Do you expect things to go worse from here before they get better?

A lot of the current slowdown has been caused by some deep reforms like the Real Estate (Regulation and Development) Act, or Rera. This got compounded by the blowing up of the non-banking financial companies sector. Also because of reforms like the GST regime under which the compliant people are becoming bigger, and less compliant are falling by the wayside. So industry after industry, you will find the trend of the compliant getting bigger and stronger. When large segments of society have to course-correct, the structural adjustment takes time.

How long should one wait for things to turn around?

Hopefully, we start seeing things reaching a tipping point soon. For instance, the money coming into Reliance Industries from Saudi Aramco and the QIP of Bharti Airtel has already rebooted the telecom sector. Resolution is through in Essar Steel and Bhushan Steel, so that sector seems to be making a comeback — and that is helping corporate-oriented banks as well. Some of these have started changing the mood.

I didn't see such a big slowdown coming our way. It's about whether the crisis will end for those feeling the pressure because of overleverage or them being less compliant. Also, unless we solve the financial sector crisis and the trust deficit, the economy may remain range-bound. The combination of tighter compliance and financial sector trust deficit is the problem to resolve.

In your talks with foreign investors, what's their feedback on India?

India is still seen as the last big emerging economy of the world — that will become the third-largest economy of the world over the next decade. While we are crying over growth at 5 per cent, others will give an arm and a leg for that. The issue is that our economy is still too small and concentrated. We still resemble a colonial economy focused on margins and toll taxes, rather than a modern economy focused on speed, velocity and platform creation. Unless we can rapidly provide skills, jobs and upward social mobility to our youth —without demonising those who are successful — we cannot progress.

Can privatisation be a game changer?

Privatisation is surely one major way for the government to drive productivity, unleash animal spirits, and reduce its own interest burden. As much as 40 per cent of the government Budget goes into interest payments and it is always starved for resources to invest in essential infrastructure. When Suzuki got Maruti, the world thought India has arrived. Telecom licenses opened up the floodgates for private equity players and FDI and FII funds rushed into India. Major companies like Hindustan Zinc, IPCL, and VSNL got privatised and productivity and wealth multiplied manifold. India needs to get these kinds of events right and signal its economic philosophy is forward-thinking. If the privatisation of BPCL, Container Corporation, and others happens this year, the market will see the potential and rerate PSU stocks.

"IN INDIA, WE ARE STILL FOLLOWING THE 'COLONIAL' MODEL OF TRYING TO EXTRACT MARGINS, TOLLS, AND TAXES WITHOUT UNDERSTANDING THE POWER OF VELOCITY AND SPEED. I HOPE THAT STRUCTURAL CHANGES ARE MADE AND SIGNALLED IN A POWERFUL MANNER

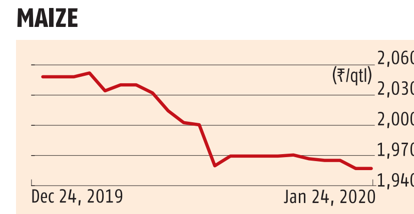
EVENTS THIS WEEK

Date	Particulars
27-Jan	US – new homes sales figures
	Results: HDFC, Dr Reddy's Lab & InterGlobe Aviation
28-Jan	US – Richmond Fed manufacturing index figures
	UK – nationwide house price index
	Results: M&M Financial, Cummins India & Maruti Suzuki
29-Jan	Results: Bajaj Finserv, Pidilite, Godrej Consumer Products, Tata Power, Bajaj Finance & Crompton Greaves
30-Jan	US – FOMC rate decision
	US – GDP annualised figures
	US – jobless claims
	UK – Bank of England bank rate
	Results: Marico, Indian Oil, Colgate, Dabur, Bajaj Auto, Bharti Infratel, Bajaj Holdings, LIC Housing, Tata Motors &
31-Jan	India – Eight Infrastructure Industries index
	India – GDP, fiscal deficit data
	Results: Hindustan Unilever, State Bank of India, ITC, Tech Mahindra & Power Grid
1-Feb	India – Union Budget

Source: exchange/websites/Bloomberg
Compiled by BS Research Bureau

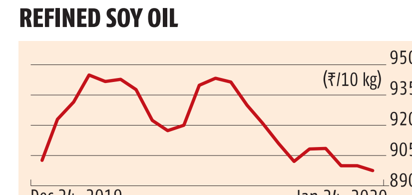
COMMODITY PICKS

MAIZE



Maize is trading at ₹1,957 per quintal in Nizamabad. Prices are expected to trade lower towards ₹1,900 a quintal over the next couple of weeks. This is on stock liquidation pressure by farmers across South India and likely downward revision in the price of wheat on government's open market sales.

REFINED SOY OIL



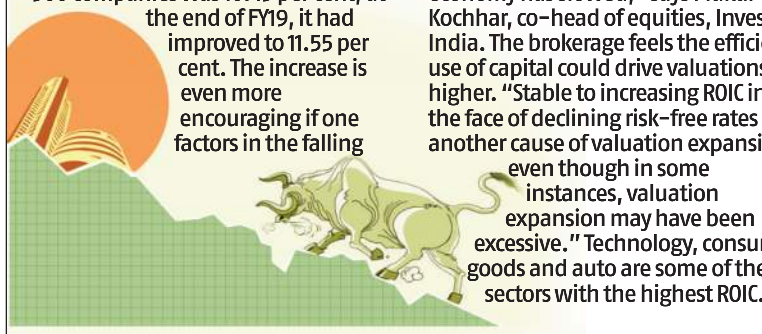
Refined soy oil is trading at at ₹898 per 10 kilograms in Indore market. In the week ahead, prices are expected to head towards ₹875 per 10 kilograms. Weak demand and global cues are expected to keep the undertone muted in the near term.

Prerana Desai,
Research Head - Edelweiss Agri Services and Credit

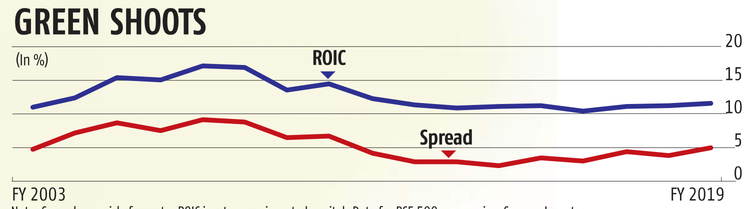
India Inc's return on capital shows improvement

SAMIE MODAK

Amid the gloom and doom over earnings and economic growth, a key financial metric for India Inc is showing improvement. According to an analysis by Investec, the return on invested capital (ROIC), a metric for assessing efficient use of capital, has been on the rise in the past three financial years. In FY16, ROIC for the BSE 500 companies was 10.45 per cent; at the end of FY19, it had improved to 11.55 per cent. The increase is even more encouraging if one factors in the falling interest rate. The spread between ROIC and the risk-free rate has gone up from 2.95 in FY16 to 4.95 per cent in FY19 — the highest in eight years. Investec says the improvement is on account of easing of competition. "Easy, and indiscriminate access to capital in the past had led to irrational competition in most sectors — banking, cement, steel, construction, and others. This was not allowing the sectors on aggregate to even earn cost of capital. As capital becomes more discerning, we see profitability improving. The improvement in ROIC indicates that companies are adding more value today over their cost of capital than any time since FY11, driving stock performance, even as the economy has slowed," says Mukul Kochhar, co-head of equities, Investec India. The brokerage feels the efficient use of capital could drive valuations higher. "Stable to increasing ROIC in the face of declining risk-free rates is another cause of valuation expansion, even though in some instances, valuation expansion may have been excessive." Technology, consumer goods and auto are some of the sectors with the highest ROIC.



GREEN SHOOTS



Note: Spread over risk-free rate; ROIC is return on invested capital; Data for BSE 500 companies; Source: Investec

IT stocks lead defensive play

JASH KRIPLANI
Mumbai, 26 January

The Nifty IT index — which comprises of IT companies with largest market capitalisation — has been among the top-performing defensive sectors vis-a-vis pharma and FMCG in recent months.

In the last three months, the IT index has delivered returns of 11.44 per cent, whereas the Nifty Pharma has delivered returns of 7.3 per cent. In the same period, the Nifty FMCG has given marginally negative returns.

The top IT gainers during this period include NIIT Technologies (30 per cent), Tata Elxsi (27 per cent), Mindtree (24.3 per cent), and Infosys (23.2 per cent). HCL Technologies and Tech Mahindra have given returns of 8 per cent each.

The contrast is starker in the one-year period. The Nifty IT has posted gains of 10 per cent, where as the Nifty Pharma has given negative returns of 6 per cent. According to market participants, IT has been on investors' radar amid expectations of improving global growth and improved IT spending.

In the recent Bank of America's global fund managers' survey for December, 36 per cent of the respondents said global growth will improve in 2020, up 7 percentage points from November's survey. This was the highest level since February 2018.

Foreign fund managers are seeing greenshoots in global growth with the trade tensions between the US and China receding and the uncertainty around Brexit fading away.

Meanwhile, analysts are of the view that investing in pharma companies has become more volatile.

"Pharma companies have been plagued with FDA issues. Also, the possibility of launching big new products is thinning," said Deepak Jasani, head-retail research at HDFC Securities.

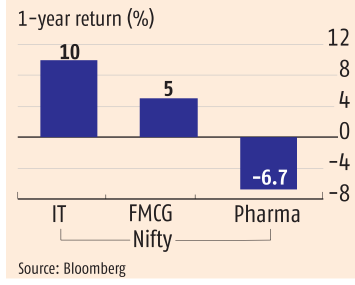
"IT companies are more stable. The other attraction is that these companies are known to give back cash to shareholders through buybacks," Jasani added.

The continued weakness in rural demand has led to weak sentiments on the FMCG space.

"FMCG companies' operating margins, which have been improving consistently, could also be at risk from the recent inflationary trends in raw materials," BNP Paribas said in a note.

"Weak income growth and inflationary pressure in categories such as telecom, could make price hikes difficult for the FMCG companies, without hurting volumes," the note added.

SECTORAL SHOW



Source: Bloomberg

BRIEF CASE ● M J ANTONY

A weekly selection of key court orders

PF trust opened to contract labourers

The contractual employees of government-owned Pawan Hans helicopter company emerged victorious in the Supreme Court when it ordered that they must be treated on a par with the rest of the employees for the purpose of provident fund. They were not recognised as employees, and thus denied the benefit under the Employees' Provident Funds Act. The company has its own provident fund trust but contract workers were denied that benefit also, though they were working for decades and were paid directly by the company without a contractor. They moved the Bombay High Court for the PF benefit. It ruled that they were eligible for the scheme under the Employees PF Act. The court stated that a liberal view must be taken in extending social security benefits to contractual employees. The company, therefore, moved the Supreme Court. It argued that since it has its own PF trust, it was exempted from the general PF Act. The question was whether the contractual employees are entitled to provident fund benefits under the company's trust or under the general law. The Supreme Court modified the high court order and directed that "the members of the trade union and other similarly situated contractual employees be enrolled under the Pawan Hans Employees Provident Fund Trust Regulations so that there is uniformity in the conditions of service of all employees of the company." The court also ordered the company to pay 12 per cent interest on the amount payable so far. Besides, the court asked the company to pay ₹5 lakh to the Aviation Karamchari Sanghatana towards expenses in litigation.

Corporate debtor's assets taken over

The Supreme Court last week set aside the order of the National Company Law Appellate Tribunal (NCLAT) in the appeal case, Maharashtra Seamless (MSL) vs Padmanabhan, and directed the resolution professional to take physical possession of the assets of the corporate debtor, United Seamless Tubulaar, and hand it over to MSL. The police and administrative authorities were directed to assist the resolution professional to enable him to carry out these directions. Indian Bank was the initiator of the resolution process before the tribunal in Hyderabad and the issues involved term loans given by DB International (Asia) and Deutsche Bank, Singapore.

Patents office is an 'industry'

The definition of 'industry' in the Industrial Disputes Act is still in flux. The issue had been referred by the Supreme Court to a nine-judge Constitution Bench in 2005. But that matter, called the 'Bangalore Water Supply case', has not been heard so far, leaving the law undecided. Confronted with such a situation, the Delhi High Court last week observed that "as on date, however, the Bangalore Water Supply case remains pristinely undisturbed. Having weathered the storms of judicial scrutiny thus far, that judgment necessarily continues to bind this high court". The high court made these observations while declaring that the controller general of patents, designs and trademarks is an 'industry' according to the Supreme Court ruling, which is yet to be examined by the larger Bench. Several employees of the patent office were terminated. They moved the industrial tribunal. It directed the controller general to reinstate with back wages. Therefore, the government appealed to the high court. It upheld the tribunal's order.

Sale of repossessed vehicles expedited

The Delhi High Court has removed a hurdle in the sale of vehicles seized by banks for non-payment of instalments by the borrower. The suits are stuck in long litigation and adjournments easily granted hurt the financiers. In its judgment in ICICI Bank vs Priya Baveja, the court set a deadline of 60 days for disposing of the bank's applications to sell the vehicle which it took possession according to the agreement of hypothecation. The judgment noted that a large number of such applications are pending in trial courts and banks' applications are merely getting adjourned at different stages of the proceedings. Several borrowers do not appear in the court at all. "No useful purpose would be served by leaving the vehicle to deteriorate and letting the bank incur further charges to store and preserve the vehicle," the judgment said. Narrating the facts of the case, it allowed the bank to sell the vehicle, observing that "the car has a limited life value, which deteriorates with each passing day. The bank ought to be permitted to sell the car to recover whatever amount it can to satisfy the decree."

'Disparaging' video on YouTube stopped

The Bombay High Court prefaced its judgment in Marico vs Abhijeet Bhansali with the remark that "the rapid expansion and commercialisation of the internet has brought forth novel legal disputes, which challenge the conventional principles and precedents". In this case, the company, which produces and markets the fast-moving coconut oil product, called Parachute, complained that the opposite party uploaded disparaging content against its brand on YouTube. The court passed an injunction against Bhansali, weighing the balance of convenience on both sides. Bhansali is described as a "YouTuber"/"V-Blogger", who has his own channel titled Bearded Chokra. He published a video titled "Is Parachute coconut oil 100% pure?" In this video, he is alleged to have made disparaging and denigrating claims against Parachute. However, he defended the contents arguing that it was a bona fide opinion based on his studies. The court observed that statements have been made with recklessness and without caring whether they were true or false. "The video reeks of malice," according to the judge. The video is "commercial speech" but the fundamental right to freedom of expression cannot be abused.

Arbitrator snubbed for poor reasoning

The Delhi High Court set aside an arbitration award between a dealer of motor spirit and Hindustan Petroleum Corporation stating that its reasoning fell short of minimum standards. The dispute was over the quality of spirit seized and the lab report. The corporation terminated the dealership and the matter was referred to arbitration. The award blindly accepted the corporation officials' version. The high court stated that the reasoning "betrayed the arbitrator's implicit faith in the officials of the corporation -- of which he also incidentally was one." The court stressed that "while acting as an arbitrator, it is the duty of a person to approach the dispute objectively and eschew preconceived notions about the credibility of either party's case."

REGULATING ARTIFICIAL INTELLIGENCE

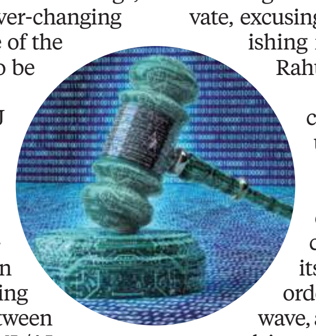
Why one size won't fit all

Sectoral approach to AI rules allows greater flexibility to regulators, say experts

KUMAR ABISHEK

Alphabet CEO Sundar Pichai's recent call for regulating artificial intelligence (AI) has reignited the debate on the matter. While Pichai is not the first corporate leader to do so — Tesla's Elon Musk has been advocating this for the past several years — the timing is important.

AI-based applications, such as facial recognition, are increasingly finding their way into routine usage, and they are evolving. Given the ever-changing nature of AI technology, experts are of the view that rules to regulate it have to be application-based.



Sajai Singh, partner at law firm J Sagar Associates, states the dilemma that regulators across the globe face when it comes to regulating AI.

"What options on regulations do we have? Open, universal and transparent standardised set of regulation for the operation of machine learning (ML)/AI models? An agreement between all the concerned parties?" he asks. ML/AI regulation may be impossible to achieve without controlling ML/AI, which defeats its purpose, he says.

Salman Waris, managing partner, TechLegis, agrees and says horizontal regulations on AI tech will limit innovation, making it difficult for the law to adapt to the technology changes. "A sectoral approach to regulating AI allows greater flexibility, better implementation, and a targeted approach."

Experts also point to the need for developing a regulatory framework around AI in India with the rise of the start-up ecosystem delivering AI products. But, most are against introducing any new standards in this regard to the proposed data protection Bill, asserting that privacy is only one aspect that affects AI. As Huzefa Tavawalla, head of disruptive technologies practice at Nishith Desai Associates, puts it: "The Data Protection Bill should be a broad, macro framework. Later on, we can enact industry-specific laws — from robotics to drones, to health care".

He also stresses the need for deciding accountability parameters and AI rights. "Saudi Arabia has declared humanoid robot Sophia its citizen and granted her rights, but that is a one-off case. The question remains: Who owns AI, the creator of the algorithm or its operator?"

Experts note that corporate bodies have been granted legal rights and are accountable to their stakeholders, and the same principle can be applied to AI. But there is a catch: Corporate bodies aren't truly independent as they are run by humans; AI can be truly independent.

So what are the dos and don'ts as governments across the world, including India, look to regulate AI. "Regulations should not be unnecessarily penal in nature, as that will have a chilling effect on innovation. Regulations need to allow companies to innovate, excusing innocent mistakes and only punishing reckless or willful violations," says Rahul Matthan, partner, Trilegal.

The Indian government has been conscious of tapping the potential uses of AI. Piyush Goyal, while presenting the interim Budget last year, had announced the government was considering setting up a national centre for AI. The NITI Aayog, too, in its 2018 discussion paper stated: "In order for India to ride the AI innovation wave, a robust intellectual property framework is required."

Some experts want global consensus on the AI framework and suggest a common point of interaction between regulatory authorities in the research and development area. Many believe that the laws should be based on the OECD Fair Information Practice Principles (which calls for AI systems being designed in a way that respects rule of law, human rights, democratic values, and diversity) and they should implement privacy by design.

There is another side to the conundrum: Governments across the globe have used/abused facial recognition technologies. Being a stakeholder, how impartial would they be in framing regulations? "The only effective way to manage the use of technology by a government is for the government to proactively manage this use itself. What is needed today is a government initiative to regulate the proper use of facial recognition technology," argues Waris.

Experts believe a broad regulatory framework will not only benefit end-consumers, but also facilitate large-scale adoption of AI tech by industry.

UNITED, YET DIVIDED

"There are real concerns about the potential negative consequences of AI, from deepfakes to nefarious uses of facial recognition"
SUNDAR PICHAI
CEO of Alphabet and Google

"We should be thinking a lot harder around regulation at the time of use. Because facial recognition or object recognition by itself is not good or bad; it is just a technology"
SATYA NADELLA
CEO of Microsoft

"Precision regulation is what I think is needed because ... we've got to compete in this world against every country"
GINNI ROMETTY
Chairperson and CEO of IBM

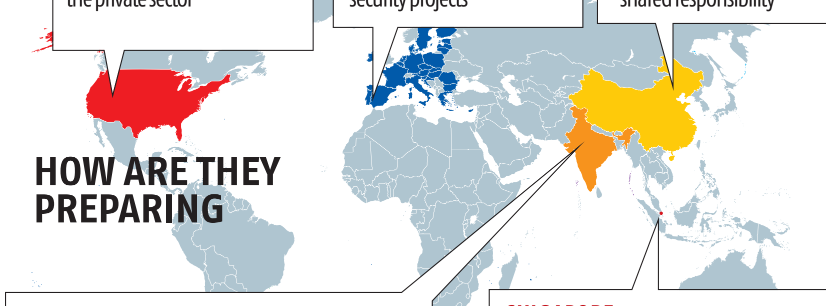
"There should be a government agency that oversees anything related to AI to confirm that it doesn't represent a public safety risk"
ELON MUSK
CEO of Tesla and SpaceX

POISED TO MAKE THE MOST

1	SINGAPORE
2	UNITED KINGDOM
3	GERMANY
4	US
5	FINLAND
6	SWEDEN
6	CANADA
8	FRANCE
9	DENMARK
10	JAPAN
17	INDIA
20	CHINA

Source: Government Artificial Intelligence Readiness Index, 2019

HOW ARE THEY PREPARING



UNITED STATES
Its recently published draft rules calls for increasing the AI workforce, international engagement on AI standards, and devising laws for its use by the private sector

EUROPEAN UNION
A draft European Commission White Paper seeks a ban on facial recognition in public places for up to five years, except for research and security projects

CHINA
Its AI Governance Principles calls for "respect to privacy", "inclusiveness and sharing", "security and controllability", and "shared responsibility"

INDIA
The NITI Aayog's discussion paper, *National Strategy for Artificial Intelligence*, suggests establishing data protection and sectorial regulatory frameworks, and promotion of adoption of international standards. The Centre is planning a national programme on AI

SINGAPORE
It has created the AI Ethics Advisory Council to "assist the government to develop ethics standards and reference governance frameworks, issue advisory guidelines, practical guidance and codes of practice for voluntary adoption by businesses"

Despite IBC, RERA, no relief to homebuyers

GEETIKA SRIVASTAVA

The recent Supreme Court judgment allowing the Centre to take over the management of the beleaguered real estate firm Unitech has once again put the spotlight on the issues concerning homebuyers and their disputes with builders.

A sense déjà vu prevailed: Around a decade back, the government had to similarly step in to rescue fraud-hit Satyam. While many stakeholders celebrated the SC's order in Unitech, it raised questions on the efficacy of the regulatory and redress mechanisms under the Real Estate Regulation Act (RERA) and the Insolvency and Bankruptcy Code (IBC).

According to the apex court, the Unitech matter was prima facie concerned with siphoning off funds by the promoters. However, the court did not allow the matter to go to insolvency proceedings, keeping homebuyers' interest in mind. Though the IBC gives homebuyers the status of financial creditors, it doesn't put them on a par with other financial creditors. This creates apprehension on the mind of homebuyers stuck in such cases.

Homebuyers come under the category of "unsecured creditors". This means though homebuyers can seek to initiate insolvency proceedings under the IBC, the unsecured creditor status may have implications on priority of the payments made when a company dissolves. Secured creditors, which have an investment backed by collateral, such as banks, will be high on the list. If a company does go into insolvency, the homebuyers may not get a sizeable chunk of the pie, even though they are part of the committee of creditors (CoC).

In the CoC, homebuyers may face other challenges. One can be that the resolution professional has to ascertain the stage of the negotiations between homebuyers and the developer company, points out Aradhana Bhansali, partner, Rajani Associates.

A recently proposed amendment to the Code appears to make it tougher for homebuyers to even institute a case in the first place. The amendment seeks to stipulate that at least 10 per cent or 100 homebuyers — whichever is less — can trigger action under the IBC. Moreover, any pending matter in the court has to comply with these provisions within 30 days.

When this latest amendment comes into effect, homebuyers may find it difficult to invoke the Code for redressal of their woes. First, there is no document in public which has details of every homebuyer of a project. The presence of such a document, many can argue, will be a violation of the right of privacy. "This makes the right under the amendment practically unenforceable," says Satya Prakash, senior consultant, Fox & Mandal.

THE CHALLENGES

- **RERA faces implementation** problems on the ground
- **States have failed to appoint** adjudicating officers
- **As homebuyers are unsecured creditors,** they get proceeds after secured creditors under the IBC
- **Under the new IBC Ordinance,** only 10% or 100 buyers can start insolvency proceedings
- **Details of homebuyers in a project are not public.** This makes homebuyers' right practically unenforceable

The Supreme Court recently granted relief to homebuyers who appealed against the Ordinance limiting their rights. The apex court stayed the provision, which asked pending applications to comply within 30 days. However, the judgment has not granted relief to any future applications.

Analysts point out the Real Estate Regulatory Authority, too, has not been able to stem the litany of woes faced by homebuyers in financially stressed projects. The Act is well-intentioned to provide relief to homebuyers by ensuring timely completion of projects, refunds, possession, etc. However, the authority's efficacy as a regulator has been uneven across states. "The execution of RERA in several states seems to be beset with teething problems," notes senior advocate Arvind Nayar. Experts say many a time builders don't comply with the authority's orders, and even force homebuyers to take possession of a house, instead of a refund.

"The biggest issue is lack of adjudicating officers," says Aditya Parolia, partner, PSP legal. The court, too, has expressed concern over the implementation track record of the authority's orders and observed the growing need for appointing adjudicating officers. It is also noteworthy that RERA has multiple stages of appeals — an appellate authority, a high court and then the Supreme Court. Experts point out an aggrieved homebuyer has the option to simultaneously file a case against a builder under the IBC and RERA, and with the consumer forum. He/she can even a criminal proceeding (for cheating, misappropriation of funds, etc).

Parolia is of the view that a homebuyer is better off approaching the consumer forum as it can handle both civil and criminal matters. Moreover, the order can only be challenged in the SC, which makes it easier for the distressed parties. But other experts throw in a word of caution. "On initiation of moratorium under the IBC, RERA's authority will be rendered redundant. Also, homebuyers may lose their claim to interest which RERA provides," says Poornima Advani, founding-partner at The Law Point.

GST arrest provisions: Need for an urgent review

ARJUN RAGHAVENDRA M

In case of cognizable offences (magistrate's warrant not required) under central excise and service tax laws, competent officers were empowered to cause arrest, while in the state VAT laws, the offences were non-cognizable (magistrate's warrant required). In a giant leap for the tax administration, GST laws empowered both central and state officers, in case of cognizable offences, to effect arrest when they have "reasons to believe (the law does not specify whether it is "beyond reasonable doubt" or just "circumstantial")" that tax has been evaded. Increasing GST litigation before the apex and high courts, by way of writ petitions, brings the focus back on the arrest provisions and the need for a policy review.

First, the philosophy behind the arrest provisions in GST remains mysterious, especially when all offences under the direct tax laws are non-cognizable. For every argument justifying the need for arrest wherein GST is collected but not deposited, there is a counter-argument as to why a different logic has been adopted for TDS (income tax) deducted but not deposited with the exchequer? This inherent disparity, especially at a time when the Tax Administration Reforms Commission (TARC), not long ago, recommended the merger of the two tax administrations, is odd.

While state administrations, for decades, have implemented VAT laws, offences under which were non-cognizable, there is no study by the government or otherwise indicating the central model (excise/service tax) categorising offences as cognizable as superior to the state model. The minutes of the GST council meetings neither indicate the basis on which this prosecution model has been premised upon, nor the idea as to why certain offences under GST have been made cognizable.

Service tax regime, in the last six years, witnessed two amnesty schemes, which in many cases granted immunity from prosecution and even partial waiver of tax. Amnesty schemes defeat the very concept for the arrest and prosecution provisions. Central excise law, which authorised arrest in cases of misclassification or other technically subjective issues, was legislated in the pre-1991 socialist era. Should those indices that determined tax edifices more than seven decades back, especially in the context of arrests and prosecution, be made applicable today?

There is no open-source data available on the number of arrests under central excise/service tax laws, and specifics of compounding or prosecution launched in those cases. No audit appears to have been carried out to verify if the prosecution was launched in "every" case of arrest and if not, why.

Central excise and service tax laws offered offending taxpayers an option to avail the in-built statutory alternate dispute resolution mechanism, wherein on payment of tax, interest and stipulated penalty, "all" proceedings under the respective laws stand concluded. Strangely, the GST regime tweaks this provision to keep open the option to prosecute the taxpayer even after he/she pays the tax, interest and penalty. The Settlement Commission, a statutory body enabling settlement of direct and indirect tax disputes, including prosecution, has been kept out of the GST purview. Surprisingly, the other indirect tax, customs, continues with many of these liberal provisions, currently being denied under the GST establishment. What could be the intent behind these stringent measures, especially when the largest tax transformation warrants a soft landing?

Many petitions have been filed before various high courts and the apex court challenging the GST investigations on the premise that the provisions of the criminal procedure code are currently not being followed. Unmindful of the fact that GST is a special code, many high courts have granted interim stay, complicating the chaos. Conflicting high court decisions do no good for the evolution of this law. The Madras High Court has declared the constitution of the GST tribunal unconstitutional, adding to the existing litigation woes in GST.

CERTAIN FUNDAMENTAL QUESTIONS MERIT ATTENTION: CAN ARRESTS PRECEDE ASSESSMENT, ESPECIALLY IN A TECHNICAL MATTER? CAN THERE BE ANY ARREST IF THERE IS NO HINDRANCE TO THE INVESTIGATION?

Certain fundamental questions merit attention: Can arrests precede assessment, especially in a technical matter? Can there be any arrest if there is no hindrance to the investigation? Can revenue implications be the only reason for legislating arrest provisions? Should such legislation not be based on data and facts from the erstwhile tax regime? In the absence of any provision for an anticipatory bail in the GST law, can writ petitions become a substitute? What is the rate of conviction in central indirect taxes in the past 30 years? Should the social stigma associated with arrests be factored in at the time of legislation? In the many GST arrests pertaining to fake invoicing, illegal credits and fraudulent refunds, have there been any recoveries? When the GST law provides for compounding of offences, should a taxpayer be arrested at all, if he intends to make an application in this regard?

The weapon of arrest could potentially degenerate into a malignant vehicle of extortion, breeding frenzied corruption institutionalising arbitrary tax governance. What GST urgently deserves is a re-orientation, for which a leaf out of the 'nudge theory' in behavioural economics may definitely help.

The writer is a Delhi-based independent advocate and previously worked for the Government of India. Views are personal

Panel: Break encryption to trace distributor of child porn on Net

NEHA ALAWADHI
New Delhi, 26 January

A Rajya Sabha panel has recommended that law enforcement agencies should be permitted to break end-to-end encryption to trace the distributior of child pornography on social media.

The ad hoc committee of the Rajya Sabha formed to look into pornography on social media and its effect on children and society has also recommended that apps that help in monitoring children's access to pornographic content be made mandatory on all devices sold in India, and such apps or similar solutions be developed and made freely available to internet service providers (ISPs), schools and parents.

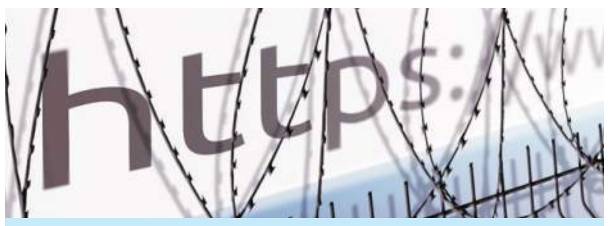
The 14-member committee, chaired by Congress leader Jairam Ramesh, has made 40 recommendations in all, including changes to the Protection of Children From Sexual Offences (POCSO) Act, 2012. The recommendations assume significance in view of the ongoing battle between the government and WhatsApp over encryption. The government has been looking for a way to trace messages to curb spread of rumours and fake news on the messaging app. If these recommendations come into effect, it could set a precedent for other similar requests. "The committee recommends modifying the IT (Intermediary Guidelines) Rules 2011 to include the ability to trace the originator or sender of the message shared on end-to-end encryption platforms in cases where CSAM (Child Sexual Abuse Material) that has been shared has come to the attention of law enforcement agencies," said the report submitted by the panel. The report further adds that internet service providers (ISPs) proactively monitor and take down CSAM.

The committee has suggested broadening the definition of child pornography in POCSO, including a provision on child grooming, or using the Internet to facilitate sexual contact with a child, in the Act.

The report suggested making amendments to the IT Act to include punitive measures for those who provide children access to pornography, and for those who access, produce or transmit CSAM. It said the Act should include a clause to give powers to the "Centre through its authority to block and/or prohibit all websites/intermediaries that carry CSAM".

The report said an upgraded and technologically empowered National Commission for Protection of Child Rights (NCPCR) should be designated as the nodal agency to deal with the issue of child pornography, and the National Crime Records Bureau (NCRB) should record and report cases of child pornography annually. "A national helpline should be created where child sexual abuse and distribution of child pornographic material can be reported by concerned citizens."

Other technological suggestions include that the ministries of electronics and IT and home affairs sign agreements with the industry to develop solutions for proactive monitoring of CSAM, partner blockchain companies to track cryptocurrency transactions used to purchase child pornography online, besides increasing tie-ups with financial services firms, like credit card providers, to prevent online payments systems from being used for purchasing child pornography.



THE RECOMMENDATIONS

- The 14-member committee has suggested broadening the definition of child pornography in POCSO Act 2012
- An upgraded- and technologically-empowered NCPCR should be designated as the nodal agency to deal with the issue
- Suggests making amendments to the Information Technology (IT) Act
- The ministries of electronics and IT and home affairs should sign pacts with the industry to develop tech solutions for proactive monitoring of CSAM

Experts see more pain for Bank of Baroda

ABHIJIT LELE & SHREEPAD AUTE
Mumbai, 26 January

Government-owned Bank of Baroda (BoB) is yet to come out of the woods. Some more pain — it reported a spike in bad loans during the December quarter — is possible, say analysts, given the economic slowdown. Credit costs could stay elevated in the coming financial year.

Says Lalitabh Shrivastawa, deputy vice- president at financial services entity Sharekhan: "In the September quarter, the bank's slippages were expected to have peaked out. However, even after removing the divergence-related impact, the quantum of slippage continued to remain elevated in Q3 (October-December). We expect asset quality pain to continue in the near term, while the growth is likely to be tepid."

The bank's gross non-performing assets were ₹73,140 crore at end-December, from ₹69,969 crore at end-September. The figure at end-December 2018 was ₹74,322 crore.

The extra slippage in Q3 of 2019 was a little over ₹10,000 crore. Of these, ₹4,500 crore was on account of divergence (gap between BoB's assessment of bad loans and those estimated by the Reserve Bank of India for 2018019). This pushed the slippage ratio to 6.78 per cent in Q3, from the earlier 3.95 per cent.

S L Jain, executive director in BoB, said at a meeting with analysts that the divergence was due to two factors. One, shortfall in provisioning which happens due to the value of security, which deteriorates with the time for which you have to provide these. Two, asset qualification due to interpretational issues. The bank had, he said, provided in Q3 for all the divergence RBI suggested.

Jain said about ₹2,000 crore was due to a big financial services entity and ₹2,000-3,000 crore was due to the segments of agriculture, retail and small & medium enterprises. More from the loan book of BoB than those of Dena and Vijay Bank. The latter two merged into BoB at the start of this financial year.

Broking house Motilal Oswal says BoB continues to report weak numbers as fresh slippage stays elevated and business growth moderates. The appointment of Sanjiv Chadha as managing director and CEO removes one concern. However, the standing watch-list and SMA-2 assets in a slowing economy remain a concern, it said. Jain said the bank was not unduly worried over the watch-list accounts; it was regularly monitoring these.

Vibha Batra, co-founder at Fairconnect Business Advisors, said one has to be watchful of the burden of provisioning for some accounts. The macro economic environment would also have abearing on the asset quality profile.

ASSET QUALITY UNDER LENS

BoB financials over the past 5 qtrs

	Gross NPAs (₹cr)	Slippage ratio (%)	Credit cost (%)
Q3FY19	74,322	3.65	2.64
Q4FY19	69,924	4.94	8.13
Q1FY20	69,714	3.56	1.81
Q2FY20	69,969	3.95	2.02
Q3FY20	73,140	6.78	3.88

Source: Bank presentation

Factors that will influence bank's asset quality profile

- Economic, business slowdown, and recovery
- Default risks in MUDRA loans
- Recoveries from large stress accounts

How firms are bracing for Coronavirus impact

BLOOMBERG
January 26

A rapidly spreading viral outbreak is disrupting travel and business in China, which took unprecedented steps to lock down cities with a combined 40 million people around the epicenter in Wuhan to try to slow its progress. For global corporations, Wuhan is an important hub. Of about 2,000 cities in China with factories and other facilities, the city ranks 13th, with about 500 facilities. The province of Hubei has 1,016, making it seventh of 32 such jurisdictions. US-based firms have 44 facilities there, and European ones about 40, the data show. Many plants are in the auto and transportation industries, and big names include PepsiCo and Siemens AG. As the death toll from the pneumonia-like illness rises and cases are found in neighboring Asian countries, including South Korea and Singapore, as well as in the US, the economic impact of the novel coronavirous could be widespread.

Here is a rundown of what big companies are saying so far about the impact.

January 26:

HONDA MOTOR: The automaker evacuated from Wuhan with about 30 Japanese staff, family members and employees visiting on business trips, Teruhiko Tatebe, a Tokyo-based spokesman, said on phone. The carmaker has informed the Japanese government that it wishes to utilise the charter jet planned to evacuate Japanese citizens. A handful of staff needed to maintain local operations will remain in the city.

January 25

GROUPE PSA: The French maker of Peugeot cars and other brands said it will evacuate its expatriate staff and their families from the Wuhan. Thirty-eight people will leave, the firm said.

January 24:

McDONALD'S: The fast-food giant, which had about 3,000 stores in China at the end of 2018, temporarily closed locations across five cities of the Hubei province due to the virus, including Wuhan. The Chicago-based company is taking extra preventative measures in the rest of the country, including taking the temperature of workers upon arrival and giving out hand sanitisers to diners.

WALT DISNEY: The world's largest theme park operator said it would close its Disneyland resort in Shanghai effective January 25. It is offering refunds to guests who bought theme park tickets or reserved rooms in its hotels.

STARBUCKS: The Seattle-based chain, with about 4,100 cafes in China, also said it's closing some locations, without providing more details.

DELTA AIR LINES: The Atlanta-based carrier issued a travel waiver that allows passengers traveling to, from or through Beijing and Shanghai between January 24 and January 31 to change their itinerary once without having to pay a fee.

January 23:

AMERICAN AIRLINES GROUP: President Robert Isom said it was too soon to see an impact. "Our network isn't that extensive in Asia. But we're on top of it," he said. "We've seen viruses in the past that we've had to make accommodations for and to be prepared for, we're doing all those same things."

January 22

UNITED AIRLINES HOLDINGS: It was among the first global corporations to comment on the coronavirus on an earnings conference call.

Passengers wearing masks at the Changsha Railway Station in Hunan province on Sunday PHOTO: REUTERS

NO INDIAN IN CHINA AFFECTED BY VIRUS: MEA

The External Affairs Ministry on Sunday said as of now no Indian in China had been affected by the coronavirus outbreak and the embassy in Beijing is in close touch with all Indians in Wuhan and elsewhere in Hubei province.

The Union health ministry said over 29,700 passengers from 137 flights were screened till Sunday for novel coronavirus infection at seven identified airports in the country but no positive case was detected. PTI

R-Day parade underlines shift from Russian to US weaponry

AJAI SHUKLA
New Delhi, 26 January

The all-time high participation of US-made aircraft in Sunday's Republic Day parade, alongside a noticeably reduced Russian presence, underlines the growing shift in India's weapons procurement priorities. While the Indian arsenal continues to field large number of legacy Russian weapons platforms, the new weaponry being inducted is mainly of US or Indian origin.

The American aircraft in the parade included the newly arrived CH-47F Chinook heavy-lift helicopter, the AH-64E Apache attack helicopter, C-130J Super Hercules special operations aircraft and the C-17 Globemaster III strategic airlifter. In addition, the navy's tableau featured the P-8I Poseidon multi-mission maritime aircraft.

In contrast, the parade featured only three Russian aircraft — the Sukhoi-30MKI and MiG-29UPG fighters and the Mi-17V5 medium-lift helicopter. Russian Ilyushin-76 and Antonov-32 transport aircraft also remain in the Indian Air Force's fleet, but were absent, with the more contemporary American C-130J and C-17s being preferred for the parade.

There was also a significant participation by Indian-built aircraft, including the Dhruv advanced light helicopter (ALH), its weaponised version called the Rudra, Dornier light transport aircraft, and Jaguar fighter-bombers — all built by Hindustan Aeronautics. The Netra, an airborne early warning and control system aircraft, developed by the Defence Research and Development Organisation (DRDO) on a Brazilian Embraer business jet, was also showcased.

Meanwhile, the IAF tableau featured the indigenous light combat aircraft. The IAF has finalised, and is shortly slated to sign with HAL, an approximately ₹26,000 crore order for 83 Tejas Mark 1A fighters.

Ground systems participation, which has traditionally featured a large number of Russian weapons platforms, was noticeably biased towards indigenous and non-Russian weaponry, too. The only Russian ground systems featured were the T-90S Bhishma tank and BMP-2 infantry combat vehicle. Indian systems included the new K-9 Vajra-T self-propelled medium artillery gun, the Ordnance Factory's Dhanush medium artillery gun and the DRDO's Sarvatra assault bridge and eponymous Short Span Bridging System.

There was a strong Indian flavour to missile and air defence systems as well. There was a debut appearance for the DRDO-developed Anti-Satellite Weapon (ASAT), which was ostentatiously tested last March in the so-called Mission Shakti — arousing international criticism for allegedly creating space debris.

In the air defence arena, dominated by a range of Russian missiles for half a century, this year's parade featured only DRDO's Akash missile system.

However, a new Russian air defence system could well occupy centre stage in next year's parade, with delivery of the first Russian S-400 Triumf missile units slated for late-2020. India has defied strong pressure from Washington in going ahead with the purchase of five S-400 units from Russia for $5.43 billion.

In addition to the large number of weapons systems that debuted in this years parade — including the Chinook and Apache helicopters, the K-9 Vajra-T and the DRDO's promising Astra missile — the military scored two other significant firsts on Sunday.

For the first time, the Prime Minister Narendra Modi paid homage to soldiers, sailors and airmen who laid down their lives for the country at a new location — the National War Memorial that was inaugurated last February. Until now, prime ministers paid homage at the Amar Jawan Jyothi (eternal flame) memorial at India Gate.

Also unprecedented was the presence of a tri-service chief — the newly created appointment of Chief of Defence Staff (CDS), to which former army chief, General Bipin Rawat, was appointed on the new year. The Prime Minister and President Ram Nath Kovind were, for the first time, received by four general rank officers — the CDS and the three service chiefs.






(*Clockwise, from top left*) President Ram Nath Kovind (*right*) with Brazilian counterpart Jair Bolsonaro (*centre*) and Prime Minister Narendra Modi at the Rashtrapati Bhawan; Captain Tania Shergill, a fourth generation Army officer, leads the all-male Corps of Signals contingent at Rajpath; 21 women bikers of the CRPF perform a stunt; battle tank T- 90 Bhishma on display; and the newly-inducted Apache and Chinook PHOTOS: DALIP KUMAR & PTI

Govt in no position to bail out banks, says Banerjee

PRESS TRUST OF INDIA
Jaipur, 26 January

Nobel laureate and economist Abhijit Banerjee on Sunday said the banking sector in the country was "stressed" and that the government was in no position to bail it out.

Speaking to the media on the sidelines of the 13th Jaipur Literature Festival, Banerjee said the demand slowdown in the automobile sector also shows that people are lacking confidence in the economy.

"The financial sector is the biggest stress point currently. There is no question that the finance sector is something we should worry about, the banking sector is stressed. The government really is not in a position to bail it out, so we are talking about a long process of attrition, that's going to be costly.

"We also know that due to a demand deficit in the economy, cars and two-wheelers are not selling, and those things are signs of a general fact that people lack confidence that the economy is going to grow fast so they are holding back, they are not spending," he said.

The author of "Good Economics for Hard Times" added that the slowdown in the economy will also adversely impact poverty alleviation in the country as urban and rural sectors are interdependent.

"Poverty alleviation has been happening mostly on the strength of the fact that urban sector creates low skill jobs, and a lot of rural sector works in the urban sector and sends money back.

"That's the peak source of transmission of growth from urban sector to rural sector. And as soon as the urban sector slows down the rural sector, the people in construction work don't have as many jobs. All of that will feed back on the rural sector," the 58-year-old Indian-American economist said.

Answering to a question — how will economic policies work if people have a lack of trust in the data, he said the government "should worry about this issue" as foreign investors are getting "nervous".

"They don't know where they are going, what they are getting into, I mean those are real issues the government should look into. If it wants to have more investment and more involvement in the global economy, then I think it needs to provide the true data to people," he said.

Entirely internal, says India as EU moves to vote on CAA resolution

PRESS TRUST OF INDIA
New Delhi, 26 January

The EU Parliament should not take actions that call into question the rights and authority of democratically elected legislatures, official sources said on Sunday ahead of a vote on a resolution against India's Citizenship Amendment Act (CAA). The CAA is a matter entirely internal to India and the law was adopted through democratic means after a public debate in both houses of Parliament, they said.

The European Parliament is set to debate and vote on a resolution tabled by some of its members against the CAA, which it says marks a "dangerous shift" in the country's citizenship regime.

The resolution, tabled by the European United Left/Nordic Green Left (GUE/NGL) Group in Parliament earlier this week, is set to be debated next Wednesday and voted on the day after. "We hope the sponsors and supporters of the draft will engage with us to get a full and accurate assessment of the facts before they proceed further," said a source.

Bhim Army chief detained

Bhim Army chief Chandrashekhar Azad was on Sunday detained here while he was on his way to take part in an anti-CAA and NRC event.

The Dalit leader was in the city to address a gathering on CAA, the National Register of Citizens and the National Population Register.

Police said they had not granted permission for the programme to be held.

Azad's detention comes days after he was released from Tihar prison in Delhi following his arrest for allegedly inciting people during an anti-CAA protest.

Chidambaram hits out at Shah

Senior Congress leader P Chidambaram hit out at Home Minister Amit Shah on Sunday for his alleged remarks against Shaheen Bagh protesters, saying only those who despise Mahatma Gandhi would want to "get rid of Shaheen Bagh".

Shah on Saturday had reportedly said there should be "no Shaheen Bagh" in Delhi and the electorate must press the BJP's lotus symbol on February 8 for it.

Mallya sees hope in a SC ruling

ASHIS RAY
London, 26 January

The beleaguered Indian businessman Vijay Mallya's lawyers could utilise a recent order by the Supreme Court to seek mitigation at hearings on his extradition to India. These commence at the Royal Courts of Justice or the High Court of England and Wales in London on February 11.

In July last year, an appeal by Mallya was admitted by the High Court — but only to challenge the evidence of fraud presented by the prosecution to the Westminster Magistrates' Court, which ordered his deportation to India in December 2018. This was followed by the former British home secretary Sajid Javid approving his extradition in February 2019.

Mallya, who relocated to London in 2017, controlled Kingfisher Beer in India, where he is still a substantial shareholder. He, however, collided with difficulty after failure of Kingfisher Airlines, leaving the carrier with a debt of around ₹9,000 crores to various Indian banks. Mallya is liable in this respect, as he provided a personal guarantee in order to secure at least a part of the facilities.

Indian authorities also accused him of obtaining a portion of the loan fraudulently, and of unlawfully siphoning off money abroad. The magistrates' court upheld the charges on both counts.

Now, a direction issued by Chief Justice of India S A Bobde, Justice B R Gavai, and Justice Surya Kant on the 10th of this month to the Karnataka High Court asked the latter to expeditiously settle the matter of assets deposited before it by Mallya for liquidation, and thereby payment to creditors.

If a higher court reiterates the magistrate court's judgment, Mallya could still approach the UK's Supreme Court

Mallya has claimed the assets placed at the courts' disposal are worth around ₹13,000 crores.

According to the order of the three judges, all parties involved in the litigation agreed that the appeal by Mallya "pending before the Karnataka High Court at Bengaluru, be disposed of by the High Court as early as possible, preferably not later than three months from today"— which means 10th April. A source close to Mallya saw this as favourable.

It will be interesting to see the view of the London High Court, if the settlement of his dues to Indian creditors is imminent. The Central Bureau of Investigation and the Enforcement Directorate of the Ministry of Finance in their arguments before the magistrates' court took the stand that Mallya had no intention to repay the money borrowed by Kingfisher Airlines from Indian banks.

Sarosh Zaiwalla, senior partner at London solicitors Zaiwalla & Co said: "High Court hearings in such cases is generally continuous, and in this instance could take around a couple of days. The judge or judges will then reserve their judgement for 7-14 days before delivering it." He added the fraud aspect being reviewed is significant, as this was a key element in the magistrates' court granting extradition.

Since the verdict of the lower court was so sweepingly against Mallya, there was doubt as to whether the High Court would entertain an appeal by the defendant at all. Now the question is, if the High Court reiterates the magistrate court's judgement, what further options would Mallya have?

He could still approach the United Kingdom's Supreme Court. If this application, too, fails, he can conceivably, as long as Britain has not actually exited the European Union, petition the European Court of Justice. As of now, Britain and the EU aim to part on 1 January 2021. This, though, is subject to the two entities arriving at agreements on innumerable issues in a mere 11 months, including the future trading relationship from the present situation of the UK being a member of the EU single market.

Last week, Javid, currently the chancellor of the exchequer, rather rattled the markets by saying they should not be expecting "alignment" with the EU in a post-Brexit trading scenario. On Wednesday at the World Economic Forum in Davos, the new President of the European Commission Ursula Von Der Leyen hinted to the BBC that EU-UK trade negotiations could take longer if Britain preferred a competitive future.